26 February 2020

# **Revolution Bars Group plc** (LSE: RBG)
## Interim results for the 26 weeks ended 28 December 2019

## Like-for-like[2] sales positive, Adjusted[1] EBITDA higher, debt reduced, on track to meet expectations

Revolution Bars Group plc ("the Group"), a leading UK operator of 74 premium bars, trading under the Revolution and Revolución de Cuba brands, today announces its interim results for the 26 weeks ended 28 December 2019.

**Financial highlights**

| | **H1 FY20** *(IFRS 16)* | **H1 FY20** *(IAS17)* | **H1 FY19** *(IAS17)* | **% change** *(IAS 17)* |
|---|---|---|---|---|
| **Total Sales** | £81.2 million | £81.2 million | £78.5 million | +3.5% |
| **Like-for-Like[2] Sales** | +1.2% | +1.2% | -4.0% | - |
| **Adjusted[1] EBITDA** | £12.8 million | £7.6 million | £6.9 million | +10.6% |
| **Adjusted[1] Profit Before Tax** | £2.9 million | £3.5 million | £2.9 million | +20.5% |
| **Adjusted[1] Earnings Per Share** | 4.4 pence | 4.5 pence | 4.2 pence | +6.8% |
| **Statutory Loss Before Tax** | £(1.6) million | £(3.9) million | £(3.5) million | -12.8% |
| **Statutory Loss Per Share** | (2.9) pence | (7.9) pence | (6.2) pence | -26.6% |

*See note at foot of this highlights statement referring to IFRS 16 and IAS 17. IAS 17 numbers are given for H1 FY20 in order to allow a like-for-like accounting comparison with H1 FY19.*

**Key points**

- Like-for-like[2] ("LFL") sales for the period improved by 1.2%. As previously reported, Q1 LFL[2] sales were +0.7%, but improved to +1.7% in Q2 on the back of a strong performance in the lead up to Christmas. The four-week festive period[3] saw LFL[2] sales grow +4.0%, a seventh consecutive year of festive growth.

- Revolución de Cuba, which has a well-invested and differentiated offering, achieved strong LFL[2] sales growth of +5.0%.

- Revolution's LFL[2] sales were –0.4%, a much-improved trend on FY19. The recent new and refurbished Revolution bars have performed well and are proof that the Revolution brand remains relevant and liked by its customer base.

- The multiple work-streams referred to in recent results announcements, many of which are targeted at driving sales, are gaining good traction, with refurbishments in particular delivering strong sales uplifts.

- Adjusted[1] EBITDA (IAS 17) grew +10.6% from £6.9 million to £7.6 million, primarily through LFL[2] sales growth, but also improvements in gross margin and tight cost control.

- The Group continues to generate strong cash flow and gross bank debt has reduced by £6.0 million over H1 to £11.5 million and is £7.0m lower than at the end of H1 FY19.

- Shortly after the end of the reporting period the Group exchanged contracts to surrender leases at five loss-making sites at a cost of £3.6m and to re-gear four other leases in exchange for a small net rent reduction. Together with a further lease surrender completed in H1, these transactions are anticipated to deliver annualised cash benefits of £1.3 million.

- H2 has started well with LFL[2] sales at +1.6% and the Board currently expect to deliver FY20 Adjusted[1] EBITDA (IAS 17) in line with market expectations[4].

**Rob Pitcher, Chief Executive Officer, said:**

***"We have continued to make significant progress revitalising the Revolution brand and further improving the performance of Revolución de Cuba. Having stabilised the business in FY19, FY20 is about consolidation and the benefits of the many actions that we have taken are beginning to be realised.***

***H2 FY20 has started encouragingly and should we continue on our current trajectory then the Board is confident the business will be well-positioned to resume site expansion in FY21."***

*[1] Adjusted performance measures exclude exceptional items, share-based payment charges/(credits) and bar opening costs (see reconciliation table in the Financial Review).*

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

*[3] 4 weeks to and including New Year's Eve which bridges the 26 week reporting period ended 28 December 2019 by three days.*

*[4] The Board considers market expectations are best defined by taking the range of forecasts published by analysts who consistently follow the Group. The range of adjusted EBITDA (IAS 17) forecasts, as at 25 February 2020, is £12.3m - £12.4m.*

**Note on IFRS 16 *(accounting for leasing):***

In the current period, the Group has adopted the new accounting standard IFRS 16, which requires the recognition of operating leases as right-of-use assets and lease liabilities on the balance sheet. As noted in the FY19 report, the Group has adopted the modified retrospective approach, as allowed by the standard, and therefore comparative disclosures have not been restated for IFRS 16. A reconciliation between the two different bases of reporting is set out in Note 1 to the statements and a pro forma Condensed Consolidated Statement of Comprehensive Income, restating the reported numbers as though IFRS 16 had not been adopted, has been included as an appendix to the notes (last page of this statement).

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A presentation for analysts will be held today and the presentation will be made available on the Group's corporate website at www.revolutionbarsgroup.com.

## Chairman's Statement

**Our Business**
The Group operates 74 premium bars with a presence throughout the UK across 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.

Consistent with the strategy we announced a year ago to focus both management and capital resources on our existing estate and to reduce bank debt, I am pleased to report that in the 26 week period we refurbished seven bars, like-for-like[2] ("LFL") sales performance has continued to improve, and good progress has been made on debt reduction. Our underlying business is much stronger and we are on track to deliver FY20 results in line with market expectations.

**Our results**
Sales for the 26-week period of £81.2 million (FY19: £78.5 million) were up 3.5% on the previous period, driven by recent initiatives alongside the annualisation of trading from the five bars opened in the first half of FY19 but offset by the closure of three poorly performing bars in the current period. LFL[2] sales were up 1.2% which benefitted from stronger growth in the second quarter of 1.7%, which included another record trading period over the four-week Christmas period[3], the seventh consecutive record festive trading period.

Revolución de Cuba traded very strongly throughout the period in terms of LFL[2] sales. Revolution branded venues stemmed the sharp reduction in LFL[2] sales experienced for much of last year almost returning to flat sales for the period. Over the past nine months there has been a steady improvement in the Revolution LFL[2] sales trend driven by the considerable efforts to rejuvenate the brand. Actions taken include refurbishments, improved late-night entertainment experiences, local events during off-peak times, and changes to the value proposition through extended happy hours.

Adjusted[1] EBITDA, which for many years has been our preferred KPI, is significantly impacted by the change in reporting resulting from the implementation of IFRS 16. From next year, when there will be consistency of reporting, our preferred KPI will become adjusted[1] EBITDA including rent charges but for this year the directors believe that business progress is best measured by the directly comparable IAS 17 pro forma measure of adjusted[1] EBITDA which increased 10.6% to £7.6 million (FY19 H1: £6.9 million) demonstrating the operational leverage of the business.

We are a highly cash generative and profitable business. Consistent with our strategy announced a year ago, gross bank debt has been reduced as at the period end to £11.5 million, £7.0 million lower than at the same point last year and £6.0 million lower than at the end of FY19.

**Dividend**
The Board is not recommending the payment of an interim dividend as we focus on investing to revitalise our brands and reducing debt.

**Current trading**
The second half has started encouragingly with strong trading on New Year's Eve. In the eight weeks to 22 February, LFL[2] sales were up +1.6%.

**People**
The Group continues to be led by a strong and experienced executive management team with proven credentials in the industry, as well as a skilled workforce. The management team has worked tirelessly across many new initiatives to drive the business forward while our front-line teams have remained dedicated to providing brilliant service to customers, particularly over the huge trading

weeks in the run up to the Christmas holidays. I would like to recognise the commitment and substantial effort of all our employees and thank them for their dedication and service.

**Keith Edelman**
**Chairman**
*26 February 2020*

[1] *Adjusted performance measures exclude exceptional items, share-based payment charges/(credits) and bar opening costs (see reconciliation table in the Financial Review).*
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[3] *4 weeks to and including New Year's Eve which bridges the 26 week reporting period ended 28 December 2019 by three days.*

## Chief Executive's Statement

***Continued improvement in like-for-like[2] sales has helped deliver profit growth for the Group.***

**Business Review**

Following the return to sales growth in the final few weeks of the last financial year, I am pleased to report that this trend has strengthened further across the interim reporting period and enabled us to deliver 10.6% growth in pro forma adjusted[1] EBITDA. Delivering both sales and profit growth are key milestones in our ongoing turnaround plan for the business.

Profit growth was achieved through a combination of like-for-like[2] ("LFL") sales growth, improved gross margins and tight control of our costs, despite the ongoing structural cost inflation the sector is facing, to deliver improved profit conversion. The delivery of our strategic workstreams has been a primary driver of the strong performance in the reporting period with both brands displaying positive momentum.

LFL[2] sales for the Group ended the first half up 1.2%, which is a significant improvement on the previous six months when they reduced by -2.9% and by -4.0% in the six months before that. This continued sales momentum demonstrates that both our teams and our guests are embracing the improvements introduced across the business.

The Revolution brand has shown real progress improving the LFL[2] sales trend to -0.4% from -5.6% during the first half of the last financial year and from -3.4% in the second half. The revitalisation of the Revolution brand proposition has seen a positive shift across both guest and financial measures and the brand is now growing market share amongst our young professional guest base.

Revolución de Cuba continues to perform strongly with LFL[2] sales in the first half up +5.0% on last year. Revolución de Cuba is well positioned, well invested, differentiated in its marketplace and has benefited from a real focus on the delivery of our live entertainment offering alongside our customer-centric service ethos.

For the seventh consecutive year our dedicated sales and operations teams delivered a record festive trading period with pre-booked sales up 13.2% driving LFL[2] sales growth of 4.0% for the four weeks up to 31 December 2019. We continue to invest in our pre-booked sales capabilities enabling us to benefit from this rapidly increasing guest trend.

Pro forma adjusted[1] EBITDA was up 10.6% to £7.6 million, which is pleasing when set against a challenging macro-economic and politically uncertain trading environment for the sector and specifically 'bricks and mortar high-street businesses', which continues to be burdened with an ever-increasing cost base including business rates, an obsolete means of taxation requiring urgent review.

Our improved financial performance was achieved through growth in LFL[2] sales of £1.0m coupled with 0.2% growth in gross margins and reductions in operating costs. Operating costs were lower despite an effective increase of 4.6% in hourly labour rates as a result of the National Living Wage, National Minimum Wage and pension increases. Well over half of this increase was mitigated through labour scheduling and worksmart initiatives to drive greater productivity. We have also achieved good cost savings on local marketing activity, cleaning contracts, network communications, cash collection and card payment charges.

The performance of the three Revolución de Cuba venues opened in FY19 has been disappointing notwithstanding the longer maturity profile of our newer brand and against a backdrop of a strong performance of the brand during the period. We have a very good track record of Revolución de

Cuba openings but each of these three venues has different challenges pertinent to their locations. Although trading continues to slowly improve we have decided that, at this early stage, it is appropriate to take an impairment charge at implementation and half-year to a total sum of £9.5 million on the assets (including £4.9 million right of use asset impairment) but we still believe that each has the potential to improve trading and will be working hard to improve performance levels so that the impairments can potentially start to be reversed.

With both brands seeing good sales momentum, costs remaining well controlled, many of our workstreams still to deliver their full potential, and our teams becoming increasingly engaged with our vision, we remain confident in achieving our full year targets and that we are building a business with a very exciting future.

**Group strategy**

- Build guest loyalty
- Drive sustained profit improvement
- Development of our estate

These three pillars are still the guiding principles of the Group and are very much driving our long-term decision-making. Having completed the first year of our three-year turnaround plan we have moved from a period of stabilisation into a year of consolidation with the goal of transitioning to a period of expansion during our next financial year.

The following review will update on the second phase of our plan, our year of consolidation, and the progress against our strategic priorities.

**Our FY20 strategic priorities**

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

An ambitious programme across 36 workstreams was initiated at our interim update last March. We have seen some very pleasing results from this approach. Nine workstreams have either been completed or become usual operating procedure and we recently added a further fifteen new workstreams bringing us to 40 active workstreams across the Group to constantly evolve our proposition.

**Our Team**

One of the key differentiators of Revolution Bars Group is the commitment and quality of our 3,300-strong team. With the business in a stronger financial position, we have been able to dedicate more focus onto what really matters to our team in the absolute belief that happy teams create happy guests.

During the first half, our site management teams helped to refresh our company purpose, vision and values to ensure it reflected our teams and the Group's aspirations. This inclusive process has helped create a culture where everyone is aligned to our future direction and how we intend to achieve our goals.

**Investing in our Brand and Guest Experience**

The creation of the 'Saturday X' and 'Love Saturdays' entertainment packages for the Revolution brand have achieved improved Saturday evening sales delivering an average weekly uplift of £2,000 in our larger bars with 'Love Saturdays' delivering average weekly uplifts of £1,200 per bar. This initiative has been adopted across the estate and is now part of the way we operate. Our attention

will now turn to Fridays with a new workstream focused on creating a unique Friday experience for our guests.

The success of 'Project Event Space' has continued to grow with 20,500 guests attending events, such as pug cafés, held across 35 bars over the past 12 months. These differentiated experiences provide additional reasons to visit our brands in largely off-peak times thereby diversifying our business away from our traditional trading patterns.

Improving our digital guest experience and building customer loyalty are key areas of focus for the Group and this led to the launch of the Revolution branded app in September 2019. The App has so far received 230,000 registered customer downloads. The next phase of development for the App is to have 'order and pay at table' enabled and this is due to move into a trial phase before a consideration of wider rollout.

Innovating across all areas of our business is vital to ensure that we continue our improved sales and profit performance; to aid this we are about to undertake further customer research building on what we did in H1 FY19 and aimed at ensuring the Revolution brand continues to evolve and remain relevant to our demanding young professional guest base. This work will inform our investment decisions as we look forward to FY21.

**Investing in our estate**

During the reporting period, the Group invested £1.4 million refurbishing seven bars. These comprised five Revolution bars and two Revolución de Cuba bars. Post-refurbishment, these bars have delivered an overall sales uplift of 5.5%, sufficient to repay the investment in just over 2 years with a return on investment of 46%. Six further refurbishments are planned for the second half and three (all Revolutions) have already been completed at a total cost of £450,000. The initial trading improvements from these bars are very encouraging.

Shortly after the end of the reporting period, the Group exchanged contracts to surrender leases at five loss-making sites at a cost of £3.6 million. This brings the total number of lease surrenders this financial year to six for a cost consideration of £3.9 million that will bring an annualised cash benefit to the Group of £1.3 million. We continue to manage our estate to optimise value creation for our stakeholders.

During the second half of FY20 we will be refining our new site strategy and target towns list so that we are well-placed to resume expansion towards the end of the next financial year, should we be in a position to do so.

**Sector Backdrop**

Whilst we are pleased with the continuing improvement in our trading performance, like many other hospitality businesses, the macro economic environment remains challenging as a result of the relentless inflationary cost pressure imposed on our industry. We support the principal of the National Living Wage, however, the 6.2% increase (effective from April but only announced on 31 December 2019) is significantly bigger than anticipated; this will cost the business £2.0m per annum in terms of our direct workforce before any mitigating actions and will also result in cost increases for many other contracted services.

With property overheads rising at least in line with inflation and in particular business rates having significantly increased in real terms as a result of property revaluations over a long period, structural changes to taxation are urgently required, particularly in relation to employers' national insurance and business rates in order to restore a fair and balanced trading environment in which more businesses can develop, invest and prosper.

**Current Trading and Outlook**

In the first eight weeks of the second half to 22 February 2020, LFL[2] sales increased by 1.6% consistent with the improved performance achieved in the second quarter. We expect sales growth to broadly continue at this level for the remainder of the financial period, which should deliver pro forma adjusted[1] EBITDA in line with market expectations and keep us on target to reduce bank debt net of cash to one times pro forma adjusted[1] EBITDA by the year end, notwithstanding a payment of £3.6m to complete on the five lease surrenders referred to above under 'Investing in our estate'.

We will continue to 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 with the addition of a new Vodka masterclass, whilst also adding 'order and pay at table' to our new app. We will invest in our estate with the twin objectives of driving LFL[2] sales whilst creating a more sustainable business and lessening our impact on the environment.

We remain focused on delivering against our financial goals of achieving LFL[2] sales growth, improved earnings and reducing bank debt. This will be achieved through the delivery of our workstreams and a continued investment into our teams, our brand and guest experience, and our estate.

I am increasingly excited by the future prospects of the Group and look forward to leading the team as we transition to the next phase of our plan.

**Rob Pitcher**
***Chief Executive Officer***
*26 February 2020*

[1] *Adjusted performance measures exclude exceptional items, share-based payment charges/(credits) and bar opening costs (see reconciliation table in the Financial Review).*

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

[3] *4 weeks to and including New Year's Eve which bridges the 26 week reporting period ended 28 December 2019 by three days.*

## Financial Review

**Summary**

- Sales £81.2 million (FY19: £78.5 million), up +3.5%
- Like-for-like[2] ("LFL") sales up +1.2% (FY19: down -4.0%)
- Adjusted[1] EBITDA £12.8 million (IAS 17 FY20: £7.6 million, FY19: £6.9 million), up 10.6%
- Adjusted[1] profit before tax £2.9 million (IAS 17 FY20: £3.5 million, FY19: £2.9 million)
- Adjusted[1] earnings per share 4.4 pence (IAS 17 FY20: 4.5 pence, FY19: 4.2 pence)
- Statutory loss before tax £1.6 million (IAS 17 FY20: loss £3.9 million, FY19: loss £3.5 million)
- Statutory loss per share of 2.9 pence (IAS 17 FY20: loss per share of 7.9 pence, FY19: loss per share of 6.2 pence)
- Gross bank debt reduced to £11.5 million (FY19 interim: £18.5 million, FY19 year-end: £17.5 million)

**Basis of preparation**

Consistent with previous reporting periods, the Group operates a weekly accounting calendar and as each accounting period refers only to complete accounting weeks, the period under review reflects the results of the 26 weeks to 28 December 2019 (FY19: 26 weeks ended 29 December 2018).

As signposted in our financial statements at the last year end, IFRS 16 became effective in the current reporting period. As permitted by the standard, the Group has adopted the modified retrospective approach to implementation and therefore only the current year's results (FY20) are reported under IFRS 16; the comparative disclosures have not been restated and continue to be shown on an IAS 17 basis. Given that IFRS 16 materially impacts the presentation of several of the Group's KPIs, a pro forma income statement and supporting notes are presented as an appendix to this statement to show how the results would have been presented under IAS 17. The Board considers that this is necessary for the FY20 reporting period only in order to show true comparability against the prior year. Note 1 provides a reconciliation of the two measures, and the pro forma profit statement referred to above also reconciles the differences in approach. There have been no other changes to accounting policies implemented in the period under review.

The directors have consistently relied upon adjusted[1] EBITDA as their preferred alternative performance measure as they believe it provides a better representation of underlying performance as it excludes the effect of exceptional items, share-based payment charges/(credits) that are non-cash and have been subject to significant swings unrelated to trading performance in recent periods, and bar opening costs that are influenced by the number and timing of new bar openings. None of the above referenced items directly relate to the underlying trading performance of the Group. However, adjusted[1] EBITDA is also significantly impacted by IFRS 16. From next year, when both periods reported will be treated consistently, the preferred alternative performance measure will become adjusted[1] EBITDA including rent charges. In the current reporting period, because of changes to the basis of the rent charge, it is not appropriate to simply deduct rent from adjusted[1] EBITDA to derive a figure comparable with last year's IAS 17 reported number due to different accounting treatments for rent free periods and onerous lease provisions. Therefore, the directors continue to rely (for the FY20 reporting period only) on the pro forma measure of adjusted[1] EBITDA as being their preferred measure of underlying business performance.

**Trading performance**

Sales for the 26 weeks ended 28 December 2019 rose by 3.5% to £81.2 million (FY19: £78.5 million). LFL[2] sales over the same period improved by 1.2%.

Operating loss (IAS 17) was £3.5 million (FY19: Operating loss £3.1 million), and on a post IFRS 16 basis operating profit was £1.0 million (as a result of the exclusion of rent charges, as well as

differences in impairment charges and different treatment of onerous lease provisions and rent free periods). This measure was significantly impacted in both the current and comparative reporting period by exceptional items as detailed below:

*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 in the period amounted to £4.4 million (FY19: £5.2 million) and comprised the following:

| | **(Unaudited) 26 weeks ended 28 December 2019 £'000** | (Unaudited) 26 weeks ended 29 December 2018 £'000 | Audited 52 weeks ended 29 June 2019 £'000 |
|---|---|---|---|
| Impairment of property, plant and equipment | **1,755** | 3,532 | 5,215 |
| Impairment of right-of-use assets | **2,997** | - | - |
| Onerous lease charges | **-** | 1,673 | 1,912 |
| Gain on disposal | **(575)** | - | - |
| Bar closures | **200** | - | - |
| **Total exceptional items** | **4,377** | 5,205 | 7,127 |

Following the implementation of IFRS 16, impairment reviews continue to be conducted on a Cash Generating Unit ("CGU") basis but the asset value being tested now includes the lease right-of-use asset associated with each bar alongside the property, plant and equipment. As a result of the impairment reviews, the net book value of property, plant and equipment was written down at 17 of the Group's bars, of which eight were small amounts of additional capital spend at bars fully impaired previously, and nine had been partially impaired previously. Three bars opened in FY19 are being impaired due to significant under-performance relative to expectations. The right-of-use assets write-down relates to nine bars of which the most significant element relates to the FY19 openings referred to above. The directors consider that these bars are unlikely to attain trading levels and generate sufficient cash flows in the foreseeable future to justify their original carrying values.

Following the adoption of IFRS 16, which requires the carrying value of the right-of-use asset to be assessed at each balance sheet date, it is no longer appropriate to hold onerous lease provisions and accordingly all existing provisions have been incorporated as part of the opening adjustments for IFRS 16 implementation. Onerous lease obligations are now recognised by way of impairment of the relevant CGU right-of-use asset.

During the half-year, the Group closed three bars (Swansea, Liverpool Wood Street, and Macclesfield). The Swansea lease was sub-let shortly after closure, the Liverpool Wood Street lease is being surrendered as part of the deal with Aprirose to surrender five leases announced shortly after the end of the reporting period, and the Macclesfield lease was surrendered during the period. Legal, agents fees, and associated venue close-down costs have been classified as exceptional due to their nature and that the Group has not closed any venues since its inception (IFRS 16). These costs have been charged against the onerous lease provision under IAS 17.

An exceptional gain on disposal occurred with the surrender of the Macclesfield lease and removal of its IFRS 16 lease liability; this is net of a surrender premium paid to the landlord.

*Adjusted[1] EBITDA*

A reconciliation between the reported operating profit/(loss) and the Director's preferred key performance measure of adjusted[1] EBITDA is set out below:

| | **(Unaudited) 26 weeks ended 28 December 2019 *IFRS 16*** | (Unaudited) 26 weeks ended 29 December 2018 *IAS 17* | Audited 52 weeks ended 29 June 2019 *IAS 17* |
|---|---|---|---|
| **Reconciliation of Non-GAAP measure** | **£'000** | £'000 | £'000 |
| Operating profit/(loss) | **992** | (3,079) | (4,716) |
| Exceptional items | **4,377** | 5,205 | 7,127 |
| Share-based payment credit/(charge) | 94 | (44) | (64) |
| Non-recurring new bar opening costs | **-** | 1,242 | 1,484 |
| **Adjusted operating profit** | **5,463** | 3,324 | 3,831 |
| Finance expense | **(2,568)** | (403) | (858) |
| **Adjusted profit before tax** | **2,895** | 2,921 | 2,973 |
| Depreciation | **7,325** | 3,589 | 7,230 |
| Amortisation | **-** | - | - |
| Finance expense | **2,568** | 403 | 858 |
| **Adjusted EBITDA** | **12,788** | 6,913 | 11,061 |

Pro forma adjusted[1] EBITDA for the current period was £7.6 million (FY19: £6.9 million) – see final page for further details.

The table below shows how pro forma adjusted[1] EBITDA has changed in the constituent parts of the estate.

**Pro forma adjusted[1] EBITDA by estate segmentation**

| | Number of venues | **(Unaudited) 26 weeks ended 28 December 2019 *IAS 17*** | (Unaudited) 26 weeks ended 29 December 2018 *IAS 17* | Audited 52 weeks ended 29 June 2019 *IAS 17* |
|---|---|---|---|---|
| | | **£'000** | £'000 | £'000 |
| Like-for-like[2] venue EBITDA | 68 | **12,232** | 11,425 | 20,012 |
| Venues opened in prior period (FY19) | 5 | **458** | 279 | 504 |
| Venues closed in current period (FY20) | 3 | **(179)** | (200) | (855) |
| Pro forma adjusted[1] EBITDA from venues | 76 | **12,511** | 11,504 | 19,661 |
| Central support costs | | **(4,862)** | (4,591) | (8,600) |
| Pro forma adjusted[1] EBITDA | | **7,649** | 6,913 | 11,061 |

The above figures are on an IAS 17 basis; on an IFRS 16 basis, adjusted EBITDA[1] was £12.8 million. The difference between the two measurements predominantly relates to rental charges.

The principal reason for the increase in pro forma adjusted[1] EBITDA, as shown in the table above, is the growth in LFL[2] sales of £1.0m coupled with 0.2% growth in gross margins and reductions in operating costs.

The £0.2m increase in pro forma adjusted[1] EBITDA at venues opened in FY19 is below expectations due to poor performance of the three Revolución de Cuba venues, as referred to in the Chief Executive's review.

The three venues reported as closed, are as described in the section on Exceptional items above.

The increased pro forma adjusted[1] EBITDA from venues is offset by an increase in central support costs as a result of increased performance activities across the estate to drive sales. However, as a percentage of sales, central support costs have marginally reduced to 5.9% sales, from 6.0% last year.

**Capital expenditure**
The Group spent £2.9 million on capital expenditure during the period (FY19: £8.3 million). This was incurred entirely on the existing estate, comprising venue refurbishments, building renovation works, equipment replacement and IT investment. £5.7 million of the prior period expenditure related to new openings.

**Operating cash flow and net debt**
The Group continued to be cash generative in the period with a net cash inflow from operating activities of £15.5 million (FY19: £6.9 million). However, it should be noted that the different presentation under IFRS 16 improves the reported number as a result of removing rent charges. On an IAS 17 comparable basis, net cash flow from operating activities was £9.8 million, £2.9 million higher than last year with free cash flow after capex of £6.9 million (FY19 (£1.4 million)).

At the end of the period, the Group had bank borrowings of £11.5 million (FY19: £18.5 million), all relating to drawings on its committed revolving credit facility. The credit facility runs to December 2021 with available credit varying between £21.0m and £18.0m. At the period end, cash and cash equivalents were £3.1 million (FY19: £3.7 million) and therefore bank borrowings net of cash was £8.4 million (FY19: £14.8 million).

**Loss per share**
Basic loss per share was 2.9 pence (FY20: IAS 17 loss 7.9 pence and FY19: loss 6.2 pence) as a result of significant exceptional charges in both periods. Adjusted[1] basic earnings per share for the period was 4.4 pence (FY20: IAS 17 earnings of 4.5 pence, and FY19: earnings of 4.2 pence).

**Dividend**
Consistent with its previously announced strategy to use the Group's cash flow to prioritise investment in the existing estate and to reduce bank debt, the Board has not declared an interim dividend and does not expect to declare a full year dividend (FY19 interim dividend: nil pence).

**Post balance sheet event**
On 14 January 2020, contracts were exchanged with the landlord of nine of the Group's properties to surrender five loss-making leases at a cost of £3.6m, and to re-gear the other four leases with a small net reduction in the passing rent and extension of the leases to a 25-year term (which is considered to represent fair market value). Completion on the five lease surrender sites is expected to take place just prior to the rent quarter day of March 2020 on payment of £3.35 million with a

further payment due of £0.29 million in June 2020. The surrendered leases had an unexpired term of just under 13 years; three of the properties were not trading and the other two ceased trading shortly after exchange of the surrender agreement. The net effect of these transactions is expected to improve the Group's ongoing full year operational cash flows by c. £1.2 million per annum

**Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

• the condensed consolidated interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and
• the interim management report includes a fair review of the information required by:

(a)DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and

(b)DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

There have been no changes to the directors of Revolution Bars Group plc to those listed in the Group's 2019 Annual Report and Financial Statements. A list of current directors is maintained on the Group's website: www.revolutionbarsgroup.com.

**Mike Foster**
**Chief Financial Officer**
*26 February 2020*

[1] *Adjusted performance measures exclude exceptional items, share-based payment charges/(credits) and bar opening costs (see reconciliation table in the Financial Review).*
[2] *Like-for-like (LFL) sales are defined as total retail sales from bars that have traded throughout both the current and prior reporting periods.*
[3] *4 weeks to and including New Year's Eve which bridges the 26 week reporting period ended 28 December 2019 by three days.*

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**Revolution Bars Group plc**
**Condensed Consolidated Statement of Comprehensive Income**
**for the 26 weeks ended 28 December 2019**

| | Note | **Unaudited 26 weeks ended 28 December 2019 *IFRS 16* £'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|---|
| Revenue | | **81,229** | 78,472 | 151,404 |
| Cost of sales | | **(19,428)** | (18,966) | (36,643) |
| **Gross profit** | | **61,801** | 59,506 | 114,761 |
| Operating expenses | | | | |
| - operating expenses, excluding exceptional items | | **(56,432)** | (57,380) | (112,350) |
| - exceptional items | 4 | **(4,377)** | (5,205) | (7,127) |
| **Total operating expenses** | | **(60,809)** | (62,585) | (119,477) |
| **Operating profit/(loss)** | | **992** | (3,079) | (4,716) |
| Finance expense | 5 | **(2,568)** | (403) | (858) |
| **Loss before taxation** | | **(1,576)** | (3,482) | (5,574) |
| Tax | 6 | **109** | 393 | 352 |
| **Loss and total comprehensive income for the period** | | **(1,467)** | (3,089) | (5,222) |
| **(Loss) per share** | | | | |
| Basic and diluted (pence) | 8 | (2.9p) | (6.2p) | (10.4p) |

| **Non-GAAP alternative performance measure** | | | | |
|---|---|---|---|---|
| Operating profit/(loss) | | **992** | (3,079) | (4,716) |
| Exceptional items | 4 | **4,377** | 5,205 | 7,127 |
| Charge/(credit) arising from long-term incentive plans | 7 | **94** | (44) | (64) |
| Bar opening costs | | **-** | 1,242 | 1,484 |
| **Adjusted operating profit** | | **5,463** | 3,324 | **3,831** |
| Finance expense | | **(2,568)** | (403) | (858) |
| **Adjusted profit before tax** | | **2,895** | 2,921 | 2,973 |
| Depreciation | | **7,325** | 3,589 | 7,230 |
| Amortisation | | **-** | - | - |
| Finance expense | | **2,568** | 403 | 858 |
| **Adjusted EBITDA** | | **12,788** | 6,913 | 11,061 |

IFRS 16 was adopted on 30 June 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 26 weeks ended 28 December 2019 and on an IAS 17 basis for the 26 weeks ended 29 December 2018 and 52 weeks ended 29 June 2019. Note 1 provides a reconciliation of the two measures.

**Revolution Bars Group plc**
**Condensed Consolidated Statement of Financial Position**
**at 28 December 2019**

| | **Unaudited 26 weeks ended 28 December 2019** | Unaudited 26 weeks ended 29 December 2018 | Audited 52 weeks ended 29 June 2019 |
|---|---|---|---|
| | ***IFRS 16*** | *IAS 17* | *IAS 17* |
| | **£'000** | £'000 | £'000 |
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | **9** | - | 9 |
| Right-of-use assets | **89,762** | - | - |
| Property, plant and equipment | **50,708** | 61,365 | 59,325 |
| Deferred tax asset | **316** | - | - |
| | **140,795** | 61,365 | 59,334 |
| **Current assets** | | | |
| Inventories | **4,303** | 4,696 | 4,086 |
| Trade and other receivables | **7,513** | 9,828 | 12,276 |
| Tax receivable | **-** | 265 | 51 |
| Cash and cash equivalents | **3,116** | 3,656 | 2,627 |
| | **14,932** | 18,445 | 19,040 |
| **Total assets** | **155,727** | 79,810 | 78,374 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Lease liabilities | **(7,113)** | - | - |
| Provisions | **-** | (1,184) | (1,269) |
| Trade and other payables | **(25,186)** | (23,206) | (24,901) |
| | **(32,299)** | (24,390) | (26,170) |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | **(11,500)** | (18,500) | (17,500) |
| Deferred tax liability | **-** | (297) | (413) |
| Provisions | **(1,883)** | (9,869) | (9,687) |
| Lease liabilities | **(112,214)** | - | - |
| Rent-free creditor | **-** | (3,177) | (3,184) |
| | **(125,597)** | (31,843) | (30,784) |
| **Total liabilities** | **(157,896)** | (56,233) | (56,954) |
| **Net (liabilities)/assets** | **(2,169)** | 23,577 | 21,420 |
| **Equity attributable to equity holders of the Parent** | | | |
| Share capital | **50** | 50 | 50 |
| Merger reserve | **11,645** | 11,645 | 11,645 |
| Retained earnings | **(13,864)** | 11,882 | 9,725 |
| **Total (deficit)/equity** | **(2,169)** | 23,577 | 21,420 |

IFRS 16 was adopted on 30 June 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 26 weeks ended 28 December 2019 and on an IAS 17 basis for the 26 weeks ended 29 December 2018 and 52 weeks ended 29 June 2019. Note 1 provides a reconciliation of the two measures.

**Revolution Bars Group plc**
**Condensed Consolidated Statement of Changes in Equity**
**for the 26 weeks ended 28 December 2019**

| | | Reserves | | |
|---|---|---|---|---|
| | Share capital £'000 | Merger reserve £'000 | Retained earnings £'000 | Total (deficit)/equity £'000 |
| **At 30 June 2018** | 50 | 11,645 | 16,665 | 28,360 |
| Loss and total comprehensive expense for period | - | - | (3,089) | (3,089) |
| Credits arising from long-term incentive plans | - | - | (44) | (44) |
| Dividends paid | - | - | (1,650) | (1,650) |
| **At 29 December 2018** | 50 | 11,645 | 11,882 | 23,577 |
| Loss and total comprehensive expense for period | - | - | (2,133) | (2,133) |
| Credits arising from long-term incentive plans | - | - | (24) | (24) |
| Dividends paid | - | - | - | - |
| **At 29 June 2019** | 50 | 11,645 | 9,725 | 21,420 |
| Impact of change in accounting policy (Note 1) | - | - | (22,785) | (22,785) |
| Tax impact of change in accounting policy | - | - | 569 | 569 |
| **Adjusted balance at 29 June 2019** | 50 | 11,645 | (12,491) | (796) |
| Loss and total comprehensive expense for period | - | - | (1,467) | (1,467) |
| Charge arising from long-term incentive plans | - | - | 94 | 94 |
| **At 28 December 2019** | **50** | **11,645** | **(13,864)** | **(2,169)** |

IFRS 16 was adopted on 30 June 2019, without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 26 weeks ended 28 December 2019 and on an IAS 17 basis for the 26 weeks ended 29 December 2018 and 52 weeks ended 29 June 2019. Note 1 provides a reconciliation of the two measures.

**Revolution Bars Group plc**
**Consolidated Statement of Cash Flow**
**for the 26 weeks ended 28 December 2019**

| | Note | **Unaudited 26 weeks ended 28 December 2019** *IFRS 16* **£'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Loss after tax from operations | | **(1,576)** | (3,089) | (5,574) |
| Adjustments for: | | | | |
| Net finance costs | | **2,568** | 403 | 858 |
| Depreciation of property, plant and equipment | | **7,325** | 3,589 | 7,230 |
| Impairment of property, plant and equipment | | **4,752** | 3,532 | 5,215 |
| Amortisation of intangibles | | **-** | - | - |
| Gain on disposal | | **(575)** | - | - |
| Tax (credit)/charge | | **(109)** | (393) | 352 |
| Charge/(credit) arising from long-term incentive plans | | **94** | (44) | (68) |
| **Operating cash flow before movement in working capital** | | **12,479** | 3,998 | 8,013 |
| Increase in inventories | | **(217)** | (804) | (193) |
| Decrease/(increase) in trade and other receivables | | **4,764** | 1,646 | (802) |
| (Decrease)/increase in trade and other payables | | **(1,542)** | 992 | 2,375 |
| Increase in provisions | | **-** | 1,080 | 979 |
| | | **15,484** | 6,912 | 10,372 |
| Tax refunded | | **51** | - | 214 |
| **Net cash flow generated from operating activities** | | **15,535** | 6,912 | 10,586 |
| **Cash flow from investing activities** | | | | |
| Purchase of intangible assets | | **-** | - | (9) |
| Purchase of property, plant and equipment | | **(2,919)** | (8,291) | (11,575) |
| **Net cash flow used in investing activities** | | **(2,919)** | (8,291) | (11,584) |
| **Cash flow from financing activities** | | | | |
| Equity dividend paid | | **-** | (1,650) | (1,650) |
| Interest paid | | **(361)** | (340) | (750) |
| Principal elements of lease payments | | **(5,766)** | - | - |
| (Repayment)/drawdown of borrowings | | **(6,000)** | 3,000 | 2,000 |
| **Net cash flow (used)/generated from financing activities** | | **(12,127)** | 1,010 | (400) |
| Net increase/(decrease) in cash and cash equivalents | | **489** | (369) | (1,398) |
| Opening cash and cash equivalents | | **2,627** | 4,025 | 4,025 |
| **Closing cash and cash equivalents** | | **3,116** | 3,656 | 2,627 |

IFRS 16 was adopted on 30 June 2019 without restating prior year figures as permitted by the standard. As a result, the primary statements are shown on an IFRS 16 basis for the 26 weeks ended 28 December 2019 and on an IAS 17 basis for the 26 weeks ended 29 December 2018 and 52 weeks ended 29 June 2019. Note 1 provides a reconciliation of the two measures.

## Notes to the Half-yearly Financial Report

### 1. General information and basis of preparation

**General information**
Revolution Bars Group plc (the 'Company') is a company incorporated and domiciled in the United Kingdom. Its Registered Office is at 21 Old Street, Ashton-under-Lyne, OL6 6LA, United Kingdom. The Company's shares are listed on the London Stock Exchange.

This half-yearly Financial Report is an interim management report as required by DTR 4.2.3 of the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority (the 'FCA').

These condensed consolidated interim financial statements as at and for the 26 weeks ended 28 December 2019 comprises the Company and its subsidiaries (together referred to as the 'Group').

**Basis of preparation**
The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements of the Group for the 26 weeks ended 28 December 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the 52 weeks ended 29 June 2019.

As required by the Disclosure Guidance and Transparency Rules of the FCA, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the 52 weeks ended 29 June 2019, with the exception of IFRS 16 that was adopted from 30 June 2019, the effect of which is set out in a separate section further down this note.

The comparative figures for the 52 weeks ended 29 June 2019 are extracted from the Company's statutory accounts for that period. Those accounts have been reported on by the Company's auditor, filed with the Registrar of Companies and are available on request from the Company's Registered Office or to download from www.revolutionbarsgroup.com. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

**Going concern**
The Directors have reviewed the Group's trading forecasts. These forecasts demonstrate that the Group has adequate financial resources, including its revolving credit facility, with available credit varying between £21.0m and £18.0m committed until December 2021, to continue in operational existence for the foreseeable future.

The Group is forecast to remain compliant with the terms of the revolving credit facility, including financial covenants that are tested quarterly. The Directors expect to utilise the revolving credit facility for cash flow management and general business purposes as required.

**Accounting policies**
The results for the interim reporting period have been reviewed, not audited, and are prepared on the basis of the accounting policies set out in the Group's 2019 Annual Report and Financial Statements, except as described below.

New standards and interpretations effective as of 30 June 2019 are listed below:

- Annual improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IFRS 9 Financial instruments, on prepayment features with negative compensation;
- Amendments to IAS 28 Investments in associates, on long term interests in associates and joint ventures;
- Amendments to IAS 19 Employee benefits on plan amendment, curtailment or settlement;
- IFRIC 23 Uncertainty over Income Tax Treatments; and
- IFRS 16 Leases.

Except for the adoption of IFRS 16, the above standards and interpretations have not required any changes to the Group's accounting policies or materially impacted the financial position or performance of the Group.

**Amended accounting policies**

**IFRS 16 Leases**
The Group adopted IFRS 16 with effect from 30 June 2019. The group applied the standard using the modified retrospective approach and thus comparative information has not been restated and is presented, as previously reported, under IAS 17.

The new standard results in all property and vehicle leases being recognised on the Statement of Financial Position as, from a lessee perspective, there is no longer any distinction between operating and finance leases. Under IFRS 16, an asset, based on the right to use a leased item over a long-term period and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

As at 30 June 2019, the Group sub-let two properties, being partial elements of properties. Under IFRS 16, lessor accounting remains largely unchanged, with lessors continuing to account for leases as either operating or finance leases, depending on whether the lease transfers substantially all the risk and rewards incidental to ownership of the underlying asset, and whether the present value of the sublease payments amount to at least substantially all of the fair value of the underlying asset, which in this case is the head-leases.

The Group leases both properties and vehicles, which under IAS 17 were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss as arising over the period of the lease. From 30 June 2019, under IFRS 16, leases are recognised as a right-of-use asset with a corresponding lease liability from the date at which the leased asset becomes available for use by the Group. Each lease payment is allocated between the liability and a finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the determined lease term, which is the shorter of the remaining lease term and first opportunity to break the lease, on a straight-line basis.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- In determining whether existing contracts meet the definition of a lease, the Group has not reassessed those contracts previously identified as leases and has not applied the standard to those contracts not previously identified as leases;
- Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard are not within the scope of IFRS 16;
- Leases for which the asset is of low value (IT equipment and small items of office equipment) are not within the scope of IFRS 16;
- The use of a single discount rate to its portfolio of leases with reasonably similar characteristics.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases previously classified as 'operating leases' under the principles of IAS 17 Leases. For all leases, these liabilities were measured at the present value of the remaining lease payments, discounted using the Group's weighted average incremental borrowing rate as of 30 June 2019, which was 3.91%. This was deemed appropriate given that the Group's leases have reasonably similar characteristics. The rate was determined as the borrowing rate under the current Revolving Credit Facility with appropriate adjustments made to reflect the increased term and amount of borrowing required for a similar lease portfolio, as well as changes to risk rating.

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease if the lessee is reasonably certain to exercise that option. Where a lease includes the option for the Group to terminate a lease term early, the Group makes a judgement as to whether it is reasonably certain that the lease termination option will be taken. This predominantly takes into the account the length of time remaining before the option is exercisable, current trading performance, future trading forecasts, and the level and type of future capital investment. The current average remaining lease length of the Group's leases, as at the date of adoption of IFRS 16, was 14 years as profiled below:

| Remaining lease length | Proportion |
|---|---|
| < 5 years | 10% |
| 5 – 10 years | 23% |
| 10 – 15 years | 27% |
| > 15 years | 40% |

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(ii), whereby right-of-use assets are equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments, including unamortised lease incentives such as rent free periods, onerous lease provisions, and an estimate of the dismantling, removal and restoration costs required under the terms of the lease. Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 'Impairment of Assets'. This replaces the previous requirement to recognise a provision for onerous leases. An impairment assessment of the cash

generating unit ("CGU") assets was performed on transition at 30 June 2019 with an initial impairment of £23.8 million charged through opening reserves.

In the condensed consolidated cash flow statement, depreciation of the right-of-use-asset is included in operating activities and the repayment of lease liabilities is included in financing activities whereas under IAS 17 operating lease rental payments were included in operating activities. The impact on the consolidated cash flow statement is an increase in cash inflow from operations of £5.8 million and a decrease in the cash outflow from financing activities of £5.8 million.

The effect of the accounting policy change on the condensed consolidated statement of financial position at implementation on 30 June 2019 was:

| | As at 29 June 2019 £'000 | IFRS 16 adjustments £'000 | **As at 30 June 2019 £'000** |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 59,325 | (6,193) | **53,132** |
| Right-of-use assets | - | 96,496 | **96,496** |
| Prepayments | 8,412 | (2,403) | **6,009** |
| Deferred tax asset | - | 569 | **569** |
| **Change in total assets** | | **88,469** | |
| | | | |
| **Liabilities** | | | |
| Lease liabilities - Current | - | 7,113 | **7,113** |
| Lease liabilities - Non-current | - | 116,499 | **116,499** |
| Onerous lease provision | 10,556 | (10,556) | **-** |
| Dilapidations provision | 400 | 1,483 | **1,883** |
| Accruals | 6,796 | (441) | **6,355** |
| Rent-free creditor – Current (within accruals) | 229 | (229) | **-** |
| Rent-free creditor – Non-current | 3,184 | (3,184) | **-** |
| **Change in total liabilities** | | **110,685** | |
| | | | |
| Retained earnings | 9,725 | (22,785) | **(13,062)** |
| Retained earnings – deferred tax | - | 569 | **569** |
| **Change in equity** | | **(22,216)** | |

The adoption of IFRS 16 reduced opening retained earnings as at 30 June 2019 by £22.8 million. This principally represents the initial impairment review upon adoption of £23.8 million. As part of this impairment testing, the net book value of property, plant and equipment at ten of the Group's bars was written down on implementation, and 28 of the right-of-use assets were also written down.

The table below presents a reconciliation from operating lease commitments disclosed at 29 June 2019 to lease liabilities recognised at 30 June 2019.

| | **£'000** |
|---|---|
| **Operating lease commitments disclosed at 29 June 2019** | 182,123 |
| Break-clause dates[1] | (3,572) |
| Increased rent-reviews[2] | 1,090 |
| Exclusion of service charges[3] | (10,293) |
| Effect of discounting[4] | (45,736) |
| **Lease liabilities recognised as at 30 June 2019** | **123,612** |
| | |
| Of which are: | |
| Current lease liabilities | 7,113 |
| Non-current lease liabilities | 116,499 |
| **Lease liabilities recognised as at 30 June 2019** | **123,612** |

[1] The operating lease commitments were calculated using the lease-end termination date, whereas the IFRS 16 calculations include judgements where an earlier lease break date has been used;
[2] A number of outstanding rent-reviews have been finalised since the end of FY19; these were not included in the operating lease commitments disclosed at 29 June 2019;
[3] The Group policy was previously to include contractual service charges in the operating lease commitments figure; these are excluded from IFRS 16;
[4] Previously, disclosures of lease commitments were undiscounted whilst under IFRS 16 lease commitments are discounted based on the Group's incremental borrowing rate.

The tables below show the split of the total right-of-use assets and liabilities following the adoption of IFRS 16, as well as the movement of each over the interim reporting period.

| | Leasehold Property £'000 | Vehicles £'000 | Total £'000 |
|---|---|---|---|
| **Right-of-use Assets** | | | |
| 30 June 2019 | 96,098 | 398 | **96,496** |
| Depreciation of right-of-use assets | (3,648) | (89) | **(3,737)** |
| Impairment of right-of-use assets | (2,997) | - | **(2,997)** |
| **28 December 2019** | **89,453** | **309** | **89,762** |

| | Leasehold Property £'000 | Vehicles £'000 | Total £'000 |
|---|---|---|---|
| **Lease liabilities** | | | |
| 30 June 2019 | 123,213 | 399 | **123,612** |
| Lease surrenders | (726) | - | **(726)** |
| Interest expense related to lease liabilities | 2,200 | 7 | **2,207** |
| Repayment of lease liabilities | (5,673) | (93) | **(5,766)** |
| **28 December 2019** | **119,014** | **313** | **119,327** |

During the 26 weeks ended 28 December 2019, the application of IFRS 16 resulted in increased adjusted EBITDA, as reported in the Consolidated Statement of Comprehensive Income, of £5.1 million in comparison to treatment under IAS 17. There was an increase to operating profit of £4.5 million. The differences have arisen as operating lease payments under IAS 17 were replaced by a depreciation charge on right-of-use assets, and adjustments to impairment, onerous lease provisions, rent free periods and dilapidation provisions. Profit before taxation therefore increased by a total of £2.4 million with the inclusion of £2.2 million of finance costs under the new standard.

The table below reconciles operating profit between IAS 17 and the new standard, IFRS 16.

| | £'000 |
|---|---|
| Add: Operating lease costs under IAS 17 | 5,766 |
| Less: Adjustment to onerous lease provision | (627) |
| **Impact on adjusted EBITDA for the 26 weeks ended 28 December 2019** | **5,139** |
| | |
| Less: Depreciation of right-of-use assets for leases previously recognised as operating leases under IAS 17 | (3,738) |
| Add: Depreciation charge reversed for assets impaired on transition | 140 |
| Add: Impact of impairment reviews | 3,713 |
| Less: Onerous lease provision reversal | (1,461) |
| Add: Exceptional gain on disposal reclassification | 726 |
| **Impact on operating profit for the 26 weeks ended 28 December 2019** | **4,519** |
| | |
| Less: Finance costs associated with lease liabilities for leases previously recognised as operating leases under IAS 17 | (2,207) |
| Add: Onerous lease interest not incurred | 40 |
| **Impact on profit before taxation for the 26 weeks ended 28 December 2019** | **2,352** |

## 2. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the 52 weeks ended 29 June 2019 with the exception of IFRS 16, as noted above. These accounting policies are all expected to be applied for the 52 weeks to 27 June 2020.

**Leases**

Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease. The lease liability is initially measured at the present value of lease payments remaining under the terms of the lease, taking account of the likelihood of lease extension or break options being exercised. The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any modifications to the lease. The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date adjusted by the amount of any prepaid or accrued lease payments, less any lease incentives received, adding any initial direct costs incurred by the Group and an estimate of any costs expected to be incurred at the end of the lease to dismantle or restore the asset, and less any onerous lease provision. The right-of-use asset is subsequently depreciated in accordance with the Group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

***Items impacting Alternative Performance Measures***

**Exceptional items**
Items that are unusual or infrequent in nature and material in size are disclosed separately in the income statement. 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, bar closure costs, lease surrender costs and provisions for onerous leases, significant contract termination costs including costs associated with making changes to the Executive team and corporate Mergers and Acquisitions activity.

**Share based payments**
Charges/(credits) relating to share-based payment arrangements, while not treated as an exceptional item, are adjusted for when arriving at adjusted EBITDA on the basis that such amounts are non-cash, can be material and often fluctuate significantly from period to period, dependent on factors unrelated to the Group's underlying trading performance.

**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 reporting period. These costs are excluded from the calculation of adjusted EBITDA in order to provide a better indication of the Group's underlying business performance, which would otherwise be distorted due to the irregular nature of the expenditure.

## 3. Key Risks

The directors believe that the principal risks and uncertainties faced by the business are as set out below. Occurrence of any of these risks or a combination of them may significantly impact the achievement of the Group's strategic goals and impact financial performance;

- Dependence on trading performance of key sites
- Availability of good sites for new venues
- Consumer demand
- Discounting and competitor activity
- Health and safety management
- Leasehold rental market increases
- Supplier concentration
- National Living Wage legislation

The Group's Board notes that whilst the immediate uncertainties surrounding Brexit have been removed, a level of uncertainty will remain until negotiations around trading arrangements are concluded. The Group's supplies of food and drink are sourced through wholesalers who have provided assurances that they have taken all reasonable steps to safeguard supplies. However, Brexit may ultimately impact consumer prosperity and disposable income, which may adversely affect demand for the Group's services.

The key risks are consistent with those detailed on pages 20 and 21 of the annual financial statements for the 52 weeks ended 29 June 2019 where further information is given.

## 4. 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:

| | **Unaudited 26 weeks ended 28 December 2019 *IFRS 16* £'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|
| Impairment of property, plant and equipment | **1,755** | 3,532 | 5,215 |
| Impairment of right-of-use assets | **2,997** | - | - |
| Bar closures and lease surrenders | **200** | - | - |
| Gain on disposal | **(575)** | - | - |
| Onerous lease charges | **-** | 1,673 | 1,912 |
| **Total exceptional items** | **4,377** | 5,205 | 7,127 |

Following implementation of IFRS 16, impairment reviews continue to be conducted on a Cash Generating Unit ("CGU") basis, which now also includes the lease right-of-use assets. As a result of impairment testing, the net book value of property, plant and equipment at 16 bars was written down of which eight bars included right-of-use asset write-downs. At all but three of these bars, assets had been previously impaired. The impairments arose due to poor trading performance and the director's consideration that trading at these bars is unlikely to recover in the foreseeable future to a level that would justify their current book value.

Following the adoption of IFRS 16, which requires the carrying value of the right-of-use asset to be assessed at each balance sheet date, it is no longer necessary to hold onerous lease provisions and accordingly all existing provisions have been incorporated as part of the opening adjustments to accommodate IFRS 16 implementation. Thereafter, any onerous lease obligations are recognised as impairments of the relevant CGU assets.

During the period, the Group closed three bars (Liverpool Wood Street, Swansea and Macclesfield) and surrendered the lease for Macclesfield. The surrender premium and associated legal costs, together with the costs of closing the venues, have been classified as exceptional.

An exceptional gain on disposal occurred in respect of the surrender of the Macclesfield lease as a result of extinguishing the IFRS 16 lease liability net of a surrender premium paid to the landlord.

## 5. Finance cost

| | **Unaudited 26 weeks ended 28 December 2019 *IFRS 16* £'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|
| Interest payable on bank loans and overdrafts | **361** | 340 | 750 |
| Interest on onerous lease provisions | **-** | 63 | 108 |
| Finance costs on lease liabilities | **2,207** | - | - |
| **Total finance costs** | **2,568** | 403 | 858 |

## 6. Taxation

The taxation charge for the 26 weeks ended 28 December 2019 has been calculated by applying an estimated effective tax rate for the 52 weeks ending 27 June 2020. After including exceptional items and share based payment charges/(credits), the effective rate of tax credit on the loss before taxation for the 26 weeks ended 28 December 2019 was 43.0% (FY19: 11.3%). The increased rate has arisen due to implementation of IFRS 16 and the creation of a deferred tax asset at transition.

## 7. Share-based payments

| | **Unaudited 26 weeks ended 28 December 2019 *IFRS 16* £'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|
| Charge/(Credit) in the period | **120** | (38) | 60 |
| Credit relating to forfeitures in period | **(26)** | (6) | (124) |
| **Total** | **94** | (44) | (64) |

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 at the market value of the shares at the time of the award.

**8. (Loss)/earnings per share**
The calculation of loss per ordinary share is based on the results for the period, as set out below:

| | **Unaudited 26 weeks ended 28 December 2019** ***IFRS 16*** **£'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|
| Loss for the period (£'000) | **(1,467)** | (3,089) | (5,222) |
| Weighted average number of shares – basic and diluted ('000) | **50,029** | 50,029 | 50,029 |
| **Basic and diluted loss per ordinary share (pence)** | **(2.9)** | (6.2) | (10.4) |

Loss for the period was significantly impacted by exceptional costs.

A calculation of adjusted earnings per ordinary share is set out below:

| | **Unaudited 26 weeks ended 28 December 2019** ***IFRS 16*** **£'000** | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 | Audited 52 weeks ended 29 June 2019 *IAS 17* £'000 |
|---|---|---|---|
| (Loss) on ordinary activities before taxation | **(1,576)** | (3,482) | (5,574) |
| Exceptional items | **4,377** | 5,205 | 7,127 |
| Share-based payments | **94** | (44) | (64) |
| Bar opening costs | **-** | 1,242 | 1,484 |
| Adjusted profit on ordinary activities before taxation | **2,895** | 2,921 | 2,973 |
| Taxation on ordinary activities | **109** | 393 | 352 |
| Taxation on exceptional items and bar opening costs | **(793)** | (1,225) | (1,636) |
| Adjusted profit of ordinary activities after taxation | **2,211** | 2,089 | 1,689 |
| Basic and diluted number of shares ('000) | **50,029** | 50,029 | 50,029 |
| **Adjusted basic and diluted earnings per ordinary share (pence)** | **4.4** | 4.2 | 3.4 |

**9. Dividends**
No dividend in respect of the interim reporting period is being declared. No interim or final dividend was declared in respect of the 52 weeks ended 29 June 2019.

**10. Capital Commitments**
There were £nil capital commitments as at 28 December 2019 (at 29 June 2019: £nil).

**11. Post balance sheet events**
On 14 January 2020, Revolution Bars Limited, a fully owned subsidiary of the Company, exchanged contracts with the landlord of nine of its properties to surrender the leases of five loss-making properties, and to re-gear the leases of the other four properties. The lease re-gears were effective on exchange with a small net reduction in the passing rent and extension of the leases to a 25-year term (which is considered to represent fair market value). Completion on the five lease surrenders is expected to take place just prior to the rent quarter day of March 2020. Completion of the surrenders requires payment of £3.35 million with a further payment due of £0.29 million in June 2020. The surrendered leases had an unexpired term of just less than 13 years; three of the properties were not trading and the other two ceased trading shortly after exchange of the surrender agreement. The net effect of these transactions is expected to improve the Group's ongoing full year operational cash flows by c. £1.2 million per annum.

# *Independent review report to Revolution Bars Group plc*

## Report on the Condensed Consolidated Interim Financial Statements

### Our conclusion

We have reviewed Revolution Bars Group plc's Condensed Consolidated Interim Financial Statements (the "interim financial statements") in the Interim results for the 26 weeks ended 28 December 2019 of Revolution Bars Group plc for the 26 week period ended 28 December 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 28 December 2019;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Statement of Cash Flow for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results for the 26 weeks ended 28 December 2019 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The Interim results for the 26 weeks ended 28 December 2019, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim results for the 26 weeks ended 28 December 2019 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results for the 26 weeks ended 28 December 2019 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim results for the 26 weeks ended 28 December 2019 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Manchester
26 February 2020

**Pro forma Consolidated Statement of Comprehensive Income – Non-IFRS 16 Basis**

The re-presented Statement of Comprehensive Income set out below does not form part of the condensed consolidated interim financial statements for the 26 weeks to 28 December 2019. It is included to provide an understanding of the underlying performance for the 26 weeks to 28 December 2019, given that IFRS 16 Leases has been adopted for the current period without restatement of the comparative period. The re-presented statement consists of:

- The reported Statement of Comprehensive Income for the current period;
- A pro forma Statement of Comprehensive Income for the current period assuming IFRS 16 had not been adopted; and
- The reported Statement of Comprehensive Income for the prior half-year period.

The pro forma Statement of Comprehensive Income for the current period is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases and the resulting impact on onerous lease provisions and impairment of assets.

| | **Unaudited 26 weeks ended 28 December 2019** ***IFRS 16 Reported*** **£'000** | **Impact of IFRS 16** **£'000** | Unaudited 26 weeks ended 28 December 2019 *IAS 17 Pro forma* £'000 | Unaudited 26 weeks ended 29 December 2018 *IAS 17 Reported* £'000 |
|---|---|---|---|---|
| Revenue | **81,229** | - | 81,229 | 78,472 |
| Cost of sales | **(19,428)** | - | (19,428) | (18,966) |
| **Gross profit** | **61,801** | - | 61,801 | 59,506 |
| Operating expenses | | | | |
| - operating expenses, excluding exceptional items | **(56,432)** | (1,542) | (57,974) | (57,380) |
| - exceptional items | **(4,377)** | (2,977) | (7,354) | (5,205) |
| **Total operating expenses** | **(60,809)** | (4,519) | (65,328) | (62,585) |
| **Operating profit/(loss)** | **992** | (4,519) | (3,527) | (3,079) |
| Finance expense | **(2,568)** | 2,167 | (401) | (403) |
| **Loss before taxation** | **(1,576)** | (2,352) | (3,928) | (3,482) |
| Tax | **109** | 2 | 111 | 393 |
| **Loss and total comprehensive income for the period** | **(1,467)** | (2,350) | (3,817) | (3,089) |
| **(Loss) per share** | | | | |
| • Basic and diluted (pence) | (2.9p) | | (7.9p) | (6.2p) |
| • Adjusted (pence) | 4.4p | | 4.5p | 4.2p |

| | | | | |
|---|---|---|---|---|
| **Non-GAAP alternative performance measure** | | | | |
| Operating profit/(loss) | **992** | (4,519) | (3,527) | (3,079) |
| Exceptional items | **4,377** | 2,977 | 7,354 | 5,205 |
| Credit arising from long-term incentive plans | **94** | - | 94 | (44) |
| Bar opening costs | **-** | - | - | 1,242 |
| **Adjusted operating profit** | **5,463** | (1,542) | 3,921 | 3,324 |
| Finance expense | **(2,568)** | 2,167 | (401) | (403) |
| **Adjusted profit before tax** | **2,895** | 625 | 3,520 | 2,921 |
| Depreciation | **7,325** | (3,597) | 3,728 | 3,589 |
| Amortisation | **-** | | - | - |
| Finance expense | **2,568** | (2,167) | 401 | 403 |
| **Adjusted EBITDA** | **12,788** | (5,139) | 7,649 | 6,913 |

The pro forma Statement of Comprehensive Income has been prepared using the reported results for the current period and replacing the accounting entries related to IFRS 16 Leases, on adoption and during the period, with an estimate of the accounting entries that would have arisen when applying IAS 17 Leases. The effective tax rate has been assumed to be unaltered by this change. Impairment assumptions have been re-geared for an IAS 17 perspective, and the onerous lease provision movement has been included.

The pro forma Statement of Comprehensive Income for the current period has been prepared by making adjustments to the reported Statement of Comprehensive Income for the current period to:

- Increase of £1.5 million in operating expenditure

| | **Impact of IFRS 16**<br>**£'000** |
|---|---|
| Rental expenditure incurred | **(5,766)** |
| Net utilisation of onerous lease movement | **626** |
| IFRS 16 depreciation reversal | **3,738** |
| Depreciation charge reversed for assets impaired on transition | **(140)** |
| **Total increase in operating expenses** | **(1,542)** |

- Increase of £3.0 million in exceptional items

| | **Impact of IFRS 16**<br>**£'000** |
|---|---|
| IFRS 16 impairment reversal | **4,752** |
| IFRS 16 gain on disposal reversal | **(726)** |
| IAS 17 impairment incurred | **(8,465)** |
| Reclassification of exceptional items | **351** |
| Net onerous lease movement | **1,111** |
| **Total increase in exceptional items** | **(2,977)** |

- Reduction of £2.2 million in finance expense

| | **Impact of IFRS 16**<br>**£'000** |
|---|---|
| IFRS 16 finance cost reversal | **2,207** |
| Onerous lease interest incurred | **(40)** |
| **Total decrease in finance expense** | **2,167** |

Exceptional items are comprised of:

| | **Unaudited 26 weeks ended 28 December 2019** ***IFRS 16*** **£'000** | Unaudited 26 weeks ended 28 December 2019 *IAS 17* £'000 | Unaudited 26 weeks ended 29 December 2018 *IAS 17* £'000 |
|---|---|---|---|
| Impairment of property, plant and equipment | **1,755** | 8,465 | 3,532 |
| Impairment of right-of-use assets | **2,997** | - | - |
| Bar closures and lease surrenders | **200** | - | - |
| Gain on disposal | **(575)** | - | - |
| Onerous lease (credit)/charge | **-** | (1,111) | 1,673 |
| **Total exceptional items** | **4,377** | 7,354 | 5,205 |