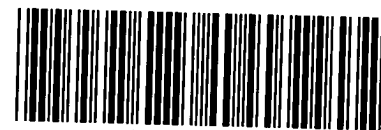


Revolution Bars Limited
Annual report and financial statements
for the 52 weeks ended 30 June 2018

Registered Number: 08838980

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Revolution Bars Limited

Strategic report for the 52 weeks ended 30 June 2018

The directors present their strategic report of the Company for the 52 weeks ended 30 June 2018.

Principal activities

Revolution Bars Limited (the “Company”) is a leading operator of premium bars, with a strong national presence in the UK and significant growth opportunity. The Company is a wholly owned subsidiary of Revolution Bars Group plc. Revolution Bars Group plc and its subsidiaries are defined as the “Group”.

Our business

The strategy of the Group is to provide high-quality retail brands in the leisure sector. Our business comprises two strong brands: Revolution, which is focused on young adults and Revolución de Cuba, focused on a broader age range. Whilst both businesses are wet-led, food is an important part of our growth and of our appeal to both customer groups. Our strategy for growing the business is to be customer focused, continually striving to provide a better experience both in terms of product offering, ambience and facilities leading to repeat visits and driving like-for-like sales. The Group is additionally focused on growing its footprint and number of premium bars by seeking new sites in good locations, and investing capital to deliver good returns.

At the beginning of the year, the Group operated from 67 venues. During the year there were six openings and we re-opened one venue in September 2017 which had been closed for four months, and therefore the Group traded from 74 venues at the end of the reporting year (58 Revolution and 16 Revolución de Cuba).

Our strategy continues to focus on:

- building customer loyalty, ensuring that all visits to our venues are an excellent experience;
- driving continued profit improvement from existing sites; and
- expanding the estate in to new profitable locations.

Our people

Revolution Bars Group plc has a skilled workforce as well as experienced senior and regional management teams with proven credentials in the industry. Strong cohesive teams have been built across our businesses with a focus on staff training and development to continuously improve individual capabilities and trading performance. The Group would like to recognise the commitment and the substantial effort of all our employees and thank them for their contribution to the Group's performance. It is their continued dedication and commitment to the business together with a clear strategic plan that is integral to our achievements.

Our business model

Our Revolution bars have been trading since 1996 and are a destination of choice for customers who value a premium drinks and food-led offering. Each Revolution bar has its own character, individual design and layout, with bar interiors tailored on a site-by-site basis to utilise the space available and the best attributes of the architecture of each bar.

The success of our Revolution brand is driven by our customers' desire to be entertained outside of their homes in highly invested, exciting, quality, contemporary environments. The principal revenue streams are generated from our wide premium cocktail and drinks range and our lunchtime and evening food offerings.

Operational priorities

- Consistently providing outstanding service and unbeatable quality to our customers;
- Substantial training investment driving service performance; and
- Constantly innovating to ensure that we offer our customers a market-leading range of cocktails and spirits.

KPIs & results

- **revenue year on year** – revenue is defined as total retail sales from bars in the year.
- **number of units** – Number of sites that the Company is trading from.
- **adjusted venue EBITDA** – Adjusted EBITDA excludes exceptional items and bar opening costs (see Statement of profit and loss and other comprehensive income on page 10).
- **Gross Margins** – Gross margin is measured after accounting for the cost of purchasing beverages and food and includes the effects of retrospective rebates and other supplier support, but excludes labour costs.

Revolution Bars Limited

Strategic report for the 52 weeks ended 30 June 2018 (continued)

KPIs & results (continued)

Revenue for the year was £104m (2017: £100m). Gross margin for the year was 71.0% (2017: 72.0%). Earnings before interest, tax, depreciation and amortisation, ("EBITDA"), was £0.5m after adjusting for exceptional items of £7.8m (2017: £4.6m).

The Company traded from 58 sites in the year (2017: 55). The Company's performance in the year has been weaker than expected, largely due to adverse weather conditions with snow and excess cold conditions in late Winter and early Spring, followed by an unusually hot Summer in 2018. The loss after taxation for the 52 weeks ended 30 June 2018 was £11.5m (2017: loss of £2.9m). Total equity at 30 June 2018 amounted to £17.9m (2017: £29.4m).

Principal risks and uncertainties

The Directors believe that the table below outlines the principal risks and uncertainties that the Group faces. Occurrence of any of these risks may significantly impact the business or impair the achievement of our strategic goals.

Underlying cause of risk	Response and mitigation
Dependence on key sites The Group operates throughout the UK and therefore has income sources from a geographically diverse estate. Notwithstanding that, certain sites deliver significantly more profit than others and overall profits are sensitive to this. A decline in profitability in a key site would have an adverse impact on Group profits and, in some cases, this could be material.	Dependence on key sites There are three mitigating actions to this risk: (i) operational managers are focused on the maintenance of operating profit of economically significant sites, (ii) these sites benefit from an annual refresh to ensure decor is maintained to the highest standards, and (iii) growing the size of the business through new sites reduces the Group's exposure to the fortunes of individual sites.
Consumer demand The eating-out and drinking-out markets are dependent on the consumer's disposable income. Macroeconomic factors, such as employment levels, interest rates and consumer confidence, are important influences on disposable income. Declines in disposable income in the Group's target market could adversely impact the levels of demand and, hence, profitability.	Consumer demand The Group retains the ability to tailor its offering in response to macroeconomic influences. Pricing, discounting, marketing and promotional activity can all be adjusted quickly if necessary. Furthermore, the Group's proposition is not based solely on selling price. A more affluent demographic is targeted and, in so doing, there is some down-side protection against adverse macroeconomic factors impacting on disposable income.
Discounting The Group operates in a market that is sensitive to the balance between supply (licensed premises and related capacity) and demand (from consumers). Imbalances can lead to competitive discounting in local market places and this can place pressure on the Group's pricing structures. Should the Group feel compelled to respond through discounting, operating margins could be affected.	Discounting The risk of entering into a competitive discounting environment is mitigated by the fact that the appeal of the Group's brands is not based solely on price. Environment, use of premium products, innovative serves and entertainment all combine to attract those customers looking for a good experience and therefore willing to pay more. Discounting risks are, at least in part, therefore mitigated.
Health and safety The Group's venues are open to the public and the Group has a duty of care to look after its customers. Failure to do so through poor execution of operating policies and procedures could lead not only to financial loss but also to negative associations with the brands.	Health and safety The Group's policies and procedures manual covers all aspects of operations. Adherence to these is strictly enforced both through internal operational line management and through external third-party audits. Incidents are followed-up and lessons are reflected in the manual, which is updated on a regular basis as and when required.

Revolution Bars Limited

Strategic report for the 52 weeks ended 30 June 2018 (continued)

<p>Leasehold rents All of the Group's operating sites are held on leases. Typically, the rents under these leases are determined on a five yearly cycle by reference to open market rents prevailing at the time of the review. Most leases stipulate upward-only increases. Substantial increases in market rents may arise as a result of other events in the locality and agreements with other operators that are beyond the control of the Group. Thus rent reviews may impair the net profitability of the relevant site and damage returns.</p>	<p>Leasehold rents Market rents in each location are beyond the control of the Group. To mitigate this risk, the Group employs specialist rent review advisers, who deal only with tenant reviews, i.e. there is no conflict of interest. Some mitigation arises due to rent reviews being spread out geographically and in terms of the timing such that on average one fifth of the estate reviews are concluded each year. This minimises the exposure to any rental market in any specific location or at any point in time.</p>
<p>Supplier concentration The drinks distribution market is dominated by one significant business, Matthew Clark, which is the Group's principal supplier. If Matthew Clark were to face business difficulties or otherwise change its arrangements or pricing, then the Group's operations could be disrupted.</p>	<p>Supplier concentration The proposed strategy is to tolerate the risk, principally based on the Group's assessment that Matthew Clark is the best supplier. Matthew Clark operates nationwide whereas other drink wholesalers do not. Prior to 2018, it had a long history and good service record with the Group; and the Group is an important customer. Mitigation is derived from a four-year deal (to December 2021) and through the Group's principal commercial deals with brand owners and not being dependent on the identity of the distributor. The Group has in place a contingency plan, which was tested to the full earlier this year when Matthew Clark's parent company entered into administration. For several weeks, the Group was supplied by an alternative supplier. Whilst this event was disruptive, there was no significant break in supply and the Group does not believe its sales were adversely impacted.</p>
<p>National minimum/living wage A significant proportion of venue based staff are affected, directly or indirectly, by wage legislation. Recent years have seen rises above inflation imposed on the business and given the pronouncements of political parties, this looks set to continue. Increased wage rates could impair site profitability.</p>	<p>National minimum/living wage Wage rate increases can be mitigated by reductions in the number of hours worked. However, the Group's customer proposition is dependent on high levels of service and therefore management is acutely aware that it should not cut hours in a way that impacts the customer. However, technology is being introduced to deploy staff more effectively and to streamline back office processes that will help mitigate wage increases. Also, to some extent small increases in selling prices may be possible to help cover increased costs.</p>

On behalf of the Board



Mike Foster
Director
5 October 2018
Registered office
21 Old Street
Ashton-under-Lyne
OL6 6LA

Revolution Bars Limited

Directors' report for the 52 weeks ended 30 June 2018

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 30 June 2018.

Dividends

No dividend has been declared or paid in the year (2017: nil).

Directors

The directors who held office during the year are given below:

Mike Foster

Keith Edelman – appointed 29 January 2018

James Del Guidice – resigned 16 January 2018

Directors' indemnity provisions

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The company financial statements have been prepared on the going concern basis. The Directors believe that the company will have the cash resources it requires to service and settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements.

Whilst the company has generated positive Adjusted EBITDA during the 52 weeks ended 30 June 2018, and is in a net asset position at the period end date, the company has suffered a decline in trading in recent weeks. Furthermore, the company made a significant loss during the 52 weeks ended 30 June 2018 due largely to significant exceptional charges which were mostly of a non-cash nature, including fixed asset impairment charges and provisions for onerous leases. The ultimate parent company, Revolution Bars Group plc, has renegotiated its banking facility which has included a revision to financial covenants. The facility is secured by a cross guarantee between Revolution Bars Group plc and the company. On the 28 September 2018 the bank issued a fully credit approved letter to approve this revision, which stated that it should be relied upon pending the timely execution of an amended facility agreement.

The Directors of Revolution Bars Group plc have prepared a forecast model for the group to 30 June 2021 and have run a number of sales downturn scenarios. These test scenarios indicate that there is sufficient headroom on the revised financial covenants. The directors have concluded, after making enquires, that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Employees

The Group places a high level of emphasis on being a good employer and has team engagement at the heart of its people strategy, measured by our balanced scorecard results in employee engagement, training and revenue. Key elements in achieving this are investment in training and development, a competitive remuneration and benefits package and encouragement of employees to participate actively in business strategy. Detailed information can be found on the Revolution Bars Group plc 2018 Annual Report and Group Accounts.

Employment of disabled persons

The Company aims to provide a working environment and to offer terms and conditions of service which allow disabled people with the necessary skills and qualifications to obtain employment with the Company. Disabled people are afforded equal opportunities in recruitment, promotion and training.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Revolution Bars Limited

Directors' report for the 52 weeks ended 30 June 2018

Independent auditors

PricewaterhouseCoopers LLP were appointed auditors in the year. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in the office.

On behalf of the Board



Mike Foster
Director
5 October 2018

Registered office
21 Old Street
Ashton-under-Lyne
OL6 6LA

Revolution Bars Limited

Statement of directors responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditor's report to the members of Revolution Bars Limited (continued)

Report on the audit of the financial statements

Opinion

In our opinion, Revolution Bars Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2018; the Statement of Profit and Loss and Other Comprehensive Income, the Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditor's report to the members of Revolution Bars Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the period ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditor's report to the members of Revolution Bars Limited (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

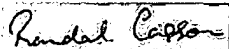
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
5 October 2018

Revolution Bars Limited

Statement of Profit and Loss and Other Comprehensive Income

for the 52 weeks ended 30 June 2018

	<i>Note</i>	2018 £'000	2017 £'000
Revenue	2	103,642	100,106
Cost of sales		(30,072)	(27,992)
Gross profit		73,570	72,114
Operating expenses	3	(85,339)	(74,713)
Operating loss		(11,769)	(2,599)
Finance expense		(77)	(105)
Loss before taxation		(11,846)	(2,704)
Tax on loss	7	354	(146)
Loss and total comprehensive expense for the period		(11,492)	(2,850)
Non-GAAP measure			
Revenue		103,642	100,106
Operating loss		(11,769)	(2,599)
Exceptional items	3	7,847	3,218
Adjusted operating (loss)/profit		(3,922)	619
Finance expense		(77)	(105)
Adjusted (loss)/profit before tax		(3,999)	514
Depreciation	8	4,412	3,944
Finance expense		77	105
Adjusted EBITDA		490	4,563

There were no items of other comprehensive income and therefore a separate statement of other comprehensive income is not presented.

The notes on pages 14 to 25 form a part of these financial statements.

Revolution Bars Limited

Statement of Financial Position at 30 June 2018

	<i>Note</i>	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	<u>37,900</u>	<u>36,074</u>
Current assets			
Inventories	9	2,699	2,254
Trade and other receivables	10	6,217	7,937
Cash and cash equivalents	11	<u>328</u>	<u>320</u>
		<u>9,244</u>	<u>10,511</u>
Total assets		<u>47,144</u>	<u>46,585</u>
Liabilities			
Current liabilities			
Trade and other payables	12	(17,895)	(12,157)
Onerous lease provisions due within one year	13	<u>(1,065)</u>	<u>(302)</u>
		<u>(18,960)</u>	<u>(12,459)</u>
Non-current liabilities			
Deferred tax liability	15	(373)	(774)
Onerous lease provisions due in greater than one year	13	(8,912)	(3,441)
Other liabilities	14	<u>(1,012)</u>	<u>(532)</u>
		<u>(10,297)</u>	<u>(4,747)</u>
Total liabilities		<u>(29,257)</u>	<u>(17,206)</u>
Net assets		<u>17,887</u>	<u>29,379</u>
Equity attributable to equity holders of the parent			
Share capital	17	-	-
Retained earnings		<u>17,887</u>	<u>29,379</u>
Total equity		<u>17,887</u>	<u>29,379</u>

The notes on pages 14 to 25 form a part of these financial statements.

The financial statements were approved by the Board of Directors on 5 October 2018 and were signed on its behalf by:



Mike Foster
Director

Registered Number: 08838980

Revolution Bars Limited

Statement of Changes in Equity for the 52 weeks ended 30 June 2018

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
At 2 July 2017	-	29,379	29,379
Total comprehensive expense for the period	-	(11,492)	(11,492)
At 30 June 2018	-	17,887	17,887

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
At 3 July 2016	-	32,229	32,229
Total comprehensive expense for the period	-	(2,850)	(2,850)
At 1 July 2017	-	29,379	29,379

The notes on pages 14 to 25 form a part of these financial statements.

Revolution Bars Limited

Notes to the financial statements

1. General information

Corporate information

The financial statements of Revolution Bars Limited for the 52 weeks ended 30 June 2018 were authorised for issue by the Board of Directors on 5 October 2018. Revolution Bars Limited is a limited company incorporated and domiciled in England and Wales.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2016 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Revolution Bars Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;

The Company's ultimate parent undertaking, Revolution Bars Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Revolution Bars Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Group's website (www.revolutionbarsgroup.com) or from the Company Secretary, 21 Old Street, Ashton-under-Lyne, OL6 6LA.

Basis of preparation

The financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They are presented in Pounds Sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated. Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed at the end of note 1.

Revolution Bars Limited

1. General information (continued)

(a) Accounting policies

Going concern

The company financial statements have been prepared on the going concern basis. The Directors believe that the company will have the cash resources it requires to service and settle its liabilities for the period extending beyond 12 months from the date of approval of the financial statements.

Whilst the company has generated positive Adjusted EBITDA during the 52 weeks ended 30 June 2018, and is in a net asset position at the period end date, the company has suffered a decline in trading in recent weeks. Furthermore, the company made a significant loss during the 52 weeks ended 30 June 2018 due largely to significant exceptional charges which were mostly of a non-cash nature, including fixed asset impairment charges and provisions for onerous leases. The ultimate parent company, Revolution Bars Group plc, has renegotiated its banking facility which has included a revision to financial covenants. The facility is secured by a cross guarantee between Revolution Bars Group plc and the company. On the 28 September 2018 the bank issued a fully credit approved letter to approve this revision, which stated that it should be relied upon pending the timely execution of an amended facility agreement.

The Directors of Revolution Bars Group plc have prepared a forecast model for the group to 30 June 2021 and have run a number of sales downturn scenarios. These test scenarios indicate that there is sufficient headroom on the revised financial covenants. The directors have concluded, after making enquires, that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction from equity, net of any tax effects.

Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost less accumulated depreciation and any accumulated impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Revolution Bars Limited

1. General information (continued)

Property, plant and equipment (continued)

Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Short leasehold premises and improvements – Lower of 25 years or the remaining term of the leasehold agreement on a straight line basis for new bars and lower of 10 years or the remaining term of the leasehold agreement for refurbishments to existing bars

IT equipment and office furniture – 3 years to 4 years on a straight line basis

Fixtures and fittings in licensed premises – 5 years on a straight line basis

Impairment

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value, net of rebates, with due allowance being made for obsolete or slow-moving items. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition. Net realisable value is the estimated selling price less further costs expected to be incurred prior to disposal.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revolution Bars Limited

1. General information (continued)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, which can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as provisions. These provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The key assumptions used in the discounted cash flow calculations are the discount and inflation rates and the market rents, vacant periods and future trading income of the properties.

Revenue recognition

Revenue is the fair value of goods and services sold to third parties as part of the Group's trading activities, net of discounts. Revenue primarily comprises food and beverages sold in the Group's businesses. This revenue is recognised at the point of sale to the customer.

Expenses

Cost of sales

Cost of sales principally comprises the purchase cost of drinks and food sold.

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Supplier rebates

Supplier income is recognised as a deduction from cost of sales on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued rebates receivable at year end are included with trade and other receivables. Where amounts received are in expectation of future business, these are recognised in the income statement in line with that future business. Certain arrangements include a stepped rebate based on volume. Management makes an assessment of these and applies estimates based on the volumes achieved and the expected out-turn.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Revolution Bars Limited

1. General information (continued)

Exceptional items

Items that are material in size or unusual or infrequent in nature are included within operating profit and disclosed separately in the income statement. The separate reporting of these items, which are disclosed within the relevant category in the income statement, helps provide a more accurate indication of the Company's underlying business performance.

(b) Judgements and key sources of estimation and uncertainty

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 8 ("Tangible fixed assets") – Recoverable amount of tangible fixed assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an investment of equivalent risk. For an asset that does not generate largely independent income streams, the recoverable amount is determined in conjunction with the income generating units to which the asset belongs.

Determining value in use requires a series of estimates to be made including the appropriate discount rate to calculate the present value, and an estimate of the cash flows expected to arise from the CGU (including an assessment of revenue and cost base growth) and the long term growth rate. For further details of sensitivity to these key assumptions, see note 8. The key assumptions in the value-in-use calculation are the applicable discount rate of 11.7 per cent, revenue and cost base growth, and the long-term growth rate.

Note 8 ("Tangible fixed assets") Capitalisation of leasehold additions

The company capitalises employment costs and related personal expenses of individuals whose job roles are fundamentally associated with managing or implementing the company's capital development programme. Judgement is therefore applied in determining the element of internal employment costs which are directly attributable to capital projects. Where such an individual undertakes non-capital expenditure related activities as part of their job role then that proportion of their cost is not capitalised unless the non-capital expenditure related activities are incidental to their role.

Note 13 ("Onerous Lease Provision")

Provisions for onerous leases require estimation and judgments to be made of the amounts expected to be payable over the remaining lease term for bars that have been closed, including an assessment of any sublet income. The future cash flows are discounted at a rate which reflects the risk profile of the cash flows. Sensitivity of the provision recorded to these key assumptions is included in note 13.

2 Revenue

Revenue consists entirely of sales made in the United Kingdom and is attributable to one activity, being the operation of bars.

Revolution Bars Limited

3 Operating expenses	2018	2017
	£'000	£'000
Administrative expenses	1,550	1,209
Sales and distribution	75,942	70,286
Exceptional sales and distribution items	7,847	3,218
Total operating expenses	85,339	74,713
Exceptional items		
Impairment of property, plant and equipment	860	1,359
Provision for onerous lease costs	6,987	1,859
Total exceptional items	7,847	3,218

As a result of the annual impairment testing of property, plant and equipment, the net book value of the assets at four of the Group's bars was written down either partially or in full.

Following a more robust analysis of the trading performance of the Group's bars, a small number have been identified as requiring an onerous lease provision, based on projected bar contribution and rental commitments. The adjustment will reduce rental charges in future periods; it does not affect the Group's cash flows.

4 Expenses and Auditor remuneration	2018	2017
	£'000	£'000
Operating profit is stated after charging:		
<i>Depreciation of owned fixed assets</i>	4,412	3,944
<i>Impairment of owned fixed assets</i>	860	1,359
<i>Rentals payable under operating leases:</i>		
Leasehold premises	8,789	8,431
<i>Auditors' remuneration:</i>		
Audit fees payable to the Company's auditor for the audit of official financial statements	10	20

No fees in respect of other non-audit services were received by the company's auditors in the current or prior period.

Revolution Bars Limited

5 Staff costs

The average monthly number of employees during each period, analysed by category, was as follows:

	2018 Number	2017 Number
Operational	<u>2,180</u>	<u>2,071</u>

The aggregate payroll costs were as follows:

	2018 £'000	2017 £'000
Wages and salaries	23,817	22,228
Social security costs	1,738	1,580
Other pension costs	193	113
	<u>25,748</u>	<u>23,921</u>

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund

6 Directors

	2018 £'000	2017 £'000
Remuneration	278	302
Pension costs	6	30
	<u>284</u>	<u>332</u>

Keith Edelman (appointed 29 January 2018), Mike Foster (appointed 8 May 2017) and James Del Giudice (resigned 16 January 2018) were employed by the Company and Keith Edelman and Mike Foster were also directors of the ultimate parent undertaking during the year and have been remunerated by the company in their capacity as a director. Their full remuneration is disclosed in the consolidated financial statements of Revolution Bars Group plc. Included above is a percentage of their total remuneration which amounts to £278,000 (2017: £302,000) and is recharged to the Company with in a management charge from Inventive Service Company Limited.

The aggregate of emoluments of the highest paid Director was £102,000 (2017: £107,000). This amount includes £nil (2017: £13,000) of employer pension contributions to a defined contribution scheme.

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7 Tax on loss	2018 £'000	2017 £'000
The major components of income tax for each period are:		
Analysis of charge in the year		
Current tax		
UK corporation tax on the loss for the period	-	-
Adjustment in respect of prior periods	47	-
Deferred tax		
Origination and reversal of timing differences	(401)	93
Adjustment in respect of prior periods	-	115
Effect of tax rate change on opening balance	-	(62)
Total tax	(354)	146
Factors affecting total tax credit/(charge) for each period		
Loss on ordinary activities before taxation	(11,846)	(2,704)
Loss on ordinary activities at standard rate of UK corporation tax rate (2018 - 19.00%, 2017 - 19.75%)	(2,251)	(534)
Effects of:		
Changes in deferred tax rates and other reconciling items	(3)	(83)
Group relief	1,796	396
Fixed asset differences	188	255
Adjustments to tax charge in respect of previous periods – deferred tax	(126)	115
Other differences	42	(3)
Total tax (credit)/charge for the year	(354)	146

The UK rate of corporation tax, currently 19%, will reduce to 17% on 1 April 2020 under provisions contained in Finance Act 2016. The Company has recognised deferred tax in relation to UK companies at either 19% or 17% depending on the period in which the deferred tax asset or liability is expected to reverse.

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8 Property, plant and equipment

	Short leasehold premises £'000	Fixtures and fittings £'000	IT equipment and office furniture £'000	Total £'000
Cost				
At 2 July 2017	40,106	8,792	6,919	55,817
Additions	4,832	2,203	63	7,098
At 30 June 2018	44,938	10,995	6,982	62,915
Accumulated depreciation				
At 2 July 2017	10,754	6,391	2,598	19,743
Charge in the period	2,686	1,609	117	4,412
Impairment charges	676	184	-	860
At 30 June 2018	14,116	8,184	2,715	25,015
Net book value				
At 1 July 2017	29,352	2,401	4,321	36,074
At 30 June 2018	30,822	2,811	4,267	37,900

The Group has determined that for the purposes of impairment testing each bar is a cash generating unit ("CGU"). The bars are tested for impairment in accordance with IAS 36 "Impairment of Assets" when a triggering event is identified. The recoverable amounts for CGUs are predominantly based on value in use, which is calculated from the cash flows expected to be generated to the end of the lease term discounted at the Group's weighted average cost of capital.

In the 52 weeks ended 30 June 2018, the Group impaired the assets of four CGUs, either partially or in full, based on the value in use of the CGU determined by discounted cash flow projections being lower than the net book value. When we recognise an impairment loss, we depreciate the asset's adjusted carrying value over its remaining useful economic life.

At the end each reporting period, a filter test, based on current the level of EBITA, is used to identify whether any asset is potentially impaired. This test compares a multiple of the current year performance of EBITDA, adjusted for central overheads, to the carrying value of the asset. This multiple is based on the shorter of the remaining lease term or 8 years.

If this test indicates a potential impairment issue a more detailed value in use review is performed. These value in use calculations use cash flows based on Board-approved forecasts covering a three-year period. These forecasts combine use management's understanding of historical performance, knowledge of local market environments and competitive conditions to set realistic views for future growth rates. Cash flows beyond this three-year period are extrapolated using a long-term growth rate to the end of the lease term.

The key assumptions in the value in use calculations are the cash flows contained within the budgets, the long-term growth rate and the risk-adjusted pre-tax discount rate as follows:

- Long-term growth rate: 2.0 percent (2017: 2.0 percent).
- Pre-tax discount rate: 11.7 percent (2017: 11.7 percent).

The long-term growth rate has been determined with reference to forecast 10 year Bond Yields from the Bank of England, which management believes is the most appropriate indicator of long-term growth rates that is available. The pre-tax discount rate is based on the Group's weighted average cost of capital.

Revolution Bars Limited

9 Inventories

	2018 £'000	2017 £'000
Goods held for resale	<u>2,699</u>	<u>2,254</u>

The cost of inventories recognised as an expense in cost of sales is as follows;

	2018 £'000	2017 £'000
	<u>30,072</u>	<u>27,992</u>

10 Trade and other receivables

	2018 £'000	2017 £'000
Amounts falling due within one year		
Amounts due from group undertakings	-	2,112
Prepayments and accrued income	<u>6,217</u>	<u>5,825</u>
	<u>6,217</u>	<u>7,937</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

11 Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	<u>328</u>	<u>320</u>

Cash and cash equivalents consist entirely of cash at bank and on hand. Balances are denominated in Sterling.

12 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	9,093	7,071
Accruals	3,137	2,315
Other taxes and social security costs	1,630	2,771
Amounts due to group undertakings	<u>4,035</u>	<u>-</u>
	<u>17,895</u>	<u>12,157</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

Revolution Bars Limited

13 Onerous lease provision

	2018 £'000	2017 £'000
Opening balance	3,743	2,080
Utilised in the year	(830)	(301)
Charge to income	6,987	1,859
Interest	77	105
	<u>9,977</u>	<u>3,743</u>
Current	1,065	302
Non-current	<u>8,912</u>	<u>3,441</u>
	<u>9,977</u>	<u>3,743</u>

The onerous lease provision is expected to be payable over the remaining lease terms.

The calculation is most sensitive to changes in the assumptions used for budgeted cash flow, and a risk-free discount rate of 1.3 per cent. Management considers that reasonably possible changes in assumptions would be a change in discount of 0.5 per cent. As an indication of sensitivity when applied to the calculation, an increase to the rate of +/-0.5 per cent would result in a change in the corresponding liability of +/-£0.140 million.

14 Other liabilities

	2018 £'000	2017 £'000
Rent free creditor	<u>1,012</u>	<u>532</u>

15 Deferred tax liability

Deferred tax assets/(liabilities) relate to the following:

	2018 £'000	2017 £'000
Accelerated depreciation asset/(liability) for tax purposes	<u>(373)</u>	<u>(774)</u>

Reconciliation of net deferred tax liabilities

Balance at the beginning of the period	(774)	(628)
Tax credit/(charge) during the period	<u>401</u>	<u>(146)</u>
Deferred tax liability	<u>(373)</u>	<u>(774)</u>

Revolution Bars Limited

16 Operating leases

At the statement of financial position date the Company has outstanding commitments for future minimum lease payments under non-cancellable operating leases which are payable as follows:

Land and buildings

	2018 £'000	2017 £'000
In less than one year	8,985	7,970
In two to five years	37,031	31,880
In over five years	93,580	67,263
	<u>139,596</u>	<u>107,113</u>

17 Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
2 (2017: 2) £1 ordinary shares of £1 each	<u>-</u>	<u>-</u>

18 Ultimate parent company

The immediate parent company is Inventive Guarantee Co Limited which is incorporated in England and Wales.

The ultimate parent company is Revolution Bars Group plc which is incorporated in England and Wales. The Group in which the results of the Company are consolidated is that headed by Revolution Bars Group plc. The consolidated financial statements of the Group are available to the public and may be obtained from the Group's website (www.revolutionbarsgroup.com) or from the Company Secretary, 21 Old Street, Ashton-under-Lyne, OL6 6LA.