

# AUDIT COMMITTEE REPORT



# AUDIT COMMITTEE

## 03

COMMITTEE MEMBERS

## 02

MEETINGS IN 2023

### COMMITTEE MEMBERSHIP

**William Tuffy**

Independent Non-Executive Director (Committee Chair)

**Keith Edelman**

Non-Executive Chairman

**Jemima Bird**

Senior Independent Non-Executive Director

## DEAR SHAREHOLDER

I am pleased to introduce the report of the Audit Committee for the 52 weeks ended 1 July 2023.

Best practice 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 my 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 complementary sectors and am therefore suitably experienced to lead the Committee.

Regular Committee meetings are also normally attended by the Chief Executive Officer, Chief Financial Officer and our external auditors, PricewaterhouseCoopers LLP ("PwC"). The Chief Financial Officer, who is also the Company Secretary, acts as secretary to the Committee. Other members of management, particularly senior financial managers, may be 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 with the external auditors 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 auditors.

The Committee routinely reviews the impact of any upcoming changes in accounting treatment as a result of new or modified IFRS that are likely to materially impact the Group and also reviews as a matter of course any matters considered by the external auditors to be of significant audit risk.

PwC was appointed as the Group's external auditors on 29 January 2018; the period under review represents their sixth year of audit. The Committee is satisfied that PwC has undertaken its responsibilities as the Group's external auditors to a high standard and therefore the Committee will be recommending that PwC be reappointed as auditors at the 2023 Annual General Meeting ("AGM"). The PwC senior statutory auditor responsible for the Group is Jonathan Studholme, who became the Group's senior statutory auditor for the first time in FY22 following Randal Casson's retirement.

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 to ensure that high-quality information is provided to the Board;
- external financial reporting procedures and audit arrangements and reporting standards, as well as the appropriateness of going concern conclusions and stress testing;
- complex transactions, and the accounting for a number of unique circumstances, including the acquisition of Peach Pubs;
- information systems; and
- budgeting and forecasting procedures and controls.

The Directors recognise the need to maintain robust 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 hope to be able to take any questions from shareholders at the AGM on 30 November 2023, at which the Annual Report will be approved, to answer any questions on the work of the Audit Committee.

## ASSESSING EFFECTIVENESS OF EXTERNAL AUDIT PROCESS

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

For the auditors to be fully effective, they must be totally independent from the Company. To that end, the Committee intends to ensure that no other work is performed by the external auditors so that their independence is not compromised. There were no non-audit services provided in the current or prior year.

## ROLE AND RESPONSIBILITIES

The Committee's terms of reference can be found on the Group's website or may 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 as 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 so doing have regard (amongst other matters) to:

- the likely long-term consequences of any decision;
- 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 undertaking a tender for external audit services as required. The last such tender was in 2018.
- **Appointment, reappointment and dismissal of auditor:** Taking into account the obligations noted above, the Committee considers and makes 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 auditors. The Committee oversees the selection process of new auditors and ensures that all firms participating in the tender process are given access to such information and individuals as may be appropriate. If an auditor resigns the Committee investigates the circumstances and decides whether any action is required.
- **Remuneration of auditor:** The Committee approves the remuneration and terms of engagement, including an engagement letter, 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 annually and also considers any other fees proposed in respect of non-audit activities, particularly in relation to the impact this may have on independence, taking into account the relevant regulations and ethical guidance on the subject.
- **Independence of auditor:** The Committee, at least annually, reviews and satisfies itself with the independence and objectivity of the external auditor, in consideration of relevant UK professional and regulatory guidelines. The Committee satisfies 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 also monitors the auditor's compliance with relevant ethical and professional guidance on the rotation of senior statutory auditors, the level of fees paid by the Company compared to the overall fee income of the firm, office, partner and other related requirements.



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## AUDIT COMMITTEE REPORT CONTINUED

### ROLE & RESPONSIBILITIES CONTINUED

#### EXTERNAL AUDIT

- **Audit effectiveness:** The Committee reviews the effectiveness of the external audit process, taking account of 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.
- **Coordination 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 at the planning stage for the year-end, where the scope of the audit and the annual audit plan are considered in relation to areas of high risk based on business developments and performance in the year and post the detailed audit work and prior to finalisation of the financial statements. 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 auditors wish to raise (in the absence of management, if appropriate). The Committee ensures that any representation letters, management letters and responses from management are reviewed and acted upon.
- **Significant issues and judgements:** The Committee reviews and may report to the Board for ratification of significant financial reporting issues and critical judgements contained in the financial statements, particularly if the auditors have expressed any uncertainty or concerns.
- **Other statements containing financial information:** The Committee reviews other statements 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 AIM Regulations.
- **Annual Financial Statements:** The Committee reviews the content of the annual financial statements 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's Quoted Companies Alliance Corporate Governance Guidelines for Small and Mid-Size Quoted Companies (the "QCA Code") and the requirements of the AIM Regulations 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.
- and reports to the Board if it is not satisfied with any aspect of the proposed financial statements.

## MEETINGS AND ATTENDANCE

During the 52 weeks ended 1 July 2023, the Audit Committee met formally on two occasions, with all members attending. At all of the meetings, the Committee had access to the external auditors without management present.

Work performed by the Committee during the financial period has included:

- reviewing the annual financial statements for 2022 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 2022, which included internal verification processes and content approval procedures;
- reviewing the Group's accounting policies and critical judgements and sources of estimation and uncertainty including the appropriateness of going concern;
- reviewing the designation of certain items of income and expenditure as Exceptional and the appropriateness of alternative performance measures;
- reviewing compliance with and explaining any exceptions from the QCA Code;
- reviewing the independence and objectivity of PwC as external auditor, together with its effectiveness, following the 2022 audit and recommending its appointment to shareholders at the Annual General Meeting in December 2022;
- reviewing the auditor's comments during FY23 planning;
- reviewing and approving the external audit plan for the 52 weeks ended 1 July 2023;
- approving the appointment of PwC as external auditors of the newly acquired Peach Pubs companies;
- receiving the external auditor's reports to the Committee and acting on any recommendations therein; and
- considering the risk assessment, mitigation actions and assurance activities produced by management.

## 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 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 and stock losses.

The Group employs third-party consultants to obtain accurate stock valuations on all of its licensed premises. A central loss prevention team assessed the information and provides targeted reporting to mitigate loss. Each bar's stock is counted on average between six and eight times per annum. Stock-take results are reviewed by both operational and compliance management immediately when the results become available.

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

Upon acquisition, Peach had similar processes in place to the above. The central team are in the process of ensuring consistent processes across all brands in the Group to provide a high-quality function as well as synergies.

## 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, Finance and People. The purpose of the Committee, which is not a Board committee, is:

- to identify, mitigate and prevent risk as far as possible;
- to protect the financial, physical and reputational image of the business;
- to ensure that the Group fulfils its legal and statutory 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](http://www.revolutionbarsgroup.com).

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 colleagues or guests 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' licences;
- to monitor the risks surrounding sustainability and the environment and ensure the Group's sustainability agenda is being applied thoughtfully and with the support of the Group's Net Zero partners;
- 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.

## AUDIT COMMITTEE REPORT CONTINUED

### 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 items that require particular judgement or have significant impact on the interpretation of the Annual Report and Accounts for 2023:

- Recoverable amount of property, plant and equipment and right-of-use assets:** The Group keeps the carrying value of its fixed assets under review. Formal procedures are used in each external reporting period to assess the appropriateness of the balance sheet asset carrying values. Impairment calculations are based upon assumptions that were considered reasonable as at the balance sheet date. However, given the timing to publishing the financial statements, additional disclosures are given in note 1 to the financial statements to provide an understanding of the charges that would have resulted had the current outlook been apparent at the balance sheet date. The Committee has considered and approved the assumptions regarding trading outlook at both the balance sheet date and at the date of signing the accounts, as well as scrutinised all resultant impairment charges. The Committee has also approved 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.
- Exceptional items:** Exceptional items of £20.2 million (2022: £0.6 million) represent a material item in the profit and loss account, and have seen a significant increase in the year following the acquisition of Peach Pubs and the associated costs, as well as significant impairments arising. The Committee considered the appropriateness of presenting these items as exceptional.

- Going concern:** The Committee recognises that with the degree of uncertainty in the trading outlook, and notwithstanding that the business has a level of liquidity that under normal circumstances would be more than adequate to allow going concern sign-off of the financial statements, it is right to reference material uncertainty when considering going concern statements. Detailed descriptions are given with regard to the Board's assumptions on its base case forecast scenario as well as a severe but plausible downside forecast scenario so that users of the accounts are able to understand the trading backdrops that would likely require a further injection of liquidity over and above that which is currently committed. The Committee has carefully studied the assumptions relating to both sets of projections and believes that they are sensible and appropriate to the circumstances.

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  
 16 October 2023

