



ESTABLISHED 1846

**FULLER'S**

**WE CREATE  
EXPERIENCES  
THAT  
NOURISH  
THE SOUL**



**Half Year Report**  
for the 26 weeks ended 24 September 2022

## Financial and Operational Highlights

	<b>Unaudited 26 weeks ended 24 September 2022 £m</b>	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
Revenue and other income	<b>168.9</b>	116.3	253.8
EBITDA <sup>1</sup>	<b>28.9</b>	22.8	44.3
Adjusted profit before tax <sup>2</sup>	<b>9.8</b>	4.6	7.2
Statutory profit before tax	<b>10.7</b>	10.6	11.5
Basic earnings per share <sup>3</sup>	<b>13.13p</b>	5.76p	11.59p
Adjusted earnings per share <sup>3</sup>	<b>12.48p</b>	6.09p	9.79p
Dividend per share	<b>4.68p</b>	3.90p	11.31p
Net debt excluding lease liabilities <sup>4</sup>	<b>129.2</b>	131.5	131.9

All figures above are from continuing operations.

- 1 Pre-separately disclosed earnings before interest, tax, depreciation, profit on disposal of plant and equipment and amortisation.
- 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.

- Revenues grew to £168.9 million (H1 2022: £116.3 million) as the business recovered from the impact of covid related restrictions on trade
- Like for like sales in the first half have grown by 20% compared to the prior year, with Central London growing by 67%
- Adjusted profit before tax increased to £9.8 million (H1 2022: £4.6 million) as the benefit of the sales recovery exceeded inflationary increases in the cost base
- Net debt is at £129.2 million (H1 2022: £131.5 million) with the cash generated by the business funding investment in the estate and returns to shareholders
- Significant capacity to invest in growth with a four year £200 million bank facility effective from May 2022
- Interim dividend of 4.68p declared, representing a 20% increase on last year.

## Strategic Highlights

- Sales momentum continues, despite the temporary disruption caused by ongoing train and tube strikes
- Digital transformation work completed with new look websites and enhanced consumer marketing capability
- Continued strong performance in our hotels with revenue per available room ("RevPAR") increasing by 17% against H1 2020 to £94.65
- Implementing a wide range of energy reduction initiatives as part of our *Life is too good to waste* programme
- Maintained investment in the estate, with £12 million invested in the period to enhance capital values and drive further growth
- Impact of new central finance system reflected in more agile decision making
- Delivering on our long-term strategy while evolving to reflect changes in consumer behaviour.

## Current Trading

- Like for like sales for the seven weeks to 12 November 2022 up 13% versus prior year despite the challenging environment
- Strong like for like sales growth across Central London – up 20% for the seven weeks to 12 November 2022
- Christmas bookings are strong and additional uplift expected from the World Cup.



I am very pleased with the progress the Executive Team and all at Fuller's have achieved over the first six months of the new financial year. Despite the turbulent political landscape, inflation at a 40 year high and Putin's devastating war in Ukraine, Fuller's has driven a 45% increase in revenue, more than doubled underlying profits and delivered an increased interim dividend for our shareholders.

While much of the credit for this success is due to the focus and commitment of the Executive Team, I would like to publicly thank each and every one of our dedicated team members. They make the real difference to our customers and to our success. Despite the stop-start nature of the last couple of years, and the ongoing disruption caused by train and tube strikes that disproportionately impact the Fuller's business, our amazing team members come to work, support each other and deliver a great Fuller's experience to our customers. They are all heroes in their own way.

Across our Managed Pubs and Hotels, we continue to invest in our iconic buildings and our people. While many competitors may start to rein back on investments in training and in the fabric and furnishings, we will not. Fuller's is, and always has been, a Company with a long-term strategy and vision – which means consistently offering outstanding food and drink, in a beautiful pub with a warm welcome from well-trained team members – and that is what we do best.

The support we provided for our Tenants from the very start of the pandemic is reflected in the continued success of our Tenanted Inns. I am delighted that 92% of our Tenants are on a substantive agreement and our Tenanted support team provides an exceptional level of assistance, help and encouragement for our entrepreneurial Tenants.

Finally, I am delighted to see the rewards materialising from our investment in digital transformation and a new central finance system. In today's world, the best companies need access to detailed information, enabling agile and quick decision making. The time and money invested in these two large-scale projects has provided the former – and our talented team is adept at using it to deliver the latter.

Since the start of the financial year, the country has had two monarchs, three prime ministers, four chancellors and five rises in the Bank of England interest rate. Energy prices continue to fluctuate and there is much uncertainty around the financial markets. In such uncertain times, Fuller's is a beacon of stability. We have survived turbulent times before, have excellent clarity of vision and strategy, and I know Simon Emery and the team are in an excellent place to maintain and increase Fuller's forward momentum.

## Dividend

The Board is pleased to announce an interim dividend of 4.68p (H1 2022: 3.90p) per 40p 'A' and 'C' ordinary share and 0.468p (H1 2022: 0.390p) per 4p 'B' ordinary share. This will be paid on 3 January 2023 to shareholders on the share register as at 16 December 2022. This payment equates to 60% of the 2019 payment and continues our return to a progressive dividend policy.

**MICHAEL TURNER**  
CHAIRMAN

16 November 2022



### Overview

We have continued to build momentum since the start of the financial year. Sales across Central London, a key part of our balanced business, continue to grow as people head back to their offices and international tourists return – and although the ongoing rail and tube disputes have temporarily impacted us disproportionately, we remain confident in the future and resilient in the present.

A year makes a lot of difference. Looking back to the first half last year, we have seen revenues increase by 45% to £168.9 million (H1 2022: £116.3 million) and adjusted profit before tax more than double to £9.8 million (H1 2022: £4.6 million). The digital transformation project and roll out of the new finance system that were completed as we began the new financial year are delivering the anticipated benefits to the business and, while there are clearly hurdles ahead, we are in good shape.

The well-documented increases in energy, food, labour and interest costs are having an obvious impact – but balanced against this we are looking forward to our first Christmas free of restrictions for three years and the anticipated boost from the FIFA World Cup.

### Strategic and Business Review

During the period, the team has focused on the five key strategic pillars that will deliver our promise to create *experiences that nourish the soul*. A clear strategy and long-term vision have always been at the heart of Fuller's success. They provide clarity across the business and ensure everyone is working in unison to achieve a common goal.

### Delight our Customers

Our core customer has certain demographic characteristics that provide some protection from the worst of the current financial pressures. Our pub estate is predominately situated in affluent locations and our typical customer tends to have a higher household income. We over-index by 48% in attracting customers with a household income of over £75k. In addition, we over-index in all groups with a household income over £40k.

A visit to the pub remains an affordable treat and pubs have always proven to be highly resilient in previous economic downturns. Today's customer expects a great experience and a good reason to visit and this is an area that we have focused on for several years with unique and exciting in-pub events such as the popular *Shakespeare in the Garden* and, this year, *Opera in the Garden*. During the first half, these two programmes alone have delivered over £500k in incremental sales – and we have similar initiatives planned for the winter and beyond including a *Christmas Concert* with Rogue Opera and productions of the Charles Dickens classic, *A Christmas Carol*.

While a great pint of London Pride continues to be the mainstay of a Fuller's pub, thanks to our long-term supply agreement with Asahi, sales of cocktails continue to rise – growing by 36% in volume terms. These deliver a strong profit opportunity for pubs and add to the theatre of a visit to a Fuller's pub or hotel.

Customers are also increasingly aware of the social and environmental impact of the money they spend – and our continued partnerships with UK suppliers and social enterprises help deliver on this emotive need. A new partnership with leading UK winery, Bolney Estate, has led to a number of supper club events focused around these delicious wines. Meanwhile, our new plant-based burger with *Made in Hackney* – a local community food kitchen in East London – has been well received by customers with 50p for every burger sold going to this excellent social enterprise.

### Inspire our People

Our people remain the key to our success and our commitment to home-grown talent and a comprehensive training framework continues to underpin all our activity. During the first six months we have delivered 2,500 training days with 177 team members currently undergoing apprenticeships.

We have also relaunched our industry-leading Service Coach programme with 176 Service Coaches across our Managed Pubs and Hotels and we are delighted to have just held our biggest ever graduation ceremony with 300 graduates being recognised. Their achievements include courses completed in a wide range of disciplines from back and front of house apprenticeships to Management Development Training and degree-level programmes.

Retaining our team members is critical and following the launch of our Happiness Index engagement survey we have made changes to reflect their feedback. This has included earlier issuing of rotas and improvements to our benefits package. The roll out of the Medicash Healthcare Cash Plan to all employees with over one year's service has been particularly well received and we are unique in our sector in providing a medical benefit of this nature.

The move to Harri as our recruitment system partner has improved our recruitment process with a 500% increase in the number of applications and a decrease in the time from enquiry to the potential recruit starting work. We have also improved our recruitment landing page on our website, with over 150,000 views during the period.

One of the side effects of the pandemic was the decline in the number of over 50s working in our business – with many taking early retirement. Older workers have always made a valuable contribution to our teams, and we have partnered with Rest Less – an online community of nearly one million over 50s – to attract older workers who may feel their retirement decisions were premature.

### Enhance our Estate

Active management of our property assets is crucial to our long-term success and the backing of our property portfolio, which is 92% freehold, provides the financial stability that ensures we can consistently deliver our long-term vision and strategy. It is worth remembering that our property portfolio is not recorded in our accounts at current valuation. A Directors' valuation was completed in March which valued the estate at £995.6 million – around £400 million over the value recorded in the accounts – implying a net asset value per share of £13.80<sup>1</sup>.

Movement between our Managed and Tenanted estates ensures that we can maximise the profit potential of an individual site. During the period, four pubs moved into the Tenanted Inns estate. We will also sell a small number of assets where we do not see long-term value in ownership. In the first half of the year, we disposed of four properties for a total of £7 million at a premium to their book value. Post the period end, we have realised a further £6 million from disposals.

We have also acquired three new sites – two during the period and one post period end. We were delighted to open The Queen's Arms, landside at The Queen's Terminal, Heathrow, at the end of July – a site which sits perfectly alongside London's Pride, our airside business at the same terminal. We also acquired The Rising Sun – an attractive site near New Milton in the New Forest. Post the period end, we completed the purchase of a wonderful site in the pretty Cotswold village of Bourton-on-the-Water. This will open in the spring, following a full refurbishment, as The Willow and is a great addition to our Cotswold businesses.

During the last recession, we continued to invest in our estate while our competitors did not – ensuring that we were first out of the blocks as trading strengthened and consumer confidence grew. We will again continue with our investment plans and have invested £12 million in the first half including schemes at The Lord Northbrook in Lee, The Vaults in Southsea and The George & Dragon in Westerham – a former tenancy which is now part of our Bel & The Dragon brand, adding another 13 bedrooms to our Managed estate.

1 Excludes the impact of deferred taxation.

# Chief Executive's Review

Continued

## Evolve our Business

While the pub has retained its role in British life for centuries, businesses must evolve and the digital transformation project we undertook during lockdown plays a crucial role in attracting new customers, communicating reasons to visit to both existing and potential customers, and improving the digital journey for all.

To support the excellent activities and events that are taking place in our pubs, we sent out almost six million emails across over 200 campaigns, ensuring customers hear from Fuller's – or their favourite pub – at least once a month. The information fed back from our system tells us that customers who receive email marketing are more likely to visit within 30 days than those who have not. A tight and well-managed digital journey enables us to track response rates and associated spend, measure the return on investment, identify the offers and events that really entice the customers in and help us build lookalike audiences that we can target through digital ads and targeted campaigns.

Another element of our digital transformation project is our new hotel booking engine. This has delivered several revolutionary benefits – especially around our aim of reducing our reliance on, and the commission paid to, online travel agents ("OTA"). We have already seen a 20% increase in the value of website direct bookings against H1 2020, excluding Cotswold Inns & Hotels.

The new platform integrates with metasearch platforms such as Google, Trivago and TripAdvisor – which means that a customer searching for a hotel in a certain area can be served via a link to our direct booking site, rather than being enticed primarily to an OTA. As well as avoiding the financial commission, this also allows us to build direct contact with our customer – and to suggest alternative Fuller's hotels if their preferred choice is fully booked.

The next stage of development for the online hotel journey is through a loyalty scheme roll out, which will allow regular customers who have signed up to our loyalty programme to see a bespoke discount on the best online rate. This will provide another reason to book direct, while ensuring we still honour our pricing commitments to our OTA partners.

It is an exciting time for Fuller's as we continue to develop the way we deliver great offers to our customers and promote our fantastic pub and hotel experiences to the wider world. To take us on the next stage of this journey, we have also hired an experienced retail marketer and I am delighted that Sam Bourke will be joining us at the end of November. Sam joins from Wasabi and has previously held positions at The Restaurant Group and ETM, and I know she is going to be a great addition to the Executive Team.

## Own Our Impact – Because *Life is Too Good to Waste*

The ESG agenda has been an important part of our strategy for many years, but energy consumption has never been under such scrutiny as it is today. The work we started some years ago had already helped to reduce our energy consumption, but we are now ramping up our investment in energy saving and it is delivering tangible benefits.

Across the estate, we are to invest £0.5 million over the next 12 months delivering a wide range of energy saving measures which we expect to reduce consumption by 5% per annum and save over £0.6 million in the first year alone. The specific elements include improved cellar controls and remote beer coolers, more efficient maintenance of fridges and cellars, heat recovery and the use of an endotherm additive, which improves convection in our hot water systems.

Supporting this activity is a behavioural change programme as human nature is still a key factor in energy consumption. Finally, we have also identified a further 28 kitchens that are suitable for conversion to electricity in the near future. Our bid to reduce our carbon footprint and achieve Net Zero is ongoing, but this year has seen us take major steps in the right direction.

The *Life is too good to waste* programme covers people and communities and we have made good progress with our programme around diversity with the Executive Team undertaking an inclusive leadership programme, the launch of our first menopause policy, and the roll out of a diversity survey so we can identify areas for improvement.

We have also continued to deliver for our communities with ongoing support for Special Olympics GB, our key corporate charity, as well as further support for Onside Hammersmith, a youth facility in West London, and the DEC Ukraine appeal.

While Special Olympics' key goal is to provide sporting activity for people with intellectual disabilities, our inclusion strategy also creates an environment to provide employment opportunities. In a great example of how we can build a holistic relationship, our recent annual Fuller's football tournament had unified teams for the first time – with every team including Fuller's team members and at least one Special Olympics athlete. This helped to bring down barriers, built confidence on both sides, and brought together several strands of our ESG strategy.

### Tenanted Inns

Our Tenanted Inns continue to be an integral, highly profitable and cash-generative part of our business – delivering a profit contribution during the period of £6.8 million (H1 2022: £4.8 million). It provides opportunities for us to move sites between Tenanted and Managed as and when deemed appropriate and we can share best practice in both directions.

We have invested £2.0 million in our Tenanted Inns during the period and we will continue to undertake joint projects with well-funded Tenants. Over 90% of our pubs are on substantive agreements and we will be taking learnings from our energy saving initiatives in the Managed estate to roll out across our Tenanted Inns too.

It is good to return, post covid, to some of the more fun activities that should be an integral part of any hospitality business and, to that end, it was great to see so many entering our first Tenants' Glorious Gardens competition. The winner was The Plough in Norwood Green, a great example of the way in which an entrepreneurial Tenant builds and personalises their business.

### Financial Review

Group Revenue and other income increased by 45% to £168.9 million (H1 2022: £116.3 million). The prior year was impacted by covid restrictions on trade through part of the period, whilst the current year has been affected by the tube and rail strikes. We estimate that the strike action has reduced sales by £1.4 million in the first half of the year.

The current trading environment is challenging. The uncertainty over the UK economy, driven in part by the continued war in Ukraine, has resulted in high levels of inflation and energy costs increasing exponentially. This in turn has contributed to increasing interest rates. These factors together have put additional strain on consumers' disposable income. However, against this background, the Group has delivered an adjusted profit of £9.8 million, more than doubling the adjusted profit from the prior year (H1 2022: £4.6 million).

In our Managed Pubs and Hotels business, like for like sales have grown by 20% compared with the prior year, with total sales increasing by 47%. Compared to pre-pandemic levels (PY-2), like for like sales were at 96%, as momentum in the City grew over the period. For the seven weeks post period end they are at 101%, demonstrating continued growth.

While overall EBITDA was £28.9 million, it is worth noting that EBITDA for the Managed Pubs and Hotels business was £30.0 million, which represents an increase of 18% from prior year (H1 2022: £25.4 million). However, EBITDA margin fell from 24.3% to 19.5%. This is predominately for three reasons. The VAT rate on food and accommodation has increased from 5% in the prior period to 20% in the current period, utilities has increased by £3.1 million from the prior year, equating to a 2% decline in margin, and thirdly, in the prior year we received a number of grants from the Government as well as a business rates holiday for part of the period. On a like for like basis, EBITDA margin would have been 24.8% compared with the prior year of 24.3% however, given the nature of the adjustments, the current reported margin is more reflective of future expectations for margins.

Tenanted Inns revenue grew from £11.9 million to £15.1 million in the current period representing a 27% increase in sales. EBITDA margin also improved from 47.1% to 51.7%. The low cost base of the Tenanted Division means that it is a highly profitable part of the Group and continues to trade strongly despite the economic backdrop.

Central costs were £9.2 million in the period which was an increase of £0.7 million on the prior period, mainly due to increased payroll costs as recruitment was paused during lockdowns. While the quantum of central costs was up, the percentage to overall revenue was down from the prior period at 5.4% (H1 2022: 7.3%).

During the period, the Group refinanced all its banking facilities and agreed a new unsecured banking facility of £200 million, split between 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. During the period, interest rates have increased sharply with SONIA increasing from 60bps to just over 200bps and this trend is expected to continue. Therefore, 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.

Net debt (excluding leases) was at £129.2 million (H1 2022: £131.5 million). This is only a marginal decrease 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 £11.8 million was invested in the existing estate in the period, a dividend of £4.6 million was paid to shareholders, and two new pubs were acquired – The Queen's Arms at Heathrow's Terminal 2 and The Rising Sun at New Milton, in the heart of the New Forest.

The improvement in EBITDA has meant that net debt/EBITDA is now at 3x, which is in line with our capital allocation framework.

The adjusted finance cost increased to £5.8 million (H1 2022: £5.3 million) mainly due to the rising base rate in the current period but also in the prior period the Group had utilised the Covid Corporate Financing Facility ("CCFF") for the first couple of months which was at a significantly lower interest rate.

Separately disclosed items before tax were a credit of £0.9 million (H1 2022: £6.0 million credit) which principally consist of £5.5 million profit on the disposal of four unlicensed properties net of a cost of £1.1 million on the surrender of two leases. Other costs included in the separately disclosed items were reorganisation costs of £0.5 million, which largely relate to the refinancing and a corporate restructuring, and an impairment charge of £2.7 million in respect of four properties.

Tax has been provided at an effective rate before separately disclosed items of 21.4% (H1 2022: 19.6%). The increase in the effective tax rate is due to the movement in deferred tax which has been provided at an effective rate based upon the higher rate of corporation tax of 25% which is due to come into effect in April 2023. Disclosure on tax charge is set out in note 5.

The net impact of these items results in the basic earnings per share increasing by 7.37p to 13.13p (H1 2022: 5.76p) and adjusted earnings per share increasing by 6.39p to 12.48p (H1 2022: 6.09p).

The growth in earnings per share has enabled us to declare an interim dividend of 4.68p (H1 2022: 3.90p), which is an increase of 20% on last year. In addition to the dividend, we announced on 20 September 2022 our intent to repurchase one million 'A' ordinary shares which we expect to complete within the next few weeks.



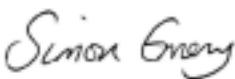
The surplus on the defined benefit pension schemes has increased by £6.1 million from the year end and is now showing an accounting surplus of £20.4 million (26 March 2022: surplus £14.3 million, 24 September 2021: surplus £5.1 million). This is a result of the decrease in the present value of the scheme liabilities being significantly higher than the decrease in the fair value of scheme assets. The present value of the scheme liabilities decreased by £35.8 million to £93.8 million (26 March 2022: £129.6 million), which was driven by an increase in the discount rate from 3.00% to 5.20%. As the Group has an unconditional right to refund under the pension trust deed, an asset of £20.4 million has been recognised at 24 September 2022.

### Current Trading and Outlook

Following on from a good first half performance, we have maintained our forward momentum in the seven weeks post the period end, with like for like sales up by 13% against the same period last year. As commuters return to their offices and international tourists once again visit the Capital, our Central London and City sites have seen like for like sales for the first seven weeks of the second half rise by 20% against the prior year, despite the impact of tube and train strikes.

While we look forward to our first Christmas free of restrictions for three years, and the added bonus of a FIFA World Cup, we are trading in an increasingly challenging environment. Cost pressures from energy bills, wage and food inflation, and increasing interest rates continue to impact us and all businesses in the hospitality sector. Our teams are working hard to manage these pressures, while ensuring we continue to deliver an outstanding experience for our customers.

We are a long-term business, with excellent foundations both in terms of the strength of our Balance Sheet and our predominately freehold estate, and we have the talent, desire and drive to deliver future growth and success.



**SIMON EMENY**  
CHIEF EXECUTIVE

16 November 2022

# Independent Review Report

to Fuller, Smith & Turner P.L.C.

## Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks period ended 24th September 2022 which comprises a Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, a Condensed Group Balance Sheet, a Condensed Group Statement of Changes in Equity, a Condensed Group Cash Flow Statement and related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 24th September 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

## Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

## Responsibilities of the Directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

### **Auditor's Responsibilities for the Review of the Financial Information**

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

### **Use of our Report**

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.



**ERNST & YOUNG LLP**  
LONDON

16 November 2022

# Condensed Group Income Statement

for the 26 weeks ended 24 September 2022

	Note	Unaudited 26 weeks ended 24 September 2022		
		Before separately disclosed items £m	Separately disclosed items £m	Total £m
Revenue	2	168.9	–	168.9
Operating costs	3	(153.3)	(3.2)	(156.5)
<b>Operating profit</b>		<b>15.6</b>	<b>(3.2)</b>	<b>12.4</b>
Finance costs	4	(5.8)	(0.3)	(6.1)
Profit on disposal of properties	3	–	4.4	4.4
<b>Profit before tax</b>		<b>9.8</b>	<b>0.9</b>	<b>10.7</b>
Income tax expenses	5	(2.1)	(0.5)	(2.6)
<b>Profit for the period/year</b>		<b>7.7</b>	<b>0.4</b>	<b>8.1</b>
<b>Group</b>				
<b>Earnings per share per 40p 'A' and 'C' ordinary share</b>		<b>Pence</b>		<b>Pence</b>
Basic	6	12.48		13.13
Diluted	6	12.42		13.07
<b>Earnings per share per 4p 'B' ordinary share</b>				
Basic	6	1.25		1.31
Diluted	6	1.24		1.31

Unaudited 26 weeks ended 25 September 2021			Audited 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
116.3		116.3	253.8	–	253.8
(106.4)	1.8	(104.6)	(235.3)	(2.0)	(237.3)
9.9	1.8	11.7	18.5	(2.0)	16.5
(5.3)		(5.3)	(11.3)	–	(11.3)
–	4.2	4.2	–	6.3	6.3
4.6	6.0	10.6	7.2	4.3	11.5
(0.9)	(6.2)	(7.1)	(1.2)	(3.2)	(4.4)
3.7	(0.2)	3.5	6.0	1.1	7.1
Pence		Pence	Pence		Pence
6.09		5.76	9.79		11.59
6.07		5.74	9.73		11.51
0.61		0.58	0.98		1.16
0.61		0.57	0.97		1.15

# Condensed Group Statement of Comprehensive Income

for the 26 weeks ended 24 September 2022

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**Profit for the period/year**

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*Items that may be reclassified to profit or loss*

Net gains on valuation of financial assets and liabilities

Tax related to items that may be reclassified to profit or loss

*Items that will not be reclassified to profit or loss*

Net actuarial gains on pension schemes

Tax related to items that will not be reclassified to profit or loss

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**Other comprehensive income for the period/year, net of tax**

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**Total comprehensive income for the period/year, net of tax**

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	Note	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
		8.1	3.5	7.1
		1.2	0.3	0.5
	5	(0.3)	(0.1)	(0.1)
	11	4.8	7.5	15.5
	5	(1.2)	(1.8)	(3.8)
		4.5	5.9	12.1
		12.6	9.4	19.2

# Condensed Group Balance Sheet

24 September 2022

	Note	Unaudited At 24 September 2022 £m	Unaudited At 25 September 2021 £m	Audited At 26 March 2022 £m
<b>Non-current assets</b>				
Intangible assets		29.3	28.9	29.5
Property, plant and equipment	8	591.8	588.4	592.7
Investment properties		1.6	1.9	1.6
Other financial assets		1.0	–	–
Right-of-use assets		69.2	77.5	73.8
Retirement benefit obligations	11	22.0	5.1	16.2
<b>Total non-current assets</b>		<b>714.9</b>	<b>701.8</b>	<b>713.8</b>
<b>Current assets</b>				
Inventories		4.3	3.2	3.6
Trade and other receivables		17.9	12.4	10.7
Current tax receivable		0.1	3.9	0.6
Cash and short-term deposits	10	20.4	16.2	15.6
<b>Total current assets</b>		<b>42.7</b>	<b>35.7</b>	<b>30.5</b>
Assets classified as held for sale	9	8.3	8.1	5.4
<b>Total assets</b>		<b>765.9</b>	<b>745.6</b>	<b>749.7</b>
<b>Current liabilities</b>				
Trade and other payables		(63.1)	(58.0)	(57.1)
Provisions		(0.5)	(0.5)	(0.5)
Borrowings	10	–	–	(120.0)
Lease liabilities	10	(6.0)	(7.2)	(6.8)
Other financial liabilities		–	–	(0.1)
<b>Total current liabilities</b>		<b>(69.6)</b>	<b>(65.7)</b>	<b>(184.5)</b>
<b>Non-current liabilities</b>				
Borrowings	10	(149.6)	(147.7)	(27.5)
Lease liabilities	10	(71.6)	(76.6)	(73.9)
Other financial liabilities		–	(0.3)	–
Retirement benefit obligations	11	(1.6)	–	(1.9)
Deferred tax liabilities		(16.4)	(14.2)	(12.7)
<b>Total non-current liabilities</b>		<b>(239.2)</b>	<b>(238.8)</b>	<b>(116.0)</b>
<b>Net assets</b>		<b>457.1</b>	<b>441.1</b>	<b>449.2</b>



	Unaudited At 24 September 2022 £m	Unaudited At 25 September 2021 £m	Audited At 26 March 2022 £m
<b>Capital and reserves</b>			
Share capital	25.4	25.4	25.4
Share premium account	53.2	53.2	53.2
Capital redemption reserve	3.7	3.7	3.7
Own shares	(16.6)	(16.7)	(16.6)
Hedging reserve	0.8	(0.3)	(0.1)
Retained earnings	390.6	375.8	383.6
<b>Total equity</b>	<b>457.1</b>	441.1	449.2

# Condensed Group Statement of Changes in Equity

for the 26 weeks ended 24 September 2022

	Share capital £m
<b>Unaudited – 26 weeks ended 24 September 2022</b>	
At 26 March 2022	25.4
Profit for the period	–
Other comprehensive income for the period	–
<b>Total comprehensive income for the period</b>	<b>–</b>
Dividends (note 7)	–
Share-based payment charges	–
Tax credited directly to equity (note 5)	–
<b>At 24 September 2022</b>	<b>25.4</b>
<b>Unaudited – 26 weeks ended 25 September 2021</b>	
At 27 March 2021	22.8
Profit for the period	–
Other comprehensive income for the period	–
<b>Total comprehensive income for the period</b>	<b>–</b>
Issue of share capital	2.6
Shares released from ESOT and treasury	–
Share-based payment charges	–
<b>At 25 September 2021</b>	<b>25.4</b>
<b>Audited – 52 weeks ended 26 March 2022</b>	
At 27 March 2021	22.8
Profit for the year	–
Other comprehensive income for the year	–
<b>Total comprehensive income for the year</b>	<b>–</b>
Issue of share capital	2.6
Shares released from ESOT and treasury	–
Dividends (note 7)	–
Share-based payment charges	–
Tax credited directly to equity	–
<b>26 March 2022</b>	<b>25.4</b>

	Share premium account £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total £m
	53.2	3.7	(16.6)	(0.1)	383.6	449.2
	-	-	-	-	8.1	8.1
	-	-	-	0.9	3.6	4.5
	-	-	-	0.9	11.7	12.6
	-	-	-	-	(4.6)	(4.6)
	-	-	-	-	0.1	0.1
	-	-	-	-	(0.2)	(0.2)
	53.2	3.7	(16.6)	0.8	390.6	457.1
	4.2	3.7	(17.0)	(0.5)	366.3	379.5
	-	-	-	-	3.5	3.5
	-	-	-	0.2	5.7	5.9
	-	-	-	0.2	9.2	9.4
	49.0	-	0.2	-	-	51.8
	-	-	0.1	-	-	0.1
	-	-	-	-	0.3	0.3
	53.2	3.7	(16.7)	(0.3)	375.8	441.1
	4.2	3.7	(17.0)	(0.5)	366.3	379.5
	-	-	-	-	7.1	7.1
	-	-	-	0.4	11.7	12.1
	-	-	-	0.4	18.8	19.2
	49.0	-	0.2	-	-	51.8
	-	-	0.2	-	-	0.2
	-	-	-	-	(2.4)	(2.4)
	-	-	-	-	0.8	0.8
	-	-	-	-	0.1	0.1
	53.2	3.7	(16.6)	(0.1)	383.6	449.2

# Condensed Group Cash Flow Statement

for the 26 weeks ended 24 September 2022

	Note	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Profit before tax</b>		<b>10.7</b>	10.6	11.5
Net finance costs before separately disclosed items	4	<b>5.8</b>	5.3	11.3
Separately disclosed items	3	<b>(0.9)</b>	(6.0)	(4.3)
Depreciation and amortisation	2	<b>13.3</b>	12.9	25.8
		<b>28.9</b>	22.8	44.3
Difference between pension charge and cash paid		<b>(1.1)</b>	(1.2)	(2.3)
Share-based payment charges		<b>0.2</b>	0.3	0.8
Change in trade and other receivables		<b>(7.4)</b>	(1.0)	0.5
Change in inventories		<b>(0.7)</b>	(1.2)	(1.5)
Change in trade and other payables		<b>5.6</b>	28.5	28.8
Cash impact of operating separately disclosed items	3	<b>(0.3)</b>	(0.3)	(1.9)
<b>Cash generated from operations</b>		<b>25.2</b>	47.9	68.7
Tax received		<b>-</b>	-	2.5
<b>Cash generated from operating activities</b>		<b>25.2</b>	47.9	71.2
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment and intangible assets		<b>(14.9)</b>	(8.4)	(25.8)
Sale of property, plant and equipment and assets held for sale		<b>6.7</b>	2.2	6.1
Sale of investment property		<b>-</b>	2.6	3.9
<b>Net cash outflow from investing activities</b>		<b>(8.2)</b>	(3.6)	(15.8)
<b>Cash flow from financing activities</b>				
Receipts on release of own shares to option schemes		<b>-</b>	0.1	0.1
Interest paid		<b>(3.9)</b>	(2.9)	(7.2)
Preference dividends paid		<b>(0.1)</b>	(0.1)	(0.1)
Equity dividends paid		<b>(4.6)</b>	-	(2.4)
Net proceeds of equity placing		<b>-</b>	51.8	51.8
Repayment of commercial paper under CCFF	10	<b>-</b>	(100.0)	(100.0)
Drawdown of bank loans		<b>3.0</b>	13.1	12.6

	Note	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
Surrender of leases		(0.4)	(1.9)	(1.9)
Payment of loan arrangement fees		(1.5)	(1.2)	(1.2)
Principal elements of lease payments	10	(4.7)	(4.1)	(8.6)
<b>Net cash outflow from financing activities</b>		<b>(12.2)</b>	<b>(45.2)</b>	<b>(56.9)</b>
<b>Net movement in cash and cash equivalents</b>	10	<b>4.8</b>	<b>(0.9)</b>	<b>(1.5)</b>
Cash and cash equivalents at the start of the period		<b>15.6</b>	17.1	17.1
<b>Cash and cash equivalents at the end of the period/year</b>	10	<b>20.4</b>	16.2	15.6

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

## 1. Half Year Report

### Basis of Preparation

The half year financial statements for the 26 weeks ended 24 September 2022 have been prepared in accordance with the Disclosure and Transparency Rules ("DTRs") of the Financial Conduct Authority and with International Accounting Standard ("IAS") 34, Interim Financial Reporting and should be read in conjunction with the Annual Report and Financial Statements for the 52 weeks ended 26 March 2022.

The half year financial statements do not constitute full accounts as defined by Section 434 of the Companies Act 2006. The figures for the 52 weeks ended 26 March 2022 are derived from the published statutory accounts. Full accounts for the 52 weeks ended 26 March 2022, including an unqualified auditor's report which did not make any statement under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Directors have adopted the going concern basis in preparing these accounts after assessing the Group's principal risks, which are predominately the uncertainty over the UK economy and the cost pressures impacting the UK from food inflation, rising staff costs and utility prices and, in turn, the effect the cost of living crisis is having on consumer spending. The Directors are confident that the Group has sufficient liquidity to withstand these ongoing challenges for the 12- month going concern assessment period to November 2023 (the 'going concern period').

The continued uncertainty over the UK economy casts uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern, the Directors have considered the Group's financing arrangements, the pattern of trading in the first half of the financial year, the possibility of further trading disruptions caused by the tube and train strikes and the principal risks and uncertainties as disclosed in the Group's latest Annual Report.

At 24 September 2022, the Group had a strong Balance Sheet with 92% of the estate being freehold properties along with available headroom on undrawn facilities of £76.5 million and £20.4 million of cash resulting in net debt (excluding leases) of £129.2 million. During the period, 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. Under the new agreement, the minimum liquidity covenant of £10 million tested monthly remains until November 2022. From December 2022 (and tested quarterly thereafter) the covenant suite will consist of net debt to EBITDA (leverage) and EBITDA to net finance charges.

The Group has modelled financial projections for the going concern period based upon two scenarios, the base case and the severe but plausible ('downside'). The base case is the Board approved forecast for FY 2023 as well as the first eight months of FY 2024 plan which forms part of the Board approved three-year plan. The base case assumes that costs will be impacted predominately by the increase in energy prices as well as other cost inflation currently seen. It also assumes as a result of the cost of living crisis there will be some impact on consumer confidence and hence volumes. Under this scenario there would be liquidity headroom and all covenants would be complied with for the duration of the going concern period.

The Group has also modelled a downside scenario whereby sales in the Managed Division drop by c5% from that assumed in the base case and inflation continues at an even higher rate than in the base case, specifically utilities (12% increase from base in FY 2024) and staff costs increase in order to retain staff. A similar decline is also assumed in the Tenanted Division. The model still assumes that investment in the estate will remain at the same levels as the base, that no further disposals of properties will happen, and a bonus will still be paid. These are all mitigating factors that the Group has in its control. Under this scenario the Group will still have sufficient resources and headroom on its covenants throughout the assessment period.

Given the uncertainties surrounding the UK economy, the Group has also performed a reverse stress test to assess at which point the Group would breach its covenants or not have sufficient liquidity in the assessment period. To cause a breach in the covenants in June 2023, a decline in EBITDA of 41% would be required from the base case forecast which would represent a significant decline in sales combined with additional increase in costs beyond the downside assumptions, the Directors believe that this combination of adverse factors is implausible at the current time. The reduction in sales or increase in costs to breach the covenant any earlier is thought to be too remote as the covenant is tested on a rolling 12 months and therefore most of that period has been actualised. The model does not assume there would be any disposals. At no point through the assessment period would the Group not have sufficient liquidity.

The Directors have concluded that in both the base and downside scenarios, the Group has sufficient debt facilities to finance operations for the going concern assessment period and it would not be in breach of any of its covenants and that the combination of adverse events that would trigger a covenant breach are highly unlikely at the current time.

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 to November 2023.

The half year financial statements were approved by the Directors on 16 November 2022.

### **New Accounting Standards**

The accounting policies adopted in the preparation of the half year financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the 52 weeks ended 26 March 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### **Taxation**

Taxes on income in the interim periods are accrued using the tax rate that is expected to be applicable to total annual earnings for the full year in each tax jurisdiction based on substantively enacted or enacted tax rates at the interim date.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 2. Segmental Analysis

Unaudited – 26 weeks ended 24 September 2022	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated <sup>1</sup> £m	Total £m
<b>Revenue</b>				
Sales of goods and services	135.2	10.8	–	146.0
Accommodation income	17.8	–	–	17.8
<b>Total revenue from contracts with customers</b>	<b>153.0</b>	<b>10.8</b>	<b>–</b>	<b>163.8</b>
Rental income	0.8	4.3	–	5.1
<b>Revenue</b>	<b>153.8</b>	<b>15.1</b>	<b>–</b>	<b>168.9</b>
<b>Segment result</b>	<b>18.0</b>	<b>6.8</b>	<b>(9.2)</b>	<b>15.6</b>
Operating separately disclosed items				(3.2)
<b>Operating profit</b>				<b>12.4</b>
Profit on disposal of properties				4.4
Net finance costs				(6.1)
<b>Profit before tax</b>				<b>10.7</b>
<b>Other segment information</b>				
Additions: property, plant and equipment	12.9	2.0	0.1	15.0
Depreciation and amortisation	12.0	1.0	0.3	13.3
Impairment of property	2.7	–	–	2.7
<b>EBITDA</b>	<b>30.0</b>	<b>7.8</b>	<b>(8.9)</b>	<b>28.9</b>

1 Unallocated expenses represent primarily the salary and costs of central management.



<b>Unaudited – 26 weeks ended 25 September 2021</b>	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated <sup>1</sup> £m	Total £m
<b>Revenue</b>				
Sales of goods and services	92.0	8.9	–	100.9
Accommodation income	10.5	–	–	10.5
<b>Total revenue from contracts with customers</b>	102.5	8.9	–	111.4
Rental income	1.9	3.0	–	4.9
<b>Revenue</b>	104.4	11.9	–	116.3
<b>Segment result</b>	13.6	4.8	(8.5)	9.9
Operating separately disclosed items				1.8
<b>Operating profit</b>				11.7
Profit on disposal of properties				4.2
Net finance costs				(5.3)
<b>Profit before tax</b>				10.6
<b>Other segment information</b>				
Additions: property, plant and equipment	5.8	0.4	–	6.2
Depreciation and amortisation	11.8	0.8	0.3	12.9
<b>EBITDA</b>	25.4	5.6	(8.2)	22.8

1 Unallocated expenses represent primarily the salary and costs of central management.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 2. Segmental Analysis continued

Audited – 52 weeks ended 26 March 2022	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated <sup>1</sup> £m	Total £m
<b>Revenue</b>				
Sales of goods and services	205.1	17.9	–	223.0
Accommodation income	21.9	–	–	21.9
<b>Total revenue contracts with customers</b>	<b>227.0</b>	<b>17.9</b>	<b>–</b>	<b>244.9</b>
Rental income	1.8	7.1	–	8.9
<b>Revenue</b>	<b>228.8</b>	<b>25.0</b>	<b>–</b>	<b>253.8</b>
<b>Segment result</b>	<b>24.7</b>	<b>11.1</b>	<b>(17.3)</b>	<b>18.5</b>
Operating separately disclosed items				(2.0)
<b>Operating profit</b>				<b>16.5</b>
Profit on disposal of properties				6.3
Net finance costs				(11.3)
<b>Profit before tax</b>				<b>11.5</b>
<b>Other segment information</b>				
Additions: assets held for sale, property, plant and equipment	20.2	2.3	2.6	25.1
Depreciation and amortisation	23.3	1.8	0.7	25.8
Impairment of property, right-of-use assets and goodwill	3.0	0.3	–	3.3
<b>EBITDA</b>	<b>48.0</b>	<b>12.9</b>	<b>(16.6)</b>	<b>44.3</b>

1 Unallocated expenses represent primarily the salary and costs of central management.

### 3. Separately Disclosed Items

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Amounts included in operating profit</b>			
Reorganisation costs	(0.5)	(0.3)	(0.8)
Impairment of properties, right-of-use assets and intangible assets	(2.7)	–	(3.3)
Release of provision on final settlement of the Beer Business	–	2.1	2.1
<b>Total separately disclosed items included in operating profit</b>	<b>(3.2)</b>	1.8	(2.0)
<b>Profit on disposal of properties</b>	<b>4.4</b>	4.2	6.3
<b>Separately disclosed finance costs:</b>			
Finance credit on net pension surplus (note 11)	0.2	–	–
Finance charge on the write down of arrangement fees	(0.5)	–	–
<b>Total separately disclosed finance costs</b>	<b>(0.3)</b>	–	–
<b>Total separately disclosed items before tax</b>	<b>0.9</b>	6.0	4.3
<b>Separately disclosed tax:</b>			
Profit on disposal of properties	(0.7)	(1.1)	(1.3)
Changes in tax rates	–	(5.1)	(3.3)
Other items	0.2	–	1.4
<b>Total separately disclosed tax</b>	<b>(0.5)</b>	(6.2)	(3.2)
<b>Total separately disclosed items</b>	<b>0.4</b>	(0.2)	1.1

The reorganisation costs of £0.5 million during the 26 weeks ended 24 September 2022 (25 September 2021: £0.3 million, 26 March 2022: £0.8 million) were largely incurred as a result of the Group corporate restructure, mainly due to Group refinancing in the period. The tax impact of the reorganisation costs is recognised in other items.

The profit on disposal of properties of £4.4 million during the 26 weeks ended 24 September 2022 (25 September 2021: £4.2 million, 26 March 2022: £6.3 million) consists of £5.5 million for the disposal of four unlicensed properties which had been classified as assets held for sale prior to the sale, net of £1.1 million of costs associated with the surrender of leases on two properties.

The property impairment charge of £2.7 million during the 26 weeks ended 24 September 2022 (25 September 2021: £Nil, 26 March 2022: £3.3 million) relates to the write down of four licensed properties to their recoverable value.

The cash impact of operating separately disclosed items before tax for the 26 weeks ended 24 September 2022 was £0.3 million cash outflow (25 September 2021: £0.3 million cash outflow, 26 March 2022: £1.9 million cash outflow).

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 4. Finance Costs

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Finance costs</b>			
<b>Interest expense arising on:</b>			
Financial liabilities at amortised cost – loans and debentures	(4.2)	(3.6)	(8.1)
Financial liabilities at amortised cost – preference shares	(0.1)	(0.1)	(0.1)
Financial liabilities at amortised cost – lease liabilities	(1.5)	(1.6)	(3.1)
<b>Total finance costs before separately disclosed items</b>	<b>(5.8)</b>	(5.3)	(11.3)
Finance credit on net pension surplus (note 11)	0.2	–	–
Finance charge on the write down of arrangement fees	(0.5)	–	–
<b>Total finance costs</b>	<b>(6.1)</b>	(5.3)	(11.3)

## 5. Taxation

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Tax on profit on ordinary activities</b>			
Current income tax:			
Current tax on profit for the period	0.5	0.1	0.2
Adjustment for current tax on prior periods	-	-	0.6
Total current income tax	0.5	0.1	0.8
Deferred tax:			
Origination and reversal of temporary differences	2.0	1.9	2.2
Change in corporation tax rate	-	5.1	3.3
Amounts over provided in previous years	0.1	-	(1.9)
Total deferred tax	2.1	7.0	3.6
<b>Total tax charged in the Income Statement</b>	<b>2.6</b>	<b>7.1</b>	<b>4.4</b>
<b>Tax relating to items charged to the Statement of Comprehensive Income</b>			
Deferred tax:			
Valuation gains on financial assets and liabilities	0.3	0.1	0.1
Net actuarial gains on pension scheme	1.2	1.8	3.8
<b>Tax charge included in the Statement of Comprehensive Income</b>	<b>1.5</b>	<b>1.9</b>	<b>3.9</b>
<b>Tax relating to items charged/(credited) directly to equity</b>			
Deferred tax:			
Share-based payments	0.2	-	(0.1)
<b>Tax charge/(credit) included in the Statement of Changes in Equity</b>	<b>0.2</b>	<b>-</b>	<b>(0.1)</b>

The taxation charge is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period/year.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 6. Earnings Per Share

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Profit attributable to equity shareholders</b>	<b>8.1</b>	3.5	7.1
Separately disclosed items net of tax	<b>(0.4)</b>	0.2	(1.1)
<b>Adjusted earnings attributable to equity shareholders</b>	<b>7.7</b>	3.7	6.0
	<b>Number</b>	Number	Number
<b>Weighted average share capital</b>	<b>61,712,000</b>	60,762,000	61,264,000
Dilutive outstanding options and share awards	<b>275,000</b>	204,000	413,000
Diluted weighted average share capital	<b>61,987,000</b>	60,966,000	61,677,000
	<b>Pence</b>	Pence	Pence
<b>40p 'A' and 'C' ordinary share</b>			
Basic earnings per share	<b>13.13</b>	5.76	11.59
Diluted earnings per share	<b>13.07</b>	5.74	11.51
Adjusted earnings per share	<b>12.48</b>	6.09	9.79
Diluted adjusted earnings per share	<b>12.42</b>	6.07	9.73
	<b>Pence</b>	Pence	Pence
<b>4p 'B' ordinary share</b>			
Basic earnings per share	<b>1.31</b>	0.58	1.16
Diluted earnings per share	<b>1.31</b>	0.57	1.15
Adjusted earnings per share	<b>1.25</b>	0.61	0.98
Diluted adjusted earnings per share	<b>1.24</b>	0.61	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 1,741,713 (25 September 2021: 1,766,681, 26 March 2022: 1,744,564).

Diluted earnings per share is calculated using the same earnings figure as for basic earnings per share, divided by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Adjusted earnings per share is calculated on profit before tax excluding separately disclosed items and on the same weighted average ordinary share capital as for the basic and diluted earnings per share. An adjusted earnings per share measure has been included as the Directors consider that this measure better reflects the underlying earnings of the Group.

## 7. Dividends

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Declared and paid during the period</b>			
Interim paid in the period for 2022	–	–	2.4
Final dividend paid in period for 2022	4.6	–	–
<b>Equity dividends paid</b>	<b>4.6</b>	–	2.4
<b>Dividends on cumulative preference shares (note 4)</b>	<b>0.1</b>	0.1	0.1
	<b>Pence</b>	Pence	Pence
<b>Dividends per 40p 'A' and 'C' ordinary share declared in respect of the period</b>			
Interim	4.68	3.90	3.90
Final	–	–	7.41
	<b>4.68</b>	3.90	11.31

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.

The Directors have declared an interim dividend for the 40p 'A' ordinary shares and 40p 'C' ordinary shares of 4.68p (2022: 3.90p) and 0.468p (2022: 0.390p) for the 4p 'B' ordinary shares.

## 8. Property, Plant and Equipment

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Net book value at start of period/year</b>	<b>592.7</b>	590.2	590.2
Additions	15.0	6.2	22.7
Impairment loss net of reversals	(2.7)	–	(3.3)
Transfers to assets classified as held for sale	(3.9)	(1.5)	(1.5)
Transfer from assets held for sale	–	2.4	2.5
Depreciation provided during the period	(9.3)	(8.9)	(17.9)
<b>Net book value at end of period/year</b>	<b>591.8</b>	588.4	592.7

During the 26 weeks ended 24 September 2022, the Group recognised a charge of £2.7 million (25 September 2021: £Nil million, 26 March 2022: £3.3 million) in respect of the write down in value of its properties to their recoverable value.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 8. Property, Plant and Equipment continued

The Group considers each trading outlet to be a cash generating unit ("CGU") and each CGU is reviewed at each reporting date for indicators of impairment. Where trading is not in line with the FY 2023 budget because of the current challenging trading environment, this has been determined as an indicator 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.

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. A Directors' valuation was performed, using these techniques, as at 26 March 2022 whereby 20% of the properties were independently verified by a third party. That valuation has been used as the basis for the FVLCS as at 24 September 2022.

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 five-year period.

The key assumptions used by management are:

- A long-term growth rate of 2.0% (26 March 2022: 2.0%) was used for cash flows subsequent to the five-year approved budget/forecast period.
- An EBITDA multiple is estimated based on a normalised trading basis and market data obtained from external sources. This resulted in an average multiple of 10.5x (freehold 11.8x) and 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 9.5% (26 March 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.

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 additional impairment/(reversal) is set out as follows:

	£m
Increase discount rate by 1.5%	16.2
Decrease discount rate by 1.5%	(8.3)
Increase growth rate by 0.5%	(2.8)
Decrease growth rate by 0.5%	3.9

The additional CGUs that would need to be considered for impairment would have their FVLCS determined in order to conclude on 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 £1.2 million for the CGUs where recoverable amount has been assessed on FVLCS.



## 9. Assets Held for Sale

	Unaudited 26 weeks ended 24 September 2022 £m	Unaudited 26 weeks ended 25 September 2021 £m	Audited 52 weeks ended 26 March 2022 £m
<b>Assets held for sale at the start of the period/year</b>	<b>5.4</b>	9.6	9.6
Assets disposed of during the period/year	<b>(1.0)</b>	(1.7)	(4.6)
Assets transferred to property, plant and equipment	–	(2.4)	(2.5)
Assets transferred from investment property	–	1.0	1.4
Assets transferred from property, plant and equipment	<b>3.9</b>	1.5	1.5
<b>Assets held for sale at the end of the period/year</b>	<b>8.3</b>	8.1	5.4

## 10. Analysis of Net Debt

Unaudited – 26 weeks ended 24 September 2022	At 26 March 2022 £m	Cash flows £m	Non cash <sup>1</sup> £m	At 24 September 2022 £m
<b>Cash and cash equivalents:</b>				
Cash and short-term deposits	15.6	4.8	–	<b>20.4</b>
	15.6	4.8	–	<b>20.4</b>
<b>Financial liabilities</b>				
Lease liabilities	(80.7)	4.7	(1.6)	<b>(77.6)</b>
	(80.7)	4.7	(1.6)	<b>(77.6)</b>
<b>Debt:</b>				
Bank loans <sup>2</sup>	(120.0)	(1.5)	(0.6)	<b>(122.1)</b>
Debenture stock	(25.9)	–	–	<b>(25.9)</b>
Preference shares	(1.6)	–	–	<b>(1.6)</b>
Total borrowings	(147.5)	(1.5)	(0.6)	<b>(149.6)</b>
<b>Net debt</b>	<b>(212.6)</b>	8.0	(2.2)	<b>(206.8)</b>

- 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 cashflows include the payment of arrangement fees.

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 is a minimum liquidity requirement of £10 million until November 2022. From December 2022, there will be a covenant suite which will consist of net debt to EBITDA (leverage) and EBITDA to net finance charges to be tested quarterly.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 10. Analysis of Net Debt continued

<b>Unaudited – 26 weeks ended 25 September 2021</b>	At 27 March 2021 £m	Cash flows £m	Non cash <sup>1</sup> £m	At 25 September 2021 £m
<b>Cash and cash equivalents:</b>				
Cash and short-term deposits	17.1	(0.9)	–	16.2
	17.1	(0.9)	–	16.2
<b>Financial liabilities</b>				
Lease liabilities	(89.9)	4.1	2.0	(83.8)
	(89.9)	4.1	2.0	(83.8)
<b>Debt:</b>				
Bank loans <sup>2</sup>	(107.9)	(11.9)	(0.4)	(120.2)
CCFF	(99.8)	100.0	(0.2)	–
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
Total borrowings	(235.2)	88.1	(0.6)	(147.7)
<b>Net debt</b>	<b>(308.0)</b>	<b>91.3</b>	<b>1.4</b>	<b>(215.3)</b>

<b>Audited – 52 weeks ended 26 March 2022</b>	At 27 March 2021 £m	Cash flows £m	Non cash <sup>1</sup> £m	At 26 March 2022 £m
<b>Cash and cash equivalents:</b>				
Cash and short-term deposits	17.1	(1.5)	–	15.6
	17.1	(1.5)	–	15.6
<b>Financial liabilities</b>				
Lease liabilities	(89.9)	8.6	0.6	(80.7)
	(89.9)	8.6	0.6	(80.7)
<b>Debt:</b>				
Bank loans <sup>2</sup>	(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)
<b>Net debt</b>	<b>(308.0)</b>	<b>95.7</b>	<b>(0.3)</b>	<b>(212.6)</b>

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 cashflows include the payment of arrangement fees.

## 11. Retirement Benefit Obligations

	Unaudited At 24 September 2022 £m	Unaudited At 25 September 2021 £m	Audited At 26 March 2022 £m
<b>The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan</b>			
Fair value of Scheme assets	114.2	155.7	143.9
Present value of Scheme liabilities	(93.8)	(150.6)	(129.6)
<b>Surplus in the Scheme</b>	<b>20.4</b>	5.1	14.3

The net position of the defined benefit retirement plan for the 26 weeks ended 24 September 2022 shows a surplus of £20.4 million. In accordance with IFRIC 14, the Group is able to recognise an asset as it has an unconditional right to a refund of any surplus in the event of the plan winding down.

Included within the total present value of Group and Company Scheme liabilities of £93.8 million (25 September 2021: £150.6 million, 26 March 2022: £129.6 million) are liabilities of £1.6 million (25 September 2021: £2.1 million, 26 March 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.

### Key financial assumptions used in the valuation of the Scheme

Rate of increase in pensions in payment	3.65%	3.50%	3.75%
Discount rate	5.20%	1.85%	3.00%
Inflation assumption – RPI	3.70%	3.55%	3.80%
Inflation assumption – CPI (pre 2030/post 2030)	2.8%/3.7%	2.65%/3.55%	2.9%/3.8%

### Mortality Assumptions

The mortality assumptions used in the valuation of the Scheme as at 24 September 2022 are as set out in the financial statements for the 52 weeks ended 26 March 2022.

	Unaudited At 24 September 2022 £m	Unaudited At 25 September 2021 £m	Audited At 26 March 2022 £m
<b>Assets in the Scheme</b>			
Corporate bonds	19.8	29.2	25.0
Index linked debt instruments	18.6	37.9	26.0
Overseas equities	31.1	30.9	31.5
Alternatives	41.6	39.3	56.5
Cash	0.6	14.5	1.6
Annuities	2.5	3.9	3.3
<b>Total market value of assets</b>	<b>114.2</b>	155.7	143.9

# Notes to the Condensed Financial Statements

for the 26 weeks ended 24 September 2022

Continued

## 11. Retirement Benefit Obligations continued

	Unaudited At 24 September 2022 £m	Unaudited At 25 September 2021 £m	Audited At 26 March 2022 £m
<b>Movement in surplus/(deficit) during period</b>			
Surplus/(deficit) in Scheme at beginning of the period	14.3	(3.5)	(3.5)
Movement in period:			
Net interest cost (note 3)	0.2	–	–
Net actuarial gains	4.8	7.5	15.5
Contributions	1.1	1.1	2.3
<b>Surplus in Scheme at end of the period</b>	<b>20.4</b>	5.1	14.3

On 1 January 2015 the plan was closed to future accruals.

## 12. Post Balance Sheet Event

Following the period end, the Company has entered into an arrangement to repurchase up to one million of 'A' ordinary shares in the Company.

Post the period end, the Company completed the purchase of a site in the Cotswold village of Bourton-on-the-Water for £2.5 million. The Company has also disposed on an unlicensed site for £5.5 million.

## 13. Principal Risks and Uncertainties

In the course of normal business, the Group continually assesses and takes action to mitigate the various risks encountered that could impact the achievement of its objectives. Systems and processes are in place to enable the Board to monitor and control the Group's management of risk, which are detailed in the Corporate Governance Report of the Annual Report and Financial Statements 2022. The principal risks and uncertainties and their associated mitigating and monitoring controls which may affect the Group's performance in the next six months are not substantially different from those detailed on pages 34 to 39 of the Annual Report and Financial Statements 2022, and are available on the Fuller's website, [www.fullers.co.uk](http://www.fullers.co.uk).

The most significant risk is the current economic downturn which has been moved from an emerging risk into the main risk register. The economic downturn within the UK and global uncertainty created by the impact of covid and the ongoing war in Ukraine impact many of our identified principal risks, including increased inflationary pressure, supply chain uncertainty and emerging and continuing changes to consumer demand. The controls and mitigations we have in place to address our risks remain effective in reducing the impact on the business. We are well placed to withstand these pressures and ultimately withstand long periods of uncertainty through the strength of our Balance Sheet. Our strong financial position supports our long-term strategy that focuses on ensuring we develop and retain the best people, build strong relationships with our suppliers and deliver a premium experience with the agility to respond to both short and long-term changes in consumer behaviour.

#### 14. Shareholders' Information

Shareholders holding 40p 'C' ordinary shares are reminded that they have 30 days from 17 November 2022 should they wish to convert those 'C' shares to 'A' shares. The next available opportunity after that will be June 2023. For further details, please contact the Company's registrars, Computershare, on 0870 889 4096.

#### 15. Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer or the undertakings included in the consolidation as a whole and has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the United Kingdom. The interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year
- disclosure of material related party transactions in the first six months and any material changes to related party transactions.

The Directors of Fuller, Smith & Turner P.L.C. are listed on page 36.

By order of the Board

**MICHAEL TURNER**

CHAIRMAN

16 November 2022

**SIMON EMENY**

CHIEF EXECUTIVE

## Directors and Advisors

as at 16 November 2022

### Directors

Michael Turner, FCA, *Chairman\**

Simon Emeny, *Chief Executive*

Fred Turner, ACA

Sir James Fuller, Bt\*

Juliette Stacey, ACA\*

Helen Jones\*

Richard Fuller\*

Robin Rowland, OBE\*

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