REVOLUTION
BARS GROUP

REVOLUTION Revolución de Cuba

Revolution Bars Group plc

# ANNUAL REPORT and Accounts 2019

HIG

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# HIGHLIGHTS of the year

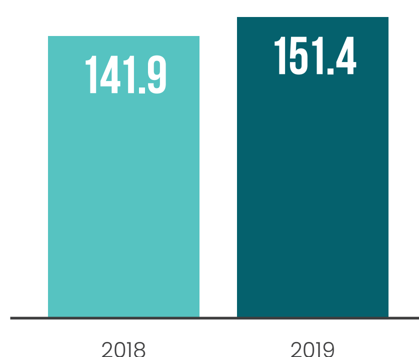
## We are a leading operator of premium bars...

...operating two market-leading brands, "Revolution" and "Revolución de Cuba". We have a strong national presence across the UK but with significant opportunities for further expansion. We currently trade from 77 bars located predominantly in town or city centre high streets.

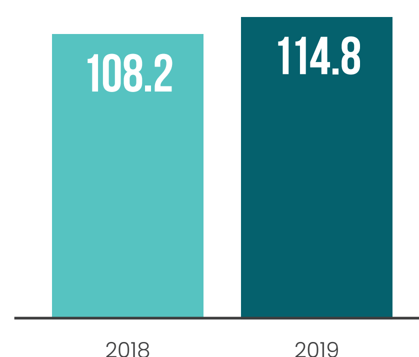
Both brands focus on a premium drinks and food-led offering, typically trading from late morning through into late evening.

77 venues

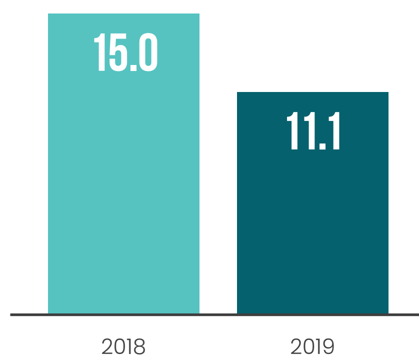
### REVENUE £M



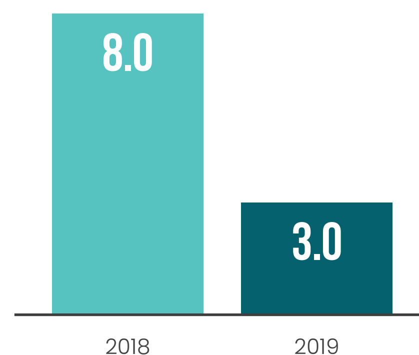

### GROSS MARGIN £M




### ADJUSTED EBITDA* £M




### ADJUSTED PBT* £M




* Adjusted performance measures exclude exceptional items, share-based payment (credits)/charges and bar opening costs (see reconciliation table on page 24 of the Financial Review).

# INVESTMENT *Proposition*

## Renewed management energy and focus on our turnaround strategy and core strengths are beginning to yield results.

### TWO PREMIUM BRANDS

Revolution is showing a new focus and energy to remind customers that we deliver fun and memorable experiences.

Revolución de Cuba brand presents relatively high barriers to entry with no direct branded competition.

Read more on pages 8–11

### CLEAR STRATEGY IN PLACE

Build guest loyalty.

Drive sustained profit improvement.

Develop our estate.

Whilst investing in:

– Our teams

– Our brands and guest experience

– Our core estate.

Read more on page 18

### STRENGTHENED TEAM & STRONG CULTURE

New Executive team empowered by the Board to deliver turnaround.

Purpose, Vision and Values embedded throughout the business.

Re-engaging our 3,300-strong passionate team.

Attracting new talent and new thinking.

Read more on page 38

### FINANCIALLY WELL STRUCTURED

Strong cash generation.

Mature new venue openings (2016–2018) have delivered a blended return on investment of 21 per cent.

Debt targeted to reduce to below one times EBITDA and for future expansion to be self-funded.

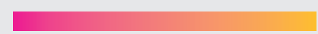
Read more on page 22

# 3K

PASSIONATE TEAM MEMBERS

# 21%

BLENDED RETURNS
FROM NEW OPENINGS



# CHAIRMAN'S *Statement*

**"Sales trend has strengthened further into the new financial period and like-for-like** sales in the first quarter are now positive at 0.7 per cent."**

**"As the many work-streams initiated during the last financial year take root, we can expect further improvements to sales trends as the year progresses."**

**Keith Edelman**
**Non-Executive Chairman**

## SUMMARY

- Five new bars opened in the year and eight bars refurbished. 15 refurbishments planned for FY20, six of which have already taken place
- The Group is profitable, cash generative and focused on further reducing debt to less than one times EBITDA, at which time the Group expects to be able to recommence expansion on a self-funded basis.

5 *New venues*

8 *Refurbished sites*

**I am pleased to report that over recent months the business has recorded a steady improvement in performance and as the many work-streams initiated during the last year take root we can expect further improvements to sales trends as the year progresses.**

**The Board is certain that focusing management and investment on the existing estate to improve the underlying strength of the business and to use surplus cash generated to reduce debt remains the right strategy.**

## OUR BUSINESS

The Group operates 77 premium bars with a strong presence throughout the UK for its two high-quality retail brands: Revolution, focused on young adults; and Revolución de Cuba, which attracts a broader age range. Most of the Group's sales are derived from drink and food with some late night admission receipts driven by entertainment completing the sales mix.

Following the appointment of Rob Pitcher as CEO in June 2018 and the subsequent strategic decision to suspend rolling-out new bars, our strategy to revitalise the Group and its brands has been focused on investing in our existing estate to improve performance through sales growth and better cash generation and in turn delivering stronger returns. During the reporting period, there were eight bar refurbishments costing £1.4 million, but in the new reporting period 15 refurbishments are planned, six of which have already been completed.

However, we were committed to opening five new bars in the period, of which three were Revolución de Cubas and two were Revolutions, resulting in the Group trading from 79 bars at the period end (60 Revolution and 19 Revolución de Cuba). The two new Revolution bars are trading ahead of expectations and are delivering excellent returns demonstrating consumers continued endorsement of this brand. The three new Revolución de Cuba bars are, as expected, continuing to establish themselves in their local markets and we are happy with their progress. In common with most operators we have continued to manage our estate and since the end of the reporting period have closed two under-performing bars.

## OUR RESULTS

Sales of £151.4 million (2018: £141.9 million) were 6.7 per cent higher than the previous period, driven by new bar openings. Like-for-like** sales were -3.5 per cent, adjusted EBITDA*, our preferred KPI, of £11.1 million (2018: £15.0 million) was in line with guidance given at our interim announcement.

After exceptional items of £7.1 million (2018: £11.1 million), bar opening costs of £1.5 million (2018: £2.0 million) and a credit from long term incentive plans of £0.1 million (2018: credit £1.6 million), the operating loss was £4.7 million (2018: loss £3.0 million).

# We remain confident that the business is well positioned for a RETURN TO *Growth*

Exceptional items include non-cash charges of £7.1 million for asset impairments and onerous lease provisions (2018: £7.8 million). There are no cash exceptional items in the period, compared with prior year cash exceptional items of £3.2 million primarily for fees and expenses related to corporate acquisition activity.

## OUR BOARD

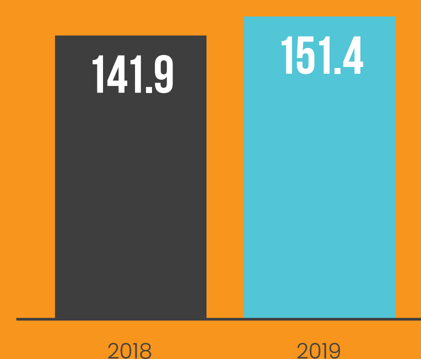
Rob Pitcher took up his appointment as CEO immediately prior to the start of the reporting period and has focused his efforts on the Group's trading turnaround and in particular understanding the difficulties faced by the Revolution brand, stabilising performance and planning and coordinating the activities to return the Group to sales and profit growth. A number of work-streams that are now in place to drive change and deliver better performance, are gaining traction as evidenced by the improving like-for-like** sales trend during the period.

Michael Shallow, the Company's Senior Non-Executive Director, retired from the Board at the Annual General Meeting on 26 November 2018. I would like to thank Michael for his contribution as the Senior Non-Executive Director and for leading both the Remuneration and Audit Committees from the time of the Company's IPO. Also on 26 November 2018, Jemima Bird, an existing Non-Executive Director, was appointed Senior Non-Executive Director and Chair of the Remuneration Committee, and William Tuffy joined the Company and the Board as a Non-Executive Director and Chair of the Audit Committee.

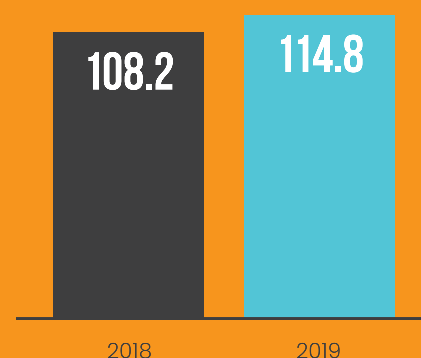
## OUR DIVIDEND

The Group remains a highly cash generative and profitable business. However, as indicated in March 2019, until there is a recovery in the Group's underlying sales performance, dividends are suspended in order to prioritise both investment in the existing estate and a reduction in bank borrowings. The Board intends to resume payment of dividends at the earliest opportunity.

## REVENUE £M




## GROSS MARGIN £M



# CHAIRMAN'S Statement continued

"I am confident that the changes in operational personnel and the actions and work-streams initiated in the last 12 months under Rob Pitcher's guidance will drive improved performance."

## OUR PEOPLE

The Group employs over 3,300 people who strive to provide the outstanding customer experience that is at the heart of our strategy. Team members are the lifeblood of our business and therefore we have maintained our focus on team member training and development to continuously improve individual capabilities and trading performance. I 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. Together with a clear strategic plan, it is their continued dedication and commitment to the business that will enable us to succeed.

## CORPORATE ACTIVITY

At the time of last year's report, we noted a possible acquisition of Deltic Limited. However, shortly after the report was issued and after a period of due diligence on the Deltic business, the Board decided that it was not in the interests of shareholders to further pursue a combination of the businesses.

## OUR FUTURE

Our like-for-like** sales trend has shown significant improvement over the past few months due to both the sales driving initiatives put in place gaining further traction and to the softer trading comparatives associated with the combination of 2018's sustained period of hot weather and the FIFA World Cup. Pleasingly, these trends have strengthened further into the new financial period and like-for-like** sales in the first quarter are now positive at 0.7 per cent. Given our increased focus on the existing estate, there have been more closure days for refurbishment activity during the first quarter compared to last year, and excluding those days gives underlying first quarter like-for-like** sales of +1.2 per cent.

Christmas is a crucial trading period for both our brands and we invest substantial resources into pre-selling parties. We have grown our Christmas business for six consecutive years on a like-for-like basis and we expect this year to continue that trend; early evidence is encouraging.

As the many work-streams initiated during the last financial year take root, we can expect further improvements to sales trends as the year progresses. However, we are mindful of the uncertain economic and political backdrop. The Board is certain that focusing management and investment on the existing estate to improve the underlying strength of the business and to use surplus cash to reduce debt remains the right strategy. We are profitable, cash generative and are focused on further reducing debt to less than one times adjusted EBITDA, at which time we expect to be able to recommence expansion on a self-funded basis.

I am confident that the changes in operational personnel and the actions and work-streams initiated in the last 12 months under Rob Pitcher's guidance will drive improved performance and a better business.

**Keith Edelman**
Non-Executive Chairman

1 October 2019

* Adjusted performance measures exclude exceptional items, share-based payment (credits)/charges and bar opening costs (see reconciliation table on page 24 of the Financial Review).

** Like-for-like (LFL) sales are defined as total retail sales from bars that have traded throughout both the current and prior reporting periods.

# 15

TOTAL REFURBISHMENTS PLANNED FOR FY20

# 6

ALREADY REFURBISHED IN FY20

Revolution Opening Party Glasgow, Mitchell St

# TWO PREMIUM BRANDS:

## Makers of the party spirit since 1996.

## We sell atmosphere and good times.

## Our guests primarily associate us with 'having fun'.

BARS

58

**We recognise that our Revolution proposition has underperformed.**

We have initiated many work-streams to revitalise the Revolution brand.

**Read about our turnaround plan on page 14.**

**Revolution Opening Party** Glasgow, Mitchell St

## DRINKS

A wide range of premium cocktails and drinks.

## FOOD

Classics and new enticing offerings.

## ENTERTAINMENT

Mainstream "feel good" music. Re-established market leading position for live Friday and Saturday entertainment.



## REGIONS

Our first Revolution bar opened in Manchester in 1996, and we now have 58 bars across the UK.

- 5 SCOTLAND
- 8 NORTH-EAST
- 13 NORTH-WEST
- 11 MIDLANDS
- 1 WALES
- 13 SOUTH-EAST
- 7 SOUTH-WEST

# TWO PREMIUM BRANDS:

**Our Revolución de Cuba bars are characterised by their 1940s Cuban-inspired style, with dark woods, traditional bar counters, antique tiles, vintage furniture, Havana-style ceiling fans and original Cuban artwork and photographs, with each bar tailored to give it an individual character.**

BARS

**19**

**Revolución de Cuba Launch** Aberdeen

## DRINKS

Rum-led cocktail range and Mexican and Spanish beers.

## FOOD

Spanish and Mexican-based tapas-inspired food menu.

## ENTERTAINMENT

Authentic live Latin music and entertainment.



## REGIONS

Our first Revolución de Cuba bar opened in Sheffield in 2011, and we now operate 19 bars.

- 2 SCOTLAND
- 5 NORTH-EAST
- 2 NORTH-WEST
- 3 MIDLANDS
- 1 WALES
- 4 SOUTH-EAST
- 1 SOUTH-WEST
- 1 NORTHERN IRELAND

# BUSINESS *Model*

## Our business model provides solid foundations from which to address issues with our Revolution proposition.

## LEVERAGING OUR SOURCES OF COMPETITIVE ADVANTAGE

**Two Recognised Brands**
Revolution and Revolución de Cuba, both of which are known for bringing fun to a night out

**Over half of 3,500 customers surveyed associated fun with the brands**

**Well Invested Estate**
77 locations, five new openings and eight refurbishments in FY19, 15 refurbishments planned for FY20

**£11.6M** capital investment in year

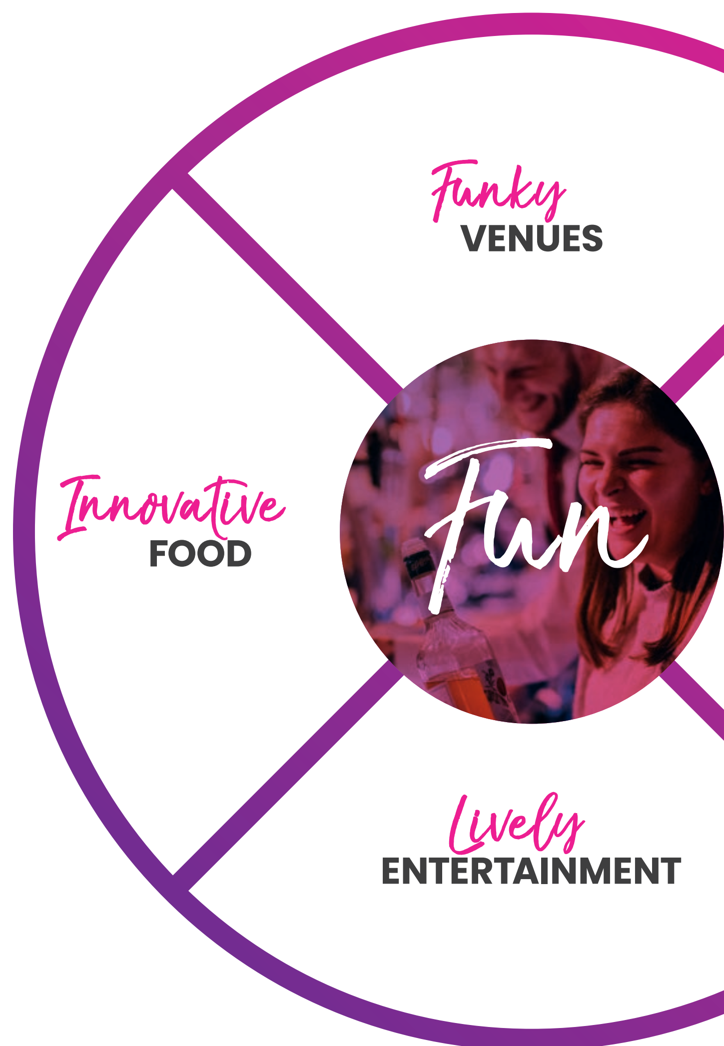
**Re-energised Team and Skilled Staff**
New Executive team empowered by the Board to deliver turnaround and re-engaging the organisation

**3,367** Employees

**Strong Financial Structure**
Strong cash generation, with management focus on debt reduction

**£10.6M** cash flow generated from operating activities

## CREATING VALUE FROM OUR CUSTOMER PROPOSITION




## MAXIMISING VALUE

**Clear Turnaround Strategy**

See page 14

**Embedded Values**

See page 26

**Funky Venues**
Large, characterful spaces

**Premium Drinks**
Two thirds of drinks sales from cocktails and spirits

**Lively Entertainment**
Live music, DJs and dancers

**Innovative Food**
Lunchtime and evening options served in a style that exudes flair and innovation

# SHARING VALUE WITH OUR STAKEHOLDERS

**Customers**
Fun and safe night out for our predominantly female customers

**4.3** average star rating across all online review platforms in FY19

**Employees**
Rewarding roles, with opportunities for advancement

**FINALIST** for two awards at the UK CXA Customer Experience Awards 2019

**Shareholders**
Back in like-for-like sales growth, with clear turnaround strategy for profit improvement and reduction in debt to de-risk the business

**+0.7%** like-for-like sales increase in first 13 weeks of FY20

**Communities**
Vibrant bars and job opportunities at the heart of communities

**77** locations

**Robust Risk Management**
See page 20

**Sound Governance**
See page 40

# CHIEF EXECUTIVE'S *Review*

"A return to positive like-for-like sales in Q1 of the current year reflects the hard work by the team in stabilising the business. We will invest in our team, our brand experience and our estate to continue to improve performance. Our progress demonstrates that our business is delighting our guests, and is both profitable and cash generative. We will utilise surplus cash to reduce debt to such an extent whereby any return to expansion of the estate will be self-funding."

**Rob Pitcher**
**Chief Executive Officer**

## SUMMARY

- Further innovate and develop our experience-led events
- Build on our strong competitive socialising heritage, whilst adding enhancements to our new App
- Invest in our estate with the twin objectives of driving like-for-like** sales whilst creating a more sustainable business.

## INTRODUCTION

Considerable progress, in challenging market conditions, has been made over the last 12 months.

As we transition into the next phase of our turnaround, we will seek to consolidate our improved performance through investment in our people, our guest experience and by revitalising the Revolution brand and the business as whole. I am pleased to report that we are seeing positive momentum across the business and have now been trading in positive like-for-like** sales and ahead of the market tracker for high street bars in two of the last three months.

Together with the operational actions and initiatives designed to deliver improved performance, we are determined to reduce our bank borrowings to the extent that any expansion will be largely self-financing.

I am pleased with how the business and our people have responded to the challenge set with the team fully engaged with our journey.

Our performance is set against a very challenging macro-economic and politically uncertain trading environment for the whole sector and specifically the "high street" which has suffered with both the ongoing, widely publicised, cost headwinds and the impact of closures in the casual dining sector. Whilst we are cognisant of the challenges this trading environment presents, we have remained focused on the delivery of our three-year turnaround plan. Having stabilised the business, we are now transitioning into a year of consolidation ahead of returning to expansion in financial year 2021.

The first half performance was hampered by the extended period of record-breaking hot weather experienced across the United Kingdom, and the extended run of the English national football team at the FIFA World Cup. During the second half we suffered from lower consumer confidence related to the political uncertainty caused by Brexit. Since this time, we have seen a steady and improving trend in our sales performance.

Against this backdrop we have worked to bring stability to our operational management team and to rectify the underinvestment in both our existing estate and the Revolution brand customer proposition. I'm pleased to report that, across the reporting period, the team is much more settled, and the new Revolution brand proposition coupled with our refocus on site refurbishments are delivering a turnaround in the brands like-for-like** sales performance.

Like-for-like** sales for the Group ended the year down 3.5 per cent which masks an improving trend with our first half, propped up by a strong festive period, down four per cent and the second half improving to -2.9 per cent. The second half improvement was largely driven by a much better fourth quarter of -1.8 per cent with growth achieved in five of the last seven weeks of the year. That momentum has continued into the new financial year and after thirteen weeks, growth stands at 0.7 per cent and adjusting for the impact of additional closure days for refurbishments further improves to 1.2 per cent. In FY19, the Revolution

# "Considerable progress, in challenging market conditions, has been made over the last 12 months."



brand was the weaker of our two brands with sales for the full year down 4.6 per cent with the first half down 5.7 per cent and the second half down 3.4 per cent but with the first 13 weeks of the new financial year improving to -0.6 per cent. Revolución de Cuba continues to perform more strongly with sales for the full year broadly similar to the prior year, having had a difficult third quarter. However, since then we have seen the brand returning to its historically strong performance with the first 13 weeks of this new financial year up 3.8 per cent. Revolución de Cuba remains well positioned, well invested and is loved by its guests.

Over the last three months our like-for-like** sales have consistently outperformed the "Bars & High Street Bars" cohort in the CGA industry sales tracker for the first time in over 18 months as we start to recover market share.

## OUR STRATEGY

**Our Group strategy remains unchanged with our three pillars, which are:**

- Build guest loyalty
- Drive sustained profit improvement
- Develop of our estate.

These three pillars are still the guiding principles of the Group and are very much driving our long-term decision-making processes. As part of our three-year plan we have spent the past nine months and will spend the coming 12 months focused on the first two of these pillars ahead of returning to expanding our estate again.

## STABILISATION

**The process to stabilise the Company began a year ago with a full review of the Revolution brand's customer proposition which provided the views of over 3,500 individual guests and 2,500 team members. The main conclusions were:**

1. Revolution is not delivering against our guests' value equation of price, quality and experience
2. Slow speed of service is a frustration for current guests and a barrier for lapsed guests
3. Food and drink menus lack innovation and have not kept pace with guest preferences
4. The estate is varied and may benefit from segmentation
5. Our guests associate Revolution with "fun" and are craving memorable experiences and events

This allowed us to form a deep understanding of what our guests were seeking from the Revolution brand and led to the creation of 30 different work-streams aimed at restoring the brand and Group performance.

A highlight of a tough first half was the delivery of our sixth consecutive record festive trading period. Both our sales and operations teams performed excellently delivering the important festive party season with pre-booked sales up 11.7 per cent and like-for-like** sales in growth by 2.6 per cent for the four weeks up to 31 December. This year, our early bookings are once again impressive and with nine weeks to go before the start of the Christmas party season pre-booked sales are 7.5 per cent up on a like-for-like basis.

During the first half we opened five new bars, three Revolución de Cuba's and two Revolutions. Trading at both Revolution bars has exceeded our expectations and they are delivering excellent returns on investment whilst trading at the three Revolución de Cuba bars is taking longer to build, but as anticipated.

In March, we announced a review of our strategic priorities with further emphasis on stabilisation and building a firm foundation for the Group's long term future. We announced decisive action to cease new openings and to suspend dividends in favour of increasing investment into refurbishing our core estate, repaying bank debt and delivering the workstreams to revitalise the Revolution brand. Significant progress has been made against these strategic priorities in the course of the second half of FY19.

# CHIEF EXECUTIVE'S *Review continued*

## INVESTING IN OUR ESTATE

During the year we invested £1.4 million refurbishing eight bars. These comprised six Revolution bars and two Revolución de Cuba bars. Post refurbishment, these bars have seen an overall sales uplift relative to the estate of 5.6 per cent sufficient to repay the investment within 26 months.

Since the start of the new financial year, the Group has invested a further £1.1 million refurbishing six more bars (four Revolution and two Revolución de Cuba). We are very encouraged by the response from guests and the early sales performances.

## REVITALISING THE REVOLUTION BRAND

Our extensive guest research and feedback from our team members guided us towards creating 30 workstreams designed to improve the trading performance of both brands but with a particular focus on revitalising the Revolution brand.

Several workstreams are focused on generating sales growth including an ambition to re-establish our market leading position for Friday and Saturday evening entertainment. The creation of "Saturday X" and "Love Revolution Saturdays" entertainment packages is helping us achieve this and has been rolled out to 24 Revolution bars. "Saturday X" is our full-scale production night and is driving average weekly uplifts of £2,000 in our larger bars with "Love Revolution Saturdays" delivering average weekly uplifts of £1,200 per bar. We will extend this successful programme of entertainment in the coming months to further bars and we will continue to develop new and interesting content to further innovate to ensure a memorable and fun experience for our guests.

The demand for memorable experiences and events is growing and therefore we have further developed our "Project Event Space" offering. Over the past six months, this has seen just over 12,000 guests attending various events held across the 28 bars currently taking part in this workstream. These new and exciting innovations provide additional reasons to visit our premises and are attracting first time guests to Revolution, developing our customer base and driving repeat visits. In the coming months we will extend these events to more bars including Revolución de Cuba bars.

Delivering on our guest's value equation was a key learning from the customer research and we have deployed a number of promotional and core pricing changes to provide better value for money which has seen our overall retail selling price in Revolution reduce by c. one per cent, whilst improving our drinks quality and range. Whilst volumes declined for the year at 3.1 per cent we have seen an improving run rate since these changes were implemented in the spring. The same approach has been taken on the Revolution food menu which has seen a more drastic five per cent reduction in average selling price across the year translating into a 19 per cent upswing in the volume of meals sold. The increase in footfall this brings also benefits drink sales associated with the food sales.

Food delivery is a way of life for the young professional and we have partnered with Deliveroo across 74 bars where the Deliveroo service is available. Sales penetration by bar varies greatly but we expect to deliver £0.5 million of food sales through this new channel in FY20 and we anticipate this will continue to grow.

As we revitalise the Revolution brand we continue to build guest loyalty and sentiment. This has increased over the last 12 months with our average star rating across all online review platforms (as measured by Reputation.com) moving from 4.1 in the year to June 2018 to 4.3 for the year to June 2019. That momentum has continued and currently the brand scores 4.4 stars. Our response rate to these reviews has also moved from 36 per cent to over 97 per cent between June 2018 and June 2019. What is also pleasing is that across the same time frame the volume of guest reviews received is up by 46 per cent from 31,000 to 45,000 which is providing ever increasing amounts of feedback in order to assess our performance.

Engaging our guests through digital platforms is increasingly important for our business and we continue to gain traction through our social channels with followers of Revolution across Facebook and Instagram up by nine per cent year on year with a total reach for the year of over 17 million and engagement with these posts at 1.2 million. Our new Revolution website was launched during the second half of the year with some very strong results such as booking enquires up 44 per cent and average page dwell time up 12 per cent as guests engage with more relevant content. On 2 September 2019, we launched the Revolution App and in four weeks achieved over 60,000 registered downloads and reached number nine in the rankings of "free food and drink apps" on the app store.

Driving profit improvement from our existing bars is one of our key strategic pillars. Labour is one of our largest costs and managing this efficiently is vital to our success. We continue to strive for optimisation via our labour management system. During the reporting period the average hourly rate of pay increased by 4.2 per cent following the statutory increases in the National Living and National Minimum Wage with a further 1.0 per cent increase in employers' pension contributions applied from April 2020. The increase in total venue labour costs at like-for-like bars was limited to 0.5 per cent due to improvements in deployment and removal of duplicated or unnecessary tasks at sites mitigating £1.6 million of cost increases.

At the half year we announced a series of cost reduction measures to deliver £1.5 million per annum of savings to help further mitigate the cost headwinds facing the business, all of which are now in place and we expect to achieve the full benefits in FY20.

As a result of daily monitoring of energy consumption at site level and targeted investment in energy saving initiatives, we achieved savings in consumption of over £250,000 although this was more than offset by increases in tariffs and related taxes. LED lighting was rolled-out to a further 33 bars during the year (41 bars now with LED) and since the start of the new financial year we have added a further eight bars with plans for around ten more over the remainder of FY20.

## OUR TEAM

In the face of a difficult trading environment and with an ever-increasing demand for improvement being required of them to deliver the turnaround in performance, our 3,300-strong team has risen to the challenge. They have dug deep and stuck to the task at hand in delivering increasing sales through delighting our guests and creating fun, memorable experiences for them every day, as evidenced by our improving customer ratings. I strongly believe that investing in the training and development of our teams is vital to the long-term success of the Group and I am delighted that during the reporting period we provided additional development training to over 1,800 of our team and promoted 164 people further along our management development pathway.

One of the key differentiators that makes Revolution Bars Group such a great place to be is our 3,300 strong team.

## CURRENT TRADING AND OUTLOOK

In the first 13 weeks of this financial year like-for-like** sales increased by 0.7 per cent and if adjusted for the rise in number of closure days resulting from our refurbishment programme it is 1.2 per cent.

We have now transitioned from a year of stabilisation into a year of consolidation. We are totally focused on ensuring our brands drive like-for-like** sales and profit growth. We will create and deliver shareholder value through building a stronger platform for growth by strengthening our balance sheet.

**Our key priorities for the year ahead are to:**

- Invest in our team
- Invest in our brand and guest experience
- Invest in our estate.

We plan to focus on our team engagement by developing strategies around team welfare, diversity and inclusion that mirror our customer base. We will also further innovate and develop our experience-led events including launching our Revolución de Cuba external events business. We will further build on our strong competitive socialising heritage, whilst also adding enhancements to our new App with the introduction of loyalty rewards and order and pay at table. We will invest in our estate with the twin objectives of driving like-for-like** sales whilst creating a more sustainable business and lessening our impact on the environment.

I am excited to be leading the team into the next phase of our journey.

**Rob Pitcher**
Chief Executive Officer

1 October 2019

* Adjusted performance measures exclude exceptional items, share-based payment (credits)/charges and bar opening costs (see reconciliation table on page 24 of the Financial Review).

** Like-for-like (LFL) sales are defined as total retail sales from bars that have traded throughout both the current and prior reporting periods.

# OUR Strategy

## We have a clear strategy in place to address underperformance of our Revolution proposition.

## FY20 STRATEGIC PRIORITIES

**1.**
Invest in:
– Our team
– Our brands and guest experience
– Our core estate

**2.**
Debt reduction targeting below one times adjusted EBITDA

**3.**
Deliver work-streams

### CUSTOMER PROPOSITION

**Workstream**
- App introduced to improve focus on brand quality
- Reputation.com introduced to provide aggregation and focus on all customer feedback metrics
- Female customer at heart of both propositions; focus on clean, well-maintained, safe environments
- Project "event" to leverage use of club rooms to offer events and attract new customers.

**Progress**
- TripAdvisor, Facebook and Google review scores have all improved significantly during the year
- Over 60,000 registered downloads of the App in four weeks since launch
- Increased uptake in Latin dance events at Revolución de Cuba bars
- "Pop" up and other new events going down a storm.

**KPIs**
- Response rate for feedback is over 95 per cent, up from 36 per cent a year ago
- Independent Health and Safety audit scores increased from 66 per cent FY18 to 83 per cent FY19
- 75 per cent of bars have EHO five star ratings, and 97 per cent of bars have EHO four star ratings or above.

**Next Steps**
- Active improvement on feedback points
- Maintain strong feedback response both centrally and at bar level
- Knowledgeable staff around new initiatives and offers, as well as quality and speed of service
- Consideration of offering cocktails via Deliveroo.

### TEAM ENGAGEMENT

**Workstream**
- Introduction of our Bartender Academies to master a range of brand standards
- Training available to all staff
- Encouragement for all staff to live and breathe fun in their jobs
- Introduction of Social Committees for central teams
- Project create tomorrow – understanding what makes our staff tick.

**Progress**
- Training academies have driven a focus on quality and speed of service in the venue teams – a core feedback point from research in the year
- Average time in post for General Managers was up from 11 months to 17 months in the year, reflecting increased desire for building a career with the Group.

**KPIs**
- 400 members of staff attended the FY19 conference, with 500 attending in FY20
- 1,784 people went on internal and external training courses in the year
- Over £1 million received by venue-based staff in bonuses and incentives.

**Next Steps**
- Continued support of our venue-based staff to help them deliver an amazing customer experience
- Development of Support Centre induction training
- Further development around our employee welfare, and diversity and inclusion policies
- Implementing learnings gained from talking to our Gen Z staff.

## DIGITAL JOURNEY

| Workstream | Progress | KPIs | Next Steps |
|---|---|---|---|
| • Development of online table booking system<br>• Deliveroo/Click and Collect launched in year<br>• App launched to support customer loyalty. | • Customer offers have been utilised to encourage new Deliveroo and Click and Collect sales. | • Online bookings increased 50 per cent in year<br>• 20 more bars offering Deliveroo. | • Continued development of the Apps, including new features such as “order and pay at table”. |

## SALES GENERATION

| Workstream | Progress | KPIs | Next Steps |
|---|---|---|---|
| • Remember we are selling fun times and happy, memorable experiences<br>• Reinvigoration of high energy and fun entertainment packages (Saturday X and Saturday Y) in top performing late-night bars. | • New entertainment nights have ensured they continue to lead their markets<br>• New Gin Academies brought in alongside Cocktail Masterclasses<br>• Menu adaption and bar ergonomics to drive sales. | • Total of 26 bars live with Saturday X and Saturday Y<br>• Average Saturday uplifts post-9pm of £2,000 from Saturday X and £1,300 from Saturday Y<br>• 7.5 per cent increase in pre-booked Christmas sales on a like-for-like basis compared to last year. | • Gin Academies introduced late FY19 – scope for growth in FY20<br>• Continued focus on premiumising our food and drinks offerings. |

## COST LEADERSHIP

| Workstream | Progress | KPIs | Next Steps |
|---|---|---|---|
| • Reengineered menus with focus on cost effective products to improve margin and improve speed of service<br>• Cost Benchmarking of bars<br>• Engagement of purchasing partner incentivised to reduce contract prices on all non-resale product spend and services. | • Energy-saving initiatives including LED lighting roll-out to 41 bars (FY18: six bars)<br>• Improved productivity through streamlining processes in all aspects of the business. | • Bar labour efficiencies almost mitigated the full costs of National Minimum Wage and pension increases in year<br>• £1.5 million savings secured from central headcount reductions and new supply contracts for non-resale products and services. | • Ongoing focus on how to minimise the impact from increases in the National Living Wage<br>• Monitoring of trials to understand best cost leadership plan<br>• Continued process simplification. |

## ESTATE DEVELOPMENT

| Workstream | Progress | KPIs | Next Steps |
|---|---|---|---|
| • Focus on refurbishment of existing estate rather than expansion<br>• Trials of segmentation across small number of bars<br>• Identification of new sites to build pipeline. | • Alignment of experienced property team, with new Property Director and skilled team members in the year<br>• Research trips to the best bars in the world, including Ibiza, Cuba and USA. | • Five new bars opened in the year<br>• Eight bars refurbished in the year. | • 15 bars to receive full refurbishments in FY20, with more receiving minor “sparkles”<br>• Six bars already refurbished in first quarter of FY20<br>• Scope for expansion to 150 bars in the UK in the future. |

# RISK Report

## RISK MANAGEMENT

In order to gain an understanding of the Group's exposure to risk, we review each key area of our business annually and use a methodology that will assist the Group in measuring, evaluating, documenting and monitoring risk within all areas of its operations.

We use our risk management process as described to identify, monitor, evaluate and escalate risks as they emerge, enabling management to take appropriate action wherever possible in order to control them and also enabling the Board to keep risk management under review.

## PRINCIPAL RISKS

The risk factors set out below are those which the Board believes are the most significant to the Group's business model that could adversely affect the operations, revenue, profit, cash flow or asset values and which may prevent the Group from achieving its strategic objectives. There may be additional risks and uncertainties that are currently unknown or currently believed to be immaterial that may also have an adverse effect on the Group.

## RISK MANAGEMENT FRAMEWORK

| Underlying cause of risk | Response and mitigation | Change to residual risk in FY19 | Commentary |
|---|---|---|---|
| **Dependence on key sites** | | | |
| The Group operates throughout the UK. Certain bars deliver significantly more profit than others based on geographical diversity. A significant decline in profitability at a key bar could have a material adverse impact on Group profits. | • Operational manager focus on economically significant bars<br>• More frequent refresh on such bars to ensure decor is maintained to the highest standards<br>• Grow the size of the business through new bars to reduce exposure of individual bars. | ↑ | Five new bars opened in the year aiding diversification. Investment across existing estate drives performance of less key bars.<br>Pause in expansion will prevent further diversification. Changes in market dynamics and increased cost base means that proportion of profit from large bars is increasing. |
| **Acquisition of new sites** | | | |
| The Group's strategy is based on growth through the acquisition of new bars. Longer term market expectations rely on the Group sourcing and developing a pipeline of good sites. | • The development team and property agents have sufficient resources to ensure the investigation of new site opportunities, as required. | ↔ | The Board's focus has shifted to invigorating the current estate until growth returns to the Revolution brand.<br>Lead times between building a pipeline and openings may lead to a longer pause in acquisitions than optimum. |
| **Refurbishment of existing sites** | | | |
| Underinvestment in the current estate resulting in declining like-for-like performance. | • Shift in focus from acquisition of new bars to investment in the existing estate<br>• Five to six-year investment cycle for all bars. | ↓ | Bars that have been refurbished in the year are showing improved performance already. 15 refurbishments planned for FY20. |

| Underlying cause of risk | Response and mitigation | Change to residual risk in FY19 | Commentary |
|---|---|---|---|
| **Consumer demand** | | | |
| The out of home markets for eating and drinking depend on the consumer's disposable income. Macroeconomic factors, such as employment levels, interest rates and consumer confidence, are important influences on disposable income. | • Ability to tailor offerings in response to macroeconomic influences<br>• Pricing, discounting, marketing and promotional activity can all be adjusted quickly if necessary<br>• Group's proposition is not based solely on selling price; a more affluent demographic is targeted and thus there is some down-side protection against adverse macroeconomic factors. | | Brexit has increased macro-economic uncertainty and in particular the potential fall-out from a "no deal Brexit" could impact consumer demand. |
| **Health and safety** | | | |
| The Group's bars are open to the public and the Group has a duty of care to look after its customers. | • The Group's policies and procedures manual covers all aspects of operations<br>• Adherence to these is strictly enforced both through internal operational line management and through external third-party audits<br>• Incidents are thoroughly investigated and any lessons learned communicated widely throughout the business and, where appropriate, policies, procedures and staff training updated. | | Each round of scores from the independent audit of Health & Safety across all bars conducted over the last two years has seen an overall improvement. We understand that our scores are better than most similar businesses using the same independent auditor. |
| **Leasehold rents** | | | |
| All of the Group's operating sites are held under leases. Typically, rents are determined on a five yearly cycle by reference to open market rents prevailing at the time of the review. | • The Group employs specialist rent review advisers who deal only with tenant reviews<br>• Some mitigation arises due to rent reviews being spread out geographically and in timing. This minimises the exposure to any rental market in any specific location or at any point in time. | | A new accounting standard, IFRS 16, is coming into effect for FY20 which will give rise to significant changes in the accounting for leases. Please see page 25 for further information. |
| **Supplier concentration** | | | |
| The drinks distribution market is dominated by one significant business, Matthew Clark, which is the Group's principal supplier. Matthew Clark operates nationwide whereas other drink wholesalers do not.<br><br>If Matthew Clark were to face business difficulties or otherwise change its arrangements or pricing, then the Group's operations could be disrupted. | • The proposed strategy is to tolerate the risk, based on the Group's assessment that Matthew Clark is the best supplier, and a four-year deal is in place to December 2021<br>• A contingency plan is in place to move the supplier to an alternative supplier should Matthew Clark be unable to supply. This has been tested in a real life situation. | | In April 2018, Matthew Clark's parent company entered into administration, and the Group invoked its contingency plan for several weeks with an alternative supplier to no significant adverse impact. |
| **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 current political backdrop, these pressures are likely to continue for at least the next few years. | • Technology is being introduced to deploy staff more effectively and to streamline back office processes that will help mitigate wage increases<br>• To some extent small increases in selling prices may be possible to help cover increased costs<br>• Worksmart project launched to identify opportunities for simplifying administration tasks at trading venues. | | Better adoption and refinements of the labour scheduling system implemented in mid-2018 has allowed improvements in efficiency of staff rostering. |

# FINANCIAL *Review*

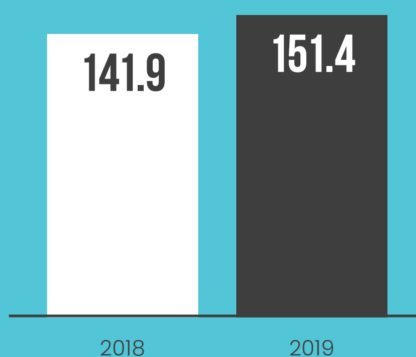
*Revenue*

+6.7%

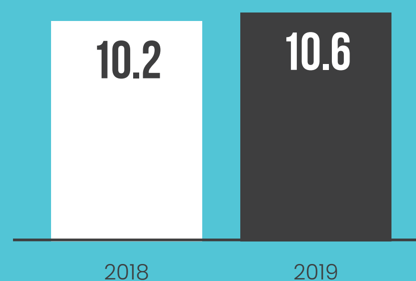
## SUMMARY

- Revenue for the period was £151.4 million (2018: £141.9 million), a 6.7 per cent increase compared with the prior period
- The underlying result, as measured by adjusted EBITDA*, was £3.9 million lower at £11.1 million (2018: £15.0 million)
- The Group incurred an operating loss of £4.7 million (2018: loss £3.0 million) after charging non-cash exceptional items of £7.1 million (2018: £11.1 million – included £7.9 million on non-cash items and £3.2 million of cash items)
- The Group generated net cash flow from operating activities in the period of £10.6 million, £0.4 million more than in the prior period (2018: £10.2 million)
- Net debt at period end was £14.9 million (2018: £11.5 million) after capital investments of £11.6 million.

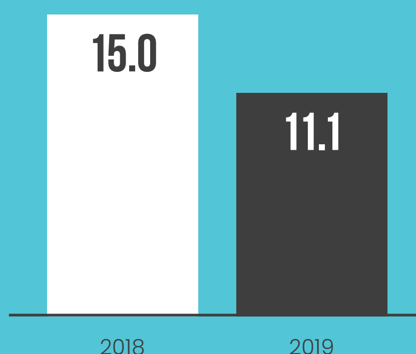
## REVENUE £M



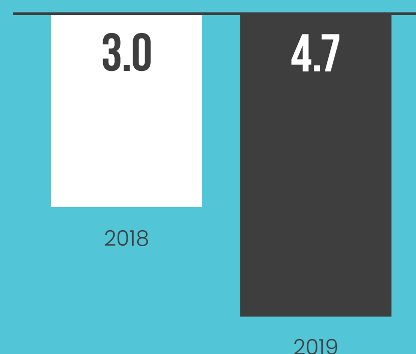

## CASH GENERATED FROM OPERATING ACTIVITIES £M




## ADJUSTED EBITDA*£M




## OPERATING LOSS £M



> **The Group generated net cash flow from operating activities in the period of £10.6 million, £0.4 million more than in the prior period (2018: £10.2 million).”**



## RESULTS

Revenue for the period was £151.4 million (2018: £141.9 million), up 6.7 per cent compared with the prior period. The revenue increase comprised part-period contributions from five new bars opened during the period and the annualisation of six new bars opened in the prior period, offset by a reduction in sales from established like-for-like** bars of 3.5 per cent.

The underlying result, as measured by adjusted EBITDA*, was £3.9 million lower at £11.1 million (2018: £15.0 million). This reflects an adjusted EBITDA* margin of 7.3 per cent of revenue compared with 10.6 per cent in the prior period. The reduction in EBITDA margin is predominantly the result of the reduction in like-for-like** sales whilst costs pressures have continued unabated, primarily due to minimum wage and employer pension increases, additional energy taxes and transitional relief for general rates increases relating to the 2017 revaluation now being fully exhausted and the absence of any rate refunds from rating appeals.

Of the six bars opened in the prior period, one Revolución de Cuba and three Revolution bars opened in the first half followed by two Revolución de Cuba bars in the second half. These bars have performed in line with expectations, achieving incremental revenue in the period of £6.7 million and incremental adjusted EBITDA* of £1.0 million. For the full year, these six bars produced £1.9 million adjusted EBITDA in the year at a net margin of 13.9 per cent. This is expected to improve further as the Revolución de Cuba bars mature in both sales growth and EBITDA conversion.

Five bars opened in the current period, all in the first half. Three Revolución de Cuba bars opened in Southampton, Bristol and Huddersfield, and two Revolution bars opened at Glasgow Mitchell Street and Durham. At the interim, the Board took the decision to suspend further openings of bars and to focus on investment in the existing estate. These five bars achieved total revenue in the period of £7.3 million and adjusted EBITDA* of £0.5 million equating to a net margin of 6.8 per cent. The three Revolución de Cuba bars have started slowly but are expected to continue to grow their market share over the next 12 months consistent with the trading profile seen in many of the other brand openings to date. The two Revolutions have traded strongly from opening. This Group of openings is projected to achieve a return of 12.6 per cent in their first 12 months but the Board is confident that returns will improve significantly over time.

The increase in pay rates for venue staff amounted to £1.7 million at like-for-like bars, nearly all of which was mitigated by reductions in hours worked as a result of our focus on staff scheduling efficiencies. The amount expended on general rates net of rebates at like-for-like bars was £0.7 million higher, in part due to having received rebates of £0.4 million in the prior year and in part to the unwind of transitional relief relating to the 2017 rateable value revaluation. Energy tariffs and related taxes increased by £0.3 million but were offset by consumption savings as a result of investment and management focus on energy saving initiatives.

Central costs of £7.7 million (2018: £7.6 million) represent 5.1 per cent of revenue compared to 5.4 per cent in the prior period and equates to £97,000 per bar (2018: £103,000).

The Group therefore incurred an operating loss of £4.7 million (2018: loss of £3.0 million) after charging non-cash exceptional items of £7.1 million (2018: £11.1 million – included £7.9 million of non-cash items and £3.2 million of cash items). The Group reported a pre-tax loss for the period of £5.6 million (2018: loss £3.6 million) impacted by the exceptional costs detailed above and after bar opening costs of £1.5 million (2018: £2.0 million) and a credit arising from long-term incentive plans of £0.1 million (2018: credit £1.5 million).

## UNDERLYING PROFITABILITY

The Board’s preferred profit measure is adjusted pre-tax profit, which excludes exceptional items, bar opening costs and credits/charges arising from long term incentive plans. On this basis, adjusted pre-tax profit was below the prior period at £3.0 million (2018: £8.0 million).

# FINANCIAL Review continued

| | Number of bars | 2019 £m | 2018 £m |
|---|---|---|---|
| **Adjusted EBITDA*** | | | |
| Bars opened pre-July 2017 | 68 | 16.4 | 21.8 |
| Bars opened in prior period | 6 | 1.9 | 0.8 |
| Bars opened in current period | 5 | 0.5 | – |
| Adjusted EBITDA from bars | 79 | 18.8 | 22.6 |
| Central support costs | | (7.7) | (7.6) |
| **Adjusted EBITDA** | | 11.1 | 15.0 |

| | 2019 £m | 2018 £m |
|---|---|---|
| **Reported pre-tax loss** | (5.6) | (3.6) |
| Add back Exceptional items | 7.1 | 11.1 |
| Add back Bar opening costs | 1.5 | 2.0 |
| Add back Credit arising from long-term incentive plans | (0.1) | (1.5) |
| **Adjusted pre-tax profit** | 3.0 | 8.0 |
| Add back Finance costs | 0.9 | 0.5 |
| Add back Depreciation | 7.2 | 6.5 |
| **Adjusted EBITDA** | 11.1 | 15.0 |

## EXCEPTIONAL ITEMS, BAR OPENING COSTS AND ACCOUNTING FOR LONG TERM INCENTIVE PLANS

**Exceptional items**, by virtue of their size, incidence or nature, are disclosed separately in order to allow a better understanding of the underlying trading performance of the Group. The charge for the period comprises £7.1 million all of which are non-cash items relating to fixed assets impairment charges and an increase in the provision for onerous leases. In the prior reporting period, non-cash exceptionals for these same items amounted to £7.9 million and also included £3.2 million of cash costs associated with the takeover and merger approaches received from the Stonegate Pub Company Limited and the Deltic Group Limited, the resignations of the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO") and the recruitment of a replacement CEO and additional resourcing to support the review of accounting policies. There were no cash exceptional items in the current period. A full analysis of Exceptional items is given in note 3 to the financial statements.

**Bar opening costs** refer to one-off costs incurred in getting new bars fully operational and primarily include costs incurred before opening and in preparing for launch. The most significant element of these costs relates to property overheads incurred between signing the lease and opening for trading. Whilst five bars were opened in the reporting period, the total charge also includes £0.2 million costs written-off in respect of other pipeline sites that were aborted following the decision to suspend the opening programme and focus investment on the existing estate and debt reduction.

**Credit relating to long term incentive plans** resulted from the expiry of tranche 1 of both the IPO and 2016 LTIP awards under which there were no vestings.

The Board believes that the performance measures, adjusted EBITDA*, adjusted operating profit* and adjusted pre-tax profit*, give a clearer indication of the underlying performance of the business as they exclude exceptional items, one-off bar opening costs that are a function of the timing of the new bar development programme rather than the underlying trade, and non-cash charges relating to long-term incentive schemes which tend to reflect changes in the management team rather than being a measure of performance.

## FINANCE COST

Finance costs of £0.9 million (2018: £0.6 million) relate to borrowings under the Group's committed revolving credit facility (the "Facility") and also include commitment fees relating to any undrawn element of the Facility, the amortisation of arrangement fees over the life of the Facility and notional interest charged at a risk free rate on the onerous lease provision balance. The increased cost reflects higher average bank debt levels during the year as result of the accelerated expansion of new openings over the last two years.

The Group has had in place throughout the period the Facility, which provides £25 million committed to December 2021. However, given the Group's current priorities of focusing management resource and investment on the existing estate and reducing debt over the next 12 months, the Facility has been reduced to £21.5 million as at the date of this report saving unnecessary commitment fees. Further reductions have been agreed consistent with the expected reduction in debt levels over time but allowing for both cash flow seasonality and headroom against unforeseen short term trading issues with a minimum facility of £18.0 million at any point. At the end of the period, loans of £17.5 million (2018: £15.5 million) were outstanding.

## TAXATION

There is no tax payable in respect of the current period. The credit of £0.4 million (2018: credit £0.7 million) comprises a net deferred tax credit of £0.3 million arising from timing differences (2018: credit £0.2 million)

alongside a £0.1 million credit relating to tax relief arising from exceptional items from previous periods and high levels of capital expenditure.

## (LOSS)/EARNINGS PER SHARE

Basic loss per share for the period was 10.4 pence (2018: loss 5.7 pence). Adjusting for exceptional items, non-recurring opening costs and credits arising from long term incentive plans resulted in adjusted earnings per share for the period of 3.4 pence (2018: 13.0 pence).

## OPERATING CASH FLOW AND NET DEBT

The Group generated net cash flow from operating activities in the period of £10.6 million, £0.4 million more than in the prior period (2018: £10.2 million). This was mainly attributable to lower corporation tax payments £0.2 million credit (2018: £0.6 million charge). After deducting capital investments £11.6 million (2018: £14.3 million), dividends £1.7 million (relating to the payment of FY18 dividends) (2018: £2.5 million) and interest £0.8 million (2018: £0.5 million), there was a net cash outflow in the period of £3.4 million (2018: £7.1 million) resulting in net debt increasing from £11.5 million to a closing position of £14.9 million. The decision to suspend new bar openings and dividends will lead to a more significant proportion of the Group's net cash flow from operating activities being available to reduce net debt during FY20.

## CAPITAL EXPENDITURE AND RETURNS ON INVESTED CAPITAL

The Group invested £11.6 million (2018: £14.3 million) in total during the period of which £6.6 million (2018: £9.8 million) related to new bars and £4.1 million (2018: £3.8 million) related to developing and maintaining the existing estate. A further £0.9 million was spent on computers, IT systems and app development (2018: £0.6 million). Given the suspension of new bar openings as detailed in the FY19 interim results, there was no expenditure in the current reporting period relating to FY20 openings.

The six bars opened in the prior period generated adjusted EBITDA* in the current period of £1.9 million. The capital development cost for these six bars was £9.4 million producing a return on capital of 20.2 per cent during the current reporting period (adjusted EBITDA* divided by capital cost). Five bars opened in the current period at a capital cost of £7.6 million. These bars are not all yet trading maturely but are expected to at least achieve a 20 per cent return in the FY20 reporting period.

## DIVIDEND

As notified in the interim announcement, the Board has suspended payments of dividends until there has been a sustained recovery in the Group's underlying sales performance and debt has been materially reduced from current levels. The final dividend in the previous year was 3.3 pence per share.

## LEASING

The new accounting standard on leasing arrangements (IFRS 16) will be adopted by the Group with effect from 30 June 2019 using the modified retrospective approach. As explained in the "New standards and interpretations not yet adopted" section of the Annual Report, this will impact on the stated values of assets and liabilities as reported on the Group's Balance Sheet and will most likely result in an increase in both the Group's adjusted EBITDA and finance charges. Had IFRS 16 applied to the current reporting period, the Group's adjusted profit before tax would have been £0.1 million lower than reported in these statements.

As at the reporting date, the Group has non-cancellable operating lease commitments of £181.8 million. None of this relates to short-term or low value leases. For the lease commitments, the Group expects to recognise right-of-use assets of approximately £85.5 million on 30 June 2019, and lease liabilities of £122.7 million (after adjustments for prepayments and accrued lease payments recognised as at 29 June 2019). Overall, the net assets will be approximately £23.5 million lower, and net current assets will be approximately £7.3 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that for the reporting period ending 27 June 2020, Adjusted profit before tax will be approximately £1.0 million higher and that net profit after tax will increase by approximately £1.0 million as a result of adopting the new rules. Adjusted EBITDA, the Directors preferred measure for the underlying business performance, is expected to increase by approximately £11.7 million, as operating lease payments were previously included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately £11.7 million (netting off to £nil) as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. Therefore, there is no change in the Group's cash flows as a result of adopting IFRS 16.

Bank covenants will continue to be measured under the previous accounting rules until such time as a new Facility or revised covenants are formally agreed with the bank to take account of the impact of IFRS 16.

**Mike Foster**
Chief Financial Officer

1 October 2019

* Adjusted performance measures exclude exceptional items, share-based payment (credits)/charges and bar opening costs (see reconciliation table on page 24 of the Financial Review).

** Like-for-like (LFL) sales are defined as total retail sales from bars that have traded throughout both the current and prior reporting periods.

# OPERATING RESPONSIBLY
*for our stakeholders*

## CORPORATE AND SOCIAL RESPONSIBILITY STATEMENT

**The Group's corporate social responsibility activities prioritise our people, responsible retailing and charity.**

## PEOPLE

The Group employs around 3,300 people and, through its growth strategy, is committed to creating rewarding careers for our employees. In order to support staff retention, our development activity focuses on creating career paths from every department within the business. Our talent development activity ensures that we maintain a strong pipeline of managers to lead and grow the business. This is evidenced by a detailed succession plan and talent management programme, enabling us to fill circa 70 per cent of our management positions internally. Our training utilises a variety of development tools, maximising technology where appropriate. We combine our e-learning platform, ACE Online and customer service training programme to provide training to all our employees from day one. These tools take people from learning about our purpose, vision and values at induction through to mastering a range of brand standards that ensure quality and speed of service are a focus for all team members.

Our talent attraction strategy ensures that we provide a compelling reason for experienced hospitality team members to join the Group. During the last year four highly experienced senior operational managers have joined the business in Area Manager or Regional Director roles from other larger and leading organisations within our sector. The balance of developing internal talent with a strong attraction strategy for experienced individuals from outside the Group is helping to broaden the skills and knowledge base of the teams.

For those wishing to progress, our career development path is clearly outlined in My Career Portfolio ("MCP"), taking ambitious team members from first-line supervisor roles to General Manager and Area Manager positions. Twice a year, we recruit new talent to our Academy programme, selected through an assessment centre selection process; we ensure that the top talent joins our next cohort of future managers and induct them at a two-day development centre, followed up by pairing them with a dedicated mentor and regular reviews with their General Manager. All management groups within the operations team have their own dedicated annual conference. The purpose of these conferences is to set the direction for the year to come, create a strong network amongst peers and to ensure that the purpose, vision and values of the business are embedded into the actions taken on the back of the events.

Using a blend of in-house and third-party provision, the Group ran around 90 days of classroom-based management development training courses during FY19, providing access to full-day training courses to over 1,800 of our staff. This was supplemented by e-learning programmes. The Group is committed to equal opportunities and the elimination of discrimination, harassment and victimisation of employees. Of our workforce, 44 per cent is female and 56 per cent is male.

In addition to competitive pay rates, there is a suite of reward and incentive schemes, investing around one per cent of turnover annually. Further, all employees are able to join the Group's stakeholder pension plan, as well as obtain tax-efficient childcare vouchers. All team members are entitled to a 50 per cent discount on food and drink purchased within our bars. An Employee Assistance programme is provided to all managers to assist them with issues that might be impacting their well-being.

The Group's performance as an employer is measured twice yearly through an independently administered "Quality of Life" survey. The surveys have been linked with our customer feedback platform, in order to identify ways to not only improve employee engagement but to provide a direct link to how this can enhance the customer experience.

## RESPONSIBLE DRINKS RETAILING

The Group supports practices which promote responsible drinking and has established its own "Responsible Alcohol Retailing Policy", supported by staff training and monitoring. The Group's pricing models are set so as to avoid deeply discounting products. Events are promoted responsibly and are accompanied by individual risk assessments. A number of bars enter local "Best Bar None" schemes (run by local authorities and the police to encourage good behaviour in town centres), promoting a safe and secure environment.

## FOOD INFORMATION AND QUALITY

The Group continuously aims to improve the quality of its food offering and provide customers with the required information about its products to allow them to make informed decisions about their food consumption. This includes providing allergen and calorie information for all dishes via our website. Products not containing gluten or meat are advertised on the printed menu. Full training is provided to bar teams to enable them to deal with customer queries and prevent cross-contamination. The Group sets out strict specifications for all products so that high standards of quality are met.

Over the last year, the Group has launched new food menus containing more dishes appropriate for vegetarians, vegans and those with food intolerances, in order to appeal to this increasing market trend, which resonates with a significant proportion of our customer base.

## CHARITY

Early in 2018, the Group decided that, as part of its social responsibility agenda, it should support a nominated charity. In direct response to feedback from a significant number of our employees, Shelter, the housing and homelessness charity, was selected. Our employees told us that homelessness was a matter of serious concern to them given the frequency with which they encounter those who are homeless when they leave our venues to return to their homes late at night. During the last year, more than £40,000 has been raised for Shelter through various employee activities including sponsored events and through the Group promoting the donation of 50 pence from every portion of fish and chips sold.

The Group also has a programme designed to promote other charitable activity within its workforce. The scheme, called "You raise it, we match it", rewards funds raised by staff for other charities and matches what they have raised.

## ENVIRONMENT

The Group endeavours to conduct its business in a way that is sympathetic to the environment. Where possible, glassware and bottles are recycled, as is cardboard packaging. All new site builds and major refurbishment projects include fitting energy-efficient lighting and other control devices in order to minimise energy consumption. Smart meters have been fitted throughout our estate to allow monitoring of energy consumption on an hour by hour and day by day basis. The Group's appointed Energy consultant, Energise, facilitates the production of a suite of reports enabling bars to identify energy wastage on a daily basis; these reports are monitored both locally and centrally. The reporting is very useful for evaluating the impact of new energy saving initiatives, including investments in LED lighting and other new equipment.

# OPERATING RESPONSIBLY *for our stakeholders continued*

| Emission Type | Location based 2018/19 $CO_2e$ tonnes | Location based 2017/18 $CO_2e$ tonnes | Market based (Scope 2 only) 2018/19 $CO_2e$ tonnes | Market based (Scope 2 only) 2017/18 $CO_2e$ tonnes |
|---|---|---|---|---|
| Scope 1: Operation of Facilities | – | – | – | n/a |
| Scope 1: Combustion | 1,787 | 1,836 | 1,787 | n/a |
| TOTAL Scope 1 Emissions | 1,787 | 1,836 | 1,787 | n/a |
| Scope 2: Purchased Energy | 8,841 | 10,303 | 8,192 | n/a |
| TOTAL Scope 2 Emissions | 8,841 | 10,303 | 8,192 | n/a |
| **Total Emissions** | 10,628 | 12,139 | 9,979 | n/a |

| Total Footprint (Scope 1 and Scope 2) – $CO_2e$ | Current Year (2018/19) | Previous Year (2017/18) | Year on Year Variance |
|---|---|---|---|
| Turnover (£m) | 151.4 | 141.9 | +6.7% |
| Intensity Ratio, location based method ($tCO_2e$/£1 million) | 70.2 | 85.5 | -17.9% |
| Intensity Ratio, market based method ($tCO_2e$/£1 million) | n/a | n/a | n/a |

## GREENHOUSE GAS EMISSIONS (UNAUDITED)

**We report Scope 1 and 2 emissions defined by the Greenhouse Gas protocol as follows:**

- Scope 1 (direct emissions): combustion of fuel and operation of facilities; and
- Scope 2 (indirect emissions): combustion purchased electricity, heat or steam.

The reporting of greenhouse gas emissions is for the 52 weeks ended 29 June 2019 to mirror our financial reporting period. Reporting follows the requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and uses conversion factors published by DEFRA.

**Scope and methodology:**

- This includes emissions under Scope 1 and 2, except where stated, but excludes any emissions from Scope 3
- We exclude fugitive emissions from our Operation of Facilities reported number due to the availability of records
- This report is based upon Location Based Factors.

## ANTI-BRIBERY AND CORRUPTION POLICY

The Group has in place an Anti-bribery and corruption policy that has been approved by the Board and communicated through all heads of department and their teams. The policy requires transparency and the maintenance of an entertainment register that is regularly reviewed by the Board. Key suppliers have also been made aware of the policy.

## ANTI-SLAVERY POLICY AND HUMAN RIGHTS

The Group has in place an anti-slavery policy that has been approved by the Board. Suppliers are required to acknowledge the Group's policy and their obligation to adhere to it as part of any contractual arrangements.

The Group does not have a formal human rights policy but it is committed to conducting business with integrity and fairness.

On behalf of the Board

**Mike Foster**
Chief Financial Officer
and Company Secretary

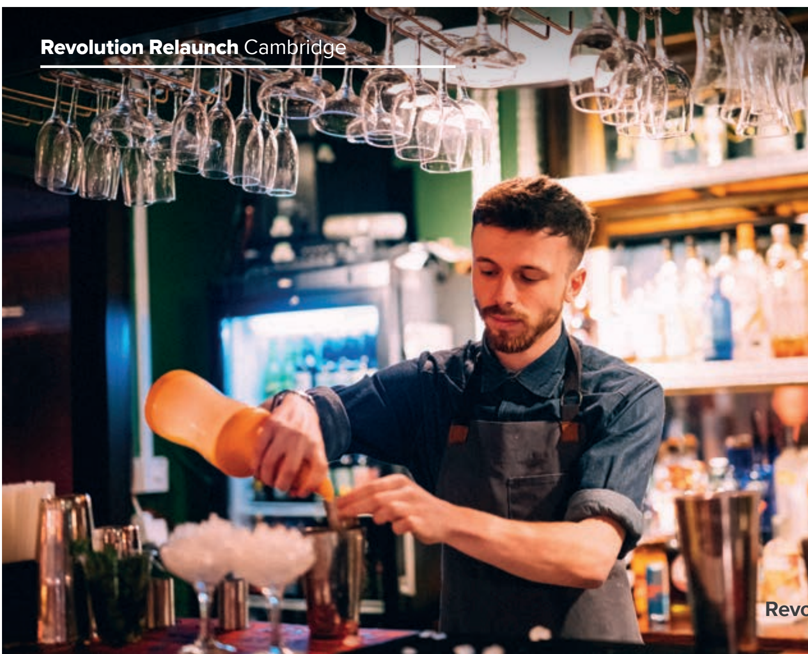
1 October 2019

# 70%

OF MANAGEMENT POSITIONS FILLED INTERNALLY

# 48.3%

VEGETARIAN DISHES IN REVOLUCIÓN DE CUBA



**Revolution Relaunch** Cambridge

# GOVERNANCE REPORT



GOVERNANCE

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# GOVERNANCE

## Introduction from the Non-Executive Chairman

**This is the Company's fifth Governance Report.**

**The Board recognises the importance of, and is committed to, high standards of corporate governance, and all Directors are fully aware of their duties and responsibilities under the UK Corporate Governance Code 2016 (the "Code"), the Disclosure Guidance and Transparency Rules ("DTRs") and the Listing Rules.**

### COMPLIANCE WITH THE CODE

The Board considers that the Group has complied with the requirements of the Code throughout the reporting period. The Board is aware of the 2018 Revisions to the UK Corporate Governance Code applicable to periods beginning on or after 1 January 2019 and is planning to ensure full compliance.

**The Group continues to implement a robust governance structure to ensure compliance with the Code. Key elements include:**

- the Board comprises a majority of independent Non-Executive Directors, of which there are three, including myself as Non-Executive Chairman (deemed independent on appointment), and two Executive Directors;
- each Non-Executive Director has a proven track record in business at a high level and has skills and expertise relevant to the Group;
- the Board and its sub-committees are structured in accordance with the requirements for a listed company with both the Audit and Remuneration Committees fully comprising Non-Executive Directors. The Non-Executive Directors provide critical challenge and support to those areas of the Group which they believe are of particular importance; and
- we review regularly, and implement as necessary, new developments in corporate governance best practice and seek to apply them appropriately. The Board is regularly updated on corporate governance developments by the Company Secretary and a formal update was delivered by the Group's corporate lawyer at a Board meeting during the year under review.

Michael Shallow, who was appointed to the Board immediately prior to the Company's listing on the London Stock Exchange in March 2015, served as senior independent Non-Executive Director and Chair of the Remuneration, Nomination and Audit Committees. Michael retired from the Board effective from the conclusion of the Company's Annual General Meeting ("AGM") on 26 November 2018. Jemima Bird, who has served the Company as a Non-Executive Director since January 2017, was appointed Senior Non-Executive Director and Chair of the Remuneration Committee from the conclusion of the AGM.

William Tuffy joined the Company and the Board as a Non-Executive Director on 26 November 2018 and is Chair of the Audit Committee.

Each Director was selected to bring the range of public company, commercial and market sector skills required to drive the Group forward. Additionally, the Board takes appropriate advice on governance matters from external advisers.

The remuneration policy for both Executive and Non-Executive Directors is set out in the Remuneration Report which starts on page 44.

The Group has the principles of transparency and openness at the heart of its culture and is committed to achieving high standards of corporate governance. The Board firmly believes that its corporate governance structures and robust processes will help to drive a more efficient and competitive business performance leading to strong relationships with all stakeholders.

**Keith Edelman**
Non-Executive Chairman

1 October 2019

# The Group has the principles of transparency and openness at the heart of its culture and is committed to achieving high standards of corporate governance."

**Revolución de Cuba Relaunch** Reading



**Revolution Bars Group plc Board:**

Non-Executive Chairman: Keith Edelman
Chief Executive Officer: Rob Pitcher
Chief Financial Officer: Mike Foster
Senior Independent Non-Executive Director: Jemima Bird
Independent Non-Executive Director: William Tuffy

**Audit Committee:**

Chair: William Tuffy
Jemima Bird
Keith Edelman

**Remuneration Committee:**

Chair: Jemima Bird
Keith Edelman
William Tuffy

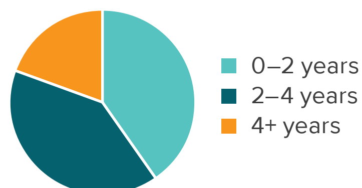
**Nomination Committee:**

Chair: Keith Edelman
Jemima Bird
Rob Pitcher
William Tuffy

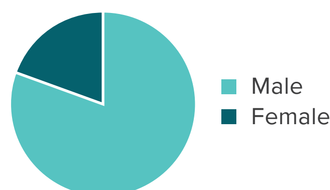
# BOARD of Directors

## The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

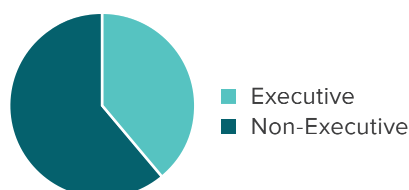
### LENGTH OF SERVICE




### GENDER ANALYSIS




### EXECUTIVE/NON-EXECUTIVE ANALYSIS




Michael Shallow, who held the position of Senior Non-Executive Director, as well as chair of the Audit and Remuneration Committees, resigned from the Board with effect from 26 November 2018.

**Key**

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Chair

### KEITH EDELMAN

Non-Executive Chairman

**Date appointed to Board**

16 February 2015

**Relevant past experience**

Keith has served on the boards of public companies for over 30 years across a wide range of businesses and markets, with extensive experience in the retail and consumer sectors. Keith's previous executive roles include being Managing Director of Arsenal Holdings plc from 2000 to 2008 and Chief Executive Officer of Storehouse plc (encompassing BHS and Mothercare) from 1993 to 1999. Keith has a BSc in management studies from the University of Manchester (Institute of Science and Technology).

**Other appointments**

Currently Non-Executive Chairman of Pennpetroenergy Plc, a Non-Executive Director of Headlam Plc and a Non-Executive Director (and Chairman of the Audit Committee) of the London Legacy Development Corporation.

**Committee membership**

### ROB PITCHER

Chief Executive Officer

**Date appointed to Board**

25 June 2018

**Relevant past experience**

Rob has over 25 years' experience within the hospitality sector, most recently as Divisional Director of Restaurants at Mitchells & Butlers responsible for the Harvester, Toby Carvery and Stonehouse brands. Prior to joining M&B, Rob has held senior positions at many other leading hospitality companies including: Bramwell, Stonegate, Town & City, Laurel, Spirit, and Scottish & Newcastle Retail.

**Committee membership**

| Principal skills and experience | Leisure | Retail | Marketing | Operational | People | Finance |
|---|---|---|---|---|---|---|
| Keith Edelman, Non-Executive Chairman | ● | ● | ● | ● | | ● |
| Rob Pitcher, Chief Executive Officer | ● | ● | ● | ● | ● | |
| Mike Foster, Chief Financial Officer | ● | ● | | | | ● |
| Jemima Bird, Senior Non-Executive Director | ● | ● | ● | ● | | |
| William Tuffy, Non-Executive Director | ● | ● | | | | ● |

## MIKE FOSTER

Chief Financial Officer

2 June 2017

Mike is a Chartered Accountant with extensive corporate finance and hands-on financial and commercial management experience gained in senior positions at large multi-site retail and leisure businesses, including over 20 years at major pub and bar companies. Most recently, he was Chief Financial Officer of iNTERTAIN Ltd from 2009 until December 2016 when that company was sold to Stonegate Pub Company Limited. Prior to that, he was Chief Financial Officer of Regent Inns plc from 2005 and held a number of senior accounting roles at Spirit Group (formerly with Scottish & Newcastle Retail), Esporta plc and First Leisure Corporation plc.

## JEMIMA BIRD

Senior Independent Non-Executive Director

19 December 2016

Jemima is a marketer with more than 20 years' experience working with many of the UK's leading high street brands, most recently leading the rebrand for the Co-op Food business. She formed Hello Finch, a brand and marketing consultancy, in 2013. Between 2008 and 2015, Jemima held executive board positions at Moss Bros plc, Tragus and Musgrave Retail Partners. She is an Independent Director of CarpetRight plc where she sits on the Audit, Nomination and Remuneration committees, and is a Board Trustee for the Football Foundation, the UK's largest sports charity.

## WILLIAM TUFFY

Independent Non-Executive Director

26 November 2018

William Tuffy is a Chartered and Certified Accountant with over 35 years' experience in senior general and financial management roles in retail, FMCG and property investment and management. He has also been involved with business transformation and turnaround projects in companies ranging from large multi-nationals to mid-sized businesses and start-ups. He has held non-executive positions, including four years at Beale plc, during which time he was initially Senior Independent Director and then Non-Executive Chairman. Whilst at Beale plc, William also served as chair of both Audit and Remuneration committees.

# BOARD *Activity*

## BUSINESS REVIEW AND STRATEGY

- Set the Group's strategy and vision
- Received presentations from operating Division and Group business function managers to consolidate understanding of trading performance, opportunities and challenges
- Reviewed progress reports on major workstreams in pursuance of strategy
- Agreed Board agenda items for the year.

## FINANCIAL

- Received regular financial performance updates from the Chief Financial Officer
- Approved 2018 final dividend recommendation
- Approved 2018 Annual Report and Accounts and Annual General Meeting (AGM) business
- Approved 2019 interim report and trading updates
- Approved 2019/20 budget
- Approved revisions to banking arrangements and going concern considerations.

## INTERNAL CONTROL AND RISK MANAGEMENT

- Reviewed minutes of quarterly Risk Committee meetings
- Received regular reports on litigation and regulatory matters including licensing updates and health & safety matters
- Reviewed effectiveness of risk management and internal control systems
- Approved revised Ethics and Values Statement, updated Whistleblowing Policy and new Gifts and Hospitality Policy.

## GOVERNANCE AND SHAREHOLDERS

- Series of meetings undertaken by Chief Executive Officer and Chief Financial Officer
- Meetings undertaken with key shareholders following publication of FY18 results and FY19 interims
- Adopted revised Board protocols following the appointment of Rob Pitcher as CEO
- Reviewed feedback from institutional shareholders
- Approved 2017 and 2018 Modern Slavery Statements
- Planned and commenced an internal review on Board effectiveness
- Received regular updates on health and safety
- Received update on Corporate Governance from corporate lawyers to ensure Directors are up to date with latest combined code and other legislative changes.

## OTHER

- Approved appointment of William Tuffy as Non-Executive Director and Chair of Audit Committee
- Approved appointment of Jemima Bird as Senior Independent Director and Chair of the Remuneration Committee
- Approved appointment of Executive Remuneration Consultants
- Received a presentation from the Head of IT on a major review of the IT systems, including cyber-security
- Received presentations on diversity and gender pay gap reporting
- Received presentations from the Property Director focusing on new bars, acquisition pipeline and estate management
- Reviewed major supply contracts
- Reviewed two Quality of Life Surveys undertaken across the entire workforce
- Approved annual salary increases and revised bonus structures for employees at all levels.

# SENIOR Management

## In addition to the Executive Directors, the following senior managers are considered relevant to establishing the appropriate expertise and experience for the management of the business

### ALEX STANHOPE

**Property Director**

Alex joined the business in August 2018 as Property Director. Prior to joining, Alex was Property Director at The Deltic Group Limited. During his career Alex has held a number of property related roles starting in private practice at CBRE prior to joining Holland & Barrett as Group Head of Estates and a similar role at Halfords plc. Alex has a degree in Real Estate Management and is a member of the RICS. He is responsible for managing all aspects of the Group's estate and property development functions, from the acquisition and fit-out of new sites to ongoing property maintenance and refurbishment and all other estate matters.

### KATE EASTWOOD

**Sales and Marketing Director**

Kate initially joined the business as a catering consultant in June 2013, becoming the Group's Director of Business Development in October 2013 with a remit that included food management, advance sales and customer insight. Kate was promoted to Sales Director in May 2017 and then to Sales and Marketing Director in January 2018, also assuming responsibility for Food from February 2019.

Kate started her career at Whitbread plc in the commercial drinks operations of Beefeater and Brewers Fayre. She moved to the Laurel Pub Company, creating and heading the food development, supply chain and buying team there. Kate then worked as Roadchef's Retail Catering Director before moving back into the licensed trade at Barracuda heading the food team and subsequently the pre-booked sales team. Kate has a degree in international management with hospitality from the University of Brighton.

### MYLES DORAN

**Commercial Director**

Myles joined the business as a consultant in June 2013 and was appointed as Trading Director in December 2013 before becoming Commercial Director in January 2017. Prior to joining the Group, Myles was Head of Sales and Marketing at Barracuda Group and prior to that held a number of roles at First Leisure Corporation plc, including Marketing Manager and Brand Manager, spending 11 years with each business.

Myles is responsible for procurement, drinks retail strategy, and commercial supplier agreements and relationships.

### BETH ANDERSON

**Head of People**

Beth joined the business in 2012 with a strong operational background before moving into the People Development Team in 2014. Beth held a number of roles within the people team including becoming the Human Resources Business Partner for the Southern region and then Talent Development Manager. She was promoted to Head of People in the summer of 2019.

Since graduating from university, Beth has studied for Level 7 CIPD qualification in Human Resource Management, after completing Level 5 CIPD in Learning and Development.

### ANDY DYSON

**Operations Director – Revolution North**

Andy joined the business in 1998, having graduated from Leeds University, where he studied Civil Engineering (BEng(Hons)). He has worked in a number of operational roles within the Group, including bar management and area management. Andy was promoted to Regional Operations Manager in 2013 and to Operations Director – Revolution North in 2018.

### CLINTON GHENT

**Operations Director – Revolución De Cuba**

Clinton joined the business in 2008 as a General Manager after beginning his career with Fat Cat Café Bars. He has been responsible for the development and delivery of the Revolución de Cuba brand and since its inception in 2011 has overseen the opening of 19 Revolución de Cuba bars.

### MARK WALTER

**Operations Director – Revolution south**

Mark joined the business in September 2018 from Mitchells & Butlers where he had been an Operations Manager for three years. Mark has spent his career in hospitality running late-night venues, pub and bars. Prior to joining Mitchells & Butlers, Mark was an Area Manager for Laurel and for Stonegate Pub Company.

The business address of each senior manager is 21 Old Street, Ashton-under-Lyne, Tameside OL6 6LA.

# VIABILITY *Statement*

**In accordance with provision C.2.2 of the 2016 UK Corporate Governance Code, the Board has assessed the prospects for the Group over a period of three years from the date of approval of the financial statements.**

The Board believes that a three-year period is appropriate as such period aligns with the Group's strategic planning process. The latest three-year plan was formally reviewed by the Board in June 2019 and, as a consequence of feedback and amendments to certain elements of it, was updated in August 2019. The three-year plan covers the period to the end of June 2022. The plan provided the basis for:

1. Setting the detailed budget for the 52 weeks ending 27 June 2020;
2. Understanding likely performance levels based on different patterns of like-for-like sales growth, estate expansion and cost pressures;
3. Stress-testing compliance with quarterly banking covenant tests; and
4. Understanding the Group's long-term funding requirements.

The Group's three-year plan is built up in financial quarters in a robust spreadsheet model that has been in use for more than two years during which time it has been subject to ongoing development. The model uses up-to-date trading data comprising segments for the like-for-like mature estate, immature bars (those opened within the current financial year and the previous financial year), committed future openings and other projected openings. This information is then overlaid with a series of assumptions in respect of like-for-like sales growth, returns from expansionary capital expenditure, cost increases including, payroll, rent reviews and general rate increases, and cost-saving initiatives as well as available market data and trend analysis on matters such as economic outlook, inflation forecasts and other government-imposed costs such as National Minimum Wage and Living Wage, property rates revaluations, Apprenticeship Levy, and changes in excise duties and other tax rates. The three-year plan model comprises a fully integrated profit and loss account, balance sheet and cash flow statement. The model includes financial covenant tests consistent with the Group's banking facilities and allows for scenario analysis to stress-test them.

As at the end of the reporting period, the Group had a £25 million revolving credit facility (the "Facility") committed to 31 December 2021. The Facility provides liquidity to cover normal monthly and seasonal cash outflows, a safety net for the business to ride out short-term downturns in trade, and has facilitated the Group's expansion into new trading bars. The Group opened five bars in the reporting period and six bars in the previous period. A number of these new bars were in big cities requiring larger than average footprints at higher cost. This accelerated rate of investment has seen utilisation of the Facility increase to £17.5 million as at the end of the reporting period. In its interim results announced on 1 March 2019, the Group advised that in view of disappointing trading performance it would focus both its management and financial resources on the existing estate and reduce debt to more comfortable levels and therefore with immediate effect would curtail new bar openings and suspend dividend payments. Given the Group's current priorities and an expectation that debt will be reduced to below £10.0 million over the next 18 months, by which time the Group will need to refinance the existing facility, the Group has agreed to reduce the Facility to £21.5 million as at the date of this report saving unnecessary bank commitment fees. Further reductions in the Facility have been agreed consistent with the expected reduction in debt levels over time but continuing to allow for both seasonality of cash flow and headroom against unforeseen trading issues. The Facility does not reduce below £18.0 million at any point. At the same time, revisions to the Facility covenants have been agreed with the bank to provide a greater level of tolerance over forward test levels.

The Group continues to be very cash generative pre-expansionary capital expenditure, and expects to have ample headroom on the ongoing Facility to cover working capital and seasonal cash flow needs and can potentially cover at least a four per cent sales reduction relative to current trends for a period of 12 months without taking the benefit of any other mitigating actions. As detailed on pages 20 and 21, the Board has conducted a robust assessment of the principal risks facing the Company. This includes consideration of strategic risks, economic and market risks, operational and people risks, regulatory risks and financial risks. The resilience of the Group to the impact of these risks has been assessed by applying significant but plausible sensitivities to the cash flow projections based on past experience; the key sensitivity being to like-for-like sales. This includes modelling the effect of reduced consumer confidence and spending, a failure to maintain and develop compelling customer offers and the impact of increased regulation. Like many UK businesses, the Group's Board notes the extreme uncertainty surrounding Brexit and in particular the short term disruption that a no deal Brexit may bring, the implications of which cannot be planned or fully covered because there are many unknowns and factors beyond the Group's direct ability to control them.

Taking account of the Group's current position, the principal risks to normal levels of trading and the potential mitigating actions that would be taken in response to a downturn in trade, and the experience that the Group has in adapting the business to change, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

# CORPORATE GOVERNANCE Report

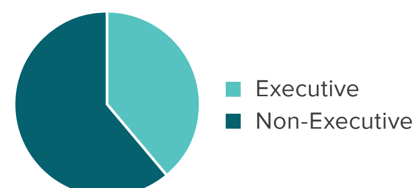
## OVERVIEW

**This report sets out the Group's governance structure and how it complies with the UK Corporate Governance Code 2016 (the "Code"), published in April 2016 by the Financial Reporting Council, and also includes items required by the Disclosure Guidance and Transparency Rules ("DTRs"). The Code is available on the Financial Reporting Council website at www.frc.org.uk. The Code sets out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders.**

**The disclosures in this report relate to our responsibilities for preparing the Annual Report and Accounts, including compliance with the Code to the extent required, our report on the effectiveness of the Group's risk management and internal control systems and the functioning of our Committees.**

**The Directors consider that the Group has complied with those provisions of the Code applicable to a company of its size.**

## BOARD COMPOSITION




## COMPLIANCE WITH THE CODE: BOARD COMPOSITION

Michael Shallow served as "Senior" Independent Director until 26 November 2018 when he stepped down from the Board; Jemima Bird became "Senior" Independent Director from the same date to lead meetings of Non-Executive Directors, to appraise the Chairman's performance and to provide a sounding board for the Chairman and to serve as an intermediary to the other Directors when necessary.

Jemima Bird has also been and is available to shareholders if they have concerns with contact through the normal channels of Chairman, Chief Executive Officer or other Executive Directors where their issues have failed to be resolved or for which such contact is inappropriate.

## COMPLIANCE WITH THE CODE: PERFORMANCE EVALUATION

During the reporting period, the Board did not undertake a formal evaluation of its own performance but subsequently has commenced a process that will have completed by the time of the Company's Annual General Meeting. This review covers the Board as a whole and its Committees as well as those Directors currently in office, including the Chairman. The process includes a questionnaire covering all aspects of the way in which the Board operates and the contribution of each member of the Board, the results of which will be independently reviewed, reported back, and where appropriate, acted upon. The Chairman has confirmed to shareholders in the Notice of the Annual General Meeting that he and the Board believe that the performance of each Director, both Executive and Non-Executive, and the Board Committees continue to be effective and demonstrate commitment to their relevant responsibilities.

## BOARD GOVERNANCE

The Board is appointed by shareholders, who are the owners of the Group. The Board's principal responsibility is to act in the best interests of shareholders as a whole, within the legal framework of the Companies Act 2006. It is also collectively responsible to shareholders for the long-term success of the Group and it agrees the strategic direction and governance structure that will help achieve this long-term success and deliver shareholder value. The Board oversees those matters that it regards as critical to the success of the Group including strategy, financial policy, maintaining a sound system of internal control, senior appointments and corporate governance. The Board's main responsibilities are included in a schedule of matters reserved for the Board, as set out below:

- agreeing the Group's strategy and objectives;
- changing the structure and capital of the Group;
- approving the annual budget;
- approving the Annual Report and Accounts, and interim financial statements;
- approving the Group's dividend policy and declaration of dividends;
- approving the Group's treasury policy;
- reviewing the effectiveness of the Board;
- reviewing the effectiveness of risk identification and management and internal controls;
- approving significant expenditure commitments and material transactions and contracts;
- ensuring a satisfactory dialogue with the Group's shareholders;
- appointing and removing Directors and other members of the senior management team;
- determining the remuneration policy and adjustments to the remuneration for Executive and Non-Executive Directors;
- reviewing the Group's overall corporate governance arrangements;

- delegating authority to the Chief Executive Officer;
- setting annual objectives for the business in line with the current Group strategy;
- monitoring performance of the Group's objectives through Board reports, which include updates from the Chief Executive Officer, the Chief Financial Officer and other functional heads of key departments; and
- considering and continually updating a rolling agenda of items that includes any current issues or matters as they arise.

The Board has an ongoing process for identifying, evaluating and managing the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This process has been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts. The principal risks are regularly reviewed by the Board. A description of these risks together with an assessment of how they are being managed or mitigated is included on pages 20 and 21.

Effective operation and improvement of the Group's risk management and internal control systems has remained a key focus for the Board during the reporting period. Further changes have been made in senior Finance personnel to strengthen the team with ongoing improvements in financial reporting and forecasting capabilities, which together with a continued focus on training and development of finance staff should ensure the reliability and effectiveness of the Group's financial operations.

The newly formed Risk Committee, which met quarterly, has also played a key role in improving the management of risk across all areas of the business and to hold individuals to account. Whilst a key focus for the Committee was Health and Safety and minimising cash losses, its remit extended to the identification and management of any risk faced or potentially facing the business. All of the Board Committees play an essential role in supporting the Board to implement its strategy and provide focused oversight of key aspects of the business. Minutes and action points arising from all Committee meetings are always circulated to and reviewed at Board meetings. The full terms of reference for each Committee are available on the Group's website, www.revolutionbarsgroup.com.

## BOARD BALANCE AND INDEPENDENCE

The Code recommends that a group outside the FTSE 350 (such as the Group) should have at least two independent Non-Executive Directors, being individuals determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement. It also recommends that a non-FTSE 350 group's Remuneration and Audit Committees should comprise at least two independent Non-Executive Directors, and that its Nomination Committee should comprise a majority of independent Non-Executive Directors. The Group has complied fully with these recommendations throughout the reporting period.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Group has established a clear division between the respective responsibilities of the Non-Executive Chairman of the Board and the Chief Executive Officer. The Non-Executive Chairman is Keith Edelman and he is responsible for the effective operation, leadership and governance of the Board, leading the Board's discussions and its decision making. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. The Chief Executive Officer is Rob Pitcher, who, through delegation from the Board, is responsible for leading the Group's business organisation and performance and the day-to-day management of the Group.

This separation of responsibilities between the Chairman and the Chief Executive Officer, coupled with the schedule of reserved matters, ensures that no individual has unfettered powers of decision making. The Board is committed to the highest standards of corporate governance. The Board comprises a Non-Executive Chairman, two Executive Directors and two other Non-Executive Directors.

## NON-EXECUTIVE DIRECTORS AND INDEPENDENCE

The independence of each Non-Executive Director was considered at the time of their appointment. The Group's Non-Executive Directors provide a broad range of skills and experience to the Board which assists both in their roles in formulating the Group's strategy and in providing constructive challenge to the Executive Directors. The Group considers that Keith Edelman, Jemima Bird and William Tuffy were independent at the time of their appointments and continue to be independent for the purposes of the Code.

## BOARD MEETINGS

The Board's intention is to meet at least eight times per year for structured Board meetings covering all aspects of the business. During the 52 weeks to 29 June 2019 the Board met on 11 occasions.

Agendas and papers for each Board meeting are sent out in advance. The papers include business reports and updates from the Chief Executive Officer and the Chief Financial Officer. Members of the Group's Senior Management Team are also invited to present at Board meetings on a regular basis, as appropriate, so that Non-Executive Directors keep abreast of developments in the Group.

# CORPORATE GOVERNANCE *Report continued*

## APPOINTMENT AND TENURE

The Board believes that all Directors are effective, are committed to their roles and have sufficient time available to perform their duties. Accordingly, all members of the Board will be offering themselves for election at the Group's Annual General Meeting to be held on Tuesday 26 November 2019. All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' Remuneration Report. The service agreements and letters of appointment are available for inspection at the Group's registered office during normal business hours.

No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial period.

## EVALUATION AND EFFECTIVENESS

Evaluations of the performance of the Board, its Committees, individual Directors and the Chairman have taken place during the 52 weeks ended 29 June 2019. The conclusion from these evaluations is that the Board is operating effectively and in the best interests of shareholders.

The Chairman met with the Non-Executive Directors on at least one occasion during the year without the Executive Directors present to discuss Board balance, monitor the powers of individual Executive Directors and discuss other issues pertaining to the effective operation of the Board.

## DEVELOPMENT

In line with the Code, the Group ensures that any new Directors joining the Board receive appropriate support and are given a comprehensive, formal and tailored induction programme organised through the Company Secretary, including the provision of background material on the Group, briefings with senior management and accompanied operational visits. Each Director's individual experience and background will be taken into account in developing a programme tailored to his or her own requirements. Any new Director will also be expected to meet with major shareholders if required. This process operated effectively when Rob Pitcher (Chief Executive Officer) joined the Board a few days before the start of the reporting period and when William Tuffy (Non-Executive Director) joined the Board during the year.

## DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group unless that conflict is pre-authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's articles of association allow the Board to authorise such potential conflicts, and there is a procedure in place to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all the circumstances. All potential conflicts approved by the Board are recorded in a conflicts of interest register, which is be reviewed by the Board on a regular basis to ensure that the procedure is working effectively.

## EXTERNAL DIRECTORSHIPS

The service agreements of the Executive Directors do not permit them to accept external commercial Non-Executive Director appointments. Where Non-Executive Directors have external directorships, the Board is comfortable that these do not impact on the time that Director devotes to the Group and we believe that such experience enhances the capability of the Board.

## INFORMATION AND SUPPORT AVAILABLE TO DIRECTORS

All Board Directors have access to the Company Secretary and Assistant Company Secretary, who advise on governance matters. The Chairman and Company Secretary work together to ensure that Board papers are clear, accurate, delivered in a timely

The attendance record of each of the Directors at the Board and the sub-committees of the Board is set out below:

| | Board | Audit | Remuneration | Nomination |
|---|---|---|---|---|
| Total number of meetings | | | | |
| Keith Edelman | 11 | 3 | 5 | 1 |
| Rob Pitcher | 11 | 3 | 4 | |
| Mike Foster | 11 | 3 | 4 | |
| Michael Shallow* | 6 | 1 | 2 | 1 |
| Jemima Bird | 11 | 3 | 5 | 1 |
| William Tuffy | 5 | 2 | 3 | |

* Michael Shallow resigned from the Board effective 26 November 2018.

manner to Directors, and of sufficient quality to enable the Board to properly discharge its duties. Specific business-related presentations are given to the Board on a regular basis during the course of the year by senior management to keep the Board abreast of major initiatives and significant challenges faced by the business. As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Group's expense in the furtherance of their duties, where considered necessary.

## SHAREHOLDER ENGAGEMENT

Responsibility for shareholder relations rests with the Chairman, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). They ensure that there is effective communication with shareholders on matters such as governance and strategy, and are responsible for ensuring that the Board understands the views of major shareholders. The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how it views the Group's market segment and the prospects for the business is extremely important.

The Board communicates with shareholders in a number of different ways. The full and half-year reporting is followed by presentations by the CEO and CFO to the relevant market analysts and a series of meetings with institutional shareholders as well as Group meetings with larger private investors. At these times the opportunity is also taken to meet with prospective shareholders to introduce them to the Group. Periodically, visits are arranged to business sites to give analysts and major shareholders first-hand experience of how the business operates. These visits and meetings are principally undertaken by the CEO and the CFO, although other senior management are present from time to time. Any relevant material resulting from such meetings is uploaded to the Group's website so that it is available to all shareholders. The Board receives regular updates at its meetings on the views of its shareholders as well as any material changes in shareholdings as advised by its brokers.

The Group's corporate website is also regularly updated with news and market information, including this Annual Report and Accounts, which sets out the Group's strategy and performance together with plans for future growth.

## AUDITOR

Towards the end of the current year's external audit, and therefore after the end of the reporting period, the Committee reviewed the effectiveness of the audit.

## ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Group will take place on 26 November 2019. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. The Notice of AGM can be found in the circular that will be posted to shareholders at the same time as this Annual Report and Accounts. The Notice of AGM sets out the business of the meeting and explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue. The Chairman, the Chairman of each of the Committees and both Executive Directors will be present at the AGM and will be available to answer shareholders' questions.

## REMUNERATION COMMITTEE REPORT

This report is set out on pages 44 to 57. The report provides details of the remuneration policy for the Company's Directors, describes how the remuneration policy is implemented and discloses the amounts paid to Directors during the 52 weeks ended 29 June 2019.

**Mike Foster**
Chief Financial Officer and
Company Secretary

1 October 2019

# REMUNERATION Report

## Dear Shareholder

**I am pleased to present, on behalf of the Board, the Directors' Remuneration Report of the Remuneration Committee.**

## ANNUAL STATEMENT

**The Group's Remuneration Policy aims to promote a strong and sustainable performance culture, to incentivise high growth and to align the interests of Executive Directors and other senior managers with those of shareholders. In promoting these objectives, the Directors' Remuneration Policy has been structured so as to adhere to the principles of good corporate governance and appropriate risk management.**

**In determining remuneration levels, the Committee has taken account of market conditions, the performance of the Group and its responsibility to shareholders.**

### PERFORMANCE AND REWARD IN RELATION TO THE 52 WEEKS ENDED 29 JUNE 2019

The 2018/19 financial year has been a challenging year for the Group on many fronts, the result of which was a 3.5 per cent decline in like-for-like sales and a £3.9 million reduction in adjusted EBITDA. Rob Pitcher was installed as Chief Executive Officer just days before the beginning of the financial year under review and, given the deterioration in sales performance at that time, his priorities were to stabilise performance and determine the direction of the Revolution brand. Many new work-streams have been initiated and, towards the end of the year, there was good evidence of sales performance stabilising and moving into growth. Actions have also been progressed to remove cost from the business and with many more of the work-streams expected to deliver future trading improvements and bank debt now reducing, the Group is much better placed to consolidate its market position and deliver an improved performance in 2019/20.

Performance in the period under review for adjusted EBITDA and adjusted Profit before tax bonus targets was below the threshold level and therefore no bonuses were payable to any Executive Director or member of the senior management team.

No LTIP awards held by Executive Directors were due to vest in respect of the three-year performance period ended 29 June 2019.

### REMUNERATION POLICY AND ITS APPLICATION IN THE 2020 FINANCIAL YEAR

The Group's Remuneration Policy was submitted for approval at the 2018 AGM. The Committee reviewed the policy during the year and concluded that it remains appropriate and fit for purpose, and as such no changes to the policy are to be proposed at the 2019 AGM.

**In respect of operating the Remuneration Policy in the 2019/20 financial year:**

- no changes will be made to Executive Director base salary levels. Rob Pitcher's salary will remain on £350,000 and Mike Foster's salary will remain on £204,000, the latter having been increased by two per cent from 1 April 2019, in line with the inflationary increase applied to head office salaries at that time;
- no changes will be made to benefits or pension provisions. However, in respect of new appointments to the Board, the Committee will ensure that pension provision is aligned to the workforce;
- annual bonus provision for 2019/20 will continue to be capped at 100 per cent of salary for Executive Directors. 70 per cent of the bonus potential will be based on a sliding scale of EBITDA performance targets and 30 per cent of the bonus potential will be based on strategic targets based on like-for-like sales growth, health and safety audit ratings, guest experience measurements and employee Net Promoter Score. Bonus earnings based on the strategic target measurements will only be paid if the minimum EBITDA performance target is achieved;
- Rob Pitcher will receive the second part of his LTIP award (based on 100 per cent of salary) as contractually agreed when he joined the Company. The award will take place shortly after the preliminary announcement of the 2019 results. While the Committee notes the provision in ISS's latest voting guidelines (i.e. where there has been

# Many new work-streams have been initiated and, towards the end of the year, there was good evidence of sales performance stabilising and moving into growth.”

“a material decline in a company’s share price, Remuneration Committees should consider reducing the size of LTIP awards at the time of grant”) and investor sentiment on this more generally, a reduction to the award level is not considered appropriate in respect of Rob Pitcher’s planned 2019 LTIP award given the Remuneration Committee’s desire to:

(i) fulfil the commitment made to Rob upon his appointment, which was a critical element in attracting him to this opportunity, in respect of granting a 300 per cent of salary LTIP award within the first 18 months of his employment;

(ii) ensure that Rob is appropriately incentivised to remain in the business noting: (a) the significant progress that he has made since his appointment just over a year ago and the planned workstreams for 2019/2020 onwards; (b) that a number of the Group’s issues in the past were exacerbated by a period of management instability; (c) the reduction in the share price is not a reflection of his efforts since joining the Group but rather a result of the underlying problems in the period leading up to his appointment; and (d) the fact that the initial 200 per cent of salary LTIP award is, in the view of the Committee, considered unlikely to vest to a material extent; and

(iii) ensure that Rob is appropriately incentivised to continue to turn the business around in challenging trading and uncertain macroeconomic conditions

The basis of the performance targets for the awards remain unchanged; 70 per cent on earnings per share (“EPS”) (25 per cent of this part of awards will vest for EPS growth of seven per cent per annum increasing pro-rata to 100 per cent vesting for EPS growth of 13 per cent per annum) and 30 per cent based on relative total shareholder return (“TSR”) against a bespoke peer group of listed pub companies. However, rather than using the conventional median to upper quartile vesting schedule, a median to median plus ten per cent p.a. vesting scale will be adopted given the small number of comparator companies.

- Following his 200 per cent of salary LTIP award in November 2017, no further LTIP award will be granted to Mike Foster in 2019/20;
- shareholding guidelines will continue to operate at 100 per cent of salary; and
- no changes will be made to Non-Executive Director fees.

## COMMITTEE ACTIVITIES

The Committee met five times during the year, with all members attending each meeting. Its main activities were to:

- determine the Chairman’s fee and the framework and policy for the remuneration of the Executive Directors and other members of the Executive Committee and ensure they remain appropriate;
- advise on the design of, and to determine and agree, the total individual remuneration package of each of the Executive Directors and other members of the Executive Committee, giving due regard to any relevant legal requirements, the provisions and recommendations set out in the prevailing Code and the UK Listing Authority’s Listing Rules and associated guidance;
- approve the design of, and targets for, annual and long-term performance related pay schemes operated for the Executive Directors and other members of the Executive Committee, the total annual payments made under such schemes and provide oversight and guidance in relation to other Group-wide incentive proposals to ensure that these are aligned to performance, the Group’s core values and the Board’s risk appetite; and
- oversee remuneration and benefit structures and policies throughout the Group’s business and to give advice on any major changes.

The Committee’s terms of reference are available from the Company Secretary and can be found on the Company’s website at www.revolutionbarsgroup.com.

## SHAREHOLDER FEEDBACK

The Committee welcomes any feedback on this report and the Remuneration Policy in general. On behalf of the Board, I would like to thank shareholders for their continued support and I look forward to your approval of our report at the 2019 AGM.

**Jemima Bird**
Chair of the Remuneration Committee
1 October 2019

# REMUNERATION Report continued

## DIRECTORS' REMUNERATION POLICY

A summary of the Directors' Remuneration Policy, as approved by binding shareholder vote at the 2018 AGM, is set out below.

### EXECUTIVE DIRECTORS

**Policy table**

| Element | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Base salary** | | | |
| To attract and retain key individuals.<br>To reflect the relevant skills and experience in the role. | Salaries will normally be reviewed annually taking into account performance, experience, responsibilities, relevant market information and the level of workforce pay increases. | Executive Directors' current salaries are set out in the Annual Report on Remuneration.<br>Annual increases will usually be commensurate with those of the wider workforce.<br>Further increases may be considered if there are significant changes in responsibility or scope of the role, sustained increase in the size of the business, or if there are significant movements in market rates.<br>New joiners, where pay is initially set below market levels, may benefit from larger increases as their salary is progressed towards the market rate based on their development in the role. | A broad-based assessment of individual and Group performance is considered as part of any salary review. |
| **Pension** | | | |
| To provide cost-effective, yet market-competitive, retirement benefits. | Contribution to a personal pension arrangement or cash in lieu of pension by way of a salary supplement. | Set at market-competitive levels for Executive Directors. The maximum contribution will be up to 15 per cent of salary.<br>Only basic annual salary is pensionable. | Not applicable. |
| **Benefits** | | | |
| To provide benefits that assist Directors in the performance of their roles and are designed to be competitive and cost effective. | Car and fuel allowance for Executive Directors, private health insurance and life insurance cover.<br>Other benefits may be offered (e.g. relocation) where considered appropriate. | Not applicable. | Not applicable. |

| Element | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Annual bonus plan** | | | |
| To motivate Executive Directors and incentivise the achievement of key financial and strategic goals and targets over the financial year. | Based on the achievement of performance metrics measured at Group level.<br>Bonus is paid wholly in cash.<br>Recovery provisions will apply in the event of material misconduct, misstatement of financial results and/or an error in the calculation of the bonus payable. The recovery period in respect of each bonus will be three years from the date the bonus is paid. | Maximum bonus potential is 100 per cent of salary for the Executive Directors.<br>The Remuneration Committee retains discretion to withhold or reduce a bonus even if the objectives have been met. | The annual bonus plan is subject to the achievement of stretching performance conditions based on financial performance of the Group and personal strategic objectives which reflect key business drivers. The majority (if not all) of any bonus will be determined by financial measures with only a minority being paid for achieving threshold performance levels. |
| **Performance Share Plan (“PSP”)** | | | |
| To motivate Executive Directors and incentivise delivery of performance over the long term.<br>To encourage greater shareholder alignment by rewarding total shareholder return (“TSR”) outperformance.<br>To facilitate share ownership. | Nominal cost options (“NCO”) are share awards which vest, subject to performance, after three years.<br>PSP awards are subject to recovery and withholding provisions allowing the Company to withhold invested awards or reclaim vested awards under certain circumstances. | Normal awards of up to 200 per cent of salary.<br>Awards of up to 300 per cent of salary may be made in exceptional circumstances. | Awards will be granted subject to a combination of financial measures (including but not limited to relative TSR and adjusted EPS) over at least a three-year period.<br>The Committee will review the appropriateness of the performance conditions on an annual basis and may make changes to the weightings or introduce new measures which are aligned to the Company’s strategy at that time. |
| **Company Share Option Plan (“CSOP”)** | | | |
| To incentivise and recognise service over the longer term. | The Company operates a share option plan under which it may grant share options with an exercise price as determined by the Committee on grant. The terms on which an award vests are determined by the Committee on grant and, once vested, options are exercisable up to ten years from the date of grant.<br>For Executive Directors with PSP awards, any grant of CSOP awards will be linked to the grant of PSP awards, which will be reduced accordingly to reflect the value received under any CSOP award. | Aggregate value of any PSP and CSOP award granted will not normally exceed normal awards of 200 per cent of salary (300 per cent of salary in exceptional circumstances), with PSP grant levels in the same year taken into consideration and reduced accordingly. | For Executive Directors, performance conditions will be linked to those used under the corresponding PSP award. |
| **Executive share ownership** | | | |
| To align Executive Directors’ and shareholders’ interests. | All Executive Directors are expected to hold an investment of at least 100 per cent of base salary in the Company using 50 per cent of net awards under the Company’s PSP to achieve the shareholdings, if required. | 100 per cent of salary for all Executive Directors. | Not applicable. |

# REMUNERATION Report continued

## DIRECTORS' REMUNERATION POLICY CONTINUED

### NON-EXECUTIVE DIRECTORS

**Policy table**

| Element | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| To attract and retain high calibre Non-Executive Directors.<br><br>To set remuneration by reference to the responsibilities and time commitment undertaken by each Non-Executive Director. | Fee levels are reviewed on a periodic basis and are set based on expected time commitments and responsibilities and in the context of the fee levels in companies of a comparable size and complexity.<br><br>The Committee sets the fee for the Non-Executive Chairman, whereas fees for the Non-Executive Directors are set by the members of the Board, excluding the Non-Executive Directors. | The Non-Executive Chairman's fee and Non-Executive Director fees are set out in the Annual Report on Remuneration.<br><br>Any increase in fees may be above those of the wider workforce (in percentage terms) in any particular year, reflecting the periodic nature of any review and/or changes to time commitments and/or responsibilities.<br><br>In exceptional circumstances, if there is a temporary yet material increase in the time commitment for Non-Executive Directors, the Board may opt to pay additional fees to recognise the additional workload. | Not applicable. |

The Committee operates the annual bonus plan and long-term incentive plans according to their respective rules and, consistent with normal market practice, the Listing Rules and HMRC rules where relevant, including flexibility in a number of regards. The flexibility includes:

- timing of awards and payments;
- the size of an award (within the limits noted in the table above) and when and how much should vest;
- who receives an award or payment;
- dealing with a change of control or restructuring of the Group;
- determining whether a participant is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest;
- any adjustments required to awards in certain circumstances (e.g. rights issues, corporate restructuring, other significant events and special dividends); and
- the weightings, measures and targets for the annual bonus plan, PSP and CSOP from year to year.

The Committee retains the discretion to adjust the targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the PSP and CSOP if events occur (e.g. a major acquisition or disposal) which cause it to determine that the plan conditions are unable to fulfil their original intended purpose and if the change would not be materially less difficult to satisfy than was originally set.

### EXISTING AWARDS

The Committee intends to honour any commitments, including the outstanding PSP awards, on the terms applicable at the time each such commitment was made. The relevant outstanding awards are described in the Annual Report on Remuneration.

## EXECUTIVE DIRECTORS' SERVICE AGREEMENTS INCLUDING POLICY ON CONTRACTS OF SERVICE

**Rob Pitcher**

On 25 June 2018, Rob Pitcher (The Company's Chief Executive Officer) entered into a service agreement with Revolution which is terminable by him or the Company on not less than 12 months' prior written notice. The Company can, however, terminate Rob Pitcher's service agreement immediately, provided that such termination is effected together with payment of a cash sum in lieu of notice equivalent to the basic salary, pension allowance, car allowance and the value of his insured benefits to which he would have been entitled for the remainder of his notice period. The service agreement is terminable with immediate effect without notice in certain circumstances.

**Mike Foster**

Mike Foster (The Company's Chief Financial Officer and Company Secretary) continues to perform his duties on the basis of an appointment letter approved by the Revolution Board on 29 May 2017 and which is terminable by him or the Company on not less than six months' prior notice.

The Executive Directors are eligible to participate in such bonus arrangements as the Company may specify from time to time. The Board retains absolute discretion to determine whether or not a bonus should be paid to an Executive Director and, if a bonus is to be paid, the amount of such bonus.

On cessation of an Executive Director's employment, the treatment of any outstanding share awards will be governed by the rules of the appropriate plan. In the normal course, awards will lapse. If a participant is treated as a good leaver (for reasons of death, injury, permanent ill health or disability, redundancy, the employing entity ceasing to be a member of the Group, the business being transferred outside of the Group, or any other reason the Committee determines at its discretion) the award will normally be deemed to vest on the originally prescribed vesting date to the extent that the performance conditions have been achieved and pro-rated for the service period rendered (unless the Committee decides to vest awards at cessation and/or disapply time pro-rating).

The Non-Executive Directors have letters of appointment which provide for notice by either party giving to the other not less than six months' notice in writing for the Chairman and three months' notice in writing for other Non-Executive Directors. The Company may also terminate by making a payment in lieu of notice.

None of the employment contracts or letter of appointment of the Directors contain special contractual termination provisions.

## OTHER EMPLOYEES' PAY

The Committee does not consult with employees directly on matters of Executive remuneration. However, the Committee is aware of the disconnect which may be created if Executive Director remuneration is set in isolation and therefore is updated during the year with details of the pay and employment conditions in the wider workforce. In particular, the Committee is made aware of general salary increases, general benefit provision and the proposed level of annual bonuses. The Committee is also responsible for reviewing the proposed participants of the PSP and the CSOP.

## REMUNERATION POLICY ACROSS THE GROUP

The Remuneration Policy described in this report is broadly consistent with the policy used for other Senior Executives of the Company. A significant proportion of remuneration remains performance related, although lower quanta operate.

All Support Centre salaried employees and venue management staff participate in annual bonus or incentive schemes subject to minimum service periods, although the rewards, limits and performance metrics vary according to seniority and location of the role. Participation in the PSP and the CSOP is targeted at senior management and other key staff such as Area Managers who have the ability to influence overall trading performance.

New senior employees are eligible to join a defined contribution pension plan providing an employer contribution at five per cent annual salary.

# REMUNERATION Report continued

## DIRECTORS' REMUNERATION POLICY CONTINUED

### POLICY ON EXECUTIVE DIRECTOR RECRUITMENTS/PROMOTIONS

In relation to external Executive recruitment or internal promotion, the Committee will follow the principles outlined in the table below:

**Element of remuneration**

**Base salary**

Salary levels will be set based on:

- the particular experience, knowledge and skills of the individual;
- market rates for comparable positions in companies of a similar size and complexity; and
- internal Company relativities.

Where considered appropriate, the Committee may wish to set the initial salary below the perceived market rate (e.g. to reflect an individual's limited experience at a public limited company board level) but with the view to make phased increases, potentially above those of the wider workforce as a percentage of salary, so as to achieve the appropriate market positioning over time. Any increases would be subject to the individual's continued development and performance in the role.

**Benefits**

A new appointment would be offered the same or a similar benefits package (or equivalent, in line with local market practice) as that provided to current Executive Directors.

Where considered necessary, the Committee may agree to pay certain relocation expenses, legal fees and other costs incurred by the individual in relation to their appointment.

**Pension**

A defined contribution or cash supplement (or equivalent, in line with local market practice) aligned to existing senior employees may be provided.

**Annual bonus**

The Committee would envisage the annual bonus for any new appointment operating as set out in the policy table for current Executive Directors. The annual bonus maximum, as a percentage of salary, would be limited to that of the current Chief Executive Officer.

However, the Committee may consider it necessary (depending on timing and the nature of the appointment) to set different tailored performance measures for the initial bonus year.

**Long-term incentives**

Ongoing LTIP awards will be made on the same terms as those for current Executives, albeit possibly with different performance periods depending on the timing of the appointment. The maximum ongoing award, as a percentage of salary, will be no higher than that of the current Chief Executive Officer. An award may be made shortly after an appointment if the Committee regarded it to be an exceptional circumstance and subject to the Company not being in a closed period. In accordance with the rules of the scheme, awards are normally made within 42 days of an announcement of the Group's results.

For internal promotions, existing awards will continue over their original vesting period and remain subject to their terms as at the date of grant.

**Buy-out awards**

To facilitate external recruitment, it may be necessary to buy out remuneration which would be forfeited on the appointee leaving their previous employer. When determining the quantum and structure of any buy-out awards, the Committee will, where possible, use a consistent basis, taking into account the form of remuneration (cash or shares), timing horizons and the application of any performance criteria.

Buy-out awards, if used, will be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

### SHAREHOLDER ENGAGEMENT

The Committee considers an open and constructive dialogue with investors to be vitally important to establishing a successful Remuneration Policy that is considered fair and transparent by both Executives and shareholders. Therefore, the Committee will consult with major investors whenever material changes to the policy are proposed. The Committee also welcomes investor feedback and will consider views raised at the AGM and regular meetings throughout the year when establishing the overall policy.

# ANNUAL REPORT ON REMUNERATION

## COMPOSITION OF THE REMUNERATION COMMITTEE (UNAUDITED)

The Committee currently consists of Jemima Bird (Committee Chair), Keith Edelman and William Tuffy. None of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest from cross-directorships, or day-to-day involvement in the running of the business.

The CEO and CFO are invited to attend meetings, although are not present when matters affecting their own remuneration are discussed. The Company Secretary or their nominee acts as secretary to the Committee.

The Committee appointed independent remuneration consultants, FIT Remuneration, to replace Mercer Kepler, to advise on aspects of senior executive remuneration. FIT Remuneration is a member of the Remuneration Consultants Group and is a signatory to its code of conduct. FIT Remuneration has no connection with Revolution Bars Group plc other than in the provision of advice on Executive remuneration. The terms of engagement are available from the Company Secretary on request. The fees payable to FIT Remuneration during the 52 weeks ended 29 June 2019 were £16,000 (2018: £8,400 paid to Mercer Kepler).

The Committee reviews its relationships with external advisers on a regular basis and believes that no conflicts of interest exist.

## IMPLEMENTATION OF THE REMUNERATION POLICY IN THE 52 WEEKS ENDING 27 JUNE 2020 (UNAUDITED)

### Basic Annual Salary

Current salary levels are as follows:

| Role | Director | From 1 April 2019 | 2018/19 | % Increase |
|---|---|---|---|---|
| Chief Executive Officer | Rob Pitcher | £350,000 | £350,000 | 0% |
| Chief Financial Officer | Mike Foster | £204,000 | £200,000 | 2% |

Mike Foster's base salary was increased by two per cent from 1 April 2019 in line with Support Centre salary increases.

### Annual Bonus

Annual bonus provision for 2019/20 will continue to be capped at 100 per cent of salary for Executive Directors. However, following a review of bonus provision, the Committee has simplified arrangements while more closely aligning performance metrics and targets to the delivery of the Company's strategy. As such, 70 per cent of the bonus potential will be based on sliding scale adjusted EBITDA performance targets while 30 per cent of the bonus potential will be based on strategic targets based on like-for-like sales growth, health and safety independent audit results, guest experience scores and employee Net Promoter Score. Adjusted EBITDA was selected as a bonus measure given that it is the key performance metric used by management internally. While Adjusted EBITDA and the strategic targets are currently commercially sensitive, full details of the targets and performance against the targets will be disclosed in next year's Directors' Remuneration Report.

### Long-term Incentive Awards

As part of his joining arrangements, Rob Pitcher was eligible to receive a 300 per cent of salary LTIP award in two parts, with the first part (200 per cent of salary) granted following the preliminary announcement of the 2018 results and the second part (100 per cent of salary) to be granted following the preliminary announcement of the 2019 results. While the Committee notes the provision in ISS's latest voting guidelines (i.e. where there has been "a material decline in a company's share price, Remuneration Committees should consider reducing the size of LTIP awards at the time of grant") and investor sentiment on this more generally, a reduction to the award level is not considered appropriate in respect of Rob Pitcher's planned 2019 LTIP award given the Remuneration Committee's desire to:

(i) fulfil the commitment made to Rob upon his appointment (which was a critical element in attracting him to this opportunity) in respect of granting a 300 per cent of salary LTIP award within the first 18 months of his employment;

## ANNUAL REPORT ON REMUNERATION CONTINUED

### IMPLEMENTATION OF THE REMUNERATION POLICY IN THE 52 WEEKS ENDING 27 JUNE 2020 (UNAUDITED) CONTINUED

**Long-term incentive awards** continued

(ii) ensure that Rob is appropriately incentivised to remain in the business noting: (a) the significant progress that he has made since his appointment just over a year ago and the planned workstreams for 2019/2020 onwards; (b) that a number of the Group's issues in the past were exacerbated by a period of management instability; (c) the reduction in the share price is not a reflection of his efforts since joining the Group but rather a result of the underlying problems in the period leading up to his appointment; and (d) the fact that the initial 200 per cent of salary LTIP award is, in the view of the Committee, considered unlikely to vest to a material extent; and

(iii) ensure that Rob is appropriately incentivised to continue to turn the business around in challenging trading and uncertain macroeconomic conditions.

The basis of performance targets for the awards will remain unchanged; 70 per cent on earnings per share ("EPS") (25 per cent of this part of awards will vest for EPS growth of seven per cent p.a. increasing pro-rata to 100 per cent vesting for EPS growth of 13 per cent p.a.) and 30 per cent based on relative total shareholder return ("TSR") against a bespoke group of pub companies (Restaurant Group, Greene King, Mitchells & Butlers, JD Wetherspoon, Whitbread, Marston's and Fuller Smith & Turner). However, rather than using the conventional median to upper quartile vesting schedule, a median (25 per cent of this part of awards will vest) to median plus ten per cent p.a. (100 per cent of this part of awards will vest) will be adopted given the small number of comparator companies. The level of outperformance for full vesting has been based on a historical analysis of the typical range between median and upper quartile TSR in the sector.

Following his 200 per cent of salary LTIP award in November 2017, no further LTIP award will be granted to Mike Foster in 2019/20.

**Policy on Executive Share Ownership**

The Remuneration Policy requires Executive Directors to invest in the Company to a level of at least 100 per cent of annual salary over time, save that under such policy Executive Directors may build to this level using 50 per cent of net awards under the Company's long-term incentive plans.

Details of current share ownership levels are set out on page 55.

**Non-Executive Directors' Fees and Incentives**

No increases to Non-Executive fees will be awarded for 2019/20.

Details of each Director's remuneration for the 52 weeks ended 29 June 2019 are given below.

## DIRECTORS' REMUNERATION FOR THE 52 WEEKS ENDED 29 JUNE 2019 (AUDITED)

| | | Fees/ Salary £'000 | Taxable benefits[1] £'000 | Pension[2] £'000 | Annual Bonus £'000 | Long-term incentives £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| Rob Pitcher[3] | 2019 | 350 | 16 | 44 | – | – | 410 |
| | 2018 | 7 | – | 1 | – | – | 8 |
| Mike Foster | 2019 | 201 | 18 | – | – | – | 219 |
| | 2018 | 200 | 17 | – | – | – | 217 |
| **Non-Executive Directors** | | | | | | | |
| Keith Edelman[4] | 2019 | 90 | – | – | – | – | 90 |
| | 2018 | 255 | – | – | – | – | 255 |
| Jemima Bird | 2019 | 33 | – | – | – | – | 33 |
| | 2018 | 30 | – | – | – | – | 30 |
| William Tuffy[5] | 2019 | 20 | – | – | – | – | 20 |
| **Former Directors** | | | | | | | |
| Mark McQuater[6] | 2019 | 145 | 3 | – | – | – | 148 |
| | 2018 | 368 | 40 | 64 | – | 44 | 516 |
| Chris Chambers[7] | 2018 | 21 | 1 | 3 | – | – | 25 |
| Michael Shallow[8] | 2019 | 17 | – | – | – | – | 17 |
| | 2018 | 40 | – | – | – | – | 40 |
| **Aggregate emoluments** | | | | | | | |
| | 2019 | 856 | 37 | 44 | – | – | 937 |
| | 2018 | 921 | 58 | 68 | – | 44 | 1,091 |

1. Taxable benefits comprise medical insurance policies and car allowances.
2. A pension provision/salary supplement of 15 per cent of salary was provided to Rob Pitcher. No pension provision was provided to Mike Foster.
3. Rob Pitcher was appointed to the Board on 25 June 2018; his remuneration figures for 2018 reflect the period from the date of appointment only.
4. Keith Edelman assumed the role of Executive Chairman on 17 October 2017, before resuming his role as Non-executive Chairman on 24 June 2018. Of the figure presented above for 2018, £227,000 related to the period over which he was the Executive Chairman.
5. William Tuffy was appointed to the Board effective 26 November 2018.
6. Mark McQuater stepped down from the Board on 17 October 2017 and ceased employment on 2 February 2018; he received his normal pay and benefits during the 2019 reporting period throughout his garden leave in line with his contractual arrangements (as reported last year).
7. Chris Chambers stepped down from the Board on 6 May 2017 but received a final payment in lieu of notice in the 2018 reporting period.
8. Michael Shallow resigned from the Board effective 26 November 2018.

# REMUNERATION Report continued

## ANNUAL REPORT ON REMUNERATION CONTINUED

### ANNUAL BONUS (UNAUDITED)

For the 52 weeks ended 29 June 2019, an annual bonus plan was operated for the Executive Directors with 50 per cent of potential based on EBITDA performance, and 50 per cent of potential based on PBT performance.

The targets and performance against the financial metrics were as follows:

| | | | | Annual Bonus | |
|---|---|---|---|---|---|
| | Target | Stretch | Performance outcome | Weighting | Outcome (% of max bonus) |
| Financial Objectives | | | | | |
| Adjusted EBITDA (£'000) | 16,794 | 17,634 | 11,061 | 50% | 0% |
| Adjusted profit before tax (£'000) | 8,449 | 8,871 | 2,973 | 50% | 0% |
| | | | | 100% | 0% |

Given the significant shortfall on the financial targets, no bonuses became payable to Executive Directors.

### PSP AWARDS VESTING IN FY19 (AUDITED)

No PSP awards vested in respect of performance to 29 June 2019.

### PSP – AWARDS GRANTED IN FY19 (AUDITED)

The following PSP award was issued to an Executive Director in the year to 29 June 2019:

| Executive | Type of award | Exercise Price (pence) | Number of awards granted | Basis of award | Face value | Percentage which vests at threshold | Performance period end |
|---|---|---|---|---|---|---|---|
| Rob Pitcher | PSP award<br>CSOP award | 0.1<br>114.5 | 585,154<br>26,200 | 200% of salary* | £700,000 | 25% | 3 July 2021 |

This award is subject to stretching performance conditions, which are tested over a three-year performance period between 1 July 2018 to 3 July 2021, and will vest in October 2021 to the extent these conditions are satisfied:

| EPS (70% of awards) | | TSR (30% of awards)* | |
|---|---|---|---|
| < 7% p.a. | 0% | < Median | 0% |
| 7% p.a. | 25% | Median | 25% |
| 7%–13% p.a. | Pro-rata between 25% and 100% | Between median and upper quartile | Pro-rata between 25% and 100% |
| At least 13% p.a. | 100% | Upper quartile (or better) | 100% |

* Measured against a peer group of the FTSE Restaurant & Bars subsector.

## OUTSTANDING EXECUTIVE SHARE AWARDS (AUDITED)

| Executive Director | Scheme | Grant date | Exercise price (pence) | No of shares at 1 July 2018 | Granted during the year Number | Vested during the year Number | Lapsed during the year Number | No of shares at 29 June 2019 | Vesting date |
|---|---|---|---|---|---|---|---|---|---|
| **Rob Pitcher** | PSP* | 18.10.18 | 0.1 | – | 585,154 | – | – | 585,154 | 18.10.21 |
| | CSOP | 18.10.18 | 114.5 | – | 26,200 | – | – | 26,200 | 18.10.21 |
| **Mike Foster** | | | | | | | | | |
| | PSP* | 14.11.17 | 0.1 | 240,000 | – | – | – | 240,000 | 14.11.20 |
| | CSOP | 14.11.17 | 162.0 | 18,518 | – | – | – | 18,518 | 14.11.20 |
| | | | | 258,518 | 611,354 | | | 869,872 | |

* PSP awards with associated CSOP awards attached (any awards which vest and which are exercised under the CSOP are directly offset by a reduction in vesting under the PSP of equivalent value).

## PAYMENTS MADE FOR LOSS OF OFFICE AND PAYMENTS TO PAST DIRECTORS (AUDITED)

Mark McQuater resigned from the Board on 17 October 2017. He remained on garden leave until 16 October 2018 during which time he received his normal pay and benefits. No further payments have been made to Mark McQuater and no LTIP awards remain outstanding.

## DIRECTORS' INTERESTS AND SHAREHOLDING GUIDELINES (AUDITED)

The following table shows Directors' interests in the Company:

| Director | Beneficially owned at 29 June 2019 Number | Outstanding LTIP awards Number | Outstanding share awards under all employees share plans Number | Total interest in shares Number | Shareholding as a % of base salary at 29 June 2019 |
|---|---|---|---|---|---|
| Rob Pitcher | 100,000 | 611,354 | – | 711,354 | 18.3% |
| Mike Foster | – | 258,518 | – | 258,518 | 0% |
| Keith Edelman | 30,500 | – | – | 30,500 | n/a |
| William Tuffy | 10,000 | – | – | 10,000 | n/a |
| Jemima Bird | 20,250 | – | – | 20,250 | n/a |

Executive Directors are expected to hold an investment of at least 100 per cent of base salary in Company shares. 50 per cent of any awards which vest under the Company's LTIPs (net of any taxes due) must be retained until the requirement has been met. The table above shows Directors' interests in shares and the percentage of the guideline currently met as at 29 June 2019.

The shareholding counting towards the measurement of the guideline is calculated on the basis of legally-owned shares. The percentage of guideline met is based on the annual base salary and the higher of the acquisition cost of the shareholding or its current market value. Once an Executive Director meets the required holding, the Executive Director is only required to purchase additional shares equivalent to the value of any increase in base salary.

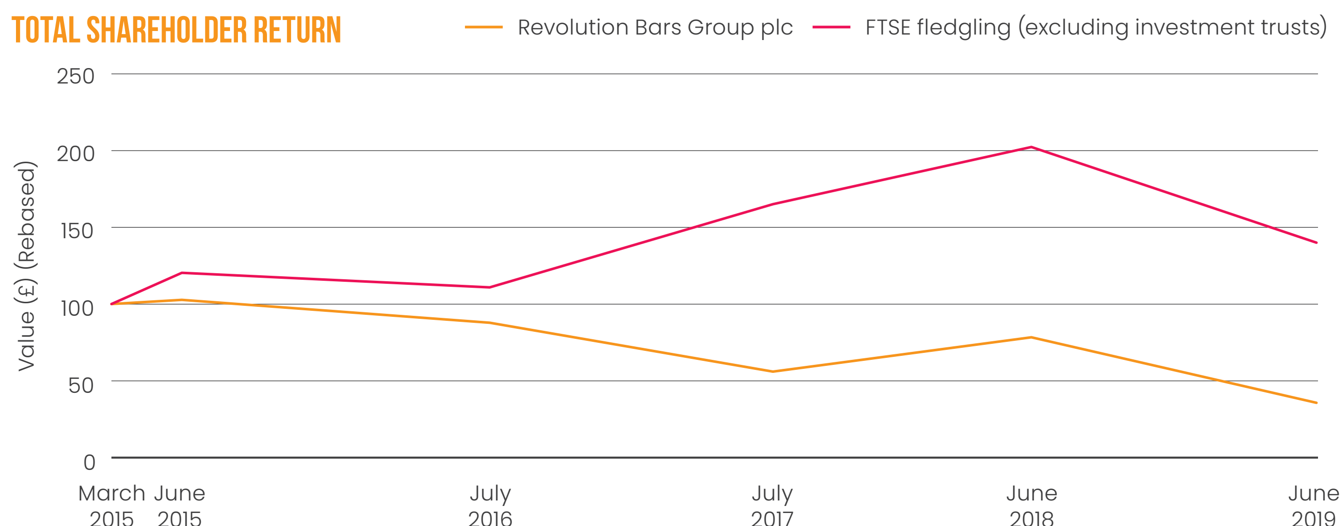
# REMUNERATION Report continued

## ANNUAL REPORT ON REMUNERATION CONTINUED

### PERFORMANCE GRAPH AND CHIEF EXECUTIVE OFFICER REMUNERATION TABLE (UNAUDITED)

The graph below illustrates the Company's total shareholder return ("TSR") performance relative to the FTSE Fledgling Index (excluding investment trusts). This was chosen as it represents a broad-based index of which the Company is a constituent. Performance is shown over the period from the Company's listing in March 2015 through to the end of the current reporting period at 29 June 2019. The graph shows performance of a hypothetical £100 invested at IPO and its performance over that period.

### TOTAL SHAREHOLDER RETURN




Source: Thomson Reuter DataStream.

The table below details the CEO's remuneration over the same period as presented in the TSR graph:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| **Single figure of remuneration (£'000)** | | | | | |
| Rob Pitcher* | 410 | 8 | – | – | – |
| Mark McQuater** | – | 516 | 473 | 570 | 449 |
| LTIP vesting (% of maximum) | – | – | – | – | – |
| Bonus (% of maximum) | – | – | – | 22% | 12% |

* Rob Pitcher was appointed to the Board as CEO on 25 June 2018.

** Mark McQuater resigned from the Board on 17 October 2017.

### PERCENTAGE INCREASE IN REMUNERATION OF THE CHIEF EXECUTIVE OFFICER (UNAUDITED)

The table below demonstrates the movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial periods compared to that for the average full-time salaried employee. For this purpose, given that there was no Chief Executive Officer in place for the majority of the comparative period, the percentage change shown reflects the difference in the packages between the start and end of the reporting period

| | CEO % | Employee % |
|---|---|---|
| Salary | 0% | 0% |
| Taxable benefits | 0% | nil |
| Annual Bonus | 0% | nil |

| Relative importance of spend on pay (unaudited) | 2019 £m | 2018 £m | % |
|---|---|---|---|
| Staff costs | 47.0 | 42.3 | 11 |
| Distributions to shareholders | 1.7 | 2.5 | (32) |

## SHAREHOLDER VOTING AT THE 2018 AGM (UNAUDITED)

At the Annual General Meeting on 26 November 2018, the Directors' Remuneration Report and Annual Report on Remuneration received the following votes from shareholders:

| | % of votes cast | Votes for | Votes against | Votes withheld* |
|---|---|---|---|---|
| Directors' Remuneration Report | 47.49% | 23,706,627 | 53,870 | 5,753 |
| | | 99.77% | 0.23% | – |
| Directors' Remuneration Policy | 47.49% | 23,704,664 | 55,833 | 5,753 |
| | | 99.77% | 0.23% | – |

* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

This report was approved by the Remuneration Committee and signed on its behalf by:

**Jemima Bird**
Chair of the Remuneration Committee

1 October 2019

# AUDIT COMMITTEE *Report*

## Dear shareholder

**I am pleased to introduce the report of the Audit Committee for the 52 weeks ended 29 June 2019.**

The Code recommends that all members of the Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement and that at least one such member has recent and relevant financial experience. Accordingly, the Committee comprises all three independent Non-Executive Directors including me as Committee Chairman, considered by the Board to have recent and relevant financial experience due to my previous experience as an Audit Committee Chair in another publicly listed company, in other senior financial roles and FCA and FCCA qualifications.

I have over 35 years' experience in senior general and financial management roles in Retail, FMCG and property Investment and Management and have been involved with business transformation and turnaround projects in companies ranging from large multi-nationals to mid-sized businesses and start-ups. I have also held Non-Executive positions, including four years at Beale plc, during which I was initially Senior Independent Director and then Non-Executive Chairman. Whilst at Beale plc, I served as Chair of both Audit and Remuneration Committees. I have solid experience in retail and many other complimentary sectors and am therefore suitably experienced to lead the Committee.

Regular Committee meetings are also normally attended by the Chief Financial Officer and the external auditor. The Chief Financial Officer, who is also the Company Secretary, acts as secretary to the Committee. Other members of management, particularly senior financial managers, are invited to attend depending on the matters under discussion.

The Committee meets at least twice a year at the appropriate times in the reporting and audit cycle and seeks also to ensure that twice per annum there is an opportunity for meeting time with the external auditor without members of management present. The Committee was set up by the Board to assist it with its responsibilities in respect of financial reporting, including reviewing annual and half-year results, external auditing, internal controls, and advising on the independence and appointment of the external auditor. The Committee also routinely examines significant accounting treatments facing the Group and will focus on those matters raised by the external auditor which they consider to be of significant audit risk.

PricewaterhouseCoopers LLP ("PwC") was appointed as the Group's external auditor on 29 January 2018 and therefore the period under review represents their second year of audit. The Committee is satisfied that PwC has undertaken its responsibilities as the Group's external auditor to a high standard and therefore the Committee will be recommending that PwC be formally appointed as auditor at the 2019 Annual General Meeting ("AGM"). The PwC audit partner responsible for the Group is Randal Casson.

**During the year, the Directors continued to assess the following key areas:**

- Board governance, including the Committee and the procedure for assessing the Group's key risks;
- management accounting processes and the quality of information provided to the Board;
- external financial reporting procedures and audit arrangements and reporting standards;
- complex transactions, potential exposure and risk;
- information systems; and
- budgeting and forecasting procedures and controls.

The Directors recognise the need to maintain the financial reporting procedures, review them on a continuing basis and adapt them to changing circumstances. Their review forms part of the Committee's agenda going forward together with its wider role and responsibilities, which are set out in more detail in this report.

I look forward to meeting with shareholders at the AGM to answer any questions on the work of the Audit Committee.

> The Directors recognise the need to maintain the financial reporting procedures, review them on a continuing basis and adapt them to changing circumstances."

## ASSESSING EFFECTIVENESS OF EXTERNAL AUDIT PROCESS

Whilst the Committee does not rely solely on the work of the external auditor, it regards the breadth and quality of the work performed by the external auditor as contributing significantly to several of the Committee's objectives, particularly regarding assurance relating to the accuracy and reliability of its external reporting and for reviewing objectively the Group's systems and internal controls. For that reason, planning meetings are held with the external auditor to review their proposed work programmes and any recommendations made by the external auditor are reviewed in depth as are their findings from their review of the half year and year end accounts. The Committee meets to discuss the performance of the external auditor and to consider priority areas for future work.

In order for the auditor to be fully effective, they must be independent of the Company and the Committee intends to ensure that no other work is performed by the external auditor so that their independence is not compromised. New EU legislation on permitted non-audit services came into effect from 17 June 2016 which introduced a permitted non-audit services fee cap of 70 per cent of the average audit fee over a consecutive three-year period. This cap comes into effect for the Group in the financial year ending 30 June 2020. During the year, the value of non-audit services provided by the external auditor amounted to £0.02 million (2018: £0.15 million). The non-audit services in the period under review related only to an interim review; whilst this is classified as non-audit work, the Committee believes that it is incidental to the role as auditor and helpful to performing its role as auditor.
In the comparative period, PwC undertook forensic accounting work that was performed prior to their appointment as external auditor. This non-audit work was referred to in last year's Audit Committee report and related to an investigation into and a report to the Committee on the Group's accounting for supplier rebates and short life assets. This work was substantially completed prior to the completion of KPMG LLP's audit of the results for the 52 weeks ended 30 June 2017 and subsequently a related smaller piece of work was undertaken by PwC to finalise the investigation and was completed before PwC were invited to participate in the tender process for the appointment as the Group's external auditor. At the time, both the Committee and PwC carefully considered whether there was any conflict of interest and were satisfied that there was not.

Under the EU audit regulation, the Company is required to undertake a tender for audit services at least every ten years (being for the period commencing July 2028). As such there are no plans to undertake a tender in the foreseeable future.

# AUDIT COMMITTEE Report continued

## ROLE AND RESPONSIBILITIES

**The Committee's terms of reference can be found on the Group's website or alternatively can be obtained from the Company Secretary. The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders with regard to the integrity of financial reporting, audit, risk management and internal controls. In doing so the Committee shall act in a way which would be most likely to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:**

- the likely consequences of any decision in the long term;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- any other matters required to be considered in accordance with section 172 of the Companies Act 2006.

### External Audit

- Audit tender process: The Committee oversees the exercise of putting the external audit out to tender at least once every ten years or explain in the Annual Report why this action has not been taken.
- Appointment, reappointment and dismissal of auditor: Taking into account the obligations noted above, the Committee will consider and make recommendations to the Board, to be put to the shareholders for approval at the AGM, regarding the appointment and reappointment or dismissal of the external auditor. The Committee will oversee the selection process for new auditors and will ensure that all tendering firms are given access to such information and individuals as may be appropriate during the tendering process. If an auditor resigns the Committee will investigate the circumstances surrounding this and decide whether any action is required.
- Remuneration of auditor: The Committee approves the remuneration and terms of engagement, including any engagement letter, of the external auditor, ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted. The Committee reviews the audit fees and considers any other fees payable to the auditor in respect of non-audit activities. The Committee develops and implements a policy regarding the engagement of the external auditor to supply non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance on the subject, and reporting to the Board on any improvement or action required.
- Independence of auditor: The Committee, at least annually, reviews and satisfies itself with the independence (satisfying itself that there are no relationships such as family employment or financial investment, or other business arrangements between the Group and the auditor, other than in the ordinary course of business) and objectivity of the external auditor, taking into account consideration of relevant UK professional and regulatory guidelines. The Committee monitors the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office, partner and other related requirements. The Committee satisfies itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- Audit effectiveness: The Committee reviews the effectiveness of the external audit process, taking into account relevant UK professional and regulatory requirements.
- Employment of former employees of auditors: The Committee recommends to the Board a policy on the employment of former employees of the auditors and monitors implementation of this policy.
- Audit qualifications: The Committee annually assesses the qualifications of the auditors, their expertise and resources, as well as the effectiveness of the audit process.
- Co-ordination with internal audit: The Committee seeks to ensure coordination of internal audit activities alongside the external audit.
- Audit planning: The Committee meets regularly with the auditors including once at the planning stage for the year end (where the scope of the audit and the annual audit plan are considered to ensure consistency with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team) and once post audit at the reporting stage. The Committee reviews the findings of the audit and discusses any major issues arising during the audit, any relevant accounting and audit judgements, the levels of errors identified during the audit and the effectiveness of the audit. The Committee also discusses any matters the auditor may wish to raise (in the absence of management where necessary). The Committee ensures that any representation letters, management letters and responses from management are reviewed.

### Financial Statements

- Integrity of financial statements: The Committee monitors the integrity of the financial statements by keeping them under review and challenging where necessary:
  - the consistency of, and any changes to, accounting policies on a year-to-year basis across the Group;
  - the methods used to account for significant or unusual transactions where different approaches are possible;
  - whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, and
  - the clarity of disclosure in the Company's financial statements and the corporate governance statement (insofar as it relates to audit and risk management), and reports its views to the Board if it is not satisfied with any aspect of the proposed financial statements.
- Significant issues and judgements: The Committee reviews and reports to the Board on significant financial reporting issues and judgements which the financial statements contain having regard to matters communicated to it by the auditors.
- Other statements containing financial information: The Committee reviews other statements requiring Board approval containing financial information where a review prior to Board approval is practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- Annual Report and Accounts: The Committee reviews the content of the Annual Report and Accounts and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the Annual Report on these matters as required under the Code.

### Other Matters

- Corporate Governance: The Committee gives due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority and any other applicable rules, as appropriate.
- Whistleblowing: The Committee reviews the Group's procedures for handling allegations from whistleblowers and ensures that these arrangements allow for proportionate and independent investigation of such matters and appropriate follow up. The Committee reviews the Company's procedures for detecting fraud and the systems and controls for the prevention of bribery and receives reports of non-compliance.
- Training: The Committee is provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- S172 CA2006: The Committee assists the Board in relation to preparing the statement required to be published annually describing how the Directors have had regard to the matters set out in section 172 of the Companies Act 2006.
- Performance review: The Committee arranges for periodic reviews of its own performance, and, at least annually, reviews its constitution and terms of reference, to ensure that it is operating at maximum effectiveness and recommends any changes that it considers necessary to the Board for approval.

## MEETINGS AND ATTENDANCE

**During the 52 weeks ended 29 June 2019, the Audit Committee met formally on three occasions, with all members attending the meetings. At two meetings, the Committee had access to the external auditor without management present.**

**Work performed by the Committee during the year has included:**

- reviewing the independence and objectivity of PwC as external auditor, together with its effectiveness, following their audit and recommending its appointment to shareholders at the AGM;
- receiving the external auditor's reports to the Committee in respect of the interim audit review;
- reviewing and approving the external audit plan for the 52 weeks ended 29 June 2019;
- reviewing the Annual Report and Accounts for 2019 and recommending to the Board its adoption as fair, balanced and understandable. In fulfilling this task, the Committee reviewed the process undertaken to produce the Annual Report and Accounts 2019, which included internal verification processes and content approval procedures;
- receiving the external auditor's reports to the Committee;
- reviewing the Group's accounting policies and key accounting judgements;
- considering the risk assessment, mitigation actions and assurance activities produced by management; and
- reviewing compliance with and explaining any exceptions from the UK Corporate Governance Code.

# AUDIT COMMITTEE
## Report continued

## INTERNAL AUDIT

The Group does not have an internal audit function and to date has considered that the key risks to the business are covered by a combination of resources including its compliance department, stock-takers and area managers.

The Group's compliance department is responsible for managing many of the principal risks facing the business concerning alcohol licensing, and health and safety. Their work is supported by external consultants on both of these matters and as part of these arrangements annual contracts are in place to provide at least two audit visits per annum to every trading venue by fully qualified health and safety advisers. Additionally, the Group's compliance department monitors and acts on any matters relating to cash losses.

The Group also employs four full-time stock-takers who check stocks and various other generally related compliance matters such as cash counts on a risk assessed basis. Each bar's stock is counted on average between six and eight times per annum. Stock-take results are reviewed by both operational and finance staff immediately that they are made available.

An important element of the area manager's role is to perform spot checks on cash, stocks, licensing and health and safety matters as part of their regular site visits. The area manager assessments are used, amongst other things, to rate general managers; poor scores relating to these matters and brand standards reduce the bonus earnings potential of a bar's management team.

## RISK COMMITTEE

**To strengthen and complement the Audit function a Risk Committee is chaired by the Chief Financial Officer and comprises several members of the Senior Management team including the heads of Compliance, Property, Operations, Food, IT and People Development. The purpose of the Committee is:**

- to identify, mitigate and prevent risk as far as possible;
- to protect the financial, physical and reputational image of the business;
- to fulfil the Company's legal obligations; and
- to ensure visibility and transparency over controls.

The Committee's terms of reference are available from the Company Secretary and can be found on the Company's website at www.revolutionbarsgroup.com.

During the period the Committee met quarterly with all members or their deputies attending. The key activities of the Committee during the period have been:

- to monitor the audits carried out by the external consultants and to ensure any critical issues identified have been rectified in a timely function;
- to monitor health and safety standards in bars including compliance certification, reviews of updated risk assessments, and compliance with all matters concerning food safety;
- to review serious incidents involving staff or customers to ensure that all lessons are learned and that any necessary improvements to controls and procedures to prevent a recurrence are acted upon;
- to ensure the Company adheres strictly to the licensing objectives to protect all premises licenses;
- to ensure that all changes in relevant legislation and policies are identified and acted upon in a timely manner, and
- to review insurance policies and coverage.

## SIGNIFICANT ACCOUNTING MATTERS

**In reviewing the financial statements with management and the external auditor, the Committee has discussed and debated the critical accounting judgements and key sources of estimation uncertainty as set out in note 1 to the consolidated financial statements.**

**As a result of its review, the Committee has identified the following issues that require particular judgement or have significant impact on the interpretation of the Annual Report and Accounts for 2019:**

- Accrued rebates from suppliers: rebates are usually invoiced on a monthly or quarterly basis based on supplied volumes and whilst these can usually be quickly assessed post-period, judgements are sometimes required as to whether longer term contractual thresholds will be met. Good records are maintained in this area to monitor volumes on a contract by contract basis and reviewed monthly by senior finance management thus minimising the degree of judgement required. Where relevant, the Committee is satisfied that appropriate judgements have been made.
- Carrying value of fixed assets: the Group keeps the carrying value of its fixed assets under review. Formal procedures are used in each external reporting period to make assessments of the appropriateness of carrying values within the balance sheet. As a result of its reviews, the Committee has approved accelerated depreciation rates on certain leasehold improvements and scrutinised and approved impairment charges. The Committee has also approved the creation of a dilapidations provision to recognise that amounts may be payable on the expiration of lease terms if the Group is unable or unwilling to extend the lease on agreeable terms.

- Provision for onerous leases: the Group has a small number of loss-making trading venues and these are kept under review to determine their longer term trading prospects and potential lease exit costs. The Committee has approved an increase to the provision in the period reflective of the harsher trading environment and uncertain prospects for some of these bars.
- Capitalisation of property, plant and equipment: the Committee has reviewed capitalisation policies and in particular the capitalisation of internal costs in relation to property development and IT systems development and is satisfied that its policies and the amounts capitalised are appropriate.
- Exceptional items: exceptional items on a pre-tax basis of £7.1 million (2018: £11.1 million) represent a material item in the profit and loss account. The charge in the reporting period comprises an increase in the provision for onerous leases and a fixed assets impairment charge (see note 3 to the consolidated financial statements), both of which are referred to above. The Committee considered the appropriateness of presenting these items as exceptional.

The Committee reviewed reports presented by PwC detailing its key audit findings in relation to the above matters.

**William Tuffy**
Chair of the Audit Committee

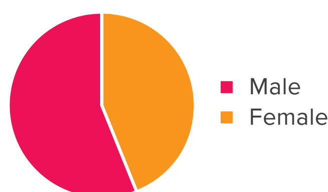
1 October 2019

# NOMINATION COMMITTEE *Report*

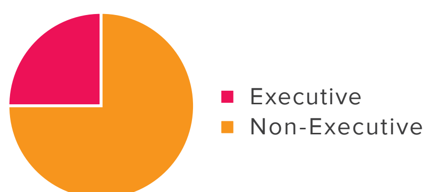
## Dear shareholder

**I am pleased to introduce the report of the Nomination Committee for the 52 weeks to 29 June 2019.**

### EMPLOYEE GENDER SPLIT




### NOMINATION COMMITTEE EXECUTIVE/ NON-EXECUTIVE ANALYSIS




### RESPONSIBILITIES

The Committee's terms of reference, which can be found on the Group's website and can be obtained from the Company Secretary, deal with such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Committee covered in its terms of reference include reviewing Board composition, appointing new Directors, reappointment and re-election of existing Directors, succession planning taking into account the skills and expertise that will be needed on the Board in the future, reviewing time required from Non-Executive Directors, determining membership of other Board Committees and ensuring external facilitation of the evaluation of the Board. As part of its activities the Committee also considers the diversity of the Board.

### COMPOSITION

The Code recommends that a majority of the members of the Nomination Committee should be independent Non-Executive Directors. The Committee is chaired by me, and its other members are Jemima Bird and William Tuffy who are independent Non-Executive Directors, and the Chief Executive Officer, Rob Pitcher. Accordingly, the Committee complies with the Code recommendation. By invitation, the meetings of the Committee may be attended by the Chief Financial Officer, although this did not occur during the year under review.

### MEETINGS AND ATTENDANCE

During the 52 weeks ended 29 June 2019, the Nomination Committee met formally on one occasion with all members attending the meeting. The Committee will continue to meet formally at least once a year and at such other times as the Board or the Committee Chairman requires. The Committee has access to sufficient resources to carry out its duties, including the services of the Company Secretary. Independent external legal and professional advice can also be taken by the Committee if it believes it is necessary to do so.

### ELECTION OF DIRECTORS

On the recommendation of the Committee and in line with the Code, all of the Group's Directors will stand for election at the forthcoming AGM and will subsequently offer themselves for re-election on an annual basis.

The biographical details of the Directors are set out on pages 34–35. Following performance evaluations conducted during the year, the Committee is satisfied that the Directors, who served during the 52 weeks ended 29 June 2019 performed effectively and demonstrated commitment to their roles. Annual performance reviews will continue going forward.

> **"We remain committed to offering equal opportunities for colleagues to develop, progress and grow."**

## DIVERSITY

We pride ourselves on being a diverse and inclusive business. All employees are welcomed and treated with respect, regardless of their background. We remain committed to offering equal opportunities for colleagues to develop, progress and grow.

The Committee supports the recommendations outlined in the Hampton-Alexander Review "FTSE Women Leaders" and is aware of the need to increase the number of women on the Board, and in other senior management positions, to which it is committed over time. Within this overriding commitment, we will make appointments based on merit and against objective criteria to ensure we appoint the best individual for each role. The Committee and the Board understand the importance of a diverse Board membership and throughout the senior management teams. The Committee also recognises that diversity encompasses not only gender but also background, ethnicity and disability. The Committee believes that all appointments should be made on merit, the key criterion being whether or not the appointee can add to or complement the existing range of skills and experience of the relevant team.

Our commitment to supporting diversity has been demonstrated by being regularly represented at and actively participating in "Women in Hospitality, Travel and Leisure", which is a forum for organisations in our industry sector to collaborate and work up tangible actions to improve diversity and inclusion across the sector. We have also provided support in the form of hosting facilities, including free food and drink, for five Plan B mentoring events. Plan B is an initiative organised by a small number of female hospitality executives, including Ann Elliott of Elliotts Marketing agency and Kate Nicholls of UK Hospitality, to prepare senior women executives for Board level positions in our sector.

Jemima Bird is the only woman on the Company's Board in 2019 and two of the seven members of the Senior Management Team are women (29 per cent up from 25 per cent in 2018). Across our business of over 3,300 employees, female employees represented approximately 44 per cent of the workforce as at 29 June 2019 (30 June 2018: 44 per cent). The Group is committed to continuing to develop the potential of its female employees through its training programmes and its corporate development pipeline.

## GENDER PAY GAP

In accordance with statutory requirements, the Group published its gender pay report by the due date. More information on our support of gender equality can be downloaded from our corporate website at www.revolutionbarsgroup.com

I look forward to meeting with shareholders at the AGM to answer any questions on the work of the Nomination Committee.

**Keith Edelman**
Chairman of the Nomination Committee

1 October 2019

# DIRECTORS' *Report*

**The Directors present their Annual Report and the Audited Consolidated Financial Statements of the Company and Group for the 52 weeks ended 29 June 2019.**

## INTRODUCTION

**This Directors' Report includes additional information required to be disclosed under the Companies Act 2006, the Code, the DTRs and the Listing Rules of the Financial Conduct Authority. Certain information required to be included in the Directors' Report is included in other sections of this Annual Report as follows:**

- the Strategic Report on pages 2 to 29 sets out a review of the Group's business during the 52 weeks ended 29 June 2019 and the financial position of the Group at the end of that period to enable shareholders to assess how the Directors have performed their duty under section 172 of the Companies Act. The review also describes the principal risks and uncertainties facing the Group, provides a fair review of the Group's business at the end of the financial year and an indication of likely future developments in the business;
- the Corporate Governance Statement on pages 40 to 43; and
- related party transactions as set out in note 24 to the consolidated financial statements.

This Directors' Report together with the Strategic Report set out on pages 2 to 29 represents the "Management Report" for the purpose of compliance with the DTR 4.1.5R.

## RESULTS AND DIVIDEND

The Group's results for the year are shown in the statement of comprehensive income on page 80. The Directors are not recommending a final dividend in respect of the 52 weeks ended 29 June 2019 (2018: 3.3 pence per share issued). There was no interim dividend during the period (2018: 1.65 pence per share), and thus the total dividend for the 52 weeks ended 29 June 2019 is nil pence per share (2018: 4.95 pence per share).

## SHARE CAPITAL AND RELATED MATTERS

The Company has only one class of share and the rights attached to each share are identical. Details of the rights and obligations attaching to the shares are set out in the Company's articles of association, which are available from the Company Secretary and can also be found on the Company's website www.revolutionbarsgroup.com under investor relations and shareholder information. The ordinary shares are listed on the official list and are traded on the London Stock Exchange. The Company may refuse to register any transfer of a share which is not a fully paid share. At a general meeting of the Company, every member has one vote on a show of hands, and on a poll one vote for each share held. Details of the voting procedure, including deadlines for exercising voting rights, are set out in the Notice of Annual General Meeting 2019. As at 29 June 2019, the issued share capital of the Company was 50,029,159 ordinary shares of £0.001 each. Details of the share capital as at 29 June 2019 are shown in note 19 to the consolidated financial statements.

## POWERS OF THE DIRECTORS

The Directors may exercise all powers on behalf of the Group including, subject to obtaining the required authority from the shareholders in general meeting, the power to authorise the issue of new shares and the purchase of the Company's shares. During the year, the Directors have not exercised any of the powers to issue or purchase shares in the Company.

## RESTRICTIONS ON TRANSFER

There are no general restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions imposed from time to time by laws and regulations (for example insider trading laws). Pursuant to the Listing Rules, Directors and certain officers and employees of the Group require the approval of the Company to deal in the ordinary shares of the Company.

The Company has in place certain share incentive plans and details of these can be found on page 54. As at the financial period end on 29 June 2019 and up to the date of this report, 585,154 share options have been granted to the Company's Chief Executive Officer, Rob Pitcher and 240,000 share options have been granted to the Company's Chief Financial Officer, Mike Foster. During the reporting period, no options vested or were exercised, 569,506 options lapsed and 1,098,580 further options have been granted.

**The Group continues to be very cash generative pre expansionary capital expenditure."**

## SUBSTANTIAL SHAREHOLDINGS

**As at 29 June 2019 and 25 September 2019, the Company had been notified, in accordance with the DTRs, of the following interests representing three per cent or more of the voting rights in the issued share capital of the Company:**

| | As at 29 June 2019 | | As at 25 September 2019 | |
|---|---|---|---|---|
| | Total holding of shares | % of total voting rights | Total holding of shares | % of total voting rights |
| Artemis Investment Management | 10,511,232 | 21.01 | 10,511,232 | 21.01 |
| Sanford Deland Asset Management | 9,250,000 | 18.49 | 8,500,000 | 16.99 |
| Legal & General Investment Management | 4,588,000 | 9.17 | 4,588,000 | 9.17 |
| AXA Framlington Investment Managers | 2,979,877 | 5.96 | 2,979,877 | 5.96 |
| AJ Williams | 1,569,878 | 3.14 | 2,665,584 | 5.33 |
| Chelverton Asset Management | 2,419,904 | 4.84 | 2,419,904 | 4.84 |
| GLG Partners CfD | 2,485,825 | 4.97 | 2,380,825 | 4.76 |
| Hargreaves Lansdown, stockbrokers (EO) | 1,843,288 | 3.68 | 1,913,682 | 3.83 |
| Deltic Group | 1,500,000 | 3.00 | 1,500,000 | 3.00 |
| Raffeisen Centrobank | 2,430,000 | 4.86 | – | – |

## DIRECTORS

The Directors of the Company and their biographies are set out on pages 34–35. Their interests in the ordinary shares of the Company are shown in the Directors' Remuneration Report on page 55.

Michael Shallow, the Company's Senior Non-Executive Director, retired from the Board at the Annual General Meeting on 26 November 2018. On the same date, Jemima Bird, an existing Non-Executive Director, was appointed Senior Non-Executive Director and Chair of the Remuneration Committee, and William Tuffy joined the Company and the Board as a Non-Executive Director and Chair of the Audit Committee.

## APPOINTMENT AND REMOVAL OF DIRECTORS

Directors may be appointed by ordinary resolution of the Company or by the Board. All Directors will stand for re-election on an annual basis in line with the recommendations of the Code. In addition to any powers of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director before the expiration of his period of office.

## DIRECTORS' INDEMNITIES AND INSURANCE

The articles of association of the Company permit it to indemnify the Directors of the Company against liabilities arising from or in connection with the execution of their duties or powers to the extent permitted by law. The Group has Directors' and Officers' indemnity insurance in place in respect of each of the Directors. The Group has entered into a qualifying third-party indemnity (the terms of which are in accordance with the Companies Act 2006) with each of the Directors. Neither the indemnity nor insurance provides cover in the event that a Director or officer is proved to have acted fraudulently. All such policies were in force during the year and at the date of approval.

## TRANSACTIONS WITH RELATED PARTIES

Details of the transactions entered into by the Group with parties who are related to it are set out in note 24 to the consolidated financial statements. There were no material transactions with related parties during the 52 weeks ended 29 June 2019.

## CHANGE OF CONTROL

The provisions of the Group's share incentive plans may cause options and awards granted to employees under such plans to vest on a change of ownership of the Group. The Group does not have agreements with any Director that would provide compensation for loss of office or employment resulting directly from a change of its ownership.

## AMENDMENT TO THE COMPANY'S ARTICLES OF ASSOCIATION

The Company may alter its articles of association by special resolution passed at a general meeting of shareholders.

## POLITICAL DONATIONS

The Group has not made in the past, nor does it intend to make in the future, any political donations.

# DIRECTORS' Report continued

## GOING CONCERN

As at the end of the reporting period, the Group had a £25 million revolving credit facility (the "Facility") committed to 31 December 2021. The Facility provides liquidity to cover normal monthly and seasonal cash outflows, a safety net for the business to ride out short-term downturns in trade, and has facilitated the Group's expansion into new trading sites. At the end of the reporting period, drawings under the Facility stood at £17.5 million. In its interim results announced on 1 March 2019, the Group advised that in view of disappointing trading performance it would focus both its management and financial resources on the existing estate and reduce debt to more comfortable levels and therefore with immediate effect would curtail new bar openings and suspend dividend payments. Given the Group's current priorities and an expectation that debt will reduce over the next eighteen months, by which time the Group will need to refinance the Facility, the Group has agreed to reduce the Facility to £21.5 million as at the date of this report saving unnecessary bank commitment fees. Further reductions in the Facility have been agreed consistent with the expected reduction in debt levels over time but continuing to allow for both seasonality of cash flow and headroom against unforeseen trading issues. The Facility does not reduce below £18.0 million at any point.

The Group continues to be very cash generative pre expansionary capital expenditure, has ample headroom on its Facility to cover working capital and seasonal cash flow needs and can potentially cover a significant reduction in trading performance relative to current trend. The Directors have reviewed the Group's trading forecast, which demonstrates that the Group has adequate financial resources to continue in operational existence for at least 12 months from the date of approval of the financial statements and to remain compliant with the terms of the Facility and the financial covenants (tested quarterly) attached to it. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial information.

## DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

## EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. In addition, certain employees receive an annual bonus related to the overall profitability of the Group.

## ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the Company will take place on 26 November 2019. The Notice of Annual General Meeting is set out in the explanatory circular that accompanies this Annual Report and Accounts.

## FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks, namely interest rate risk, liquidity risk and credit risk. Information regarding such financial risks is detailed in note 21 on page 105. The Group's risk management policies and procedures and principal risks and mitigations can be found on pages 20 and 21.

## INDEPENDENT AUDITORS AND 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.

PricewaterhouseCoopers LLP ("PwC") have expressed their willingness to be reappointed as auditor of the Company. In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of PwC as independent auditors of the Company is to be proposed at the forthcoming AGM.

By order of the Board

**Mike Foster**
Chief Financial Officer
and Company Secretary

1 October 2019

# DIRECTORS' RESPONSIBILITY *Statement*

**The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.**

**Company law requires the Directors to prepare financial statements for each financial 52 week period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' CONFIRMATIONS

**The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.**

**Each of the Directors, whose names and functions are listed in Corporate Governance Report confirm that, to the best of their knowledge:**

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group Financial Statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

**Rob Pitcher**
Chief Executive Officer

**Mike Foster**
Chief Financial Officer

1 October 2019

# FINANCIAL STATEMENTS



## FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF REVOLUTION BARS GROUP PLC

FINANCIALS

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion, Revolution Bars Group plc's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 29 June 2019 and of the Group's loss and the Group's and the Company's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts 2019 (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 29 June 2019; the Consolidated statement of profit or loss and other comprehensive income, the Consolidated and Company statements of cash flow, and the Consolidated and Company statements 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.

Our opinion is consistent with our reporting to the Audit Committee.

### 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

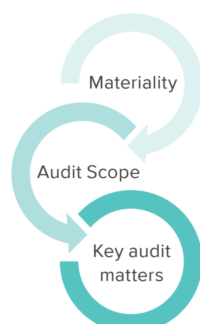
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 July 2018 to 29 June 2019.

### OUR AUDIT APPROACH

#### Overview




- Overall Group materiality: £260,000 (2018: £376,000), based on 2.5 per cent of adjusted EBITDA.
- Overall Company materiality: £208,000 (2018: £298,350), based on 1 per cent of total assets, capped at 80 per cent of Group materiality.

- Full scope audit of four trading entities within the Group, which together comprise 100 per cent of revenue and adjusted EBITDA.

- Going Concern (Group and Company).
- Recoverability of property, plant and equipment and onerous lease provisioning (Group).
- Recognition of supplier rebates (Group).

### The Scope of Our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Capability of the Audit in Detecting Irregularities, Including Fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the Listing Rules and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to recoverability of property, plant and equipment and onerous lease provisioning (see related key audit matter below); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

# INDEPENDENT AUDITORS' REPORT CONTINUED

## TO THE MEMBERS OF REVOLUTION BARS GROUP PLC

FINANCIALS

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Going concern** | |
| Refer to page 68 of the Directors' Report and note 1 of the Notes to the Consolidated Financial Information.<br><br>The Group and Company financial statements have been prepared on the going concern basis. The Directors believe that the Group and Company will have the cash resources they require to service and settle their liabilities for the period extending beyond 12 months from the date of approval of the financial statements.<br><br>Whilst the Group has historically generated positive adjusted EBITDA, and is in a net asset position, the Group has suffered a decline in trading in recent years. Furthermore, the Group made a significant loss during the current year, and has renegotiated its banking facilities which has included a revision to financial covenants.<br><br>The going concern status of the Company is intrinsically linked to the success of the Group.<br><br>**Group and Company** | Our testing focused on the key judgements and assumptions as follows:<br><br>• we evaluated and assessed the process by which the Group's future cash flow forecasts were prepared, including comparing them to the Board approved budgets;<br>• we obtained details of the terms of the Group's financing facility and the covenants in place in relation to this facility, and determined that the Group cash flow forecasts show compliance with all covenant conditions for at least 12 months from the date of the approval of financial statements;<br>• we assessed the reasonableness of the key assumptions in the going concern model, such as like for like sales, capital expenditure on new bar openings/bar refurbishments, rent and rates, payroll costs and controllable venue costs, which included comparing assumptions to historical results;<br>• we considered historical forecasting accuracy, and whether the downside sensitivities applied were appropriately robust; and<br>• we reviewed results post year end and confirmed that any variations from management's initial expectations were no more adverse than the sensitivity analysis performed. |
| **Recoverability of property, plant and equipment and onerous lease provisioning** | |
| Refer to pages 62 and 63 of the Audit Committee Report and note 1 of the Notes to the Consolidated Financial Information.<br><br>The property, plant and equipment balance of £59,325k has been tested for impairment during the year. Testing has been performed at a cash generating unit level, which has been assessed as an individual bar.<br><br>The impairment tests performed, which are based on a value in use calculation, identified an impairment charge, of £5,215k, which has been recognised as an exceptional item during the year.<br><br>The Directors have also considered whether an onerous lease provision is required for any bars, where the forecast bar contribution is lower than future rental costs. The assessment has been made using the same value in use forecasts as that used for impairment testing of property, plant and equipment, but excluding centrally allocated overheads, and has resulted in an additional charge of £1,912k in the year, which has been classified as an exceptional item in the current financial year. The total onerous lease provision as at 29 June 2019 is £10,556k.<br><br>We focused on this area as the assessment of impairment of property, plant and equipment and onerous lease provisioning requires the use of estimates in the value in use calculation, including future forecast cash flows, a discount rate and long term growth rate. In addition the classification of items as exceptional also requires the use of judgement.<br><br>**Group** | To assess the impairment and onerous lease provision assessment performed by the Directors', which were both based on the same value in use model, we performed the following:<br><br>• we evaluated and assessed the process by which the Group's future cash flow forecasts were prepared, including comparing them to the Board approved budget;<br>• we assessed the reasonableness of the Board approved budget, including assessing the revenue and costs included in those budgets based on our understanding of the Group;<br>• we tested the Directors' historical budgeting accuracy by evaluating whether previous budgets had been achieved. Where budgets had not been achieved we understood the reasons why;<br>• we tested the Directors' key assumptions for long-term growth rates outside the budget period, by comparing them to forecast inflation rates in the UK;<br>• we considered the discount rate by forming our own independent expectation of what we would consider to be an appropriate range; and<br>• we considered whether the charge recognised in respect of onerous leases and impairment should be recognised as an exceptional item, and, given the magnitude of the charge, concurred that the presentation was appropriate. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recognition of supplier rebates** | |
| Refer to page 62 of the Audit Committee Report and note 1 of the Notes to the Consolidated Financial Information.<br><br>The Group receives rebates from certain key suppliers. The terms of the rebates vary by supplier but largely relate to listing or marketing fees, or volume based rebates on purchases made throughout the financial year, with the value being determined by the level of spend. Amounts recognised as a reduction from costs in the consolidated statement of profit or loss and other comprehensive income, and amounts recognised as a receivable in the consolidated statement of financial position, are material to the financial statements.<br><br>We focused on this area because the amount of supplier rebates income in respect of the year is determined by the terms for each supplier, which are negotiated separately and, as a result, differ from one another. This means that the calculation of the rebates recognised in the consolidated statement of profit or loss and other comprehensive income, and as a receivable at the year-end, is inherently more prone to error. We also focused on the existence and accuracy of the supplier rebate income and the valuation of year-end receivable due to the risk of potential under or overstatement given the manual nature of the process.<br><br>**Group** | To test supplier rebates, we performed the following:<br><br>• we recalculated, for a sample of suppliers, the rebate income recognised within the consolidated statement of profit and loss and other comprehensive income in the year, and receivable as at 29 June 2019, which included confirming inputs into the calculation;<br>• we compared purchases recorded in the year, and the contractual rebate arrangements agreed with each supplier, to the Directors' calculation of the rebate income;<br>• we compared the receivable recognised at the prior year end to the amounts paid in the 52 weeks ended 29 June 2019 in respect of those receivables;<br>• we tested whether any rebate arrangements had been incorrectly recognised as income in the year and receivables held at 29 June 2019; and<br>• we agreed amounts paid by suppliers post 29 June 2019 to source documentation to check they had been accounted for in the right accounting period. |

## How We Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

# INDEPENDENT AUDITORS' REPORT CONTINUED

## TO THE MEMBERS OF REVOLUTION BARS GROUP PLC

FINANCIALS

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|---|---|---|
| **Overall materiality** | £260,000 (2018: £376,000). | £208,000 (2018: £298,350). |
| **How we determined it** | 2.5 per cent of adjusted EBITDA. | 1 per cent of total assets, capped at 80 per cent of Group materiality. |
| **Rationale for benchmark applied** | Adjusted EBITDA is the key measure used both internally by the Board and, we believe, through reading Directors' presentations to analysts, externally by shareholders in evaluating the performance of the Group. This measure excludes finance expense, tax, depreciation, exceptional items, (credits)/ charges from long term incentive plans and bar opening costs. | Total assets is considered to be appropriate as it is not a profit oriented Company. The Company holds investments in subsidiaries and therefore total assets is deemed a generally accepted auditing benchmark. Overall materiality has been capped to 80 per cent of Group materiality. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £208,000 and £234,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £13,000 (Group audit) (2018: £18,800) and £10,000 (Company audit) (2018: £15,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Going Concern

In accordance with ISAs (UK) we report as follows:

| Reporting obligation | Outcome |
|---|---|
| We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements. | We have nothing material to add or to draw attention to.<br><br>However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy. |
| We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. | We have nothing to report. |

## 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.

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, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

**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 29 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

**The Directors' Assessment of the Prospects of the Group and of the Principal Risks That Would Threaten the Solvency or Liquidity of the Group**

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 39 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 39 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

# INDEPENDENT AUDITORS' REPORT CONTINUED

TO THE MEMBERS OF REVOLUTION BARS GROUP PLC

FINANCIALS

**Other Code Provisions**

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 69, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 60 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

**Directors' Remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## 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 Annual Report and 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 Group's and 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 Group or 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.

### 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 Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the Directors on 22 January 2018 to audit the financial statements for the year ended 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 30 June 2018 to 29 June 2019.

**Randal Casson (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester

1 October 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE 52 WEEKS ENDED 29 JUNE 2019

FINANCIALS

| | Note | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|---|
| Revenue | 2 | 151,404 | 141,939 |
| Cost of sales | | (36,643) | (33,751) |
| **Gross profit** | | 114,761 | 108,188 |
| Operating expenses: | | | |
| – operating expenses, excluding exceptional items | 3 | (112,350) | (100,120) |
| – exceptional items | 3 | (7,127) | (11,087) |
| **Total operating expenses** | 3 | (119,477) | (111,207) |
| **Operating loss** | 4 | (4,716) | (3,019) |
| Finance expense | 7 | (858) | (555) |
| **Loss before taxation** | | (5,574) | (3,574) |
| Income tax | 8 | 352 | 730 |
| **Loss and total comprehensive income/(expense) for the period** | | (5,222) | (2,844) |
| **Loss per share:** | | | |
| – basic and diluted (pence) | 9 | (10.4) | (5.7) |
| Dividend declared per share (pence) | | – | 4.95 |

| **Non-GAAP measure** | | | |
|---|---|---|---|
| Revenue | | 151,404 | 141,939 |
| Operating loss | | (4,716) | (3,019) |
| Exceptional items | | 7,127 | 11,087 |
| Credit arising from long-term incentive plans | | (64) | (1,566) |
| Bar opening costs | 3 | 1,484 | 2,029 |
| **Adjusted operating profit** | | 3,831 | 8,531 |
| Finance expense | | (858) | (555) |
| **Adjusted profit before tax** | | 2,973 | 7,976 |
| Depreciation | | 7,230 | 6,477 |
| Amortisation | | – | – |
| Finance expense | | 858 | 555 |
| **Adjusted EBITDA** | | 11,061 | 15,008 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AT 29 JUNE 2019

STATEMENTS

| | Note | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 59,325 | 60,195 |
| Intangible assets | 11 | 9 | – |
| | | 59,334 | 60,195 |
| **Current assets** | | | |
| Inventories | 12 | 4,086 | 3,892 |
| Trade and other receivables | 13 | 12,276 | 11,474 |
| Tax receivable | | 51 | 265 |
| Cash and cash equivalents | 14 | 2,627 | 4,025 |
| | | 19,040 | 19,656 |
| **Total assets** | | 78,374 | 79,851 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | (24,901) | (22,891) |
| Provisions | 16 | (1,269) | (1,065) |
| Tax payable | | | – |
| | | (26,170) | (23,956) |
| **Net current liabilities** | | (7,130) | (4,300) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 17 | (17,500) | (15,500) |
| Deferred tax liability | 18 | (413) | (690) |
| Provisions | 16 | (9,687) | (8,912) |
| Rent free creditor | | (3,184) | (2,433) |
| | | (30,784) | (27,535) |
| **Total liabilities** | | (56,954) | (51,491) |
| **Net assets** | | 21,420 | 28,360 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 19 | 50 | 50 |
| Merger reserve | | 11,645 | 11,645 |
| Retained earnings | | 9,725 | 16,665 |
| **Total equity** | | 21,420 | 28,360 |

These financial statements were approved by the Board of Directors on 1 October 2019 and signed on its behalf by

**Mike Foster**
Director

Registered number: 08838504

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE 52 WEEKS ENDED 29 JUNE 2019

FINANCIALS

| | | Reserves | | |
|---|---|---|---|---|
| | Share capital £'000 | Merger reserve £'000 | Retained earnings £'000 | Total equity £'000 |
| **At 2 July 2017** | 50 | 11,645 | 23,550 | 35,245 |
| Loss and total comprehensive expense for the period | – | – | (2,844) | (2,844) |
| Charges arising from long-term incentive plans | – | – | (1,566) | (1,566) |
| Dividends paid | – | – | (2,475) | (2,475) |
| **At 30 June 2018** | 50 | 11,645 | 16,665 | 28,360 |
| Loss and total comprehensive expense for the period | – | – | (5,222) | (5,222) |
| Charges arising from long-term incentive plans | – | – | (68) | (68) |
| Dividends paid | – | – | (1,650) | (1,650) |
| **At 29 June 2019** | 50 | 11,645 | 9,725 | 21,420 |

# CONSOLIDATED STATEMENT OF CASH FLOW

## FOR THE 52 WEEKS ENDED 29 JUNE 2019

STATEMENTS

| | Note | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss before tax from operations | | (5,574) | (3,574) |
| Adjustments for: | | | |
| Net finance expense | | 858 | 555 |
| Depreciation of property, plant and equipment | | 7,230 | 6,477 |
| Impairment of property, plant and equipment | | 5,215 | 860 |
| Amortisation of intangibles | | – | – |
| Tax credit/(charge) | | 352 | (48) |
| Credits arising from long-term incentive plans | 20 | (68) | (1,566) |
| **Operating cash flows before movement in working capital** | | 8,013 | 2,704 |
| Increase in inventories | | (193) | (572) |
| Increase in trade and other receivables | | (802) | (920) |
| Increase in trade and other payables | | 2,375 | 3,323 |
| Increase in provisions | | 979 | 6,234 |
| | | 10,372 | 10,769 |
| Tax received/(paid) | | 214 | (565) |
| **Net cash flow generated from operating activities** | | 10,586 | 10,204 |
| **Cash flow from investing activities** | | | |
| Purchase of intangible assets | 11 | (9) | – |
| Purchase of property, plant and equipment | 10 | (11,575) | (14,276) |
| **Net cash flow used in investing activities** | | (11,584) | (14,276) |
| **Cash flow from financing activities** | | | |
| Equity dividends paid | 23 | (1,650) | (2,475) |
| Interest paid | | (750) | (478) |
| Drawdown of borrowings | | 2,000 | 8,000 |
| **Net cash flow generated from financing activities** | | (400) | 5,047 |
| Net (decrease)/increase in cash and cash equivalents | | (1,398) | 975 |
| Opening cash and cash equivalents | | 4,025 | 3,050 |
| **Closing cash and cash equivalents** | 14 | 2,627 | 4,025 |

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

FOR THE 52 WEEKS ENDED 29 JUNE 2019

FINANCIALS

## 1. GENERAL INFORMATION

### Corporate Information

The consolidated financial statements of Revolution Bars Group plc for the 52 weeks ended 29 June 2019 were authorised for issue by the Board of Directors on 1 October 2019. Revolution Bars Group plc is a public limited company incorporated and domiciled in the UK under the Companies Act 2006. The Company is limited by shares on the London Stock Exchange.

The registered number of the Group is 08838504 and its registered office is 21 Old Street, Ashton-under-Lyne, Tameside, England, OL6 6LA.

### Statement of Compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, as they apply to the financial statements of the Group for the 52 weeks ended 29 June 2019 (prior period 52 weeks ended 30 June 2018), and in accordance with the provisions of the Companies Act 2006.

### Basis of Preparation

The accounting period runs to the Saturday which falls nearest to 30 June each year and therefore normally comprises a 52-week period but with a 53-week period arising approximately at five-year intervals. The period ended 29 June 2019 was a 52-week period; the period ended 30 June 2018 was also a 52-week period. The consolidated financial statements have been prepared under the historical cost convention in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. References to 2019 relate to the 52-week period ended 29 June 2019 and references to 2018 relate to the 52-week period ended 30 June 2018 unless otherwise stated. The consolidated financial statements are presented in Pounds Sterling with values rounded to the nearest thousand, except where otherwise indicated. These policies have been applied consistently unless otherwise stated.

### Basis of Consolidation

The consolidated financial statements incorporate the financial statements of Revolution Bars Group plc and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company with adjustments made to their financial statements to bring their accounting policies in line with those used by the Group.

The financial results of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases. The consolidated financial information presents the results of the companies within the same group. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 period are discussed below.

### Going Concern

As at the end of the reporting period, the Group had a £25 million revolving credit facility (the "Facility") committed to 31 December 2021. The Facility provides liquidity to cover normal monthly and seasonal cash outflows, a safety net for the business to ride out short-term downturns in trade, and has facilitated the Group's expansion into new trading sites. At the end of the reporting period, drawings under the Facility stood at £17.5 million. In its interim results announced on 1 March 2019, the Group advised that in view of disappointing trading performance it would focus both its management and financial resources on the existing estate and reduce debt to more comfortable levels and therefore with immediate effect would curtail new bar openings and suspend dividend payments. Given the Group's current priorities and an expectation that debt will reduce over the next 18 months, by which time the Group will need to refinance the existing Facility, the Group has agreed to reduce the Facility to £21.5 million as at the date of this report saving unnecessary bank commitment fees. Further reductions in the Facility have been agreed consistent with the expected reduction in debt levels over time but continuing to allow for both seasonality of cash flow and headroom against unforeseen trading issues. The Facility does not reduce below £18.0 million at any point.

The Group continues to be very cash generative pre expansionary capital expenditure, has ample headroom on its Facility to cover working capital and seasonal cash flow needs and can potentially cover a significant reduction in trading performance relative to current sales trend. The Directors have reviewed the Group's trading forecast, which demonstrate that the Group has adequate financial resources to continue in operational existence for at least 12 months from the date of approval of the financial statements and to remain compliant with the terms of the Facility and the financial covenants (tested quarterly) attached to it. For this reason, the Directors continue to adopt the going concern basis in preparing the consolidated financial information.

### (a) Accounting Policies

**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 arises from the sale of food and beverage in the Group's trading outlets. This revenue is recognised at the point of sale to the customer.

Revenue from the sale of discount cards is recognised consistent with customers' usage of the cards.

**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 consolidated statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of profit or loss and other comprehensive income over the full lease term.

Supplier Rebates

Supplier rebates are recognised as a deduction from cost of sales on an accruals basis using the contractual terms and volumes supplied up to the statement of financial position date for each relevant supplier contract. Where rebates are conditional on long-term minimum volumes, management judgement is applied as to the achievement of those volumes. Accrued rebates receivable as at the date of the statement of financial position are included within trade and other receivables. Where listing fees received are conditional on a contractual term, the amounts are recognised over that term.

Financing Income and Expenses

- Financing expenses comprise interest payable on borrowings and other finance charges.
- Interest income and interest payable are recognised in the consolidated statement of profit and loss and other comprehensive income on an accruals basis, using the effective interest method.

**Taxation**

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

Current tax is the expected tax payable or credit receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

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 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 statement of financial position 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.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

FINANCIALS

## 1. GENERAL INFORMATION CONTINUED

### (a) Accounting Policies continued

**Operating Segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment information is based on internal reports regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") in order to assess each segment's performance and to allocate resources to them. The CODM is the Board (see note 2).

**Share-based Payments**

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. This is recognised as an employee expense or credit with a corresponding increase or decrease in equity. Fair value is measured by the Monte Carlo model for options subject to market-based performance conditions and by use of a Black-Scholes model for all others.

**Exceptional Items**

Items that are unusual or infrequent in nature and material in size are disclosed separately in the consolidated statement of profit or loss and other comprehensive income. The separate reporting of these items helps provide a more accurate indication of the Group's underlying business performance, which the Directors believe would otherwise be distorted. Exceptional items typically include impairments of property, plant and equipment, closure costs including provisions for onerous leases, contract termination costs and costs associated with one-off projects that are non-recurring. Charges related to share-based payment arrangements are not treated as exceptional items, but are excluded from adjusted EBITDA calculations due to significant swings seen each year which can arise from changes in both sernior employees and the probability of share options vesting.

**Bar Opening Costs**

Bar opening costs refer to revenue costs incurred in preparing new bars for opening and include all costs incurred before opening and preparing for launch, even if the bars do not open in the period. These costs are excluded from the calculation of adjusted EBITDA. The separate reporting of these items helps provide a more accurate indication of the Group's underlying business performance, which the Directors believe would otherwise be distorted due to the irregular nature of the expenditure.

**Non-derivative Financial Instruments**

Non-derivative financial instruments comprise investments in equity 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. Receivables also include credit and debit card sales which have not yet cleared the bank at the reporting date.

**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 on-call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement only.

**Interest-bearing Borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

**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.

**Merger Reserve**

The merger reserve arose due to the return of share capital related to the sale of a subsidiary business on 22 February 2014.

**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.

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

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

IT equipment and office furniture – three years to four years on a straight line basis

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

Freehold land is not depreciated.

Depreciation policies and useful economic lives are reviewed at each statement of financial position date.

Short leasehold costs include directly attributable employment costs and related personal expenses of individuals employed to manage or implement the Company's capital development programme.

**Impairment of Tangible Fixed Assets**

At each statement of financial position date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Where the asset does not generate cash flows its value is allocated to other cash generating units ("CGUs") to which it is related as part of the impairment testing of those CGUs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

**Intangible Assets**

Intangible assets comprise capitalised trademark licences and are recognised at cost. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives of ten years.

**Inventories**

Inventories are stated at the lower of cost and net realisable value, 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. Cost is stated net of supplier volume rebates.

Net realisable value is the estimated selling price less further costs expected to be incurred prior to disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

FINANCIALS

## 1. GENERAL INFORMATION CONTINUED

### (a) Accounting Policies continued

**Employee benefits**

Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income 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 amounts 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 such amounts as a result of past service provided by the employee and the obligation can be estimated reliably.

**Provisions**

A provision is recognised in the statement of financial position when the Group 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

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.

The Group provides for the unavoidable costs prior to lease termination; dilapidation costs are provided for against all leasehold properties across the entire estate.

### (b) Critical Judgements and Key Sources of Estimation and Uncertainty

The preparation of consolidated 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 in due course may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation and uncertainty at the date of the statement of financial position that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are set out below.

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**The Directors Consider the Principal Judgements Made in the Financial Statements to be:**

**Exceptional Items and Bar Opening Costs: Adjusted Profitability Measures**

Management uses a range of measures to monitor and assess the Group's financial performance. These measures include a combination of statutory measures calculated in accordance with IFRS and alternative performance measures ("APMs"). These APMs include the following adjusted measures of profitability:

- adjusted operating profit before exceptional items, bar opening costs and share-based payments;
- adjusted profit before tax before exceptional items, bar opening costs and share-based payments;
- adjusted earnings before interest, tax, depreciation and amortisation before exceptional items, bar opening costs and share-based payments ("adjusted EBITDA"); and
- adjusted basic earnings per share (before exceptional items, bar opening costs and share-based payments).

The Directors believe that these measures provide management and investors with useful additional information about the Group's performance. The above measures represent the equivalent IFRS measures but are adjusted to exclude items that the Directors consider would prevent comparison of the Group's performance both from one reporting period to another and with other similar businesses.

These items are not defined under IFRS and as such there is judgement applied in the classification of items as exceptional. Exceptional items are classified as those which are separately identifiable by virtue of their size, nature or expected frequency and therefore warrant separate presentation. Bar opening costs are other items that the Directors consider should be presented separately to allow a better understanding of the underlying performance of the business. Presentation of these measures is not intended to be a substitute for or to promote them above statutory measures.

The Group's consolidated statement of profit or loss and other comprehensive income provides a reconciliation of the adjusted profitability measures, excluding exceptional and other non-underlying items to the equivalent unadjusted IFRS measures.

Bar opening costs comprise non-recurring bar opening costs, which are costs incurred between a bar being acquired and commencement of trading. It predominantly includes property overheads and staff recruitment, payroll and training costs.

Exceptional items and bar opening costs are further detailed in note 3 to the financial statements.

Items considered to be exceptional or bar opening costs that are separately identified in order to aid comparability may include the following:

- costs incurred in association with business combinations, such legal and professional fees and stamp duty;
- costs incurred in respect of contract termination of Directors' contracts;
- impairment charges in respect of tangible assets as a result of underperformances; and
- costs associated with onerous leases. The Group may incur costs and recognise liabilities in respect of leasehold properties where the terms of the lease make them onerous.

Charges relating to share-based payments arising from the Group's long-term incentive schemes, while not considered exceptional, are also separately identified due to the scope for significant swings in the charge/credit, which can arise due to changes in senior management and the probability of share options vesting, amongst other factors.

**Capitalisation of Employment Costs**

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.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 1. GENERAL INFORMATION CONTINUED

### (b) Critical Judgements and Key Sources of Estimation and Uncertainty continued

**The Directors consider the principal estimates made in the Financial Statements to be:**

Provision for Onerous Leases (note 16)

Provisions for onerous leases require estimation and judgements to be made of the amounts expected to be payable over the remaining lease term for bars that have either been closed or where there is an indication that the cash flows generated by continuing operation will be negative, and include 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 amount of the provision around these key assumptions is included in note 16.

Recoverable Amount of Property, Plant and Equipment (note 10)

Assets that are subject to depreciation 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 its 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 cash generating units ("CGU") to which the asset relates.

Determining value in use requires a series of estimates to be made including the appropriate discount rate to calculate the present value, 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 the sensitivity of the calculation of impairment provisions to these key assumptions, see note 10.

The key assumptions in the value in use calculation are the applicable discount rate of 11.7 per cent and long-term revenue and cost base growth rates of two per cent.

### (c) New and Amended Standards Adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions; and
- Annual Improvements 2014-16 cycle.

The adoption of these standards did not have a material impact on the Group Consolidated Financial Statements. note 21 further details the impact of the adoption of IFRS 9 Financial Instruments and note 25 details IFRS 15 Revenue from Contracts with Customers.

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### (d) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 29 June 2019 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

**IFRS 16 Leases**

IFRS 16 Leases was issued in January 2016. The Group will apply the standard from its mandatory adoption date of 30 June 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The standard will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The Group currently leases both properties and vehicles under a series of operating lease contracts which will be impacted by the new standard. These types of leases can no longer be recognised as operating leases and will need to be brought onto the Group's Balance Sheet from the date of adoption of the new standard. The Group has elected to apply the following practical expedients:

- in determining whether existing contracts meet the definition of a lease, contracts previously identified as leases will be treated as applicable to the standard and those contracts not previously identified as leases will be excluded; and
- leases for which the asset is of low value, for example IT equipment and licences, will not be treated as within the scope of the standard

As at the reporting date, the Group has non-cancellable operating lease commitments of £181.8 million, see note 22. None of this relates to short-term or low value leases. For the lease commitments the Group expects to recognise right-of-use assets of approximately £85.5 million on 30 June 2019, and lease liabilities of £122.7 million (after adjustments for prepayments and accrued lease payments recognised as at 29 June 2019). Overall the net assets will be approximately £23.5 million lower, and net current assets will be approximately £7.3 million lower due to the presentation of a portion of the liability as a current liability.

The Group expects that for the reporting period ending 27 June 2020, adjusted profit before tax will be approximately £1.0 million higher and that net profit after tax will increase by approximately £1.0 million as a result of adopting the new rules. Adjusted EBITDA, the Directors preferred performance measure of the underlying business, is expected to increase by approximately £11.7 million as the operating lease payments were previously included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately £11.7 million (netting off to £nil) as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. Therefore, there is no change in the Group's cash flows as a result of adopting IFRS 16.

Bank covenants will continue to be measured under the previous accounting rules until such time as a new Facility or revised covenants are formally agreed with the bank to take account of the impact of IFRS 16.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 2. SEGMENTAL INFORMATION

The Group's continuing operating businesses are organised and managed as reportable business segments according to the information used by the Group's Chief Operating Decision maker ("CODM") in its decision making and reporting structure.

The Group's internal management reporting is focused predominantly on revenue and adjusted EBITDA, as these are the principal drivers of the Group's business and its allocation of resources. The CODM receives information by trading venue, each of which is considered to be an operating segment. All operating segments have similar characteristics and, in accordance with IFRS 8, are aggregated to form an "Ongoing business" reportable segment. Within the ongoing business, assets and liabilities cannot be allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions.

The Group performs all of its activities in the United Kingdom. All of the Group's non-current assets are located in the United Kingdom. Revenue is earned from the sale of drink and food with a small amount of admission income.

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Revenue | 151,404 | 141,939 |
| Cost of sales | (36,643) | (33,751) |
| **Gross profit** | 114,761 | 108,188 |
| Operating expenses: | | |
| – operating expenses excluding exceptional items | (112,350) | (100,120) |
| – exceptional items | (7,127) | (11,087) |
| **Total operating expenses** | (119,477) | (111,207) |
| **Operating loss** | (4,716) | (3,019) |

Depreciation for the ongoing business is disclosed in note 4.

## 3. OPERATING EXPENSES

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Administrative expenses | 12,974 | 14,256 |
| Sales and distribution | 106,503 | 96,951 |
| **Total operating expenses** | 119,477 | 111,207 |

### Exceptional Items

Exceptional items, by virtue of their size, incidence or nature, are disclosed separately in order to allow a better understanding of the underlying trading performance of the Group. Exceptional charges comprised the following:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Administrative expenses: | | |
| – impairment of property, plant and equipment | 5,215 | 860 |
| – movement on onerous lease provisions | 1,912 | 6,987 |
| – professional fees for aborted corporate transaction | – | 1,707 |
| – termination of Directors' contracts | – | 948 |
| – other exceptional fees (see below) | – | 585 |
| **Total exceptional items** | 7,127 | 11,087 |

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As a result of the annual impairment testing of property, plant and equipment, the net book value of assets at 26 of the Group's bars (2018: 4) was written down either partially or in full.

Following a robust analysis of the performance of the Group's bars, 11 leases (2018: 7) were identified as requiring either a new or additional onerous lease provision based on projected trading contributions and rental commitments. The adjustment will reduce rental charges against future reporting periods; it has no impact on the Group's cash flows.

Exceptional items in the prior period also comprised the following items:

- professional fees for aborted merger and acquisition activities related to the Board recommended offer from Stonegate Pub Company Limited and merger proposals from the Deltic Group Limited;
- termination of Director's contracts including compensation payments and legal costs associated with the resignations of the Chief Executive Officer ("CEO") and Chief Operating Officer and also fees and expenses relating to the recruitment of the replacement CEO; and
- other exceptional fees relate to work undertaken in connection with accounting reviews and restatements

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Bar opening costs | 1,484 | 2,029 |

Bar opening costs relate to costs incurred in getting new bars fully operational and primarily include costs incurred before the opening and preparing for launch, even if the bars do not open in the period. The most substantial parts of the cost are for rent and rates incurred between the start of the lease and opening. In the 52 weeks ended 29 June 2019, five new bars were opened (2018: six).

## 4. GROUP OPERATING LOSS

Group operating loss is stated after charging:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| **Depreciation of property, plant and equipment** | 7,230 | 6,477 |
| **Impairment of property, plant and equipment** | 5,215 | 860 |
| **Impairment of intangibles** | – | – |
| **Rentals payable under operating leases:** | | |
| – leasehold premises | 10,323 | 10,975 |
| – other | 241 | 482 |
| **Auditors' remuneration:** | | |
| – audit fees payable to the Company's auditor for the audit of these financial statements | 149 | 150 |
| **Fees payable to the Company's auditor for:** | | |
| – audit of financial statements of subsidiary companies | 35 | 35 |
| – forensic audit | – | 120 |
| – interim review | 21 | 30 |

The forensic audit charge in the prior period was for work performed by PwC prior to its appointment as external auditor. This non-audit work related to an investigation into the Group's accounting for supplier rebates and short-life assets undertaken between July 2017 and September 2017. This work completed before PwC was invited to participate in the tender process for appointing the Group's auditor and only after it had confirmed that this work had not created a conflict of interest.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

FINANCIALS

## 5. STAFF NUMBERS AND COSTS

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

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Administrative | 100 | 89 |
| Operational | 3,267 | 2,934 |
| | 3,367 | 3,023 |

The aggregate payroll costs were as follows:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Wages and salaries | 44,606 | 40,722 |
| Social security costs | 2,101 | 2,863 |
| Share-based payment credit (note 20) | (64) | (1,566) |
| Other pension costs | 401 | 303 |
| | 47,044 | 42,322 |

In the 52 weeks ended 29 June 2019, £0.5 million (2018: £0.6 million) of wages and salary costs were capitalised as property, plant and equipment in the consolidated statement of financial position.

## 6. DIRECTORS' REMUNERATION

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Aggregate emoluments | 893 | 1,023 |
| Pension contributions to money purchase schemes[1] | 44 | 68 |
| | 937 | 1,091 |
| **Emoluments in respect of the highest paid Director** | | |
| Aggregate emoluments | 366 | 452 |
| Pension contributions to money purchase schemes | 44 | 64 |
| | 410 | 516 |

1 Includes salary enhancements made in lieu of pension contributions due to pension caps.

One Director (2018: two) was enrolled in the defined contribution pension scheme in the period.

Additionally, £676k (2018: £259k)] of long-term incentive share options were awarded to the highest paid Director in the period. No other amounts relating to long-term incentive share options were awarded to Directors in the year.

## 7. FINANCE EXPENSES

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Interest payable on bank loans and overdrafts | 750 | 478 |
| Interest on onerous lease provisions | 108 | 77 |
| Interest payable | 858 | 555 |

## 8. TAXATION

The major components of the Group's tax credit for each period are:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| **Analysis of credit in the period** | | |
| **Current tax** | | |
| UK corporation tax on the loss for the period | – | – |
| Adjustment in respect of prior periods | (74) | (495) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (278) | (235) |
| **Total tax** | (352) | (730) |
| **Factors affecting current tax credit for the period** | | |
| Loss before taxation | (5,574) | (3,574) |
| Loss at standard rate of UK corporation tax (2019: 19.0%; 2018: 19.0%) | (1,059) | (679) |
| **Effects of:** | | |
| – expenses not deductible for tax and other permanent differences | 706 | 563 |
| – adjustment in respect of prior periods | (32) | (812) |
| – adjustment in respect of changes in tax rates on deferred tax balances | 33 | 198 |
| **Total tax credit for the period** | (352) | (730) |

At 29 June 2019, the Group has carried forward tax losses of £2.8 million which are available to offset against future losses, upon which no deferred tax credit has been booked. There are no unprovided temporary differences and unused tax credits.

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

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 9. LOSS PER SHARE

The calculation of loss per ordinary share is based on the results for the period, as set out below.

| | 52 weeks ended 29 June 2019 | 52 weeks ended 30 June 2018 |
|---|---|---|
| Loss for the period (£'000) | (5,222) | (2,844) |
| Weighted average number of shares – basic and diluted ('000) | 50,029 | 50,029 |
| Basic loss per ordinary ghare (pence) | (10.4) | (5.7) |

Loss for the period was impacted by one-off exceptional costs and bar opening costs. A calculation of adjusted earnings per ordinary share is set out below.

| Adjusted EPS | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation | (5,574) | (3,574) |
| Exceptional items, share-based payments and bar opening costs | 8,547 | 11,550 |
| Adjusted profit on ordinary activities before taxation | 2,973 | 7,976 |
| Taxation credit on ordinary activities | 352 | 730 |
| Taxation on exceptional items and bar opening costs | (1,636) | (2,200) |
| Adjusted profit on ordinary activities after taxation | 1,689 | 6,506 |
| Basic and diluted number of shares ('000) | 50,029 | 50,029 |
| Adjusted basic and diluted earnings per share (pence per share) | 3.4 | 13.0 |

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## 10. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land and buildings £'000 | Short leasehold premises £'000 | Fixtures and fittings £'000 | IT equipment and office furniture £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July 2017 | 1,426 | 64,773 | 46,251 | 6,886 | 119,336 |
| Additions | – | 9,946 | 3,511 | 722 | 14,179 |
| At 30 June 2018 | 1,426 | 74,719 | 49,762 | 7,608 | 133,515 |
| Additions | – | 6,149 | 4,817 | 609 | 11,575 |
| **At 29 June 2019** | 1,426 | 80,868 | 54,579 | 8,217 | 145,090 |
| **Accumulated depreciation** | | | | | |
| At 1 July 2017 | (1,216) | (23,303) | (36,003) | (5,461) | (65,983) |
| Provided in the period | – | (3,479) | (2,292) | (706) | (6,477) |
| Impairment charges | – | (676) | (184) | – | (860) |
| At 30 June 2018 | (1,216) | (27,458) | (38,479) | (6,167) | (73,320) |
| Provided in the period | – | (3,977) | (2,491) | (762) | (7,230) |
| Impairment charges | – | (3,755) | (1,433) | (27) | (5,215) |
| **At 29 June 2019** | (1,216) | (35,190) | (42,403) | (6,956) | (85,765) |
| **Net book value** | | | | | |
| **At 29 June 2019** | 210 | 45,678 | 12,176 | 1,261 | 59,325 |
| At 30 June 2018 | 210 | 47,261 | 11,283 | 1,441 | 60,195 |
| At 1 July 2017 | 210 | 41,470 | 10,248 | 1,425 | 53,353 |

Depreciation and impairment of property, plant and equipment are recognised in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

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 29 June 2019, the Group impaired the assets of 26 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 an impairment loss is recognised, the asset's adjusted carrying value is depreciated over its remaining useful economic life.

### Impairment Testing Methodology

At the end of each reporting period, a filter test, based on annual run rate of EBITDA, is used to identify whether any asset is potentially impaired. This test compares a multiple of run rate EBITDA, adjusted for an allocation of central overheads, to the carrying value of the asset. The applied multiple is based on the shorter of the remaining lease term or eight years. If this test indicates a potential impairment, a more detailed value in use review is performed using cash flows based on Board-approved forecasts covering a three-year period. These forecasts combine management's understanding of historical performance and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 10. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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 per cent (2018: 2.0 per cent).
- Pre-tax discount rate: 11.7 per cent (2018: 11.7 per cent).

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 available. The pre-tax discount rate is based on the Group's weighted average cost of capital.

A sensitivity analysis has been performed on each of these key assumptions with other variables held constant.

Increasing the pre-tax discount rate by one per cent would result in additional impairments of £254,000. A 0.1 per cent decrease in the long-term growth rate would result in additional impairments of £190,000.

## 11. INTANGIBLE ASSETS

| Group | Total £'000 |
|---|---|
| **Cost** | |
| At 1 July 2017 | – |
| Additions | – |
| At 30 June 2018 | – |
| Additions | 9 |
| **At 29 June 2019** | 9 |
| **Accumulated amortisation** | |
| At 1 July 2017 | – |
| Provided in the period | – |
| At 30 June 2018 | – |
| Provided in the period | – |
| **At 29 June 2019** | – |
| **Net book value** | – |
| **At 29 June 2019** | – |
| At 30 June 2018 | – |
| At 1 July 2017 | – |

Trademarks are amortised over their estimated useful lives, which is ten years. Amortisation is charged against operating expenses in the profit or loss and comprehensive income statement.

## 12. INVENTORIES

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Goods held for resale | 4,086 | 3,892 |

The cost of inventories is recognised in cost of sale as follows:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| | 36,643 | 33,751 |

There were no expenses in cost of sales in respect of the write-down of inventories.

## 13. TRADE AND OTHER RECEIVABLES

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| **Amounts falling due within one year** | | |
| Trade and other receivables | 3,151 | 2,610 |
| Accrued rebate income | 713 | 630 |
| Prepayments | 8,412 | 8,234 |
| | 12,276 | 11,474 |

The ageing of trade receivables at the balance sheet date was:

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Not past due | 2,220 | 1,977 |
| Past due 0–30 days | 744 | 113 |
| Past due 31–60 days | 187 | 468 |
| More than 60 days | – | 52 |
| | 3,151 | 2,610 |

The Directors are not aware of any factors affecting the recoverability of outstanding balances as at 29 June 2019.

All receivables are GBP denominated. The Group trade and other receivables is net of a specific provision for bad and doubtful debts of £11,304 (2018: £nil), and an IFRS 9 expected credit loss provision of £19,790.

Prepayments and accrued rebate income do not contain impaired assets. There is no difference between the carrying value and fair value of all trade and other receivables. £8.1 million of prepayments relates to property rent and rates (2018: £7.6 million).

£1.9 million of Trade and other receivables relates to uncleared credit and debit card takings (2018: £1.5 million).

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 14. CASH AND CASH EQUIVALENTS

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Cash and cash equivalents | 2,627 | 4,025 |

Cash and cash equivalents consist entirely of cash at bank and on hand, including cash floats held at bars. Balances are denominated in Sterling. The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

## 15. TRADE AND OTHER PAYABLES

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Trade payables | 14,438 | 13,636 |
| Other payables | 26 | 68 |
| Accruals | 6,796 | 6,254 |
| Other taxes and social security costs | 3,641 | 2,933 |
| | 24,901 | 22,891 |

Trade and other payables are non-interest bearing and are normally settled 30 days after the month of invoice. Trade payables are denominated in Sterling. The Directors consider that the carrying value of trade and other payables approximates to their fair value.

## 16. PROVISIONS

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Onerous lease provision | 10,556 | 9,977 |
| Dilapidations provision | 400 | – |
| | 10,956 | 9,977 |
| Current | 1,269 | 1,065 |
| Non-current | 9,687 | 8,912 |
| | 10,956 | 9,977 |

| | Onerous lease provision £'000 | Dilapidations provision £'000 | Total £'000 |
|---|---|---|---|
| At 1 July 2018 | 9,977 | – | 9,977 |
| Creation of provision | 1,912 | 400 | 2,312 |
| Utilisation of provision | (1,441) | – | (1,441) |
| Interest charged in period | 108 | – | 108 |
| **At 29 June 2019** | 10,556 | 400 | 10,956 |

The onerous lease provision is expected to be utilised over the remaining periods of the leases for which provision has been made.

The calculation of the provision is most sensitive to changes in the assumptions used to forecast trading cash flows and a risk-free discount rate of 0.8%. Management considers that it is reasonably possible that the risk free discount rate could change by +/- 0.5 percent which would result in a change in the corresponding liability of +/- £283,000. Similarly, a 0.5 per cent reduction in the long-term growth rate assumption would increase the provision recorded by £239,000.

The Group provides for unavoidable costs associated with lease terminations and expiries; dilapidation costs are provided for against all leasehold properties across the entire estate.

## 17. INTEREST-BEARING LOANS AND BORROWINGS

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Revolving credit facility | 17,500 | 15,500 |

As at the date of the financial statements, the Group has a revolving credit facility (the "Facility") of £21.5 million that expires in December 2021. See note 1 under sub-heading Going concern for further details of the Facility. Drawn elements of the Facility attract an interest rate of LIBOR plus 2.05 per cent and the undrawn element attracts a fee of 0.82 per cent. The Facility is secured and supported by debentures over the assets of Revolution Bars Group plc, Revolución De Cuba Limited, Revolution Bars Limited and Inventive Service Company Limited and an unlimited guarantee.

All borrowings are held in Sterling. There is no material difference between the fair value and book value of the Group interest-bearing borrowings. For more information on the Group's exposure to interest rate risk, see note 21.

## 18. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

| | Share-based payments £'000 | Accelerated capital allowances £'000 | Brought-forward losses £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 July 2017 | 177 | (1,102) | – | (925) |
| (Charge)/credit to income | (158) | 393 | – | 235 |
| At 30 June 2018 | 19 | (709) | – | (690) |
| (Charge)/credit to income | – | (207) | 484 | 277 |
| **At 29 June 2019** | 19 | (916) | 484 | (413) |

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Deferred tax assets | 503 | 19 |
| Deferred tax liabilities | (916) | (709) |
| **Total** | (413) | (690) |

As at the reporting date, the Group had unused tax losses of £2.8 million available for offset against future taxable profits.

## 19. SHARE CAPITAL

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 50,029,159 £0.001 ordinary shares (2018: 50,029,159 £0.001 ordinary shares) | 50 | 50 |
| | 50 | 50 |

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

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## 20. SHARE-BASED PAYMENTS (EQUITY SETTLED)

The Group currently operates an employee share incentive scheme, namely The Revolution Bars Group Share Plan. Awards under the scheme comprise:

- a Nominal Cost Option ("NCO") granted to acquire ordinary shares in the Company at an option price of 0.1 pence per share; and
- a linked, tax-favoured Company Share Option ("CSOP") granted under Part II of The Revolution Bars Group Share Plan to acquire a number of ordinary shares in the Company. The option price is set as the market value at the time of the award.

The two options are linked and the nominal cost option can only be exercised if the related approved option is exercised (or waived). When the awards are exercised, the CSOP options will be exercised first (where a gain is available). Following this the number of shares received by an employee through the exercise of the nominal cost options will be reduced by such number of shares as have a value equal to the gain on the CSOP shares.

The Group's Plan is an equity-settled share option scheme approved by HMRC. It was established in 2015. Awards are subject to performance conditions and require holders to remain employed throughout the vesting period.

The total credit for the period relating to employee share-based payment plans was £0.01 million (2018 credit: £1.6 million), all of which related to equity-settled share-based payment transactions. The credit during the year principally related to the reversal of prior year charges related to awards granted to senior management who left during the financial year.

The table below summarises the amounts recognised in the consolidated statement of profit or loss and other comprehensive income during the period:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| **IPO LTIP AWARD** | | |
| – Tranche 1 | (88) | (849) |
| – Tranche 2 | 5 | (411) |
| – Tranche 3 | 4 | (267) |
| | (79) | (1,527) |
| **2016 LTIP AWARD** | | |
| – Tranche 1 | (66) | (1) |
| – Tranche 2 | (1) | – |
| – Tranche 3 | 1 | – |
| | (66) | (1) |
| **2017 LTIP Award** | 8 | (80) |
| **2018 LTIP Award** | 13 | 42 |
| **2019 LTIP Award** | 60 | – |
| | (64) | (1,566) |

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In the 52 weeks ended 29 June 2019, conditional awards of ordinary shares were granted as follows:

| | Nominal Cost Option (NCO) | Company Share Option Plan (CSOP) |
|---|---|---|
| 18 October 2018 | 1,078,580 | 109,526 |
| 1 April 2019 | 20,000 | 10,000 |
| **Total** | 1,098,580 | 119,526 |

Awards under the CSOP are linked to the grant of NCO awards and any value received from the CSOP award reduces the value receivable from the NCO award.

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options granted under the schemes:

| | NCO | | | | CSOP | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2019 | | 2018 | | 2019 | | 2018 | |
| | No. of shares | WAEP P | No. of shares | WAEP P | No. of shares | WAEP P | No. of shares | WAEP P | No. of shares | WAEP P | No. of shares | WAEP P |
| Outstanding at the beginning of the year | 1,350,093 | 0.10 | 2,661,413 | 0.10 | 316,811 | 1.76 | 247,767 | 1.92 | 1,666,904 | 0.42 | 2,909,180 | 0.26 |
| Granted during the year | 1,098,580 | 0.10 | 918,472 | 0.10 | 119,526 | 1.11 | 185,293 | 1.45 | 1,218,106 | 0.20 | 1,103,765 | 0.33 |
| Lapsed during the year | (569,506) | 0.10 | (2,200,633) | 0.10 | (96,059) | 1.58 | (116,249) | 1.92 | (665,565) | 0.31 | (2,316,882) | 0.19 |
| Exercised during the year | – | 0.10 | (29,159) | 0.10 | – | | – | – | – | | (29,159) | 0.10 |
| Outstanding at the end of the year | 1,879,167 | 0.10 | 1,350,093 | 0.10 | 340,278 | 1.54 | 316,811 | 1.76 | 2,219,445 | 0.32 | 1,666,904 | 0.42 |

The vesting of each award is subject to the attainment of performance conditions. For each award, 70 per cent is based on an adjusted earnings per share ("EPS") target (Part A) and 30 per cent on a TSR target (Part B). The adjusted EPS is based upon the non-GAAP measure as discussed in note 9 (page 96).

The performance conditions are tested over performance periods as detailed below:

| | | Performance period | | Lapsed Shares in year | Forfeited Shares in year | |
|---|---|---|---|---|---|---|
| Award | Grant Date | Start | End | £ | £ | Remaining outstanding |
| IPO LTIP – Tranche 1 | 19 March 2015 | June 2015 | June 2018 | (312,500) | – | – |
| IPO LTIP – Tranche 2 | 19 March 2015 | June 2016 | June 2019 | – | – | 63,750 |
| IPO LTIP – Tranche 3 | 19 March 2015 | June 2017 | June 2020 | – | – | 63,750 |
| 2016 LTIP – Tranche 1 | 09 November 2015 | June 2015 | June 2018 | (20,617) | – | – |
| 2016 LTIP – Tranche 2 | 09 November 2015 | June 2016 | June 2019 | – | – | 10,309 |
| 2016 LTIP – Tranche 3 | 09 November 2015 | June 2017 | June 2020 | – | – | 10,309 |
| 2017 LTIP | 02 November 2016 | June 2016 | June 2019 | – | – | 92,500 |
| 2018 LTIP | 14 November 2017 and 12 April 2018 | June 2017 | June 2020 | – | (236,389) | 574,969 |
| 2019 LTIP | 18 October 2018 and 01 April 2019 | June 2018 | June 2021 | – | – | 1,063,580 |
| | | | | (333,117) | (236,389) | 1,879,167 |

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 20. SHARE-BASED PAYMENTS (EQUITY SETTLED) CONTINUED

### Part A – EPS Targets

The vesting of Part A of each such award is dependent on the Group's earnings per share ("EPS") performance over the fixed periods listed above. No portion of Part A vests unless the Group's EPS growth is at least equal to a compound annual growth rate of seven per cent; thereafter the following vesting calculations apply:

| The Company's EPS compound growth | Extent of vesting of Part A |
|---|---|
| At least 7% per annum | 25% |
| Between 7% per annum and 13% per annum | Pro-rata between 25% and 100% |
| At least 13% per annum | 100% |

The EPS calculation is based on Adjusted EPS. The EPS targets for the various performance periods are as follows:

| | Performance period | | Adjusted EPS |
|---|---|---|---|
| Grant date | Start | End | Target |
| 19 March 2015 | June 2016 | June 2019 | 25.8p |
| 19 March 2015 | June 2017 | June 2020 | 25.1p |
| 09 November 2015 | June 2016 | June 2019 | 25.8p |
| 09 November 2015 | June 2017 | June 2020 | 25.1p |
| 02 November 2016 | June 2016 | June 2019 | 25.8p |
| 14 November 2017 | June 2017 | June 2020 | 25.1p |
| 12 April 2018 | June 2017 | June 2020 | 25.1p |
| 18 October 2018 | June 2018 | June 2201 | 23.0p |
| 01 April 2019 | June 2019 | June 2022 | 9.9p |

### Part B – TSR Targets

The vesting of Part B of each such award is dependent on the Group's total shareholder return ("TSR") over the fixed periods listed above relative to the TSR of the peer group of other UK-listed restaurant and bar sector companies over the same period.

No portion of Part B vests unless the Group's TSR performance at least matches the median of the TSR performance within the comparator Group; thereafter the following vesting calculations apply:

| The Company's TSR performance against the TSR of the comparator companies | Extent of vesting of Part B |
|---|---|
| Median | 25% |
| Between median and upper quartile | Pro-rata between 25% and 100% |
| Upper quartile* | 100% |

* Due to the small number of comparator companies a median to median plus ten per cent p.a. measurement will be adopted.

For the IPO LTIP Award, the offer price (200 pence) has been used as the base point from which TSR is measured for the Company. For subsequent awards, the offer price is based on a three-month average prior to the start of the performance period. For all awards, the end point offer price is based on the average for the last three months of the respective performance period.

Expected volatility has been estimated by considering historical average share price volatility for the Company and/or similar companies. Staff attrition has been assessed based on historical retention rates.

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The fair value of share options granted under the scheme dependent on TSR performance is estimated at the date of grant using a Stochastic model. The fair value of share options granted under the scheme dependent on EPS performance is estimated at the date of grant using the Black-Scholes model. The following table gives the assumptions for the periods ended 29 June 2019 and 30 June 2018:

| | | | | 2016 LTIP[2] | | | IPO LTIP[1] | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019[5] award | 2018[4] award | 2017[3] award | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 1 | Tranche 2 | Tranche 3 |
| NCO: fair value at grant date – EPS | 116 | 140 | 169 | 179 | 174 | 170 | 188 | 188 | 187 |
| CSOP: fair value at grant date – EPS | 40 | 48 | 42 | 30 | 33 | 40 | 41 | 50 | 57 |
| NCO: fair value at grant date – TSR | 62 | 87 | 97 | 91 | 102 | 102 | 108 | 112 | 113 |
| CSOP: fair value at grant date – TSR | 35 | 42 | 40 | 27 | 31 | 35 | 38 | 43 | 48 |
| NCO: exercise price (p) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| CSOP: exercise price (p) | 115 | 162 | 179 | 194 | 194 | 194 | 200 | 200 | 200 |
| Share price (p)* | 115 | 153 | 183 | 194 | 194 | 194 | 200 | 200 | 200 |
| Expected volatility (%) | 44.60 | 57.67 | 31.00 | 30.61 | 30.61 | 19.59 | 28.91 | 28.91 | 20.81 |
| Expected life of options (years) | 3.0 | 3.0 | 5.3 | 4.3 | 4.3 | 4.3 | 3.3 | 3.3 | 3.3 |
| Weighted average remaining life | 2.3 | 1.3 | 0.3 | 0.0 | 0.3 | 1.3 | 0.0 | 0.3 | 1.3 |
| Expected dividend yield (%) | 0.00 | 3.24 | 2.63 | 2.64 | 2.64 | 2.64 | 2.64 | 2.64 | 2.64 |
| Risk-free rate (%) | 0.80 | 0.95 | 1.05 | 0.86 | 1.15 | 0.30 | 0.65 | 1.00 | 0.23 |

1 Granted on 18 March 2015.

2 Granted on 9 November 2015.

3 Granted on 2 November 2016.

4 Granted 14 November 2017 and 12 April 2018.

5 Granted 18 October 2018 and 1 April 2019.

* The share price is stuck at the value three days preceding the issue of shares.

## 21. FINANCIAL INSTRUMENTS

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group is exposed to the following financial risks:

- credit risk;
- liquidity risk;
- market risk; and
- capital risk.

Cash and cash equivalents are held in Pounds Sterling. Trade and other payables are measured at amortised cost.

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 21. FINANCIAL INSTRUMENTS CONTINUED

### Credit Risk

Credit risk arises from the Group's cash balances held with counterparties and trade and other receivables. Credit risk is the risk of financial loss to the Group if a third party owing monies to the Group fails to meet its contractual obligations. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for corporate customers.

Trade and other receivables are measured at amortised cost. Book values and expected cash flow are reviewed by the Board and any impairment is charged to the consolidated statement of comprehensive income in the relevant period. Trade and other receivables do not contain any impaired assets.

All cash balances are held with reputable banks and the Board monitors its exposure to counterparty risk on an ongoing basis. The Group attempts to mitigate credit risk by assessing financial counterparties.

Given the nature of the Group's operations, the Directors do not consider the Group's credit risk, which arises mainly from cash held with banks, to be significant.

The Group's financial assets are as follows:

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Trade and other receivables | 3,151 | 2,610 |
| Cash and cash equivalents | 2,627 | 4,025 |
| | 5,778 | 6,635 |

The ageing of trade receivables at the balance sheet date was:

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Not past due | 2,220 | 1,977 |
| Past due 0–30 days | 744 | 113 |
| Past due 31–60 days | 187 | 468 |
| More than 60 days | – | 52 |
| | 3,151 | 2,610 |

The Directors are not aware of any factors affecting the recoverability of outstanding balances as at 29 June 2019.

IFRS 9, effective from 1 July 2018, introduces an "expected loss" model for recognising impairment of financial assets held at amortised cost. This is different from IAS 39, which had an incurred loss model where provisions were recognised only when there was objective evidence of impairment. This change of approach requires the Group to consider forward-looking information to calculate expected credit losses regardless of whether there has been an impairment trigger.

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade and other receivables.
- Accrued rebate income.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and accrued rebate income.

To measure the expected credit losses, trade receivables and accrued rebate income have been grouped based on similar credit risk characteristics. Both primarily relate to outstanding amounts due from suppliers in relation to agreed rebates and thus have substantially the same risk characteristics. The Group has, therefore, concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for accrued rebate income.

The expected loss rates are based on the risk profiles of the suppliers with whom the balances are held as well as the related historic results of recoverability. On that basis, the loss allowance as at 29 June 2019 and 1 July 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables and accrued rebate income:

| | 29 June 2019<br>£'000 | 30 June 2018<br>£'000 |
|---|---|---|
| Expected loss rate | 1% | 1% |
| Trade and other receivables | 1,266 | 1,191 |
| Accrued rebate income | 713 | 630 |
| | 20 | 18 |

The difference between trade receivables, as shown immediately above at £1.3 million, and the £3.1 million balance earlier in this note relates to uncleared credit and debit card takings, which have been determined as having no expected credit loss due to their very short clearance period (two and three days as at the balance sheet date), as well as the balance being net of the expected credit loss provision. Due to applying a simplified approach, as well as the low value of expected loss, the opening position has not been restated.

### Liquidity Risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will not be able to meet its future obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its financial liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain a level of cash and cash equivalents in excess of expected cash outflows on financial liabilities over the next 90 days. The Group also closely monitors the level of expected cash inflows on trade and other trade receivables.

The Group maintains forward cash flow projections, updated on a daily basis, to ensure that it always has sufficient cash on hand to meet expected operational expenses. The Group has committed lines of credit through a revolving credit facility provided by Natwest, of which £17.5 million was drawn at 29 June 2019. See note 1 under sub-heading Going concern for further details of the revolving credit facility.

The Group's financial liabilities are as follows:

| | 29 June 2019<br>£'000 | 29 June 2018<br>£'000 |
|---|---|---|
| Trade payables | 14,438 | 13,636 |
| Other payables | 26 | 68 |
| Revolving credit facility | 17,500 | 15,500 |
| | 31,964 | 29,204 |

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 21. FINANCIAL INSTRUMENTS CONTINUED

**Liquidity Risk** continued

The maturity analysis of the financial liabilities is as follows:

| As at 29 June 2019 | < 1 year £'000 | 1–5 years £'000 | > 5 years £'000 | Total £'000 |
|---|---|---|---|---|
| Trade and other payables | 14,464 | – | – | 14,464 |
| Revolving credit facility | – | 17,500 | – | 17,500 |

| As at 29 June 2018 | < 1 year £'000 | 1–5 years £'000 | > 5 years £'000 | Total £'000 |
|---|---|---|---|---|
| Trade and other payables | 13,704 | – | – | 13,704 |
| Revolving credit facility | – | 15,500 | – | 15,500 |

These liabilities are short term in nature and are on an undiscounted basis.

**Market Risk**

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates, will affect the Group's costs. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. Market interest rate risk arises from the Group's holding of interest-bearing financial assets and liabilities.

At 29 June 2019, the Group's interest-bearing financial assets consisted solely of cash and cash equivalents (see note 14). The Group has interest-bearing financial liabilities as at 29 June 2019, comprising a revolving credit facility of £17.5 million (2018: £15.5 million).

The Group does not enter into derivatives or hedging transactions.

The main risk arising from the Group's financial instruments are interest rate risk. The Group does not have any exposure to foreign currency risk as all of the Group's revenue and costs are in GBP.

The Board makes ad hoc decisions at its regular meetings as to whether to hold funds in instant access accounts or longer-term deposits. All accounts are held with reputable UK banks. These policies, which the Directors consider to be appropriate for the current stage of development of the Group's business, will be kept under review by the Board in future years. If interest rates at each period-end reporting date had moved by five per cent, the impact on results would not have been significant.

**Fair Value of Financial Instruments**

The fair value of each category of financial instruments is the same as their carrying value in the Group statement of financial position.

**Capital Risk**

The Group's capital is made up of share capital and retained earnings.

The objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group ensures that it has sufficient cash on demand to meet its expected operational expenses, including the servicing of any financial obligations. This excludes the potential impact of extreme circumstances which cannot be reasonably predicted.

STATEMENTS

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and a revolving credit facility. There are no externally imposed capital requirements. Financing decisions are made by the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans. When monitoring capital risk, the Group considers its gearing ratio.

## 22. OPERATING LEASES

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

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| **Land and buildings** | | |
| – In less than one year | 12,503 | 10,877 |
| – In two to five years | 50,113 | 46,586 |
| – In over five years | 119,216 | 133,421 |
| | 181,832 | 190,884 |
| **Other assets** | | |
| Within one year | 134 | 214 |
| In two to five years | 157 | 127 |
| | 291 | 341 |

Lease agreements held by the Group have varying terms and renewal rights. While the commercial terms of leases vary, they commonly include either market or index-linked rent reviews. The timing of rent reviews varies on a lease by lease basis.

The total future minimum sublease income due under non-cancellable subleases is £0.9 million (2018: £1.3 million).

The total lease payments recognised in the consolidated statement of profit or loss and other comprehensive income in the 52 weeks ended 29 June 2019 was £10.6 million (2018: £11.1 million). The consolidated statement of profit or loss and other comprehensive income includes charges for rent-free periods of £0.7 million (2018: £1.0 million). During the year the Group received £0.2 million (2018: £0.1 million) rental income under sub-leases.

There were no capital commitments at the reporting date (2018: £nil).

## 23. DIVIDENDS

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the 52 weeks ended 30 June 2018 of 3.30p (2017: 3.30p) | 1,650 | 1,650 |
| Interim dividend for the 52 weeks ended 29 June 2019 of nil p (2018: 1.65p) | – | 825 |
| | 1,650 | 2,475 |
| Proposed final dividend for the 52 weeks ended 29 June 2019 of nil p (2018: 3.30p) per share | – | 1,650 |

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION CONTINUED

FOR THE 52 WEEKS ENDED 29 JUNE 2019

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## 24. RELATED PARTY TRANSACTIONS

### (a) Subsidiaries

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

### (b) Key Management Personnel

The compensation of key management personnel (including the Directors) is as follows:

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| Key management emoluments including social security costs | 1,620 | 1,990 |
| Awards granted under a long-term incentive plan | 1,170 | 609 |
| Pension contributions to money purchase schemes[1] | 54 | 81 |
| | 2,844 | 2,680 |

1 Includes salary enhancements made in lieu of pension contributions due to pension caps.

The key management of the Company is considered to be the Directors of the Company and Senior Management as detailed on pages 34–38. Details of the Directors' remuneration is provided in the Board Report on Remuneration. The Company did not enter into any form of loan arrangement with any Director during any of the periods presented.

## 25. CHANGES IN ACCOUNTING STANDARDS

Following the adoption in the year of IFRS 15 Revenue from Contracts with Customers, the following details its impact on the Group's Consolidated Financial Statements. Details regarding the adoption of IFRS 9 can be found in note 21.

### IFRS 15 Revenue from Contracts with Customers

As at 1 July 2018, the Group assessed the requirements of IFRS 15. The standard is based on the principle that revenue is recognised when control of goods or services transfer to a customer. For the Group, the transfer of control under IFRS 15 and satisfaction of performance obligations remains consistent with the transfer of risks and rewards to the customer under IAS 18, as revenue is recognised at the point of sale to the customer. Consequently, there was no material impact on the amount and timing of revenue recognition in the Group on application of IFRS 15.

# COMPANY STATEMENT OF FINANCIAL POSITION

## AT 29 JUNE 2019

STATEMENTS

| | Note | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments | 5 | 29,650 | 29,650 |
| **Current assets** | | | |
| Trade and other receivables | 6 | 117 | 185 |
| **Total assets** | | 29,767 | 29,835 |
| **Net assets** | | 29,767 | 29,835 |
| **Equity attributable to equity holders of the Parent** | | | |
| Share capital | 7 | 50 | 50 |
| Merger reserve | | 11,645 | 11,645 |
| Retained earnings | | 18,072 | 18,140 |
| **Total equity** | | 29,767 | 29,835 |

The Company made a profit after tax of £1.7 million in the 52 weeks ended 29 June 2019 (2018: £2.5 million) relating entirely to dividends received from a subsidiary of the Company in the period.

Signed on behalf of the Board on 1 October 2019.

**Mike Foster**
Director

# COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE 52 WEEKS ENDED 29 JUNE 2019

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| | Share capital £'000 | Reserves | | Total equity £'000 |
|---|---|---|---|---|
| | | Merger reserve £'000 | Retained earnings £'000 | |
| **At 1 July 2017** | 50 | 11,645 | 19,706 | 31,401 |
| Profit and total comprehensive income for the period | – | – | 2,475 | 2,475 |
| Charges arising from share-based payments | – | – | (1,566) | (1,566) |
| Dividends paid | – | – | (2,475) | (2,475) |
| **At 30 June 2018** | 50 | 11,645 | 18,140 | 29,835 |
| Profit and total comprehensive income for the period | – | – | 1,650 | 1,650 |
| Charges arising from share-based payments | – | – | (68) | (68) |
| Dividend paid | – | – | (1,650) | (1,650) |
| **At 29 June 2019** | 50 | 11,645 | 18,072 | 29,767 |

# COMPANY STATEMENT OF CASH FLOW

## FOR THE 52 WEEKS ENDED 29 JUNE 2019

STATEMENTS

| | 52 weeks ended 29 June 2019 £'000 | 52 weeks ended 30 June 2018 £'000 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before tax | 1,650 | 2,475 |
| Adjustments for: | | |
| Dividends paid | (1,650) | (2,475) |
| Decrease in trade and other receivables | 68 | 1,566 |
| Credit arising from long-term incentive plans | (68) | (1,566) |
| **Net cash flow generated from operating activities** | – | – |
| **Cash flow from investing activities** | | |
| Dividends received from subsidiary company | 1,650 | 2,475 |
| **Net cash flow generated from investing activities** | 1,650 | 2,475 |
| **Cash flow from financing activities** | | |
| Equity dividends paid | (1,650) | (2,475) |
| **Net cash flow used in financing activities** | (1,650) | (2,475) |
| Net increase in cash and cash equivalents | – | – |
| Opening cash and cash equivalents | – | – |
| **Closing cash and cash equivalents** | – | – |

# NOTES TO THE COMPANY FINANCIAL INFORMATION

FINANCIALS

## 1. ACCOUNTING POLICIES

### Statement of Compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, as they apply to the financial statements of the Group, for the 52 weeks ended 29 June 2019 (prior period 52 weeks ended 30 June 2018) and in accordance with the provisions of the Companies Act 2006.

### Basis of Preparation

The Company financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU. They are presented in Pounds Sterling, with values rounded to the nearest hundred thousand, except where otherwise indicated. The financial statements have also been prepared under the historical cost convention, on a going concern basis. These policies have been applied consistently, other than where new policies have been adopted.

### (a) Accounting Policies

### 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 cash held at bank. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

**Interest-bearing Borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

### Share-based Payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest. This is recognised as an employee expense with a corresponding increase in equity. Fair value is measured by the Monte Carlo model for options subject to a market-based performance condition and by use of a Black-Scholes model for all others. Cost is recharged to subsidiary entities.

### Investments in Subsidiary Undertakings

A subsidiary is an entity controlled, either directly or indirectly, by the Company, where control is the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. Investments in subsidiaries represent interests in subsidiaries that are directly owned by the Company and are stated at cost less any provision for permanent diminution in value.

### 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.

### Dividends

Dividends receivable from the Company's subsidiaries and joint venture investments are recognised only when they are approved or paid by shareholders.

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, when approved by the Company's shareholders at the AGM.

**Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income 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 statement of financial position date, and any adjustment to tax payable in respect of previous periods.

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 statement of financial position 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.

**(b) Critical 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 in due course may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation and uncertainty at the date of the statement of financial position that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial period are set out below.

The Directors do not consider there to be any principal judgements or key sources of estimation and uncertainty.

**(c) New and Amended Standards Adopted by the Group**

The Group applied the following standards and amendments for the first time in the annual reporting period commencing 1 July 2018:

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions; and
- Annual Improvements 2014-16 cycle

The adoption of these standards did not have a material impact on the Group Consolidated Financial Statements.

There are no relevant new standards and interpretations not yet adopted.

## 2. PROFIT FOR THE PERIOD

No profit or loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The profit after tax for the period was £1,650,000 (2018: £2,475,000).

## 3. AUDITORS' REMUNERATION

Auditors' remuneration in respect of the Company audit was £1,000 (2018: £500).

# NOTES TO THE COMPANY FINANCIAL INFORMATION CONTINUED

FINANCIALS

## 4. DIRECTORS' REMUNERATION AND EMPLOYEE COSTS

Details of Directors remuneration in respect of services delivered to the Group are contained in the Directors' Remuneration Report on pages 44–57. The remuneration received by the Directors in respect of directly attributable services to this company is inconsequential in the context of the remuneration figure. The Company has no employees other than the Directors and the Directors are not remunerated through this Company other than issues of share-based payments as described in note 1 to the Company financial statements.

## 5. INVESTMENTS

Investments in the Company's statement of financial position consist of its investments in subsidiary undertakings.

| At cost and net book value: | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| At the beginning of the period | 29,650 | 29,650 |
| Investment in subsidiary | – | – |
| **At the end of the period** | 29,650 | 29,650 |

As at 29 June 2019 and 30 June 2018, the Company owned 100 per cent of the ordinary share capital of the following UK companies:

| Company name | Country of incorporation | Class of shares | Holding | Status |
|---|---|---|---|---|
| Inventive Guarantee Co Limited[1] | United Kingdom | Ordinary | 100% | Holding company[+] |
| Revolution Bars Limited[1] | United Kingdom | Ordinary | 100% | Trading[++] |
| Revolución de Cuba Limited[1] | United Kingdom | Ordinary | 100% | Trading[++] |
| Inventive Service Company Limited[1] | United Kingdom | Ordinary | 100% | Trading[++] |
| Inventive Leisure Limited[1] | United Kingdom | Ordinary | 100% | Dormant[++] |
| Rev Bars Limited[1] | United Kingdom | Ordinary | 100% | Dormant[++] |
| Inventive Leisure (Services) Limited[1] | United Kingdom | Ordinary | 100% | Dormant[++] |
| New Inventive Bar Company Limited[1] | United Kingdom | Ordinary | 100% | Dormant[++] |

1 The registered address of each company is 21 Old Street, Ashton-under-Lyne, Tameside OL6 6LA.

+ Direct holding.

++ Indirect holding.

## 6. TRADE AND OTHER RECEIVABLES

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| Amounts owed from subsidiary undertakings | 117 | 185 |
| | 117 | 185 |

Amounts owed from subsidiary undertakings are unsecured, interest free and repayable on demand. The expected credit loss impact from IFRS 9 is immaterial for the Company.

## 7. SHARE CAPITAL

| | 29 June 2019 £'000 | 30 June 2018 £'000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 50,029,159 £0.001 ordinary shares (2018: 50,029,159 £0.001 ordinary shares) | 50 | 50 |
| | 50 | 50 |

# CORPORATE INFORMATION

STATEMENTS

## REVOLUTION BARS GROUP PLC

**Registered Number 08838504**

**Registered Address**

21 Old Street
Ashton-under-Lyne
Tameside
OL6 6LA

**Joint Brokers**

**Peel Hunt LLP**
Moor House
120 London Wall
London
EC2Y 5ET

**finnCap**
60 New Broad Street
London
EC2M 1JJ

**Registrar**

**Link Asset Services**
34 Beckenham Road
Beckenham
Kent
BR3 4TU

**Financial PR**

**Instinctif Partners**
65 Gresham St
London
EC2V 7NQ

**Independent Auditors**

**PricewaterhouseCooper LLP**
1 Hardman Square
Manchester
M3 3EB

**Tax Advisers**

**Grant Thornton UK LLP**
4 Hardman Square
Spinningfields
Manchester
M3 3EB

**Legal Advisers (corporate)**

**Macfarlanes LLP**
20 Cursitor St
London
EC4A 1LT

**Legal Advisers (property)**

**Shoosmiths**
Hardman Street
Spinningfields
3 Hardman St
Manchester
M3 3HF

**Legal Advisers (licensing)**

**Kuits**
3 St Mary's Parsonage
Manchester
M3 2RD



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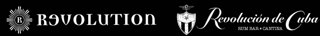
BARS GROUP




**Registered address**
21 Old Street
Ashton-under-Lyne
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OL6 6LA