

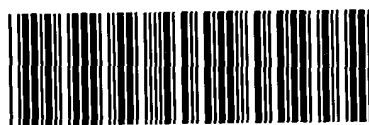


FULLER'S

NOURISHING THE SOUL SINCE 1845

Annual
Report and
Accounts
2023

SATURDAY



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#68

COMPANIES HOUSE

p.19

Doing things the right way

We have a deep pride for and a genuine enjoyment of the business we're in and we apply care, quality and integrity to everything we do.

Always asking *what's next?*

We have a restless passion to continuously improve, experiment and make things better. We are always asking how we can do more for our people, our customers, our pubs and hotels.

p.23

What's inside...

Living our purpose, Celebrating together

At Fuller's, we create experiences that **nourish the soul**, and throughout this report we will show how we do that through a commitment to excellence and a clear long-term strategy.

p.21

Being part of the Family

We are a family business in the broadest sense, bringing that family ethos and feeling to how we work. One team, pulling together, in each pub and hotel, and also together across Fuller's.

p.25

Celebrating individuality

We nurture the individuality, spirit and unique character of each person, pub, and bedroom, because that's what makes us special.

Highlights

Financial and Operational Summary

- Revenues grew 33% to £336.6 million (FY2022: £253.8 million) as the business recovered from the impact of Covid-related restrictions on trade
- Like-for-like sales in the year grew by 17.5% compared to prior year, with Central London growing by 40.1%
- Adjusted profit before tax increased by 76% to £12.7 million (FY2022: £7.2 million)
- Net debt at £132.8 million (FY2022: £131.9 million) with cash generated by the business funding investment in the estate and returns to shareholders
- Directors' valuation of the total property portfolio in May 2022 at £995.6 million, approximately £400 million above our current book value – giving implied adjusted net asset value per share of £14.07
- Total dividend of 14.68p declared, representing a 30% increase on last year
- Board to keep further share buybacks under review in line with its capital allocation framework.

Strategic Update

- Clear long-term strategy, with all elements contributing to growing sales momentum and profitability
- Maintained investment in the existing estate, with £25 million invested in the period to enhance capital values and drive further growth
- Maximising our pubs' potential through proactive portfolio management to ensure all pubs are operated to deliver a great customer experience, while optimising our returns
 - Three new pubs opened during the year – The Rising Sun in the New Forest, The Willow in Bourton-on-the-Water, and The Queen's Arms at Heathrow Terminal 2
 - Four pubs transferred from Managed operations to Tenanted Inns in the year, with a further 23 identified, of which four transfers have already completed
 - Small number of pubs earmarked for disposal
 - Sale agreed on The Mad Hatter, Southwark, which will realise £20 million in value and a profit on disposal of £17 million
- Continued investment in our people to develop the leaders of the future and deliver best in class service for our customers
- Dawn Browne, People & Talent Director, promoted to Main Board from 3 July 2023
- Implementing a wide range of energy reduction initiatives as part of our *Life is too good to waste* programme.

	FY2023 £m	FY2022 £m
Revenue and other income	336.6	253.8
EBITDA ¹	51.8	44.3
Adjusted profit before tax ²	12.7	7.2
Statutory profit before tax	10.3	11.5
Basic earnings per share ³	12.98p	11.59p
Adjusted earnings per share ³	16.10p	9.79p
Dividend per share	14.68p	11.31p
Net debt excluding lease liabilities ⁴	132.8	131.9

All figures above are from continuing operations.

- 1 Earnings before interest, tax, depreciation, amortisation, profit on disposal of property, plant and equipment, and separately disclosed items.
- 2 Adjusted profit before tax is the profit before tax excluding separately disclosed items.
- 3 Per 40p 'A' or 'C' ordinary share. Adjusted EPS is calculated using earnings attributable to equity shareholders after tax excluding separately disclosed items. Basic EPS includes separately disclosed items.
- 4 Net debt excluding lease liabilities comprises cash and short-term deposits, bank overdraft, bank loans, debenture stock and preference shares.

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At a Glance

Who we are

WE ARE THE PREMIUM PUBS AND HOTELS BUSINESS THAT IS FAMOUS FOR BEAUTIFUL AND *inviting* VENUES WITH DELICIOUS FRESH FOOD, A *vibrant* AND INTERESTING RANGE OF DRINKS, *beautiful* BEDROOMS AND ENGAGING SERVICE FROM *passionate* PEOPLE

Our purpose

WE CREATE EXPERIENCES THAT *nourish the soul*

Our mission

WE'RE CRAFTING A FAMILY OF DISTINCTIVE PUBS AND HOTELS WHERE PEOPLE *feel they belong*

Cotswold Inns & Hotels

Fuller's acquired Cotswold Inns & Hotels in October 2019 – a collection of seven beautiful hotels, with a total of 201 bedrooms, in the heart of the Cotswolds – one of the most beautiful parts of Great Britain.

Specialising in traditional hospitality and incredibly popular for weddings, the hotels offer the chance to get away from the hustle and bustle of daily life in venues offering outstanding service, the heartiest of breakfasts, the most delicate of afternoon teas and a fantastic array of fresh food and excellent wines, beers and spirits.

Our Sustainability Pillars

OUR PEOPLE

See pages 52 to 53

Our people are what makes Fuller's special. That's why we work hard to ensure we create an environment where they can be their true self.

OUR COMMUNITIES

See pages 48 to 51

Communities have always been at the heart of Fuller's – it's what makes our pubs more than just bricks and mortar.

Our values

DOING THINGS THE RIGHT WAY

See page 19

BEING PART OF THE FAMILY

See page 21

CELEBRATING INDIVIDUALITY

See page 25

ALWAYS ASKING *WHAT'S NEXT?*

See page 23

Managed Pubs and Tenanted Inns (%)*

Revenue by Division (%)*

Bel & The Dragon

Fuller's acquired Bel & The Dragon in June 2018. It now comprises seven stunning country inns, across the Home Counties. This year, we added The George & Dragon in Westerham to the brand. Bel & The Dragon offers outstanding hospitality, in characterful buildings, with a focus on world-class wines – including many sold by the glass – and high quality, fresh, seasonal dishes that are both visually stunning and delicious.

Analysis of Managed revenue urban/suburban/rural (%)*

OUR PLANET

See pages 42 to 45

We know that a healthy planet is essential for the future of humanity and small changes collectively make a big difference. We are on our journey to Net Zero.

* As at 1 April 2023

Where we Operate

OUR *diverse portfolio* ENCOMPASSES
SOME 377 PUBS AND HOTELS ACROSS LONDON
AND THE SOUTH OF ENGLAND

Rural

39

The number of Managed Pubs & Hotels

402

Number of bedrooms

1

1

Acquisition: The Willow
Bourton-on-the-Water

*We love iconic locations – and they don't
come much more iconic than this amazing
village, known as The Venice of the Cotswolds.
A great addition that further builds our
presence in this affluent area.*

2

Suburban

87

The number of Managed Pubs & Hotels

417

Number of bedrooms

Urban

74

Number of Managed
Pubs & Hotels

205

Number of bedrooms

Operational
Highlights

Average number of employees

5,247

Number of covers
booked outdoors

97.7k

Number of people
on our database

4.1m

RevPar in the year

£88.94

Pints sold during the year

20.3m

Year on year growth
in cocktail sales

42%

Number of burgers
sold during the year

860k

Rise in like-for-like
accommodation sales

24.7%

3

Rising from the ashes:
The Admiralty,
Trafalgar Square*After a major fire in July 2022, we
rebuilt The Admiralty – including
making it fully electric. Read more
on page 45.*

3

Our Pubs & Hotels

2

186

MANAGED

7

BEL & THE
DRAGON

7

COTSWOLD
INNS &
HOTELS

177

TENANTED

Refurbishment:
The George & Dragon,
Westerham*Having transferred this historic building from
our Tenanted Inns division, we completed
a £2.6m investment and it is now standing
proud in the centre of Westerham, as part
of our Bel & The Dragon estate.*

OUR INVESTMENT PROPOSITION PUTS US IN A POSITION OF *strength AND security*

WE HAVE A CLEAR STRATEGY

We operate a family of characterful pubs and hotels in the South of England

- Our estate encompasses some 377 pubs and hotels across London and the South of England
- We operate in the premium segment while offering excellent value for money.

We source and create experiences that *nourish the soul*

- Most of our pubs are deeply entrenched in their local communities with generations of goodwill behind them. We are a regular part of our customers' lives, and we strive to earn the right to welcome them back again and again

- Our pubs are operated locally, with managers given the freedom to optimise the décor and the offer according to local characteristics. This extends to creating engaging experiences, from open-air Shakespeare to stand-up comedy and open mic nights.

Our teams are customer-centric, focused on delivering outstanding quality and service

- Memorable hospitality demands great people behind the bar and stars in the kitchen. Our focus on quality and service helps turn our customers into powerful ambassadors.

WE OPERATE IN A MARKET WITH OPPORTUNITIES

Demographic strengths

- In our heartland of London and the South of England, incomes are traditionally more resilient. Hospitality spend in our regions is 13% greater than the UK average, and incomes are circa 14% higher. Our wide demographic also attracts mature customers, many of whom have greater disposable incomes.

Customers are attracted by our premium offer

- Every week we welcome thousands of people to our pubs and hotels, many being

returning guests. Our customers look for a great experience and they appreciate the benefit of our premium offer.

Leveraging digital opportunities

- An increasing digital awareness among our customers allows us to get even closer to them, and provide a tailored experience which is smooth and seamless. We have developed our digital infrastructure to utilise robust user data and help enhance the effectiveness of our targeted marketing. We have also enhanced our online presence, from booking tables, rooms or events through to ordering and paying.

WE ARE FAMILY, INSIDE AND OUT

Our multi-generation family business extends a sense of belonging to all our stakeholders

- For customers, we maintain the cherished ethos of 'the local'
- Our people are also family. We create meaningful career paths and invest in their development. This shows in our senior leadership where around 65% of our general managers joined us at entry level and have developed within the business

- Much of our kitchen talent is also home-grown and at our Chefs' Guild we set a clear pathway that can take kitchen assistants right up to executive chef level. We welcome over 100 apprentice chefs each year, giving them an inspirational start to careers in hospitality.

Great family businesses think and act long term

- We are custodians of the Company, with the clear goal of passing it on in even better health than we found it. This means managing our assets carefully, with the collective strength of our portfolio delivering increasing value.

WE ACTIVELY MANAGE OUR ASSET PORTFOLIO

The Company has a high quality portfolio

- Freehold ownership represents 92% of our asset value. Following the latest valuation, this represents an asset value of £995.6 million.

We deliver capital appreciation as well as earnings growth

- As custodians of the portfolio, we protect and enhance its quality with maintenance investment and look for opportunities to enhance trade and grow income through investment. Each year we expect to invest in the region of £20–30 million improving the estate.

Our strong Balance Sheet provides us with access to capital

- We have recently agreed a new four year £200 million bank facility. This also provides significant headroom to continue our M&A strategy, building on the successful Cotswold Inns & Hotels and Bel & The Dragon transactions
- We actively manage the property portfolio to optimise returns – as demonstrated by the recent transfers of Managed pubs to Tenanted operations
- We continually gauge the performance of assets, considering fresh pub propositions, or the option of disposals.

WE HAVE A CLEAR AND CONSISTENT CAPITAL ALLOCATION FRAMEWORK TO ENHANCE LONG-TERM VALUE CREATION

We invest in the long-term organic growth of the business

- We invest annually to grow capital value, and to drive returns.

A sustainable and progressive dividend

- With a planned cover range of 2.5-3.0x, and growth in line with EPS growth to drive dividend yield.

M&A opportunities

- With a disciplined approach to inorganic investment and a view to increasing long-term returns.

Leverage

- With a target of up to circa 3x net debt/EBITDA. If achieved, surplus cash may be returned to shareholders.

WE OWN OUR IMPACT BECAUSE LIFE IS TOO GOOD TO WASTE

Our environment and our planet demand that we take meaningful action to protect them

- We aim to be Net Zero by 2030 (operational) and 2040 (supply chain)
- We will continue to source 100% renewable energy
- We will reduce energy consumption by 25% and halve our gas usage.

We create spaces where communities are welcomed, supported and can come together

- Each site encouraged to support at least one local group each year

- We donate 1% of our profits to good causes every year
- We create good job opportunities for people with additional needs.

Our governance is designed to build trust and ensure equal opportunities for everyone

- A diverse place to work with no barriers to entry and with clear development paths
- A place where everyone has a voice
- A place free from modern slavery and discrimination of any kind.

"WE COULD NOT
DO WHAT WE DO
WITHOUT THE
commitment
AND *dedication*
OF OUR PEOPLE."

M I C H A E L T U R N E R — C H A I R M A N

The 2020s is fast becoming the decade that has seen an unprecedented use of the word unprecedented. A year ago, I reflected on the impact of the Omicron variant on our business. Since then, the war in Ukraine has continued, food and energy inflation, together with the cost of living in general, has spiralled, we have seen strikes across a wide range of industries and we have had three Prime Ministers, four Chancellors of the Exchequer and fiscal statements that have taken the economy in all manner of directions.

Against this backdrop, your Company has delivered a good performance, and in times of short-term upheaval, long-term businesses come into their own. The Executive Team, under the leadership and guidance of Simon Emeny, is implementing our strategic plan to return to pre-pandemic levels of profitability and deliver long-term growth for the Company, our shareholders and our team members.

With our clear purpose to create experiences that *nourish the soul*, and five defined strategic pillars, our teams throughout the business understand the role they play in our success and have the skill, motivation and dedication to deliver it. Despite the twists and turns, the stops and starts, they have continuously bounced back to delight their customers and deliver an outstanding level of service. They are the heart and soul of Fuller's, and I would like to thank each and every one of them for their loyalty and commitment.

Underpinning our success is, and has always been, the strength of our excellent, predominately freehold estate. We have always maintained that operating both managed and tenanted models offers a wide range of benefits, particularly around portfolio management. And while I am always proud of all parts of the Fuller's business, I was particularly delighted to see the Tenanted Inns team pick up the award for Best Tenanted Pub Company at this year's Publican Awards.

We are seeing rising numbers of international tourists and ever more workers returning to the City and this, combined with the actions we are taking as part of the strategy to continue to improve profitability, gives me confidence and optimism in the future.

As part of our ongoing succession planning, I am delighted to announce that Dawn Browne has accepted our invitation to join the Board with effect from 3 July 2023. Dawn joined Fuller's in 2011 and, following roles in the Learning & Development Team and a successful term as Head of Operations for the City, has been our People & Talent Director since 2019. As a people-centric business, and given her unique skillset, she has an important role to play on the Board. Her in-depth knowledge of our team members, alongside her operational experience, will provide invaluable insight. We also look forward to her support to help us to drive and prioritise diversity and inclusion, and to provide visibility on matters around culture and organisational change. I know her appointment will be extremely well received by the business.

+30%

Increase in total dividend per share

+33%

Increase in total Group revenue

Dividend

The Board is pleased to announce a final dividend of 10.0p (FY2022: 7.41p) per 40p 'A' and 'C' ordinary share and 1.0p (FY2022: 0.741p) per 4p 'B' ordinary share, representing a year-on-year increase of 35%. This will be paid on 27 July 2023 to shareholders on the share register as at 23 June 2023. The total dividend of 14.68p (FY2022: 11.31p) per 40p 'A' and 'C' ordinary share and 1.468p (FY2022: 1.131p) per 4p 'B' ordinary share represents a 30% year-on-year increase and continues our return to a progressive dividend policy.



Michael Turner
Chairman
14 June 2023

Chief Executive's Review

"WE HAVE STARTED
THE *next chapter*
IN OUR HISTORY."

S I M O N E M E N Y — C H I E F E X E C U T I V E

Overview

We have made good progress in the last year, with continued investment in our people and properties, providing the perfect post-Covid springboard for the future. Looking forwards, that future looks very positive. We continue to build on our five strategic pillars, investing in the areas that have the greatest impact on our business and growing our profitability. We live by our values and our culture, and despite having had a lot to contend with over the last year – with interruptions from tube and train strikes and high cost inflation in energy, food and wages – our teams across the estate are successfully delivering experiences that *nourish the soul*.

There is clearly more to come too, as international tourism numbers continue to rise, the rhythm of life grows louder across offices in our towns and cities, and cost pressures stabilise. Ongoing rail strikes are unhelpful – particularly in the Capital – but commuters are a resilient bunch and the impacts, while detrimental financially, are thankfully short-lived. Most importantly to Fuller's is that we have a long-term vision, continuing to stick to the things we do best, and this is validated by our customers' continued loyalty.

Strategic Review

We have forward momentum, a great team of people, we are already building on the 33% rise in total sales last year and have started the new financial year with excellent like for like growth. We will continue to achieve this through our long-term strategy – delighting our customers, inspiring our people, enhancing our estate, evolving our business and owning our impact. These strategic pillars have not changed, and they provide a framework that allows us to grow our business in a sustainable manner.

We are a proactive asset manager and have taken some significant portfolio management decisions to evolve our estate, ensuring it remains fit for the future. In order to improve and sustain returns in the long term, post year end we identified 23 of our Managed Pubs to transfer across into our Tenanted Inns division – four of which have moved across already. We have also taken the opportunity to crystallise the value of The Mad Hatter in Southwark, which

Service with a smile

It's our amazing people that make the real difference in our businesses and you can see how we invest in our people on page 16.

+10%

Like for like food sales

Food for thought

We will be taking on over 100 chef apprentices next year who will learn their trade through our Chefs' Guild

we have contracted to sell as part of a larger property redevelopment, in a sale that will deliver Fuller's £20 million in value on completion next year. These funds, combined with our ambition to continue to build our business, will allow us to grow both organically and through acquisition.

Like all businesses, margins have been increasingly squeezed due to cost inflation, but we are addressing this through a programme of action focused on delivering sales-led growth while keeping a tight rein on costs.

Delight our customers

We are confident that a trip to the great British pub will always be an affordable luxury and part of our national psyche. But customers have a choice, and they will choose to go to the pubs and hotels that deliver an outstanding customer experience at a price the consumer sees as good value.

In recent years, we have put a lot of effort and emphasis on the entire customer journey – starting with the digital touchpoints that attract the customer, through the in-pub experience around choice, service delivery and reasons to visit, and finishing with the correct level of follow up and future contact.

We are reaping the rewards of the digital transformation project that completed in the previous financial year, and which allows for easy, low cost per customer communications to promote the great activities that take place in our pubs. One of the activities that we will be looking at for the coming year is to build our presence around a premium sport experience – which will increase frequency of visit, spend per head and help acquire new customers.

We know that there is a demand for premium sports occasions – both in terms of near-stadium packages such as at The Cabbage Patch and The Turk's Head, both at Twickenham, and when watching live sport on the television. The pub is always seen as the next best place to being in the stadium for major sporting events and we will be giving our customers amazing hospitality, bookable spaces, great menus and atmosphere to build on these lucrative occasions, in collaboration with our drinks partners – particularly Asahi, who are one of the main sponsors of this year's Rugby World Cup.

To stay ahead of the competition, we are also in the process of a farm to fork project to ensure we keep our food offer fresh, interesting and relevant. This process has included some extensive customer segmentation work, which will further help us to ensure that we target the right offer, in the right style of venue, to the right customer – driving sales and reducing the acquisition and retention costs of new and existing customers.

Chief Executive's Review Continued

£306.8m

Total revenue for Managed Pubs and Hotels

£30m

Operating profit from our
Managed Pubs and Hotels

Inspire our people

Hospitality is a people business and it is our amazing team members at the front line that can make the biggest impact on our customers. They will only deliver great service and an experience that nourishes the soul if they are well-trained, highly motivated, happy and engaged.

During the last year, we have worked hard to ensure we are listening to our teams across the business – so we were delighted that response rates and levels of happiness and engagement rose when we conducted our second Happiness Index survey. In addition, we received a plethora of individual comments and suggestions – all of which have been read, recorded and collated into common themes and, in turn, shared and discussed by the Executive Team so future actions can be taken. This is only one strand of our listening strategy and is supported by new forums for our General Managers, our Head Chefs and our support centre team and regular catch-up sessions with Helen Jones, our designated Non-Executive Director responsible for employee engagement.

During the year, we also had our largest graduation event for all those undertaking development programmes, and our apprenticeship programmes – both front of house and through our Chefs' Guild – continue to deliver excellent results with 200 apprentices trained last year across six different programmes, making full use of our Apprenticeship Levy. There is more to come, with an anticipated 220 apprenticeships in the coming year, and I am delighted to see more of our General Managers choosing to take on the LEAP programme degree level apprenticeship. This investment in development, and in particular leadership, will secure our future success.

Enhance our estate

Operating both Managed and Tenanted pubs has always been a key tenet of our strategy. It allows us to holistically curate our pub estate, so we can operate individual sites under the business model that works best for the pub and its customers, best for the Company, and delivers the best return for our shareholders.

Over the years, we have always moved sites between the two businesses, but moves normally happen on an individual basis. Following 12 months of trading free of restrictions, and in light of the changing economics of running a pub, we undertook a detailed

review of the estate post year end – particularly around profitability within our managed framework – and, as a result, decided to move 23 pubs into our Tenanted Inns division. Four of these transfers have already happened, with the remainder due to take place in the coming weeks.

In line with our values, we put our people first, and the majority of team members in the impacted pubs could either remain in situ with the new Tenant, apply to take on the Tenancy for themselves, or move to another Fuller's managed site.

During the year we decided to exit a small number of leasehold sites, including The Ship at Borough and The Inn of Court at Holborn, and earmarked for disposal a handful of pubs which no longer satisfy our internal returns criteria. We have also decided to accept an offer of £20 million in value for The Mad Hatter in Southwark, representing a significant premium above its net book value of £2.7 million. This transaction is due to complete in summer 2024.

Supporting all of this activity is our continued commitment to maintaining high standards in our existing estate and developing sites for the future. This is reflected with three new openings during the year – The Rising Sun in the New Forest, The Willow in the idyllic Cotswolds village of Bourton-on-the-Water, and The Queen's Arms at Heathrow Terminal 2.

In addition, we continue to invest to enhance the core pub estate. We were delighted to reopen The Admiralty – the iconic and only pub on Trafalgar Square – following a £3.3 million rebuild after a major fire last summer – and we recently completed a £2.5 million investment at The Sanctuary House, near Westminster Abbey, reopening in time to welcome customers for King Charles III's coronation.

Evolve our business

While we have a long-term strategy – we never stop monitoring trends, societal changes, and the behaviour of existing and potential customers. Reacting to those changes is imperative in delivering continued growth and this has been reflected in the investments we made through our digital transformation project and that we will make as we continually review and hone our food offering.

In November, I was delighted to welcome Sam Bourke to the Executive Team as Marketing Director. Sam has a long history in the hospitality sector having previously worked for ETM, The Restaurant Group and Wasabi. Sam is already adding value across the business with her drive, enthusiasm, and clear focus on the key trading opportunities that will deliver strong sales for our pubs and hotels.

As well as building on the opportunities provided through enhancing our premium sports packages, the marketing team is also reviewing our kids' menus and ensuring our family proposition is best in class. In addition, we are looking to capitalise on trading opportunities during all parts of the day, for example with an elevated and indulgent brunch offer.

The new Business Central finance system which was implemented in 2021 is delivering high quality information that aids the decision-making process and with finance, marketing and operations working in perfect harmony, we can make successful decisions based on our knowledge of consumer trends, supported by hard data, excellent supplier relationships, and outstanding operational capability.

Own our impact – because *Life is too good to waste*

Sustainability and decisions around our people, the planet and our communities, are at the heart of everything we do – and while doing things the right way has always been a Fuller's value, it is now absolutely part of business as usual.

We have a long-standing declared commitment to reach Net Zero by 2030 for our operational emissions and by 2040 for our supply chain. We have made good progress on our target to increase recycling and reuse, while driving down single use items, and we continue to send zero waste to landfill. In addition, we are currently rolling out a programme of sustainability champions to help us embed best practice across the estate.

There are, of course, added benefits to our sustainability programme with reductions in energy usage of 14% for gas and 13% for electricity. New equipment in our pubs continually moves us away from gas and both The Queen's Arms at Heathrow and The Admiralty are fully electric. Combined with the fact that all our electricity is from renewable sources, that means these two pubs are exclusively powered by zero carbon energy.

As well as our commitment to the environment, we continue to invest in our diversity and inclusion programme, with all senior leaders undertaking diversity and inclusion training. In a great example of creating a virtuous circle, we are recruiting more team members with intellectual disabilities through a programme supported by our corporate charity partner, Special Olympics Great Britain. It is joined up thinking that helps a company of our size punch far above its weight in this area.

Tenanted Inns

One of the highlights of the year was seeing our excellent Tenanted Team, under the leadership of Iain Rippon, pick up the award for Best Tenanted and Leased Pub Company (up to 500 sites) at this year's Publican Awards. It was great recognition for the excellent work Iain and the team have done supporting our Tenants, especially in the current inflationary cost environment.

We have always seen the benefit of operating both managed and tenanted models. The latter allows pubs to remain within the Fuller's estate but with lower capex, lower costs and shared risk and reward, enabling the innovative, entrepreneurial Tenants, which our pubs

attract, to benefit from Fuller's operational expertise and vice versa. The flexibility it facilitates to move pubs between the models constantly proves useful to all parties and as well as the obvious benefits of the 23 houses that are moving into the Tenanted division, we see the benefits of moving in the other direction through sites such as The George & Dragon in Westerham and The Plough at East Sheen.

It has been particularly rewarding to see the success of those pubs on turnover linked agreements, where we have added additional marketing resource to help our Tenants build their business and access the benefits that come from also having a Managed estate. From Shakespeare and opera to panto, we can give our Tenanted pubs access to revenue building reasons to visit.

Finally, it is training that is the key to running successful tenancies. At no cost to our Tenants, this currently includes a Fuller's induction day, covering the basics and introductions to key support team members, social media and marketing courses delivered locally, bespoke training for turnover agreement pubs, personal licence courses, a business development day held by a third-party trainer, and full access to the suite of FLOW online training. We also run an excellent cellar course at the Fuller's Brewery through our long-term supply agreement with Asahi.

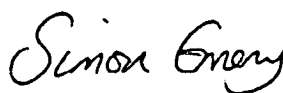
Current trading and outlook

We are delighted that our sales momentum has continued into the new financial year and like for like sales for the first 10 weeks are up 13.9%. Our recent investments at The Willow, The Sanctuary House and The Admiralty are outperforming our expectations, and we have exciting projects planned for this financial year at The Counting House in the City, The Forester in Ealing, and The Rising Sun near Bashley.

I am more optimistic about the future than I have been since before the pandemic. While the well-documented inflationary environment has been a challenge, there are positive signs on the horizon. In addition, we are ever hopeful of a resolution to the ongoing train strikes to allow us to further benefit from the increasing numbers of office workers and international tourists returning to the Capital.

Fuller's is, and has always been, about the long term. We have an excellent vision and strategy that signposts the direction the Company is heading and what we will do to get there. We have a clear pathway to further growth based on enhancing profitability from our underlying business, proactively managing our property portfolio to ensure we are getting the best returns, and continuing to seek out appropriate acquisitions. We have a strong set of values that guide us in how to get there, and we have an amazing team of people who will deliver all of the above. Finally, we have a predominately freehold estate, epitomised by iconic sites in outstanding locations.

I am excited by the opportunities ahead, optimistic about the future, and confident in our ability to deliver excellent service to our customers, careers for our people and returns for our shareholders.



Simon Emery
Chief Executive

14 June 2023

Business Model

Our resources

CUSTOMER OFFER

We are famous for delicious, fresh, seasonal food and an extensive range of beers, wines, spirits and soft drinks, as well as over 1,000 boutique bedrooms. We have a clear vision to deliver memorable experiences that ensure our customers leave happier than when they arrived.

PEOPLE

Our people make the real difference to our business. Whether dealing with consumers or colleagues, they deliver outstanding service from bar to boardroom. Our purpose is to create experiences that *nourish the soul* – and we strive to ensure that everyone knows the key role they play in delivering that purpose, vision and strategy.

ICONIC PROPERTIES

Our predominantly freehold estate is mainly located in the South and South East of England. It is a great balance, with rural, suburban and urban sites. It includes some truly iconic sites such as The Still & West in Old Portsmouth and The Churchill Arms in Notting Hill.

DIGITAL TECHNOLOGY

This encompasses a myriad of digital touch points for the consumer in both pubs and hotels that, to achieve optimal efficiency and a frictionless journey, all need to be seamlessly interlinked. In addition, continued development of our digital technologies and systems further enhance our customer knowledge and understanding and create efficiencies in our internal processes.

FINANCIAL STRENGTH

Our strong Balance Sheet and prudent approach to cash management ensure that we are well placed to grow both organically and through acquisition.

How we create value

MANAGED
ESTATE

TENANTED
INNS

REINVESTMENT AND REFURBISHMENT

Keeping our fantastic, iconic properties in first class condition is a key tenet for Fuller's, and you can find out more on page 17.

*Life is too good
to waste*

Focused on our people, our communities, and our planet, *Life is too good to waste* is our commitment to sustainability and underpins everything we do.

*Our people are too
good to waste*

Find out more
on pages 52 to 53

SUPPLIER COLLABORATION

We work closely with our suppliers in the spirit of mutual collaboration and often have bespoke products on our bars and menus that are available *only at Fuller's*.

REVENUES

Revenues come from four main sources – primarily through operations in our Managed Pubs and Hotels and our Tenanted Inns, but also through some unlicensed property rental and through rebates from suppliers.

Our purpose

We create experiences that nourish the soul

We have a highly cash generative business and a careful approach to our financial management.

Our communities are too good to waste

Find out more on pages 48 to 51

Our planet is too good to waste

Find out more on pages 42 to 45

The value we share

CUSTOMERS

Our customers reward our efforts with their trade and their loyalty. They are ultimately the reason for everything we do and you can see more details about our commitment to delighting our customers on page 16. Happy customers make for happy team members and vice versa – it is the ultimate virtuous circle.

PEOPLE

Our team members tell us that they enjoy being part of the Fuller's family and that they appreciate our investment in their wellbeing. We provide best-in-class training and development programmes and genuine opportunities to develop through internal career progression. Our policies ensure that we have a respectful and inclusive working environment and a consistent approach to supporting our people.

COMMUNITIES

We strive to play a key role in the communities and neighbourhoods in which we operate with support for local events and groups. We support a number of charities, including Special Olympics GB at a corporate level and, where possible, offer matched funding for our team members where they are undertaking fundraising activities.

SUPPLIERS

Having true partnerships with suppliers makes a real difference – to both parties. We always look to the long term and making commitments such as forward buying helps both parties to plan for the future with confidence and certainty. It also allows us to work collaboratively to come up with interesting, bespoke drinks and dishes to tantalise our customers tastebuds, that are available only at Fuller's.

SHAREHOLDERS

This year, we have increased our final dividend by 35%, confirming our commitment to returning to our progressive dividend policy. In addition, shareholders with over 1,000 'A' or 'C' ordinary shares, or more than 10,000 'B' ordinary shares benefit from our Indulgence Card scheme, giving discounts in Fuller's Managed Pubs and Hotels.

WE'RE CRAFTING A FAMILY OF PUBS AND HOTELS WHERE PEOPLE FEEL THEY *belong*

1 DELIGHT OUR CUSTOMERS

Surprise and delight with distinctive service

- Every venue will be an individual experience
- Every team member trained in service
- An inspirational service coach at every site
- Reward and recognition for great service
- Measure through Net Promoter Score ("NPS").

Tailor the experience in every pub and hotel

- Empower our leaders to deliver a high quality, flexible offering that fits local customer needs
- Indulgent, great British pub classics with a modern twist, using seasonal ingredients on the menu
- Broad selection of beers, wines and spirits, plus artisan drinks ranges, served by knowledgeable team members
- Beautiful bedrooms, individually styled with the highest quality standards
- Delivering sector-leading like for like sales growth.

Create a smoother customer journey

- Optimise customers' digital journey for seamless interaction
- Continually evolve our bookings process to integrate and improve functionality
- Improve digital methods of communication and marketing through a multi-channel approach
- Measure by increase in traffic to micro sites and associated conversion to sales.

Attract new customers and increase visit frequency

- Refresh brand communications
- Extend our appeal to a broader customer base
- Deliver experience-led events to drive frequency and spend
- Drive a culture to maximise sales from event spaces.

2024 priorities

- Delivery of strong like for like sales growth
- Development and execution of exceptional events and experiences for our customers.

2 INSPIRE OUR PEOPLE

Create a workplace where everyone feels they belong

- Launch and deliver inclusion action plan
- Train and develop our people in inclusive leadership
- Create an inclusive culture through events
- Create a network of 150 mental health first aiders across the business.

Appreciate and value our colleagues

- Develop our listening culture using a range of tools including The Happiness Index survey, Fuller's Forum, My Voice, and Employee Resource Groups
- Fully embed our transparent pay structure to attract, retain and encourage development
- Evolve our distinctive benefits package.

Support and encourage career development

- Focus on internal promotions, particularly at general manager level
- Provide at least 100 apprentices with career opportunities every year
- Develop our chefs through the Fuller's Chefs' Guild.

Attract the best talent

- Grow our True to You employer brand
- Utilise Brilliant Recruitment, our new recruitment system and practices
- Recruit for personality and train for skill.

2024 priorities

- Further enhance our leadership capabilities with all General Managers participating in our leadership development programme
- Implement actions arising from our Happiness Index survey.

See pages 18 to 19 for this strategic pillar in action

See pages 20 to 21 for this strategic pillar in action

3

ENHANCE OUR ESTATE

Care for our estate

- Continue to look after the fabric of our estate
- Utilise skills within the team and our pool of designers to enhance our offer
- Continue to uphold the highest standards in the industry
- Ensure the estate and capital value are protected for future generations.

Evolve through transformational investment

- Maximise the potential of our estate by evolving our pubs through investment
- Optimise our portfolio through active asset management
- Constantly assess optimal operating model for each site
- Work with and invest alongside our Tenants to drive returns.

Invest in growing the estate

- Invest in markets where we already excel
- Add scale to our core premium pub and hotel estate
- Complement the existing business in high income, premium demographic areas, with predominately freehold assets, and in-filling geographical gaps.

2024 priorities

- Targeted capital investment of £20-25 million to deliver returns and enhance the value of our estate
- Effectively transition the planned 23 Managed Pubs and Hotels to Tenanted Inns to deliver enhanced returns while looking after our team members and customers.

See pages 22 to 23 for this strategic pillar in action

4

EVOLVE OUR BUSINESS

Innovate to excite future consumers

- Evolve and innovate our proposition to adapt to changes in consumer behaviour.

Grow our profitability

- Ensure our strategy is executed across the business to achieve our like for like sales growth ambition
- Grow EBITDA margins by growing sales, effective labour management and scheduling, and agile product portfolio management
- Mitigate central costs by improving the efficiency of processes
- Leverage the full benefits of our investment in systems to maximise efficiency.

Enhance our supplier partnerships

- Build genuine long-term partnerships
- Source authentic food and drink products, focusing around the seasons
- Continue our positive relationship with Asahi
- Leverage the appeal of our customer base and geographic position of our estate to retain and attract the best suppliers.

2024 priorities

- As the market evolves, stay ahead of market trends through the use of data insights
- Evolution of differentiated day-part offering.

See pages 24 to 25 for this strategic pillar in action

5

OWN OUR IMPACT

Take action to protect and respect our planet

- Our planet is too good to waste.

Create spaces for communities to connect and feel welcome

- Our communities are too good to waste.

Care for our people and foster a sense of belonging

- Our people are too good to waste.

2024 priorities

- Programme of work to support commitment to Net Zero by 2030
- Investment in diversity and inclusion programmes.

See pages 26 to 27 for this strategic pillar in action

1

Delight OUR CUSTOMERS

We live to create experiences that *nourish the soul* – making memories and delighting our customers. We do this through fresh and delicious seasonal dishes, an amazing array of premium and interesting drinks, and beautiful, individually crafted bedrooms. But what makes the real difference is the welcome you receive when you walk through the door – when that is extra special, our teams know your soul is well and truly nourished.

*Tailor the
experience in
every
pub and hotel*

*Today's consumer
expects the
personal touch
– whether that's in
the digital comms
we send or the
burger we cook.*

Surprise and delight with distinctive service

Is there anything better than spending time with a smile on your face? That's the difference a great pub, with great people, can make. It's more than food and drink – it's leaving happier than you arrived.

Attract new customers and increase visit frequency

Including delighting dog owners everywhere with our dog friendly pubs.

Link to Values:

Doing things the right way

We love it when our team members do the right thing and to reward them, we make a point of recognising those tiny noticeable things ("TNT") that ladder up to make all the difference in delighting our customers. From driving stranded customers to Peppa Pig World, to sending a terminally ill customer up in a Spitfire, those TNT moments are rewarded with vouchers, recognition and team nights out.

Q&A

Fred Turner, Retail Director

Create a smoother customer journey

We have over one million opted in customers on our database – and we tailor our communications to match the things we know they like to do. In addition, our pubs have the ability to communicate directly with their own customers about the brilliant events that are going on in our pubs.

Outside of the obvious financial metrics, how do you know your customers are delighted?

Hospitality is a people business – and it's one of the few sectors where a smile on a customer's face really is the best gauge of how well you are doing. Our team members live for good feedback and that's why we use Net Promoter Scores as one of our bonus measures. It's also the reason we introduced the TNT programme, which gives us a quick and meaningful way to thank our team members for going the extra mile. It's our people that set us apart from the competition and they are at their best when they are delighting our customers.

How will you deliver on this strategic pillar?

Building on the points above, we have launched an internal initiative around Be the Difference. By embracing the Be the Difference philosophy and focusing on delivering TNTs, we demonstrate our commitment to providing exceptional experiences for every customer. We understand that it's the small touches and the genuine interactions that truly leave a lasting impression. Our people are the driving force behind our success, and by consistently going above and beyond, we can foster customer loyalty, positive word-of-mouth, and an enduring reputation as a hospitality provider that truly cares. If we get that right, we will easily deliver on this strategic objective again and again.

Strategy in Action Continued

2

Inspire OUR PEOPLE

Our people are absolutely at the heart of what we do. Together, we make the difference and they are the people who create the experiences that *nourish the soul*. We aim to create a workplace where everyone feels they belong and where training, development and career progression are available, and encouraged, for all. We thrive off each other too – it's what gives us energy, what makes us special, and what helps us build a fun, exciting and sustainable business.

*Create a workplace where
everyone feels they belong*

*This year has seen our work
around diversity and inclusion
take big steps in the right
direction and there's a lot
more to come.*

**"There's no script, it's all
about being yourself."**

— Alex, Head Chef

*Appreciate and value
our colleagues*

*Together we are the difference,
and that's why we make sure our
colleagues can recognise and
reward the achievements of their
peers with our TNT initiative.*

Support and encourage career development

*Many of our team members
have never had a graduation.
But we make sure we hold one
for everyone who undertakes
a Fuller's apprenticeship or
development course.*

Link to Values:

Celebrating Individuality
Being Part of the Family

At Fuller's, being *True to You* is very important to us. We believe everyone should feel able to be themselves, and we do this by celebrating individuality. But this isn't just about diversity and inclusion – this is about how we express ourselves at work too and we love encouraging creativity and innovation in the workplace. One of our other key values is being part of the family – and for us, diversity and inclusion is the point on a Venn diagram where these two values meet. At Fuller's, we want to celebrate all individuals and we want everyone to feel part of the family.

Attract the best talent

*Recruitment has called for
some new thinking in recent
times, which is why we
are now actively targeting
people over 50 through our
partnership with Rest Less.*

Q&A

Dawn Browne, People & Talent Director

What have been your key areas of focus over the last financial year?

We have had a major focus on recruitment over the last year, and it is reaping rewards. We relaunched our recruitment website and partnered with recruitment specialists Harri, which has combined to improve the overall process and has led to more engaged candidates. Alongside this has been our continued focus on development, which we know improves key metrics like retention rates and happiness. We love to recognise successful development too, and it was amazing to have 300 graduates at Troxy in East London last November for a brilliant graduation ceremony.

What are you most excited about looking forwards?

I love watching people develop and progress – I find it incredibly rewarding and I am really proud of the opportunities we offer. This year, we will support 220 apprentices undertaking a number of different programmes from entry to degree level, work with our partners Rest Less to recruit more people over 50 and the charity Only a Pavement Away, to provide careers to those who are homeless or in danger of being homeless. I am particularly proud of the work we are doing with Special Olympics GB, to provide sustainable employment to people with intellectual disabilities. I want Fuller's to be a place where everyone can have a fulfilling career, whatever that looks like for them.

3

Enhance OUR ESTATE

We are very fortunate to have such an amazing line-up of iconic pubs in some of England's best-known and most beautiful locations. From The Red Lion on Whitehall to The White Buck at Burley in the heart of the New Forest and out to our stunning sites in the Cotswolds, our pubs stand proud. This predominately freehold estate provides the solid foundation on which our Company is built – and we pride ourselves on the love, care and attention we give to these properties.

Reopening the Admiralty

Following a large fire in July last year, we were delighted to get the Fire Brigade back – this time to reopen The Admiralty following a £3.3 million refurbishment.

Investing in the outdoors too

We have continued with our winterisation projects, increasing the amount of outdoor covers that can be pre-booked throughout the year.

*A new pub in the heart
of the Cotswolds*

Investing in beautiful bedrooms

The Sanctuary House by Westminster Abbey really was fit for a king when it reopened after a £2.5 million bedroom scheme, in time for the Coronation.

Link to Values:

Doing things the right way
Always asking *what's next?*

We take great pride in the schemes we carry out and always want to ensure we respect the historical integrity and enhance the ambience when we carry out an investment. We are always looking to improve too – as can be seen at The Admiralty, where we took the opportunity of making the pub fully electric. A great example of looking forward and doing things the right way.

“Taking opportunities to enhance the fabric of our wonderful estate is always one of my key priorities.”

— Peter Turner, Property Director

Creating unique and memorable experiences in magical spaces

Weddings are becoming increasingly important, and we have beautiful spaces fit for any nature of celebration.

Q&A

Peter Turner, Property Director

Where have you been investing this year?

We have added some really great sites to our Managed Pubs and Hotels business during the year – including The Rising Sun near Bashley, in the heart of the New Forest, The Willow at Bourton-on-the-Water, which is known as the Venice of the Cotswolds, and The Queen's Arms, which is landside at Heathrow Terminal 2 and a fantastic sister site to the very successful London's Pride. We've also transferred two pubs from Tenanted to Managed operations, The Plough at East Sheen and The George & Dragon in Westerham. The latter is now part of our Bel & The Dragon brand, has 13 stunning bedrooms and a terrace with amazing views.

What are your priorities for the coming year?

We are in the middle of transferring a number of pubs from our Managed to Tenanted business, which will be completed in the near future. We are also taking advantage of an amazing opportunity to sell The Mad Hatter as part of a wider property development in the area. The latter will realise around £20 million in value – far above the net book value of the property. In addition, we will continue to invest in our core estate – including the addition of a further six bedrooms at The Counting House on Cornhill and a major bedroom refurbishment at The Chamberlain, to capitalise on the continued post-Covid revival of London.

4

Evolve OUR BUSINESS

While we have nearly 180 years of history behind us, we are always looking to the future to ensure we remain relevant to our current and potential customers. We are constantly innovating our proposition to stay ahead of, and respond to, changes in consumer behaviour. Evolution is not just about change though – it's also about ensuring our strategy helps us to continually grow sales and profitability. We are focused on growing our customer base and basket, constantly strengthening our supplier relationships and leveraging the appeal of our amazing pubs to successfully grow in a sustainable manner.

Grow our profitability

By enhancing our wine lists, we have given our customers a wider and more interesting range to choose from and improved our profit margin.

Enhance our supplier partnerships

Our long-term supply agreement with Asahi puts us in a great position for the Rugby World Cup in the autumn, where Asahi is a key sponsor.

Improved use of the data available

We are still realising further benefits from the digital transformation project, smoothing the customer journey and helping increase pre-booked sales.

Link to Values:
Celebrating Individuality
Always asking *what's next?*

We evolve our business at site level by enabling our pubs to personalise their offer with a range of events and activities from comedy and panto to opera and Jane Austen. Combined with this is a laser focus on the future for the next big trends to make sure we are always ahead of the game.

Innovate to excite future consumers

We are looking at our food offer from farm to fork and you can already see the improvements in our spring/summer menu – with more to come.

Q&A

Sam Bourke, Marketing Director

As the newest member of the Executive Team, where do you see your priorities?

I'm really excited by the opportunities available and I have already identified three key areas where I think we can quickly make an impact – premium sports occasions, brunch and the lucrative family market. We've got great plans for each, and I'm looking forward to reporting on our progress in the future. If you just take the first of these, research shows that although a number of our customers enjoy watching sport in our pubs, there is a greater percentage who would like to do so more often with the right offer in place. My team is working collaboratively across the business to build a first class sports environment for our customers where our customers wish to enjoy it. And with the Rugby World Cup this autumn, it's the perfect time to get this offer right.

Is there a lot more that can be done in the digital space?

Definitely. The digital transformation that was completed before I joined is already delivering results. We can now easily split our data by segment – providing the right offer, for the right customer, at the right time, and it has given us much better sales lead management with pre-booked sales already up 20% on pre-Covid levels. I'm now looking forward to seeing how we can further harness its power to drive party, corporate and special occasion bookings, where I think there is a big opportunity across our fantastic pubs and hotels estate.

Strategy in Action Continued

5

OWN OUR impact

Our *Life is too good to waste* strategy launched in January 2020 and has developed each year. It underpins the other four areas of strategy and is fairly and squarely part of business as usual. It covers three distinct areas – our people, our communities and our planet – with each area having its own committee, led by a member of the Executive Team. From a holistic approach to our main charity partner, Special Olympics GB, which combines raising funds with improving employment prospects for people with an intellectual disability (“ID”), to substantial improvements in reducing our carbon footprint, we are taking ownership of our impact and making life better for us, our customers, our neighbourhoods and the environment.

*Take action to protect
and respect our planet*

*We continue to reduce energy
use and are on course for Net
Zero by 2030 (operations) and
2040 (supply chain).*

*Putting
sustainability
front and centre*

*Our partnership with
Green Goblet reusable
plastic glasses has
removed a vast quantity
of single use plastic.*

*Care for our people and foster
a sense of belonging*

*Diversity and inclusion training has
been completed by the Board,
Executive Team and Senior
Managers, and will be rolled out
throughout the Company.
#BeingPartOfTheFamily.*

“Unemployment among people with intellectual disabilities stands at 94%, so it’s amazing to have a corporate partner that raises money and develops sustainable employment opportunities”

— Colin Dyer, CEO, Special Olympics GB

Link to Values:

Doing things the right way
Always asking *what’s next?*

Protecting the planet is non-negotiable, so when we are looking to the future, we always have one eye on making sure we consider the impact on our people, our communities and our planet. That’s why we add charging points for electric cars when we do an investment scheme with a car park and why more and more of our pubs will become fully electric – helping us get to Net Zero.

Take action to protect and respect our planet.

We are trialling a premium draught tonic solution in some sites, which has resulted in the removal of 35,000 glass bottles from our supply chain.

Q&A

Oliver Rosevear, Sustainability Director

What are you most proud of achieving during the year?

I’m really proud of the progress we have made in reducing our energy usage and the changes we have made in our kitchens. We have seen electricity consumption fall by 13% and gas fall by 14%. We have also opened two fully electric pubs – The Admiralty on Trafalgar Square and The Queen’s Arms at Heathrow. As our electricity all comes from renewable sources, this means these two pubs are exclusively powered by net zero carbon energy. That really excites me.

What are your key priorities for the coming year?

We are on the cusp of really unlocking our plans to recruit more team members with an intellectual disability. At The Cabbage Patch, General Manager Stuart Green is leading the way and has already provided work or work experience for more than 100 young adults with IDs – and we are now ready to roll out similar schemes across further pubs. We are working with Special Olympics, and its athlete leaders, to raise awareness of the opportunities available and to help our teams understand how they can best support someone with an ID. This is a fantastic example of ESG truly embedding itself in the business. We raised over £450,000 for Special Olympics GB last year, providing even more sporting opportunities for people with IDs. By bringing them into sustainable employment, we create a truly virtuous circle. That is what ESG should be all about.

Key Performance Indicators

WE USE FINANCIAL
INDICATORS TO
MONITOR OUR
progress
IN DELIVERING
AGAINST OUR
STRATEGY
TO CREATE
long-term
sustainable
VALUE FOR ALL
STAKEHOLDERS.

Non-financial performance metrics are used within the business, including employee engagement and satisfaction scores, customer NPS and environmental targets.

REVENUE AND OTHER INCOME

£336.6m

ADJUSTED PROFIT BEFORE INCOME TAX

£12.7m

ADJUSTED EARNINGS PER SHARE ("EPS")

16.10p

NET DEBT EXCLUDING LEASE LIABILITIES

£132.8m

Definition

Revenue and other income comprises sales of goods and services, accommodation income and rental income. We have two main revenue segments: Managed Pubs and Hotels and Tenanted Inns.

Why is it important for Fuller's?

Revenue and other income drives the overall business, resulting in cash generation, which allows for investment in our estate, our people, rewards to our stakeholders and acquisitions.

Performance in FY2023

Revenue and other income increased by 33% compared with FY2022, with a 34% increase in Managed Pubs and Hotels revenue and an increase of 19% in Tenanted Inns revenue. This increase is driven by the improved ability to trade in FY2023, compared to the prior year when trading was still restricted because of the pandemic.

Definition

Adjusted profit before tax is profit before tax excluding separately disclosed items as shown in the Income Statement.

Why is it important for Fuller's?

The Directors believe that this measurement of profitability allows stakeholders to analyse trends and performance without being impacted by separately disclosed items.

Performance in FY2023

Adjusted profit increased by 76% compared to FY2022. The increase was largely due to the improved ability to trade in FY2023, particularly in London as people returned to offices and international tourism recovered. In the prior year trading was restricted for part of the year because of the pandemic.

Adjusted profit in the current year was impacted by the inflationary environment with costs such as utilities, food and staff costs increasing significantly in the year.

Definition

Adjusted earnings per share is profit after tax excluding separately disclosed items attributable to equity holders of the Group divided by the weighted average number of ordinary shares in issue during the year and using a 40p ordinary share.

Why is it important for Fuller's?

This measure shows how much money the Group is generating for its shareholders. It takes into consideration changes in profit and loss and the effects of new shares issued but excludes the impact of separately disclosed items. It is an important variable in determining our share price.

Performance in FY2023

Adjusted earnings per share increased by 64% compared to FY2022 in line with growth in adjusted profit before tax.

Definition

Net debt comprises cash and short-term deposits, bank overdraft, bank loans, debenture stock and preference shares. Net debt is pre IFRS 16 and therefore does not include lease liabilities.

Why is it important for Fuller's?

This measure helps shareholders to determine the level of debt and the overall financial stability of the Group.

Performance in FY2023

Net debt (excluding leases) was at £132.8 million (FY2022: £131.9 million). This is only a marginal increase from last year as the Group has delivered on its capital allocation framework through investment in the estate and returns to shareholders through both dividends and share buybacks.

**"DESPITE A CHALLENGING
TRADING ENVIRONMENT
WE HAVE DELIVERED
SALES GROWTH OF
33% AND INCREASED
ADJUSTED PROFIT
BEFORE TAX BY 76%."**

NEIL SMITH — FINANCE DIRECTOR

Group Revenue increased by 33% to £336.6 million (FY2022: £253.8 million). Both financial years had periods when trade was disrupted, with train and tube strikes in the current financial year and Covid restrictions in the prior year. The train and tube strikes were particularly detrimental in Central London, where a significant proportion of our estate is situated, with commuters choosing to work from home. We estimate that the strike action has reduced sales by in excess of £5 million in the financial year.

The trading environment during the year was very challenging. The war in Ukraine caused our energy costs to increase substantially. Even with hedging arrangements in place, and reduced usage, our total energy costs increased to £14.2 million, compared to £7.6 million in the prior year. We have had to manage significant food and drink inflation, and growing wage costs as a result of labour shortages at the start of the year, as well as the increase in National Living Wage. This national inflationary environment has also led to the Bank of England raising interest rates, with our finance costs rising by nearly 10% from the prior year. Despite this background, the Group has delivered an adjusted profit of £12.7 million, up by 76% on the prior year (FY2022: £7.2 million).

The financial year to 1 April 2023 comprised 53 weeks of trading, whereas the prior year represented 52 weeks. The additional week of trade contributed £5.7 million of Group revenues and £0.3 million Group adjusted profit.

In our Managed Pubs and Hotels business, like for like sales have grown by 17.5% compared to the prior year, with total sales increasing by 34%. Like for like sales in our Central London sites have risen by 40.1%, demonstrating both workers and tourists are returning to London and continue to do so.

Adjusted EBITDA for the Managed Pubs and Hotel business was £53.4 million which represents an increase of 11% on the prior year (FY2022: £48.0 million). However, adjusted EBITDA margin declined from 21.0% to 17.4%, reflecting the impact of increased energy and labour costs. Additionally, in the prior year, the UK Government was providing some support due to the pandemic. VAT rates for food and accommodation were at 5% and then 12.5%, but increased back to 20% in the current year. We also received some support grants in the prior year, which were not repeated in the current year.

Tenanted Inns revenue grew by 19% from £25.0 million to £29.8 million. Adjusted EBITDA margin improved from 51.6% to 52.0%. The low cost base of the Tenanted business means that it is a highly profitable part of the Group and continues to trade strongly despite the economic backdrop.

During the year, the Group refinanced its banking facilities with new unsecured facilities of £200 million, comprising a revolving credit facility of £110 million and a term loan of £90 million. These facilities have been agreed for a tenure of four years through to May 2026. The new facilities bear interest at a margin dependent on the leverage covenant plus a base rate of SONIA. In the year, interest rates have increased sharply with SONIA increasing from 60bps to just under 420bps. In order to mitigate the risk of high SONIA rates, on 2 September 2022, the Group entered into a zero-premium cap and collar over £60 million of the term facility. This instrument is in place for a three-year period to hedge some of the variability in interest rates. The Group sold a floor of 310bps and bought a cap of 500bps, which gives some protection should SONIA exceed 500bps.

Finance costs

Total net finance costs (before separately disclosed items) have increased by £1.1 million to £12.4 million. The increase is due to the rising Bank of England base rate partially offset by the improved margins secured on the new bank facilities as part of the refinancing in May 2022. This means that the average cost of borrowing was 7.0% in the current financial year compared to 4.2% in the prior year.

Separately disclosed items

The net position on separately disclosed items of £2.4 million expenses (FY2022: £4.3 million credit) comprises £11.8 million of profits on the disposal of nine predominately unlicensed properties, impairments of £14.3 million on 22 properties, costs of £0.5 million incurred as a result of corporate reorganisation, offset by a £0.8 million credit in respect of a historical VAT provision.

Tax

The underlying effective tax rate was 22.8% (FY2022: 16.7%) as some movements are at the current corporation tax rate of 19% and other are at the future tax rate of 25%. Separately disclosed items have an effective tax rate of 20.8% (FY2022: 74.4%) resulting in an overall tax rate of 23.3% (FY2022: 38.3%).

During the year, the significant tax revenues the Group generates for the Government rose by 70%. For the 53 weeks ended 1 April 2023, the total tax contribution of the Group to the UK Exchequer was £80.0 million (FY2022: £47.2 million) in taxes borne and taxes collected on behalf of colleagues, customers and suppliers. This significant increase is predominately in VAT payments due to the increase in sales, along with the increase in output VAT rate from a blended 8.75% in FY2022 on food and accommodation sales back to the normalised rate of 20% in FY2023.

Total tax collected (£m)

Financial Review Continued

Pension

The net defined benefit pension scheme accounting surplus has increased by £0.3 million to £14.6 million (FY2022: £14.3 million surplus) as a result of both a decrease in present value of pension obligations as the discount rate increased from 3.0% to 4.75%, and a similar quantum of decline in the fair value of scheme assets. In April 2023, the 2022 triennial valuation was concluded, and the Company agreed to continue to pay contributions into the Plan in line with the existing recovery plan. Under this plan, deficit reduction contributions started at £2.2 million per annum in July 2022. As of January 2023, the deficit reduction contributions have increased to £2.4 million.

Shareholders' return

The proposed final dividend of 10.00p per 'A' and 'C' ordinary share (FY2022: 7.41p), together with the interim dividend of 4.68p per share already paid makes a total of 14.68p per share, which is an increase of 30% and marks a return to a progressive dividend policy. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 465p. The highest price during the year was 650p, while the lowest was 444p. The Company's market capitalisation at 1 April 2023 was £282.6 million (FY2022: £383.9 million).

Capital allocation framework

The Group's capital allocation framework aims to enhance shareholder value whilst targeting leverage at no more than 3x net debt/EBITDA. The table below summarises the framework in which the Group will do this.

Policy	Targets and Philosophy	Outlook
Invest in long-term organic growth	Returns-based approach to capital investment	Annual investment of £10-15 million on maintenance capex and £10-15 million on trade enhancing capex
Sustainable and progressive dividend	Normalised dividend cover range of 2.5-3x	Progressive dividend growth in line with EPS growth to drive dividend yield for investors
Invest in additional growth opportunities	Disciplined approach to assessing investment opportunities	IRR used to measure the merits of one-off investments in assets or M&A
Targeting leverage of 3x net debt/EBITDA	Strong Balance Sheet maintained – target leverage at no more than 3x net debt/EBITDA	Recent refinancing provides certainty of funding If within our leverage target, then surplus cash may enable additional shareholder returns including share buybacks

Cash flow and net debt

Net debt (excluding leases) was at £132.8 million (FY2022: £131.9 million). This is only a marginal increase from last year as the Group has delivered on its capital allocation framework through investment in the estate and returns to shareholders. A total of £30.7 million was invested in the estate in the year – including three new acquisitions, The Queen's Arms at Heathrow, The Rising Sun, near Bashley in the heart of the New Forest, and The Willow in Bourton-on-the-Water. The improvement in EBITDA has meant that net debt/EBITDA is now at 3x, which is in line with our capital allocation framework.

	FY2023 £m
Cash flow	
EBITDA	51.8
Interest	(8.7)
Tax	–
Working capital and share transactions	(2.9)
Pension contributions	(2.3)
Cash available for discretionary spend	37.9
Capital expenditure	(30.7)
Separately disclosed items	(0.5)
Property disposals and lease surrenders	13.9
Dividends	(7.5)
Share buyback	(4.7)
Cash flow	8.4
Non cash movement	(1.7)
Net debt movement	6.7
Source of finance	
Bank debt	119.4
Other debts	27.5
Cash	(14.1)
Net debt before lease liabilities	132.8
Lease liabilities	73.1
Total net debt	205.9

Sources of finance

During the year, the Group refinanced its banking facilities with new unsecured banking facilities of £200 million, comprising a revolving credit facility of £110 million and a term loan of £90 million. These facilities have been agreed for a tenure of four years through to May 2026. The new facilities bear interest at a margin dependent on the leverage covenant plus a base rate of SONIA.

The Group's financing is a mix of bank debt, debentures, cumulative preference shares, overdraft, cash and short-term deposits as disclosed in notes 22, 24 and 26 to the financial statements. Other financial assets and liabilities such as trade receivables and payables arise through the Group's operating activities. The Group does not trade in financial instruments.

Financial risks and treasury policies

The Group operates a centralised treasury function, which controls cash management and borrowings and the Group's financial risks. The objectives of the function are to manage the Group's financial risk, to secure cost effective funding for the Group's operations, and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability, and on the cash flows of the Group. Transactions of a speculative nature are prohibited. The Group's treasury activities are governed by policies approved and monitored by the Board.

Going concern statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 65. The financial position of the Company, its cash flows, net debt and borrowing facilities, and the maturity of those facilities are set out above on pages 147 to 159.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies in note 25. The Directors have outlined the assessment approach for going concern in the accounting policy disclosure in note 1 to the financial statements. Following that review, the Directors have concluded that it is appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Viability statement

The Corporate Governance Code requires that the Directors have considered the viability of the Group over an appropriate period of time selected by them. The Directors have chosen to assess this over three financial years through to March 2026 as this aligns with the Group's strategic planning, which was reviewed and approved as part of the refinancing process. This three year plan is supported by the forecasts that are presented and approved by the Board. It takes into consideration the Group's current position and the potential impact of the principal risk documented on pages 36 to 39 in the Strategic Report. The most significant risks impacting the forecasts are the recovery of the UK economy and cost inflation, specifically food, utilities and wage costs. These factors will also have an impact on consumer behaviour and consequentially sales volumes.

Management have prepared, and the Board has considered two key scenarios:

A "base case" is the Board approved Budget for FY2024 which forms part of the three year plan to FY2026. The base case assumes there is continued impact from cost inflation specifically food, utilities and labour in FY2024 but these start to ease as we move into FY2025 and FY2026. Under this scenario, the Group would have sufficient resources and headroom on its covenants through the duration of the viability period.

A "downside case" which assumes that sales volume reduce by 10% and costs across food, staff and interest continue to rise at a much higher rate. Again, the model assumes that these cost pressures alleviate during FY2025 and FY2026. The model also assumes that train strikes are more frequent than experienced in FY2023 but are resolved in the longer term. In this 'downside case', management would implement mitigating actions such as overhead cost reduction and reduction of capital expenditure and other property spend to only essential. Under this scenario, the Group would still have sufficient resources and headroom on its covenants through the duration of the period.

At 1 April 2023, the Group's Balance Sheet comprises of 92% of the estate value being freehold properties and available headroom on facilities of £79.5 million and £14.1 million of cash and resulting net debt of £132.8 million.

During the year, the Group has secured a new facility of £200 million, split between a RCF of £110 million and a term loan of £90 million, for a tenure of four years to May 2026. Under the new agreement, the minimum liquidity covenant of £10 million tested monthly remained until November 2022. From December 2022 (and tested quarterly thereafter), the covenant suite consists of net debt to EBITDA (leverage) and EBITDA to net finance charges. See further details in note 24 to the financial statements.

Taking account of the Company's current position, principal risks facing the business and the sensitivity analysis discussed above, as well as the potential mitigating actions that the company could take, the Board expects that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

Further details on the forecast process and assumptions can be found in note 1 to the financial statements.

Neil Smith

Neil Smith
Finance Director
14 June 2023

Risk Management

Managing risks effectively is key to ensuring that we achieve our strategic objectives in the long term and continue to deliver the high standards our customers, our people and our shareholders expect. Risk arises both as a natural consequence of doing business and in the pursuit of our strategy.

Our risk management approach is governed through a robust framework and we follow a consistent process for the identification and review of risk. The Board reviews these risks in the knowledge that currently unknown, non-existent or immaterial risks could turn out to be significant in the future, and ensures that a robust assessment has been performed.

Risk Management Governance Framework

The risk management process is operated by the Executive Team, supported by the Head of Risk, and is overseen by the Audit and Risk Committee and the Board, which is further supported by the external audit process.

Governance	Role	Output
Board	Oversees the risk management and internal controls processes Defines the Group's risk appetite and assesses the principal risks	Final approval
Audit and Risk Committee	<ul style="list-style-type: none"> Provides guidance and direction and supports the Board in the management of risk Reviews the effectiveness of the risk management strategy and internal controls process 	<ul style="list-style-type: none"> Recommendations to the Board
Executive Team	Responsible for day to day operational implementation of the risk management strategy Provides advice and guidance to the business areas Considers emerging risks Accountable to the Audit and Risk Committee and Board	Group risk register Principal risk reviews Audit and Board reports
Business Risk Management	Implements and maintains risk management procedures Maintains risk registers including identification of risk, mitigating controls and actions	Division and Department risk registers
Task Force on Climate-related Financial Disclosures Working Group	Oversees climate specific risks and integrates mitigation controls and actions into the wider risk strategy	TCFD report and climate-related risk mitigation approach

Role of the Board

The Board is responsible for effective risk management and oversees a governance model that incorporates an integrated assurance model. It also formally articulates the Group's overarching appetite and tolerance for risk.

Through our risk governance structures, frameworks, processes and reporting mechanisms, Directors are provided with the information and insight needed to make a robust assessment of the Group's most material risks and to understand how they are being mitigated and managed in line with the Board's stated risk appetite and tolerance. The Board is responsible for monitoring the Group's culture to ensure it encourages openness and transparency across the business, which directly supports effective risk management.

Risk Appetite

The Group's approach is to take a long-term view of its business and to assess all risks accordingly, while ensuring we take opportunities to deliver economic reward in line with the Group's strategy, as follows:

- Risks should be managed consistently and in line with the Group's strategy, financial objectives and guiding principles
- Opportunities should only be pursued where the scope for appropriate reward is supported by an informed assessment of risk
- Risks should be actively managed and monitored through the appropriate allocation of management and other resources.

Risk Management Process

The Executive Team follows a clear, simple and robust process to identify the Group's most significant risks, incorporating both top-down and bottom-up assessments:

- Both the Managed and Tenanted businesses as well as the support centre functions prepare their material risks in registers which are reviewed on a half yearly basis by the Executive Team
- This also includes a review of the climate-related risks considered over short, medium and long-term horizons. The detail of our climate-related risks are disclosed in our TCFD reporting on pages 54 to 61
- We use a risk categorisation framework to analyse the risk registers
- The risks identified through this mechanism that are considered most significant, in terms of their materiality to the Group, are recorded in the Group risk register
- Emerging risks are discussed regularly by the Executive Team and escalated to the Audit and Risk Committee as required
- In addition, the Audit and Risk Committee conducts a deep dive on specific risk areas based on the judgement of the Committee, looking at: changes in risk likelihood; changes in the materiality of impact; any changes to the mitigation; and controls that are in place
- Every principal risk is assessed to see whether it could have a material strategic or commercial impact, either on its own or as part of a multiple risk scenario
- The Executive Team ensures principal risks are managed appropriately, monitored and reported internally and externally
- At each half year, the Executive Team considers and challenges whether risks are being managed to the tolerance approved by the Board, using principal risk reports to monitor how far material financial, operational and compliance controls and mitigations have been implemented, their effectiveness, and how close the current net risk rating is to our risk tolerance
- The outcomes of half yearly reviews considered by the Executive Team are reported to the Audit and Risk Committee and the Board, with particular focus on risks that are outside tolerance, and actions are agreed
- Principal risk reviews also support the Audit and Risk Committee and Board in monitoring and reviewing the effectiveness of the Group's internal control framework.

Risk Assessment

We rate risks by considering their potential financial and non-financial impacts and the likelihood that they will happen, using a consistent rating grid to compare and prioritise risks. The risk rating takes into account the controls and mitigations in place to reduce the likelihood and/or impact of the risk, its implementation status and effectiveness. Risk ratings are regularly reviewed to consider whether the external or internal context, strategy, business objectives or resources available to manage the risk have changed.

The suitability of the controls and mitigations are reviewed through robust reporting and monitoring which creates a feedback loop enabling a continuous improvement process to be in place regarding risk management. This includes reviewing ownership and accountability of risks and controls across the Executive and Management teams.

Assessment of Emerging Risks

As well as assessing ongoing risks, we continue to consider how the business could be affected by emerging risks. Our Executive Team and department heads horizon-scan to monitor any potential disruptions that could dramatically change our industry and/or our business, from both a risk and opportunity perspective, to understand the changing landscape and take appropriate actions. It is often possible to predict the potential impacts of emerging risks, but it is more challenging to predict their likelihood, timing and velocity.

Changes to Risk Scores Versus Prior Year



Coronavirus

We have seen an improving risk outlook on the impact of Covid-19. The UK has fully opened up and international tourism is recovering. On 5 May 2023, the WHO agreed that the disease no longer fits the definition of a Public Health Emergency of International Concern. We have therefore reduced the likelihood of a pandemic impacting our business but remain alert to the potential risks. We continue to monitor global health issues and their potential impact as part of our horizon scanning and emerging risk process.



Recruitment and Retention

Our vacancy levels are at the lowest they have been post-pandemic and whilst recruitment and retention remains a significant challenge across the industry, the mitigating actions we have taken have meant that the risk to the business has lessened over the last year.



Supply Chain

While we continue to face a degree of uncertainty due to the ongoing situation in Ukraine, we see the supply chain situation easing in the future. The combination of returning to business as usual post-Covid, better access to data, and support from key suppliers has resulted in improved forecasting and management of stock.

Principal Risks and Uncertainties

The following heatmap sets out the impact and likelihood scores for our principal risks and further detail of these risks and emerging risks is set out in the table below. The analysis is not intended to be a comprehensive list of all risks actively managed by the business. The key financial risks are detailed in note 26 to the financial statements.

Risks	
1	Economic Uncertainty
2	Consumer Demand Shifts
3	Information Technology/Cyber Security
4	Financing
5	Cost Inflation
6	Supply Chain
7	Recruitment & Retention
8	Health & Safety
9	Future Pandemic
10	Sustainability & Environment

Risk Key

 New

 Decrease

 Increase

 No change

Principal risks

1. Economic Uncertainty

MOVEMENT 

Owner	Description	Control and Risk Mitigation
<div>Chief Executive</div>	<p>The inflationary environment, cost of living increases and the threat of recession could have an impact on demand.</p> <p>In addition, the impact of strike action – particularly transport strikes – has a significant impact on our city centre sites.</p>	<p>We closely monitor our cash flow to ensure we maintain an appropriate level of liquidity, continue to keep a diversified estate and review the composition.</p> <p>Our core customer group is typically at higher income levels, which helps mitigate some of the effects of inflationary pressures on our business.</p> <p>We are able to adjust our variable cost base to reduce the impact of strike action on our overall profitability.</p>

2. Consumer Demand Shifts

MOVEMENT

1

Owner	Description	Control and Risk Mitigation
Marketing Director	<p>The Group's success is attributable to its ability to anticipate and react to consumer demand.</p> <p>In recent years, we have seen changes including but not limited to working from home, the demand shift in city venues vs rural, and food delivery services. There is a continued trend towards healthy and lifestyle choices which could impact demand. As noted above, this is also impacted by economic uncertainty.</p>	<p>Management monitor and research consumer trends, gather consumer feedback through Net Promoter Score surveys, online and social media reviews, and customer complaints.</p> <p>We analyse retail pricing and market share data to ensure we are competitive but still premium.</p> <p>The balance of our estate across both city and rural locations allows us to manage demand shifts.</p> <p>Our digital transformation now enables us to increase frequency and spend from existing customers, and to target new customers.</p>

3. Information Technology/Cyber Security

MOVEMENT

1

Owner	Description	Control and Risk Mitigation
Finance Director	<p>The Group is increasingly reliant on its information systems to operate, and trading would be affected by any significant or prolonged failures and/or data loss. In addition, the sophistication of cyber attacks continues to increase.</p>	<p>Our IT function has a range of facilities and controls in place to ensure that, in the event of an issue, normal operation would be restored quickly. These include a formal IT Recovery Plan, online replication of systems and backup datacentres, and external support for hardware and software. We continue to introduce more preventive measures to reflect the increased risk. These include external reviews of our IT controls and a range of assessment and training for all team members who have access to our network.</p>

4. Financing

MOVEMENT

1

Owner	Description	Control and Risk Mitigation
Finance Director	<p>Interest rates may increase, adversely impacting profit, and/or there could be a risk of breaching financial covenants. There is a risk that we are unable to find suitable financing when required.</p>	<p>Our current financing facility runs until May 2026 and we maintain good relationships with our current lenders. The predominately freehold nature of our business means we have the ability to offer more certainty than many in our sector when raising finance, and alternative financing approaches are available.</p> <p>We closely monitor our cash flow and control of investments to ensure we maintain appropriate levels of debt cover. We have an interest rate cap and collar in place to mitigate some of the impact of rising rates.</p>

Principal Risks and Uncertainties Continued

5. Cost Inflation

MOVEMENT



Owner	Description	Control and Risk Mitigation
Finance Director	<p>There is a risk of rising input costs across all areas, including food and drink, utilities and staff costs. This has been accelerated by the current global economic environment and the war in Ukraine.</p> <p>Staff costs could be impacted by further changes to the National Living Wage, a tightening of labour supply, and the demand for higher wages due to the cost of living increases and inflation.</p>	<p>We regularly monitor prices using relevant commodity databases, review forward looking inflation and all key contracts are competitively tendered. We have increased the frequency of our margin monitoring internally, and our retail price monitoring compared with our competitors. This allows us to act quickly if there are significant changes in input costs.</p> <p>Our property management platform allows us to control property costs.</p> <p>Our preference is to have long-term agreements in place and we have recently agreed deals across the majority of our drinks suppliers. We have a Long-Term Supply Agreement ("LTSA") in place with Asahi Europe & International Ltd for the supply of beer, cider and other beverages to 2029, which caps the increase to below CPI.</p> <p>The majority of our energy use is covered by fixed-term prices. For the 2024 financial year, we are fully hedged for both gas and electricity.</p> <p>We aim to mitigate the risk of staff cost increases through operational efficiency and continued optimisation of staffing levels.</p>

6. Supply Chain

MOVEMENT



Owner	Description	Control and Risk Mitigation
Finance Director	<p>There is a risk that failure in our supply chain may damage customer satisfaction and could impact the profitability of the Group. Any large scale issue with out of stock items could have an impact on trade in our businesses.</p> <p>We have also identified a potential long term risk to our supply chain as a result of climate change.</p>	<p>The LTSA in place with Asahi Europe & International Ltd for the supply of beer, cider and other beverages ensures that products will meet certain brand performance metrics, and the supply service is subject to key performance indicators ("KPIs").</p> <p>All other key suppliers are subject to service and quality KPIs which are monitored on a monthly basis. Our preference is for long-term agreements which enable strong relationships, and we work with smaller suppliers to ensure that they grow healthy sustainable businesses outside of their agreement with Fuller's.</p> <p>We have a reputation of honesty, trust and fairness, and our long-term collaborative approach has meant our suppliers continue to fulfil our needs. Given the ongoing difficulties in supply, these relationships, coupled with our ability to replace and adapt our customer offering, help us to mitigate supply chain challenges. We seek to understand more about products at risk as a result of climate change and look to identify ways to mitigate this risk over time.</p>

7. Recruitment & Retention

MOVEMENT



Owner	Description	Control and Risk Mitigation
People & Talent Director	<p>The recruitment and retention of high calibre employees is fundamental to our ability to deliver a distinctive experience for our customers, and to support our growth agenda.</p> <p>The challenging recruitment market for hospitality is likely to continue for roles held by support centre employees, who may view a career within hospitality as less attractive than other parts of the economy currently.</p>	<p>We invest heavily in our people, offering them real career paths. We are able to differentiate ourselves from the competition and ensure that we remain an employer of choice in a challenging market. The opportunity to join at a junior level, e.g. as an apprentice, complete our Chefs' Guild Scholarship, and progress to either Head Chef or General Manager is very appealing. We continue to develop our apprenticeship and development programmes, have a competitive pay and reward structure, and run a successful inhouse recruitment function.</p> <p>We have succession plans in place for key Senior Management roles and have drawn upon these when selecting an Executive Team to deliver the Board's strategy for our pubs and hotels focused business.</p>

8. Health & Safety

MOVEMENT



Owner	Description	Control and Risk Mitigation
Retail Director	<p>The health and safety of our employees and customers, and the general public when on our estate, is a key priority for us.</p> <p>There is a risk that we do not adhere to the highest health and safety standards, further increased by the large number of sites we operate.</p> <p>There is a risk of a customer suffering from our staff failing to deliver our allergens policies and procedures.</p>	<p>We have a comprehensive training programme in place for our employees covering all aspects of health and safety.</p> <p>All sites complete a risk assessment and are required to undertake detailed weekly and monthly compliance checks which are then subject to review by our in-house health and safety team. The allergen procedures we have implemented to manage the risks are continuously reviewed to ensure controls remain appropriate.</p> <p>We continue to utilise the services of expert third party health and safety consultants to undertake annual audits covering food, fire and general health and safety risks on all our sites and to perform detailed investigations in instances where an incident does occur.</p>

9. Future Pandemic

MOVEMENT



Owner	Description	Control and Risk Mitigation
Chief Executive	<p>The Covid-19 outbreak had a seismic impact on our industry, most obviously through the closure of all our pubs and hotels followed by the enforced social distancing and other restrictions. There is a risk of subsequent pandemics, either entirely new strains of a virus or evolutions of the current strain, and a government strategy in response to this that negatively impacts the business.</p>	<p>We closely monitor our cash flow to ensure we maintain an appropriate level of liquidity, continue to keep a diversified estate and review the composition in the light of recent events, negotiating more flexibility into leases going forward, keeping strong ties with government, building on our pandemic response plan, and maintaining and enhancing our flexibility in our customer offering and operational procedures.</p> <p>We have successfully emerged from Covid-19, which gives us confidence that we could do so again.</p>

10. Sustainability & Environment

MOVEMENT



Owner	Description	Control and Risk Mitigation
Chief Executive	<p>Climate change risk could impact our supply chain. Uncertainties over how these risks will evolve could reduce revenues and profit. This could also impact trust and reputation among customers, investors and other stakeholders.</p>	<p>The Group is contributing to the Net Zero Carbon Roadmap to Net Zero by 2030 for Scope 1 and 2 and 2040 for Scope 3. We are already working on energy usage and supplier engagement to mitigate carbon emissions.</p> <p>Our TCFD reporting helps us to identify and assess key risks and opportunities and the impacts of climate change to our business. We intend to further analyse the potential climate-related risks to our business and seek to mitigate these over time.</p> <p>We have implemented our <i>Life is too good to waste</i> programme which is across our people, communities and planet.</p> <p>Our Sustainability Director has identified a programme of changes and initiatives in our pubs, hotels and support centre to help us grow in a sustainable way.</p>

WE ARE
COMMITTED TO
ALWAYS DOING
THINGS THE
right way
FOR OUR
PEOPLE, OUR
COMMUNITIES,
AND THE PLANET.

2023 Highlights

OUR PLANET
See pages 42 to 45

14%
Reduction in gas usage

13%
Reduction in electricity usage

100%
Waste diverted from landfill

285k
Litres of waste cooking oil collected

OUR COMMUNITIES
See pages 48 to 51

£10k
Raised for Made in Hackney

6.5k
Special Olympics GB athletes supported

2,000
Miles walked for Special Olympics GB

94%
Unemployment rate among those with IDs

OUR PEOPLE
See pages 52 to 53

57%
Happiness Index response rate

100
Mental Health Champions

963
My Voice comments

7.6
Average happiness score

LIFE IS TOO GOOD TO WASTE

Fuller's approach to becoming a more sustainable business

We protect and respect the things that matter and, when we work together – the Fuller's family, our customers, and our suppliers – there's no limit to what we can achieve. Taking small steps together we intend to make a big difference because we know that *Life is too good to waste*.

OUR PLANET

Fuller's knows that a healthy planet is essential to the future of our business, people and communities. We know that small changes can collectively make a big difference. We are committed to making better choices – behind the bar, in the kitchen, and in our support centre.

OUR COMMUNITIES

Communities have always been at the heart of Fuller's and through our charity links and community initiatives, we want to continue to help them thrive. Our pubs and hotels have never just been bricks and mortar – they're places where communities meet and connect. They are places everyone can feel welcome.

We all have a role to play in supporting our communities and reigniting a true sense of community spirit.

OUR PEOPLE

Our people are what makes Fuller's special. That's why we're focused on looking after them – ensuring they have a sense of belonging and a belief that we truly care about their wellbeing, as well as opportunities to grow.

We're committed to creating inclusive workplaces so our people feel confident to bring their whole selves to work. We're thinking ahead – offering genuine work opportunities will make sure people can build something incredible now and for their future.

OUR PLANET

In 2021, Fuller's joined 27 other hospitality businesses to create a Roadmap for Hospitality to Net Zero. As a collective, we announced we would achieve Net Zero by 2040 – with a commitment to achieve Net Zero for operational emissions by 2030.

With this in mind, we set out our own roadmap to achieve this ambitious goal. During FY2022, we mapped out our carbon footprint across our operations and supply chain. In our baseline year, FY2020, 26% of Fuller's carbon footprint related to Scope 1 and 2 operational emissions with the other 74% arising in our supply chain and Tenanted estate.

As a business we recognise the importance of aligning our response to the climate crisis with the latest climate science. We have therefore aligned our emission reduction targets with the Science Based Targets initiative ("SBTi"). These targets – which will cover our Scope 1, 2 and 3 emissions – have been submitted for validation with SBTi and we are currently awaiting approval.

In October 2021, we committed to procuring 100% renewable energy across our Managed estate and our support centre, Pier House – sourced from wind, solar and hydroelectricity. This change cut our carbon emissions in half overnight.

In March 2022, the focus on reducing energy became ever more essential as energy prices surged – increasing energy costs by circa two times those of the previous year. By targeting high energy areas of the business, including kitchen extract, refrigeration and the lighting and heating of our pubs, we aimed to significantly reduce our consumption of electricity and gas.

All our managed sites have been fitted with smart electricity and gas meters, allowing us to monitor and act on high energy usage. Our IT team developed a pub managers' online tool to help the team understand how and when they were using energy and to identify opportunities to save energy throughout the day and night. Alongside this, we also launched a series of training and engagement guides for General Managers, Head Chefs and their teams – to share the opportunities to save energy through behavioural change. We also worked with team members to create videos showing how small changes could make a big difference. Finally, we set a bonused reduction target with our General Managers and Senior Management team to ensure they remained focused on the task in hand.

To support our teams on their journey, we engaged with Hospitality Energy Saving consultants to carry out energy audits – to optimise energy usage in sites and help teams understand how they can reduce energy. The results of these visits were shared with the General Managers, Operations Managers, and Surveyors to ensure action was taken. In the second half of the year, we began follow up coaching calls with our General Managers to take them through the results of the audit and review how their efforts to reduce energy were progressing.

While behavioural change has helped to reduce energy usage, we also needed to ensure we invested in our estate to help our team to better control energy usage. Over the past few years, Fuller's had already transitioned to LED lights both internally and externally in spaces such as car parks. However, we continue to review where better lighting controls and motion sensors can be implemented as part of planned refurbishments of our pubs and hotels.

Heating accounts for over 50% of the gas used in our sites. To limit gas usage across the winter, we carried out proactive boiler services – resetting controls to the correct time periods and temperature. We also added an organic additive, EndoTherm, to our heating systems to improve the efficiency of heat transfer from radiators.

Our pubs typically generate hot water using standard gas fired boilers. We now have five sites where the hot water is generated by an air source heat pump system – which takes waste heat from our cellar cooling condenser and uses it to create hot water. This not only reduces gas demand but utilises heat which typically would have gone to waste. We are looking at other sites where we can implement this technology over time.

We recognised that cellar cooling can be responsible for over 20% of an average pub's energy usage. We worked with our cellar services team to identify controls which can reduce energy usage. On our remote beer coolers, we have added smart timers which switch off the refrigeration overnight. This can save up to 25% of electricity overnight without impacting the beer quality. This same technology has also been embedded into our post mix coolers by our beverages partner Britvic. We have also changed the temperature controls on our cellar cooling unit to achieve the right temperature where the beer is stored rather than the ambient temperature of the cellar. This again keeps the beer at the right temperature while reducing energy usage by 20%. We are also using these works as an opportunity to ensure all our cellar equipment is running at its optimum.

Kitchens also require a significant amount of gas and electricity to power equipment. We've been working with our chefs to consider how and when they switch on equipment to save energy. We have also been trialling new electrical kitchen equipment to reduce our requirement for gas and ultimately reduce carbon emissions. We have several sites where we have swapped from gas to induction hobs. We find the new induction hobs only require power for a tenth of the time that a typical gas hob would be required – as they only switch on when in contact with a pan. We believe transition to induction cooking is not only environmentally beneficial but financially too, as well as reducing the heat in the kitchen for our chefs.

Our support centre, Pier House, now hosts 104 solar panels on the roof – these will generate around 10% of the power requirements for the building.

As a result of all these initiatives, we have reduced energy usage to date by 13% for electricity and 14% for gas. This has resulted in a 948-tonne reduction in carbon emissions. We expect to see further savings as the projects continue to roll out over the coming months.

In order to achieve Net Zero in our operations by 2030, we need to transition away from high carbon fuels such as mains gas, oil and liquefied petroleum gas ("LPG"). Our approach is to develop energy efficient, electrically powered pubs where possible to dramatically reduce our reliance on these fuels. In August 2022, we opened our first all electric pub – The Queen's Arms in Heathrow Terminal 2. The Admiralty reopened in April 2023 following a refit due to a fire. As part of the refurbishment, the pub is now fully electric – with a commitment to only procure 100% renewable electricity, it is powered by a zero carbon energy source. The Willow in Bourton-on-the-Water, our newest pub located in the Cotswolds, is also kitted out with energy saving equipment throughout – all lighting, heating and cooling, and the majority of the kitchen equipment, are all powered by renewable energy sources. These sites are helping us to define how we electrify more of our pubs and hotels moving forward.

Sustainability Report Continued

Streamlined Energy and Carbon Reporting

This report details our Greenhouse Gas ("GHG") emissions and energy use for FY2023 under the Streamlined Energy and Carbon Reporting ("SERC") requirements.

Methodology:

We have collated data relating to our Scope 1, Scope 2, and partial Scope 3 emissions and energy use for activities over which we have financial control. All of our emissions and energy use relate to UK activities. Our GHG emissions were calculated in line with HM Government Environmental Reporting and the GHG Protocol methodology.

The table below summarises emissions and energy use for FY2023:

	FY2023	FY2022 ²	FY2021	FY2020
Scope 1 Energy Consumption kWh	39,121,389	43,047,445	23,590,317	–
Scope 2 Energy Consumption kWh	32,767,748	30,438,473	18,503,251	–
Scope 3 Energy Consumption kWh	1,025,618	827,609	202,476	–
Total Energy Consumption kWh	72,914,756	74,313,526	42,296,044	83,555,406
Scope 1 emissions tCO ₂ e	7,669	8,119	4,419	8,436
Scope 2 emissions tCO ₂ e	6,337	6,463	4,314	8,902
Scope 3 emissions tCO ₂ e	253	928	48	–
Gross Scope 1, 2 and 3 emissions tCO₂e	14,259	15,511	8,781	17,338
Net Scope 1, 2 and 3 emissions tCO₂e¹	7,922	11,911	8,781	17,338
Turnover £m	336.6	253.8	73.2	342.0
Gross Intensity Ratio: tCO₂e / turnover £m	42.4	61.1	120.0	50.7
Net Intensity Ratio: tCO₂e / turnover £m¹	23.5	46.9	120.0	50.7

1 From October 2021, we have purchased 100% renewable electricity and therefore associated emissions can be deducted from the gross total to give net Scope 1, 2 and 3 emissions as stated above.

2 FY2022 figures have been restated following the availability of additional data. Year on year comparison is distorted due to the impact of Covid-19 on trading in FY2021 and FY2022, resulting in reduced energy consumption.

The largest single element is gas consumption, which is predominately used for heating and kitchen equipment. When compared to electricity, gas will often have higher emissions, but will be significantly lower in cost.

Scope 2 consumption has increased slightly compared to FY2022 due to electrification and the addition of new sites. Scope 1 emissions have reduced when compared to FY2022 due to lower gas and LPG consumption. Scope 3 emissions from employee-owned vehicles has reduced significantly when compared to FY2022.

There is a significant reduction in both gross and net intensity metrics, due to the increased turnover reported, the reduction in Scope 1 and Scope 3 emissions and the full reporting period being covered by renewable electricity supply for the first time.

Sustainable travel

As part of our commitment to the planet and our people, we recognise the need to encourage more sustainable travel for our teams and guests. We have 7KW fast electric vehicle ("EV") chargers installed in 15 locations within the Fuller's estate and are looking to expand this network over the next 12 months. We've also installed 10 new EV charge points at Pier House. This gives our teams and guests more opportunities to charge their EV vehicles when they visit our support centre.

We also look at ways to support our teams in moving to more sustainable forms of travel. We have recently launched an EV salary sacrifice scheme with Octopus Energy to create better access for employees to electric cars. In addition, we have a cycle to work discount scheme and a partnership with Lime which offers our London-based team members 50% off when they ride a Lime e-bike or e-scooter.

Reduce, Reuse, Recycle

We are committed to reducing the amount of material resource we use to operate our business and follow the principle of reducing, reusing, and recycling wherever possible.

Reduce

We recognise that reducing the volume of waste created in the first place is the most sustainable way to operate. Over the past year, we have tested and implemented a number of initiatives.

We have been working with our beverage partner Britvic to trial a new premium tonic dispenser in four of our London pubs. The dispense unit supplies a number of styles of tonic from the London Essence range. Introducing this unit has helped to significantly reduce the number of glass tonic bottles used in these sites. During the four site trial, we were able to reduce the number of glass tonic bottles by 35,000 – avoiding 6.7 tonnes of glass waste and reducing delivery road miles by 27,000km. We are looking to implement this solution into a number of sites in the coming year.

In September 2022, we introduced a reusable cup scheme with event solutions experts, Green Goblet. The scheme was launched in partnership with two of our key drinks suppliers, Asahi and Sipsmith. The cups are being used in our pubs during major events such as the Six Nations, the Boat Race and football match days. We will also utilise them in our gardens during the summer. The reusable cups will replace single use plastic cups which have historically been used for large outdoor events where glassware isn't suitable for operational and health and safety reasons. Using the Green Goblet cups will save tens of thousands of single use plastic cups going to waste during these events. We trialled the reusable cups in some of our popular rugby pubs, near Twickenham Stadium, during the Autumn Internationals in November 2022. By doing so, we saved over 65,000 single use plastic cups from being used – across just five pubs. Green Goblet will also ensure the cups are professionally washed and dried after each event – saving time, energy and water for the pubs. It is a simple solution to eliminating one form of single use plastics.

After the Government's recent announcement on the imminent banning of single use plastics in England, rolling out the Green Goblet cups means we're ahead of the curve. This solution also demonstrates Fuller's commitment to being an environmentally responsible organisation in reducing waste, encouraging reuse, and pushing towards a circular economy to reduce our impact on the planet.

Reuse

In order to keep our pubs and hotels in great condition, we are continuously carrying out refurbishments of our existing estate as well as acquiring new sites such as The Willow in Bourton-on-the-Water. We keep many unwanted items taken from our pubs and use them in new properties rather than sending them off for recycling. Where relevant, we will remove, refurbish and repair existing items for use in future projects.

Recycle

In March 2022, Fuller's moved its waste management to Veolia, to significantly increase access to recycling for our pubs and hotels. The majority of our sites now have access to mixed, glass and food recycling – which has seen our recycling rate increase from 35% to 57%.

Veolia's team is working closely with our sites to encourage better segregation of waste and looking at innovative ways to recycle more. We are also pleased to confirm that 100% of the waste collected is being diverted from landfill.

Several of our sites have taken the initiative to collect used coffee grounds and offer them to some of our customers who are keen gardeners as an alternative to compost. The nitrate levels in the coffee act as a natural soil improver and it's an opportunity for this waste product to be used in a more sustainable way.

Many of our sites work with our oil recyclers Olleco to collect waste cooking oil. Olleco recycles this oil creating a biodiesel product used to fuel vehicles. Over the past 12 months, it has collected 285,258 litres of oil from our pubs and hotels. This product reduces emissions from vehicles by up to 88%.

The Admiralty

In the kitchen, electric induction hobs, powered by a renewable energy source, have been installed to reduce the amount of energy used. This also reduces the heat in the kitchen for our chefs and reduces the amount of extraction required. We also have highly efficient electric fryers and grills in place to allow better control of energy by our chefs. The induction hobs, and salamander grills that have also been installed, draw energy when in use rather than being on all the time. We have installed a power monitoring and management system that reduces energy use by turning high demand equipment on and off without affecting trade.

The pub has heat recovery technology – where heat produced by the cellar cooling is captured and converted into hot water for the site. The heating, air conditioning and ventilation systems utilise industry leading equipment – boasting high energy efficiency, all zoned throughout the pub and thermostatically controlled. Plus, all the lighting in The Admiralty is low energy LED – with timer clocks to manage use.

Sustainability Report Continued

OUR SUPPLIERS' SUSTAINABILITY JOURNEYS: PROTECTING THE PLANET THROUGH *partnership*

Our supply chain is responsible for over 62% of our carbon emissions and our suppliers are the key to us reducing our impact on the planet. Fuller's has always been proud of the relationships we hold with our suppliers and their willingness to support us on our mission. More than ever, this year, our suppliers have been working hard on their own sustainability journeys and these initiatives are helping us and them to strive for a better planet and stronger communities.

Severn & Wye

Severn & Wye is one of our seafood suppliers and creates our iconic London Porter smoked salmon in its Gloucestershire smokery. Severn & Wye is committed to purchasing raw material from both a sustainable and responsible supply base, wherever possible. Severn & Wye never purchase fish from species recorded on any endangered species list or with an Marine Conservation Society ("MCS") rating greater than 3.

Severn & Wye fully supports the commitment of the farmed salmon feed suppliers in their efforts to achieve zero net deforestation through the cultivation of soy contained within its feed. In order to achieve this, Severn & Wye only sources raw materials that are certified as sustainable by schemes such as ProTerra or the Round Table on Sustainable Soy. This year, it participated in the responsible soy mapping through sustainability consultants 3Keel, assessing the use of soy in feed in the supply chain – with an aim to reduce deforestation caused by soy in the food industry.

Likewise, where palm oil is used within the feed, it must be certified to the RSPO principles and criteria, and must come through segregated supply chains.

Direct Seafoods

"Sourcing fish responsibly is paramount to our business. We passionately believe in promoting the most sustainable products available to us. We work closely with our fish and seafood suppliers, both mainstream and specialist. We have links with NGOs such as MSC to develop and market sustainable alternatives. We only ship fish across the country if they are not available locally; minimum food miles means maximum freshness.

A significant amount of seafood is wild caught which can lead to overfishing, unwanted by-catch and destructive catch methods. We take the view that we need to work within the industry to guide our customers towards sustainable choices.

Our Seafood Sustainability principles dictate that we:

1. Seek third party independent accreditation wherever possible and give preference to suppliers that are accredited.
2. We demand to know the source and origin of the seafood we sell and endeavour to shorten the supply chain wherever possible.
3. We never knowingly sell products that damage the environment or risk the survival of a species without a plan to rectify the products' sustainability credentials.

We believe that the process of investigating sustainability options for customers is a task without end. Nothing will ever remain completely sustainable and often unsustainable choices may become sustainable through proper management. Therefore, we treat the search as a journey rather than a destination."

Direct Seafoods was the first seafood business to join the Ethical Trading Initiative ("ETI"). The ETI is an allegiance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. Its vision is a world where all workers are free from exploitation and discrimination, and enjoy conditions of freedom, security, and equity.

Asahi

Asahi plans to become carbon neutral within its breweries by 2030 and to engage its suppliers and partners to reduce carbon emissions of its products across the whole supply chain by 30% in the same period. Asahi's ultimate commitment is to achieve Net Zero emissions across its entire supply chain by 2050. By 2025, all electrical energy that it uses in its breweries will be coming from renewable sources.

"By the year 2030, our ambition is that all of our breweries will be carbon neutral, all the packaging we use recyclable, ingredients coming from sustainable sources and we will continue to be the best in class in water consumption, while fostering partnerships across our supply chains, as well as in the communities where we operate."

Water is an absolutely crucial ingredient in brewing beer. Asahi's aim is to make sure that it secures plentiful water of good quality. Over the past decade, Asahi has cut its water consumption to a level which is the best in class not only in Europe, but also worldwide. By 2030, it aims to reach an average consumption in Europe of 2.75 litres of water per litre of beer brewed in every single brewery it operates in Europe.

By 2030, Asahi will only use containers and secondary packaging that is reusable or fully recyclable, and made chiefly from recycled content.

Asahi's Draught Technical Services team recently moved its 10-vehicle fleet to plug-in hybrid electric vehicles (PHEVs). In an average year, the Draught Technical Services team covers 200k miles, generating a carbon output of around 67 tonnes per year. As a result of the switch to PHEV petrol vehicles, the estimated annual carbon output of the team should now be 22 tonnes – cutting emissions by two thirds.

While keeping a keen eye on EV and hydrogen development, stop gap alternatives are being considered such as sustainably sourced HVO biofuel to directly replace diesel. Not only would this cut emissions, but it would help reduce air pollution in urban areas.

Sipsmith: Proud to be a B Corp

In May 2021, Sipsmith achieved its B Corp certification and continues to maintain its high standards of social and ethical performance, public transparency and legal accountability – both in the sector as one of the first gin distilleries to have B Corp and within the wider business community.

Sipsmith continues to source its electricity from renewable sources, eliminating Scope 2 emissions. It harnessed the power of cold water in the winter to reduce its energy use during distilling. Sipsmith continues to improve the efficiency of its steam generation by detecting and eliminating leaks.

"Flex-hex packaging was trialled for our single use bottles during 2022, where 1.5k bottles were sent out. The feedback from customers was positive, with no complaints about breakages. Building on this success, we will be redesigning our packaging for the new bottle once our existing packaging stock has been used."

"London Interdisciplinary School conducted research on behalf of Sipsmith to identify opportunities for us to collaborate with local businesses, researching possible uses for effluent and botanical by-products. For botanicals, recommendations included partnerships with sustainable fashion houses or other B Corp companies. For the reuse of effluent, the report recommended it was spread on the land, sent to an anaerobic digestion plant or further research could be conducted into its use in emerging technologies."

OUR communities

FULLER'S HAS BEEN ACTIVE IN ITS
local communities
SINCE 1845 AND TODAY, WE HAVE A
COMMITMENT OF DONATING **1%**
OF OUR ANNUAL PROFITS TO
CHARITY. WE SUPPORT A *wide*
range OF CHARITIES.

OUR CHARITY PARTNERS:

Special Olympics GB

Since 2018, Special Olympics GB has been our main charity partner. Special Olympics GB provides opportunities for year-round, all-ability sports programmes for more than 10,000 athletes of all ages with intellectual disabilities – to help transform lives through sport.

Since the beginning of our partnership, Fuller's support has allowed Special Olympics GB to deliver its work to more than 6,500 athletes at 95 all-ability, inclusive sports clubs – covering 27 sports across England, Scotland and Wales. This provides nearly 13,000 regular, hour-long sporting sessions per year, all delivered by a team of more than 3,800 volunteers.

Pennies

Pennies is a digital upgrade of the traditional charity box, designed to fit with our increasingly cashless lifestyles. It gives customers in our Managed Pubs and Hotels the opportunity to give a few pence to charity when paying by card with the press of a button to round up to the nearest pound.

We have partnered with Pennies since July 2019. Last year, our customers donated £205,050 – proving that small donations go a long way.

Of the money raised through our Pennies donations, 90% of this is currently donated to Special Olympics GB and the remaining 10% goes to Pennies, a registered charity – to help it grow more opportunities for UK consumers to give digital pennies to UK charities.

What is an intellectual disability?

Intellectual disability ("ID") is a disability characterised by significant limitations both in intellectual functioning (reasoning, learning, problem solving) and in adaptive behaviour – which covers a range of everyday social and practical skills. This disability originates before the age of 18.

There are 1.5 million children and adults with an intellectual disability in Great Britain. It is the most common disability in the UK. It's caused by the way the brain develops and examples include Down's Syndrome and types of autism.

People with an ID are often socially excluded and many are bullied. They have a shockingly lower life expectancy and 78% do not take part in any sport.

How does Fuller's support Special Olympics GB?

We raise money on a corporate level in a number of ways including:

- 50p from every children's meal purchased is donated
- Our annual charity fundraiser. In 2023, we held our second Bridge Walk – 98 Fuller's and Special Olympics GB colleagues walked 21 miles, from The Swan in Staines to One Over the Ait in Brentford – raising £20,000.

- Annual charity football tournament. In 2022, 16 teams from across Fuller's – and our partners – played in a six-a-side football tournament. We raised £10,000 on the day.
- 90% of our Pennies donations go to Special Olympics GB.
- We support all our pubs and team members across the Company to raise money in their own way.

Employment project

Employment within the ID community has, unfortunately, been exceedingly low. Recently, the number of those with an ID who have gained and are within employment has dropped beneath 6%.

We are working with Special Olympics GB to offer employment opportunities to people with IDs – with an initial goal of hiring at least 20 individuals with IDs in Fuller's pubs and hotels by the end of the summer. We will work with Special Olympics GB to co-create an employment pathway for those with IDs to work in our pubs and hotels.

A select cohort of pubs has attended workshops alongside Special Olympics athletes – with the aim of creating this employment path together, to ensure the project is sustainable and beneficial for everyone. Throughout the project, we will take on feedback to offer insight on how we can scale this up for all of our sites to use.

Stuart Green, General Manager of The Cabbage Patch in Twickenham, has been employing people with IDs for a number of years and provides first hand insight into the benefits they can bring to our teams.

Sustainability Report Continued

Made in Hackney

Our recent partnership with Made in Hackney, a community cookery school and emergency food support service, kicked off with Made in Hackney's plant-based burger launching across Fuller's estate – with 50p for every burger sold being donated back to the charity.

Made in Hackney's expert chefs developed the recipe for the plant-based burger to be a delicious and nutritious, wholefoods alternative to imitation meat. The burger patty comprises a selection of tasty and healthy ingredients – including mushrooms, beetroot, quinoa and more. Topped with a smoked cheese alternative, tahini-dressed kale, balsamic beef tomatoes and a secret sauce – the result is a mouth-watering treat that's good for you and the planet.

Since its launch in August, over £10,000 has been raised so far through sales of the plant-based burger. Additionally, plant-based burgers are significantly less carbon intense than those made of beef – using roughly 60% less carbon. We've sold around 20,000 Made in Hackney burgers, producing 60 fewer tons of carbon emissions than an equivalent number of burgers made from beef.

Our partnership with Made in Hackney won the Best Community or Charity Initiative at the Restaurant Marketer and Innovator Awards 2023.

OnSide

In 2019, Fuller's committed to investing £150,000 into a new youth zone in the Borough of Hammersmith and Fulham. The project is being delivered by national charity, OnSide, which operates 14 youth zones across the UK.

Based in White City, Hammersmith and Fulham Youth Zone will be part of an innovative education hub, known as EdCity.

Named WEST (standing for 'Where Everyone Sticks Together'), by local young people, it will be open to young people from across Hammersmith and Fulham. They will have access to all the fantastic facilities for a cost of £5 for an annual membership and 50p per visit.

The WEST youth zone will be a brand new, purpose-built building buzzing with energy and crammed with incredible facilities. It will be staffed by skilled and dedicated youth workers who truly believe in young people – helping them see what they can achieve, and giving them the skills, confidence and ambition to go for it.

Fuller's is committed to a long-term relationship with the WEST Youth Zone and is looking at further opportunities to support it through volunteering, career opportunities and hospitality skills training.

Only a Pavement Away

We work with Only a Pavement Away – a charity which provides stability through employment for those who are homeless or in danger of being homeless. We support the charity with its fundraising activities, for example, the annual Fill a Flask event – where volunteers walk the streets of London and other cities offering water to rough sleepers in the summer. Volunteers also raise awareness of the charity and the opportunities available to those who may be struggling to find employment due to their personal circumstances.

We hosted the Pedalling for Pubs 10k Base Camp challenge at The Admiralty, where three static bikes were set up and participants cycled 10k each in support of those taking on the main challenge.

Only a Pavement Away's head office is based in the offices above The Barrowboy and Banker, London Bridge – which we provide to the charity rent free.

Local community support

Our pubs are active members within their communities and often take part in fundraising activities for local charities and organisations.

The Builder's Arms in Croydon raised over £1,000 through a hamper raffle and used the funds raised to purchase nine trolley-loads of goodies for the Esther Community Enterprise Food Bank.

The Grove Lock in Leighton Buzzard raised £2,000 for Linsdale School Parent, Teacher, Friends Association (PTFA) at its annual fireworks event. Money was raised on the night through generous donations from customers, a bake sale and a charity raffle.

OUR People

DIVERSITY AND INCLUSION CHARTER

Fuller's recently signed the British Beer and Pub Association's ("BPPA") Diversity and Inclusion charter – as part of our commitment to being **Open to All**. The pledge signifies Fuller's aim of ensuring our pubs are inclusive spaces and taking a zero-tolerance approach to harassment or discrimination of any kind.

The diversity and inclusion charter looks to enact real, long-term change across the brewing and pub industry. Our commitment to inclusion is for our team members and our customers. We want you to feel comfortable and safe whenever you're in a Fuller's pub – whether you are there as a team member or customer.

We know that we still have work to do to achieve this goal. Therefore, we are looking at the steps we can take to ensure everyone feels a sense of belonging in our pubs.

We recently launched the Equality of Voice survey – so that we can understand how our teams feel about diversity and inclusion at Fuller's and understand more about the demographics of our team.

Feedback

In our employee Happiness Index survey, we saw significant improvement across response rates and average happiness and engagement scores since 2021.

A year ago, we launched My Voice – a platform for our team members to give honest and anonymous feedback on how they're feeling. This was a result of teams sharing in our first Happiness Index survey that they did not feel they had a voice and their opinions were sometimes not being heard.

We launched the Fuller's Forum – which gives our teams the opportunity to have their say about what happens in Fuller's. The Fuller's Forum is made up of 12 General Managers from across our Managed estate who meet every few weeks. Each member of the Forum represents a group of their fellow General Managers – who are encouraged to approach their Forum reps with any feedback they have about the business. The Forum is run jointly by the support centre and operations. Our designated Non-Executive Director responsible for employee engagement, Helen Jones, also now attends the meetings. The Forum has created a two-way communication path between the team members in our pubs and hotels, and the teams in our support centre.

The Fuller's Forum has been a great success and, therefore, we are launching a Forum for our Head Chefs as well as one for our Pier House colleagues.

We have launched a First Impressions survey which invites new members to the Fuller's family to share their experiences pre-joining and then their experience through their induction phase.

Mental Health Champions

Our teams' overall wellbeing is important to us and to help us support our teams, we have introduced our Mental Health Champions – 100 team members from across our Managed Pubs and Hotels who have been trained to help their colleagues with mental health support. The Mental Health Champions help Fuller's promote a positive mental health culture in our sites by regularly talking about mental health to tackle the stigma around it. They are encouraged to be open and to talk to their colleagues about the importance of mental health.

Our Mental Health Champions have all attended a one day course to ensure they are equipped with the knowledge and skills to help their colleagues. Some of our Champions will soon be attending a two day course to become Mental Health First Aiders.

In January 2023, we held our first Mental Health Champions conference – a virtual event where all Champions were invited to further help them in their role. The conference covered a range of topics – including where they can access support and self help exercises, followed by a session with the Licensed Trade Charity.

Menopause Policy

On 18 October 2022, World Menopause Day, we launched our Menopause Policy. We are now in a world where we are living longer and working longer, and it is our responsibility to ensure that anyone transitioning through menopause is fully supported at work. By talking about menopause openly, raising awareness and putting the right support in place, we may be able to get to a place where menopause is no longer seen as taboo and those going through this transition face no barriers at work.

The policy outlines what the menopause is, typical symptoms one might experience and line management guidance on how to have supportive, open communications.

Rest Less

Fuller's launched a new partnership with Rest Less – a digital community and advocate for people in their 50s, 60s and older – to reach out to potential older workers. We posted specific positions on Rest Less' job board right across its businesses and geographical area.

We have always had a number of older workers in Fuller's, but this is the first time we have specifically targeted this group with a bespoke campaign. Older workers have a lot to offer us – and we have a lot to offer them, with shift lengths and work patterns to suit. We are very much a people business, and the older generation brings an exceptional level of customer service and consumer interaction.

My Fuller's

My Fuller's is the home of our employee benefits. Team members can access discounts from a range of providers – from well-known retailers to holidays, insurance, days out, restaurants and more.

We've recently increased the number of providers offering discounts, streamlined the process so it's easier to use and increased the discount available with many of the providers.

International Women's Day

We held our first ever International Women's Day menu dish competition, with the winning dish – a superb banana bread from Kiah Enticknap of The Queen's Head in Kingston – taking pride of place on menus across our Managed Pubs and Hotels during the month of March. A 50p donation for each dish sold, facilitated by Work for Good, was given to Refuge – the country's largest single provider of specialist support to women and their children experiencing domestic abuse.

Task Force on Climate-related Financial Disclosures ("TCFD")

Introduction

We are pleased to present our second annual report in line with the recommended disclosures of the TCFD for the year ended 1 April 2023. This year marked a significant evolution in our TCFD reporting activities, as we followed the plan that we set out last year and continued to develop our work in this area. We have refreshed our assessment of our climate-related risks and opportunities, evolved our analysis of how we expect these to impact our business, and undertaken scenario analysis for the first time to gain further insights into some of our key climate risks. This year's report reflects this significant work and the progress that we have made. However, we view our reporting activities for TCFD as an iterative process, and while we have made a good start, we are continuing to mature our approach and understanding in this area of our business to enhance our disclosures on climate-related risks and opportunities.

The table below summarises where we have responded to each of the TCFD disclosure recommendations in this report.

TCFD disclosure recommendations	FY2023 compliance	Page reference for disclosure
Governance		
a. Describe the board's oversight of climate-related risks and opportunities.	✓	Page 55
b. Describe management's role in assessing and managing climate-related risks and opportunities.	✓	Page 55
Strategy		
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	✓	Pages 56 to 59
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	✓	Pages 56 to 59
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	✓	Pages 56 to 59
Risk Management		
a. Describe the organisation's processes for identifying and assessing climate-related risks.	✓	Pages 34 to 39 and 60
b. Describe the organisation's processes for managing climate-related risks.	✓	Pages 34 to 39 and 60
c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	✓	Pages 34 to 39 and 60
Metrics & Targets		
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	✓	Pages 60 to 61
b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions and the related risks.	✓	Page 44
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	✓	Pages 60 to 61

Governance

Our approach to the governance of sustainability and climate-related matters, and in particular the associated risks and opportunities, is rooted in our commitment to sustainability and our belief that implementing both top-down and bottom-up structures ensures we can deliver on our strategy, with responsibility integrated appropriately throughout our business.

The Board

At Fuller's, the Board has overall responsibility and accountability for all of our risks and opportunities, which includes those that are climate-related. The Board considers our climate-related issues as part of its broader role in ensuring our ability to perform in both the short and long term. The Board considers material climate-related issues when reviewing strategic projects and business objectives, such as the acquisition of a new site or the undertaking of major refurbishments, to understand potential operational impacts and ensure that Fuller's can continue to perform as expected. The Board's consideration of such issues is informed by advice from senior leaders within the business, including the Sustainability and Property Directors. The Audit and Risk Committee supports the Board in its consideration of climate-related risks through its oversight of our integrated risk management assurance model and continues to monitor the potential materiality and impact of climate-related risks for the business through its role in our ongoing risk management. Climate-related risks are presented to the Audit and Risk Committee on an annual basis, which is a key element of the new approach to TCFD that we have implemented this year.

Executive Team

The Chief Executive is the designated Board member responsible for all sustainability matters, including climate change, and leads on our *Life is too good to waste* sustainability strategy. With regards to TCFD, the Finance Director acts as the Board member responsible for overseeing our work in this area.

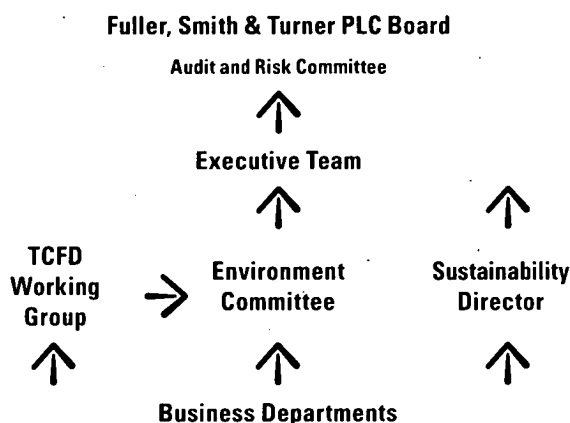
Our Executive Team is assisted in their delivery of our sustainability and climate work, including our *Life is too good to waste* strategy, by the Sustainability Director, the Environment Committee, and other senior leaders within the business (see further details below). Briefings on our sustainability work, including our climate-related risks and opportunities and progress against our targets and objectives, are provided to the Board by the Sustainability Director, who attends the Environment Committee and leads our programme of work on climate change.

Performance against our sustainability agenda, which includes targets for our climate work, also forms part of the criteria for the remuneration of our Executive Team. Further detail can be found on page 92.

Senior Leadership and internal stakeholders

Our Sustainability Committees as detailed on page 74 are responsible for establishing our targets and objectives, providing oversight and monitoring progress against key environmental and social sustainability initiatives in collaboration with relevant departments, such as our property and purchasing functions. The Environment Committee is chaired by the Retail Director, Fred Turner, who also sits on the Board, and it is tasked with ensuring that we make progress against, and achieve, our climate-related targets and objectives.

This year, to further progress our work in this area, we formed a TCFD Working Group. This group consists of relevant management-level stakeholders from across the business and acts as the key forum for our work on assessing climate-related risks and opportunities. In the next year, we plan to formally integrate this Working Group as a sub-committee of our Environment Committee, with our Sustainability Director responsible for convening the group to progress our TCFD programme of work moving forward. As the Board member responsible for our TCFD work, the Finance Director receives regular briefings from the Sustainability Director on the output of our TCFD programme of work. As our day to day lead on sustainability, our Sustainability Director also works with several departments across the business to ensure that we deliver on our broader sustainability objectives.



TCFD Continued

Strategy

Approach to Strategy disclosures

As we have further developed our TCFD work this year, we are now able to disclose what we deem to be the key climate-related risks for our business and the opportunities in the transition to a low carbon economy that we feel we are well-positioned to pursue. We define key climate-related risks as those that we consider potentially material to Fuller's, its investors, and its other stakeholders.

Our approach to identifying, assessing, and managing these climate-related risks is set out in the Risk Management section of this disclosure (see page 60). In line with guidance from the TCFD, we categorise our risks as transition risks and physical risks¹. Alongside this, we have also identified the periods in which we see these risks materialising as potential impacts on the business. These periods are defined as: short (1-5 years); medium (5-15 years); and long (>15 years). We view this categorisation of potential timeframes as appropriate for the nature of the climate-related risks assessed and how we view the life of our physical assets and business models, which generally require an analytical lens that goes beyond normal business planning cycles.

We recognise the need to identify risks early and implement actions to mitigate any potential impacts on our business and on the planet. We also firmly believe that, by being proactive, we can position ourselves well to seize the opportunities presented by the transition to a lower carbon economy.

Scenario Analysis

We have also engaged this year in our first scenario analysis to enhance our understanding of how some of the business's key climate-related risks may develop over time under different scenarios. As a key recommendation of the TCFD and an evolving area, we recognise this is a complex exercise which will continue to develop significantly in the coming years. For our initial scenario analysis this year, we used the scenario analysis tools and framework set out by the Network for Greening the Financial System ("NGFS"). The NGFS represents a group of central banks and supervisory bodies that share best practice and contribute

to the development of environment and climate risk management in the financial sector. The NGFS has broadened the intended audience for its work to include corporates, and its framework for scenario analysis represents a useful starting point for organisations such as ours.

In this year's scenario analysis, we qualitatively assessed our key risks, and for some selected risks, we have also begun to explore quantitative analysis. To analyse our risks, in line with TCFD guidance, we used three scenarios defined by NGFS – 'Current Policies', 'Delayed Transition' and 'Net Zero 2050' – which represent a diverse set of scenarios covering different potential global warming levels². We have begun to assimilate the results from this work internally to deepen our understanding of climate-related risks in the business and inform our approach to their assessment moving forward. As climate scenario analysis represents a relatively new process for us, we look forward to continuing to develop our approach in this area and further enhance our understanding and insight on climate-related risks in the coming years.

Our identified climate-related risks and opportunities

The following climate-related risks and opportunities are those that we have identified as key for Fuller's to consider over short, medium, and long-term time horizons. For the risks outlined here, we have described how we define each risk and, in turn, how we think each one could affect our business. We have also identified various mitigation activities alongside each risk. These mitigation actions are either already in place, in the process of being implemented or are being considered as part of our strategy and financial planning. These mitigation actions will also be revisited and adapted over time to ensure that the business's strategy is resilient to the potential effects of such climate-related risks. From our work conducted so far to assess all our climate-related risks and the mitigations we have in place, or are planning, we have reviewed the resilience of our strategies in light of them. On this basis, we have not identified any material concerns with respect to the resilience of our strategies and we do not currently view climate-related risks as a material concern to the business in the short term.

Risks

Risk	Type of risk?	Risk sub-category	Timeframe	How do we define this risk and see it impacting our business?	Mitigation Activities
Introduction of a carbon tax	Transition	Policy	Medium	<p>The introduction by the UK Government of mandatory carbon pricing.</p> <p>This risk could lead to a direct cost to the business based on our direct Scope 1 and Scope 2 operational emissions.</p>	<ul style="list-style-type: none"> We are awaiting validation of our science-based targets and are in the process of implementing a reductions strategy for our GHG footprint. Our decarbonisation actions include moving to 100% renewable energy supply for our Managed estate; pursuing electrification of sites where possible; shifting to low-GWP refrigerants; and transitioning the company car fleet to electric vehicles.

¹ As described by TCFD, transition risks are "risks related to the transition to a lower-carbon economy" while physical risks are "risks related to the physical impacts of climate change" (TCFD, 2017) available at www.fsb-tcfd.org/publications

² NGFS Scenarios available at www.ngfs.net/ngfs-scenarios-portal

Risk	Type of risk?	Risk sub-category	Timeframe	How do we define this risk and see it impacting our business?	Mitigation Activities
Legislative changes to support climate change initiatives	Transition	Policy	Medium	<p>The introduction by the UK government of mandatory policies to support the transition to net zero in 2050 (e.g. more stringent legal requirements for minimum energy performance standards in commercial properties).</p> <p>This could result in increased costs as the business adapts to comply with any new legislation (e.g. the need to invest in our properties to raise Energy Performance Certificate ("EPC") ratings). This could also lead to an increased risk of costs associated with non-compliance.</p>	<ul style="list-style-type: none"> Regarding proposed legislation on increased EPC standards, we are aware of our Tenanted estate's current performance and the changes that would be required. The implementation of our climate and broader sustainability strategy, by lowering our overall impacts, should also put us in a good position to respond to potential legislative changes. Our Sustainability Director works with external consultants and industry bodies to monitor potential legislation that may impact our business and regularly meets with the Executive Team and the Board to keep them informed of any relevant developments and how the business may need to respond.
Energy price volatility	Transition	Market	Medium	<p>The fluctuation of energy prices as economic conditions, supply availability and changing weather patterns affect the energy market.</p> <p>This could result in increased operating costs for properties in our Managed estate. In our Tenanted estate, under extreme energy price rises, this could result in a loss of income if tenants were unable to meet the obligations of their leases.</p>	<ul style="list-style-type: none"> We are exploring opportunities to secure long-term electricity supply for our Managed estate through on- and off-site renewable installations, such as a power purchasing agreement ("PPA"). We are implementing an energy efficiency strategy across our Managed estate to reduce on-site energy consumption. We engage with our Tenanted estate to help them effectively manage their energy use and costs.
Increased supply chain disruption	Physical / Transition	Chronic / Market	Medium / Long	<p>Disruption in global supply chains arising as a second-order effect of either physical or transition risks.</p> <p>This risk could lead to increased procurement costs and, in some cases, the reduced availability of products for our sites.</p>	<ul style="list-style-type: none"> We continue to pursue a diversified supplier base, which allows the business to adapt to potential disruption more effectively. We also regularly engage with our suppliers to understand the challenges facing them and have recently begun to explicitly engage on sustainability issues, including climate, to understand what actions suppliers are taking to address their own impacts. We have a flexible food and drink menu offering as a business, which prevents over-reliance on any single product/category of product. We use local and seasonable produce where possible.

TCFD Continued

Risk	Type of risk?	Risk sub-category	Timeframe	How do we define this risk and see it impacting our business?	Mitigation Activities
Flooding	Physical	Acute / Chronic	Short	<p>Increased inland and coastal flooding due to more frequent and severe precipitation and rising sea levels.</p> <p>This risk would primarily affect properties in the estate that are in flooding-prone areas and result in costs for the business associated with repairs and business interruption, where these are not covered by insurance. In the longer term, the business could also see increases in insurance premiums and reduced asset values for sites that are highly impacted by flood risk.</p>	<ul style="list-style-type: none"> • We are already aware of the risk exposure of our estate at a property level, for both inland and coastal flooding, and have suitable insurance provisions in place. • For those properties considered particularly exposed to this risk, we engage with local partners, such as the Environment Agency, to implement mitigation measures, including flood defences or dredging, where possible. The business has also invested in these sites to improve their resilience, for example, through the installation of site flood defences. • We plan to actively evaluate our exposure for certain at-risk properties in the medium to long term and explore how this can be mitigated appropriately.
Water stress and Drought	Physical	Acute / Chronic	Medium	<p>Drought events and/or prolonged periods of abnormally dry weather leading to water scarcity.</p> <p>This risk could lead to increased operating costs for properties in our Managed estate as the cost of water supply increases. In some cases, business interruptions costs may also arise where localised droughts severely impact water availability on sites. This risk could also lead to disruption in our supply chain. For example, it could disrupt the supply of key beverages, such as beer.</p>	<ul style="list-style-type: none"> • We continue to manage the water use of our properties by proactively identifying and repairing leaks in partnership with our water consultants, and we are investing in the estate to improve water use efficiency through the installation of low flow taps, showers and toilets. We also work with our landscaping contractors to minimise our use of water through the installation of drip watering for hanging baskets and planters. • A detailed assessment of our property estate will be conducted to understand the full risk potentially posed by water stress and drought, and how this might vary across sites. • We are in discussions with our major supplier, Asahi, who are aware of this risk and are taking mitigating actions.
Heat stress	Physical	Chronic	Medium	<p>Prolonged periods of abnormally hot weather affecting the operation of Fuller's sites.</p> <p>This could affect our business through (temporary) changes in customer demand during sustained periods of hot weather and the need for increased capital investment to manage the impact of hotter weather on our properties.</p>	<ul style="list-style-type: none"> • We continue to invest in our estate and, where appropriate, we are looking into glazing and shading opportunities as part of our site development work • We have also been installing air conditioning units in affected sites to mitigate the impact of heat on both our customers and our people.

Risk	Type of risk?	Risk sub-category	Timeframe	How do we define this risk and see it impacting our business?	Mitigation Activities
Storm damage	Physical	Acute	Medium	<p>Site damage or interruption of service caused by extreme weather such as high winds, heavy rain or snowstorms.</p> <p>This risk could lead to increased costs associated with repair or business interruption, where these are not covered by insurance. Further, extreme weather may also lead to a fall in customer demand if visiting sites becomes undesirable or unsafe.</p>	<ul style="list-style-type: none"> Through our insurance provisions, we are aware of the risk exposure of our property estate to storm damage We carry out annual property and maintenance reviews to ensure that our estate is in a good condition and that appropriate action has been taken where necessary to mitigate any property-specific storm risks.

Opportunities

Opportunity	Category	Timeframe	How do we define this opportunity and see it impacting our business?
Changing consumer expectations and demand	Market / Reputation	Medium	The demand from consumers for 'greener' menu options is a potential trend that we are well positioned to respond to given our flexible menu offering and our continued implementation of the <i>Life is too good to waste</i> strategy. Our recent work with Made in Hackney, for example, has demonstrated the opportunity to create both social and environmental value in considering new and less environmentally impactful dishes. This could generate market and reputational advantages in responding to changing customer expectations and meeting new demands.
Site investment – reduced costs, increased efficiency	Operations	Medium	Investment in our sites to meet our climate targets and respond to potential legislative requirements could realise reductions in our operating costs in the medium to long term. We continue to explore, where appropriate, shifts to renewable energy on- and off-site; the electrification of kitchens and hot water heating; and the adoption of energy efficiency measures for our sites. Such investments could also contribute to mitigating multiple climate-related risks for Fuller's and help to future-proof our business for a more uncertain world.

TCFD Continued

Risk Management

Fuller's views the effective management of our risks as key to ensuring that we achieve our strategic objectives in the long term, while delivering the high standard that our customers, our people, and our shareholders expect. Climate-related risks are treated as a subset of our wider corporate risks, and they are integrated into our robust corporate risk assessment framework and approach. We continually monitor these risks and review our climate-related risks on an annual basis. While we assess our climate-related risks individually, as part of our TCFD work, we also consider them as part of our broader assessment of sustainability and climate change-related risk. This overall assessment is included within our corporate risk register and represents our overall evaluation of the individual climate-related risks identified in this report, alongside other sustainability related risks (see page 39). The Chief Executive holds responsibility for this broader risk category. The responsibility for addressing the individual climate-related risks and opportunities, identified in this report and accounted for within this category, sits with the Executive Team, Sustainability Director, Environment Committee, and the TCFD Working Group. We believe that this approach ensures we have a top-down understanding of climate-related risks and opportunities within the business, which is reinforced by bottom-up systems to support the oversight of such risks by the Board and Executive Team.

Our assessment of our climate-related risks and opportunities is informed by, and builds on, our approach to other corporate risks, with appropriate adjustments made where necessary to reflect the unique and complex nature of climate-related risks. This year, our newly formed TCFD Working Group, with the support of external advisors, acted as our key forum for identifying and assessing our

climate-related risks. Through meetings of key stakeholders from across our business departments, we identified our potentially relevant risks and then considered their potential materiality to the business. For those risks deemed relevant to us in this process, the Working Group undertook an assessment of their potential likelihood, impact and timeframes, closely aligned with how we assess our other corporate risks. The outcomes of this work were then tested for robustness, with input from external advisors and members of the Working Group, the Executive Team and the Audit and Risk Committee. The relevant risks identified through this process have been reported in this year's disclosure and, from this, our Working Group has considered our existing and potential mitigations, which have also been fed back to the Executive Team.

Metrics and Targets

We continue to track our performance across the business using several climate-related metrics. This year, we are pleased to have formally committed to set near-term company-wide emissions reductions in line with climate science via the Science Based Targets initiative ("SBTi"). These targets, which will cover our Scope 1, 2 and 3 emissions have been submitted for validation with SBTi and are currently awaiting approval. This marks a significant step forward for us and, in the coming year, we will be working to further develop our data systems to enable regular reporting and tracking of progress against these targets. While we already report annually on our Scope 1 and 2 emissions (see metrics and targets table below), our focus in the coming year will be on continuing to work with our strategic partners and suppliers to improve the accuracy and reliability of the data that we collect internally and externally, and to evolve our reporting on Scope 3 emissions. Our metrics and targets are outlined below:

Metric/Target	Current, and historical, performance	Future delivery plans
Net Zero across our operational emissions by 2030, and across our supply chain by 2040	<ul style="list-style-type: none"> Delivered an 8% reduction in gross operational carbon emissions in FY2023 (Scope 1 and 2). The introduction of 100% renewable energy led to a net carbon emissions reduction of 49% vs FY2022. 	<ul style="list-style-type: none"> Continued investment into energy efficiency measures on our sites. Continuing to explore the electrification of our sites to remove the use of natural gas. Developing a comprehensive transition plan to map out in the longer term our pathway to Net Zero. Working with strategic partners and suppliers to improve accuracy and reliability of the data we collect to evolve our Scope 3 emissions reporting.
Secure 100% renewable electricity supply long term	<ul style="list-style-type: none"> From October 2021, purchased 100% renewable electricity. 	<ul style="list-style-type: none"> Exploring the implementation of on- and off-site renewables for our properties.
By 2025 we aim to recycle at least 75% of our operational waste and divert 100% from landfill	<ul style="list-style-type: none"> Increased from 35% to 57% in FY2023. 	<ul style="list-style-type: none"> Further implementation of food waste and glass collection for all sites, where feasible. Introduction of a training programme to encourage correct waste segregation on-site. Introduction of a food waste reduction programme to support redistribution before recycling.

Metric/Target	Current, and historical, performance	Future delivery plans
By 2030 we aim to reduce our overall energy usage by at least 25%	<ul style="list-style-type: none"> Like for like reduction of 13.4% in electricity and 14.3% in gas consumption in FY2023 vs our baseline year of FY2020. 	<ul style="list-style-type: none"> Continued investment into energy efficiency measures in our properties and an education initiative and behavioural change programme to help our team reduce usage.
By 2030 we aim to eliminate the use of natural gas, oil and LPG where feasible	<ul style="list-style-type: none"> 14.4% reduction in the use of natural gas in FY2023, achieved through the implementation of energy efficiency measures and the transition to more electric kitchens and hot water and heating systems in our property estate. 	<ul style="list-style-type: none"> Investment plans for sites using LPG and oil to transition to electric kitchens and hot water and heating systems. Where eliminating oil and gas is not possible due to building constraints, we will focus on implementing reduction measures and upgrading heating systems to be more efficient.
By 2030 we aim to eliminate all unnecessary plastics from our operation.	<ul style="list-style-type: none"> Implementation of Green Goblet reusable cups for major events to replace single-use plastic cups 	<ul style="list-style-type: none"> Working with our suppliers to transition away from single-use plastic items, primarily in our hotel estate.

Other internal metrics that we track include packaging waste output; waste processing and destination; and water consumption. For these metrics, we continue to assess our performance against short, medium and long-term targets, which we have set in our *Life is too good to waste* strategy.

Our climate-related metrics and targets are an area that we continue to develop and expand. While several of the targets mentioned above link to transition risks, such as a potential carbon tax and our focus on achieving GHG emissions reductions, we are looking to incorporate further metrics and targets in the coming year, particularly those focused on physical climate risks. The significant progress that we have made this year in disclosing our climate-related risks and how they relate to our business highlights the potential for new metrics to reflect how we are performing in mitigating these risks or seizing the opportunities, such as our exposure to flood risk across the business and investment in our estate to increase its sustainability.

We also recognise that, as a business that has committed to Net Zero through the Hospitality Industry's Net Zero Roadmap, it is important that we set out how we plan to achieve this target. We welcome the development of guidance on transition plans through the Transition Plan Taskforce, and this is an area that we will be working on further in the coming year. We have already outlined some of our plans to electrify our estate and improve its performance, and this is something that we will be expanding on to outline how we intend to achieve Net Zero across all emissions scopes by 2040.

Stakeholder Engagement

Active engagement with our stakeholders helps deliver better outcomes and supports the long-term sustainability of our business. Our key stakeholders and a summary of what matters to them and how we engage and respond are set out below.

Stakeholder

CUSTOMERS

We welcome thousands of people to our pubs and hotels each week and strive to deliver positive and memorable experiences that *nourish the soul*, and where everyone leaves happier than when they arrived.

PEOPLE

We have more than 5,400 colleagues across 200 Managed Pubs and Hotels and support centre roles. Our people are what makes Fuller's special, and they each play a critical role in the success of the business. They make the experience for our customers and deliver our business strategy at every level.

TENANTS

We support 177 Tenanted businesses. Our Tenants are an extension of the Fuller's team, although they have autonomy in running their own business. We aim to recruit Tenants who share our values and philosophy.

SHAREHOLDERS

Our shareholders range from founding family members to retail shareholders and large institutional investors. They own our business and provide us with the capital that enables us to progress our strategy.

SUPPLIERS

An excellent supply chain is a key tenet of our business and we look for genuine partnerships that provide a real point of difference.

COMMUNITIES

The Great British pub has always been at the heart of the community and we strive to have a positive and lasting impact on the communities in which we operate by being a responsible business, and a good neighbour, supporting worthy causes, providing employment and minimising our environmental impact.

What matters

- Vibrant and well-maintained venues at the heart of the community
- Outstanding customer service
- Fresh seasonal food and extensive drinks range
- Value for money.

- Fair and equitable pay and benefits
- An inclusive, diverse, and respectful working environment
- Open and transparent communication and being heard
- Opportunities for personal and career development.

- Affordable rents and mutually beneficial contracts
- Well-maintained buildings and facilities
- Open communication and engagement
- Business support and development.

- Robust operating and financial performance supported by a strong strategy
- Sustainable income and capital growth
- Progressive dividend policy
- ESG performance
- Directors' remuneration.

- Prompt and fair payments
- Ethical and fair dealings that protect human rights and health and safety
- Open communication and transparency.

- Engaging with industry bodies and national policy makers
- Acting fairly and ethically
- Providing employment opportunities
- Supporting community and charitable causes
- Reducing the environmental impacts of our activities including carbon emissions, energy and water
- Complying with legislation.

How we engage and respond

We regularly review and act on customer feedback from across a range of channels to better understand what is important to our customers, to identify changing habits and trends, and to improve our offering. We undertake regular audits of our pubs and hotels to ensure high operational standards are maintained and have a programme of continuous investment across our estate.

Our people are our biggest asset, and we continually strive to engage, develop and retain them. During the year, we further reviewed and enhanced our benefits package and employee policies, formalised our Fuller's Forum listening group, introduced our Mental Health Champions to support employee wellbeing, expanded our employee engagement surveys, and continued to develop our diversity and inclusion programme.

We have a team of Business and Sales Development Managers led by an experienced Director of Tenanted Operations, who ensure that our Tenants are in the best place to operate a successful business that delivers a good return for both parties. During the year, we have provided support to help our Tenants deal with rising energy prices. We were delighted to be named Tenanted Pub Company of the Year (up to 500 sites) at the Publican Awards in recognition of the excellent relationship we have with our Tenants.

We maintain a regular dialogue with all our shareholders. We actively engage with them as part of our investor roadshows following our half year and full year results presentations, and we are easily accessible to respond to questions and feedback throughout the year. All shareholders are encouraged to attend our AGM, and relevant Company announcements, reports and documentation are readily available via a dedicated section of our website. Shareholders receive a copy of *The Griffin*, our quarterly inhouse magazine.

We aim to develop long-term relationships with our key suppliers and build a solid relationship with them that allows for mutually beneficial collaboration. We work with our food and drink suppliers to monitor consumer trends and changing tastes to allow us to evolve and adapt our offer and menus to reflect these macro trends.

We regularly meet with both our local MPs and other legislative stakeholders, including through membership of both the British Beer and Pub Association and UKHospitality, and contribute to consultations on issues that impact our sector. Our sustainability strategy *Life is too good to waste* is a key principle of our overall business strategy and outlines our approach to engaging with our communities, the environment and our people.

Read more about our engagement with our customers on page 16

Read more about how we engage with our people on pages 52 to 53

Read more about how we engage with our Tenants on page 13

Read more about how we engage with our shareholders on page 72

Read more about how we engage with our suppliers on pages 46 to 47

Read more on how we engage with our communities on pages 48 to 51

Stakeholder Engagement

Section 172 Statement

This section outlines how, as required by Section 172 of the Companies Act 2006 (the "Act"), the Directors have acted in a way they consider, in good faith, promotes the success of the Company for the benefit of its members as a whole, while having regard to the matters set out in Section 172(1)(a) to (f).

The Board strives to ensure that its decision making is consistent and aligned to our purpose, values and strategy. During the year, the Directors consider that, in complying with their statutory duties, they had regard to:

The likely consequences of any decision in the long term

- A** For Fuller's and the Board, this has always been an integral part of our culture. As a long-established family business, the long term for Fuller's means much more than normal business modelling entails. It is at the heart of all decisions taken by the Board and is underpinned by our value of always asking *what's next?*

The interest of the Company's employees

- B** Our people are what makes Fuller's special and our commitment to their personal development is reflected through our value of celebrating individuality. Each and every one plays a key role in the success of the Company. Details of the normal engagement process with employees can be found in the Stakeholder Engagement section on page 62 to 63, the Sustainability Report on pages 52 to 53 and the Corporate Governance Report on page 71.

The need to foster the Company's business relationship with suppliers, customers and others

- C** The Board believes that successfully delivering our strategy requires strong mutually beneficial relationships, in line with our value of being part of the family, with our Tenants, suppliers and customers, and with industry bodies that further the interests of the sector as a whole. More details of engagement can be found in the Sustainability Report and Stakeholder Engagement on pages 46 to 51 and 62 to 63.

The impact of the Company's operations on the community and the environment

- D** We are committed to always doing the right thing for our communities and the environment through our sustainability strategy *Life is too good to waste*. Details can be found from page 40.

The desirability of the Company maintaining a reputation for high standards of business conduct

- E** Fuller's is well regarded as a business because it has a consistent record of always doing things the right way – one of the most enduring key values of the business. This is integral to our culture.

The need to act fairly as between members of the Company

- F** The unique capital structure of Fuller's as a partly listed company has always required the Board to balance the interests of a diverse shareholder base. The focus on the long term is well understood by the Company's shareholders themselves.

The Board recognises the value of engaging with all its stakeholders and building strong relationships with them, to understand what matters to them and their changing needs, which helps inform strategic decision making and ensures our long-term success. More information about our key stakeholders and how we engage with them can be found on pages 62 and 63.

Principal Decisions Taken During the Year

SHARE BUYBACK PROGRAMME

Factors considered: **A E F**

The share buyback programme, announced in September 2022, to buyback one million 'A' ordinary shares completed in February 2023. The Board considered the effective management and utilisation of cash and the need to balance planned investment into the business, alongside internal and external opinion and feedback from shareholders on the preferred use of cash. The Board supported the use of proceeds from the disposal of non-core assets in the year and agreed that the share buyback programme was aligned to our strategy of long-term sustainable growth and delivering value for our shareholders.

DIVIDEND

Factors considered: **A E F**

During the year, the Board declared an interim dividend of 4.68p per 'A' and 'C' ordinary share and 0.468p per 'B' ordinary share and is recommending a final dividend of 10.0p per 'A' and 'C' ordinary share and 1.0p per 'B' ordinary share.

The Board considered if declaring an interim and final dividend supported the long-term sustainable success of the Company. Following the return to profitability during FY2022 and the increase in revenue and growth in earnings per share during the year the Board decided it was appropriate to pay dividends in the year, in line with the stated intention to return to a progressive dividend policy.

IMPACT OF INFLATIONARY PRESSURES ON OUR PEOPLE, CUSTOMERS, SUPPLIERS AND COMMUNITIES

Factors considered: A B C E

During the year, the Board has continued to monitor the impact of inflationary pressures on our people, customers, suppliers, and our communities.

To support our colleagues, we shifted our pay structures to ensure that all are paid above the National Minimum Wage or the National Living Wage depending on their age. Pay increases of between 6% and 11% have been granted in 2023, following a 3% increase in 2022, and the earlier award date of April (previously June) has been retained. Following a review of benefits, the Board supported the introduction of salary sacrifice for our defined contribution pension scheme and extending medical benefits to all team members with more than one year's service through a healthcare cash plan.

We have delayed increasing prices where possible during the year, but it has not been possible to absorb all cost increases while ensuring the business remains profitable. When necessary, the Board have carefully considered the need to balance rising costs against ensuring that our suppliers receive a fair price for the goods they provide and that for our customers a visit to our pubs always remains an affordable treat.

ESTATE RATIONALISATION

Factors considered: A B C D E

A key part of our strategy has always been to maintain both a Managed and Tenanted business, allowing us to constantly review and holistically manage our pub estate, operating individual sites under the business model that works best for the pub and best for Fuller's. Following 12 months' trading with no restrictions and combined with the changing economics of running a pub, we undertook a strategic review of the whole estate to ensure it provided the best composition for the long term. As a result of this review, the decision was made to move 23 of our Managed Pubs and Hotels into the Tenanted Inns division. We have also decided to exit a small number of leasehold sites and earmarked a handful of pubs for disposal.

The Board considered the needs of impacted employees and ensured that appropriate plans were in place to communicate the changes clearly and transparently and to support employees throughout the transfer process.

The Board is of the view that pubs being transferred will thrive as part of the Tenanted business and will deliver a better financial return for the pub, for Fuller's and ultimately our shareholders, and in the case of disposals, no value was seen in retaining ownership of these pubs. The changes will put Fuller's in the strongest position to continue building, growing, and enhancing the estate.

Non-Financial Information Statement

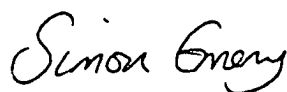
The table below, together with signposts to other relevant sections of the Annual Report and Fuller's website, constitutes the Company's non-financial information statement, in compliance with Sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Key policies/standards/frameworks	For additional information
Business model		Business Model on pages 14 and 15
Principal risks and impact on business		Risk Management on pages 34 to 39
Non-financial Key Performance Indicators		Strategic Report on pages 16 and 17 Sustainability Report on pages 40 to 53
Environmental matters	Sustainability strategy – Our environment Responsible Sourcing Policy*; Environmental Policy*	Sustainability Report from page 40 TCFD Report on pages 54 to 61
Employees	Sustainability strategy – Our people People policies including flexible working; parental leave including maternity, paternity and adoption leave; mental wellbeing; employee conduct; recruitment, training and development; and health and safety. Whistleblowing Policy	Sustainability Report on pages 52 to 53 Stakeholder Engagement on pages 62 to 63 Corporate Governance Report on page 71
Social matters	Sustainability strategy – Our people, environment, and communities; Gender Pay Gap reporting*	Sustainability Report from page 40
Human rights	Modern Slavery Statement* Privacy policies in relation to employees, customers* and tenants*	Stakeholder Engagement on pages 62 to 63 Directors' Report on page 102
Anti-corruption and anti-bribery matters	Anti-Bribery and Corruption Policy (covering gifts and hospitality); Responsible Sourcing Policy* Whistleblowing Policy	Audit and Risk Committee Report on pages 84 to 85

* Available at www.fullers.co.uk

2023 Strategic Report

The Group's Strategic Report, encompassing pages 1 to 65, was approved by the Board and signed on its behalf by:



Simon Emery
Chief Executive
14 June 2023

Chairman's Introduction to Governance

"I WOULD LIKE TO
THANK MY FELLOW
BOARD MEMBERS
FOR THEIR
SIGNIFICANT
contributions
DURING THE YEAR."

Dear Shareholder,

I am pleased to present our Corporate Governance Report for the year ended 1 April 2023.

As described in my Chairman's Statement, there has continued to be unprecedented disruption to our business on a number of fronts. Despite the challenges we have faced, we have a clear pathway to further growth which has remained the focus of the Board.

Fundamental to supporting the delivery of our purpose, vision and strategy for the long-term benefit of all our stakeholders, is to ensure we maintain good and appropriate governance. Details of our well-established corporate governance framework and compliance with the UK Corporate Governance Code are set out in the following pages.

The Board met regularly during the year and, following two years of disruption, has welcomed the return to in-person meetings, both at Pier House and within the retail estate, and a more regular meeting schedule. Our Board Committees have been busy during the year and further detail of their work is reported on pages 76 to 100.

I would like to thank my fellow Board members and the Executive Team for their significant contribution through the twists and turns throughout the year.

The role of the Nominations Committee, which I chair, has been broadened to further support the Board in its work with regard to Board composition, succession planning and initiatives on diversity and inclusion, as detailed on pages 77 to 79. Our development and progress in the important area of diversity and inclusion will be further supported by the Nominations Committee in the coming year as we look to review the Board's policies and objectives, and increase our oversight of diversity and inclusion objectives across the business.

As a people focused business, engagement with our team members is always high on the agenda. Throughout the year we have exposure to talent as members of the Executive Team and Senior Management are invited to make presentations to the Board on key business and strategic projects. Board members also make time to visit our sites and meet team members so we can hear their views first-hand and we now also benefit from employee insights provided by Helen Jones, our designated Non-Executive Director responsible for employee engagement. More about Helen's role and employee engagement can be read on page 71.

We have an embedded approach to sustainability across our people, communities and planet, and we know that governance around sustainability is fundamental to the success of the business and ensures we can deliver on our strategy. To drive this important agenda item, the Board puts sustainability at the front and centre of decision making and proactively manages risks and opportunities. We have continued to receive regular updates on sustainability matters from our Executive Team and Oliver Rosevear, our Sustainability Director, throughout the year and, with the support of the Audit and Risk Committee, we have evolved our TCFD reporting. Our TCFD Report can be found on pages 54 to 61.

We have a group of Directors with the skills required to run this business and a good balance of experience, independence and knowledge, as outlined on pages 68 to 69.

As reported in my Chairman's Statement, I am delighted to welcome Dawn Browne to the Board with effect from 3 July 2023. We are a people focused business and the Board will benefit from her knowledge of our team members and operational experience. We very much look forward to working with Dawn.

At an Executive level, the business was also pleased to welcome Sam Bourke as Marketing Director in November 2022. She brings a wealth of knowledge of hospitality retail marketing and a focus on customer engagement and experience to the Executive Team.

Following the external Board evaluation in 2022, our review this year was carried out by our Senior Independent Director, Juliette Stacey. I am pleased to report that the results show that the Board and its Committees continue to be working effectively. We are currently developing an action plan in response to the feedback identified in the evaluation. Further details of the evaluation and progress against our action plan from last year can be found on pages 79 and 80.

Our AGM this year will once again be held at The George IV in Chiswick, London, on 20 July 2023 and, along with my Board colleagues, I look forward to meeting you on the day and answering any questions you may have about the business.



Michael Turner
Chairman
14 June 2023

Board of Directors

Top to bottom: Sir James Fuller; Rachel Spencer, Richard Fuller, Juliette Stacey, Robin Rowland, Fred Turner, Neil Smith, Simon Emeny, Michael Turner and Helen Jones

Key to Committee membership:

- A** Audit and Risk Committee
- N** Nominations Committee
- R** Remuneration Committee
- Committee Chair

Chairman

Michael Turner



Non-Executive Chairman

Date appointed to the Board: January 1985

Experience: Michael brings an in-depth understanding and knowledge of this long-established family business and extensive experience in leadership and executive management. A Chartered Accountant with international experience, Michael joined Fuller's in 1978, initially running the Wine Division as Wine Director. Appointed Marketing Director in 1988, Managing Director in 1992, Chief Executive in 2002 and Chairman in 2007. Chairman of the British Beer and Pub Association 2008-2010. Master of the Worshipful Company of Vintners 2011-2012.

Key external appointments: None

Executive Directors

Simon Emeny Chief Executive

Date appointed to the Board: May 1998

Experience: Simon has a detailed knowledge of Fuller's operations gained through his 25 year experience with the Group and valuable commercial expertise in consumer-focused businesses. Joined in 1996 from Bass plc where he held a variety of senior operational and strategic planning roles. Appointed to the Board as Retail Director in May 1998, Managing Director, Fuller's Inns in July 2006, Group Managing Director in November 2010 and Chief Executive in July 2013. Previously Senior Independent Director and Chair of the Remuneration Committee of Dunelm Group plc. An economics graduate and alumnus of Harvard Business School.

Key external appointments: Non-Executive Director of The National Gallery Company Limited and UKHospitality, and Senior Independent Director of WH Smith PLC.

Neil Smith Finance Director

Date appointed to the Board: November 2021

Experience: As well as extensive financial experience in hospitality and consumer-focused businesses, Neil has strong commercial expertise, including business and strategic development. Previously served as Chief Financial Officer of Domino's Pizza Group PLC and, prior to this, Chief Financial Officer of Ei Group plc (formerly Enterprise Inns plc). Neil has also held senior financial roles at Compass Group plc, Virgin Media, Telewest Global Inc. and Somerfield plc. Qualified as a Chartered Accountant with PwC.

Key external appointments: None

Fred Turner Retail Director

Date appointed to the Board: June 2019

Experience: Fred has a strong financial background and a deep understanding of Fuller's operations having worked in a number of roles in the business. Joined the Company in 2013 as an Operations Manager for Fuller's Inns. Appointed Head of Tenanted Operations in 2015 and Tenanted Director in 2018. Qualified as a Chartered Accountant with Grant Thornton UK LLP. Civil engineering graduate.

Key external appointments: None

Board composition

Board gender balance

Board tenure

Non-Executive Directors

Juliette Stacey
Senior Independent
Non-Executive Director

A N R

Date appointed to the Board: March 2018

Experience: Juliette has over 30 years' leadership experience with a strong finance background. She brings extensive knowledge of business and strategic (including M&A) development, listed company experience and risk management. She is an experienced audit committee chair. Former Chief Executive of Mabey Holdings Limited. Former Chief Operating Officer (UK and Europe) and previously Finance Director (Commercial UK) of Savills plc. Qualified as a Chartered Accountant with Ernst & Young LLP and is a Fellow of the Royal Institution of Chartered Surveyors.

Key external appointments: Non-Executive Director and Chair of the Audit Committees of Renishaw PLC and Sanderson Design Group plc, and Non-Executive Director of Willmott Dixon Holdings Limited.

Helen Jones
Independent Non-Executive Director

A N R

Date appointed to the Board: March 2019

Experience: Helen has over 35 years of commercial and general management experience in consumer-focused businesses. She brings valuable operations, marketing and branding expertise, and also remuneration committee chair experience in other plcs. In light of her background, Helen is the designated Director responsible for employee engagement for Fuller's. Formerly Group Executive Director of Caffè Nero and Managing Director of Zizzi, the Italian casual dining chain, and Non-Executive Director of international fast-dining restaurant group Vapiano SE.

Key external appointments: Senior Independent Director and Chair of the Environmental, Social and Governance Committee of Halfords Group plc, Non-Executive Director and Chair of the Remuneration Committees of Virgin Wines UK Plc and Premier Foods plc. She is also the workforce engagement director for Halfords and Premier Foods.

Sir James Fuller, BT
Non-Executive Director

N

Date appointed to the Board: June 2010

Experience: James has a deep understanding of the Fuller's business and provides a key link with family shareholders. Served in The Life Guards from 1991 to 1998. Employed by the Company from 1998 to 2003, working in the Tied and Managed Pub estate, and has since been running his own business.

Key external appointments: None

Richard Fuller
Non-Executive Director

Date appointed to the Board: December 2009

Experience: Richard has a deep understanding of the Fuller's business and operations, having worked for the Company since 1984. Appointed a Divisional Director in 1992 and to the Board in December 2009, with responsibility initially for sales then, additionally, personnel, corporate affairs and government relations. Became Non-Executive Director in February 2020. A GMP graduate of Harvard Business School. Master of the Worshipful Company of Brewers 2020-2022.

Key external appointments: Non-Executive Chair of both the Cotswold Cider Company and Kempton Park Racecourse.

Robin Rowland, OBE
Independent Non-Executive Director

A N R

Date appointed to the Board: March 2020

Experience: Robin brings over 35 years' experience in the restaurant and food and beverage sectors, and has strong financial, commercial expertise, and business and strategic development experience. Previously Chairman and Chief Executive of YO! Sushi, and Non-Executive Director of Marstons PLC and Tortilla. Awarded an OBE in 2015 for outstanding services to hospitality.

Key external appointments: European Partner of TriSpan Private Equity with Chairman and Non-Executive Director roles with five portfolio companies: Mowgli, Pho, Rosa Thai, Rosa Mexicano (USA) and Thunderbird. Independent Non-Executive Director at Caffè Nero and UK Hospitality.

Rachel Spencer
Company Secretary

Date appointed to the Board: January 2021

Experience: Rachel is an experienced company secretary and has significant corporate governance, regulatory and compliance expertise. Previously held positions at a number of other listed companies, including Invensys PLC, Aldermore Group PLC (both the listed entity and the regulated bank) and, most recently, Clarkson PLC. Fellow of the Institute of Chartered Secretaries and Administrators. Rachel serves as a trustee to the Fuller, Smith & Turner Pension Plan.

Corporate Governance Report

Statement of Compliance with the UK Corporate Governance Code 2018 (“the Code”)

The Board is committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of all our stakeholders. With this in mind, the Company has applied the main principles of the Code throughout the year. However, given the structure of the Group – we are a listed public company but still very much a family-controlled concern – there are some provisions of the Code where we do not comply but where we do consider our governance framework remains appropriate. These are summarised in the table below.

The Code can be found on the Financial Reporting Council’s website at www.frc.org.uk

Code Provision	Detail of non-compliance	Further information
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Principle 2: division of responsibilities

11	At least half of the Board, excluding the Chairman, are not independent Non-Executive Directors.	The Board considers that membership is well balanced with the right mix of skills and experience. The presence of Non-Executive Directors who are long-standing family shareholders is important in this professionally run family business.
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Principle 3: composition, succession and evaluation

18	Directors are not subject to annual re-election.	In accordance with the Company’s Articles of Association (“Articles”), all Directors are subject to election by shareholders at the first AGM after their appointment and to re-election at three yearly intervals. As part of the annual Board effectiveness review, the performance of the Directors is evaluated and forms the recommendation in the Notice of AGM as to why the Company believes an individual Director should be re-elected. In view of the Company’s size, its ownership structure and its history, the Board is not minded to move to annual re-election of Directors but will keep this requirement under review.
19	Chairman has been in post for more than nine years.	The Board considers that the Chairman’s knowledge and understanding of this long-established family business and its requirements is extremely valuable.

Principle 5: remuneration

38	Pension contribution rates for the Chief Executive and Retail Director are not aligned with those available to the workforce.	Given the pension rate for the Chief Executive and Retail Director represents an existing contractual commitment, the Board does not consider it appropriate to make a reduction at this stage. However, whenever any new Executive Director is appointed, the pension opportunity will be aligned with the policy for the majority of the workforce. This was the position with the Finance Director who was appointed in November 2021.
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The pages that follow in this Governance section explain how we have complied with and applied the Code during the year.

Board leadership and company purpose

Role of the Board

Led by the Chairman, the Board is collectively responsible to the shareholders for the performance and long-term success of the Group, as well as to other stakeholders for the wider impact we have. Its role includes the establishment, review and monitoring of the Company’s strategy, approval of major acquisitions, disposals and capital expenditure, setting the Company’s purpose and values, overseeing the Group’s systems of internal controls, governance and risk management, and ensuring that the appropriate resources are in place to deliver these.

The Board has an established governance framework which ensures we meet our responsibilities and enables effective decision making. An overview of the governance framework is set out on page 74.

A formal schedule of matters reserved for the Board is in place. The Board has delegated some of its responsibilities to mandated Committees, each of which operates under written terms of reference approved by the Board and reviewed annually. Committee Chairs report to the Board on their activities following meetings, and the minutes of those meetings are made available to Board members (other than if there is a conflict of interest in respect of any particular matter).

Board meetings enjoy open dialogue, and constructive challenge on all issues is encouraged. With a good information flow between and prior to Board meetings, decisions are made in a timely manner after appropriate questions are dealt with.

The Board delegates all operational matters and execution of the strategy to the Chief Executive, who is supported by the Executive Team (which comprises the Executive Directors, the Marketing Director, the People & Talent Director, and the Property Director) who collectively make up the Executive Committee. As set out in the governance framework on page 74, three sub-committees report into the Executive Committee and are responsible for reviewing and approving capital related projects and investments and central costs, and driving and monitoring progress against the *Life is too good to waste* strategy. Regular updates from these sub-committees are reported to the Executive Committee.

Purpose, values and culture

The Board is responsible for establishing the Company’s purpose, values and strategy, and for defining, monitoring and overseeing the Company’s culture to ensure that they are aligned. Our purpose of creating experiences that nourish the soul underpins our values of doing things the right way, being part of the family, celebrating individuality and always asking what’s next, and it defines our culture and everything that we do.

The Board, through the Executive Directors, strives to ensure that everyone understands the key role they play in delivering our purpose, vision and strategy. In March 2023, senior team members from across the business came together for the annual Senior Managers Conference, ‘Fuller’s Future’, following its relaunch in 2022. The event provided an

opportunity for the Executive Team to re-articulate the Company's purpose and values after a year of challenging trading conditions, and to outline the key strategic priorities for the year ahead. In May 2023, following the unprecedented times we have faced, we relaunched our General Managers Conference, which provided our operational team leaders with the same opportunity as well as an occasion to reconnect with colleagues and celebrate achievement.

The Board monitors the values and culture of the business through a number of channels, including regular updates to the Board on operational performance and health and safety reporting, the results of employee engagement surveys and action plans, and the approval of key policies. The Board also receives regular updates from the designated Non-Executive Director responsible for employee engagement. Directors regularly visit our pubs and hotels in a personal capacity, outside of formal Board visits, which gives them a true insight into how our values and culture are embedded across the business and the guest experience our teams deliver.

Engagement with employees

The Board receives regular updates on employee matters throughout the year from the Executive Directors, from the designated Non-Executive Director responsible for employee engagement, and through briefings on key employee matters provided by the People & Talent Director. The Chief Executive has continued to deliver vlogs to the business, first introduced in 2020 in response to the Covid-19 pandemic, to keep everyone informed of key events and activity across the business and key decisions taken by the Executive Committee and the Board.

In March 2022, the Board approved the appointment of Helen Jones as the designated Non-Executive Director responsible for employee engagement. During the year, Helen has worked with the People & Talent Director to develop her role and connections with the wider business. This has included:

- providing advice and guidance on employee engagement initiatives
- attending Fuller's Future, the General Managers Conference and similar events across the business
- becoming a regular attendee of the Fuller's Forum meetings – to read more about the work of the Fuller's Forum, go to page 53
- reviewing feedback from various listening channels including the Happiness Index survey; My Voice; recruitment and induction surveys; and exit interviews and Glass Door reviews
- providing regular reports to the Board on the themes emerging from the different listening channels, any relevant matters and concerns that may arise through the role.

We provide opportunities for the Non-Executive Directors to spend time in the business with members of the Executive Team and Operations team. This helps to keep Non-Executive Directors up to date with the operations in our pubs and hotels and provides them with an opportunity to engage directly with a broad range of our team members and hear valuable feedback. Attendance at events such as the Fuller's Future and General Managers Conference, as well as the 'Long Service Celebration' to recognise employees reaching a service milestone of more than 15 years, provides Non-Executive Directors with another opportunity to engage with employees.

The Board recognises the benefits of encouraging employee share ownership, and the Company offers employees the opportunity to purchase shares in the Company at a discounted price through its Sharesave plan. The Company Secretary and the Executive Directors keep all employees, including employee shareholders, informed of publicly available financial updates and governance changes such as new Director appointments.

Q&A

Helen Jones, designated
Non-Executive Director responsible
for employee engagement

Q. How do you ensure the voice of employees is heard in the Boardroom?

During the year, I was invited to join the Fuller's Forum meetings, following their establishment in 2022, and I have attended a number of meetings in the year. I also meet on a quarterly basis with the People & Talent Director and the People Experience Manager to review feedback from our listening channels and to discuss emerging themes. I always encourage colleagues to be honest when providing their feedback – both positive and negative – and I really appreciate how open they have been with their comments. Listening to the employee voice and providing a link to the Board is a responsibility I take very seriously. In addition to more informal updates throughout the year, I provide a formal report on a bi-annual basis highlighting the key themes from my various engagement activities including what's working well for colleagues but also, importantly, those of concern which the Company should address. As the Chair of the Remuneration Committee, I also find it particularly helpful in the context of executive pay to gain insight on pay and benefit matters for discussion with my fellow Committee members.

Q. How do you ensure you don't just listen but that action is taken?

The results of the Happiness Index survey and other survey and listening channel outputs are carefully reviewed and considered by the Board. Associated action plans are regularly reviewed by the Board and are incorporated into functional area engagement plans. For FY2023, employee engagement and satisfaction, measured by reference to improvement in the results of the Happiness Index survey, was also incorporated as an objective for the annual bonus for Executive Directors and the Executive Team.

Q. What were the key highlights this year?

During the year, we have created a culture of listening and have strengthened trust with our colleagues through regular communication and consistent language, committing to actions and closing feedback loops, as evidenced by our improved employee engagement score. An added highlight for me personally is how I have been so warmly welcomed by members of the Fuller's Forum and following the success of its launch, I look forward to the establishment of and participating in forum groups for our Head Chef and support centre colleagues, which will broaden our engagement across other areas of the business.

Q. What are the Board's areas of focus going forward?

Diversity and inclusion is a key area of focus for the Board for the coming year. Following the launch of the Equality of Voice survey in September 2022, we have a better understanding of how our colleagues currently feel about diversity and inclusion at Fuller's and have better insight of our demographics. Feedback from this survey will inform our company-wide inclusion plan and will help shape our strategy. As part of this work, we need to ensure that the voices of all our colleagues are heard and that everyone feels a sense of belonging.

Corporate Governance Report Continued

Engagement with shareholders

The Company has an ongoing programme of individual meetings with institutional shareholders, allowing it to update shareholders on the performance of the business and the strategy for the future, and to give them an opportunity to discuss corporate governance matters. The Company's brokers also contact key shareholders to establish if they would like to see the Chief Executive and Finance Director in the days following the presentation of the preliminary and half year results.

The Chairman, Richard Fuller and Sir James Fuller are the key contacts with the Company's family shareholders and Sir James Fuller has a specific role to keep in touch with those shareholders.

The Senior Independent Director and the other Non-Executive Directors are all willing to attend meetings with shareholders or to be contacted by shareholders should they have any concerns which have not been resolved through the normal channels. All Board members receive feedback from the results presentations and meetings with shareholders, enabling them to keep in touch with shareholder opinion.

The Board supports the use of the AGM to communicate, in particular, with private investors, and the Chairman and Chief Executive make a detailed presentation to shareholders updating them on the Company's performance and progress. The Board is keen to encourage institutional investors to attend the meeting, in line with the duties set out in the Stewardship Code for institutional shareholders. Should they have concerns over any issues being voted upon at the AGM, they can then meet the Directors and discuss them in person. The Chairman arranges for the Committee Chairs to answer relevant questions at the meeting and encourages all Directors to be present.

Board activity

Key strategic matters considered by the Board in the year under review and to date included:

Standing agenda items

- Reports from the Executive Directors and Company Secretary covering operational, financial and governance matters in the period
- Employee engagement reports
- Reports from the Audit and Risk, Remuneration and Nominations Committees
- Monthly management accounts

Q1 FY2023

- Group refinancing of banking facilities
- Directors' valuation of the estate
- FY2022 Board evaluation feedback and agreed areas of focus
- FY2022 Results Announcement and Annual Report and Accounts, including risk review
- FY2022 Final dividend payment
- Inflation and supply chain pricing increases, including energy management
- Re-appointment of Richard Fuller and Sir James Fuller as Non-Executive Directors
- Re-appointment of Michael Turner as Chairman

Q2 FY2023

- Appointment of Sir James Fuller to the Nominations Committee
- Group interest rate hedging arrangements
- Anti-Bribery and Corruption Policy
- Review of long term market trends and our strategic response
- Inflation and supply chain pricing increases, including energy management
- Modern Slavery Statement

Q3 FY2023

- FY2023 Interim Results, including risk review
- FY2023 Interim dividend payment
- Cyber security update

Q4 FY2023

- Employee engagement survey outcomes and action plans
- FY2024 Group-wide remuneration proposal
- Nominations Committee terms of reference
- Diversity and inclusion training
- Estate rationalisation plan
- Tax Strategy Statement
- FY2024 budget
- Environmental Policy and Responsible Sourcing Statement
- Annual review of Board governance documents
- Re-appointment of Helen Jones as Non-Executive Director

Q1 FY2024

- FY2023 Board evaluation report
- FY2023 Results Announcement and Annual Report and Accounts, including risk review
- FY2023 Final dividend payment
- Appointment of Dawn Browne to the Board

The 2022 AGM was held at The George IV, in Chiswick, in July. Shareholders were given the opportunity to ask questions ahead of the meeting, using a dedicated email address if they were unable to attend in person. To enable all shareholders to vote on all resolutions in proportion to their shareholding, voting at the 2022 AGM was, in line with best practice, conducted by way of a poll.

Shareholders can opt to receive Company communications such as the Annual Report electronically in PDF format, either via email or from our website, or continue to receive a hard copy in the post. The Board continues to encourage shareholders to consider moving to electronic communications to benefit from timely and secure communications and to help reduce the cost and environmental impact of our communications. Annual Reports and other key communications are also made available on request from the Company Secretary, should beneficial shareholders have difficulties receiving documentation via their nominee providers.

Engagement with stakeholders

The Board recognises the importance of building strong relationships with its key stakeholders to ensure we understand how our decisions may impact them. We therefore actively encourage and carry out engagement with our key stakeholders to understand their views, predominately through the Executive Directors, who ensure that the Board is kept informed of any key issues or changes, which helps to inform our decision making. Our Section 172 statement outlined on pages 64 and 65 explains how the Board's duty to promote the success of the Company takes into account stakeholder considerations.

The Board holds at least six meetings a year, with additional meetings scheduled as required. Meetings are held in-person at the Group's support centre, Pier House, and also within the retail estate. Board calls which are scheduled to provide business updates between meetings are also held.

An annual programme of agenda items is agreed with the Board in advance of the start of the financial year. It is developed from the matters reserved for the Board, strategic objectives and the financial calendar, and provides a framework to ensure that key matters are addressed. The process for agreeing the final agenda is managed by the Company Secretary in consultation with the Chairman and with input from the Chief Executive.

The programme includes updates from each of the Executive Directors and the Company Secretary on matters for which they are responsible. It also includes presentations from members of the Executive Team and Senior Management. This gives the Board exposure to talent in the business while also providing an opportunity to engage in the key areas being worked on and agreed strategic projects. Presentations during the year have included information about further developing our people and sustainability strategies, our food and drink proposition, and our Bel & The Dragon, Cotswold Inns & Hotels, and Tenanted Inns Divisions, utilities risk strategy and cyber security. These sessions also enable the Board to provide feedback and guidance to the individual presenting.

In addition to scheduled meetings, the Board also meets every year for an in-depth review of the Group's strategy, which includes, among other things, discussions about market trends, consumer market, competitor landscape and capital structure. This year, the strategy day was held over two days in south-west London. The Board was joined by members of the Executive Team to provide their views on the strategy, together with external speakers who provided input on the economic forecast for the UK, sector and consumer trends, and investor considerations.

As well as the dialogue within the boardroom, the independent Non-Executive Directors communicate privately, under the leadership of the Senior Independent Director, without the Executive Directors and other Non-Executives present. All Non-Executive Directors also meet informally with the Chairman and the Chief Executive on a regular basis. These meetings allow for the review of issues faced by the business, the continuation of dialogue on strategic issues, the discussion of Board appointments when appropriate, succession planning, and the provision of support to the Chairman and the Chief Executive in their roles.

Division of responsibilities

Board balance and independence

The Board currently comprises the Chairman, three Executive Directors, and five Non-Executive Directors, of which two, Sir James Fuller and Richard Fuller, and the Chairman Michael Turner, are family members. The other three Non-Executive Directors, all of whom are deemed independent under the Code, are experienced business leaders, and collectively all of the Non-Executives bring a wide range of skills and experience to the Board. Although at least half of the Board (excluding the Chairman) does not comprise independent Non-Executive Directors, the Board considers it is well balanced as it has the right number of members for the size of the Group, with representation of the founding families on the Board being considered very important in a company with a high proportion of family shareholders. The Directors agree that no one individual dominates discussions and that each makes a full and positive contribution.

Board and Committee structure

The Board has overall responsibility for governance across the Group and set out on the next page is the Company's governance framework. There is clear differentiation between the roles of Chairman, Chief Executive and Senior Independent Director, and the particular responsibilities of Board members are also set out below. The responsibilities of the Chairman, Chief Executive and Senior Independent Director, and the terms of reference of the Board Committees are set out in writing and are available on the Company's website.

Corporate Governance Report Continued

Governance Framework

The Board

Chairman Is responsible for:	Chief Executive Is responsible for:	Finance Director Is responsible for:	Retail Director Is responsible for:
<p>Leading the Board and maintaining a culture of openness, debate and constructive challenge</p> <p>Setting the agenda, style and tone of Board meetings</p> <p>Monitoring the Board's effectiveness</p> <p>Ensuring effective communication with the Group's shareholders and other stakeholders</p>	<p>Day to day management of the business of the Group</p> <p>Developing and implementing the Group's strategy agreed by the Board</p> <p>Delivering the Group's sustainability strategy</p> <p>Ensuring effective communication with the Group's shareholders and other stakeholders</p>	<p>Managing the Group's financial affairs and supporting the Chief Executive in the management of the Group</p> <p>Overseeing the implementation of strategy and monitoring the performance of the business</p> <p>Providing regular updates to the Board on all financial matters of significance</p>	<p>Managing the Group's operational affairs and supporting the Chief Executive in the management of the Group</p> <p>Overseeing the implementation of strategy and monitoring the performance of the business</p> <p>Providing regular updates to the Board on all operational matters of significance</p>



Senior Independent Director Is responsible for:	Non-Executive Directors Are responsible for:	Non-Executive Director responsible for employee engagement Is responsible for:	Company Secretary Is responsible for:
<p>Acting as a sounding board to the Chairman and an intermediary for Non-Executive Directors when necessary</p> <p>Being available to shareholders if they wish to raise concerns outside of the usual communication channels</p> <p>Evaluating the Chairman's performance as part of the annual Board evaluation process</p>	<p>Providing independent judgement, knowledge and commercial experience to discussions and decision making</p> <p>Providing oversight of the Group's strategy</p> <p>Providing constructive challenge to the Executive Directors and scrutinising their performance against agreed performance objectives</p>	<p>Facilitating two-way communication between the Board and the workforce through various employee engagement initiatives</p> <p>Ensuring that information feeding into the Board's decision-making process reflects the views of employees</p>	<p>Advising the Board on all corporate governance matters and ensuring good governance practices are followed throughout the Group</p> <p>Supporting the Chairman and Non-Executive Directors with their responsibilities</p> <p>Communications with shareholders and organisation of the AGM</p> <p><i>All Directors have access to the advice of the Company Secretary</i></p>



Board Committees

<p>Audit and Risk Committee</p> <p>Monitors the integrity of the financial reporting for the Group, manages the relationship with the external auditors, and oversees the effectiveness of the risk management and internal control systems</p>	<p>Nominations Committee</p> <p>Responsible for leading the process for appointment of Directors for approval by the Board, succession planning, reviewing the structure, size and composition of the Board and overseeing diversity and inclusion initiatives</p>	<p>Remuneration Committee</p> <p>Sets the Remuneration Policy for the Chairman and the Executive Directors, and also reviews the remuneration framework for other Senior Management</p>
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Executive Committee

The Chief Executive is supported by the Executive Team consisting of the Executive Directors, the Marketing Director, the People & Talent Director and the Property Director



<p>Approvals Committee</p> <p>Responsible for reviewing and approving central costs, support centre staffing changes and material procurement contracts</p>	<p>Investment Committee</p> <p>Responsible for reviewing and approving capital related projects and investments</p>	<p>Sustainability Committees</p> <p>Responsible for developing the Group's sustainability strategy around our people, communities and the planet, and providing oversight of key sustainability initiatives, targets and objectives</p>
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Board and Committee meetings

The table below shows the attendance of Directors at Board and Committee meetings held during the year under review.

Director	Board ¹	Audit and Risk Committee	Nominations Committee	Remuneration Committee
Michael Turner	13/13	–	4/4	–
Simon Emeny	13/13	–	–	–
Neil Smith	13/13	–	–	–
Fred Turner ²	12/13	–	–	–
Sir James Fuller ³	13/13	–	3/3	–
Richard Fuller ⁴	10/13	–	–	–
Helen Jones ²	12/13	4/4	4/4	4/4
Robin Rowland ²	12/13	4/4	4/4	4/4
Juliette Stacey	13/13	4/4	4/4	4/4

1 Includes scheduled and ad hoc meetings.

2 Unable to attend one ad-hoc meeting called at short notice due to prior commitments.

3 Sir James Fuller was appointed as a member of the Nominations Committee on 18 July 2022.

4 Unable to attend one scheduled meeting due to a long standing arrangement and two ad hoc meetings called at short notice due to prior commitments.

Time commitment

The Board is satisfied that all Directors can devote sufficient time to their roles to discharge their duties effectively. All Directors are required to seek permission before accepting any external appointments so that, amongst other things, the Board can be satisfied that they will continue to have sufficient time available to devote to the Company. Further, the Nominations Committee considers the time commitments of proposed candidates prior to appointment to the Board to ensure that they are able to dedicate sufficient time to the role.

Conflicts of interest

The Board has adopted a procedure, in accordance with the Company's Articles, to consider and, if it sees fit, to authorise situations where a Director to have an interest that conflicts, or may possibly conflict, with the interests of the Company. Directors have a continuing duty to update any changes to their conflicts of interest. The Company maintains a register of authorised conflicts of interest which is reviewed at least annually and authorisations reconfirmed. The Board may impose certain limits or conditions when giving authorisation.

Advice for the Board

All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter for the whole Board. There is also a formal procedure in place under which Board members can, at the Company's expense, obtain independent professional advice should they decide it is necessary in order to fulfil their responsibilities as Directors. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with. The Directors are satisfied that any concerns they raise at Board meetings are recorded in the minutes. The Company maintains appropriate insurance cover in respect of legal action against its Directors and officers.

Nominations Committee Report

NOMINATIONS COMMITTEE

At a glance

“We continue to oversee development of the Board’s policy and initiatives on diversity and inclusion.”

M I C H A E L T U R N E R

C H A I R O F T H E N O M I N A T I O N S C O M M I T T E E

Members

Michael Turner (Chair), Juliette Stacey, Sir James Fuller, Helen Jones, Robin Rowland

	Number of meetings held	Number of meetings attended
Michael Turner (Chair)	4	4
Juliette Stacey	4	4
Sir James Fuller (appointed 18 July 2022)	3	3
Helen Jones	4	4
Robin Rowland	4	4

Key Duties of the Committee

- Lead the process for appointment and re-appointment of Directors, for approval by the Board
- Regularly review the size, structure and composition of the Board and its Committees
- Consider succession planning for the Board and Executive Committee positions
- Oversee the development of the Company’s policy and initiatives on diversity and inclusion
- Oversee Board induction, training and professional development
- Assist the Chairman and Senior Independent Director with the implementation of the annual Board evaluation.

Key Activities During the Year

- Reviewed and updated the Committee’s terms of reference and membership, including the appointment of Sir James Fuller to the Committee
- Reviewed the Board composition, supported by the development of the Board skills matrix
- Monitored the changes to the Listing Rules and Disclosure Guidance and Transparency Rules regarding gender and diversity requirements
- Considered succession planning at the Board and received briefings on changes to the Executive Committee and other key leadership roles
- Recommended the re-appointment of Helen Jones as a Non-Executive Director, Chair of the Remuneration Committee and the designated Director responsible for employee engagement at the expiry of her term
- Facilitated the annual Board evaluation process for FY2023
- Recommended the appointment of Dawn Browne, People & Talent Director, to the Board with effect from 3 July 2023.

Dear Shareholder,

As Chair of the Nominations Committee, I am pleased to present the Nominations Committee Report for the year ending 1 April 2023.

The Nominations Committee comprises our three Independent Non-Executive Directors, Helen Jones, Robin Rowland and Juliette Stacey, and Non-Executive Director, Sir James Fuller, who was appointed to the Committee in July 2022. I was delighted to welcome James to the Nominations Committee, particularly as he is the key contact with family shareholders so can offer a different perspective during discussions. The majority of members are considered independent and, in the event of any matters discussed concerning my role, I would absent myself, and Juliette Stacey as Senior Independent Director would chair the meeting, in line with the Code requirements. The Chief Executive attends meetings by invitation and the Company Secretary acts as secretary to the Nominations Committee.

As reported in my Chairman's Statement, as part of our ongoing succession planning, I am pleased to announce that, on the recommendation of the Nominations Committee, the Board approved the appointment of Dawn Browne to the Board with effect from 3 July 2023. We are a people focused business and her in-depth insight of people matters as well as operational experience will be invaluable to the Board. A customised induction programme is being developed to support her in her new role.

As outlined in last year's report, the Board agreed that the role of the Nominations Committee would be broadened to further support the Board in its work with regard to Board composition, succession planning and initiatives on diversity and inclusion. During the year, revised terms of reference were developed by the Committee and adopted by the Board. The Nominations Committee met four times during the year. Key matters discussed at the meetings included a comprehensive review of the composition of the Board; succession planning for the Board and Executive Committee; consideration of changes to the Listing Rules and Disclosure Guidance and Transparency Rules regarding gender and diversity requirements; the re-appointment of Non-Executive Director Helen Jones; and the Board evaluation process for FY2023.

During the year ahead, the Nominations Committee will continue to focus on longer-term succession planning to ensure that appropriate succession arrangements are in place for the Board and Executive Committee members. The Nominations Committee will also continue to oversee development of the Board's policy and initiatives on diversity and inclusion, and consider our approach to collecting numerical data across the business to both monitor progress against initiatives and to comply with reporting requirements.



Michael Turner
Chair of the Nominations Committee
14 June 2023

Composition, Succession and Evaluation

Board Composition

Details of the Directors, including their qualifications, experience and other commitments, are set out on pages 68 and 69. There were no changes to the Board during the year.

Following the adoption of the revised Nominations Committee terms of reference, the Committee, on behalf of the Board, is responsible for continually assessing the composition of the Board and its Committees to ensure there is the right balance of skills and experience. The composition of the Board and its Committees is also considered as part of the annual Board evaluation. During the year, the Nominations Committee undertook a comprehensive review of the composition of the Board, taking into account the skills, experience, diversity and tenure of the Directors. The review was supported by the development and introduction of a Board skills matrix to capture the current skills and expertise of the Board and to assist the Nominations Committee in its discussions regarding future Board composition and succession planning. The matrix demonstrates, along with the Director biographies on pages 68 to 69, that the Directors have a range of relevant skills and experience, and the Nominations Committee is satisfied that the Board has the necessary mix of skills and subject matter expertise, further supported by the expertise of the Executive Committee members and functional heads.

While at least half of the Board, excluding the Chairman, is not independent as stipulated by the Code, the Committee believes that the presence of Non-Executive Directors who are long-standing family shareholders is important. The Nominations Committee also acknowledges that the Chairman has been in post beyond nine years; however, the Nominations Committee considers that the Chairman's knowledge and understanding of this long-established family business and its requirements are extremely valuable. In line with the Code and letters of appointment, independent Non-Executive Directors serve no more than nine years and the chart below summarises their current tenure and unexpired terms.

Independent Non-Executive Director Tenure

Nominations Committee Report Continued

Induction and Professional Development

On appointment, the Nominations Committee will, in conjunction with the Chairman and the Company Secretary, ensure that new Directors undertake a tailored induction programme. This would typically consist of an introduction to the Board and the Executive Team, visits to pubs and hotels across the estate, an induction reference material pack, briefings on governance requirements and legal and regulatory obligations as a Director, and access to independent advisors.

Directors are encouraged to attend training courses, industry forums and specialist briefings relevant to their role throughout the year. The Company Secretary, in consultation with the Chairman and Nominations Committee, has developed a Learning and Development programme for the Board and arranges for external speakers and specialists, such as the Company's brokers and legal advisors, to join Board meetings to brief the Board on topics of interest as appropriate. During the year, the Board received a refresher on Directors' duties and the Market Abuse Regulation presented by the Company's legal advisors to ensure that Directors continue to understand their obligations. In line with our commitment to create inclusive spaces where everyone – employees and customers – feel they belong, WiHTL facilitated a session on diversity and inclusion. For the year ahead, future topics will include sustainability and climate competence, cyber security and developments in technology.

Executive Directors are permitted to hold one other paid directorship, with the Board's consent, as the Board believes that experience of how other boards work enhances the Directors' contribution to the Company.

Succession Planning

Succession planning is a key issue for a business that has very low turnover amongst its Senior Management and is still very much a family-controlled concern while also being a public listed company.

Following the adoption of the revised Nominations Committee terms of reference, succession planning and the development of talent has become a key focus of the Nominations Committee, and is a standing agenda item at each meeting. During the year, the Committee has reviewed and updated the plan that is in place for the succession of key roles. Talented and "critical to retain" individuals have been identified, and each individual has their own development plan, owned by the individual and supported and overseen by their leader and the People Team. Development plans are grounded in data from assessments and feedback, and external partners and experts are engaged to support development where required.

Role descriptions and personal specifications for key Board positions, including the Chairman and Chief Executive, have been reviewed by the Committee and updated to reflect the needs of the business and to support longer-term succession planning.

During the year ahead, the Nominations Committee will continue to focus on longer-term succession planning to ensure that appropriate succession arrangements are in place for the Board and Executive Committee members.

Election and Re-election

The Nominations Committee is responsible for recommending to the Board the appointment of new Directors and the re-appointment of existing Directors.

As outlined in last year's report, the Nominations Committee recommended the re-appointment of Sir James Fuller, whose three year term expired in May 2022, for a further three years, to May 2025. The Committee also considered the re-appointment of Helen Jones as Non-Executive Director, Chair of the Remuneration Committee and the designated Director responsible for employee engagement, whose three year term expired during the year, and recommended that her term be renewed for a further two years, to March 2025. On the recommendation of the Nominations Committee, the Board has approved the appointment of Dawn Browne as a Director with effect from 3 July 2023.

At every AGM, one-third of the Directors are subject to retirement by rotation. In addition, if any Director has, at the start of the AGM, been in office for more than three years since their appointment or re-appointment, they shall retire at that AGM and offer themselves for re-election. At the AGM in July 2023, Dawn Browne and Helen Jones will offer themselves for election/re-election following their appointment/re-appointment by the Board. Robin Rowland and Juliette Stacey will retire by rotation and offer themselves for re-election. The Board is of the opinion that each Director standing for election or re-election makes an effective and valuable contribution to the Company towards its long-term sustainable success.

The Nominations Committee has considered the Code requirement for Directors to be subject to annual re-election. In view of the Company's size, its ownership structure and its history, the Board agreed with the Nominations Committee not to move to annual re-election of Directors but will keep this requirement under review.

Diversity and Inclusion

The Board is committed to diversity and inclusion at both the Board level and across the business. Whilst the Board is alert to the need to ensure diversity in all its forms is promoted, it believes appointments should be made on merit and does not want to adopt targets that may affect its ability to make the right decision for the business and all its stakeholders. As and when Board vacancies arise and, should the support of an executive search firm be required, the Board and the Nominations Committee will ensure that it only uses firms that have signed up to their industry's Voluntary Code of Conduct.

Diversity and inclusion has been a focus of the business in the year. Fuller's has signed the British Beer and Pub Association's ("BPPA") diversity and inclusion charter and our aim is to ensure all our venues are inclusive spaces and that we have a zero-tolerance approach to harassment or discrimination of any kind. Inclusive leadership training has been introduced for the Executive Team and our senior leaders and, as part of this work, a company-wide inclusion plan has been developed. Going forward, the Nominations Committee will undertake a review of the Board's policy and objectives, and increase its oversight of diversity and inclusion objectives across the business, and an annual report on diversity and inclusion initiatives will be presented to the Nominations Committee by the People & Talent Director.

The Board is aware of the changes to the Listing Rule introduced by the Financial Conduct Authority ("FCA") around setting targets in relation to Board diversity and the disclosure of diversity and inclusion metrics at the Board and Executive Committee level going forward. Currently, the Board does not meet the target of having women make up at least 40% of the Board or having at least one Board member from a non-white ethnic minority background. Juliette Stacey is our Senior Independent Director and therefore there is at least one woman in a senior Board position, as defined in the rules. The Committee is cognisant of the disclosure requirements and we are currently collecting numerical data regarding ethnic background and gender identity or sex at the Board and Executive Committee level and across the business to enable reporting next year when we become in scope.

In line with the Code, the Nominations Committee has reviewed the gender balance of those in Senior Management, considered to be the Executive Committee members, and their direct reports at 1 April 2023, as illustrated on the right. Details on the gender balance across the Board and all-employees is also disclosed.

Board Evaluation

The annual Board and Committee evaluation continues to provide a valuable opportunity for the Board to reflect on how it operates, enabling it to improve its effectiveness and that of its Committees. Following the completion of an in-depth external review for FY2022, on the recommendation of the Nominations Committee, for FY2023, the Board completed an internal evaluation process between March and May this year, led by the Senior Independent Director. The evaluation consisted of a questionnaire which probed how the Board had operated during the year under review and included the performance of the Board as whole and its Committees, the effectiveness of the Executive Directors and Non-Executive Directors, key learnings from the year in review and considerations for future areas of focus.

Outcomes and recommendations from FY2023 evaluation

The consolidated output was finalised in June 2023. Overall, feedback was positive and demonstrated that the Board and its Committees were considered to be working effectively. Further, the Board was considered to comprise relevant skills and experience, and all Directors were committed to the success of the Company.

As would be expected, there were some opportunities identified by Board members to increase effectiveness to ensure that the Company benefits from the combined expertise and insight of the Board. Work has begun on developing an action plan and, once approved by the Board, the recommendations will be incorporated in a tracker, alongside any ongoing recommendations from the prior year, to monitor progress.

Nominations Committee Report Continued

Update on FY2022 Evaluation Recommendations

Progress made against the recommendations arising from the Board evaluation completed at the end of FY2022 are set out in the table below.

Recommendation	Progress update
Provide further opportunities for Board members to connect with the business	Following the re-introduction of Board visits in the second half of 2021, the Board spent the day in trade visiting several pubs and hotels in Hampshire in June 2022. Board members have also been partnered with members of the Operations team to facilitate days in the Fuller's estate and were invited to attend the Fuller's Future and General Managers Conference.
Broaden the role of the Nominations Committee	The terms of reference of the Nominations Committee have been reviewed and the duties of the Committee expanded to include responsibility for Board composition, succession planning, training and development, evaluation and initiatives on diversity and inclusion.
Review the approach to Board learning	Responsibility for Board training and development has been delegated to the Nominations Committee. The Committee has established a Learning and Development programme and identified topics for inclusion, with regular sessions scheduled throughout the year.
Develop the Board's oversight of people and sustainability matters	Updates from the Sustainability Director to the Board have been formalised, with updates on sustainability matters now being presented to the Board on a regular basis. Helen Jones, as designated Non-Executive Director responsible for employee engagement provides a formal report bi-annually to the Board on the outcomes of her engagement with colleagues across the business and the results of the annual Happiness Index survey are presented to the Board by the People & Talent Director. The Chief Executive also keeps the Board apprised of key people and sustainability matters throughout the year. Going forward an annual report on diversity and inclusion initiatives will be presented to the Nominations Committee by the People & Talent Director.

Audit, Risk and Internal Control

Audit and Risk Committee Report

AUDIT AND RISK COMMITTEE

At a glance

“Our work during the year has focused on the impacts of the challenging trading environment. While we are more optimistic about the future, monitoring any ongoing disruption will continue to be a key agenda item over the next year.”

JULIETTE STACEY

CHAIR OF THE AUDIT AND RISK COMMITTEE

Members

Juliette Stacey (Chair), Helen Jones, Robin Rowland

	Number of meetings held	Number of meetings attended
Juliette Stacey (Chair)	4	4
Helen Jones	4	4
Robin Rowland	4	4

Key Duties of the Audit and Risk Committee

- Monitors the integrity of the financial reporting for the Group
- Manages the relationship with the external auditors
- Oversees the effectiveness of the risk management and internal control systems.

Key Activities During the Year

- Reviewed the effectiveness of the Group's internal controls and risk management systems and assessed the need for an internal audit function
- Monitored the progress in the documentation of the Group's internal control framework to identify enhancements to controls
- Received updates on specific risk areas, including cyber risk and IT controls, and an extensive review of our supply chain to evaluate supplier, performance and service
- Reviewed the Group's principal risks register ahead of the announcement of the half year and full year results

- Reviewed all matters relating to the half year and full year results announcements, including reports presented by the external auditors (EY) and assessment of key judgements and accounting policies, and assessed whether taken as a whole the Annual Report was fair, balanced and understandable
- Conducted a review of the effectiveness of the external audit process and external auditor, and recommended EY's re-appointment
- Reviewed and recommended to the Board for approval the revised Anti-Bribery and Corruption Policy
- Reviewed and confirmed the appropriateness of the Policy on Auditor Independence and Provision of Non-Audit Services
- Reviewed and recommended to the Board for approval the Tax Strategy Statement for the year ended 31 March 2023
- Considered reports on key areas of compliance, including data protection, employee relations, health and safety, cyber security, and whistleblowing
- Conducted an annual review of the Audit and Risk Committee's effectiveness and terms of reference
- Reviewed the outputs of the FRC's inspection of the FY2022 audit conducted by EY
- Oversaw the development of our TCFD reporting (the TCFD Report is set out on pages 54 to 61)
- Considered changes to the half year review process
- Reviewed EY's plan for the FY2023 audit, terms of engagement and proposed fee.

Audit and Risk Committee Report Continued

Dear Shareholder,

I am pleased to present the Audit and Risk Committee Report for the year ended 1 April 2023.

As you will have noted, the Committee's name has changed since the last report, which underlines our wider focus on the Group's risk and control environment, alongside the oversight that we maintain over the statutory audit and the relationship with the external auditors.

Our work during the year has focused on the impacts of the challenging trading environment and national inflationary environment, cost of living crisis, and disrupted trading due to tube and rail strike action. In particular, we have reviewed and robustly challenged management's assessment of various trading scenarios and management of risks given the uncertain UK economic environment. The Audit and Risk Committee is satisfied that the factors considered and assumptions used are appropriate to support the going concern and viability of the business going forward and, while as a Board we are more optimistic about the future, monitoring any ongoing disruption will continue to be a key agenda item over the next year.

Ernst & Young LLP ("EY") are conducting their third audit following their appointment in 2021. Both the Audit and Risk Committee and management have an open and transparent relationship with EY. We welcome the fresh perspective and robust challenge they continue to provide to the Audit and Risk Committee's deliberations. We were also pleased that the outcome of the FRC's inspection of EY's FY2022 audit was in the top classification, with no key findings and only limited improvements required. We are supportive of EY's re-appointment which shareholders will be asked to vote on at the 2023 AGM.

During the year, the Audit and Risk Committee considered the Government's audit and governance reform agenda and has received regular updates from EY and management following the publication of the draft Audit Reform Bill ahead of the introduction of the Audit, Reporting and Governance Authority ("ARGA"). We have developed our own roadmap for those changes we consider appropriate to enhance our internal control environment and each element is being process mapped and documented to provide assurance to the Audit and Risk Committee to aid future reporting and transparency.

We recognise the importance to all our stakeholders in understanding and managing the climate related risks and opportunities to our business and supply chain, and this is the second year that we have reported against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). Supported by our Sustainability Director, we have evolved our TCFD reporting and, given the ever-evolving requirements in this area and changing market landscape, we now have an annual update and training session on climate risk included on the Committee's agenda. You can read the full TCFD Report on pages 54 to 61.

I will be attending the AGM on 20 July 2023 and I look forward to answering any questions about the work of the Audit and Risk Committee.



Juliette Stacey
Chair of the Audit and Risk Committee
14 June 2023

Committee Membership

The Audit and Risk Committee comprises three independent Non-Executive Directors and has a good balance of skills, with competence and experience in the sector in which the Group operates. The Chair of the Audit and Risk Committee is a Chartered Accountant and has a broad range of experience in senior finance roles, and is therefore considered to meet the requirement under the Code that at least one member should have recent and relevant financial experience. The Audit and Risk Committee is advised internally by the Company Secretary, Rachel Spencer, who also acts as secretary to the Committee.

Meeting Attendance

All meetings are attended by the external auditors and the Company Secretary, and regular attendees include the Chairman, Chief Executive, Finance Director, Group Financial Controller and Head of Risk. Other Senior Management attend relevant meetings at the Audit and Risk Committee Chair's request or submit reports as required by the agenda.

The Audit and Risk Committee meets at least once a year with the external auditors, without management present, to discuss any matters they may wish to raise. The Audit and Risk Committee Chair also meets separately with the Finance Director and auditors outside of the formal meeting programme, which helps to identify key areas of focus and emerging issues that may need to be added to the Audit and Risk Committee's agenda.

Key Activities

The Audit and Risk Committee has a detailed annual meeting planner which sets out the key items to be covered at its scheduled meetings. This includes reviewing the financial statements and announcements, monitoring changes in accounting practices and policies, and reviewing decisions with a significant element of judgement.

At each meeting, an update on risk management and internal controls is presented, together with reports on compliance with health and safety, employee relations, data protection and cyber security. In light of the impact of inflation and tube and rail strikes on trading during the year, there has continued to be focus around potential risks arising from any ongoing economic and operational uncertainty.

The Audit and Risk Committee keeps abreast of regulatory and governance developments as part of ongoing reporting from the auditors and the Company Secretary.

The effectiveness of the Audit and Risk Committee formed part of the Board evaluation process described in the Nominations Committee Report on page 79.

Financial Reporting and Significant Judgement

The Audit and Risk Committee monitors the integrity of the financial information published in the interim and annual financial statements and considers the extent to which suitable accounting policies have been adopted, presented and disclosed.

During its review of the Group's financial statements for the period to 1 April 2023, the Audit and Risk Committee has reviewed the key judgements applied in the preparation of the consolidated financial statements, including those communicated by the auditors during their reporting. These are described in the accounting policies detailed in note 1 to the financial statements. The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

The key issues and judgements considered by the Audit and Risk Committee are detailed in the table below:

Key accounting judgement	How the issue was addressed
Going concern	The Audit and Risk Committee considered the appropriateness of the decision to adopt the going concern basis of reporting in the preparation of the financial statements. The Audit and Risk Committee reviewed two scenarios – the “base case” and the downside “severe but plausible” case, as well as the reverse stress test and the mitigations available to the Group, as disclosed in note 1 to the financial statements. The Audit and Risk Committee has challenged the assumptions used in each scenario and is satisfied that, even under a severe but plausible scenario, the Group has adequate resources for the going concern assessment period and supports the Group adopting the going concern basis.
Impairment testing of property assets	<p>The Audit and Risk Committee considered the proposed impairment of property assets for both the Half Year Report and the Annual Report.</p> <p>The Audit and Risk Committee challenged management’s approach, in particular the methodology and inputs used to estimate both value in use and fair value less cost to sell for site level impairment reviews, including challenging the underlying trading forecasts. The Audit and Risk Committee also reviewed the disclosures in the Annual Report to ensure their appropriateness. The Audit and Risk Committee was satisfied with the approach presented by management, the judgements made for those properties at risk of impairment and the related disclosures in the 2023 Annual Report and Accounts.</p>
Separately disclosed items	<p>The Audit and Risk Committee considered the nature of items classified as “separately disclosed items” in the financial statements. The Audit and Risk Committee was satisfied that the items management proposed to be shown as separately disclosed items were not linked to the underlying trading of the Group. Separately disclosed items include:</p> <ul style="list-style-type: none"> • costs relating to the corporate reorganisation of the Group • profit or loss on property disposals • impairment on properties. <p>In addition, the Audit and Risk Committee reviewed these disclosures within the 2023 Annual Report and Accounts to ensure they clearly identified and reconciled to the relevant GAAP measure.</p>
Pension accounting	The pension liability is sensitive to the actuarial assumptions applied in measuring future cash outflows. The use of assumptions such as discount rate and inflation, which have an impact on the valuation of the defined benefit pension scheme, was assessed by the Audit and Risk Committee. The Audit and Risk Committee was satisfied with the proposed accounting treatment and disclosures of the Group’s defined benefit plan in the financial statements.

Going Concern and Viability Statement

The Audit and Risk Committee assessed in detail the going concern and viability reviews undertaken by management, as detailed in the Financial Review on page 33. This involved looking at potential revenues, costs and cash flow modelling on both a prudent base case and downside case scenario where there was much greater uncertainty. The Audit and Risk Committee was satisfied with the approach presented by management, including the judgements made in the estimation of future cash flows and the Group’s financing, and considering the high proportion of freehold property that underpins the estate.

In addition, the Audit and Risk Committee has reviewed the Group’s assessment of viability over a period greater than 12 months. The Audit and Risk Committee considered the potential financial impact of the Group’s principal risks and uncertainties, including the impact of climate change and climate change legislation on the Group’s operations. The Audit and Risk Committee has concluded that the factors considered and assumptions used are appropriate in assessing the Group’s viability.

Internal Control and Risk Management

The Board has overall responsibility for the Group’s system of internal control and management of risks and for reviewing its effectiveness. The system was designed to provide reasonable but not absolute assurance of:

- the mitigation of risks which might cause the failure of business objectives
- no material misstatements or losses
- the safeguarding of assets against unauthorised use or disposal
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication
- compliance with applicable laws and regulations.

The Directors’ statement on the Company’s system of internal controls is set out on the next page.

Audit and Risk Committee Report Continued

At the start of the year, the Audit and Risk Committee discussed the Company's risk management process and, on behalf of the Board, considered the Group's principal risks which had been reviewed by the individual risk owners and, where applicable, the mitigating actions and controls had been updated and the risk rating updated. Any significant changes to risks were discussed in each subsequent Audit and Risk Committee meeting.

During the year, a selection of key risks were presented to either the Audit and Risk Committee or the Board. This has included risks around increasing focus on sustainability issues, including climate change risk, and IT security and cyber security.

The Group maintains business continuity plans and normally tests the resilience of these plans on an annual basis. During the year a crisis management test of all emergency communication groups was completed to ensure that call tree procedures work. In addition, a scenario planning exercise was undertaken to test the actions should an announced or unannounced power blackout occur. The Board and Audit and Risk Committee consider the thorough responses by the Executive Team and the broader management teams to significant challenges they have faced during the year – including the major fire at the Admiralty in July 2022, supply chain issues, the challenging trading environment due to inflation and the UK economic uncertainty, and the repeated disruption to trading due to tube and rail strike action – as solid evidence of the effectiveness of existing disaster recovery and business continuity plans.

The Finance team is responsible for the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner.

The new finance system, launched in November 2021, has simplified the accounting process and control framework. It has improved controls on expenditure and has enabled more insightful reporting to be used by both finance and operational management, as well as increasing the quality of our budgeting process. The Investment Committee and Approvals Committee, two sub-committees of the Executive Committee, further strengthen control and scrutiny of costs across the business below Board level authority. The Investment Committee is responsible for reviewing and approving capital related projects and investments and for completing post-investment appraisals. The Approvals Committee is responsible for reviewing and approving central costs, support centre staffing changes and material procurement contracts. The Finance Director chairs both committees and provides regular updates to the Executive Committee, and to the Audit and Risk Committee and the Board as required.

Throughout the period, the Executive Directors provided relevant and timely financial commentary to supplement the financial reporting, ensuring the Audit and Risk Committee and the Board were informed of the financial position and results of the Group.

The Audit and Risk Committee and the Board have considered the effectiveness of the Group's system of internal controls. Key elements of the system of internal control designed to address significant risks and uncertainties, as documented on pages 34 to 35, include:

- clearly defined levels of responsibility and delegation throughout the Group, together with well-structured reporting lines up to the Board

- the preparation of annual budgets for each division, including commentary on key business opportunities and risks
- the reviews by the Executive Team of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year
- a detailed investment approval process requiring Board authorisation for all major projects
- post-implementation appraisals of major capital expenditure projects as requested by the Board
- regular reporting of legal and accounting developments to the Board
- regular review of the Group's risk register and discussion of significant risks by the Audit and Risk Committee and the Board, which among other things take account of the significance of environmental, social and governance matters to the business
- regular reporting of compliance with, data protection and health and safety, and the monitoring of accident statistics and the results of health and safety audits.

Internal Audit

The Group does not have a dedicated internal audit function but uses its own Finance team and Retail Audit team, augmented with external specialists as required, to provide assurance regarding the strength of the control environment and risk management.

The team of retail business auditors monitor, in particular, the controls over stock and cash in the Managed Pub estate, Bel & The Dragon sites, and Cotswold Inns & Hotels. The function reports into the Head of Risk who attends all meetings of the Audit and Risk Committee to provide an update on the activities of the Retail Audit team.

External resource is used when specialist advice is required on any areas of risk or controls where the Audit and Risk Committee considers the business may be exposed. The Audit and Risk Committee received regular reports covering third party audits on health and safety and food safety matters.

For FY2024, the Audit and Risk Committee confirmed that the existing arrangements of internal audit remained appropriate.

Climate Risk and TCFD Disclosure

The Audit and Risk Committee is responsible for overseeing that the effects and consequences of climate change are adequately reflected in our financial statements. Climate-related risks are presented to the Audit and Risk Committee on an annual basis, which is a key element of the new approach to TCFD that has been implemented this year. In addition a training session on the evolving requirements around climate risk has been added to the annual meeting planner.

The Audit and Risk Committee reviewed and agreed that the TCFD disclosures set out on pages 54 to 61 were appropriate and that the assumptions used in the financial statements are consistent with these disclosures.

Whistleblowing

The Audit and Risk Committee is responsible for reviewing the adequacy and security of the Company's arrangements for employees and contractors to raise concerns about any suspected wrongdoing, as set out in the Company's Whistleblowing Policy. The Company has in place mechanisms for concerns to be raised in confidence internally and anonymously through the appointment of an independent whistleblowing service operated by Safecall.

Any whistleblowing reports are reported immediately to the Audit and Risk Committee Chair and, following investigation, to the full Audit and Risk Committee and, at least annually, to the Board. A standing report is tabled at each Audit and Risk Committee meeting providing an update on employee relation matters in the period, which allows the Audit and Risk Committee to identify any trends.

Anti-Bribery and Corruption

To prevent bribery and corruption, the Group has a policy which all employees and contractors must follow. This includes guidance around the acceptance of gifts and hospitality. The policy sets out our commitment to conducting business in an honest and ethical manner and our zero tolerance approach to bribery and corruption from our people and any third parties, including customers and suppliers.

External Audit

Ernst & Young LLP were first appointed in 2021, following a tender process, to conduct the audit of the Group's financial statements for the financial year to 27 March 2021, and this is its third year auditing the Group's Annual Report. In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the audit engagement partner is rotated at least every five years. The FY2023 audit is the third year of Rachel Savage's tenure as lead audit engagement partner.

The auditors are invited to attend all meetings of the Audit and Risk Committee and report on the plan and approach for the full year audit and half year review.

The Audit and Risk Committee Chair meets the auditors on a regular basis during the year and the Audit and Risk Committee meets with the auditors, without management present, at least annually in order to allow both the members of the Audit and Risk Committee and the auditors to raise any issues directly and to discuss the auditors' remit.

The Audit and Risk Committee reviewed the effectiveness of EY's performance of the external audit process, taking into account:

- the quality and scope of the audit plan, and evaluation of delivery and performance against the plan
- qualifications, efficiency and performance of the audit team
- the communication between the Company and EY
- EY's understanding of the Group's business and industry sector
- the results of the FRC's Audit Quality Inspection Report on EY
- any specific observations arising from the FRC's inspection of the FY2022 audit conducted by EY.

After considering these matters, the Audit and Risk Committee was satisfied with the effectiveness of the year end audit process and recommended to the Board that EY be re-appointed at the Company's AGM on 20 July 2023.

During the year, the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014.

Auditor Independence and Non-Audit Services

Auditor independence and objectivity are safeguarded by a number of control measures, and a formal written policy was approved in January 2021 and reviewed during the course of the year to confirm its continued appropriateness. The Policy sets out processes for assessing independence and objectivity, including disclosure

requirements of the auditors, restrictions on the employment of the auditors' former employees and the circumstances in which the auditors may be permitted to undertake non-audit services.

The Policy is in line with the recommendations set out in the FRC's Guidance on Audit Committees and the requirements of the FRC's Revised Ethical Standard 2019 (the "Standard"). In respect of non-audit services, only a very short list of non-audit services is now permitted under the Standard, which are detailed in the Policy, and all spend has to be approved by the Audit and Risk Committee, which ensures full visibility.

In FY2023, the fees paid to EY for audit services were £465,000. No fees were paid for non-recurring audit services (FY2022: £366,500 including £55,000 for non-recurring audit services). During the year, fees paid to EY for non-audit services included £45,000 for the review of the FY2023 half year results announcement and £5,000 for the completion of a compliance certificate from the auditors required under the terms of the 6.875% Debenture Stock 2018 Trust Deed.

In line with the approach taken by many companies, it has been agreed that EY will no longer be engaged to provide a review opinion in accordance with International Standard on Review Engagements 2410 (UK) on the half year results. The auditors will continue to attend all meetings of the Audit and Risk Committee, including the discussions to approve the half year results and will conduct limited agreed upon procedures for the benefit of the directors.

Fair, Balanced and Understandable

The Audit and Risk Committee reviewed whether the 2023 Annual Report, taken as a whole, was fair, balanced and understandable, and also whether it provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In making its assessment, the Audit and Risk Committee took the following into account:

- A timetable for the production of the 2023 Annual Report was agreed by the Finance team and the auditors, with overall co-ordination of the report being overseen by the Finance Director
- Each section of the report was prepared by a member of management with appropriate knowledge and experience, including representatives from finance, communications, company secretariat and risk
- Management's views on each of the key judgements, which were then discussed by the Audit and Risk Committee
- Reports and feedback from the auditors which were presented to the Audit and Risk Committee
- Board members received drafts of the report for review, which provided an opportunity to provide comments and ensure messaging was cohesive.

Following its review, the Audit and Risk Committee confirmed to the Board that the 2023 Annual Report was fair, balanced and understandable, and the Board's statement is set out on page 104..



Juliette Stacey
Chair of the Audit and Risk Committee
14 June 2023

Remuneration

Directors' Remuneration Report

REMUNERATION COMMITTEE

At a glance

"One of our key focus areas is to ensure the Executive Directors are appropriately rewarded for implementing our strategic plan and delivering long-term growth for the Company and all our stakeholders."

HELEN JONES

CHAIR OF THE REMUNERATION COMMITTEE

Members

Helen Jones (Chair), Juliette Stacey, Robin Rowland

	Number of meetings held	Number of meetings attended
Helen Jones (Chair)	4	4
Juliette Stacey	4	4
Robin Rowland	4	4

Key Duties of the Committee

- Sets the Remuneration Policy for the Chairman, Executive Directors, Executive Team members and Divisional Directors
- Determines the total remuneration package (including pensions, service agreements and termination payments) of the Chairman and Executive Directors and, in consultation with the Chief Executive, determines the total remuneration package of the members of the Executive Team and Divisional Directors
- Reviews workforce remuneration and related policies.

Key Activities During the Year

- Reviewed performance under the Long-Term Incentive Plan ("LTIP") and Executive Share Option Scheme ("ESOS") awards granted in 2020 and confirmed vesting outcomes
- Set Executive Director objectives and bonus targets for FY2023 and approved proposals for the Executive Team and Divisional Directors
- Agreed the targets for the annual FY2023 LTIP awards and FY2023 ESOS awards
- Approved pay increases for FY2023 for Executive Directors, Executive Team and Divisional Directors taking into account the pay review for the wider workforce
- Considered remuneration arrangements for the wider workforce in the context of the current cost of living crisis
- In conjunction with the Board, received regular reports on Group-wide remuneration for FY2023 and wider workforce remuneration arrangements and issues
- Reviewed the Group's gender pay gap reporting for FY2022
- Approved an invitation under the Group's all employee Sharesave ("SAYE") Scheme for FY2023
- Approved the remuneration arrangements for the incoming Marketing Director
- Reviewed the Chairman's fee
- Noted remuneration proposals for the wider workforce for FY2024, implemented with effect from 1 April 2023
- Reviewed the independence and effectiveness of the Remuneration Committee advisor, Deloitte
- Conducted an annual review of the Remuneration Committee terms of reference.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 1 April 2023.

Against the backdrop of a challenging trading background, the Group has delivered sales growth of 33% with revenues of £336.6m and adjusted profit of £12.7 million, up by 76% on the prior year. The increase was largely due to improved ability to trade in FY2023, particularly in London as people returned to offices and international tourism recovered. While sales and profit growth has been strong, it was held back by significant external factors such as rising energy, food and labour costs and the impact of train and tube strikes. This resulted in the outcome for the year being below original expectations which is reflected in no payouts being awarded against variable elements of pay as detailed below.

Going forward, one of the key focus areas for the Remuneration Committee is to ensure that our Executive Directors are appropriately rewarded for implementing our strategic plan to return to pre-pandemic levels of profitability and deliver long-term growth for the Company and all our stakeholders.

Directors' Remuneration Policy ("Policy")

Our remuneration philosophy is to incentivise management to drive business performance to deliver sustained and profitable growth. We presented our revised Policy to shareholders at the AGM in 2021, where we received strong support with a vote in favour of 86.15%. The Policy is intended to cover the three year period to the AGM in 2024 and it was applied consistently during the year ended 1 April 2023. The Remuneration Committee did not exercise any discretion to adjust remuneration outcomes in the year. No changes are proposed to the Policy for FY2024.

Incentive Outcomes for FY2023

The annual bonus for FY2023 was based 80% on Group adjusted profit before tax (pre IFRS 16) performance and 20% on individual strategic performance. Group adjusted profit (pre IFRS 16) was £13.6 million, which was below the minimum financial target. Performance against individual strategic objectives was assessed and, while these objectives had been fully achieved, the Remuneration Committee agreed with the recommendation of the Executive Directors that no bonus should be paid.

The performance targets for the LTIP and ESOS awards granted in October 2020 and January 2021 respectively, which were based on Group adjusted EPS before tax performance for the LTIP, and Group adjusted EBITDA performance for the ESOS measured over the period to FY2023, were not met and therefore the awards will lapse in full.

Executive Director Remuneration for FY2024

Salary

The Remuneration Committee reviewed carefully the approach taken for the wider workforce when considering salary increases for Executive Directors, given the significant cost pressures faced by colleagues over the last 12 months. Salary increases across the Group consisted of increases of between 6% and 11%, with those earning the least receiving the largest increases to support those most impacted by increasing costs. Base salaries for Executive Directors have been increased by 6% in line with the lowest increase for the wider workforce. In light of the increasing pressures on the cost of living, the implementation of pay increases across the wider business was brought forward in 2022, to take effect from 1 April and this change has been retained for 2023, although the normal review date of 1 June remains in place for the Executive Directors.

Annual bonus

The maximum annual bonus will continue to be 100% of base salary, based 80% on Group adjusted profit before tax (pre IFRS 16) performance and 20% on individual strategic objectives.

Long term incentive awards

The maximum LTIP award will continue to be 125% of base salary for the Chief Executive and Retail Director, and 100% for the Finance Director, based on the achievement of EPS performance for FY2026.

Awards under the ESOS will be granted to Executive Directors with reference to the increased tax efficient limit which has increased from £30,000 to £60,000 with effect from 6 April 2023.

Non-Executive Director Fees

The Remuneration Committee reviewed the Chairman's fee during the year and determined that a reduction was appropriate. The Chairman's fee was therefore reduced from £250,000 per annum to £210,000 per annum effective 1 January 2023. Non-Executive Director fees were last reviewed by the Board in November 2021 and remain unchanged for FY2024.

Employee Engagement and Support

The Remuneration Committee receives updates on workforce pay and benefits throughout the Group and considers workforce remuneration as part of the review of executive remuneration. The agreed average annual pay increase for all employees was taken into account by the Remuneration Committee when agreeing pay reviews for the Executive Directors, Executive Team and Divisional Directors.

We have taken a number of steps to help our employees through both the impact of the pandemic and the current cost of living crisis. These include a shift in our pay structures to ensure that all our employees are paid above the National Minimum Wage or the National Living Wage depending on their age; implementing salary sacrifice for our defined contribution pension scheme; extending medical benefits to all team members with more than one year's service through a healthcare cash plan; and continuing to offer the Wagesstream App, which gives all employees the chance to take salary ahead of payday, negating the need for expensive payday loans.

Shareholder Engagement

The Remuneration Committee welcomes ongoing shareholder dialogue. Our intention is that shareholder views will be sought when there is any significant change to Directors' remuneration. Should shareholders have any concerns about the Policy, the Remuneration Committee Chair will endeavour to meet with them, as appropriate, to understand and respond to any issues they may have.

I hope that you find the report clear and comprehensive and that it helps demonstrate how Directors' remuneration is linked to the performance of the Company. On behalf of the Remuneration Committee, I would like to thank shareholders for your continued support and feedback over the year and I hope that you are able to support the resolution on the Annual Report on Remuneration being presented at this year's AGM on Thursday 20 July 2023.



Helen Jones
Chair of the Remuneration Committee
14 June 2023

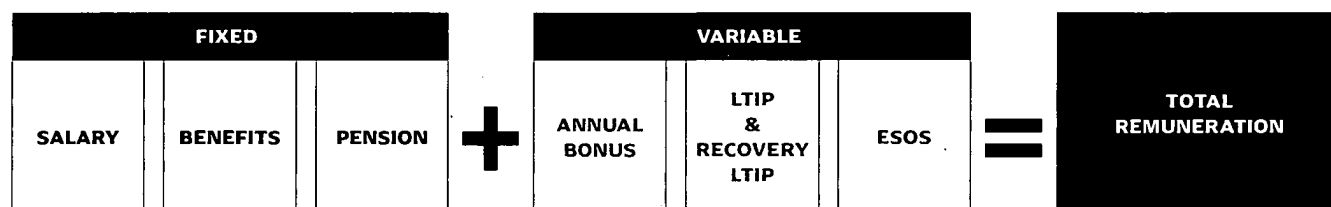
Directors' Remuneration Report Continued

Annual Report on Remuneration

This Annual Report on Remuneration from pages 86 to 100 will be put to an advisory shareholder vote at the Company's AGM on Thursday 20 July 2023.

Directors' Remuneration Policy

We presented our Remuneration Policy (the "Policy") to shareholders at the AGM in 2021, where we received strong support with a vote in favour of 86.15%. This Policy covers the three year period until the AGM in 2024 and it was applied consistently during the year ended 1 April 2023. The full Policy can be found on pages 58 to 68 of the 2021 Annual Report and is available in the Investor section of our website (www.fullers.co.uk). The table below provides a summary of the main elements of the Policy for Executive Directors:



Remuneration Philosophy and Principles

In developing the Policy, the Remuneration Committee considered the key principles set out in Provision 40 of the UK Corporate Governance Code. The Remuneration Committee believes that the Policy is clear and transparent and aligned with our culture. In normal years, we operate a simple incentive framework of an annual bonus, an LTIP award, and an ESOS award, subject to maximum award levels set by HMRC. Award levels are capped with pay-out linked to performance against a limited number of measures which are linked to our strategy. Stretching but fair targets are set. This ensures that potential reward outcomes are clear and aligned with performance achieved, with the Remuneration Committee having the discretion to adjust pay-outs where this is not considered to be the case.

Pay levels are set taking into account external market levels as well as internal practice to ensure pay remains competitive while being equitable within the Company. Malus and clawback and discretion provisions, LTIP holding periods and shareholding guidelines, including post-employment, are in place to mitigate reputational and other risks.

Remuneration arrangements are determined throughout the Group based on the same principle: that the remuneration policies and practices should be aligned to the Company's purpose and values, support the delivery of the strategy and promote long-term sustainable success.

FIXED			
	Key features	Implementation in FY2023	Implementation in FY2024
Base Salary	Reviewed annually with increases normally effective from 1 June	Increased by 3% from 1 June 2022 in line with the wider workforce	Increased by 6% from 1 June 2023 in line with the wider workforce increase
Reflects the importance of the role to the business and the experience the individual brings to it	Increases will normally be in line with increases across the Group	<ul style="list-style-type: none"> Chief Executive – £525,300 Finance Director – £363,000 Retail Director – £210,000 	<ul style="list-style-type: none"> Chief Executive – £556,500 Finance Director – £385,000 Retail Director – £222,500
Benefits	The Company offers Executive Directors a range of benefits consistent with the role	Taxable benefits included: <ul style="list-style-type: none"> a car allowance private medical insurance optional cash vouchers for use in Fuller's pubs and hotels Non-taxable benefits included: <ul style="list-style-type: none"> life assurance and permanent health insurance Group-wide employee benefits, such as an employee discount linked to length of service and all-employee share plans 	No changes proposed

FIXED			
	Key features	Implementation in FY2023	Implementation in FY2024
Pension Provides an appropriate level of retirement benefits	Executive Directors are either deferred members of the Company's defined benefit pension plan (closed to future accruals), the defined contribution plan or receive a cash allowance in lieu of pension	The Chief Executive received an annual cash allowance in lieu of pension and the Retail Director received an annual pension contribution of 17.5% of base salary The Finance Director received an annual cash allowance in lieu of pension of 5% of base salary in line with the policy for the majority of the workforce	No changes proposed For any new Executive Director appointed to the Board, the pension opportunity will be in line with the policy for the majority of the workforce
VARIABLE			
	Key features	Implementation in FY2023	Implementation in FY2024
Annual Bonus Incentivises achievement of annual financial objectives and delivery of the business strategy	Maximum opportunity of 100% of salary based on annual performance targets Any bonus earned in excess of 75% of salary will normally be deferred into shares for three years	The maximum bonus award for Executive Directors was 100% of base salary based 80% on Group adjusted profit before tax (pre IFRS 16) and 20% on individual strategic performance Bonus pay-out: <ul style="list-style-type: none">• Chief Executive – nil• Retail Director – nil• Finance Director – nil	Executive Directors will have a maximum opportunity of 100% of salary for FY2024 The annual bonus will be based 80% on Group adjusted profit before tax (pre IFRS 16) and 20% on individual strategic performance
LTIP Incentivises the delivery of long-term sustainable returns for all shareholders	The maximum annual award in respect of a financial year is 125% of base salary Awards vest based on performance over three financial years Normally 25% of awards vest for threshold levels of performance Recovery LTIP awards (granted on a one-off basis in 2022) have a maximum opportunity of 250% of base salary	The Chief Executive and Retail Director were granted awards of 125% of salary and the Finance Director was granted an award of 100% of base salary Awards were based on pre-tax adjusted EPS performance for FY2025 of: <ul style="list-style-type: none">• Threshold – EPS of 49.93p• Maximum – EPS of 60.15p	Awards will be granted at 125% of base salary to the Chief Executive and the Retail Director and 100% of base salary to the Finance Director Awards will be based on pre-tax adjusted EPS performance for FY2026 of: <ul style="list-style-type: none">• Threshold – EPS of 39.78p• Maximum – EPS of 55.9p
ESOS Aligns interests of Executive Directors with those of shareholders and incentivises delivery of long-term sustainable returns	Executive Directors may be granted market value options up to a maximum total value set by HMRC Options vest based on performance over three financial years Once vested, options must be exercised before the 10th anniversary of grant	Awards made to the Finance and Retail Directors up to the maximum value set by HMRC at the time of award No award made to the Chief Executive as options held were equal to the maximum total value set by HMRC at the time of award (previously £30,000) Awards were based on adjusted EPS performance for FY2025 of 49.93p.	Awards will be granted to Executive Directors, to the extent they are eligible, up to the maximum value set by HMRC Awards will be based on pre-tax adjusted EPS performance for FY2026 of 23.58p

Directors' Remuneration Report Continued

Statement of implementation of Remuneration Policy for FY2024

This part of the Directors' Remuneration Report sets out how the Policy will be operated in the coming year.

Base Salaries

The Executive Directors' base salaries have been increased by 6% in line with the lowest increase received across the wider workforce. The Remuneration Committee reviewed carefully the approach taken for the wider workforce when considering salary increases for Executive Directors, given the significant cost pressures faced by colleagues over the last 12 months. Salary increases across the business consisted of increases of between 6% and 11%, with those earning the least receiving the largest increases to support those most impacted by increasing costs.

In 2022, in light of the increasing pressures on the cost of living, the implementation of pay increases across the wider business was brought forward to take effect from 1 April and this change has been retained in 2023, although the normal review date of 1 June remains for the Executive Directors, other members of the Executive Team and Divisional Directors.

Salary increases for the Executive Directors from 1 June 2023 are therefore as follows:

Chief Executive – £556,500
Finance Director – £385,000
Retail Director – £222,500

Benefits

No changes to Executive Directors' benefits are proposed for FY2024.

Annual Bonus

For FY2024, we intend to operate an annual bonus in line with our normal Policy. The maximum annual bonus will be 100% of base salary for all Directors. The annual bonus will be based 80% on Group adjusted profit before tax (pre IFRS 16) performance and 20% on individual strategic performance.

Targets are considered to be commercially sensitive and have therefore not been disclosed. Our intention is to disclose targets in the FY2024 Directors' Remuneration Report, provided that these are no longer considered to be commercially sensitive at that time.

LTIP

The Remuneration Committee intends to continue to grant LTIP awards for FY2024 to ensure that management are aligned with shareholders and incentivised to deliver long-term performance. Awards will be granted at the Policy level of 125% of base salary to the Chief Executive and the Retail Director, and 100% of base salary to the Finance Director. The Remuneration Committee is aware of shareholder guidance regarding reviewing award levels where there has been a fall in share price. We are not planning to reduce grant sizes given the significant need to continue to motivate and retain management. However, the Remuneration Committee retains discretion to adjust vesting outcomes if it considers that there have been any "windfall" gains.

The LTIP will be based on pre-tax adjusted EPS performance as the Remuneration Committee considers that this provides a clear objective for management and supports our strategy. The portion of the LTIP award that vests for threshold performance will be 25% of maximum. For FY2024 LTIP awards, EPS targets have been set as absolute pence targets for FY2026 as set out below.

We want to measure the performance of our Executive Directors against a criterion that aligns the Executive Directors' interest with the long-term interests of our shareholders. We believe that an earnings per share measure is more appropriate than a simple profit measure as the latter could be improved, for example, by the issuance of shares to raise cash or to finance an acquisition, having a consequent diluting effect on existing shareholders' interests. Additionally, given the aim of encouraging long-term performance, we believe that the earnings per share figure should not reflect short-term non-trading impacts on profit, whether positive or negative, for example, profits or losses on the sale of freehold properties, and such items should be adjusted for. Lastly, given that changes in tax rates are unrelated to Executive Directors' performance, we believe that any earnings per share measure for the LTIP should be based on pre-tax earnings.

The awards will be subject to clawback provisions and a two year post-vesting holding period.

Pre-tax adjusted EPS targets for the FY2024 awards are proposed as follows:

	Threshold (25% vesting)	Maximum (100% vesting)
Pre-tax adjusted EPS pence in FY2026 ¹	39.78p	55.90p

¹ Vesting increases on a straight-line basis between Threshold and Maximum.

These targets were set taking into account internal and external expectations of performance and the Committee considers that these targets are appropriately stretching taking into account the macroeconomic context.

ESOS

The Remuneration Committee intends to grant ESOS awards to Executive Directors up to the increased HMRC limit of £60,000. The Awards will be based on pre-tax adjusted EPS performance for FY2026 of 23.58p.

Pension and Benefits

No changes are proposed to the pension and benefits provision for Executive Directors for FY2024.

The Chief Executive receives an annual cash allowance in lieu of pension of 17.5% of base salary and the Retail Director receives an annual pension contribution of 17.5% of base salary. The Remuneration Committee is aware of shareholder guidance that pensions for Executive Directors should be aligned with the wider workforce. However, given the current rate represents an existing contractual commitment, the Remuneration Committee does not consider it appropriate to make a reduction at this stage. The Remuneration Committee will keep this approach under review.

As previously advised, the pension opportunity for new Executive Directors appointed to the Board will be in line with the maximum employer contribution available for the majority of the workforce. Accordingly, the Finance Director, appointed in November 2021, receives an annual cash allowance in lieu of pension of 5% of base salary.

Implementation of Remuneration Policy for FY2023

This part of the Directors' Remuneration Report sets out the Directors' remuneration paid in respect of FY2023. Sections in the report not specifically stated as audited are not subject to audit.

Single Total Figure of Remuneration Table (audited)

	Salary/Fees		Taxable benefits ¹		Annual bonus ²		LTIP/Options ³		Pension		Total variable		Total fixed		Total	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Simon Emeny	523	509	25	25	0	312	0	0	91	89	0	312	639	623	639	935
Neil Smith ⁴	361	119	23	7	0	69	0	0	18	6	0	69	402	132	402	201
Fred Turner	209	203	23	23	0	125	0	0	37	36	0	125	269	262	269	387
Michael Turner	241	250	27	27	–	–	–	–	–	–	–	–	268	277	268	277
Sir James Fuller	55	51	–	–	–	–	–	–	–	–	–	–	55	51	55	51
Richard Fuller	50	46	–	–	–	–	–	–	–	–	–	–	50	46	50	46
Helen Jones	70	64	–	–	–	–	–	–	–	–	–	–	70	64	70	64
Robin Rowland	60	56	–	–	–	–	–	–	–	–	–	–	60	56	60	56
Juliette Stacey	80	76	–	–	–	–	–	–	–	–	–	–	80	76	80	76

1 Taxable benefits include a car allowance, family private medical insurance and cash vouchers for use in Fuller's pubs and hotels.

2 The annual bonus in respect to FY2022 was paid in cash.

3 LTIP/Options may include the value transferred to Directors from the LTIP, ESOS and SAYE Schemes. For LTIP and ESOS, the benefit is calculated as the share price at the year end less the exercise price multiplied by the number of vested options. For SAYE, the benefit is calculated as the share price at the grant date less the exercise price, multiplied by the number of shares under option being purchased.

4 From his appointment on 30 November 2021.

Directors' Remuneration Report Continued

Base salary

Executive Directors' base salaries were increased by 3% in line with the increase received across the wider workforce, effective 1 June 2022.

Benefits

Executive Directors received taxable benefits which include a car allowance, private medical insurance and optional cash vouchers for use in Fuller's pubs and hotels. Executive Directors also received other non-taxable benefits including life assurance and permanent health insurance and other Group-wide employee benefits, such as an employee discount linked to length of service and all-employee share plans.

Annual bonus (audited)

The annual bonus for the year was based 80% on Group adjusted profit before tax and 20% on individual strategic objectives.

The following sets out details of actual performance against the targets set:

Financial targets (80%)

Measure	Threshold		Target		Maximum		Actual performance	Pay-out as % of max
	% of financial target	Required performance	% of financial target	Required Performance	% of financial target	Required performance		
Group adjusted profit before tax (pre IFRS 16)	10%	£25.9m	50%	£28.8m	100%	£31.7m	£13.6m	nil

Individual strategic performance (20%)

The non-financial element of the bonus for FY2023 was dependent on personal performance against non-financial strategic objectives approved by the Remuneration Committee. The table below summarises the achievements against each of those objectives.

Strategic performance measure	Outcome
1. Employee engagement and satisfaction Measured by reference to increasing the overall response rate to the annual Happiness Index survey and improving the overall engagement score	Exceeded – The overall response rate and score for the 2022 Happiness Index survey increased from prior year
2. Customer Satisfaction Measured by an enhancement in NPS score	Exceeded – The overall NPS for the year increased from FY2022
3. Sustainability Agenda Measured with reference to a reduction in energy usage in FY2023 and a reduction in Scope 1 and 2 emissions for FY2023.	Exceeded – Reduction in like for like electricity and gas usage of 13% and 14% respectively against the baseline of FY2020 and a reduction in Scope 1 and 2 emissions of 8% against FY2022

The Remuneration Committee discussed the formulaic outturns of the financial targets and individual strategic performance objectives in the context of the Group's overall performance and shareholder return performance. The Remuneration Committee noted the significant progress that had been made against the strategic objectives, which would have resulted in an award of 100% against individual strategic performance, but as the financial target was not met and, on the recommendation of the Executive Directors, it was decided no bonus should be paid.

LTIP awards vesting in respect of FY2023 (audited)

LTIP awards granted in October 2020 were based on pre-tax Group adjusted EPS performance for FY2023. The EPS targets were not met and therefore these awards will lapse. The Remuneration Committee did not exercise any discretion in relation to the LTIP outcome. The following sets out details of performance against targets set:

Performance measure	Target set		Value of award	Actual performance	Value of award
	Minimum (25% vesting)	Maximum (100% vesting)			
LTIP	Pre-tax Group adjusted EPS	50.16p	61.09p	Percentage vest of original grant: Minimum – 25% Maximum – 100%	20.86p nil

ESOS awards vesting in respect of FY2023 (audited)

ESOS awards granted in January 2021 were based on a Group EBITDA performance target for FY2023 of £47 million. The EBITDA target was not met and therefore awards will lapse. No awards are held by Executive Directors.

Total pension entitlements

Michael Turner and Richard Fuller are pensioners of the defined benefit Company pension plan, which is closed to future accrual, under the Directors' section.

Simon Emeny became a deferred member of the defined benefit Company pension plan, under the main section, when the plan closed to future accruals on 1 January 2015. Prior to closure, he received a salary supplement of 17.5% of the excess of his base salary over the earnings cap for use as part of his retirement planning. Following closure of the pension plan, Simon Emeny is paid an annual salary supplement of 17.5% of his salary by the Company.

During the year, Neil Smith was paid an annual cash allowance of 5%, in line with the Policy. Fred Turner received an annual pension contribution of 17.5%, in line with his existing contractual arrangements.

Executive Directors who receive a cash allowance are required to use the supplement as part of their overall retirement planning. They are also normally expected to contribute 8% of their salary to their pension or another investment vehicle. The Remuneration Committee considers that the Policy operated as intended during the year.

Scheme Interests Awarded During the Financial Year (audited)

In respect of the 53 week period ended 1 April 2023, the following share awards were granted:

Director	Type of award	Number of 'A' shares	Number of 'B' shares	Face value at grant £000 ¹	Date of grant	Performance period end ^{2,3}	% of award grant vesting at minimum threshold
Simon Emeny	LTIP	87,754	219,386	657	05/07/2022	31/03/2025	25%
Total		87,754	219,386	657			
Neil Smith	LTIP	48,513	121,282	363	05/07/2022	31/03/2025	25%
	ESOS	5,000	–	30	05/07/2022	31/03/2025	100%
Total		53,513	121,282	393			
Fred Turner	LTIP	35,081	87,704	263	05/07/2022	31/03/2025	25%
	ESOS	834	–	5	05/07/2022	31/03/2025	100%
Total		35,915	87,704	268			

1 Face values have been calculated using the actual grant price of £5.99 per 'A' ordinary share and an assumed share price of £0.599 per 'B' ordinary share for the LTIP, being the average share price during the five dealing days ending immediately before the date of grant, and £6.00 per 'A' ordinary share for the ESOS, being the share price on the day immediately before the date of grant.

2 The LTIP awards are subject to a pre-tax adjusted EPS performance condition, with the targets set on an absolute basis and measured over a period of three years. 25% of the awards vest for pre-tax adjusted EPS of 49.93p in FY2025, with 100% vesting for pre-tax adjusted EPS of 60.15p (straight-line vesting in-between).

3 The ESOS awards are subject to a pre-tax adjusted EPS performance condition, with the target set on an absolute basis and measured over a period of three years, of 49.93p in FY2025.

Directors' Remuneration Report Continued

Non-Executive Directors' Fee

Non-Executive Directors receive a basic fee and additional fees for further duties and the Chairman receives a basic fee. The Remuneration Committee reviewed the Chairman's fee during the year and, in consultation with the Chairman, agreed that a reduction was appropriate. The Chairman's fee was reduced from £250,000 per annum to £210,000 per annum effective 1 January 2023. Non-Executive Director fees were last reviewed by the Board in November 2021 and remain unchanged for FY2024.

A summary of the current fee structure for the Non-Executive Directors, including the Chairman, is set out below:

	Base fee	Senior Independent Director	Committee Chair	Committee member (Audit and Remuneration)	Family Shareholder Liaison	Total
Michael Turner	£210,000	–	–	–	–	£210,000
Sir James Fuller	£50,000	–	–	–	£5,000	£55,000
Richard Fuller	£50,000	–	–	–	–	£50,000
Helen Jones	£50,000	–	£10,000	£10,000	–	£70,000
Robin Rowland	£50,000	–	–	£10,000	–	£60,000
Juliette Stacey	£50,000	£10,000	£10,000	£10,000	–	£80,000

Payments to Past Directors (audited)

There were no payments made to past Directors in the period.

Payments on Loss of Office in Prior Year (audited)

No payments were made in respect of loss of office in respect of the financial year ended 1 April 2023.

Executive Share Ownership

The Company has share ownership guidelines for Directors which state that Executives should hold shares worth at least 200% of their salary. Accordingly, until their guideline is met, Executives are expected to retain:

- all shares they hold in the Share Incentive Plan ("SIP")
- all shares they acquire as a result of exercising SAYE options
- all shares that they acquire as a result of exercising options under the ESOS net of the cost of those options
- at least 50% of any post-tax and National Insurance vested shares under the LTIP and the Bonus and Deferred Bonus Plan ("BDBP").

Based on the share price on 1 April 2023 of £4.65, Simon Emeny held shares with a value of 211% of salary, Fred Turner held shares with a value of 340% of salary and Neil Smith held shares with a value of 8% of salary. All of the Executive Directors' shareholdings therefore already meet the guideline with the exception of Neil Smith, who joined the Company on 30 November 2021.

Executive Directors will normally be expected to maintain a minimum shareholding of 200% of base salary (or actual shareholding if lower) for the first 12 months following departure from the Board and 100% of base salary (or actual shareholding if lower) for the subsequent 12 months. The Remuneration Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.

Directors' Shareholdings (audited)

Directors' share interests	Beneficial interest at 1 April 2023 ¹	Non-beneficial interest at 1 April 2023 ¹	Beneficial interest at 26 March 2022	Non-beneficial interest at 26 March 2022
Simon Emeny				
'A' ordinary 40p shares	130,472	–	130,472	–
'B' ordinary 4p shares	1,055,684	–	1,055,684	–
'C' ordinary 40p shares	2,000	–	2,000	–
Neil Smith				
'A' ordinary 40p shares	6,000	–	6,000	–
Fred Turner				
'A' ordinary 40p shares	2,571	–	1,471	–
'B' ordinary 4p shares	502,400	–	496,050	–
'C' ordinary 40p shares	100,819	–	100,819	–
2nd preference £1 shares	4,342	–	4,324	–
Michael Turner				
'A' ordinary 40p shares	271,378	–	271,378	–
'B' ordinary 4p shares	3,056,388	–	3,050,243	–
'C' ordinary 40p shares	624,260	–	624,260	–
2nd preference £1 shares	71	–	71	–
Sir James Fuller				
'A' ordinary 40p shares	88,942	–	88,942	–
'B' ordinary 4p shares	10,486,379	–	10,486,379	–
'C' ordinary 40p shares	2,703,003	621,050	2,702,003	621,050
Richard Fuller				
'A' ordinary 40p shares	15,267	893,937	13,267	872,937
'B' ordinary 4p shares	3,065,726	10,935,015	3,065,726	10,935,015
'C' ordinary 40p shares	20,000	–	20,000	–
2nd preference £1 shares	303	7,499	303	7,499
Helen Jones				
'A' ordinary 40p shares	2,970	–	2,970	–
Robin Rowland				
'A' ordinary 40p shares	7,165	–	7,165	–
Juliette Stacey				
'A' ordinary 40p shares	2,454	–	2,454	–

¹ There were no changes in the interests of any Director to 14 June 2023.

Directors' Remuneration Report Continued

Scheme Interests Outstanding at the Year-End (audited)

Executive Directors' share options

Director	Scheme ^{1,2,3}	As at 26 March 2022	Granted	Exercised	Lapsed	As at 1 April 2023	Exercise price	Date of grant	Performance period end	Exercisable from	Expiry date
Simon Emeny	ESOS	3,296	–	–	–	3,296	£9.10	01/07/13	31/03/16	01/07/16	30/06/23
	SAYE	6,896	–	–	–	6,896	£4.35	30/09/20	n/a	01/12/25	01/06/26
	Total	10,192	–	–	–	10,192					
Neil Smith	ESOS	–	5,000	–	–	5,000	£6.00	05/07/22	31/03/25	05/07/25	04/07/32
Total		–	5,000	–	–	5,000					
Fred Turner	ESOS	2,590	–	–	–	2,590	£9.65	30/06/14	31/03/17	30/06/17	29/06/24
	ESOS	520	–	–	(520)	–	£9.61	15/01/20	31/03/22	15/01/23	14/01/30
	ESOS	–	834	–	–	834	£6.00	05/07/22	31/03/25	05/07/25	04/07/32
	SAYE	6,896	–	–	–	6,896	£4.35	30/09/20	n/a	01/12/25	01/06/26
	Total	10,006	834	–	(520)	10,320					

1 The ESOS and SAYE are both tax-advantaged share option schemes.

2 SAYE options are normally exercisable for a period of six months from the maturity date at an option price that is discounted by 20% of the average market price for the three days prior to grant.

3 The ESOS performance conditions are disclosed in note 27 to the financial statements.

4 It is intended that in July 2023, Fred Turner will surrender vested awards granted to him on 30 June 2014 under the ESOS and will be eligible to receive an award under the ESOS in 2023 up to the revised HRMC limit to £60,000.

☐ Vested but unexercised options

Executive Directors' Long-Term Incentive Plan

Director	Total held at 26 March 2022	Awarded	Vested	Lapsed	Total held at 1 April 2023 ¹
Simon Emeny					
'A' ordinary shares	337,849	87,754	–	(45,785)	379,818
'B' ordinary shares	844,624	219,386	–	(114,464)	949,546
Neil Smith					
'A' ordinary shares	104,360	48,513	–	–	152,873
'B' ordinary shares	260,902	121,282	–	–	382,184
Fred Turner					
'A' ordinary shares	130,559	35,081	–	(13,735)	151,905
'B' ordinary shares	326,403	87,704	–	(34,339)	379,768

1 Includes annual LTIP awards and the one-off Recovery LTIP awarded to Executive Directors during FY2022. The performance conditions are disclosed in note 27 to the financial statements.

Directors' Service Contracts and Letters of Appointment

Executive Directors have rolling service contracts terminable on no more than one year's notice served by the Company or Director. In the event of early termination, Executive Directors are entitled to a payment equal to the salary due for the unexpired period of their notice, payable in monthly instalments, subject to mitigation. Simon Emeny's contract has been in place for a number of years and in the event of early termination, he would be entitled to a payment equal to his base salary and the value of all benefits for the unexpired period of his notice, without any reduction for mitigation.

The Chairman and Non-Executive Directors serve the Company on the basis of renewable letters of appointment which can be terminated by written notice by either party. No compensation is awarded on termination.

The following sets out the date of the Executive Directors' service contracts and Non-Executive Directors' dates of appointment:

Executive Directors	Date of contract	Notice period
Simon Emeny	13 January 1999	12 months
Neil Smith	16 June 2021	12 months
Fred Turner	23 May 2019	12 months

Non-Executive Directors	Date of appointment	Term expires
Michael Turner ¹	1 July 2013	June 2025
Juliette Stacey	21 March 2018	July 2024
Sir James Fuller	1 June 2010	May 2025
Richard Fuller ²	1 February 2020	January 2025
Helen Jones	12 March 2019	March 2025
Robin Rowland	24 March 2020	March 2024

1 Michael Turner was first appointed to the Board as an Executive Director in January 1985 and became Non-Executive Chairman on 1 July 2013.

2 Richard Fuller was first appointed to the Board as an Executive Director in December 2009 and was appointed as a Non-Executive Director on 1 February 2020.

Service contracts and letters of appointment are available for inspection at the AGM and at the Company's registered office.

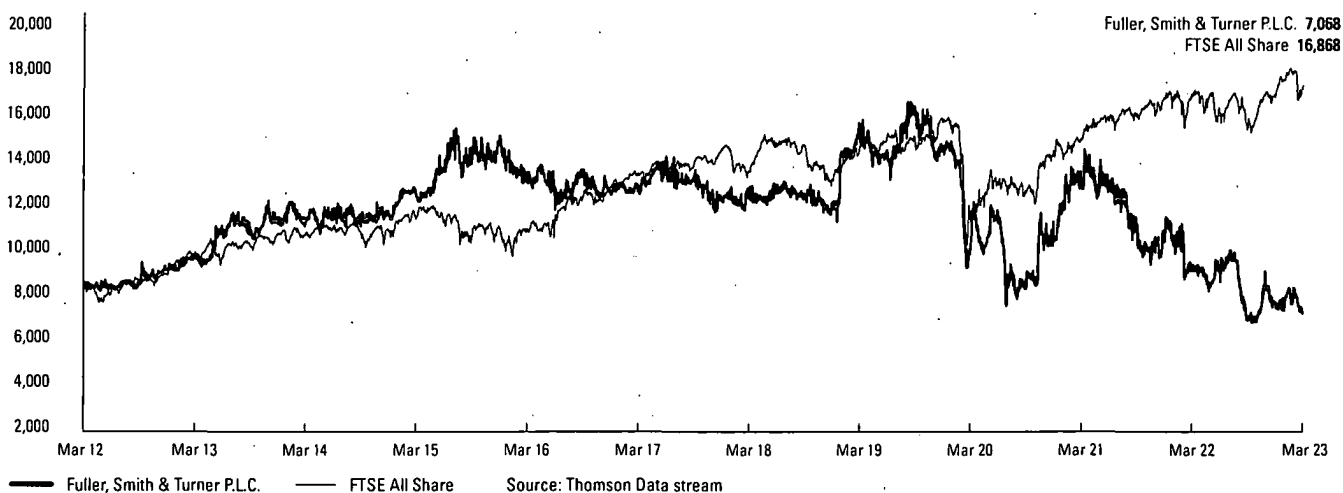
External Directorship Fees

The Board may give approval for Executives to hold one paid non-executive role and to retain any related fees paid.

Simon Emeny is the Senior Independent Director of WH Smith PLC, for which he receives and retains an annual fee of £78,000.

Performance Graph and Table

The graph below shows a comparison of the Total Shareholder Return ("TSR") for the Company's listed 'A' ordinary shares for the last 10 financial years against the TSR for the companies in the FTSE All Share Index. The Company is a constituent of this Index and therefore the Remuneration Committee considers that it is an appropriate choice for this report.



Directors' Remuneration Report Continued

The table below shows the total remuneration figure for the Chief Executive over the last 10 financial years and the annual bonus and LTIP pay-out for each year as a percentage of the maximum available:

	2014 ¹	2015	2016	2017	2018	2019	2020 ²	2021 ³	2022	2023
Single figure total remuneration (£000)	977	1,244	1,418	1,097	1,089	687	600	590	935	639
Annual bonus ⁴	77%	76%	85%	41%	48%	48%	nil	nil	61%	nil
LTIP	64%	96%	100%	100%	56%	nil	nil	nil	nil	nil

1 Simon Emeny was appointed as Chief Executive in July 2013. This single total figure comprises the remuneration received by him in the financial year, hence, includes remuneration for the three months prior to this promotion.

2 One-third of the annual bonus was due to pay-out, reflecting the Company's strong like for like sales performance vs the Peach Tracker. However, in light of the broader business circumstances following the outbreak of coronavirus in 2020, the Remuneration Committee and the Executive Directors agreed that it was not appropriate to pay this portion of the annual bonus.

3 Total remuneration includes the Chief Executive's voluntary 25% reduction in salary from 1 April 2020 to 30 June 2020.

4 Annual bonus as a percentage of the maximum available.

Percentage Change in Remuneration of Directors and Employees

The table below shows the percentage change in the remuneration (based on salary, benefits and annual bonus) of the Board of Directors compared with that of the average of all employees of the Company taken as a whole. The Chairman and Non-Executive Directors do not receive any variable pay.

	FY2022-FY2023			FY2021-FY2022			FY2020-FY2021		
	Change in annual salary/ fees ¹⁰	Change in annual taxable benefits	Change in annual bonus ¹	Change in annual salary/ fees ¹⁰	Change in annual taxable benefits	Change in annual bonus ¹	Change in annual salary/ fees	Change in annual taxable benefits	Change in annual bonus ¹
Average of all employees ^{2,3}	3.3%	(12.2)%	100%	2.3%	(17.0)%	(100)%	1.0%	(1.6)%	(1.2)%
Simon Emeny	2.8%	0.2%	100%	8.4%	0.3%	nil%	(4.0)%	(0.1)%	nil%
Neil Smith ⁴	–	–	–	–	–	–	–	–	–
Adam Councill ⁵	–	–	–	(44.6)%	(49.5)%	nil%	–	–	–
Fred Turner ⁶	2.8%	0.6%	100%	8.4%	1.0%	nil%	–	–	–
Michael Turner ⁷	(3.7)%	0.8%	n/a	6.7%	1.3%	n/a	(6.2)%	1.5%	n/a
Sir James Fuller	7.3%	n/a	n/a	9.3%	n/a	n/a	(6.2)%	n/a	n/a
Richard Fuller ⁸	8.1%	n/a	n/a	9.6%	n/a	n/a	(73.9)%	(93.8)%	n/a
Helen Jones ⁸	9.4%	n/a	n/a	10.1%	n/a	n/a	(4.5)%	n/a	n/a
Robin Rowland ⁹	6.7%	n/a	n/a	9.1%	n/a	n/a	–	n/a	n/a
Juliette Stacey ⁸	4.9%	n/a	n/a	8.4%	n/a	n/a	(0.7)%	n/a	n/a

1 Reflects the increase or decrease in the percentage of annual salary paid out as bonus. In the prior year no bonus was paid out and therefore the bonus as a percentage of salary has increased by 100% as a bonus was paid in the current year.

2 The employee comparator group excludes employees not employed by the parent company.

3 The change in taxable benefits is principally due to the phasing out of company cars into a car allowance benefit since 2020.

4 Neil Smith was appointed on 30 November 2021 part way through the comparative year, therefore the annual comparison from FY2022 to FY2023 is not relevant.

5 Adam Councill was appointed on 27 August 2019 and resigned on 30 September 2021.

6 Fred Turner was appointed on 1 June 2019.

7 Michael Turner's fee was reduced from £250,000 to £210,000 per annum from 1 January 2023.

8 A number of Non-Executive Directors changed roles in FY2020 (Richard Fuller, Juliette Stacey and Helen Jones), which impacted the year on year comparison.

9 Robin Rowland was appointed on 24 March 2020.

10 Board members took a voluntary pay decrease between April 2020 and June 2020. Non-Executive Director fees were also increased from 1 January 2022.

8

CEO Pay Ratio

The following table sets out CEO pay ratio figures, in respect of the financial year ended 1 April 2023.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY2023	Option B	30.8:1	26.0:1	18.9:1
FY2022	Option B	49.1:1	43.6:1	30.7:1
FY2021	Option B	35.7:1	33.2:1	23.8:1
FY2020	Option B	33.0:1	32.6:1	31.6:1

The decrease in the pay ratio between FY2023 and FY2022 is predominately driven by the CEO receiving a bonus in relation to FY2022 whereas in the current year no bonuses were paid.

The relevant individuals have been identified using Option B, as defined under the relevant regulations, which the Remuneration Committee considered to be the most appropriate methodology based on the availability of data at the time the Annual Report was published. The respective single figure values for each individual for FY2023 have then been calculated. No estimates were required, and no elements of pay were omitted in calculating the relevant single figures. The figures do not include amounts paid to individuals in respect of their tronc share.

The single figure values for individuals immediately above and below the identified employee at each quartile within the Gender Pay Gap analysis were also reviewed. The chosen individuals were reviewed to determine if they were representative of the 25th percentile, median and 75th centile employees. Where the chosen individual had left the business or had changed roles during the financial year, an alternative employee was used for the calculations. The alternative employee used in each instance was the closest employee to the relevant percentile, who was considered representative of that percentile. For the 53 weeks ended 1 April 2023, alternative employees were selected for the 25th, median and 75th percentile.

Year	Supporting information	Chief Executive	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY2023	Salary	£522,750	£20,777	£24,531	£33,096
	Total pay	£639,543	£20,777	£24,618	£33,802

Relative Importance of Spend on Pay

The graph below shows the total remuneration for the Group's employees compared with other key financial indicators:

- 1 Taxes payable to HMRC is based upon tax incurred in the year and includes corporation tax, VAT, PAYE, NI, duty, stamp duty, non-domestic rates, property licences, environmental levies and machine game duty.
- 2 Capital expenditure (including business combinations) represents cash paid in the year.

Directors' Remuneration Report Continued

The Remuneration Committee

The Remuneration Committee consists entirely of Independent Non-Executive Directors and the members during the period were Helen Jones (Chair), Juliette Stacey and Robin Rowland. Its terms of reference are available on the Company's website. The Chairman of the Company, Michael Turner, and the Chief Executive, Simon Emeny, are invited to attend the Committee meetings and to advise, where appropriate, on the remuneration and performance of the Executive Directors and related matters, except in circumstances where their own remuneration is being discussed. Members of the Remuneration Committee have no personal financial interest in the Company, other than as shareholders and Directors. The Remuneration Committee is advised internally by the Company Secretary, Rachel Spencer, who also acts as secretary to the Committee.

Employee Engagement

The Remuneration Committee receives updates on workforce pay and benefits throughout the Group and considers workforce remuneration as part of the review of executive remuneration. The Remuneration Committee will take into account any feedback on executive remuneration provided by the People & Talent Director and any relevant feedback from employee surveys. As part of her role as Non-Executive Director responsible for employee engagement, the Remuneration Committee Chair engages with employees which also provides an opportunity for feedback on remuneration matters. Share ownership amongst employees is encouraged and awards were made under the SAYE scheme during the course of the year. This tax-advantaged scheme allows employees to participate as shareholders and aligns their interests with those of other shareholders.

Independent Advisors

Deloitte LLP was appointed by the Remuneration Committee in June 2019 and, during the year under review, provided the Remuneration Committee and the Company with advice in connection with remuneration matters as well as the Company's LTIP and share option schemes.

Deloitte is a founding member of the Remuneration Consultants' Group ("RCG"), which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients. Fees are charged on a time and expenses basis and totalled £7,750 (plus VAT) during FY2023 (FY2022: £26,620 (plus VAT)). During the year, Deloitte also provided other unrelated tax advice to the Company.

The Remuneration Committee is satisfied that advice received from Deloitte during the year was objective and independent and that all individuals who provided remuneration advice to the Remuneration Committee have no connections with Fuller's or its Directors that may impair their independence. The Remuneration Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

XPS Pension Group provides the Company with advice on matters relating to the defined benefit Company pension plan (now closed). XPS Pension Group is authorised and regulated by the Financial Conduct Authority and its actuaries are also separately required to abide by Actuarial Profession Standards which include the requirement for them to provide objective and independent advice.

Committee Evaluation

The Remuneration Committee reviews its performance with Board members and other participants, through the annual Board evaluation. See further information on page 79.

Statement of Voting at Annual General Meeting

The results of the shareholder votes at the AGM on 23 September 2021 in respect of the Directors' Remuneration Policy and at the AGM on 21 July 2022 in respect of the Directors' Remuneration Report were as follows:

Resolution text	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Approval of Remuneration Report 2022	88,580,372	80.69%	21,192,410	19.31%	109,772,782	68,505
Approval of Remuneration Policy 2021	89,801,044	86.15%	14,436,237	13.85%	104,237,281	5,833,531

The Directors' Remuneration Report, encompassing pages 86 to 100, was approved by the Board and signed on its behalf.



Helen Jones
Chair of the Remuneration Committee
14 June 2023

Directors' Report

The Directors present their report to shareholders together with the audited financial statements for the 53 weeks ended 1 April 2023. The Directors' Report (pages 101 to 103) and the Strategic Report (pages 1 to 65) together constitute the management report for the purpose of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules. Other information relevant to the report, including information relevant pursuant to the Companies Act 2006 and UK Listing Rule 9.8.4R, is incorporated.

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report as the Board considers them to be of strategic importance. Specifically, these are:

Information	Reported in	Pages
Future business developments	Strategy	16 and 17
Employee engagement	Stakeholder Engagement Sustainability Report	62 and 63 52 and 53
Engagement with suppliers, customers and others	Stakeholder Engagement	62 and 63
Emissions reporting	Sustainability Report	44

Annual General Meeting

The 2023 AGM will be held at 11am on Thursday 20 July 2023 at The George IV, 185 Chiswick High Road, London, W4 2DR. The Notice of Meeting which sets out the resolutions to be proposed has been posted to shareholders and is available on the Company's website at www.fullers.co.uk.

Articles of Association

The Company's Articles of Association were adopted in 2014. In accordance with the Companies Act 2006, the Articles of Association may only be amended by a special resolution of shareholders in a general meeting.

Directors

The names and biographical details of the Directors who served on the Board and Board Committees during the financial year and up to the date of this report are given on pages 68 and 69. All Directors served for the full year.

Appointment and retirement of Directors

The Articles state that the Board may appoint Directors and that at the subsequent AGM, shareholders may elect any such Director. Alternatively, the Company may directly appoint a Director. The Articles also contain the power for the Company to remove any Director by special resolution and appoint someone in his or her place by ordinary resolution. There are various other circumstances under the Articles which would mean that the office of a Director would be vacated, including if he or she resigns, or becomes of unsound mind or bankrupt.

At every AGM, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or any multiple of three, then the number nearest to but not exceeding one-third shall retire from office, but if there is only one Director who is subject to retirement by rotation, he or she shall retire. In addition, if any Director has at the start of the AGM been in office for more than three years since his or her last appointment or re-appointment, he or she shall retire at that AGM.

Powers of the Directors

Subject to the Company's Memorandum and Articles of Association and UK legislation, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of the Company have a section entitled "Powers and Duties of the Board" which sets out powers such as the rights to establish local boards, to appoint agents, to delegate and to appoint persons with the designation "Director" without implying that the person is a Director of the Company. There are further sections of the Articles entitled "Allotment of Shares" setting out the Board's power to issue shares and purchase the Company's own shares, and "Borrowing Powers" setting out the provisions concerning the Company's power to borrow and give security. The Directors have been authorised to allot and issue ordinary shares. These powers are exercised under authority of resolutions of the Company passed at its AGM.

Directors' indemnities and insurance

The Articles of Association provide the Directors with indemnities in relation to their duties as Directors, including qualifying third party indemnity provisions (within the meaning of the Companies Act). The Company purchases Directors and Officers liability insurance, which gives appropriate cover for any legal action brought against its Directors. This insurance also covers the Trustees of the Company's defined benefit pension scheme.

Directors' interests

Details of all Directors' interests as at the end of the financial year are set out in the Directors' Remuneration Report on pages 95 to 96.

Dividends

The Company paid an interim dividend of 4.68p per 'A' and 'C' ordinary share of 40p each and 0.468p per 'B' ordinary share of 4p each on 3 January 2023 (FY2022: 3.90p per 'A' and 'C' ordinary share of 40p each and 0.39p per 'B' ordinary share of 4p each). The Directors now recommend a final dividend of 10.0p per 'A' and 'C' ordinary share of 40p each and 1.0p per 'B' ordinary share of 4p each. This makes a total dividend for the financial year of 14.68p per 'A' and 'C' ordinary share of 40p each and 1.468p per 'B' ordinary share of 4p each (FY2022: 11.31p per 'A' and 'C' ordinary share of 40p each and 1.13p per 'B' ordinary share of 4p each).

The total proposed final dividend on ordinary shares will be £6.1 million, which together with the 2023 interim dividend payment of £2.8 million and the £120,000 of cumulative preference share dividends paid in the year, will result in total dividend payments of £9.0 million.

Employees

The Company is committed to treating all of its employees and job applicants equally. No employee or potential employee receives less favourable treatment or consideration on the grounds of race, colour, religion, nationality, ethnic origin, sex, sexual orientation, marital status, or disability. We give full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by people with disabilities. We endeavour to retain the employment of, and arrange suitable retraining for, any employee who becomes disabled during their employment as well as providing training, career development and promotion to disabled employees wherever appropriate.

During the year, the Company maintained arrangements to provide employees with information on matters of concern to them, to regularly consult employees for views on matters affecting them, to encourage employee involvement in the Company's performance through share schemes, and to make all employees aware of financial and economic factors affecting the performance of the Group.

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Directors' Report Continued

External Auditor

The auditors, Ernst & Young LLP, were appointed by the Directors in 2021 following a formal tender process. Ernst & Young LLP have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

Human Rights

The Board has overall responsibility for ensuring the Company upholds and promotes respect for human rights. We respect all human rights and regard those rights relating to non-discrimination, fair treatment and respect for privacy to be most relevant in conducting our business. The Company seeks to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through our policies and procedures and, in particular, through our policies regarding employment, equality and diversity, treating our stakeholders and customers fairly, and information security. Group policies seek to ensure that employees comply with the relevant legislation and regulations in place to promote good practice.

We are committed to ensuring that there are no forms of modern slavery within our operations or supply chains. In line with the Modern Slavery Act 2015, we publish an annual Modern Slavery Statement on our website.

Information Required under the Listing Rules

For the purposes of LR9.8.4R, the information required to be disclosed by the LR9.8.4R can be found in the Annual Report in the following locations and is hereby incorporated by reference into this Directors' Report:

- Information about long-term incentives is disclosed in the Directors' Remuneration Report on page 96.
- Information about any waiver of dividends or future dividends by a shareholder is disclosed on page 102.

Political Donations

The Group does not make political donations.

Post-Balance Sheet Events

There were no post-balance sheet events.

Substantial Shareholdings

The Company had been notified under the Disclosure Guidance and Transparency Rules of the following holdings of voting rights of its listed issued share capital:

'A' ordinary shares of 40p each

	% of total voting rights	
	As at 1 Apr 2023	As at 13 June 2023
BlackRock, Inc	9.97	9.97
Lansdowne Partners (UK) LLP	8.40	8.40
Ameriprise Financial, Inc. (Columbia Threadneedle)	4.68	4.68

It should be noted that these holdings may have changed since the Company was notified of them as notification of any change is not required until the next notifiable threshold is crossed.

Purchase of Own Shares

At the AGM held on 21 July 2022, the Company was given authority to purchase up to 3,982,025 'A' ordinary shares to be held as treasury shares to be used in connection with, among other purposes, the LTIP and/or other share option schemes. Shareholders will be asked to give a similar authority to purchase shares up to 10% of the 'A' ordinary capital at the 2023 AGM.

The Company's maximum issued ordinary share capital during the year was £25,381,446, comprising 41,082,339 'A' ordinary shares, 89,052,625 'B' ordinary shares and 13,466,013 'C' ordinary shares.

During the year, the Company purchased a total of one million 'A' ordinary shares at a total cost of £4,819,569 (exclusive of stamp duty). These share purchases represented 0.7% of the Company's maximum issued ordinary share capital and 2.4% of the Company's 'A' ordinary share capital.

11,300 'A' ordinary shares held in treasury were allocated to participants of the Savings Related Share Option Scheme, and Executive Share Option Scheme on exercise of options, generating net cash proceeds of £60,816.70. As at 1 April 2023, a total of 2,251,818 'A' ordinary shares and a total of 4,327,915 'B' ordinary shares are held as treasury shares.

Share Capital

Information on the Company's financial instruments, capital structure and related restrictions is given in notes 25 and 26 to the financial statements. Details of significant shareholdings are set out below.

As at 1 April 2023, Computershare Trustees Limited held a total of 159,543 'A' ordinary shares on behalf of employees of the Company who are participants in its SIP. This represents 0.41% of the issued 'A' ordinary share capital (excluding shares held in treasury). A dividend waiver is in place in respect of the shares that have not been allocated to participants. In respect of the shares that have been allocated, Computershare Trustees Limited exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

As at 1 April 2023, the Fuller, Smith & Turner Employee Share Ownership Trust held 316,441 'B' ordinary shares and 5,935 'C' ordinary shares in the Company. A dividend waiver is in place to cover the entire holding. The Trustees do not exercise the voting rights attached to shares held in the Trust.

The Company is also aware of the following interests in 3% or more of the voting rights in the two classes of its unlisted share capital:

'B' ordinary shares of 4p each

	As at 1 April 2023	As at 13 June 2023
Mr A W M Mitchell & Burges Salmon Trustees Ltd ¹	14.85	14.85
Mr R H F Fuller & Mr P J Turner & Mr P A Sheils ¹	7.66	7.66
Mr A G F Fuller	5.74	5.74
Mr R H F Fuller & Mr P A Sheils & Mr P J Turner ¹	4.62	4.62
Mr R D Inverarity	3.62	3.62
Dunarden Limited	3.60	3.60
Mr G F Inverarity	3.48	3.48
Mr M J Turner	3.39	3.39
Miss S M Turner	3.33	3.33
Mr R H F Fuller	3.08	3.08
Mr T J M Turner	3.00	3.00

'C' ordinary shares of 40p each

	As at 1 April 2023	As at 13 June 2023
Mr A W M Mitchell & Burges Salmon Trustees Ltd ¹	33.31	33.31
Mr T J M Turner	6.66	6.66
Miss S M Turner	5.64	5.64
Mr P A R Carter & Sir J H F Fuller ¹	4.61	4.61
Sir J H F Fuller & Mr A W M Mitchell ¹	4.43	4.43
Mrs D M St. C Turner	3.32	3.32
Mr C D W Williams	3.25	3.25

¹ Shares held for the benefit of a Trust.

Significant Agreements

The Group has entered into a number of agreements with the major brewers operating in the UK under which it buys beer, and these agreements may be terminated by the other party should the Group undergo a change of control.

In the event of a change of control, the Company is obliged to notify its main bank lenders of such. The lenders shall not be obliged to fund any new borrowing requests and the facilities will lapse after 30 days from the change of control if terms on which they can continue have not been agreed. All borrowings including accrued interest will become repayable within 10 days of such a lapse.

The service agreements of the Executive Directors include provisions regarding a change of control. Further details are included in the Directors' Remuneration Policy published in the 2021 Annual Report.

By order of the Board



Rachel Spencer
Company Secretary
14 June 2023
Fuller, Smith & Turner P.L.C.
Pier House
86-93 Strand-on-the-Green
London W4 3NN
Registered in England under number: 241882

Directors' Responsibilities Statement

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Annual Report, the Remuneration Report, and the Group and Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Company for the financial period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with International Financial Reporting Standards ("IFRSs"). In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- make an assessment of the Company's ability to continue as a going concern;
- state that the Group and Company have complied with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules ("DTR") and in the case of the Group financial statements, with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Preparation of Financial Statements

The Directors confirm, to the best of their knowledge:

- that these financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company taken as a whole;
- that the Annual Report and the Strategic Report include a fair review of the development and performance of the business and the position of the Group and Company taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy, and is fair, balanced and understandable.

The Directors of Fuller, Smith & Turner P.L.C. are listed on pages 68 and 69.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 68 and 69. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Michael Turner
Chairman

14 June 2023

Independent Auditor's Report

to the members of Fuller, Smith & Turner P.L.C

Opinion

In our opinion:

- Fuller, Smith & Turner P.L.C.'s Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 1 April 2023 and of the Group's profit for the 53 week period (the 'period') then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fuller, Smith & Turner P.L.C (the 'Company') and its subsidiaries (the 'Group') for the 53 week period ended 1 April 2023 (the 'period') which comprise:

Group	Company
Group balance sheet as at 1 April 2023	Company balance sheet as at 1 April 2023
Group income statement for the 53 week period then ended	Company statement of changes in equity for the 53 week period then ended
Group statement of comprehensive income for the 53 week period then ended	Company cash flow statement for the 53 week period then ended
Group statement of changes in equity for the 53 week period then ended	Related notes 1 to 29 to the financial statements including a summary of significant accounting policies
Group cash flow statement for the 53 week period then ended	
Related notes 1 to 29 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

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

Independence

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

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Group's going concern assessment process and Management's related Board memoranda;
- The audit engagement partner increased her time directing and supervising the audit procedures on going concern and utilised corporate finance specialists, with relevant hospitality sector expertise, to assist in assessing the assumptions employed;
- We validated the covenants and terms of the debt facilities in the model to executed debt agreements and re-performed the calculation of the Net Debt and Interest cover covenants against the terms of these agreements;
- We assessed the appropriateness of the duration of the going concern review period to 29 June 2024, which is a period of at least 12 months from the date of approval of the financial statements, and considered whether there are any known events or conditions that will occur beyond the period;
- We obtained the cash flow forecast models (base case, downside, stress and reverse stress test) to 29 June 2024, used by the Board in its assessment, reviewing their arithmetical accuracy, whether they have been approved by the Board and considering the Group's historical forecasting accuracy for periods when the Group's pubs were able to trade without restrictions due to Covid-19;
- With the assistance of our hospitality sector specialists, we challenged the cash flow forecasts with reference to historical trends and considered any evidence or market forecasts that contradict the assumptions in management's forecasts;
- We assessed the consistency of the base case cash flows with the cash flow forecasts used within our impairment and deferred tax recoverability assessment;
- We challenged the integrity of the models used by re-performing calculations and testing of formulas applied throughout;
- We confirmed the calculation of the reverse stress test scenario;
- We enquired of any climate change commitments in the going concern period and challenged whether any associated cash outflows should be included within the forecasts;
- We read the Board minutes to identify any matters that may impact the going concern assessment; and
- We assessed the appropriateness of the going concern disclosures in describing the risks associated with the Group's ability to continue as a going concern for the review period to 29 June 2024.

Independent Auditor's Report

to the members of Fuller, Smith & Turner P.L.C Continued

The key observations we communicated to the Audit and Risk Committee were that following the amend and extend refinancing arrangements agreed in May 2022, the Group has committed borrowing facilities and available liquidity through the going concern period (under both the base case and downside case). In management's base case and sensitised scenarios (which reflect a slowdown in customer spending influenced by the current cost of living crisis and cost pressures on margin from the well documented cost increases), the Group remains in compliance with its covenants, through the going concern period. In addition, based on the reverse stress testing, the events that would lead to the covenants being compromised were considered of remote likelihood by management.

Going concern has also been determined to be a key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for the period to 29 June 2024.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of the Group, which accounted for 100% of the profit before taxation, 100% of revenue and 100% of total assets. Our approach to scoping and resulting coverage is consistent with 2022.
Key audit matters	<ul style="list-style-type: none">• Going concern• Impairment of property, plant and equipment and right-of-use assets• Management override in the recognition of revenue
Materiality	<ul style="list-style-type: none">• Overall Group materiality of £1.68 million (2022: £1.27 million) which represents 0.5% of Group revenue.

An overview of the scope of the Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. The Group's operations are based solely in the United Kingdom with a single head office and finance function and therefore all audit procedures are completed by one audit team at this location.

We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent external and internal audit results when assessing the level of work to be performed.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements we performed full scope audit procedures over 100% of the Group's results for the 53 week period ended 1 April 2023 and 100% of the Group's total assets at that date. We obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy. This approach is consistent with the prior period.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations will be from higher sourcing costs/supply issues for ingredients affected by increased extreme weather events impacting harvests and the risk of increased extreme weather events (e.g. flooding) in the UK causing reduced footfall/pub closures and impacting staff travel and wellbeing. These are explained in the Task Force for Climate related Financial Disclosures on pages 54 to 61 and in the principal risks and uncertainties. They have also explained their climate commitments on page 42. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the basis of preparation (note 1 of the financial statements) how it has reflected the impact of climate change in their financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, its climate commitments, the effects of material climate risks disclosed on pages 56 to 59 and the significant judgements and estimates disclosed in note 1. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Impairment of property, plant and equipment (PPE) and right-of-use assets (ROUA)</p> <p><i>Refer to the Audit and Risk Committee Report (page 83); Accounting policies (page 123); and Note 13 of the Consolidated Financial Statements (page 141)</i></p> <p>As at 1 April 2023, the carrying value of PPE is £583.3 million (2022: £592.7 million) and right-of-use asset is £66.4 million (2022: £73.8 million).</p> <p>The challenging trading environment driven by high levels of cost inflation and changes in consumer spending habits arising from the 'cost of living' crisis, has been identified as an indicator of impairment.</p> <p>Impairment for tangible assets (PPE and ROUA) is tested on the basis of each individual cash generating unit (CGU) – an individual pub site.</p> <p>There is a risk that pubs may not achieve the anticipated business performance to support their carrying value. This could lead to an impairment charge that has not been recognised by management.</p> <p>Significant judgement is required in forecasting future cash flows of each pub, the long-term growth rate and the rate at which cash flows are discounted. For a portion of the pub estate where the value-in-use model may indicate an impairment charge, an overlay based on the market value approach is performed which involves significant judgement in determining the fair value of these pubs.</p> <p>The impairment charge is classified as a separately disclosed item in the Income Statement.</p>	<p>We gained an understanding through a walkthrough of the process and controls management has in place over the impairment process.</p> <p>We validated that the methodology of the impairment exercise is consistent with the requirements of IAS 36 Impairment of Assets, including appropriate identification of cash generating units and the allocation of central service costs in the value in use calculations.</p> <p>We tested the arithmetical accuracy and integrity of the impairment model and confirmed that the forecasts were consistent with the Board approved forecasts and those used in the going concern assessment.</p> <p>We agreed the carrying value of each CGU back to the fixed asset register.</p> <p>Below we summarise the procedures performed in relation to the key judgements for the tangible (PPE and ROUA) assets impairment review:</p> <ul style="list-style-type: none"> • In respect of the cost inflation and consumer spending habit assumptions on both short-term trading and the longer-term growth rate, we compared management's assumptions against external economic forecasts and actual performance from the last year. • We also performed sensitivity analysis based on reasonable possible changes to key assumptions determined by management being revenue, discount rate and long-term growth rate. We assessed that the reasonably possible change in assumptions applied by management were appropriate by reference to the ranges independently established by our work. • We used our internal valuations specialists to support our assessment of the discount rate and long-term growth rate applied to cash flows by independently determining an acceptable range of values for each assumption. • Where management's pub impairment assessment was based on the fair value approach, we obtained an external property valuation from management's specialists on a sample of pubs and reviewed the methodology applied and audited the key assumptions that form part of the valuation in light of recent transactions in the market with the assistance of our internal valuation specialists. <p>We assessed the disclosures in notes to the financial statements against the requirements of IAS 36 Impairment of Assets, in particular the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. We also assessed the related separately disclosed item accounting treatment by reference to the Company's accounting policy, industry practice and the FRC guidance.</p>	<p>Based on our audit procedures we have concluded the impairment charge of £14.3million is appropriately determined. We highlighted that a reasonably possible change in certain key assumptions including sales forecasts and risk adjustment factors could lead to material additional impairment charges. We concluded appropriate disclosures had been included by management for the above assumptions and that the impairment is appropriately presented as separately disclosed items given market practice.</p>

Independent Auditor's Report

to the members of Fuller, Smith & Turner P.L.C Continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Management override in the recognition of revenue		
<i>Refer to the Accounting policies (page 126) and Note 3 of the financial statements (page 131)</i>	We performed a walkthrough of each of the Group's significant revenue processes, including the recording of manual journal adjustments, and assessed the design effectiveness of the key controls that are in place.	We concluded that revenue was reasonably stated.
The Group recorded revenue of £336.6 million in the period (2022: £253.8 million), including £306.8 million in the Managed houses segment (2021: £228.8 million) and £29.8 million in the Tenanted Inns segment (2022: £25.0 million).	We applied correlation data analysis over the Group's entire revenue journal population to identify how much of the Group's revenue is converted to cash postings and to isolate non-standard revenue transactions for further analysis, focusing our testing on higher risk transactions identified. We determined the higher risk journal entries to be the adjustments made at or near the end of the reporting period, post-closing adjustments and other adjustments made to record transactions outside the normal course of business and performed substantive procedures to obtain sufficient appropriate audit evidence that those entries were properly supported and approved.	We did not identify any instances of management override in relation to revenue.
The vast majority of the Group's revenue transactions are non-complex, with no judgement applied over the amount recorded.	We searched for any topside journals to revenue, but none were identified.	
We consider the significant risk relating to fraud in revenue recognition to be around management override of controls and topside journals to revenue in the managed and tenanted estate.	We performed cut-off testing procedures including review of post period end cash receipts and journals, and an analytical review of significant variances to the prior year, to assess for completeness.	
For managed houses, revenue is typically comprised of a large number of low value transactions. Although there is little management judgement involved, there is a risk that manual topside adjustments could be posted which could result in revenue being overstated or not recorded. For Tenanted Inns there is also a risk that manual topside adjustments could be posted to revenue.		

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Company to be £1.68 million (2022: £1.27 million), which is 0.5% (2022: 0.5%) of Group revenue. We believe that Group revenue continues to an appropriate materiality basis due to its prominence in financial reporting to the Group's equity and debt stakeholders in the context of the Group which has not returned to a normalised level of profit.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £1.26 million (2022: £0.95 million). We have set performance materiality at this percentage as we did not anticipate a significant level of audit differences following our FY2022 audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £84,000 (2022: £64,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Independent Auditor's Report

to the members of Fuller, Smith & Turner P.L.C Continued

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 120;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 33;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 120;
- Directors' statement on fair, balanced and understandable set out on page 104;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 104;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 83; and
- The section describing the work of the Audit and Risk Committee set out on page 82.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 104, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Company and determined that the most significant are Companies Act 2006, Health & Safety and food hygiene laws, Minimum Wage regulations, Money Laundering regulations and the UK Corporate Governance Code 2018.
- We understood how the Company is complying with those frameworks by making inquiries of management, those charged with governance, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our inquiries through inspection of board minutes and correspondence with regulatory authorities and through attendance at Audit and Risk Committee meetings.
- We assessed the susceptibility of the Group and Company's financial statements to material misstatement, including how fraud might occur by making inquiries of management, those charged with governance and various other individuals within the financial reporting function. We corroborated these inquiries by inspecting board minutes, internal audit reports and findings, reports to the Group's internal whistleblowing hotline and by understanding both the Group's bonus scheme structure and the expectations of investors and analysts, to understand areas in which individuals may be incentivised to commit fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making inquiries as described above, inspecting minutes of all significant board and committee meetings, reading correspondence with regulatory authorities, testing manual journal entries with higher risk characteristics and testing unusual or non-standard transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 27 January 2021 to audit the financial statements for the year ended 27 March 2021 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ended 27 March 2021 to 01 April 2023.

- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Rachel Savage (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 June 2023

Group Income Statement

for the 53 weeks ended 1 April 2023

	Note	53 weeks ended 1 April 2023			52 weeks ended 26 March 2022		
		Before separately disclosed items £m	Separately disclosed items £m	Total £m	Before separately disclosed items £m	Separately disclosed items £m	Total £m
Revenue	3	336.6	–	336.6	253.8	–	253.8
Operating costs	4,5	(311.5)	(14.2)	(325.7)	(235.3)	(2.0)	(237.3)
Operating profit		25.1	(14.2)	10.9	18.5	(2.0)	16.5
Finance costs	5,6	(12.4)	–	(12.4)	(11.3)	–	(11.3)
Profit on disposal of properties	5	–	11.8	11.8	–	6.3	6.3
Profit before tax		12.7	(2.4)	10.3	7.2	4.3	11.5
Tax	7	(2.9)	0.5	(2.4)	(1.2)	(3.2)	(4.4)
Profit for the year		9.8	(1.9)	7.9	6.0	1.1	7.1
Earnings per share per 40p 'A' and 'C' ordinary share							
		Pence		Pence	Pence		Pence
Basic	8	16.10		12.98	9.79		11.59
Diluted	8	16.07		12.96	9.73		11.51
Earnings per share per 4p 'B' ordinary share							
Basic	8	1.61		1.30	0.98		1.16
Diluted	8	1.61		1.30	0.97		1.15

Group Statement of Comprehensive Income for the 53 weeks ended 1 April 2023

	Note	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Profit for the year		7.9	7.1
Items that may be reclassified to profit or loss in subsequent years (net of tax)			
Net gains on valuation of financial assets and liabilities	25	0.1	0.5
Tax related to items that may be reclassified to profit or loss	7	–	(0.1)
Items that will not be reclassified to profit or loss in subsequent years (net of tax)			
Net actuarial (losses)/gains on pension schemes	22	(2.5)	15.5
Tax related to items that will not be reclassified to profit or loss	7	0.6	(3.8)
Other comprehensive (losses)/gains for the year, net of tax		(1.8)	12.1
Total comprehensive income for the year, net of tax		6.1	19.2

Group Balance Sheet

1 April 2023

	Note	Group 2023 £m	Group 2022 £m
Non-current assets			
Intangible assets	10	29.0	29.5
Property, plant and equipment	11	583.3	592.7
Investment properties	12	1.5	1.6
Retirement benefit obligations	22	16.1	16.2
Right-of-use assets	16	66.4	73.8
Other financial assets	14	0.1	–
Total non-current assets		696.4	713.8
Current assets			
Inventories	17	4.2	3.6
Trade and other receivables	18	10.2	10.7
Current tax receivable		0.7	0.6
Cash and short-term deposits	21	14.1	15.6
Total current assets		29.2	30.5
Assets classified as held for sale	19	7.0	5.4
Total assets		732.6	749.7
Current liabilities			
Trade and other payables	20	(54.6)	(57.1)
Provisions	24	(0.5)	(0.5)
Borrowings	21	(6.0)	(120.0)
Lease liabilities	16	(4.8)	(6.8)
Other financial liabilities	14	–	(0.1)
Total current liabilities		(65.9)	(184.5)
Non-current liabilities			
Borrowings	21	(140.9)	(27.5)
Lease liabilities	16	(67.0)	(73.9)
Retirement benefit obligations	22	(1.5)	(1.9)
Deferred tax liabilities	7	(14.7)	(12.7)
Total non-current liabilities		(224.1)	(116.0)
Net assets		442.6	449.2
Capital and reserves			
Share capital	26	25.4	25.4
Share premium account	26	53.2	53.2
Capital redemption reserve	26	3.7	3.7
Own shares	26	(21.3)	(16.6)
Hedging reserve	26	–	(0.1)
Retained earnings		381.6	383.6
Total equity		442.6	449.2

Approved by the Board and signed on 14 June 2023.



M J Turner, FCA
Chairman

Registered Number: 241882

Company Balance Sheet

1 April 2023

	Note	Company 2023 £m	Company 2022 £m
Non-current assets			
Intangible assets	10	5.7	6.2
Property, plant and equipment	11	583.3	592.7
Investment properties	12	1.5	1.6
Retirement benefit obligations	22	16.1	16.2
Right-of-use assets	16	66.0	73.3
Other financial assets	14	0.1	–
Investments in subsidiaries	15	108.7	109.1
Total non-current assets		781.4	799.1
Current assets			
Inventories	17	4.2	3.6
Trade and other receivables	18	10.2	10.7
Current tax receivable		0.7	0.6
Cash and short-term deposits	21	14.1	15.6
Total current assets		29.2	30.5
Assets classified as held for sale	19	7.0	5.4
Total assets		817.6	835.0
Current liabilities			
Trade and other payables	20	(197.7)	(193.8)
Provisions	24	(0.5)	(0.5)
Borrowings	21	(6.0)	(120.0)
Lease liabilities	16	(4.7)	(6.5)
Other financial liabilities	14	–	(0.1)
Total current liabilities		(208.9)	(320.9)
Non-current liabilities			
Borrowings	21	(140.9)	(27.5)
Lease liabilities	16	(66.6)	(72.8)
Retirement benefit obligations	22	(1.5)	(1.9)
Deferred tax liabilities	7	(14.7)	(12.8)
Total non-current liabilities		(223.7)	(115.0)
Net assets		385.0	399.1
Capital and reserves			
Share capital	26	25.4	25.4
Share premium account	26	53.2	53.2
Capital redemption reserve	26	3.7	3.7
Own shares	26	(21.3)	(16.6)
Hedging reserve	26	–	(0.1)
Merger reserve		(1.6)	(1.6)
Retained earnings		325.6	335.1
Total equity		385.0	399.1

Profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £0.4 million (2022: £3.3 million).

Approved by the Board and signed on 14 June 2023.



M J Turner, FCA
Chairman

Registered Number: 241882

Group Statement of Changes in Equity

for the 53 weeks ended 1 April 2023

Group	Share capital (note 26) £m	Share premium account (note 26) £m	Capital redemption reserve (note 26) £m	Own shares (note 26) £m	Hedging reserve £m	Retained earnings £m	Total £m
At 27 March 2021	22.8	4.2	3.7	(17.0)	(0.5)	366.3	379.5
Profit for the year	—	—	—	—	—	7.1	7.1
Other comprehensive income for the year	—	—	—	—	0.4	11.7	12.1
Total comprehensive income for the year	—	—	—	—	0.4	18.8	19.2
Issue of share capital (note 27)	2.6	49.0	—	0.2	—	—	51.8
Shares released from ESOT and treasury	—	—	—	0.2	—	—	0.2
Dividends (note 9)	—	—	—	—	—	(2.4)	(2.4)
Share-based payment charges	—	—	—	—	—	0.8	0.8
Tax credited directly to equity	—	—	—	—	—	0.1	0.1
At 26 March 2022	25.4	53.2	3.7	(16.6)	(0.1)	383.6	449.2
Profit for the year	—	—	—	—	—	7.9	7.9
Other comprehensive income for the year	—	—	—	—	0.1	(1.9)	(1.8)
Total comprehensive income for the year	—	—	—	—	0.1	6.0	6.1
Shares purchased to be held in ESOT or as treasury	—	—	—	(4.8)	—	—	(4.8)
Shares released from ESOT and treasury	—	—	—	0.1	—	—	0.1
Dividends (note 9)	—	—	—	—	—	(7.4)	(7.4)
Share-based payment credits	—	—	—	—	—	(0.4)	(0.4)
Tax credited directly to equity	—	—	—	—	—	(0.2)	(0.2)
At 1 April 2023	25.4	53.2	3.7	(21.3)	—	381.6	442.6

Company Statement of Changes in Equity

for the 53 weeks ended 1 April 2023

Company	Share capital (note 26) £m	Share premium account (note 26) £m	Capital redemption reserve (note 26) £m	Own shares (note 26) £m	Hedging reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 27 March 2021	22.8	4.2	3.7	(17.0)	(0.5)	(1.6)	321.6	333.2
Profit for the year	–	–	–	–	–	–	3.3	3.3
Other comprehensive income for the year	–	–	–	–	0.4	–	11.7	12.1
Total comprehensive income for the year	–	–	–	–	0.4	–	15.0	15.4
Issue of share capital (note 27)	2.6	49.0	–	0.2	–	–	–	51.8
Shares released from ESOT and treasury	–	–	–	0.2	–	–	–	0.2
Dividends (note 9)	–	–	–	–	–	–	(2.4)	(2.4)
Share-based payment charges	–	–	–	–	–	–	0.8	0.8
Tax credited directly to equity	–	–	–	–	–	–	0.1	0.1
At 26 March 2022	25.4	53.2	3.7	(16.6)	(0.1)	(1.6)	335.1	399.1
Profit for the year	–	–	–	–	–	–	0.4	0.4
Other comprehensive income for the year	–	–	–	–	0.1	–	(1.9)	(1.8)
Total comprehensive income for the year	–	–	–	–	0.1	–	(1.5)	(1.4)
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.8)	–	–	–	(4.8)
Shares released from ESOT and treasury	–	–	–	0.1	–	–	–	0.1
Dividends (note 9)	–	–	–	–	–	–	(7.4)	(7.4)
Share-based payment credits	–	–	–	–	–	–	(0.4)	(0.4)
Tax credited directly to equity	–	–	–	–	–	–	(0.2)	(0.2)
At 1 April 2023	25.4	53.2	3.7	(21.3)	–	(1.6)	325.6	385.0

Group Cash Flow Statement

for the 53 weeks ended 1 April 2023

	Note	Group 53 weeks ended 1 April 2023 £m	Group 52 weeks ended 26 March 2022 £m
Profit before tax for continuing operations		10.3	11.5
Net finance costs before separately disclosed items	6	12.4	11.3
Separately disclosed items	5	2.4	(4.3)
Depreciation and amortisation	4	26.7	25.8
Adjusted EBITDA		51.8	44.3
Difference between pension charge and cash paid	22	(2.3)	(2.3)
Share-based payment (credit)/charges	4	(0.4)	0.8
Change in trade and other receivables		2.5	0.5
Change in inventories		(0.6)	(1.5)
Change in trade and other payables		(3.0)	28.8
Cash impact of operating separately disclosed items	5	(0.5)	(1.9)
Cash generated from operations		47.5	68.7
Tax received		–	2.5
Net cash generated from operating activities		47.5	71.2
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles		(30.7)	(25.8)
Sale of property, plant and equipment, right-of-use assets and assets held for sale		16.0	10.0
Net cash (outflow) from investing activities		(14.7)	(15.8)
Cash flow from financing activities			
Purchase of own shares	26	(4.8)	–
Receipts on release of own shares to option schemes	26	0.1	0.1
Interest paid		(8.7)	(7.2)
Preference dividends paid	9	(0.1)	(0.1)
Equity dividends paid	9	(7.4)	(2.4)
Net proceeds from equity placing		–	51.8
Repayment of CCFF	21	–	(100.0)
Drawdown of bank loans	21	–	12.6
Surrender of leases		(2.1)	(1.9)
Principal and interest elements of lease payments	16	(9.8)	(8.6)
Payment of loan arrangement fees	21	(1.5)	(1.2)
Net cash (outflow) from financing activities		(34.3)	(56.9)
Net movement in cash and cash equivalents		(1.5)	(1.5)
Cash and cash equivalents at the start of the year	21	15.6	17.1
Total cash and cash equivalents at the end of the year	21	14.1	15.6

Company Cash Flow Statement

for the 53 weeks ended 1 April 2023

	Note	Company 53 weeks ended 1 April 2023 £m	Company 52 weeks ended 26 March 2022 £m
Profit before tax for continuing operations		3.1	7.6
Net finance costs before separately disclosed items		18.8	14.9
Separately disclosed items		3.2	(4.2)
Depreciation and amortisation		26.7	25.7
Adjusted EBITDA		51.8	44.0
Difference between pension charge and cash paid	22	(2.3)	(2.3)
Share-based payment (credit)/ charges		(0.4)	0.8
Change in trade and other receivables		(3.9)	0.5
Change in inventories		(0.6)	(1.5)
Change in trade and other payables		3.3	29.0
Cash impact of operating separately disclosed items		(0.5)	(1.9)
Cash generated from operations		47.4	68.6
Tax received		–	2.5
Net cash generated from operating activities		47.4	71.1
Cash flow from investing activities			
Purchase of property, plant and equipment and intangibles		(30.7)	(25.8)
Sale of property, plant and equipment, right-of-use assets and assets held for sale		16.0	10.0
Net cash (outflow) from investing activities		(14.7)	(15.8)
Cash flow from financing activities			
Purchase of own shares	26	(4.8)	–
Receipts on release of own shares to option schemes	26	0.1	0.1
Interest paid		(8.7)	(7.2)
Preference dividends paid	9	(0.1)	(0.1)
Equity dividends paid	9	(7.4)	(2.4)
Net proceeds of equity placing		–	51.8
Repayment of CCFF	21	–	(100.0)
Drawdown of bank loans	21	–	12.6
Surrender of leases		(2.1)	(1.9)
Principal and interest elements of lease payments	16	(9.7)	(8.3)
Cost of refinancing	21	(1.5)	(1.2)
Net cash outflow from financing activities		(34.2)	(56.6)
Net movement in cash and cash equivalents		(1.5)	(1.3)
Cash and cash equivalents at the start of the year	21	15.6	16.9
Total cash and cash equivalents at the end of the year	21	14.1	15.6

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Notes to the Financial Statements

1. Authorisation of Financial Statements and Accounting Policies

Authorisation of Financial Statements

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the "Group") for the 53 weeks ended 1 April 2023 were authorised for issue by the Board of Directors on 14 June 2023 and the Balance Sheet was signed on the Board's behalf by M J Turner. Fuller, Smith & Turner P.L.C. is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary 'A' shares are traded on the London Stock Exchange.

Significant Accounting Policies

Basis of preparation

The Group's and Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with UK adopted International Financial Reporting Standards, and applied to the financial statements of the Group and the Company for the 53 weeks ended 1 April 2023. The principal accounting policies adopted by the Group and by the Company are set out in the accounting policies below.

The Group and Company financial statements are presented in Sterling and all values are shown in millions of pounds (£m) rounded to the nearest hundred thousand, except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, a separate Income Statement for the Parent Company has not been prepared.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 65. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out above on pages 147 to 159.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies in note 27.

At 1 April 2023, the Group Balance Sheet comprises of 92% of the estate being freehold properties and available headroom on facilities of £79.5 million and £14.1 million of cash and resulting net debt of £132.8 million.

During the year, the Group secured a new facility of £200 million, split between a RCF of £110 million and a term loan of £90 million, for a tenure of four years to May 2026. Under the new agreement, the minimum liquidity covenant of £10 million tested monthly remained until November 2022. From December 2022 (and tested quarterly thereafter) the covenant suite consists of net debt to EBITDA (leverage) and EBITDA to net finance charges. See further details in Note 23.

The Group has modelled financial projections for the going concern period, which is the period to 29 June 2024, based upon two scenarios, the 'base case' and the 'downside case'. The base case is the Board approved FY2024 budget as well as the Q1 FY2025 plan which forms part of the Board approved three year plan. The base case assumes that sales will continue to recover, in particular in Central London. However, the budget remains cautious about the inflationary environment and also the impact on the consumer and therefore only assumes moderate levels of volume growth as well as continued pressure on margins. The base case scenario indicates that it will have sufficient resources to continue to settle its debts as they fall due and operate well within its covenants for the going concern assessment period.

The Group has also modelled a 'downside case' which assumes that sales volume reduce by 10% from the 'base case' and costs across food, staff and interest continue to rise. This model also assumes train strikes are more frequent than experienced in FY2023. In this 'downside case', management would implement mitigating actions such as overhead cost reduction and restructuring of capital expenditure and other property spend to essential maintenance. Under this scenario, the Group would still have sufficient resources to settle liabilities as they fall due and headroom on its covenants through the duration of the period.

The Group has also performed a 'reverse stress case' which shows that the Group could withstand a 24% reduction in volumes from those assessed in the 'base case' throughout the going concern period, as well as costs assumed to increase at a similar or higher rate than the downside scenario, before the covenant levels would be exceeded on 31 March 2024. The Directors consider this scenario to be remote as other than when the business was closed because of the pandemic, it has never seen volumes decline at anywhere close to that rate.

Under both the base and downside scenarios modelled, the Group would have sufficient headroom on its facilities throughout the going concern assessment period. Additionally, under the downside scenario there are further mitigating actions which the Group has in its control to either improve EBITDA or reduce net debt, such as further reduction in capex spend to only essential maintenance and decision not to pay dividends and bonuses. Further mitigating actions would also include disposals of licensed and unlicensed properties.

The Directors have also determined that, over the period of the going concern assessment, there is not expected to be a significant impact because of climate change.

After due consideration of the matters set out above, the Directors are satisfied that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern assessment period, being the period to 29 June 2024, and have therefore adopted the going concern basis in the preparation of these financial statements.

Significant accounting judgements, estimates and assumptions

The areas of estimation and assumption which are considered to be significant in the preparation of the financial statements are as follows:

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units ("CGUs") to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Full details are supplied in note 13, together with an analysis of those key assumptions.

The Group reviews impairment of all property, plant and equipment and right-of-use assets at CGU level where there is any indication of impairment. This requires an estimation of the value in use and involves estimation of future cash flows and choosing a suitable discount rate. See note 13, which describes the assumptions used, together with an analysis of the key assumptions.

Measurement of defined benefit pension obligations requires estimation of future changes in inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the Group's qualified actuary. The estimates used and the key assumptions are provided in note 22.

The areas of judgement which are considered to be significant in the preparation of the financial statements are as follows:

Judgement is used to determine those items that should be separately disclosed to allow a better understanding of the underlying trading performance of the Group. The judgement includes assessment of whether an item is of a nature that is not consistent with normal trading activities or of sufficient size or infrequency. See note 5 for further details.

The Group has exercised significant accounting estimation and judgement in the recognition of deferred tax liabilities in respect of property, plant and equipment. Significant accounting estimates and judgements include those used to determine the amount of net book value of property, plant and equipment to which the initial recognition exemption applies, the calculation of the tax base on sale (which is subject to certain restrictions under tax law) and the offsetting of inherent losses against inherent gains where tax losses are expected to be utilised against future profits and gains.

Basis of consolidation

The Group financial statements consolidate the financial statements of Fuller, Smith & Turner P.L.C. and the entities it controls (its subsidiaries) drawn up for the 53 weeks ended 1 April 2023 (2022: 52 weeks ended 26 March 2022). Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to direct the relevant activities of the subsidiary which significantly affect the return of the subsidiary, so as to obtain benefit from its activities, and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

Business combinations and goodwill

Business combinations are accounted for under IFRS 3 Business Combinations using the purchase method. Any excess of the consideration of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Balance Sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Income Statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Any impairment of goodwill made cannot be reversed if circumstances subsequently change.

For the purpose of impairment testing, goodwill is allocated to the related CGUs (or group of CGUs) monitored by management. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

The carrying amount of goodwill allocated to a CGU is taken into account when determining the gain or loss on disposal of the CGU, or of an operation within it.

Notes to the Financial Statements

Continued

1. Authorisation of Financial Statements and Accounting Policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis to write down the cost to the estimated residual value over the expected useful life of the asset as follows:

Freehold buildings – Hotel accommodation and offices	Up to 50 years
Freehold buildings – Licensed retail property and unlicensed property	From 50 to 100 years
Leasehold improvements	The term of the lease
Roofs	From 10 to 50 years
Plant, machinery and vehicles, fixtures and fittings	From three years up to 25 years

As required under IAS 16 Property, Plant and Equipment, expected useful lives and residual values are reviewed every year. Land is not depreciated. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Coronavirus Job Retention Scheme ("CJRS")

In the prior year, HMRC reimbursed up to 80% of the wages of certain employees who had been asked to stop working, but who were being kept on the payroll ("furloughed"). The scheme was designed to compensate for staff costs, so amounts received are recognised in the Income Statement over the same period as the costs to which they relate. In the Income Statement, payroll costs are shown net of grant income.

Hive-up transaction

When a subsidiary transfers its business to its parent immediately after acquisition (hive-up transaction) the assets are transferred at market value and the investment is reduced to reflect the net effect of a return of capital in the form of the underlying net assets with any difference taken to the merger reserve.

Investment property

The Group owns properties that are not used for the sale of goods or services but are held for capital appreciation or rental purposes. These properties are classified as investment properties and their carrying values are based on cost less impairment. Depreciation is calculated on a straight-line basis to write down the cost to the estimated residual value over the expected useful life of the asset, which for investment properties is between 50 and 100 years.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use and will be amortised over the period of expected future benefit. Amortisation is recorded in operating costs. During the period of development, the asset is tested for impairment annually.

Cloud Computing Arrangement costs

Cloud computing arrangements are ones in which a customer does not have control of the underlying software and use the software on an as-needed basis. Costs associated with cloud computing arrangements can be recognised as an intangible asset when the Group can demonstrate ultimate control over the software, with the entity having the power to obtain sole future economic benefits from access to the software and restrict others' access to those benefits. Where the above criteria cannot be demonstrated, then the right to access the software over the contract term in the future is a service contract. If the Group determines that a cloud computing arrangement is a service contract, then it recognises the related expenditure when it receives the service.

Impairment

Carrying values are reviewed for impairment if events indicate that the carrying value of the asset may not be recoverable. If such an indicator exists and where the carrying values exceed the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. An asset's recoverable amount is the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest CGUs to which the asset belongs.

The Group bases its impairment calculation on most recent management approved budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of two years. A long-term growth rate is calculated and applied to project future cash flows after the second year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses, and any reversal of such losses, are recognised in the Income Statement.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Extensions to leases are recognised when it is reasonably certain the option is going to be exercised.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

The Group's lease liabilities are included in Cash, Borrowings and Net Debt (see note 21).

Notes to the Financial Statements

Continued

1. Authorisation of Financial Statements and Accounting Policies continued

c) Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Income Statement due to its operating nature.

Assets held for sale and discontinued operations

Assets are classified as held for sale when the carrying amount will be recovered principally through a sale transaction rather than continuing use. The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell. No depreciation is charged whilst assets are classified as held for sale.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, results for the discontinued operations are presented separately in the Group's Income Statement (for which the comparatives and related notes have been restated). Additional disclosures are provided in note 19. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the "Average Weighted Cost" method. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Financial instruments

Initial recognition and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price in accordance with IFRS 15.

There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's cash and cash equivalents, trade and other receivables fall into this category.
- **Fair value through OCI ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI and will be recycled upon derecognition of the asset.
- **Fair value through profit or loss ("FVPL"):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the expected credit loss ("ECL") model. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the future cash flows of the instrument.

When assessing impairment for trade receivables, the Group has applied the simplified approach to expected credit losses as per IFRS 9 Financial Instruments. The model focuses on an appraisal of the risk that a receivable will default rather than whether a loss has been incurred. This involves an unbiased assessment of a range of possible outcomes and their probabilities of occurrence, and is supported by past experience of collecting payments as well as changes in economic conditions that correlate with default on receivables. Expected credit losses are initially determined based on the Group's historical credit loss experience, any forward-looking factors specific to a particular trade receivable and the current economic environment.

The timing of initial recognition for impairment losses is the same period that the asset is recognised. Movements in expected credit losses are recognised in the Income Statement within operating costs. At the point a trade receivable is written off the ledger as uncollectable, the cost is charged against the allowance account and any subsequent recoveries of amounts previously written off are credited to the Income Statement.

In the Parent Company, amounts due from subsidiary undertakings are recognised at their original amount less allowance for impairment based on the ECL model. In determining the model, the Company considers the net assets and the resources available to that subsidiary.

Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, derivative financial instruments and lease liabilities.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss which are measured subsequently at fair value with gains or losses recognised in the Income Statement
- Financial liabilities at amortised cost (loans and borrowings) which are measured using the effective interest method.

Bank loans, overdrafts and debentures

Interest bearing bank loans, overdrafts and debentures are initially recorded at the fair value of proceeds received, net of direct issue costs, and thereafter at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate basis in the Income Statement. Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Recognition and measurement

The Group uses interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Notes to the Financial Statements

Continued

1. Authorisation of Financial Statements and Accounting Policies continued

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

The Group has interest rate swaps which are classified as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, but the risk management objective remains the same, the hedge ratio is adjusted so that it meets the qualifying criteria again.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Company or Group is presented as a liability in the Balance Sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the Income Statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

The Group's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in note 25, the Group considers its capital to comprise its ordinary share capital, share premium, capital redemption reserve, hedging reserve and accumulated retained earnings plus its preference shares which are classified as a financial liability in the Balance Sheet. There have been no changes to what the Group considers to be capital since the prior year.

Preference shares

The Group's preference shares are reported under non-current liabilities. The corresponding dividends on preference shares are charged as interest in the Income Statement. Preference share dividends are at fixed rates.

Revenue

Revenue is recognised under IFRS 15 upon application of the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to each performance obligation
- Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer.

Managed Pubs and Hotels revenue primarily consists of food, drink and accommodation sales. Food and drink revenue is recognised when control of the goods/services has transferred, being at the point the customer purchases the food or drink. The Group also takes bookings for events and accommodation which require a deposit to secure the booking. A contract liability for the deposit is recognised at the time of the sale. The contract liability is released and revenue is recognised on a straight-line basis over the duration of the room occupation or event. A contract liability is recognised until the event is complete or the guest has occupied the room.

The Group also earns revenue through selling drink to the Tenanted Inns division which is supplied to Fuller's by Asahi under the Long-Term Supply Agreement (“LTSA”). Revenue is recognised as though the Group is the principal as it has primary responsibility over the product and also bears the inventory risk.

Revenue is recognised under IFRS 16 where the Group receives rental income from Tenanted and unlicensed properties. This is recognised on a straight-line basis over the lease term. Some rental income includes turnover rent which is based on the percentage of the income generated by that pub. This is recognised when the revenue is earned. Revenue is recognised for machine income when net takings are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for use are capitalised as part of the cost of the asset being created. This is applied to development projects where the development is expected to last in excess of six months at the commencement of the project. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Separately disclosed items

The Group presents as separately disclosed items on the face of the Income Statement those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Separately disclosed items are a key element used to demonstrate the underlying performance of the Group and reported as an alternative performance measure within the management commentary for the reporting period.

Share-based payments

The Group has an employee Share Incentive Plan that awards shares to employees based on the reported profits of the Group for the year, and a Long-Term Incentive Plan that awards shares to Directors and Senior Executives subject to specific performance criteria. The Group also issues equity-settled share-based payments to certain employees under approved and unapproved share option schemes and a Savings Related Share Option Scheme.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions. The Group has no equity-settled transactions that are linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest. At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Income Statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

Own shares

Shares to be awarded under employee incentive plans and those that have been awarded but have yet to vest unconditionally are held at cost by an employee share ownership trust ("ESOT") and shown as a deduction from equity in the Balance Sheet. ESOT is an independently managed trust and not controlled by the Group.

In addition to the purchase of shares by the various ESOTs for specific awards, the Group also from time to time acquires own shares to be held as treasury shares. These shares are occasionally but not exclusively used to satisfy awards under various share option schemes. Treasury shares are held at cost and shown as a deduction from total equity in the Balance Sheet.

Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current tax payable is based on taxable profit for the year using UK tax rates enacted or substantively enacted at the Balance Sheet date and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which they can be utilised.

Notes to the Financial Statements

Continued

1. Authorisation of Financial Statements and Accounting Policies continued

Such deferred tax assets and liabilities are not recognised where the asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balance relates to the same taxation entities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Current and deferred tax for the year

Current and deferred tax are recognised in the Income Statement except when they relate to items that are recognised in the Statement of Comprehensive Income or in equity, in which case the current and deferred tax are also recognised in the Statement of Comprehensive Income or directly in equity respectively.

Pensions and other post-employment benefits

Defined contribution schemes

Payments to defined contribution retirement benefit schemes are charged to the Income Statement as they fall due.

Defined benefit schemes

The Group operated a defined benefit pension plan for eligible employees where contributions were made into a separate fund administered by Trustees. The Scheme closed to future accrual in January 2015.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method calculated by qualified actuaries. This attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service cost is recognised as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits, or related restructuring costs under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the Income Statement during the period in which the settlement or curtailment occurs.

The Group determines the net interest charge/(credit) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net pension liability/(asset) at the beginning of the period. The net interest charge/(credit) is recognised immediately as a separately disclosed finance cost/(income) in the Income Statement. Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at the year end exchange rates and the resulting exchange differences are taken to the Income Statement.

Dividends

Dividends recommended by the Board but unpaid at the year end are not recognised in the financial statements until they are paid (in the case of the interim dividend) or approved by shareholders at the Annual General Meeting (in the case of the final dividend).

The Company's investments in subsidiaries

In its separate financial statements, the Parent Company recognises its investment in its subsidiaries on the basis of cost less provision for impairment.

New standards and interpretations issued but not yet applied

The International Accounting Standards Board and International Financial Reporting Interpretations Committee have issued the following standards and interpretations with an effective date for periods starting on or before the date on which these financial statements start:

- Amendments to IAS 1: Classification of Liabilities as Current and Non-current (effected 1 January 2023)
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effected 1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effected 1 January 2022)
- IFRS 17 Insurance Contracts (effected 1 January 2023)
- Onerous Contract – Costs of Fulfilling a Contract – Amendments to IAS 37 (effected 1 January 2022)
- Definition of Accounting Estimates – Amendments to IAS 8 (effected 1 January 2022)
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (effected 1 January 2022)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effected 1 January 2022)
- IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (effected 1 January 2022).

The adoption of the above standards have not lead to material effect in the financial statements. Other new standards and interpretations in issue but not yet effective are not applicable to the Company and therefore are not expected to have material impact on the Group's financial position and results.

2. Segmental Analysis

Operating Segments

For management purposes, the Group's operating segments are:

- Managed Pubs and Hotels, which comprises managed pubs, managed hotels, Bel & The Dragon and Cotswold Inns & Hotels.
- Tenanted Inns, which comprises pubs operated by third parties under tenancy or lease agreements.

The most important measure used to evaluate the performance of the business is adjusted profit, which is the profit before tax, adjusted for separately disclosed items. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit. The Managed Pubs and Hotels operating segments have been aggregated to one reportable segment on the basis they have similar economic characteristics. Economic indicators assessed in determining that the aggregated operating segments share similar characteristics include expected future financial performance, operating and competitive risks, and return on capital. As such, the operating segments meet the aggregation criteria in paragraph 12 IFRS 8 Operating Segments (amended). More details of these segments are given in the Strategic Report on pages 1 to 65 of this report.

As segment assets and liabilities are not regularly provided to the Chief Operating Decision Maker (“CODM”), the Group has elected, as provided under IFRS 8 Operating Segments (amended), not to disclose a measure of segment assets and liabilities.

Notes to the Financial Statements

Continued

2. Segmental Analysis continued

53 weeks ended 1 April 2023	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Total continuing operations £m
Revenue				
Sale of goods and services	271.6	21.2	—	292.8
Accommodation income	33.7	—	—	33.7
Total revenue from contracts with customers	305.3	21.2	—	326.5
Rental income	1.5	8.6	—	10.1
Revenue	306.8	29.8	—	336.6
Segment result	30.0	13.2	(18.1)	25.1
Operating separately disclosed items				(14.2)
Operating profit				10.9
Profit on disposal of properties				11.8
Net finance costs				(12.4)
Profit before tax				10.3
Other segment information				
Additions to property, plant and equipment and intangible assets	25.2	4.7	0.1	30.0
Depreciation and amortisation	23.4	2.3	1.0	26.7
Impairment of property, right-of-use assets and assets classified as held for sale	12.5	1.8	—	14.3
52 weeks ended 26 March 2022	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Total continuing operations £m
Revenue				
Sale of goods and services	205.1	17.9	—	223.0
Accommodation income	21.9	—	—	21.9
Total revenue from contracts with customers	227.0	17.9	—	244.9
Rental income	1.8	7.1	—	8.9
Revenue	228.8	25.0	—	253.8
Segment result	24.7	11.1	(17.3)	18.5
Operating separately disclosed items				(2.0)
Operating profit				16.5
Profit on disposal of properties				6.3
Net finance costs				(11.3)
Profit before tax				11.5
Other segment information				
Additions to property, plant and equipment and intangible assets	20.2	2.3	2.6	25.1
Depreciation and amortisation	23.3	1.8	0.7	25.8
Impairment of property	3.0	0.3	—	3.3

¹ Unallocated expenses represent primarily the salaries and costs of central management. Unallocated capital expenditure relates to additions to the head office and additions to IT development costs.

3. Revenue

Geographical Information

All of the Group's business is within the UK and therefore the Group only has one distinct geographical market.

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	292.8	223.0
Accommodation income	33.7	21.9
Total revenue from contracts with customers	326.5	244.9
Rental income	10.1	8.9
Revenue	336.6	253.8

4. Operating Costs

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Production costs and cost of goods used in retailing	72.2	57.9
Staff costs	119.1	96.2
Repairs and maintenance	8.5	8.5
Depreciation of property, plant and equipment and amortisation of intangible assets	19.6	18.1
Depreciation of right-of-use assets	7.1	7.7
Rental expense relating to short-term and low value leases	0.2	0.4
Variable lease payments ¹	3.5	1.4
Property costs	18.0	14.4
Utilities	19.6	12.1
Separately disclosed items (note 5)	14.2	2.0
Grant income ²	—	(5.4)
Other operating costs	43.7	24.0
	325.7	237.3

1 Variable lease payments are dependent on turnover levels.

2 Grant income is amounts received from the Government to support businesses throughout the pandemic that were eligible depending on their rateable value.

Details of income and direct expenses relating to rental income from investment properties are shown in note 12.

a) Auditors' Remuneration

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Fees payable to Company's auditors:		
– Related to the audit of the Group and Company	0.5	0.4
	0.5	0.4

Other audit related services of £5,000 (2022: £5,000) for covenant reporting and £45,000 (2022: £35,000) for interim review were also incurred in the period.

Notes to the Financial Statements

Continued

4. Operating Costs continued

b) Employee Benefit Expenses¹

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Wages and salaries ^{2,3}	102.6	84.8
Social security costs	8.7	7.0
Pension benefits	2.2	1.9
Other staff costs ⁴	5.6	2.5
	119.1	96.2

1 Includes Executive Directors.

2 Includes share-based credit of £0.4 million (2022: debit £0.8 million).

3 Prior year staff costs are stated net of £4.3 million claimed from the Government through the CJRS.

4 Includes temporary staff costs of £5.0 million.

c) Average Number of Employees¹

The average monthly number of persons employed by the Group (including part-time staff) was as follows:

	2023 Number	2022 Number
Pub, hotel and restaurant teams	5,138	4,118
Support office ²	109	122
	5,247	4,240

1 Includes Executive Directors.

2 Support office includes Finance, People Team, IT and other central functions.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 86 to 100.

5. Separately Disclosed Items

The Group presents separately disclosed items on the face of the Income Statement for those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year.

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Amounts included in operating profit:		
Reorganisation costs	(0.5)	(0.8)
Impairment of properties, right-of-use assets and assets classified as held for sale (note 13)	(14.3)	(3.3)
Insurance claim	(0.2)	–
VAT provision release	0.8	–
Adjustment related to settlement of the Beer Business	–	2.1
Total separately disclosed items included in operating profit	(14.2)	(2.0)
Profit on disposal of properties	11.8	6.3
Separately disclosed finance credits:		
Finance credit on net pension liabilities	0.5	–
Finance charge on the write down of arrangement fees	(0.5)	–
Total separately disclosed finance credits	–	–
Total separately disclosed items before tax	(2.4)	4.3
Exceptional tax:		
Profit on disposal of properties	(1.0)	(1.3)
Change in tax rate	0.5	(3.3)
Other items	1.0	1.4
Total separately disclosed tax	0.5	(3.2)
Total separately disclosed items	(1.9)	1.1

The reorganisation costs comprise £0.5 million in relation to corporate restructure during the 53 weeks ended 1 April 2023 (26 March 2022: £0.8 million).

The impairment charge of £14.3 million (26 March 2022: £3.3 million) relates to the write down of 22 properties to their recoverable value (26 March 2022: six properties).

The insurance claim of £0.2 million is the write off of property, plant and equipment and the cost of the rectification work (£2.7 million) net of insurance monies claimed (£2.5 million).

The VAT provision release to a VAT adjustment of £0.8 million. In the prior year, £2.1 million credit is the release of the provision, net of the final settlement amount on the sale of the Fuller's Beer Business.

The profit on disposal of properties of £11.8 million during the 53 weeks ended 1 April 2023 (26 March 2022: £6.3 million) relates to the disposal of nine licensed and unlicensed properties (26 March 2022: 12 properties).

The cash impact of operating separately disclosed items before tax for the 53 weeks ended 1 April 2023 was £0.5 million cash outflow (26 March 2022: £1.9 million cash outflow).

6. Finance Costs

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Finance Income		
Interest income from financial assets	0.2	–
Finance costs		
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	(9.6)	(8.1)
Financial liabilities at amortised cost – preference shares	(0.1)	(0.1)
Financial liabilities at amortised cost – lease liabilities	(2.9)	(3.1)
Net finance costs before separately disclosed items	(12.4)	(11.3)
Finance credit on net pension liabilities (note 5)	0.5	–
Finance charge on the write down of arrangement fees	(0.5)	–
Net finance costs after separately disclosed items	(12.4)	(11.3)

7. Taxation

Tax on Profit on Ordinary Activities

Group	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Tax charged in the Income Statement		
Current income tax:		
Current tax on profit for the year	–	0.2
Adjustments for current tax on prior periods	–	0.6
Total current income tax expense	–	0.8
Deferred income tax:		
Origination and reversal of temporary differences	3.6	2.2
Change in corporation tax rate	–	3.3
Adjustments for deferred tax on prior periods	(1.2)	(1.9)
Total deferred tax expense	2.4	3.6
Total tax charged in the Income Statement	2.4	4.4
Analysed as:		
Before separately disclosed items	2.9	1.2
Separately disclosed items	(0.5)	3.2
	2.4	4.4

Notes to the Financial Statements

Continued

7. Taxation continued

Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is higher (2022: tax credit is higher) than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are reconciled below:

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Profit before income tax expense	10.3	11.5
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2021: 19%)	2.0	2.2
Items not deductible/(taxable) for tax purposes	0.2	(0.3)
Current and deferred tax (over) provided in previous years	(1.2)	(1.3)
Net movements in respect of property	1.4	0.5
Change in corporation tax rate	–	3.3
Total tax charged in the Income Statement	2.4	4.4
Deferred tax relating to items charged/(credited) to the Income Statement		
Deferred tax depreciation	1.5	(0.8)
Unrealised capital gains (on PP&E)	1.7	5.2
Retirement benefit obligations	1.8	1.6
Tax losses	0.7	(2.8)
Other	(3.4)	(0.7)
Corporate interest restriction	0.1	1.1
Deferred tax in the Income Statement	2.4	3.6
Tax relating to items (credited)/charged to the Statement of Comprehensive Income		
Deferred tax:		
Valuation gains on financial liabilities	–	0.1
Net actuarial (losses)/gains on pension scheme	(0.6)	3.8
Total tax (credited)/charged in the Statement of Comprehensive Income	(0.6)	3.9
Tax relating to items charged/(credited) directly to equity		
Deferred tax:		
Share-based payments	0.2	(0.1)
Total tax charged/(credited) to equity	0.2	(0.1)

Deferred Tax Provision

The deferred tax included in the Balance Sheet is as follows:

Deferred tax

Group	Deferred tax asset/(liability)								
	Retirement benefit obligations £m	Tax losses carried forward £m	Employee share schemes £m	Financial (liabilities)/assets £m	Decelerated tax depreciation £m	Unrealised capital gains (on PP&E) £m	Pension spreading £m	Other ¹ £m	Total £m
Balances at 27 March 2021	0.7	7.8	0.1	0.1	4.1	(22.3)	2.3	1.9	(5.3)
(Charge)/credit to Income Statement	(0.4)	2.8	0.1	–	0.8	(5.2)	(1.2)	(0.5)	(3.6)
(Charge) to other comprehensive income	(3.8)	–	–	(0.1)	–	–	–	–	(3.9)
Credit taken directly to equity	–	–	0.1	–	–	–	–	–	0.1
Recategorisation	–	–	–	–	–	0.4	–	(0.4)	–
Balances at 26 March 2022	(3.5)	10.6	0.3	–	4.9	(27.1)	1.1	1.0	(12.7)
(Charge)/credit to Income Statement	(0.8)	(0.7)	(0.1)	–	(1.5)	(1.7)	(1.0)	3.4	(2.4)
Credit to other comprehensive income	0.6	–	–	–	–	–	–	–	0.6
(Charge) taken directly to equity	–	–	(0.2)	–	–	–	–	–	(0.2)
Balances at 1 April 2023	(3.7)	9.9	–	–	3.4	(28.8)	0.1	4.4	(14.7)

¹ Includes £4.3 million of timing difference between tax and accounting treatment of capital disposals

	2023 £m	2022 £m
Deferred tax assets	17.8	18.5
Deferred tax liabilities	(32.5)	(31.2)
	(14.7)	(12.7)

Company	Deferred tax asset/(liability)								
	Retirement benefit obligations £m	Tax losses carried forward £m	Employee share schemes £m	Financial (liabilities)/assets £m	Decelerated tax depreciation £m	Unrealised capital gains (on PP&E) £m	Pension spreading £m	Other ¹ £m	Total £m
Balances at 27 March 2021	0.7	7.7	0.1	0.1	4.1	(22.3)	2.3	1.9	(5.4)
(Charge)/credit to Income Statement	(0.4)	2.8	0.1	–	0.8	(5.2)	(1.2)	(0.5)	(3.6)
(Charge)/credit to other comprehensive income	(3.8)	–	–	(0.1)	–	–	–	–	(3.9)
Credit taken directly to equity	–	–	0.1	–	–	–	–	–	0.1
Recategorisation	–	–	–	–	–	0.4	–	(0.4)	–
Balances at 26 March 2022	(3.5)	10.5	0.3	–	4.9	(27.1)	1.1	1.0	(12.8)
(Charge)/credit to Income Statement	(0.8)	(0.7)	(0.1)	–	(1.7)	(0.7)	(1.0)	3.4	(2.4)
Credit to other comprehensive income	0.6	–	–	–	–	–	–	–	0.6
Credit taken directly to equity	–	–	(0.2)	–	–	–	–	–	(0.2)
Balances at 1 April 2023	(3.7)	9.9	–	–	3.4	(28.8)	0.1	4.4	(14.7)

¹ Includes £4.3 million of timing difference between tax and accounting treatment of capital disposals

	2023 £m	2022 £m
Deferred tax assets	17.8	18.4
Deferred tax liabilities	(32.5)	(31.2)
	(14.7)	(12.8)

Notes to the Financial Statements

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8. Earnings Per Share

Group	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Profit attributable to equity shareholders	7.9	7.1
Separately disclosed items net of tax	1.9	(1.1)
Adjusted earnings attributable to equity shareholders	9.8	6.0
Weighted average share capital	60,875,000	61,264,000
Dilutive outstanding options and share awards	90,000	413,000
Diluted weighted average share capital	60,965,000	61,677,000
40p 'A' and 'C' ordinary share	Pence	Pence
Basic earnings per share	12.98	11.59
Diluted earnings per share	12.96	11.51
Adjusted earnings per share	16.10	9.79
Diluted adjusted earnings per share	16.07	9.73
4p 'B' ordinary share	Pence	Pence
Basic earnings per share	1.30	1.16
Diluted earnings per share	1.30	1.15
Adjusted earnings per share	1.61	0.98
Diluted adjusted earnings per share	1.61	0.97

For the purposes of calculating the number of shares to be used above, 'B' shares have been treated as one-tenth of an 'A' or 'C' share. The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 2,134,152 (2022: 1,744,564).

Diluted earnings per share amounts are calculated using the same earnings figure as for basic earnings per share, divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential options into ordinary shares.

Adjusted earnings per share are calculated on profit after tax excluding separately disclosed items and on the same weighted average ordinary share capital as for the basic and diluted earnings per share. Adjusted earnings per share measures have been included as the Directors consider that these measures better reflect the underlying earnings of the Group.

9. Dividends

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2022: 7.41p (2021: 0p)	4.6	—
Interim dividend for 2023: 4.68p (2022: 3.90p)	2.8	2.4
Equity dividends paid	7.4	2.4
Dividends on cumulative preference shares (note 6)	0.1	0.1
Proposed for approval at the Annual General Meeting		
Final dividend for 2023: 10.0p (2022: 7.41p)	6.1	4.6

The pence figures above are for the 40p 'A' ordinary shares and 40p 'C' ordinary shares. The 4p 'B' ordinary shares carry dividend rights of one-tenth of those applicable to the 40p 'A' ordinary shares. Own shares held in the employee share trusts do not qualify for dividends as the Trustees have waived their rights. Dividends are also not paid on own shares held as treasury shares.

10. Intangible Assets

	Group and Company			
	Goodwill £m	IT Development costs £m	Group Total £m	Company Total £m
Cost				
At 27 March 2021	31.8	0.6	32.4	4.2
Additions	–	2.4	2.4	2.4
At 26 March 2022	31.8	3.0	34.8	6.6
At 1 April 2023	31.8	3.0	34.8	6.6
Amortisation and impairment				
At 27 March 2021	5.1	–	5.1	0.2
Provided during the year	–	0.2	0.2	0.2
At 26 March 2022	5.1	0.2	5.3	0.4
Provided during the year	–	0.5	0.5	0.5
At 1 April 2023	5.1	0.7	5.8	0.9
Net book value at 1 April 2023	26.7	2.3	29.0	5.7
Net book value at 26 March 2022	26.7	2.8	29.5	6.2
Net book value at 27 March 2021	26.7	0.6	27.3	4.0

IT Development costs

Costs are capitalised as IT development costs where it is deemed that the Group has control of the underlying asset. IT development costs relate to the implementation of a new finance system and are made up of consulting time and internal employee costs. Amortisation is recognised over the useful life of the asset of five years.

Goodwill

	2023		2022	
	Managed £m	Tenanted £m	Total £m	£m
Goodwill is allocated to CGUs as follows:				
Gales estate	9.1	13.6	22.7	22.7
Jacomb Guinness estate	0.6	–	0.6	0.6
Bel & The Dragon	1.0	–	1.0	1.0
Cotswold Inns & Hotels	2.4	–	2.4	2.4
	13.1	13.6	26.7	26.7

Notes to the Financial Statements

Continued

11. Property, Plant and Equipment

Group	Land & buildings – owned & used £m	Land & buildings – owned & acting as lessor £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Total £m
Cost					
At 27 March 2021	482.7	107.8	6.3	171.6	768.4
Additions	11.3	1.8	–	9.6	22.7
Disposals	(1.3)	–	–	(1.9)	(3.2)
Transfer to assets held for sale (note 19)	(1.5)	–	–	(0.4)	(1.9)
Transfer from assets held for sale (note 19)	2.4	–	–	0.6	3.0
At 26 March 2022	493.6	109.6	6.3	179.5	789.0
Additions	12.0	2.3	–	15.7	30.0
Disposals	(1.4)	(0.3)	–	(6.6)	(8.3)
Transfer to assets held for sale (note 19)	(7.8)	–	–	(1.4)	(9.2)
At 1 April 2023	496.4	111.6	6.3	187.2	801.5
Depreciation and impairment					
At 27 March 2021	48.8	9.7	1.7	118.0	178.2
Provided during the year	4.2	0.6	–	13.1	17.9
Disposals	(1.3)	–	–	(1.9)	(3.2)
Impairment loss	3.3	–	–	–	3.3
Transfer to assets held for sale (note 19)	(0.1)	–	–	(0.3)	(0.4)
Transfer from assets held for sale (note 19)	–	–	–	0.5	0.5
At 26 March 2022	54.9	10.3	1.7	129.4	196.3
Provided during the year	4.8	1.0	–	13.3	19.1
Disposals	(0.8)	–	–	(6.3)	(7.1)
Impairment loss (note 13)	13.4	–	–	–	13.4
Transfer to assets held for sale (note 19)	(2.3)	–	–	(1.2)	(3.5)
At 1 April 2023	70.0	11.3	1.7	135.2	218.2
Net book value at 1 April 2023	426.4	100.3	4.6	52.0	583.3
Net book value at 26 March 2022	438.7	99.3	4.6	50.1	592.7
Net book value at 27 March 2021	433.9	98.1	4.6	53.6	590.2

Company	Land & buildings – owned & used £m	Land & buildings – owned & acting as lessor £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Total £m
Cost					
At 27 March 2021	479.2	107.8	4.8	171.2	763.0
Additions	11.3	1.8	–	9.6	22.7
Disposals	(1.3)	–	–	(1.9)	(3.2)
Transfer to assets held for sale (note 19)	(1.5)	–	–	(0.4)	(1.9)
Transfer from assets held for sale (note 19)	2.4	–	–	0.6	3.0
At 26 March 2022	490.1	109.6	4.8	179.1	783.6
Additions	12.0	2.3	–	15.7	30.0
Disposals	(1.4)	(0.3)	–	(6.6)	(8.3)
Transfer to assets held for sale (note 19)	(7.8)	–	–	(1.4)	(9.2)
At 1 April 2023	492.9	111.6	4.8	186.8	796.1
Depreciation and impairment					
At 27 March 2021	44.6	9.7	2.5	116.0	172.8
Provided during the year	4.2	0.6	–	13.1	17.9
Disposals	(1.3)	–	–	(1.9)	(3.2)
Impairment loss	3.3	–	–	–	3.3
Transfer to assets held for sale (note 19)	(0.1)	–	–	(0.3)	(0.4)
Transfer from asset held for sale	–	–	–	0.5	0.5
At 26 March 2022	50.7	10.3	2.5	127.4	190.9
Provided during the year	4.8	1.0	–	13.3	19.1
Disposals	(0.8)	–	–	(6.3)	(7.1)
Impairment loss	13.4	–	–	–	13.4
Transfer to assets held for sale (note 19)	(2.3)	–	–	(1.2)	(3.5)
At 1 April 2023	65.8	11.3	2.5	133.2	212.8
Net book value at 1 April 2023	427.1	100.3	2.3	53.6	583.3
Net book value at 26 March 2022	439.4	99.3	2.3	51.7	592.7
Net book value at 27 March 2021	434.6	98.1	2.3	55.2	590.2

Notes to the Financial Statements

Continued

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost at 27 March 2021	3.3
Transfer to assets held for sale	(1.5)
Disposals	(0.1)
Cost at 26 March 2022	1.7
Disposals	(0.1)
At 1 April 2023	1.6
Depreciation and impairment at 27 March 2021	0.2
Provided during the year	–
Transfer to asset held for sale	(0.1)
At 26 March 2022	0.1
Provided during the year	–
At 1 April 2023	0.1
Net book value at 1 April 2023	1.5
Net book value at 26 March 2022	1.6
Net book value at 27 March 2021	3.1
Fair value at 1 April 2023	6.7
Fair value at 26 March 2022	8.4
Fair value at 27 March 2021	15.0

The fair value of investment properties has been estimated by the Directors, based on the rental income earned on the properties during the year and average yields earned on comparable properties from publicly available information, which is a Level 3 fair value valuation technique. An independent valuation of the properties has not been performed.

Impairment

The Group considers each trading outlet to be a CGU and each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. During the 53 weeks ended 1 April 2023, the Group did not impair any investment properties (2022: £nil).

Management have determined that the highest and best use of the property is its current use.

Investment Property Income

The properties are let on both landlord and tenant repairing leases. Amounts recognised in the profit for the financial year relating to rental income from investment properties are as follows:

	2023 £m	2022 £m
Group and Company		
Rental income	0.3	0.4
Direct operating expenses	–	(0.1)

All direct operating expenses relate to properties that generate rental income.

13. Impairment

During the year, impairment losses of £14.3 million (2022: £3.3 million) were recognised within separately disclosed items:

Group	2023 £m	2022 £m
Impairment losses		
Property, plant and equipment	13.4	3.3
Right-of-use assets	0.5	–
Assets held for sale	0.4	–
Total net impairment charge	14.3	3.3

Company	2023 £m	2022 £m
Impairment losses		
Property, plant and equipment	13.4	3.3
Right-of-use assets	0.5	–
Assets held for sale	0.4	–
Investments in subsidiaries ¹	–	0.2
Total net impairment charge	14.3	3.5

1 Investment of Cotswold Inns & Hotels was impaired by £0.4 million as the majority of the trade and assets have been hived up into the Parent Company (2022: £0.2 million).

Property, Plant and Equipment and Right-of-use Assets

The Group considers each trading outlet to be a CGU and each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell ("FVLCS") and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use. For the purposes of estimating the value in use of CGUs, management have used a discounted cash flow approach. The calculations use cash flow projections based on the following plans covering a three year period.

The Group uses a range of methods for estimating FVLCS which include applying a market multiple to the CGU EBITDA and, for leasehold sites, present value techniques using a discounted cash flow method. The Group has also obtained valuations for a subset of these CGUs from a third party property valuation expert. Both FVLCS methods rely on inputs not normally observable by market participants and are therefore Level 3 measurements in the fair value hierarchy.

The key assumptions used by management in setting the Board approved financial budgets for the initial three year period were as follows:

- Trading volumes and forecast growth rates: the forecasts make assumptions on trading volumes by site based on the FY2023 results, assumptions around the UK economic recovery and the on-going impact on consumer confidence
- Operating profits: the forecast are based on historical experience of operating margins, adjusted for the impact of inflation most notably food, utilities, and wage inflation. The forecast assumes some of these cost pressures to abate as we move through FY2024 and into FY2025
- Local factors impacting the site in the current year or expected to impact the site in future years. Key assumptions include the future potential of recently invested sites and the impact of increasing or reducing market supply in the local area.

Other assumptions used:

- A long-term growth rate of 2.0% (2022: 2.0%) was used for cash flows subsequent to the three year approved budget/forecast period.
- An EBITDA multiple is estimated based on a normalised trading basis and market data obtained from external sources. An average multiple of 10.5x (freehold 11.8x) is used for the managed estate and 10.9x on the Tenanted estate.
- The discount rate is based on the Group's weighted average cost of capital, which is used across all CGUs due to their similar characteristics. The pre tax discount rate is 10.3% (2022: 8.6%).

Impairments are recognised where the property valuation is also lower than the CGU's carrying value for those determined to be at risk of impairment. This is measured as the difference between the carrying value and the higher of FVLCS and its value in use. Where the property valuation exceeds the carrying value, no impairment is required.

During the 53 weeks ended 1 April 2023, the Group recognised an impairment loss of £13.4 million (FY2022: £3.3 million) on property, plant and equipment and £0.5 million (FY2022: £nil million) of impairment on right-of-use assets in respect of the write down of twenty two licensed properties where their asset values exceeded the higher of FVLCS or their value in use. The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated.

Notes to the Financial Statements

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13. Impairment continued

Sensitivity to Changes in Assumptions

The calculation of value in use is most sensitive to the assumptions in respect of achievement of budgeted cash flows, growth rate and discount rate. The calculation of value in use is also dependent on the following assumptions: sales volume; gross margin in Managed premises; barrellage and rent projections in Tenanted premises; and wage cost in Managed premises. The key assumptions above have their assigned values based on management knowledge and historical information. The value in use calculations are sensitive to the assumptions used. The Directors consider a movement of 1.5% in the discount rate and 0.5% in the growth rate to be reasonable with reference to current market yield curves and the current economic conditions. The impact is set out as follows:

Impact on impairment of assets at risk – increase/(decrease)	2023 £m	2022 £m
Increase discount rate by 1.5%	24.7	11.1
Decrease discount rate by 1.5%	(15.8)	(4.4)
Increase growth rate by 0.5%	(5.3)	(1.5)
Decrease growth rate by 0.5%	6.7	3.3

The value in use calculation is also sensitive to variations in the budgeted cash flows, which represents the rate of recovery from the pandemic, the inflationary environment and the consumer behaviour as a result of it. The CGUs represented by the “impact on impairment of assets at risk” would have their FVLCS determined in order to conclude whether an impairment is required. A general decrease in property values across the portfolio would have a similar effect to that set out above, i.e., any reduction in property values would lead to assets being at risk of impairment. In the current year, a decrease of 5% in the FVLCS would have led to an additional impairment of £1.9 million for the CGUs where recoverable amount has been assessed on FVLCS.

Goodwill

Goodwill acquired through business combinations has been allocated for impairment testing on an estate and divisional CGU level. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. An analysis of goodwill by operating segment is included within note 10. Recoverable amount is based on a calculation of value in use based upon the same cash flows as discussed under property, plant and equipment. Cash flows beyond the budget period are extrapolated in perpetuity on the assumption that the growth rate does not exceed the average long-term growth rate for the relevant markets. The same assumptions to calculate the value in use are used for goodwill as those for property, plant and equipment.

Sensitivity to Changes in Assumptions

Management have considered reasonable changes in key assumptions used in their calculations of value in use. An increase of 1.5% in the discount rate or decrease in the growth of 0.5% would not result in an impairment.

Investment Property

The Group considers each trading outlet to be a CGU and each CGU is reviewed annually for indicators of impairment. During the 53 weeks ended 1 April 2023, the Group did not impair any investment properties (2022: £nil). Refer to note 12.

14. Other Financial Assets and Liabilities

Group and Company	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Interest rate cap and collar	0.1	–	0.1	–
Interest rate swaps	–	(0.1)	–	(0.1)
Total financial assets/(liabilities) within non-current assets/(liabilities)	0.1	(0.1)	0.1	(0.1)

Details of the interest rate cap and collar and interest rate swaps are provided in note 25c (i).

15. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net book value £m
At 27 March 2021	120.8	(11.5)	109.3
Impairment	—	(0.2)	(0.2)
At 26 March 2022	120.8	(11.7)	109.1
Impairment	—	(0.4)	(0.4)
At 1 April 2023	120.8	(12.1)	108.7

Principal subsidiary undertakings	Holding	Proportion held	Nature of business
Griffin Catering Services Limited	£1 ordinary shares	100% (indirect)	Managed houses service company
George Gale and Company Limited	£1 ordinary shares	100%	Non-trading subsidiary
	25p 'A' ordinary shares	100%	
	£10 preference shares	100%	
F.S.T. Trustee Limited	£1 ordinary shares	100%	Non-trading subsidiary
Fuller Smith & Turner Estates Limited	£1 ordinary shares	100%	Non-trading subsidiary
Ringwoods Limited	£1 ordinary shares	100%	Non-trading subsidiary
Griffin Inns LTD.	£1 ordinary shares	100%	Non-trading subsidiary
Jacomb Guinness Limited	£1 ordinary shares	100%	Non-trading subsidiary
45 Woodfield Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
Grand Canal Trading Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B & D Country Inns I Limited	£1 ordinary shares	100%	Holding company
B & D Country Inns II Limited	£1 ordinary shares	100%	Holding company
B & D (Cookham) Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B & D (Farnham) Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B & D (Kingsclere) Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B & D (Odiham) Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B & D (Reading) Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B & D (Win) Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
RSH 200 Limited	£1 ordinary shares	100%	Holding company
Cotswold Inns and Hotels Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary

The above companies are registered and operate in England and Wales. The registered office of all subsidiary companies is the same as Fuller, Smith & Turner P.L.C. at Pier House, 86-93 Strand-on-the-Green, London, England, W4 3NN.

Notes to the Financial Statements

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16. Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 28.

a) Amounts Recognised in the Balance Sheet

Group and Company	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Right-of-use assets				
Properties	66.2	73.1	65.8	72.6
Equipment	0.2	0.6	0.2	0.6
Vehicles	–	0.1	–	0.1
	66.4	73.8	66.0	73.3
Lease liabilities				
Current	4.8	6.8	4.7	6.5
Non-current	67.0	73.9	66.6	72.8
	71.8	80.7	71.3	79.3

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Property £m	Equipment £m	Vehicles £m	Total £m
Net carrying value at 27 March 2021	81.3	0.2	0.4	81.9
Lease amendments- rent concessions	(2.6)	–	–	(2.6)
Lease amendments ¹	1.3	1.1	(0.2)	2.2
Depreciation	(6.9)	(0.7)	(0.1)	(7.7)
Net carrying value as at 26 March 2022	73.1	0.6	0.1	73.8
Disposals	(1.0)	–	–	(1.0)
Lease amendments ¹	1.3	–	(0.1)	1.2
Depreciation	(6.7)	(0.4)	–	(7.1)
Impairment	(0.5)	–	–	(0.5)
Net carrying value as at 1 April 2023	66.2	0.2	–	66.4

Company	Property £m	Equipment £m	Vehicles £m	Total £m
Net carrying value at 27 March 2021	80.8	0.2	0.4	81.4
Lease amendments- rent concessions	(2.6)	–	–	(2.6)
Lease amendments ¹	1.3	1.1	(0.2)	2.2
Depreciation	(6.9)	(0.7)	(0.1)	(7.7)
Net carrying value as at 26 March 2022	72.6	0.6	0.1	73.3
Disposals	(1.0)	–	–	(1.0)
Lease amendments ¹	1.3	–	(0.1)	1.2
Depreciation	(6.6)	(0.4)	–	(7.0)
Impairment	(0.5)	–	–	(0.5)
Net carrying value as at 1 April 2023	65.8	0.2	–	66.0

¹ Lease amendments include lease terminations, modifications, reassessments and extensions to existing lease agreements.

Set out below are the carrying amounts of lease liabilities (included under interest bearing loans and borrowings) and the movements during the period:

	Group £m	Company £m
Net carrying value at 27 March 2021	89.9	88.3
Disposals	(3.1)	(3.1)
Lease amendments- rent concessions	(2.6)	(2.6)
Lease amendments ¹	2.2	2.2
Accretion of interest	3.1	3.0
Payments	(8.8)	(8.5)
Net carrying value as at 26 March 2022	80.7	79.3
Disposal	(3.1)	(2.3)
Lease amendments ¹	1.2	1.2
Accretion of interest	2.9	2.9
Payments ²	(9.9)	(9.8)
Net carrying value as at 1 April 2023	71.8	71.3

1 Lease amendments include lease terminations, modifications, reassessments and extensions to existing lease agreements.

2 £1.5 million of the payments were payments in advance for FY2024.

A maturity analysis of gross lease liability payments is included within note 25.

b) Amounts Recognised in the Income Statement

Group	53 weeks ended 01 April 2023 £m	52 weeks ended 27 March 2022 £m
Depreciation charge on right-of-use assets		
Properties	6.7	6.9
Equipment	0.4	0.7
Vehicles	–	0.1
	7.1	7.7
Interest expense (included in finance cost)	2.9	3.1
Expense relating to short-term leases and low value assets (included in operating costs)	0.2	0.4
Expense relating to variable lease payments not included in lease liabilities (included in operating costs)	3.5	1.4
Impairment of right-of-use assets	0.5	–
Income from sub leasing right-of-use assets	(0.2)	(0.2)
	6.9	4.7

The Group's total cash outflow in relation to leases in 2023 was £9.9 million (2022: £8.6 million).

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a pub. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established pubs. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. Variable lease payments recognised in the Income Statement in the year ended 1 April 2023 were £3.5 million (2022: £1.4 million).

17. Inventories

Group and Company	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Stock at trading outlets	4.2	3.6	4.2	3.6

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 1 April 2023 amounted to £73.6 million (2022: £53.2 million). These were included in operating costs. Inventory is stated net of a provision for obsolete stock of £0.2 million (2022: £0.2 million).

Notes to the Financial Statements

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18. Trade and Other Receivables

Group	2023 £m	2022 £m
Trade receivables	1.6	1.6
Other receivables	1.4	4.8
Prepayments and accrued income	7.2	4.3
	10.2	10.7

Company	2023 £m	2022 £m
Trade receivables	1.6	1.6
Other receivables	1.4	4.8
Prepayments and accrued income	7.2	4.3
	10.2	10.7

At 1 April 2023, the Group has included in other receivables £0.3 million (2022: £0.6 million) in relation to lease receivable for subleases.

The trade receivables balance above is shown net of the loss allowance. The Group and Company provide against trade receivables based on an expected credit loss model, calculated from the probability of default for the remaining life of the asset.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers, which is the same for all.

The expected loss rates are based on the payment profile for sales over the past 24 months before the Balance Sheet date. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The movements on the loss allowance during the year are summarised below:

Group and Company	2023 £m	2022 £m
Opening balance	0.9	1.0
(Decrease) in loss allowance recognised in profit and loss	–	(0.1)
Amounts released for balances written off during the year	(0.1)	–
Closing balance	0.8	0.9

The loss allowance for trade receivables is recorded in the accounts separately from the gross receivable. The contractual ageing of the trade receivables balance is as follows:

Group and Company	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Current	1.1	1.1	1.1	1.1
Overdue up to 30 days	0.5	0.5	0.5	0.5
Overdue between 30 and 60 days	0.1	0.1	0.1	0.1
Overdue between 60 and 90 days	–	–	–	–
Overdue more than 90 days	0.7	0.8	0.7	0.8
Trade receivables before loss allowance	2.4	2.5	2.4	2.5
Less provision	(0.8)	(0.9)	(0.8)	(0.9)
Trade receivables net of loss allowance	1.6	1.6	1.6	1.6

19. Assets Held for Sale

	Group £m	Company £m
Assets held for sale as at 26 March 2022	5.4	5.4
Assets disposed of during the year	(3.7)	(3.7)
Assets transferred from property, plant and equipment	5.7	5.7
Impairment (note 13)	(0.4)	(0.4)
Assets held for sale as at 1 April 2023	7.0	7.0

At 1 April 2023, seven properties have been classified as held for sale (2022: 19 properties). These properties were reclassified predominantly from property, plant and equipment as the carrying amounts of the properties identified are to be recovered principally through sale transactions rather than through continuing use. Sale is expected within 12 months from the reporting date. An impairment charge of £0.4 million was recognised on reclassifying the property to held for sale (2022: £nil). Valuations performed are based on observations of transactions involving properties of a similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value measurement can be categorised as a Level 3.

20. Trade and Other Payables

Due within one year:

Group	2023 £m	2022 £m
Trade payables	19.0	24.4
Other tax and social security	4.7	4.3
Other payables	7.6	7.2
Accruals	19.9	18.2
Contract liabilities	3.4	3.0
	54.6	57.1

Due within one year:

Company	2023 £m	2022 £m
Trade payables	19.0	24.4
Amounts due to subsidiary undertakings	143.1	136.7
Other tax and social security	4.7	4.3
Other payables	7.6	7.2
Accruals	19.9	18.2
Contract liabilities	3.4	3.0
	197.7	193.8

Company amounts due to subsidiary undertakings of £143.1 million (2022: £136.7 million) have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate. Company amounts due to subsidiary undertakings are unsecured.

Contract liabilities relate to deposits received from customers to secure bookings for events and accommodation. The balance will unwind and be recognised as revenue in the following financial year.

21. Cash, Borrowings and Net Debt

Cash and Short-Term Deposits

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Cash at bank and in hand	14.1	15.6	14.1	15.6

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise cash at bank and in hand, as above. Cash at bank earns interest at floating rates.

Notes to the Financial Statements

Continued

21. Cash, Borrowings and Net Debt continued

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Borrowings				
Bank loans	119.4	120.0	119.4	120.0
Debenture stock	25.9	25.9	25.9	25.9
Preference shares	1.6	1.6	1.6	1.6
Total borrowings	146.9	147.5	146.9	147.5
Analysed as:				
Borrowings within current liabilities	6.0	120.0	6.0	120.0
Borrowings within non-current liabilities	140.9	27.5	140.9	27.5
	146.9	147.5	146.9	147.5

All borrowings at both year ends are denominated in Sterling and, where appropriate, are stated net of issue costs. Further information on borrowings is given in note 25.

Bank Loans

Group and Company

On 27 May 2022, the Group secured a new facility of £200 million, split between a revolving credit facility of £110 million and a term loan of £90 million, for a tenure of four years to May 2026. The new facilities bear an interest rate margin dependent on leverage covenant plus SONIA. Under the new agreement, there was a minimum liquidity requirement of £10 million until November 2022. From December 2022, there is a covenant suite which consists of net debt to EBITDA (leverage) and EBITDA to net finance charges to be tested quarterly.

At 1 April 2023, £79.5 million (2022: £71.2 million) of the total of £200 million (2022: £191.7 million) committed bank facility was available and undrawn.

The bank loans are repayable as follows:

	2023 £m	2022 £m
On demand or within one year	–	120.6
Less: bank loan arrangement fees	–	(0.6)
Current liabilities	–	120.0
In the third to fifth year inclusive	120.5	–
Less: bank loan arrangement fees	(1.1)	–
Non-current liabilities	119.4	–

Debenture Stock

The debenture stocks are secured on specified fixed and floating assets of the Company and are redeemable on maturity.

Debenture stocks are repayable as follows:

	2023 £m	2022 £m
On demand or within one year – 10.70% 1st Mortgage Debenture Stock 2023	6.0	–
Current liabilities	6.0	–
In the first to second year inclusive – 10.70% 1st Mortgage Debenture Stock 2023	–	6.0
In greater than five years – 6.875% Debenture Stock 2028 (1st floating charge)	20.0	20.0
Less: discount on issue	(0.1)	(0.1)
Non-current liabilities	19.9	25.9

Preference Shares

The Company's preference shares are classified as debt. The shares are not redeemable and are included in borrowings within non-current liabilities. See note 23 for further details of the preference shares.

Analysis of Net Debt Group

53 weeks ended 1 April 2023	At 26 March 2022 £m	Cash flows £m	Non-cash ¹ £m	At 1 April 2023 £m
Cash and cash equivalents:				
Cash and short-term deposits	15.6	(1.5)	–	14.1
	15.6	(1.5)	–	14.1
Financial liabilities:				
Lease liabilities	(80.7)	11.9	(3.0)	(71.8)
	(80.7)	11.9	(3.0)	(71.8)
Debt:				
Bank loans ²	(120.0)	1.5	(0.9)	(119.4)
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
Total borrowings	(147.5)	1.5	(0.9)	(146.9)
Net debt	(212.6)	11.9	(3.9)	(204.6)

52 weeks ended 26 March 2022	At 27 March 2021 £m	Cash flows £m	Non-cash ¹ £m	At 26 March 2022 £m
Cash and cash equivalents:				
Cash and short-term deposits	17.1	(1.5)	–	15.6
	17.1	(1.5)	–	15.6
Financial liabilities:				
Lease liabilities	(89.9)	10.5	(1.3)	(80.7)
	(89.9)	10.5	(1.3)	(80.7)
Debt:				
Bank loans ²	(107.9)	(11.4)	(0.7)	(120.0)
CCFF	(99.8)	100.0	(0.2)	–
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
Total borrowings	(235.2)	88.6	(0.9)	(147.5)
Net debt	(308.0)	97.6	(2.2)	(212.6)

1 Non-cash movements relate to the amortisation of arrangement fees, arrangement fees accrued and movements in lease liabilities.

2 Bank loans are net of arrangement fees and cash flows include the payment of arrangement fees.

Notes to the Financial Statements

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21. Cash, Borrowings and Net Debt continued

Company

53 weeks ended 1 April 2023	At 26 March 2022 £m	Cash flows £m	Non-cash ¹ £m	At 1 April 2023 £m
Cash and cash equivalents:				
Cash and short-term deposits	15.6	(1.5)	—	14.1
	15.6	(1.5)	—	14.1
Financial liabilities:				
Lease liabilities	(79.3)	11.4	(3.4)	(71.3)
	(79.3)	11.4	(3.4)	(71.3)
Debt:				
Bank loans ²	(120.0)	1.5	(0.9)	(119.4)
Debenture stock	(25.9)	—	—	(25.9)
Preference shares	(1.6)	—	—	(1.6)
Total borrowings	(147.5)	1.5	(0.9)	(146.9)
Net debt	(211.2)	11.4	(4.3)	(204.1)

52 weeks ended 26 March 2022	At 27 March 2021 £m	Cash flows £m	Non-cash ¹ £m	At 26 March 2022 £m
Cash and cash equivalents:				
Cash and short-term deposits	16.9	(1.3)	—	15.6
	16.9	(1.3)	—	15.6
Financial liabilities:				
Lease liabilities	(88.3)	10.2	(1.2)	(79.3)
	(88.3)	10.2	(1.2)	(79.3)
Debt:				
Bank loans ²	(107.9)	(11.4)	(0.7)	(120.0)
CCFF	(99.8)	100.0	(0.2)	—
Debenture stock	(25.9)	—	—	(25.9)
Preference shares	(1.6)	—	—	(1.6)
Total borrowings	(235.2)	88.6	(0.9)	(147.5)
Net debt	(306.6)	97.5	(2.1)	(211.2)

1 Non-cash movements relate to the amortisation of arrangement fees, arrangement fees accrued and movements in lease liabilities.

2 Bank loans are net of arrangement fees and cash flows include the payment of arrangement fees.

22. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one closed funded defined benefit pension scheme, the Fuller Smith & Turner Pension Plan ("The Scheme"). The plan is defined benefit in nature, with assets held in separate professionally managed, trustee-administered funds. The Scheme is an HM Revenue & Customs registered pension plan and subject to standard United Kingdom pension and tax law. On 1 January 2015 the plan was closed to future accrual.

The Group also operates a defined contribution stakeholder pension plans for its employees. The Fuller's Stakeholder Pension Plan was set up for new employees of the Parent Company after the closure of the Fuller, Smith & Turner Pension Plan to new entrants on 1 August 2005.

The Group offers workplace pensions to all employees who are not members of the defined contribution stakeholder pension plan. The Group offers these pensions through the National Employment Savings Trust ("NEST").

The Group also pays benefits, which are unfunded, to a number of former employees. The Directors consider these benefits to be defined benefit in nature and the full defined benefit liability is recognised on the Balance Sheet.

Group and Company	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Total amounts charged in respect of pensions in the year		
(Credited)/charged to Income Statement:		
Defined benefit scheme – net finance credit – separately disclosed items	(0.5)	–
Defined contribution schemes and NEST – total operating charge	2.2	1.9
	1.7	1.9
Charge/(Credit) to equity:		
Defined benefit schemes – net actuarial loss/(gains)	2.5	(15.5)
Total pension charge/(credit)	4.2	(13.6)

b) Defined Contribution Stakeholder Pension Plans – Group and Company

The total cost charged to income in respect of the defined contribution stakeholder schemes is shown in the total operating charge above.

c) Defined Benefit Plans – Group and Company

The Scheme provides pensions and lump sums to members on retirement and to their dependants on death.

Trustees are appointed by both the Company and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Scheme's assets.

The Company pays the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

Responsibility for making good any deficit on the Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are:

- Interest and investment risk – The value of the Scheme's assets are subject to volatility in equity prices. The Scheme has diversified its investments to reduce the impact of volatility and variable interest return rates
- Inflation risk – The defined benefit obligation is linked to inflation so higher rates would result in a higher defined benefit obligation
- Longevity risk – An increase over the assumptions applied will increase the defined benefit obligation.

The Company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal control policies.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. In April 2023, the 2022 triennial valuation was concluded, and the Company has agreed to continue to pay contributions into the Plan in line with the existing recovery plan. Under this plan, deficit reduction contributions started at £2.2 million per annum in July 2022. These are payable in equal monthly instalments and increase each January in line with CPI. As of January 2023, the deficit reduction contributions have increased to £2.4 million. Fixed security over certain Company's freehold properties (with a net book value of £29.8 million at 1 April 2023) has been provided to the Plan as additional security, the value of which will be reviewed at each triennial valuation. The next triennial valuation is due on 30 July 2025.

The figures in the following disclosures were measured using the projected unit credit method.

The Scheme has not invested in any of the Group's own financial instruments or in properties or other assets in use by the Group.

Key assumptions

The key assumptions used in the valuation of the Scheme are set out below:

Mortality assumptions	2023 Years	2022 Years
Current pensioners (at 65) – males	22.0	22.2
Current pensioners (at 65) – females	24.2	24.5
Future pensioners (at 65) – males	23.3	23.6
Future pensioners (at 65) – females	25.7	25.9

The Scheme is now closed to future accrual. The average age of the members who were active at closure is 58 for males and 55 for females. The average age of all non-pensioners is 57.

Notes to the Financial Statements

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22. Pensions continued

Key financial assumptions used in the valuation of the Scheme	2023	2022
Rate of increase in pensions in payment	3.20%	3.75%
Discount rate	4.75%	3.00%
Inflation assumption – RPI	3.20%	3.80%
Inflation assumption – CPI (pre 2030/post 2030)	2.3%/3.2%	2.9%/3.8%

The present value of the Scheme liabilities is sensitive to the assumptions used, as follows:

Impact on Scheme liabilities – increase/(decrease) ¹	2023 £m	2022 £m
Increase discount rate by 0.1%	(1.2)	(2.1)
Increase inflation assumption by 0.1% ²	0.1	1.3
Increase life expectancies by 1 year	3.9	6.2

1 The sensitivity analyses are based on a change in an assumption whilst holding all of the other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity to change, the same actuarial method has been applied as when calculating the pension liability within the Balance Sheet. Due to the Scheme closing to future accrual on 1 January 2015, there are no longer any active members in the Scheme. As the members who were active at closure did not maintain a salary link on their past service benefits, the future salary increase assumptions no longer have an impact on the Scheme's liabilities.

2 For members who were active at closure, their pensions now increase in deferment in line with CPI inflation.

Assets in the Scheme	At 1 April 2023 £m	At 26 March 2022 £m
Corporate bonds	56.4	25.0
Index linked debt instruments	28.7	26.0
Overseas equities	6.6	31.5
Alternatives ¹	19.0	56.5
Cash	0.3	1.6
Annuities	2.4	3.3
Total market value of assets	113.4	143.9

1 Alternatives is composed of holdings in diversified growth investment funds.

	2023 £m	2022 £m
Fair value of Scheme assets	113.4	143.9
Present value of Scheme liabilities	(98.8)	(129.6)
Surplus in the Scheme	14.6	14.3

Included within the total present value of Group and Company Scheme liabilities of £98.8 million (2021: £129.6 million) are liabilities of £1.5 million (2022: £1.9 million) which are entirely unfunded. These have been shown separately on the Balance Sheet as there is no right to offset the assets of the funded Scheme against the unfunded Scheme.

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit surplus	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Balance at beginning of the year	(129.6)	(147.3)	143.9	143.8	14.3	(3.5)
Included in profit and loss						
Net interest credit	(3.9)	(2.8)	4.4	2.8	0.5	–
	(3.9)	(2.8)	4.4	2.8	0.5	–
Included in other comprehensive Income						
Actuarial (losses)/gain relating to:						
Actual return less expected return on Scheme's assets	–	–	(32.0)	0.6	(32.0)	0.6
Experience gains arising on Scheme liabilities	29.5	14.9	–	–	29.5	14.9
	29.5	14.9	(32.0)	0.6	(2.5)	15.5
Other						
Employer contributions	–	–	2.3	2.3	2.3	2.3
Benefits paid	5.2	5.6	(5.2)	(5.6)	–	–
	5.2	5.6	(2.9)	(3.3)	2.3	2.3
Balance at end of the year	(98.8)	(129.6)	113.4	143.9	14.6	14.3

The weighted average duration of the Scheme's liabilities at the end of the period is 17 years (2022: 17 years).

The total contributions to the Scheme in the next financial year are expected to be £2.4 million for the Group and Company. Following the conclusion of the 2022 triennial valuation in April 2023, it was agreed that the Company would continue to pay contributions in line with the deficit recovery plan. Under this plan, deficit reduction contributions started at £2.2 million per annum in July 2022. These are payable in equal monthly instalments and increase each January in line with CPI. As of January 2023, the deficit reduction contributions have increased to £2.4 million. The recovery deficit plan will be reviewed at the next triennial valuation, which is due on 30 July 2025. No further payments are made as the Scheme is now closed to future accrual.

23. Preference Share Capital

Group and Company

	First 6% cumulative preference share of £1 each Number 000s	Second 8% cumulative preference share of £1 each Number 000s	Total Number 000s
Authorised, issued and fully paid share capital			
Number authorised and in issue:			
At 1 April 2023 and 26 March 2022	400	1,200	1,600
Monetary amount:	£m	£m	£m
At 1 April 2023 and 26 March 2022	0.4	1.2	1.6

The first 6% cumulative preference shares of £1 each are entitled to first payment of a fixed cumulative dividend and on winding up to a return of paid capital plus arrears of dividends. The second 8% cumulative preference shares of £1 each are entitled to second payment of a fixed cumulative dividend and on winding up a return of capital paid up (plus a premium calculated by reference to an average quoted price on the London Stock Exchange for the previous six months) plus arrears of dividends.

Preference shareholders may only vote in limited circumstances: principally on winding up, alteration of class rights or on unpaid preference dividends. Preference shares cannot be redeemed by the holders, other than on winding up.

Notes to the Financial Statements

Continued

24. Provisions

Group and Company	Legal claim	
	2023 £m	2022 £m
Balance at the beginning of the year	0.5	4.0
Utilised	–	(1.4)
Released	–	(2.1)
Balance at the end of the year	0.5	0.5
Analysed as:	2023 £m	2022 £m
Due within one year	0.5	0.5
Due in more than one year	–	–
	0.5	0.5

25. Financial Instruments

Details of the Group's treasury function are included in the Financial Review's discussion of financial risks and treasury policies on page 33.

The accounting treatment of the Group's financial instruments is detailed in note 1.

a) Capital Management – Group and Company

As described in note 1, the Group considers its capital to comprise the following:

Group	2023 £m	2022 £m
Ordinary share capital	25.4	25.4
Share premium	53.2	53.2
Capital redemption reserve	3.7	3.7
Hedging reserve	–	(0.1)
Retained earnings	381.6	383.6
Preference shares	1.6	1.6
	465.5	467.4
Company	2023 £m	2022 £m
Ordinary share capital	25.4	25.4
Share premium	53.2	53.2
Capital redemption reserve	3.7	3.7
Hedging reserve	–	(0.1)
Merger reserve	(1.6)	(1.6)
Retained earnings	325.6	335.1
Preference shares	1.6	1.6
	407.9	417.3

In managing its capital, the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth, distributions and the payment of preference dividends to its preference shareholders. The Group seeks to maintain a ratio of debt and equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets, investment requirements and comply with lending covenants. As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position at every Board meeting.

b) Categories of Financial Assets and Liabilities

The Group's financial assets and liabilities as recognised at the Balance Sheet date may also be categorised as follows:

Group	2023 £m	2022 £m
Non-current assets		
Derivative financial instruments used for hedging	0.1	–
Total current assets	0.1	–
Current assets		
Trade and other receivables in scope of IFRS 9	1.6	1.6
Total current assets	1.6	1.6
Total financial assets	1.7	1.6
Current liabilities		
Financial liabilities at amortised cost:		
Trade and other payables in scope of IFRS 9	22.9	27.9
Lease liabilities	4.8	6.8
Loans	6.0	120.0
Total carried at amortised cost	33.7	154.7
Derivative financial instruments used for hedging	–	0.1
Total current liabilities	33.7	154.8
Non-current liabilities		
Derivative financial instruments used for hedging	–	–
Financial liabilities at amortised cost:		
Lease liabilities	67.0	73.9
Loans and debenture stock	139.3	25.9
Preference shares	1.6	1.6
Total carried at amortised cost	207.9	101.4
Total non-current liabilities	207.9	101.4
Total financial liabilities	241.6	256.2

Notes to the Financial Statements

Continued

25. Financial Instruments continued

Company	2023 £m	2022 £m
Non-current assets		
Derivative financial instruments used for hedging	0.1	–
Total non-current assets	0.1	–
Current assets		
Trade and other receivables in scope of IFRS 9	1.6	1.6
Total current assets	1.6	1.6
Total financial assets	1.7	1.6
Current liabilities		
Financial liabilities at amortised cost:		
Trade and other payables in scope of IFRS 9	166.0	164.6
Lease liabilities	4.7	6.5
Loans	6.0	120.0
Total carried at amortised cost	176.7	291.1
Derivative financial instruments used for hedging	–	0.1
Total current liabilities	176.7	291.2
Non-current liabilities		
Derivative financial instruments used for hedging	–	–
Financial liabilities at amortised cost:		
Lease liabilities	66.6	72.8
Loans and debenture stock	139.3	25.9
Preference shares	1.6	1.6
Total carried at amortised cost	207.5	100.3
Total non-current liabilities	207.5	100.3
Total financial liabilities	384.2	391.4

There is no set-off of financial assets and liabilities as shown above.

c) Financial Risks – Group and Company

The main risks associated with the Group's financial assets and liabilities are set out below, as are the Group's policies for their management.

Derivative instruments are used to change the economic characteristics of financial instruments in accordance with Group policy.

i. Interest rate risk

The Group manages its cost of borrowings using a mixture of fixed rates, variable rates and interest rate swaps. Fixed rates do not expose the Group to cash flow interest rate risk, but do not enjoy a reduction in borrowing costs in markets where rates are falling. Floating rate borrowings, although not exposed to changes in fair value, expose the Group to cash flow risk following rises in interest rates and cost.

The debentures totalling £25.9 million (2022: £25.9 million), net of interest paid in advance, are at fixed rates. The bank loans totalling £200 million (2022: £120 million), net of arrangement fees, are at floating rates. At the year end, after taking account of the interest rate collar, 50% interest rate swaps (2022: 17%) of the Group's bank loans and 60% (2022: 32%) of gross borrowings were at fixed rates or hedged.

Interest rate collar

The Group has entered into interest rate collar agreement, where the Group sold a floor and bought a cap, in order to hedge the risk in interest cash flows on its borrowings going higher than the cap. At the Balance Sheet date, £60 million of the Group's and Company's borrowings were hedged by interest rate collar at floor and cap rate of 3.10% and 5.00% respectively. At 26 March 2022, £20 million of the Group's and Company's borrowings were hedged by interest rate swaps at a blended fixed rate of 2.34%. The swap active at 26 March 2022 expired in August 2022.

The interest rate collar is expected to impact the Income Statement in line with the liquidity risk table shown in section (iii) below. The interest rate collar cash flow hedge in effect at 1 April 2023 was assessed as being highly effective. Net unrealised gain of £0.1 million (2022: £0.5 million) has been recorded in other comprehensive income.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. Three month Sterling SONIA rate during the 53 weeks ended 1 April 2023 ranged between 0.69% and 4.17%. The Directors consider 1.00% to be a reasonable possible increase in rates and 0.50% to be a reasonable possible decrease in rates, with reference to market yield curves and the current economic conditions.

The annualised effect of these changes to interest rates on the floating rate debt at the Balance Sheet date, all other variables being constant, are as follows:

	Group		Company ¹	
	2023 £m	2022 £m	2023 £m	2022 £m
Impact on post-tax profit and net equity – increase/(decrease)				
Decrease interest rate by 0.5%	0.8	0.5	1.3	1.0
Increase interest rate by 1.0%	(1.5)	(1.0)	(3.6)	(2.1)

¹ The Company has substantial interest bearing payables due to subsidiary companies (note 20).

ii. Credit risk

The risk of financial loss due to a counter party's failure to honour its obligations arises principally in relation to transactions where the Group provides goods and services on deferred payment terms, deposits surplus cash and enters into derivative contracts.

Group policies are aimed at minimising losses and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual customers are subject to credit limits to control debt exposure and goods may also be sold on a cash with order basis.

Cash deposits with financial institutions for short periods and derivative transactions are only permitted with financial institutions approved by the Board. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the Balance Sheet date.

Trade and other receivables

The Group records impairment losses on its trade receivables separately from gross receivables. Further detail is included in note 18.

iii. Liquidity risk

The Group minimises liquidity risk by managing cash generation, applying trade receivables collection targets, monitoring daily cash receipts and payments and setting rolling cash forecasts. Investments have cash payback periods applied as part of a tightly controlled investment appraisal process. The Group's rating with credit agencies is excellent.

The Group has a mixture of long and short-term borrowings and overdraft facilities: 1% (2022: 15%) of the Group's borrowings are repayable after more than five years, 95% (2022: 4%) within the first to fifth years and 4% (2022: 81%) within one year.

The tables on the following page summarise the maturity profile of the Group's financial liabilities at 1 April 2023 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the Balance Sheet date.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	6 to 10 years £m	More than 10 years £m	Total £m
Group at 1 April 2023							
Interest bearing loans and borrowings ¹	–	2.7	14.1	144.1	–	20.1	181.0
Preference shares ²	–	–	0.1	0.5	–	3.4	4.0
Trade and other payables	19.0	3.4	0.5	–	–	–	22.9
Lease liabilities	–	2.0	6.1	29.3	29.5	32.3	99.2

¹ Bank loans are included after taking account of the following cash flows in relation to the interest rate collar held in respect of these borrowings:

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	6 to 10 years £m	More than 10 years £m	Total £m
Group at 26 March 2022							
Interest bearing loans and borrowings ¹	–	1.9	125.4	12.0	–	21.5	160.9
Preference shares ²	–	–	0.1	0.5	–	3.4	4.0
Trade and other payables	24.4	3.0	0.5	–	–	–	27.9
Lease liabilities	–	2.3	6.8	27.3	26.0	39.4	101.8

¹ Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:

Interest rate swaps	–	0.1	0.1	–	–	–	0.2
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² The preference shares have no contractual repayment date. For the purposes of the table above, interest payments have been shown for 20 years from the Balance Sheet date but no further.

Notes to the Financial Statements

Continued

25. Financial Instruments continued

The Company figures are as for the Group, except as follows:

Company at 1 April 2023	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	6 to 10 years £m	More than 10 years £m	Total £m
Amounts due to subsidiary undertakings ³	143.1	—	—	—	—	—	143.1
Trade and other payables	19.0	3.4	0.5	—	—	—	22.9
Lease liabilities	—	1.9	6.0	28.9	29.5	32.3	98.6

Company at 26 March 2022

Amounts due to subsidiary undertakings ³	136.6	—	—	—	—	—	136.6
Trade and other payables	24.4	3.0	0.5	—	—	—	27.9
Lease liabilities	—	2.2	6.6	26.2	25.9	39.2	100.1

3 Amounts due to subsidiary undertakings have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate.

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £10.7 million (2022: £10.5 million). The 6.875% debentures 2028 are secured by a floating charge over the assets of the Company.

Covenants – Group and Company

The Group and Company are subject to a number of covenants in relation to their borrowing facilities which, if contravened, would result in its loans becoming immediately repayable.

The Group has secured a new facility of £200 million, split between a RCF of £110 million and a term loan of £90 million, for a tenure of four years to May 2026. Under the new agreement, there is a covenant suite which consist of net debt to adjusted EBITDA (leverage) and adjusted EBITDA to net finance charges. See further details in note 21.

d) Fair Value

Group	Book value		Fair value		Fair value Level
	2023 £m	2022 £m	2023 £m	2022 £m	
Financial assets					
Interest rate collar	0.1	—	0.1	—	3
Financial liabilities					
Lease liabilities	(71.8)	(80.7)	(71.8)	(80.7)	3
Fixed rate borrowings	(25.9)	(25.9)	(29.2)	(32.0)	3
Floating rate borrowings	(119.3)	(120.0)	(119.3)	(120.0)	3
Preference shares	(1.6)	(1.6)	(1.6)	(1.6)	3
Interest rate swaps	—	(0.1)	—	(0.1)	2

The Company figures are as for the Group above except for:

Company	Book value		Fair value		Fair value Level
	2023 £m	2022 £m	2023 £m	2022 £m	
Financial liabilities					
Lease liabilities	(71.3)	(79.3)	(71.3)	(88.3)	3

Level 1 fair values are valuation techniques where inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at measure data.

Level 2 fair values are valuation techniques where all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, but are not derived directly from quoted prices in active markets. The Group bases its valuations on information provided by financial institutions, who use a variety of estimation techniques based on market conditions, such as interest rate expectations, existing at each Balance Sheet date.

Level 3 fair values are valuation techniques for which all inputs that have a significant effect on the recorded fair value are not observable. Derivative fair values are obtained from quoted market prices in active markets. The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. Interest rates for borrowings range from 1.5% to 10.7%. The fair values of preference shares have been calculated using the market interest rates.

Management assessed that the fair values of cash and short-term deposits, trade receivables and other receivables, and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

There were no transfers between levels in the fair value hierarchy as at 1 April 2023 and 26 March 2022.

26. Share Capital and Reserves

a) Share Capital

Authorised, issued and fully paid Number in issue	'A' ordinary shares of 40p each Number 000s	'C' ordinary shares of 40p each Number 000s	'B' ordinary shares of 4p each Number 000s	Total Number 000s
At 26 March 2022	41,082	13,466	89,052	143,600
At 1 April 2023	41,082	13,466	89,052	143,600
Proportion of total equity shares at 01 April 2023	28.6%	9.4%	62.0%	

Monetary amount	£m	£m	£m	£m
At 26 March 2022	16.4	5.4	3.6	25.4
At 1 April 2023	16.4	5.4	3.6	25.4

Share capital represents the nominal value proceeds received on the issue of the Company's equity share capital, comprising 40p and 4p ordinary shares. The Company's preference shares are classified as non-current liabilities in accordance with IFRS (see note 23).

The ordinary shareholders are entitled to be paid a dividend out of any surplus profits and to participate in surplus assets on winding up in proportion to the nominal value of each class of share ('B' shares have one-tenth of the nominal value of 'A' and 'C' shares).

All equity shares in the Company carry one vote per share, save that shares held in treasury have their voting rights suspended. The 'A' and 'C' shares have a 40p nominal value and the 'B' shares have a 4p nominal value so that a 'B' share dividend will be paid at 10% of the rate applying to 'A' and 'C' shares. The 'A' shares are listed on the London Stock Exchange. The 'C' shares carry a right for the holder to convert them to 'A' shares by written notice in the 30 day period following the half year and preliminary announcements. The 'B' shares are not listed and have no conversion rights. In most circumstances the value of a 'B' share is deemed to be 10% of the value of the listed 'A' shares. The Trustee holding shares for participants of the LTIP currently waives dividends for shares held during the initial three year period. Dividends are not paid on shares held in treasury.

The Articles include provisions relating to the Company's 'B' and 'C' shares which provide that shareholders who wish to transfer their shares may only do so if the transfer is to another 'B' or 'C' shareholder, or if the transfer is to certain of that shareholder's family members or their executors or administrators or, where shares are held by trustees, to new trustees, or to the trustees of any employee share scheme, or if the Company is unable to identify another shareholder of that class willing to purchase the shares within the specified period, to any person.

Notes to the Financial Statements

Continued

26. Share Capital and Reserves continued

b) Own Shares

Own shares relate to shares held by independently managed employee share ownership trusts ("ESOTs") together with the Company's holding of treasury shares. Shares are purchased by the ESOTs in order to satisfy potential awards under the Long Term Incentive Plan ("LTIP") and Share Incentive Scheme ("SIP"). Treasury shares are used, inter alia, to satisfy options under the Company's share options schemes. The LTIP ESOT has waived its rights to dividends on the shares it holds. Treasury shares have voting and dividend rights suspended. All own shares held, as below, are excluded from earnings and net assets per share calculations.

Number	Treasury shares		LTIP ESOT		SIP ESOT		Total		Total
	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'B' ordinary 4p shares 000s	'C' ordinary 40p shares 000s	'A' ordinary 40p shares 000s	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'C' ordinary 40p shares 000s	Own shares 000s
At 27 March 2021	1,274	4,558	326	6	5	1,279	4,884	6	6,169
Shares released	(11)	(230)	—	—	—	(11)	(230)	—	(241)
At 26 March 2022	1,263	4,328	326	6	5	1,268	4,654	6	5,928
Share Purchased	1,000	—	—	—	—	1,000	—	—	1,000
Shares released	(11)	—	—	—	—	(11)	—	—	(11)
At 1 April 2023	2,252	4,328	326	6	5	2,257	4,654	6	6,917
Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 27 March 2021	11.9	4.6	0.3	0.1	0.1	12.0	4.9	0.1	17.0
Shares released	(0.1)	(0.3)	—	—	—	(0.1)	(0.3)	—	(0.4)
At 26 March 2022	11.8	4.3	0.3	0.1	0.1	11.9	4.6	0.1	16.6
Share Purchased	4.8	—	—	—	—	4.8	—	—	4.8
Shares released	(0.1)	—	—	—	—	(0.1)	—	—	(0.1)
At 1 April 2023	16.5	4.3	0.3	0.1	0.1	16.6	4.6	0.1	21.3
Market value at 1 April 2023	10.5	2.0	0.2	—	—	10.5	2.2	—	12.7

c) Other Capital Reserves

Share premium account

The balance in the share premium account represents the proceeds received above the nominal value on the issue of the Company's equity share capital.

Capital redemption reserve

The capital redemption reserve balance arises from the buy-back of the Company's own equity share capital.

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships incurred at the Balance Sheet date, net of tax.

Merger reserve

The merger reserve balance arises from the hive up of Bel & The Dragon.

27. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 1 April 2023 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purposes of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the pre-tax earnings per share excluding separately disclosed items as presented in the financial statements. However, the Remuneration Committee is authorised to make appropriate adjustments to Adjusted EPS as applied to these schemes.

Savings Related Share Option Scheme ("SAYE")

This scheme grants options over shares at a discount of 20% on the average market price over the three days immediately prior to the date of offer. Employees must save a regular amount each month. Savings are made over three or five years, at the participant's choice. The right to buy shares at the discounted price lasts for six-months after the end of the savings contract. There are no performance conditions, other than continued employment.

Executive Share Option Scheme

This is an approved Executive Share Option Scheme. For grants up to the year ended 28 March 2020 options vest if growth in Adjusted EPS exceeds the growth in RPI by 9% or more, over the three year performance period of the option. For grants made during the year ended 27 March 2021 options vest if a set EBITDA target is achieved. For grants made during the year ended 26 March 2022 onwards, the options vest if a set pre-tax Adjusted EPS target is achieved. The options must then be exercised within seven years after the end of the performance period.

LTIP

This plan grants conditional share awards. Up until the LTIP granted during the year ended 28 March 2020 vesting is conditional on growth in Adjusted EPS exceeding growth in RPI by 9% or more over the three year initial performance period of the award, with vesting levels on a sliding scale from 40% up to 100%, if growth in Adjusted EPS exceeds growth in RPI by 24% or more.

From the LTIP granted during the year ended 27 March 2021 vesting is conditional upon pre-tax Adjusted EPS targets, with vesting levels on a sliding scale from 25% up to 100% dependent on the level of EPS achieved. An independent firm of advisors verifies the vesting level each year. The initial vesting period is three years and, for Executive Directors, is followed by a two year holding period. After this time the shares may be passed to the plan participants, as long as vesting conditions are met.

A one-off Recovery LTIP was granted during the year ended 26 March 2022. Vesting is conditional upon Group EBITDA (excluding IFRS 16) targets, with vesting levels on a sliding scale from 25% up to 100% dependent on the level of EBITDA achieved. The initial vesting period is three years and is followed by a two year holding period. After this time the shares may be passed to the plan participants, as long as vesting conditions are met.

SIP

This plan awards free shares. An equal number of shares are awarded to each eligible employee. The maximum value of shares allowable under the scheme is £3,000 per year, per person with at least five months' service as at 15 May each year. The basis of the award was changed with effect from the 2018 award so that all eligible employees receive the same number of shares. There is no requirement for performance targets (although there may be tax consequences if sold within five years of the award).

Share-based payment expense recognised in the year

The expense recognised for share-based payments in respect of employee services received during the 53 weeks ended 1 April 2023 is £0.4 million credit (2022: £0.8 million expense). The whole of that expense arises from equity-settled share-based payment transactions.

Market value

The market value of the shares at 1 April 2023 was £4.65 (2022: £6.20).

Movements in the year

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, each category of share instrument during the year.

Volatility

The expected volatility is based on the historical volatility over the expected life of the rights.

a) SAYE

	2023 Number 000s	2023 WAEP	2022 Number 000s	2022 WAEP
Outstanding at the beginning of the year	474	£4.70	460	£4.79
Granted	131	£4.29	130	£5.43
Lapsed	(130)	£4.78	(105)	£5.43
Exercised	(5)	£4.35	(11)	£7.66
Outstanding at the end of the year	470	£4.49	474	£4.70
Exercisable at the end of the year	–	n/a	4	£7.70
Weighted average share price for options exercised in the year	£4.79		£7.35	
Weighted average contractual life remaining for share options outstanding at the year end	2.0 years		2.7 years	
Weighted average share price for options granted in the year	£5.14		£6.40	
Weighted average fair value of options granted during the year	£1.98		£0.77	
Range of exercise prices for options outstanding at the year end				
– from	£4.19		£4.35	
– to	£8.12		£8.12	

Notes to the Financial Statements

Continued

27. Share Options and Share Schemes continued

Outstanding share options granted to employees under the SAYE scheme are as follows:

Exercisable at	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2023 000s	Number of 'A' ordinary shares under option 2022 000s
September 2021	7.70	—	4
September 2022	8.12	—	2
September 2023	7.70	—	2
November 2023	4.35	149	187
December 2024	5.43	51	76
November 2025	4.35	112	149
December 2025	4.19	99	—
December 2026	5.43	27	54
December 2027	4.19	32	—
		470	474

b) Share Option Schemes

	Executive Share Option Scheme			
	2023 Number 000s	2023 WAEP	2022 Number 000s	2022 WAEP
Outstanding at the beginning of the year	184	£7.23	212	£7.46
Granted	41	£6.92	—	—
Lapsed	(35)	£10.24	(28)	£9.00
Exercised	(5)	£5.78	—	—
Outstanding at the end of the year	185	£7.46	184	£7.23
Exercisable at the end of the year	12	£9.03	25	£9.17
Weighted average share price for options exercised in the year	£6.02		n/a	
Weighted average contractual life remaining for share options outstanding at the year end	7.61 years		8.84 years	
Weighted average share price for options granted in the year	£6.30		n/a	
Weighted average fair value of options granted during the year	£1.65		n/a	
Range of exercise prices for options outstanding at the year end				
– from	£6.00		£6.92	
– to	£10.90		£10.90	

Outstanding options which are capable of being exercised between three and ten years from date of issue and their exercise prices are shown in the table below:

Exercisable in/between	Executive Approved Scheme		
	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2023 000s	Number of 'A' ordinary shares under option 2022 000s
2015 and 2022	7.05	—	5
2016 and 2023	9.10	7	9
2017 and 2024	9.65	5	5
2018 and 2025	10.90	—	5
2021 and 2028	9.46	—	1
2022 and 2029	9.61	—	—
2024 and 2031	6.92	137	159
2025 and 2032	6.00	36	—
		185	184

c) LTIP

Shares	2023 'A' shares Number 000s	2023 'B' shares Number 000s	2022 'A' shares Number 000s	2022 'B' shares Number 000s
Outstanding at the beginning of the year	782	1,954	404	1,009
Granted	248	620	533	1,332
Lapsed	(104)	(261)	(155)	(388)
Outstanding at the end of the year	926	2,313	782	1,953
Weighted average share price for shares vested in the year	n/a	n/a	n/a	n/a
For shares outstanding at the year end, the weighted average contractual life remaining is	1.52 years	1.52 years	2.12 years	2.12 years
Weighted average share price for shares granted in the year	£6.30	£0.63	£7.40	£0.74
Weighted average fair value of shares granted during the year	£5.60	£0.56	£7.16	£0.72

All LTIPs have a vesting price of £nil. LTIP shares do not receive dividends until vested.

d) SIP

	2023 Number 000s	2022 Number 000s
Outstanding at the beginning of the year	73	112
Released ¹	(32)	(39)
Outstanding at the end of the year	41	73
Weighted average share price for shares released in the year	£5.18	£7.17
For shares outstanding at the year end, the weighted average contractual life remaining is	0.77 years	1.32 years
Weighted average share price for shares granted during the year	n/a	n/a
Weighted average fair value of shares granted during the year	n/a	n/a

1 Shares have been issued from treasury shares.

Outstanding SIP shares represent shares allocated and held by the SIP Trustees on behalf of employees, which remain in the trust for between three and five years. All SIPs have a vesting price of £nil. SIP shares receive dividends once allocated.

e) Fair Value of Grants

i. Equity-settled options and LTIPs

The fair value of equity-settled share options granted is estimated as at the date of grant, taking into account the terms and conditions upon which the awards were granted. The following table lists the inputs to the model used for the 53 weeks ended 1 April 2023 and 52 weeks ended 26 March 2022, except for exercise price and the weighted average share price for grants in the year, which are disclosed in sections a) to d) above.

Fair value inputs	LTIP scheme		SAYE		Executive Share Option Scheme	
	2023	2022	2023	2022	2023	2022
Dividend yield (%)	1.9%	1.1%	2.2%	1.3%	1.9%	n/a
Expected share price volatility (%)	n/a	n/a	41.2%–45.6%	2.3–2.7%	45.1%	n/a
Risk-free interest rate (%)	1.8%	0.5%	3.3%	(0.1%)	1.8%	n/a
Expected life of option/award (years)	3 years	3 years	3 to 5 years	3 to 5 years	4 years	n/a
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	n/a

ii. SIP free shares awarded

The fair value of free shares awarded under the SIP is the share price at the date of allocation. The total value of SIPs awarded is a fixed rate based on the Group's performance in the preceding financial year. The number of shares awarded is therefore dependent on the share price at the date of the award.

Notes to the Financial Statements

Continued

28. Guarantees and Commitments

Operating leases where the Group is the lessor

The Group earns rental income from two sources. Licensed property included within property, plant and equipment is rented under agreements where lessees must also purchase goods from the Group. Additionally, there are a smaller number of agreements in respect of investment properties where there is no requirement for the lessee to purchase goods.

Investment properties are let to third parties on leases that have remaining terms of between one and fifteen years.

At 1 April 2023, future minimum rentals receivable are as follows:

Group	Investment properties		Property, plant and equipment	
	2023 £m	2022 £m	2023 £m	2022 £m
Within one year	0.3	0.3	5.7	5.7
One to two years	0.2	0.2	1.5	2.0
Two to three years	0.2	0.2	1.3	1.5
Three to four years	0.1	0.2	0.4	0.6
Four to five years	0.1	0.1	0.1	0.1
After five years	0.5	0.6	0.5	0.6
	1.4	1.6	9.5	10.5

Company				
Within one year	0.3	0.3	5.7	5.7
One to two years	0.2	0.2	1.5	2.0
Two to three years	0.2	0.2	1.3	1.5
Three to four years	0.1	0.2	0.4	0.6
Four to five years	0.1	0.1	0.1	0.1
After five years	0.5	0.6	0.5	0.6
	1.4	1.6	9.5	10.5

The Group and Company's commercial leases on property are principally for licensed outlets. The terms of the leases are normally for either three, four or five years. The agreements allow for annual inflationary increases and full rental reviews occur on renewal of the lease.

At 1 April 2023, future minimum rentals receivable under non-cancellable subleases included in the figures above were £1.2 million (2022: £2.0 million).

b) Other Commitments

Group and Company	2023 £m	2022 £m
Capital commitments – authorised, contracted but not provided for	1.0	2.2

29. Related Party Transactions

Group and Company

During the current and prior years, the Company provided various administrative services to the Fuller, Smith & Turner Pension Plan free of charge. In addition, the Company settled costs totalling £304,000 (2022: £394,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

	53 weeks ended 1 April 2023 £m	52 weeks ended 26 March 2022 £m
Compensation of key management personnel (including Directors)		
Short-term employee benefits	4.1	3.1
Termination benefits	0.1	–
Post-employment benefits	0.3	0.3
	4.5	3.4

Company Only

During the year, the Company entered into the following related party transactions:

	Sales to related parties £m	Purchases from related parties £m	Interest due from related parties £m	Interest due to related parties £m	Amounts due to related parties £m	Amounts due from related parties £m
53 weeks ended 01 April 2023						
Subsidiaries	—	64.9	6.4	—	(143.1)	—
52 weeks ended 26 March 2022						
Subsidiaries	—	61.1	—	3.7	(136.7)	—

Interest is payable on the majority of the amounts due to subsidiaries at 3% above the Bank of England base rate. All amounts outstanding are unsecured and repayable on demand.

The Company also incurred rental expenses from subsidiaries of £0.1 million (2022: £0.3 million).

Subsidiaries of parent companies established within the European Economic Area are exempt from an audit if a guarantee is provided by the parent for the subsidiary liabilities and the shareholders are in unanimous agreement. The Group will be exempting the following companies from an audit in 2023 for the period ended 1 April 2023 under Section 479A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Company	Company Number
Griffin Catering Services Limited	01577632
Jacomb Guinness Limited	02934979
George Gale and Company Limited	00026330
45 Woodfield Limited	04279254
Grand Canal Trading Limited	04271734
B & D Country Inns I Limited	07292333
B & D Country Inns II Limited	08029280
B & D (Cookham) Limited	07320065
B & D (Odiham) Limited	08377459
B & D (Reading) Limited	07309587
B & D (Win) Limited	07320245
B & D (Farnham) Limited	08392963
B & D (Kingsclere) Limited	08975762
RSH 200 Limited	12035987
Cotswold Inns and Hotels Limited	03309179

The Group will be exempting the following companies from the preparation and delivering of accounts to Companies House under Section 394A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Company	Company Number
Griffin Inns Ltd.	00495934
Ringwoods Limited	00178536
F.S.T. Trustee Limited	03163480
Fuller Smith & Turner Estates Limited	01831674

Additional Information

Directors, Advisors and Corporate Information

Chairman

Michael Turner, FCA,
Non-Executive Chairman

Executive Directors

Simon Emeny, Chief Executive
Neil Smith, Finance Director, ACA
Fred Turner, Retail Director, ACA

Non-Executive Directors

Juliette Stacey, ACA*
Sir James Fuller, Bt
Richard Fuller
Helen Jones*
Robin Rowland, OBE*

* Independent

President

Anthony Fuller, CBE

Chairman from 1982-2007, Anthony Fuller retired from the Board in 2010 after a long career with Fuller's and continues as President.

Secretary and Registered Office

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Email: company.secretariat@fullers.co.uk

Registered Number

241882

Auditors

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London SE1 2AF

Stockbrokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 889 4096
Email via website:
www.investorcentre.co.uk/contactus

Shareholder Information

Registrars

Any enquiries relating to shareholdings on the share register (for example, change of address, bank mandates, communication preferences) should be sent to the Company's Registrars, Computershare. You can also manage your shareholding online at www.computershare.com/investor/uk.

Shareholders may at any time choose to receive notification of the availability of corporate communications on Fuller's website by email or choose to receive them in printed form. To receive notifications of the availability of a corporate communication by email, or revoke or amend an instruction to receive such notifications by email go to www.computershare.com/investor/uk or contact Computershare, quoting your shareholder reference number.

Shareholder Privileges

Individual shareholders with at least 1,000 'A' or 'C' ordinary shares or 10,000 'B' ordinary shares are eligible to receive a Shareholder Indulgence Card. For any individual issued with a Card prior to 1 April 2022, continued eligibility will be based on the eligibility criteria at the time of issue, being at least 500 'A' or 'C' ordinary shares or 5,000 'B' ordinary shares.

Card holders are entitled to a 15% discount on food and drinks in any of our Managed Pubs and Hotels, including Bel & The Dragon and Cotswold Inns & Hotels. It also offers a 15% discount on the Best Flexible Rate or Standard Flexible B&B Rate for Beautiful Bedrooms by Fuller's and Bel & The Dragon accommodation. There is currently no accommodation discount available with the Card at any of the Cotswold Inns & Hotel sites. Further information is available from the Company Secretariat.

Redesignation of 'C' Shares

'C' ordinary shares can be redesignated as 'A' ordinary shares within 30 days of the full year and half year announcements by sending in your certificates and a written instruction to redesignate prior to or during the period to the Company's Registrars.

ShareGift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. If you have a small number of shares and would like to donate them to charity, details of the scheme can be found on the ShareGift website www.sharegift.org, or by contacting the Company Secretariat.

Financial Calendar and Key Dates

20 July 2023
Annual General Meeting (11am)

16 November 2023
FY2024 Half year results announcement

June 2024
FY2024 Full year results announcement

Glossary

Adjusted earnings per share ("EPS") – this is earnings per share, adjusted for separately disclosed items. The Directors believe that this measure provides useful information for shareholders as to the performance of the Group.

Adjusted profits – this is profit before tax and before separately disclosed items.

CCFF – this is an HM Treasury and Bank of England lending facility.

CJRS – this is a claim for 80% of employees' wages plus any employer National Insurance and pension contributions for staff on furlough through the Government's Coronavirus Job Retention Scheme.

CRM – Customer Relationship Management.

Drinks, food and accommodation like for like sales growth – this is measured on the same basis as "Managed Pubs and Hotels invested like for like sales growth".

EBITDA – this is the earnings before interest, tax, depreciation, profit on disposal of plant and equipment, and amortisation, adjusted for separately disclosed items.

ESOS – Executive Share Option Scheme.

LTIP – Long-Term Incentive Plan.

LTSA – Long term supply agreement

Managed Pubs and Hotels invested like for like sales growth – this is the sales growth calculated to exclude those pubs which have not been trading throughout the two years for the corresponding period in both years. The principal exclusions from this measure are: pubs purchased or sold in the last 12 months; sites which are closed; and pubs which are transferred to tenancy.

Market capitalisation – only the Company's 40p 'A' ordinary shares are listed. The Company calculates its market capitalisation as the total of all classes of ordinary shares; i.e. listed 40p 'A' ordinary shares, unlisted 4p 'B' ordinary shares and unlisted 40p 'C' ordinary shares plus all potentially awardable share options and LTIP awards less any shares held in treasury. For the purposes of the calculation of market capitalisation, a 4p 'B' ordinary share is treated as having 10% of the market value of a quoted 40p 'A' ordinary share and a 40p 'C' ordinary share is treated as having an equivalent value to a 40p 'A' ordinary share.

Net debt – this comprises cash, bank loans, CCFF, debenture stock, preference shares and lease liabilities.

NPS – Net Promoter Score, a metric used to measure customer satisfaction.

Operating profit – this is profit before finance costs and tax and profit on disposal of properties.

PPA – Power purchase agreement is a contract that secures the long term supply of renewable energy.

SAYE – Savings Related Share Option Scheme.

SIP – Share Incentive Plan.

TCFD – Task Force on Climate-related Financial Disclosures, a framework developed by the Financial Stability Board for companies to report on how climate change will affect their business.

Total annual dividend – the total annual dividend for a financial year comprises interim dividends paid during the financial year and the final dividend proposed for approval by shareholders at the Annual General Meeting after the completion of the financial year.

Unnecessary plastic – eliminating all plastic which is used instantaneously but is unnecessary for food safety purposes and its removal will not lead to unintended environmental consequences by its removal, such as increased waste or carbon emissions.

Working capital – calculated as current assets (trade receivables and inventory) less current liabilities (trade and other payables).

Five Years' Progress

Group Income Statement ¹	2023 £m	2022 £m	2021 £m	Restated 2020 £m	Restated 2019 £m
Revenue and other income	336.6	253.8	73.4	319.7	324.7
Operating profit before separately disclosed items	25.1	18.5	(40.3)	27.0	40.0
Finance costs before separately disclosed items	(12.4)	(11.3)	(8.4)	(7.6)	(6.9)
Adjusted profit/(loss) before income tax	12.7	7.2	(48.7)	19.4	33.1
Exceptional items and discontinued operations	(2.4)	4.3	(10.5)	146.8	(8.4)
Profit/(loss) before income tax	10.3	11.5	(59.2)	166.2	24.7
Taxation	(2.4)	(4.4)	9.6	(5.3)	(5.2)
Profit/(loss) after income tax	7.9	7.1	(49.6)	160.9	19.5
Non-controlling interest	–	–	–	–	(0.2)
Profit/(loss) attributable to equity shareholders of the Parent Company	7.9	7.1	(49.6)	160.9	19.3
EBITDA	51.8	44.3	(13.1)	53.9	59.5

1 Continuing operations only.

Assets employed					
Non-current assets	696.4	713.8	702.5	757.1	595.3
Inventories	4.2	3.6	2.1	4.0	5.0
Other current assets	10.9	11.3	15.5	18.6	8.4
Assets classified as held for sale	7.0	5.4	9.6	2.6	87.0
Cash and cash equivalents	14.1	15.6	17.1	20.3	11.0
	732.6	749.7	746.8	802.6	706.7
Current borrowings	(6.0)	(120.0)	(207.7)	(171.7)	(50.0)
Other current liabilities	(59.9)	(64.5)	(39.4)	(50.7)	(62.9)
	666.7	565.2	499.7	580.2	593.8
Non-current borrowings	(140.9)	(27.5)	(27.5)	(27.5)	(206.2)
Other non-current liabilities	(83.2)	(88.5)	(92.7)	(122.9)	(49.1)
Net assets	442.6	449.2	379.5	429.8	338.5

	2023	2022	2021	2020	2019
Per 40p 'A' ordinary share					
Adjusted earnings	16.10p	9.79p	(73.00)p	20.50p	62.78p
Basic earnings	12.98p	11.59p	(89.84)p	291.89p	35.12p
Dividends (interim and proposed final) ²	14.68p	11.31p	–	132.80p	20.15p
Net assets	£7.27	£7.27	£6.87	£7.80	£6.16
Net debt (£ million)³	(204.6)	(212.6)	(308.0)	(291.8)	(245.2)
Gross capital expenditure (£ million)	30.7	25.8	16.5	84.5	58.6
Average number of employees	5,247	4,240	4,219	5,166	5,399

2 2020 includes 'D' share dividend.

3 Net debt from FY20 onwards includes amounts relating to leases under IFRS 16.

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