# DANIEL THWAITES PLC

ESTABLISHED 1807

ANNUAL REPORT & ACCOUNTS 2023

# Contents

# About *Us*

**Daniel Thwaites PLC is one of the UK's longest established family brewers with a strong regional presence in the North of England.**

We have an estate of approximately 300 freehold properties, comprising pubs, inns, hotels & spas and our craft brewery. Our strong family connections shape the way we do business with an eye for quality and a generous blend of innovation, craftsmanship and warm hospitality.

We look for our properties to be the best in their local market place, and to drive value for our shareholders and customers who put their trust in us to deliver superb hospitality in outstanding properties in great locations and of course, brew some fabulous beers along the way.

# Financial *Highlights*

## TURNOVER

# £108.8m

2022: £96.0m

## OPERATING PROFIT

# £12.3m

2022: £13.3m

## PROFIT BEFORE TAX

# £15.1m

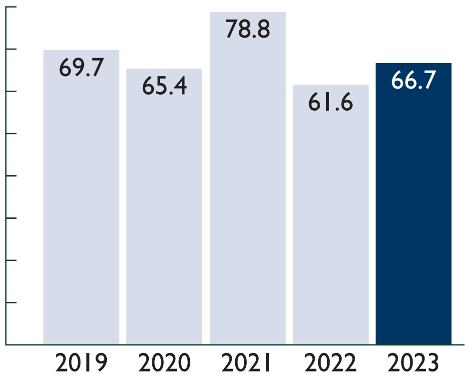
2022: £12.7m

## EARNINGS PER SHARE

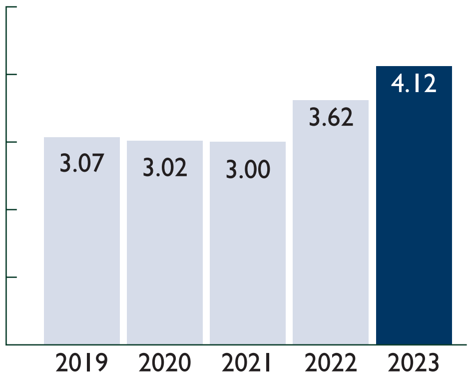
# 21.9p

2022: 20.6p

## NET DEBT £m




## NET ASSETS PER SHARE £



# Strategy

**Daniel Thwaites is a deliberately diversified regional hospitality and leisure business operating in the pub and hotel market predominantly in England. The business has been built up with an eye for quality, a premium offer and differentiation.**

### OUR PURPOSE – WHY WE EXIST

Our purpose is to make people feel at ease. We do that through our real hospitality, delivered in a socially responsible way, by friendly faces in our outstanding properties in great locations.

### OUR STRATEGY - HOW WE DRIVE DIFFERENTIATION AND CREATE VALUE

Our strategic framework of performance drivers guides continuous improvement, innovation and change within the business so that it does not stand still and is agile in developing for the future.

### REAL HOSPITALITY

In each of our properties we challenge ourselves to understand and continue to adapt and improve our high standards of service time and again to bring a premium experience to our customers, making it easy for them to decide to return or to visit us in one of our other properties.

We take special care in crafting the offering in each of our properties to provide thoughtful and delightful touches and small details that make a big difference. Our properties are all unique and our attention to detail brings out their individuality.

### FRIENDLY FACES

Our business would be nothing without our incredible people and teams. We seek to attract and retain energetic people who have a natural desire and ability to make people feel at ease.

### CULTURE

As a result of the diversification of our business across a number of differing markets we have a valuable insight into how different things work in different settings. We have a culture of collaboration, sharing and learning across the business, working as one single organisation to adopt best practice.

### SOCIAL RESPONSIBILITY

We are socially responsible throughout our business and do what we believe to be the right thing. In particular we offer the highest quality, sustainable products. Wherever possible we source our products and services locally and it is always our preference to buy British if possible.

### OUTSTANDING PROPERTIES IN GREAT LOCATIONS

We expect our properties to be the best in their area and this requires us to continually improve the quality of the estate and the returns we make. We review our properties regularly to recycle capital where we believe a property cannot meet the returns available to us elsewhere.

We recognise the importance of regular investment in our freehold assets, keeping them in good order. When we do invest, we create high quality design driven schemes that enhance the customer experience.

### OUR BUSINESSES

We believe that the diversification of the business provides some resilience throughout the normal course of the business cycle. We also believe that in the long term the freehold ownership of our portfolio is preferable to operating leasehold properties and adds long term value and protection.

### THWAITES PUBS

Over time we have assembled an estate of pubs that represents the best of the Great British Pub – friendly locals, serving lovely beers and offering wonderful home cooked food at the heart of their community.

### OUR TENANTED PUBS

We own an estate of well invested tenanted pubs that has been built up over two centuries and can count amongst it some of the best pubs in the country. The tenancies are run in partnership with entrepreneurial operators where both parties interests are aligned in building and running a successful pub, and our teams are on hand to provide business support and help solve day to day issues. The shared income model of a tenanted pub provides a robust model that is cash generative. Our tenanted pubs also support our brewery providing a vital route to market for our beers.

## OUR MANAGED PUBS

We own a small number of managed pubs, which either by virtue of their size or because in due course they will be converted to tenancies, we run under direct management. These are pubs that have a long-term sustainable future within the business, where we can take advantage of our central infrastructure running our other managed properties to trade them profitably.

## THWAITES BREWERY…. CRAFT BREWERS SINCE 1807

Brewing is in our blood, it's what we do day in, day out. It's not just a job, it's a way of life and has been for over 200 years.

Since Daniel Thwaites first set out from his family farm in the Lake District and started his brewery in 1807, our brewers have continued to create beautifully balanced, delicious beers. We believe that the heritage of our brewery brings a rich equity to the rest of our business. We are proud of the quality of the beers we brew and only sell our beers in our own properties; we think that makes them that little bit more special and provides another reason to visit.

## STAYING WITH DANIEL THWAITES….. SMALL DETAILS, BIG DIFFERENCE

We have been passionate about delivering superb hospitality since Daniel opened his first pub over 200 years ago. Be it a trip away for business or leisure, we know how important it is to be comfortable, well looked after and feel welcome. Immense care and attention has been taken in putting together a collection of hotels, spas and inns with an eye to quality and beautiful and thoughtful touches which appeal to a discerning customer base.

## OUR INNS - MANAGED PUBS WITH BEDROOMS:

We own and run a portfolio of larger pubs, or inns, with typically between 20-40 bedrooms, where the income split is broadly equal between the rooms, food and drink.

Our inns are typically old and historic buildings that ooze charm. We build on this through investment in thoughtfully designed schemes to modernize them and make them feel characterful and special. We serve home cooked food and interesting specials that places them above normal pub grub. Our inns are operated to at least a four star and in most cases five star level.

## OUR HOTELS AND SPA HOTELS:

We own and operate a family of ten hotels and spas with a strong local following that stand out from the mass market chains. We enrich the customer offer by creating different experiences throughout our hotels and are unwavering in ensuring that the products and services that we provide throughout our properties are of good quality and the design is interesting.

We invest thoughtfully in the physical environment throughout our hotels to make them feel different and help our customers feel at ease. We actively want to stand out from the international chains by providing a more enjoyable environment, characterised by interesting design, friendly service, home cooked food and attention to detail.

# Chairman's *Statement*

**This last year was our 216th year in business, and one in which the Company delivered a strong set of results against a backdrop of a disruptive war in Ukraine and higher inflation than we have seen for some time.**

After a strong start in the first half of the year, the environment became significantly more difficult in the second half. Despite reasonably strong increases in top line sales, increased utility costs and rising prices across a broad spectrum of goods, together with a very poor Christmas, meant that it was a struggle to convert sales to profit during the quieter months.

In recent years the business has become more orientated towards the summer months and more weather reliant and last year that certainly played an important factor. The winter was overall mild, however late winter was characterised by a prolonged period of colder and wet weather which did not kick start the traditional spring uplift in business until after Easter.

## RESULTS

In challenging conditions, the financial performance has been strong, with turnover increasing by 13.3% to £108.8m (2022: £96.0m) and an operating profit of £12.3m (2022: £13.3m). The earnings per share was 21.9p (2022: 20.6p).

Net Debt at 31 March 2023 was £66.7m (2022: £61.6m), which is an increase since our interim results at 30 September 2022 as a result of investment in our properties.

The Bank of England has continued to respond to higher inflation by raising interest rates at an accelerated pace to 4.5%, their highest level since 2008. As I have detailed before, increases in interest rates and the discount rate used to value the Company's pension scheme and swap liabilities have a positive impact on their mark to market valuations. As a result, we have seen a decrease of £6.6m in our swap liabilities and a decrease in our pension liabilities of £21.1m. Once more the pension scheme is in an actuarial surplus, now evaluated to be £32.2m and as a result the Company has for the time being suspended paying contributions.

The profits retained for the year together with these mark to market gains provided a net asset value per share at the year-end of £4.12 (2022: £3.62).

## ACQUISITIONS, DEVELOPMENTS AND DISPOSALS

During the year we have not acquired any trading assets, although we have acquired a small number of houses for staff accommodation, a process that we believe is complete for the time being.

We have started to make significant investments after pausing during 2020 and 2021, which were disrupted by the pandemic and in the year invested £15.6m (2022: £13.5m).

The Company has sold four bottom end pubs and two ancillary properties with total proceeds of £3.1m (2022: £7.5m).

## DIVIDEND

The Company reinstated the final dividend last year and was able to pay an interim dividend at the half year as its profits recovered. The Board has historically looked to maintain a dividend cover of more than two times underlying earnings per share, however the Company continues to face significant uncertainty and headwinds.

Notwithstanding that, we understand that the dividend is important to our shareholders and as a result the Company recommends a final dividend of 2.4p (2022: 2.2p).

## BOARD CHANGES

On November 2022, in line with the Yerburgh Family's constitution, Oscar Yerburgh passed on the role of family non-executive director to his sister Rosy McKinley. I know that Oscar will continue to take an active interest in the business, and is hugely supportive of, and engaged in, its future development. I would like to thank him for his valuable perspective and contribution to our Board discussions over the past six years.

## PEOPLE

Daniel Thwaites is unbeatable when it harnesses the immense power of a family of teams working together, collectively we are more than the sum of our parts.

Our Pride of Daniel Thwaites Awards highlight all the outstanding efforts made by individuals and teams across the Company. This year's Awards were our most successful yet, with over 700 nominations. All across the business, people called each other out for the amazing contributions being made by their colleagues, day in day out - there were many inspirational stories, crucial to the well-being and motivation of our friends and colleagues.

The last year has been a difficult one for many of our team members and their families as they have confronted the same inflation challenges that the business has faced and I would like to thank them all for the resilience and fortitude with which they have continued to support the Company.

I would also like to thank our shareholders, your support has helped to stabilise the business and put it on a stronger footing for the future.

## OUTLOOK

It seems that inflation should ease this coming year, energy prices are dropping fast in the spot markets and we are seeing evidence of a plateauing in food and other costs. We have opportunities to convert price decreases into our own cost prices and will work hard to grow our sales whilst delivering margin recovery this year.

The factors that have shaken consumer confidence are going into reverse; for the moment recession has been avoided and employment numbers are strong. Our properties are well invested and better staffed than they have been for some time and the corporate and short break domestic leisure markets are showing good bookings for the summer. We are seeing strong performances in some of our pubs and as a result we look to the coming year with cautious but increasing confidence.

**R A J Bailey**
**Chairman**
20 June 2023


PRIDE OF
DANIEL THWAITES
AWARDS 2023
Chairman's Award
Andrew Hollett

# Strategic *Report*

## OPERATING REVIEW

### OVERVIEW

There was much to be positive about in a year that was overshadowed by the war in Ukraine and a lot of media hype and fear about the cost of living crisis and potential recession. This had the potential to dampen customer demand for the pubs, hotels and inns, and whilst there was undoubtably an impact, it was pleasing that total sales moved forward by more than 13%.

Staffing of the teams across the whole business continued to be a challenge, with higher than inflation labour cost increases from the national minimum wage and shortages in some locations and certain roles. The measures that we have put in place over the past 18 months, including buying more staff accommodation, increasing the use of our sponsorship licence for foreign nationals, retention bonuses in some of the seasonal businesses and increasing our pay and benefits particularly for younger people helped to fill the majority of our vacancies.

A decline in other income, relating to furlough and government grants last year which ended in April 2022, was reinforced by increases in our input costs, particularly on food, and later in the year on utilities. The joint effect of these cost increases was a particular challenge and we were unable to recoup all of the increases through our selling prices, consequently our margins have been eroded, at least in the short term. Pitching prices at the right level to be competitive, whilst setting at a level to address the rising cost base, required several different rounds of price adjustments over the course of the year.

We initiated a comprehensive review of our energy usage with the objective of reducing it by 20%, partly through investment and partly through better operating practices. We have invested in solar panels, although securing panels has been challenging, we have invested locally in more low voltage lighting, looked at voltage optimisation, re-examined older boilers, installed log burning fires in the pubs, installed EndoTherm – an energy saving heating system additive, addressed our property Building Management Systems to harmonise best practice as well as a number of other localised initiatives. Energy usage has been a major focus and this will serve us well for the future, notwithstanding reductions in energy prices.

In addition, we are focused on minimising food wastage, and weigh and report the amount of food wastage in each of our managed properties on a daily basis. We are rolling out the learnings to our tenanted pubs.

This has been a very challenging year which has seen lower operating profits. However, the actions that we have taken, together with the decline in the oil and gas prices, means that as inflationary pressures ease we are well placed to move forward.

### FINANCIAL RESULTS

Turnover for the year was £108.8m (2022: £96.0m), an increase of 13.3%. Operating profit for the year was £12.3m (2022: £13.3m). Profit before tax, which benefited from a mark to market gain on interest rate swaps was £15.1m (2022: £12.7m). Net debt increased to £66.7m (2022: £61.6m) an increase of £5.1m. At the year end the company had banking facilities of £82m, giving headroom to its debt facilities of £15.3m.

Last year's results benefited from government support in the form of business rate concessions, lower rates of VAT and grants. This support was withdrawn from 1 April 2022 with the exception of the 2022/23 Retail, Hospitality and Leisure Business Rates Relief (RHL) scheme which provides eligible, occupied, retail, hospitality, and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business from 1 April 2022 to 31 March 2023. This was of benefit to our tenanted pubs but our managed properties did not qualify.

### PUBS AND INNS

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Turnover £m | **57.7** | 52.1 | 19.0 |
| EBITDA* £m | **17.6** | 18.8 | 5.4 |
| Operating profit £m | **14.4** | 15.6 | 1.9 |
| Average number of pubs and inns | **225** | 233 | 238 |

*EBITDA is operating profit before depreciation and is reconciled to operating profit in the Financial Review on page 14.

### UNDERSTANDING OUR PUBS

Our freehold estate of tenanted pubs numbers approximately 210 properties. We continue to recycle capital into new, more attractive tenanted and managed pub opportunities, where there is the potential to invest and add value and so we continue to dispose of pubs that we do not believe have a long-term future with us.

Our pub estate encompasses community locals to destination food led pubs in both rural and town centre locations, ranging geographically from Cumbria to the Midlands, and from North Wales to Yorkshire. In the trading environment during the pandemic the geographic diversity of the pub estate and the lack of exposure to major city centres has provided some resilience.

We have been operating tenanted pubs for a long time, and we have a strong reputation for our well-established approach. We strongly value our reputation as a partner of choice, acting with integrity, and focusing on investing alongside proven operators to expand and improve the premises with a focus on establishing good quality food offerings. Where the property has the scope, and we believe the demand exists, we support the development of letting bedrooms. We have an estate of high quality, sustainable businesses with multiple income streams that have the ability to generate attractive cashflows.

Our tenanted pubs are a mature business, looking to deliver returns at least in line with inflation. They tend to be heavily influenced by weather and so are subject to the vagaries of the British summer.

### PUBS PERFORMANCE

The turnover of our tenanted pubs increased year on year by 10%, with EBITDA and operating profit declining marginally in real terms.

This performance was achieved despite significant disruption in the estate from closed pubs and pubs that needed to be re-let, which numbered between 20-25 pubs throughout the year, higher than our historic average. We are continuing to receive high numbers of enquiries from new customers and are taking care to make sure that we match candidates to pubs that we believe will be successful for both parties.

In addition, we have an increasing number of pubs on our Way-Inn Franchise Agreement, which helps to keep pubs open when an operator leaves and we do not have an operator ready to take the pub on with a traditional brewery tenancy, these have increased to 15 pubs at the year end.

Beer volumes increased by 1% year on year with wines and spirits up by 4% and soft drinks 2% ahead. These results reflected an improving trend in the performance of the pubs as people rediscovered the pub over the year after the disruption in the previous two years. Our gross margin improved by 2%, reflecting an ongoing and well-established move towards more premium, higher margin products across all categories. Machine income was a highlight with good growth in the year as a result of an ongoing movement to more attractive digital machines.

The media coverage of the cost of living crisis, labour shortages and supply chain inflation, in addition to the well publicised increase in utility prices have all contributed to a general squeeze on the profitability from running a pub. Financial support was extended to smaller pubs by the government on business rates and also through the Energy Bill Relief Scheme. Despite this scheme, independent operators have suffered from dysfunctionality in the utility market and many have been trapped in high price contracts, as they were forced to contract for periods of up to a year by the utility companies at the very worst time in the last year's utility price spike. Wherever possible we have stepped in to provide further financial support to good, proactive and talented tenants who have been asked to bear extremely high risk premiums on utility rates for the hospitality industry as well as the host of other pressures caused by inflation.

The investments that we have made to improve pub gardens and outdoor trading spaces over the past few years, have been very successful in maximising the opportunities when the weather permits. We have continued to invest in our pubs, although in the current environment the appetite to increase risk from pub tenants is reduced and so large investment schemes are more difficult to deliver. We have completed major schemes in the year at The Observatory, Blackburn, The Highlands, Blackpool and The Stamford Arms, Stalybridge.

### BREWERY

Our craft brewery continues to go from strength to strength. It has won awards for the quality of its ales and the customer feedback on the beers is very positive, although the cask market has been challenged by changing habits. We have received new design awards for our beer range during the year, including our Majestic Imperial IPA at the Craft Brewers Conference in Nashville.

We are in the final stages of developing and launching a new craft keg range which we believe will support the future of our brewery. Cask beers have struggled to maintain their appeal over recent years, as trends have shifted to world lagers and craft keg products. The ability to deliver a high quality cask range will continue to underpin our beer range and brewery for the future.

### UNDERSTANDING OUR INNS

We own and manage a growing portfolio of inns and we will continue to look to expand this segment of our business in the future through the acquisition of high quality properties in outstanding locations.

Our Inns are positioned at the premium end of the market, they have a busy bar at their core, a home cooked food offering and high quality, comfortable accommodation – they focus on providing outstanding hospitality and offer an attractive and more personal alternative to the mid-market hotel chains.

This segment of the market has performed strongly over the past few years and is positioned for continued growth as customers look for something special that is authentic and honest, delivered by operators who can provide a quality experience consistently.

## INNS PERFORMANCE

The turnover in the inns increased by 11% on the previous year, which was a creditable performance given that in the previous year we had benefitted from lower rates of VAT. Despite this increase being at about the headline rate of inflation it was not sufficient to offset major increases in our labour and food costs and, later in the year, utilities. The combination of these factors meant that earnings dropped significantly year on year, a factor that we hope will reverse in the coming year.

We continue to believe that the market for our inns is an attractive one, and when the conditions are right, they trade very well. The biggest scheme of the year was an upgrade of eleven bedrooms at the Manor House at The Red Lion, Burnsall. We acquired staff accommodation in Beverley and Settle, which will be of a significant benefit this coming year in helping us to recruit full teams.

Our sponsorship licence has been invaluable in assisting to build our teams by sponsoring foreign workers to join us. We have recruited people into both our kitchen and front of house teams for roles that we could not fill from within the United Kingdom.

We have applied for planning permission to convert Lendal House in York, which we acquired in October 2021, into bedrooms to complement The Judge's Lodging and we hope to be able to make progress on this project in the coming year.

## UNDERSTANDING OUR HOTELS & SPAS

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Turnover £m | 51.1 | 43.9 | 13.2 |
| EBITDA* £m | 9.2 | 10.1 | (1.0) |
| Operating profit(loss) £m | 6.2 | 7.0 | (4.3) |
| Average number of hotels | 10 | 10 | 10 |

*EBITDA is operating profit before depreciation and is reconciled to operating profit in the Financial Review on page 14.

We own and operate ten hotels which are spread across England. Our hotels are positioned towards the premium end of the market and most have leisure and spa facilities. In recent years we have invested in them to amplify the individual character of each hotel in its local area, supported by a great food and drink offering with local nuances. Our vision, similar to our inns, is to create a collection of interesting, characterful contemporary hotels, that are the best in their local area.

## HOTELS & SPAS PERFORMANCE

Turnover increased by 16%, with spa and health and beauty treatments performing extremely well, up 28% on the previous year. In addition, our corporate business rebounded strongly as the demand for meeting rooms, conferences and events increased by 56% compared to 2022. As elsewhere in the business our sales were not able to keep up with the increases in the cost base and overall profits declined by 11% year on year.

In September 2022 we closed Langdale Chase for a major refurbishment and repositioning of the offer and have high expectations for its future. This is a major undertaking and the project is currently on budget and on time, with a planned reopening date for November 2023.

Despite a tough trading year we have continued to invest in our guest offer and experience, refurbishing rooms at Middletons Hotel, North Lakes Hotel and Spa and Kettering Hotel and Spa and feedback on our new bedrooms has been very positive. We also rolled out our second Fyr Restaurant at the Solent Hotel and Spa, after its success at the North Lakes, and have invested in the restaurant terrace at Thorpe Park Hotel and Spa.

## SUMMARY AND FUTURE DEVELOPMENTS

The escalation of the war in Ukraine and the knock on impact to utilities and food prices, when taken with double digit increases in the minimum wage, made the past year a challenge, with the pub and hospitality industry particularly badly affected. Wherever possible we have sought to protect our profitability through efficiency gains and price rises, although we have worked hard to mitigate these wherever possible.

On a like for like basis once the withdrawal of £1.7m of government support in the previous year has been taken into account the Company has held the line and placed itself in a strong position to rebuild profits over the next few years.

The redevelopment of Langdale Chase is an important and strategic development which we expect will make a worthwhile contribution in the coming years. Elsewhere, we continue to underpin the quality of our offering through continued innovation and investment.

We are seeing significant falls in utility prices, back towards their historic norms, and there is hope that this will now feed through in terms of lower price inflation or price decreases. It seems that much of the fear over the cost of living crisis should recede in the coming months and as it does we would expect consumer confidence to increase and our customers to spend more freely. The Company is in a good position to take advantage of this and its well invested property portfolio and premium positioning gives it the scope to be able to grow its margins and profits.

We are very positive about the prospects for our properties and are now focused on regaining the momentum we had prior to the pandemic and growing our business and profits.

# Financial *Review*

## RESULTS

Turnover for the year ended 31 March 2023 increased by 13% to £108.8m (2022: £96.0m), whilst operating profit was 8% lower at £12.3m (2022: £13.3m)

The measurement of the interest rate swaps at fair value resulted in a credit to the profit and loss account of £6.6m (2022: £3.8m).

Profit before taxation for the year was £15.1m (2022: £12.7m).

## BUSINESS REVIEW

The key issues facing the Group are covered in the Chairman's Statement and Strategic Report. The KPIs used by the Group to monitor its overall financial position can be summarised as follows:

| | **2023** | 2022 |
|---|---|---|
| Group | | |
| | **£m** | £m |
| Turnover | **108.8** | 96.0 |
| EBITDA | **19.1** | 20.1 |
| Depreciation | **6.8** | 6.8 |
| Operating profit | **12.3** | 13.3 |
| Profit before tax | **15.1** | 12.7 |
| Net debt | **66.7** | 61.6 |
| Earnings per share (pence) | **21.9** | 20.6 |
| Pubs and Inns | | |
| | **£m** | £m |
| Turnover | **57.7** | 52.1 |
| EBITDA | **17.6** | 18.8 |
| Depreciation | **3.2** | 3.2 |
| Operating profit (before Group central costs) | **14.4** | 15.6 |
| Average number | | |
| Tenanted | **211** | 219 |
| Managed | **14** | 14 |
| Hotels & Spas | | |
| | **£m** | £m |
| Turnover | **51.1** | 43.9 |
| EBITDA | **9.3** | 10.1 |
| Depreciation | **3.1** | 3.1 |
| Operating profit (before Group central costs) | **6.2** | 7.0 |
| Average number | **10** | 10 |

The principal non-financial indicators monitored by management are:

## PUBS AND INNS

Utility consumption, health and safety incidents, beer volumes, customer ratings and tenant recruitment.

## HOTELS

Utility consumption, room occupancy rates, customer ratings, health and safety incidents, spa memberships and wedding and event numbers.

## INTEREST RATE SWAPS MEASURED AT FAIR VALUE

During the year the £10m of interest rate swaps were settled at a cost of £0.2m, leaving £45m of interest rate swaps at 31 March 2023, which are recognised as a financial liability. The recent increases in interest rates and expectations of further increases led to a reduction in the fair value of these interest rate swaps, which resulted in a credit to the profit and loss account for the year ended 31 March 2023 of £6.6m (2022: £3.8m). See note 18 to the financial statements for further details.

## INTEREST PAYABLE

Net interest payable increased slightly to £4.1m (2022: £4.0m) despite the increase in bank base rate during the year, as £45m of the debt is long term loans at fixed interest rates.

## TAXATION

There is a tax charge of £2.2m on the profit for the year, an effective rate of 14.6%.

## EARNINGS PER SHARE

Earnings per share of 21.9p (2022: 20.6p).

## DIVIDEND

An interim dividend of 0.75p has been paid and the Board recommends a final dividend of 2.4p per share, which will make a total of 3.15p for 2023 (2022: 2.2p), an increase of 43%.

## CASH FLOW AND FINANCING

The Group's net borrowing increased by £5.1m, from £61.6m at 31 March 2022 to £66.7m at 31 March 2023 due to capital expenditure.

The Group has £45m of long-term debt, £22m of bank loans, £1.7m of overdrafts and cash balances of £2.0m at 31 March 2023. The Group has three-year revolving credit bank facilities which were renewed in the first quarter of 2023.

## PENSIONS

The Group made contributions to the defined benefit pension schemes of £0.8m (2022: £1.3m). Whilst these schemes were closed in August 2009, the Group is committed to the long-term funding of the schemes. At 31 March 2023 the schemes had a combined surplus, before tax, of £32.2m which was an increase of £22.1m from £10.1m, before tax, at 31 March 2022. Due to this surplus, the Group agreed with the Trustees to suspend paying contributions to the scheme from December 2022.

The increase in the surplus was due to a significant fall in liabilities due to increases in bond yields during the year.

## PROPERTY

During the year we sold four pubs and two ancillary properties for a total of £3.1m generating a profit against book value, after disposal costs, of £1.4m.

In line with our accounting policy, 20% of our properties were subject to a formal revaluation, and additionally an impairment review was carried out on the rest of our property estate. This resulted in an increase in the total value of our property portfolio of £2.0m, of which £2.4m was added to the revaluation reserve and £0.4m deducted from cost and charged to the profit and loss account.

## TREASURY POLICY AND FINANCIAL RISK MANAGEMENT

Treasury policies are subject to Board approval. All borrowings are in sterling and comprise a mixture of fixed interest loans and facilities carrying SONIA related floating rates. The Group has interest rate swaps for £45m where it is committed to pay the difference between SONIA and fixed interest rates. At 31 March 2023 a financial liability of £3.6m has been recognised in respect of these interest rate swap contracts.

## GOING CONCERN

At 31 March 2023 the Company had total borrowing facilities of £82m, which were made up of the long-term loan of £45m, revolving credit facilities of £35m, and overdraft facilities of £2m. When compared to net debt of £66.7m at 31 March 2023, this gave headroom of £15.3m.

The Company has generated positive operating cashflows over the period, such that it has invested £15.6m in capital expenditure during the year and has comfortably met all of its banking covenants. Its financial modelling shows that it is expected to be cash generative and meet its banking covenants for at least the next twelve months.

The Directors therefore believe that the Company has the cash flows and facilities to meet its needs for the foreseeable future.

**Kevin Wood**
**Finance Director**
20 June 2023

# Promoting the success of our Company - S172 (1) Statement

## OUR APPROACH

As you will see elsewhere in this report, our approach to the running of the business, which we believe underpins its long-term success, is governed by a strong set of principles which create a cultural thread throughout the Company – the culture exists through our teams, but its direction is set by the way the Board behaves and operates.

The success of the Company, in no small part, relies on the partnerships and relationships that we form at all levels, be it with our employees, our customers, our suppliers or any of the other groups that we interact with – and so it has been for all of our 216 year history.

As a Board we have a duty to run the business in such a way that balances the interests and considerations of all of our stakeholders and to promote the business for the benefit of our members.

In governing and directing the business with the interests of our members in mind, we must however consider the interests of our employees, how we manage the ongoing success of our relations and dealings with customers and suppliers, ensure that we have an eye to our communities and the impact that our business has on the environment. An overriding concern is also of course understanding how we maintain, protect and grow our reputation that has been so carefully built up over more than two centuries.

These stakeholder considerations are intrinsically woven through every decision we make. Often these decisions are easy, governed by our principles and just who we are as a family business; they come naturally as a result of our strong heritage, history and desire to run the business with its long terms interests at our core. Sometimes we have to take decisions that seem at the time to be to the detriment of one of more of these groups – when this is the case, we always look to be honest and open, we will be fair and reasonable so that when history judges those decisions with the benefit of hindsight, we have the confidence to stand behind them.

In balancing our approach to running the business, we know that we are successful when we find that our stakeholders want to be associated with Daniel Thwaites.

## OUR EMPLOYEES

### Board Considerations

Our employees and teams are our biggest asset, their hard work, dedication and commitment is the cornerstone of our success and intrinsic to our future. Within the business we are privileged to attract some truly talented individuals, as well as benefiting from the experience, stability and support of many families who have worked with and for Thwaites for decades and through different generations of the same family.

The Board places health, wellbeing and safety at the heart of its decision making. The Company offers the majority of its permanent employees, access to a private healthcare scheme and external support with mental health counselling, where that is needed. Over the past few years, the Board had developed the remuneration structure so that it exceeded the National Living Wage, and this remains its medium-term objective, although in the current environment there are challenges to this.

### Employee Communications

Keeping our teams abreast of developments has historically been done through management briefings, annual results briefings and a Company newsletter.

In addition, we operate a companywide open-forum social network which has a high level of take up and has proved very popular.

### Diversity and inclusion

Our preference wherever possible is to create development pathways within the business to allow for development of an individual's career, which also has the advantage of identifying individuals who have a strong cultural fit with the business. The Company advertises vacancies both internally and externally, with the objective of filling vacancies with the best candidate for the role based upon attitude, skills, experience and knowledge.

The Company operates an equal opportunities policy that looks to promote fairness and not to discriminate in any way. It is our policy to give equal opportunity to disabled persons where they have the ability to fulfil a role and where we are able to provide a role, we will support them as part of our family.

### Training and development

From the moment that someone joins our family business it is our responsibility to ensure that they feel welcome and enabled to do their role to the best of their ability. We recruit people who we believe will fit well within our business and have a mixture of both on the job training, internal and external training to ensure that they have the right tools for the job.

New starters receive an induction into the business and onboarding into their role. We have internal review and development process called ELMA, which is quite simply a conversation - designed to give our managers an opportunity to talk to their team members about the difference that they make to the Company, how things are going and what personal goals we can set to help them to enjoy their job more and make more of a difference to the success of our business.

## OUR SHAREHOLDERS

### Board Considerations

All Board decisions are made with the long-term success of the business in mind, which ultimately is in the best long-term interests of the members.

This requires a balance between returns today, in the form of dividends, and returns in the future through investment that will help to grow the profits and pay dividends in years to come. Where these conflict, investment today to protect the strength of the business in the future will prevail.

### Shareholder Communications

The company responds to shareholder letters and queries promptly as they arise, it consults with the family representative on key strategic decisions.

### Annual General Meeting (AGM)

The Board encourages shareholders to attend in order to meet the directors and ask questions. When this is not possible the Board encourages all shareholders to exercise their voting preferences by using the proxy cards that are included in the notice of meeting.

The Company website is regularly updated and provides addition information.

## OUR COMMUNITIES

### Board Considerations

### Charitable Giving

Our business is linked into local communities across the whole of the north-west of England as well as further afield through our network of properties. We have a long history of charitable giving and we continue to support local charities both around our head office and also around our pubs and hotels the length and breadth of England.

The Board sets aside a charitable fund as part of the budgeting process each year, based upon affordability, on top of which initiatives across the business raise additional charitable donations each year.

### Energy Usage and Carbon Footprint

The Company has for a long time been a believer in investing to reduce its energy consumption and carbon footprint both because it is the right thing to do for the environment and because judicious investment can provide sensible financial returns. Where investment is made to reduce the Company's environmental impact the Board applies a slightly reduced hurdle rate to its investment returns.

### Waste

One of the largest areas of waste in the hospitality industry is food waste. The Board monitors food waste and has set objectives to reduce this.

## OUR CUSTOMERS AND SUPPLIERS

### Board Considerations

Our business model depends on strong partnerships with our suppliers in order to be able to fulfil the needs and requirements of our customers. The Board promotes the use of local family firms where possible in order to support local communities and other family businesses. Wherever possible the Board directs that the Company should buy British, in order to support British businesses and minimise logistics and food miles. The Company agrees terms with our suppliers and as a matter of principle pays them to those terms insofar as there is no dispute. Where possible the Board approves multi-year contracts in order to secure certainty of supply of goods and services for a known period at a known price.

## PENSIONERS

### Board Considerations

The Company administers two defined benefit pension schemes that were closed to new members and future accrual many years ago. The Board is wholly committed to meeting the obligations of these schemes over time in and to funding any deficits over periods agreed with the Pension Trustees.

The Board supervises the funding position of these schemes and works with the Trustees on investment policy, tactical projects to strengthen the funding position and recovery plans with the objective of managing the wind own of these schemes in such a way that contributions from the Company are balanced with risks taken within the schemes whilst not jeopardizing the long-term sustainable growth of the business which ultimately underpins the Company's covenant to the schemes.

## KEY DECISIONS

The key decisions that were made during the year included the following:

- Selling price increases to recover cost inflation whilst minimising the impact on customer volumes and spend
- Timing and duration of utilities contracts
- Working with the pension fund trustees on investment strategy in an uncertain environment
- The significant investment in the refurbishment of Langdale Chase, Windermere
- Bedroom refurbishment projects at Middletons, York and the Red Lion, Burnsall
- The acquisition of a number of staff houses to aid staff recruitment in challenging areas
- The disposal of four bottom end pubs and the decision to put further properties on the market

# Principal Risks and *Uncertainties*

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **Economic** | | |
| PANDEMIC OR OTHER MAJOR WORLD EVENT | A major world event could have a significant impact on the business. The Covid-19 pandemic had a significant impact on the hospitality industry. The Company had never previously envisaged the closure of the total business for long periods of time under directive of the UK Government. The closure had a severe detrimental impact on turnover, profitability and cash flow. Subsequently, the war in Ukraine has added additional pressure due to substantial increases in energy and food prices. | The Company demonstrated during the pandemic that it could take prompt and decisive action to immediately reduce costs, minimise cash burn and focus on ensuring the Company had sufficient banking facilities to ensure it could navigate its way through the crisis. Selling prices have been increased where possible to partially mitigate the impact of price increases, whilst not deterring customers due to the cost of living crisis. |
| CONSUMER CONFIDENCE | The Company's business operations are sensitive to economic conditions and in particular to consumer spending. Changes in economic conditions could affect consumer spending and therefore our revenue. | Our business encompasses pubs, hotels and inns, with offers targeted at different consumer groups giving a degree of diversification. |
| COST INFLATION | There is an on-going risk of increases in costs. In particular employment costs, including above inflation increases in the national living wage, utilities and food costs. | All costs are reviewed on a monthly basis, and our purchasing team negotiates to protect against significant cost increases on major inputs. |
| PROPERTY VALUES | Property values are impacted by changes to economic conditions, along with our ability to make disposals at appropriate values. | The long-term value of our properties is regularly assessed. Decisions around investment and disposal are made on an individual site basis. |
| INTEREST RATES | The company has £45m of fixed interest rate swaps on which it is committed to paying the difference between SONIA and the fixed rates. The cost of servicing the swaps is therefore dependent on SONIA. | The SONIA rate is monitored on an on-going basis, along with the buy-out cost of the swaps. Swaps are paid off when the Board considers it to be in the best interests of the Company based upon expectations of future interest rates and the financial position of the Company. |
| PENSION SCHEMES | The company operates two defined benefit pension schemes which have been closed to new entrants for many years. Recent changes to gilt yields have resulted in surpluses on the balance sheet. However, changes to the investment strategy and the assumptions used to calculate the liabilities can have a large impact on the assessment of the pension scheme funding levels | Management closely monitor any developments in relation to pension scheme funding, and work with the Trustees to ensure that appropriate decisions are made on a timely basis. |

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **Regulatory** | | |
| ALCOHOL CONSUMPTION | In recent years the government has increased its focus on alcohol consumption as public concern over alcohol related social problems and the associated health issues has increased. There is a risk that further legislation, including additional tax, may adversely affect the business. | We are committed to acting responsibly and promote safe drinking campaigns in our marketing. We have diversified our business to focus on other income streams, which include accommodation, food and spas. |
| THE TIED PUB MODEL | The beer tie has been the target of ongoing government scrutiny. In addition, the government is currently reviewing legislation on the Pubs Code for larger tenanted pub companies. The nature of this legislation could negatively impact our tenanted pub business. | Our tenanted code of practice has improved the transparency and openness of our tied agreements. We actively monitor proposed legislation and engage with the government directly and through trade bodies. Our tenanted code of practice is updated periodically. |
| HEALTH AND SAFETY | A failure to comply with health and safety legislation (including food safety, allergens and fire legislation) could lead to injury, illness or the loss of life of our customers, employees or tenants, with a resulting reputational and financial impact. | We have a range of policies and procedures in place to ensure compliance with regulatory requirements in relation to health and safety. Independent risk assessments and audits are carried out, and recommendations acted upon. We record, investigate and report on all incidents. |
| GDPR (GENERAL DATA PROTECTION REGULATION) | A breach of confidence data could have a significant reputational and financial impact. | We have a Data Governance and Compliance Group that meets on a regular basis to ensure the appropriate processes and procedures are in place and adhered to in the business. Training is given to all appropriate staff and updated on an annual basis. |
| **Operational** | | |
| SUPPLY CHAIN | Business operations could be adversely affected by any lengthy interruption in supply or large cost increases from suppliers which cannot be passed on to customers. | We review the financial position of our major suppliers to assess the risk of them ceasing to be able to trade. We also have multiple suppliers where possible to ensure limited dependence on an individual supplier. |
| PEOPLE | Our business is highly reliant on the people we employ. Labour or skill shortages, including the impact of Brexit, high employee turnover or failure to recruit and retain the best employees and tenants may impact our ability to deliver our operational and strategic objectives. | We aim to recruit the best people with the right skills and offer training and development opportunities to ensure that we retain them. We have a sponsorship licence to bring skilled labour from abroad. |
| IT SYSTEMS | Our business is increasingly dependent on information systems and technology in order to operate effectively. A prolonged failure could severely impact on the profitability of the business | We have appropriate back-up systems and disaster recovery plans in place. Our key business systems are all hosted in off-site, secure data centres. |
| CYBER ATTACK | A cyber attack could paralyse our operational systems, preventing the business from operating. Ransomware attacks could result in significant financial impact. | We have a range of monitoring and control tools in place in our systems. We perform annual penetration tests by an external consultancy to identify any areas of vulnerability. |

# Principal Risks and *Uncertainties* continued

| RISK | IMPACT | MITIGATION |
|---|---|---|
| **Financial** | | |
| BANKING FACILITIES | We need to ensure that sufficient and appropriate bank facilities are in place to meet the ongoing funding requirements of the business. | Business decisions are taken with regard to their impact on banking arrangements. We meet regularly with our bankers and provide them with appropriate information on the performance of the business. A significant proportion of our debt is long term, by way of debentures with the Prudential Assurance Company Limited. |
| BANKING COVENANTS | The Company has a set of covenants with its lenders which are tested on a regular basis. Failure to achieve these covenants would lead to a default of the loan agreements. | The Board regularly reviews the forecast profitability and cash flows of the business to ensure that it comfortably complies with its covenant requirements. The Company has very long-term relationships with its funders and communicates on a very regular basis, so that any issues that may arise are identified early and appropriate mitigating actions put in place. |
| INTERNAL CONTROLS | We are reliant on maintaining sound systems of internal control to prevent the risk of fraud or material error in the financial statements. | We perform a regular review of our internal control systems to ensure that they remain appropriate and sustainable. |

# *Sustainability*

## Our approach to Sustainability:

### ECOLOGICAL

- Environmentally friendly manufacturing and operations
- Recycling and waste reduction
- Maximum energy efficiency
- Produce and use renewable energy sources
- Focus on regional suppliers

### ECONOMIC

- Quality and craftsmanship
- Best of British
- Do it well, do it once
- Classic timeless designs
- Investments with long lifespans and economic returns

### SOCIAL

- Long term business relationships
- Local employment wherever possible
- Sustainable jobs
- Train and develop talent
- Positive and supportive work environment

Socially responsible, we look to do the right thing.

We keep a close eye on environmental and energy innovations, we look to follow closely where others lead on a sensible path.

We seek to minimise transportation and wherever possible source and employ locally.

Our investments look to minimise their environmental impact, be sustainable and make economic sense.

We value all stakeholders in the business and their interests shape our actions.

### STEAMLINED ENERGY AND CARBON REPORT

The data below includes the brewery, head office and managed sites. Tenanted pub sites are not included as the company is not responsible for, and does not have visibility of, their consumption.

| | 2023 | 2022 |
|---|---|---|
| **Consumption (kWh)** | | |
| Grid-supplied Electricity (scope 1) | 14,451,997 | 13,409,492 |
| Gaseous and other fuels (scope 2) | 22,310,183 | 23,702,391 |
| Transportation | 791,934 | 504,554 |
| **Total** | **37,554,114** | **37,616,437** |
| **Emissions ($tCo_2e$)** | | |
| Grid-supplied Electricity (scope 1) | 2,794.73 | 2,847.24 |
| Gaseous and other fuels (scope 2) | 4,073.20 | 4,376.82 |
| Transportation | 179.91 | 117.52 |
| **Total** | **7,047.84** | **7,341.58** |

Note

Scope 1: consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in daily business operations.

Scope 2: consumption and emissions relate to direct combustion of natural gas, and fuels utilised for company vehicle fleets.

| Intensity Metrics | 2023 | 2022 |
|---|---|---|
| $tCO_2e$/£m Turnover (managed properties) | 64.78 | 76.47 |
| $tCO_2e$/FTE | 6.15 | 6.16 |

We have been working hard over recent years to reduce our impact on the environment, but the increase in utility costs last year moved this to the top of everybody's agenda. We targeted ourselves to reduce our electricity and gas consumption by 20%, half by changing behaviour and half by investment.

In order to change behaviour, we appointed a sustainability champion in each of our managed properties to work with the teams to identify opportunities to reduce consumption and then to ensure that these initiatives were complied with.

In terms of investment, we added Endotherm to all our closed loop heating systems, targeting a 10% reduction in annual gas consumption. This was done in all the managed properties and where possible in the tenanted pubs.

In the previous year, we started a project to install solar panels where possible on our properties, with the first site being the Aztec Hotel in Bristol. We have now installed solar panels on our brewery and have projects underway at a couple more of the hotels. This project has taken longer than we would have liked due to the availability of solar panels. We have implemented voltage optimisation, PIR lights in corridors and low traffic areas and have optimised building management systems to minimise consumption.

We contract to buy electricity for our properties, a large proportion of which is generated from renewable sources.

We have electric vehicle charging points at our head office, our hotels and our larger inns with carparks. Our company car fleet is now over 90% hybrid or fully electric vehicles.

We have provided our pub tenants with practical guides on how to use less energy without impacting guest experience. We have also invested in efficient boilers, voltage optimisation, LED lighting and more efficient cellar cooling arrangements.

We work very closely with our suppliers to offer the highest quality sustainable products and wherever possible we source local products and services. We also buy British wherever possible.

Reducing plastic consumption and food wastage are also key focus areas for us. We are recording and reporting food wastage by site on a daily basis to focus on opportunities to reduce wastage and share best practice. We have removed all single use plastics from our hotel rooms, and have replaced plastic water and milk bottles with refill stations on each corridor.

# Board of *Directors*

## EXECUTIVE DIRECTORS

### Richard Bailey, BA, ACA - Executive Chairman

Richard Bailey joined the Board as a non-executive director in November 2002. He joined the company as Business Development and Strategy Director in November 2009. He was appointed Chief Executive in March 2011. He qualified as a Chartered Accountant with KPMG and has a BA in Economics from Durham University.

### Kevin Wood, MEng, ACA - Finance Director

Kevin Wood joined the Board as Finance Director in March 2010. He qualified as a Chartered Accountant with Pricewaterhouse Coopers, and has an MEng in Chemical Engineering from Nottingham University. He was previously Finance Director of Accsys Technologies plc and held senior finance roles with Arla Foods, Express Dairies and Lloyds Pharmacy.

## NON-EXECUTIVE DIRECTORS

### Mrs Ann Yerburgh, DL

Ann Yerburgh was appointed to the Board in March 1974 and was Chairman from August 2000 until March 2019. She chairs the remuneration committee.

### Andrew Stothert

Andrew Stothert was appointed as an independent non-executive director on 1 January 2019. Until April 2023 he was the Chief Executive of Brand Vista and one of its founding partners.

### Roseanna McKinley

Roseanna McKinley was appointed to the Board on 1 November 2022, and represents the wider ownership interests of the Yerburgh family.

### Mark Fisher BA

Mark Fisher was appointed as an independent non-executive director on 1 June 2019. He was previously the Chief Development Officer for Merlin Entertainments plc, responsible for their business development, creative and brands organisation.

## COMPANY SECRETARY

### Susan Woodward, ACIS

Susan Woodward was appointed Company Secretary in December 2004. She joined the company in 1978, and is a qualified Chartered Secretary.

# Report of the *Directors*

The directors of Daniel Thwaites PLC submit their report and accounts for the financial year ended 31 March 2023.

## ACTIVITIES

The Group's principal activity is the operation of pubs, inns and hotels.

## BUSINESS REVIEW AND FUTURE DEVELOPMENTS

This report should be read in conjunction with the Chairman's Statement and the Strategic Report, which are incorporated in this report by reference and which provide further details of the Group's activities during the year, likely future developments and the risk management objectives and policies.

## DIVIDENDS

The directors have recommended a final dividend of 2.4p to be paid on 9 August 2023 to shareholders on the register at close of business on 13 July 2023. This makes a total dividend for the year of 3.15p.

## DIRECTORS

The directors who held office during the year are set out below:

Richard Bailey, BA, ACA (Executive Chairman)
Kevin Wood, MEng, ACA (Finance Director)
Ann Yerburgh, DL*
Oscar Yerburgh, MA (resigned 1 November 2022)
Roseanna McKinley (appointed 1 November 2022)
†Andrew Stothert*
†Mark Fisher, BA*

*Member of the Remuneration Committee
†Independent Non-Executive Director

In accordance with the Company's Articles of Association, Kevin Wood retires by rotation and, being eligible, offers himself for re-election.

Roseanna McKinley having been appointed as a director since the last Annual General Meeting also retires, and being eligible, offers herself for re-election.

None of the directors had any material interest during the year in any contract of significance in relation to the Group's business.

## DIRECTORS' INDEMNITY

The directors have the benefit of the indemnity provision contained in the Company's Articles of Association. This provision, which is a qualifying third-party indemnity provision, was in force throughout the current financial year and remains in force at the date of this report.

## EMPLOYEE INVOLVEMENT

It is the policy of the Group to keep employees regularly informed on matters of importance and interest. The directors also give attention to all aspects of health and safety within the Group as well as giving disabled persons full and fair consideration in respect of employment, training, career development and promotion. There are also opportunities for employees who become disabled to continue in their employment or to be retained for other positions within the Group. Further information can be found in the Section 172(1) Statement on pages 16 to 17.

## ENGAGEMENT WITH KEY STAKEHOLDERS

In accordance with the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Companies Statement is contained within the Section 172(1) Statement on pages 16 to 17.

## CHARITABLE AND POLITICAL CONTRIBUTIONS

The Group made charitable donations of £21,500. The Group made no political contributions.

## SIGNIFICANT SHAREHOLDINGS

So far as the Company is aware the following shareholders held legal or beneficial interests in ordinary shares of the company exceeding 3% as at 31 March 2023:

| | |
|---|---|
| Mrs A Yerburgh | 6.3% |
| Yerburgh Family Settlement Trusts | 34.2% |
| Albany Trustees | 14.8% |

## CLOSE COMPANY PROVISIONS

In the opinion of the directors the Company is a close company within the definition of the Corporation Tax Act 2010.

## DIRECTORS' RESPONSIBILITIES IN RELATION TO THE COMPANY'S AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps that he or she ought to have taken as a director (i) to make himself or herself aware of any relevant audit information and (ii) to establish that the Company's auditor is aware of that information.

## AUDITOR

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP is to be proposed at the Annual General Meeting.

By order of the Board

**Mrs S I Woodward**
**Secretary**
20 June 2023

# Corporate *Governance*

## QUOTED COMPANIES ALLIANCE

The Company's shares are listed on the Apex segment of the Aquis Stock Exchange (AQSE), which requires the Company to work towards, where possible, compliance with the Quoted Companies Alliance Corporate Governance Code.

The following statement describes how the Board has applied the principles of Corporate Governance.

## THE BOARD AND COMMITTEES

The Board includes two executive, two non-executive and two independent non-executive directors. All appointments to the Board are for a specified term. All directors are subject to re-election by rotation, one third of their number each year and their re-election is subject to shareholder approval. All newly appointed directors stand for re-election at the Annual General Meeting following their appointment. All the directors of the Company are resident in the UK and bring a wide range of skills and experience to the Board. The Board meets regularly throughout the year and has matters referred to it for approval including strategy, annual budgets, the rolling five year financial plan, general treasury and risk management policies.

Major capital acquisitions and disposals are authorised by the Board which also monitors the post investment performance.

There is an established procedure whereby directors, in furtherance of their duties, may take independent professional advice at the expense of the Company. The Board ensures that all directors continually update the skills and knowledge required to fulfil their role both on the Board and on board committees. All directors have access to the advice and services of the Company Secretary.

The Board has not established an Audit Committee as the directors consider that the current arrangements with the external Auditor are effective. The Board regularly monitors and reviews the Auditor's independence, objectivity and effectiveness. The Auditor meets with the non-executive directors prior to the commencement of the audit and attends the board meeting at which the annual accounts are approved. The Board gives full consideration to all reports received from the Auditor.

As all Board appointments are formally considered by the Board, there is no need for a Nominations Committee.

## REMUNERATION REPORT

The Remuneration Committee meets regularly and, having taken the relevant advice, determines on behalf of the Board the remuneration package of the executive directors and other senior executives. The Remuneration Committee aims to ensure that remuneration packages are competitive and designed to attract, retain and motivate directors and executives of the right calibre.

In particular, the Committee has regard to the levels of remuneration in the Group and in specific sectors and businesses with which Group companies compete and is also sensitive to salary levels in the wider community. The Group operates performance related reward policies, designed to provide the correct balance between fixed and variable remuneration.

## INTERNAL CONTROL

The Board acknowledges its ultimate responsibility for all aspects of the system of internal control and risk management and for reviewing its effectiveness. During the year both the internal control and risk management systems have been reviewed by the Board.

In establishing these systems, the directors have considered the nature of the Group's business with regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The primary responsibility for the day to day operation of the systems of internal control and the identified primary risks facing the Group is delegated to the Executive Directors.

The following key features of the system, which have remained unchanged during the year, are:

- reports to the Board from operating divisions on a regular basis
- comprehensive annual budgeting with results reported monthly against budget
- forecasts regularly updated and reported to the Board
- cash flow forecasting on a rolling five-year basis
- capital expenditure feasibility reports with post completion appraisals

- physical and computer security issues and contingency planning
- well-structured financial and administration functions reporting regularly to the Board
- risk management review and monitoring of those risks

## INVESTOR RELATIONS

Communications with shareholders are given a high priority with information provided regularly in interim and annual financial statements and any issues of concern can be addressed to the Board by any shareholder. All shareholders are encouraged to attend the Annual General Meeting where they are given an opportunity to question the Chairman and the Board.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Susan Woodward**
**Company Secretary**
20 June 2023

# Independent Auditor's *Report*

Independent auditor's report to the members of Daniel Thwaites PLC

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Daniel Thwaites PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard in the United Kingdom and Republic of Ireland. (Generally Accepted Accounting Practice).

## 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 remain independent of the Group and the Parent 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## 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 the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Challenged the assumptions used in the Directors' base case forecast by comparing forecast performance to that historically achieved, comparing actual performance achieved post year end to the forecast, and checking that any significant cash outflows had been correctly included in the forecast;
- Obtained an understanding of the required financing facilities by reviewing third party documentation, including the nature of the facilities, repayment terms, covenants and attached conditions;
- Assessed the facility and covenant compliance headroom calculations with the existing and proposed covenants on both a base case scenario and the Directors' reverse stress test scenario;
- We have verified the renewal of the RCF facility in March 2023;
- Challenged the appropriateness of the Directors' assessment of going concern by testing the mechanical accuracy, assessing historical forecasting accuracy, understanding the directors' consideration of downside sensitivity and the impact on facilities and covenants;
- Reviewed mitigating actions and cost savings identified by the Directors for their potential ability to be implemented should the downside scenarios occur; and
- Considered whether the disclosures in the financial statements adequately reflect the Directors' assessment of the going concern.

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 the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

| | | 2023 | 2022 |
|---|---|---|---|
| COVERAGE | Group profit before tax | 100% | 100% |
| | Group revenue | 100% | 100% |
| | Group total assets | 100% | 100% |
| KEY AUDIT MATTERS | Valuation of Properties | Yes | Yes |
| MATERIALITY | Group financial statements as a whole<br>£3,000,000 (2022: £2,900,000) based on 1% (2022: 1%) of Total assets. | | |

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The parent company Daniel Thwaites PLC is the only trading company in the Group with all subsidiary companies being dormant throughout the year, as such we have completed an audit on the Group as a single aggregated set of financial statements. Our audit was risk based and was scoped by obtaining an understanding of the Group and assessing the risks of material misstatement in the financial statements at the Group level.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## VALUATION OF PROPERTIES

The relevant accounting policy is discussed at page 39 along with the significant estimates and judgements. The revaluations during the period are discussed at Note 11.

Land and properties include properties revalued both internally by the groups own professional staff and externally by external valuation experts. Given the size of the valuation of these properties on the Group's balance sheet and the judgemental nature of valuations, a small change in the assumptions and estimates used in this valuation could lead to a significant and material impact on the Group's total assets, and we have therefore determined this to be a key audit matter, along with the associated disclosures.

## HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained assurance over the valuation by obtaining a breakdown of the property portfolio valuation for the year and agreed the externally valued properties to third party supporting documentation. The internally valued property calculations were re-cast and we checked that the methodology has been applied consistently throughout the portfolio. We assessed both the internal and external valuers' objectivity and professional qualifications through a review of their qualifications and review of reports produced.

We included valuations experts in the audit team to assist us to review the outputs from the third party valuation to check the methodology used was in line with industry standards. We also performed sensitivities on the fair maintainable trade values used in management's valuations to ensure the valuation is within an acceptable range.

For a sample of the internal valuations we reviewed key inputs to the model to check that the key estimates used by management were appropriate and in line with the ranges indicated by the external valuations completed. If the inputs were outside the indicated range, further challenge and enquiry of management as to the recoverability of the asset carrying value was made, this includes a review and comparison to historical performance and EBITDA.

We considered whether the disclosures in the financial statements with respect to the revaluation amounts, external valuer's qualifications and the valuation methodology are in line with the requirements of the accounting standards.

## KEY OBSERVATIONS

Based on the procedures performed the valuation of the property portfolio is in line with industry standards and the assumptions and estimates used in the valuation of properties are reasonable. The disclosures in the financial statements are in line with accounting standards.

# Independent Auditor's *Report* continued

## OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

| | GROUP AND PARENT COMPANY FINANCIAL STATEMENTS | |
|---|---|---|
| | 2023 | 2022 |
| MATERIALITY | £3,000,000 | £3,000,000 |
| BASIS FOR DETERMINING MATERIALITY | 1% of Total assets | 1% of Total assets |
| RATIONALE FOR THE BENCHMARK APPLIED | We believe this is of most interest for the users of the financial statements as it shows the strength of the balance sheet. The parent company is the only non-dormant company within the Group therefore the parent company materiality is equal to the Group materiality. | |
| PERFORMANCE MATERIALITY | £2,100,000 | £2,100,000 |
| BASIS FOR DETERMINING PERFORMANCE MATERIALITY | 70%<br>We considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's internal controls and management's attitude towards proposed adjustments. | |

## SPECIFIC MATERIALITY

We determined that for revenue and derivative financial instruments, a misstatement of less than materiality could influence the economic decisions of users. As a result, we determined materiality for these items to be £758,000 based on 5% of the Group's profit on ordinary activities before taxation (2022: £420,000 based on 0.5% of the Group's gross expenditure). We further applied a performance materiality level of 70% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

## REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £90,000 (2022: £90,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

## OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and 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.

In the light of the knowledge and understanding of the Group and Parent 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.

### Matters on which we are required to report by exception

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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements 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.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of directors' responsibilities, 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's and the Parent 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 Parent 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.

## EXTENT TO WHICH THE AUDIT WAS 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance including the Board; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be UK GAAP, the Companies Act 2006, UK tax legislation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation and the Bribery Act 2010.

Our procedures in respect of the above included:

- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance including the Board regarding any known or suspected instances of fraud;

- Obtaining an understanding of the Group's policies and procedures relating to:
  – Detecting and responding to the risks of fraud; and
  – Internal controls established to mitigate risks related to fraud;
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be related to posting inappropriate journal entries, management bias in accounting estimates, and revenue cut off.

Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the revaluation of fixed assets (see key audit matter above);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords;
- Testing a sample of revenue transactions within a specified window pre and post year end to determine if they have been recorded in the correct period;
- Discussions with management and the Board, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud ;
- Review of minutes of Board meetings throughout the period for any mention of fraud or irregularities; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## USE OF OUR REPORT

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Stuart Wood (Senior Statutory Auditor)**
**For and on behalf of BDO LLP, Statutory Auditor**
**Manchester, UK**
**20 June 2023**

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Financial *Statements*

## Group Profit and Loss Account

for the year ended 31 March 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| Turnover | 1 | 108.8 | 96.0 |
| Cost of sales | | (85.2) | (72.7) |
| Gross profit | | 23.6 | 23.3 |
| Distribution costs | | (4.4) | (3.3) |
| Administrative expenses | | (8.4) | (9.4) |
| Other operating income | 3 | 0.1 | 1.7 |
| Operating profit before property disposals | 2 | 10.9 | 12.3 |
| Property disposals | | 1.4 | 1.0 |
| Operating profit | | 12.3 | 13.3 |
| Net interest payable | 5 | (4.1) | (4.0) |
| Gain on interest rate swaps measured at fair value | 16 | 6.6 | 3.8 |
| Finance income (charge) on pension asset | 10 | 0.3 | (0.4) |
| Profit on ordinary activities before taxation | 1 | 15.1 | 12.7 |
| Taxation on profit for the year | 6 | (2.2) | (0.6) |
| Profit on ordinary activities after taxation | | 12.9 | 12.1 |
| Earnings per share | 8 | 21.9p | 20.6p |

## Statement of Comprehensive Income

for the year ended 31 March 2023

| | 2023 £m | 2022 £m |
|---|---|---|
| Profit on ordinary activities after taxation | 12.9 | 12.1 |
| Surplus on revaluation of land and properties | 2.4 | 2.2 |
| Recognised actuarial gain on pension schemes | 21.1 | 29.1 |
| Movement on deferred tax relating to actuarial gain | (5.3) | (7.3) |
| Total recognised gain for the year | 31.1 | 36.1 |

# Group Balance Sheet

as at 31 March 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 11 | 302.0 | 292.9 |
| Investments | 12 | 0.8 | 0.6 |
| | | 302.8 | 293.5 |
| **Current Assets** | | | |
| Stocks | 14 | 0.9 | 0.7 |
| Trade and other debtors | 15 | 5.9 | 5.5 |
| Cash at bank and in hand | | 2.0 | 5.4 |
| | | 8.8 | 11.6 |
| **Creditors due within one year** | | | |
| Trade and other creditors | 16 | (20.0) | (20.6) |
| Loan capital and bank overdraft | 17 | (1.7) | (22.0) |
| | | (21.7) | (42.6) |
| **Net current liabilities** | | (12.9) | (31.0) |
| **Total assets less current liabilities** | | 289.9 | 262.5 |
| **Creditors due after one year** | 16 | (80.1) | (60.0) |
| **Net assets excluding pension asset** | | 209.8 | 202.5 |
| Pension asset | 10 | 32.2 | 10.1 |
| **Net assets including pension asset** | | 242.0 | 212.6 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | 14.7 | 14.7 |
| Capital redemption reserve | 21 | 1.1 | 1.1 |
| Revaluation reserve | 21 | 77.2 | 75.1 |
| Profit and loss account | | 149.0 | 121.7 |
| **Equity shareholders' funds** | | 242.0 | 212.6 |

The accounts on pages 33 to 55 were approved and authorised for issue by the Board of Directors on 20 June 2023 and signed on its behalf by:

**Richard Bailey**
**Chairman**

**Kevin Wood**
**Finance Director**

Company Registered No. 51702

# Group and Parent Statement of Changes in Equity

for the year ended 31 March 2023

| | Called-up share capital £m | Capital redemption reserve £m | Revaluation reserve £m | Profit and loss account £m | £m |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **At 31 March 2021** | 14.7 | 1.1 | 74.8 | 85.9 | **176.5** |
| Profit for the year | - | - | - | 12.1 | **12.1** |
| Recognised actuarial gain on pension schemes | - | - | - | 29.1 | **29.1** |
| Movement on deferred tax relating to actuarial gain | - | - | - | (7.3) | **(7.3)** |
| Surplus on property revaluation | - | - | 2.2 | - | **2.2** |
| **Total comprehensive income** | - | - | 2.2 | 33.9 | **36.1** |
| Dividends paid | - | - | - | - | **-** |
| Transfer on disposal of properties | - | - | (1.9) | 1.9 | **-** |
| **At 31 March 2022** | 14.7 | 1.1 | 75.1 | 121.7 | **212.6** |
| Profit for the year | - | - | - | 12.9 | **12.9** |
| Recognised actuarial gain on pension schemes | - | - | - | 21.1 | **21.1** |
| Movement on deferred tax relating to actuarial gain | - | - | - | (5.3) | **(5.3)** |
| Surplus on property revaluation | - | - | 2.4 | - | **2.4** |
| **Total comprehensive income** | - | - | 2.4 | 28.7 | **31.1** |
| Dividends paid | - | - | - | (1.7) | **(1.7)** |
| Transfer on disposal of properties | - | - | (0.3) | 0.3 | **-** |
| **At 31 March 2023** | 14.7 | 1.1 | 77.2 | 149.0 | **242.0** |

| | Called-up share capital £m | Capital redemption reserve £m | Revaluation reserve £m | Profit and loss account £m | £m |
|---|---|---|---|---|---|
| **Parent** | | | | | |
| **At 31 March 2021** | 14.7 | 1.1 | 51.5 | 108.1 | **175.4** |
| Profit for the year | - | - | - | 12.1 | **12.1** |
| Recognised actuarial gain on pension schemes | - | - | - | 29.1 | **29.1** |
| Movement on deferred tax relating to actuarial gain | - | - | - | (7.3) | **(7.3)** |
| Surplus on property revaluation | - | - | 2.2 | - | **2.2** |
| **Total comprehensive income** | - | - | 2.2 | 33.9 | **36.1** |
| Dividends paid | - | - | - | - | **-** |
| Transfer on disposal of properties | - | - | (1.9) | 1.9 | **-** |
| **At 31 March 2022** | 14.7 | 1.1 | 51.8 | 143.9 | **211.5** |
| Profit for the year | - | - | - | 12.9 | **12.9** |
| Recognised actuarial gain on pension schemes | - | - | - | 21.1 | **21.1** |
| Movement on deferred tax relating to actuarial gain | - | - | - | (5.3) | **(5.3)** |
| Surplus on property revaluation | - | - | 2.4 | - | **2.4** |
| **Total comprehensive income** | - | - | 2.4 | 28.7 | **31.1** |
| Dividends paid | - | - | - | (1.7) | **(1.7)** |
| Transfer on disposal of properties | - | - | (0.3) | 0.3 | **-** |
| **At 31 March 2023** | 14.7 | 1.1 | 53.9 | 171.2 | **240.9** |

# Group Statement of Cash Flows

for the year ended 31 March 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit before property disposals | | 10.9 | 12.3 |
| Non cash items | | | |
| - Depreciation | | 6.8 | 6.8 |
| - Others including profit or loss on sale of fixed assets | | 0.5 | 0.2 |
| Defined benefit pension contributions | | (0.8) | (1.3) |
| Movement in working capital | | | |
| - Stocks | | (0.2) | (0.2) |
| - Debtors | | (0.4) | 0.5 |
| - Creditors | | - | 9.9 |
| Cash flow from operating activities | | 16.8 | 28.2 |
| Tax (paid) received | | (2.0) | 1.4 |
| **Net cash flow from operating activities** | | 14.8 | 29.6 |
| **Cash flow from investing activities** | | | |
| Payments to acquire tangible fixed assets | | (15.6) | (13.5) |
| Receipts from disposal of tangible fixed assets | | 3.1 | 7.5 |
| Trade loans advanced | 12 | (0.5) | (0.4) |
| Trade loans repaid | 12 | 0.3 | 0.4 |
| **Net cash flow used in investing activities** | | (12.7) | (6.0) |
| **Cash flow from financing activities** | | | |
| Interest paid on loans and overdrafts | | (4.2) | (4.1) |
| Interest paid on interest rate swaps | | (1.3) | (2.3) |
| Repayment of bank loans | | - | (11.5) |
| Equity dividends paid | | (1.7) | - |
| **Net cash flow used in financing activities** | | (7.2) | (17.9) |
| **Net (decrease) increase in cash and cash equivalents** | | (5.1) | 5.7 |
| Cash and cash equivalents at beginning of year | | 5.4 | (0.3) |
| **Cash and cash equivalents at end of year** | | 0.3 | 5.4 |
| **Cash and cash equivalents consist of:** | | | |
| Cash at bank and in hand | | 2.0 | 5.4 |
| Bank overdraft | | (1.7) | - |
| **Cash and cash equivalents** | | 0.3 | 5.4 |
| Loan capital | | (67.0) | (67.0) |
| **Net debt** | | (66.7) | (61.6) |
| **Reconciliation of net cash flow to movement in net debt** | | | |
| (Decrease) increase in cash | | (5.1) | 5.7 |
| Cash flow from decrease in debt | | - | 11.5 |
| | | (5.1) | 17.2 |
| Net debt at beginning of year | | (61.6) | (78.8) |
| **Net debt at end of year** | | (66.7) | (61.6) |

# Parent Balance Sheet

as at 31 March 2023

| | Note | 2023 £m | 2022 £m |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 11 | 302.0 | 292.9 |
| Investments | 12 | 0.8 | 0.6 |
| Investment in subsidiary undertakings | 13 | 11.5 | 11.5 |
| | | 314.3 | 305.0 |
| **Current Assets** | | | |
| Stocks | 14 | 0.9 | 0.7 |
| Trade and other debtors | 15 | 5.9 | 5.5 |
| Cash at bank and in hand | | 2.0 | 5.4 |
| | | 8.8 | 11.6 |
| **Creditors due within one year** | | | |
| Trade and other creditors | 16 | (32.6) | (33.2) |
| Loan capital and bank overdraft | 17 | (1.7) | (22.0) |
| | | (34.3) | (55.2) |
| **Net current liabilities** | | (25.5) | (43.6) |
| **Total assets less current liabilities** | | 288.8 | 261.4 |
| **Creditors due after one year** | 16 | (80.1) | (60.0) |
| **Net assets excluding pension asset** | | 208.7 | 201.4 |
| Pension asset | 10 | 32.2 | 10.1 |
| **Net assets including pension asset** | | 240.9 | 211.5 |
| **Capital and reserves** | | | |
| Called up share capital | 20 | 14.7 | 14.7 |
| Capital redemption reserve | 21 | 1.1 | 1.1 |
| Revaluation reserve | 21 | 53.9 | 51.8 |
| Profit and loss account | | 171.2 | 143.9 |
| **Equity shareholders' funds** | | 240.9 | 211.5 |

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

The parent company made a profit after tax of £12.9m (2022 £12.1m)

The accounts on pages 33 to 55 were approved and authorised for issue by the Board of Directors on 20 June 2023 and signed on its behalf by:

**Richard Bailey**
**Chairman**

**Kevin Wood**
**Finance Director**

Company Registered No. 51702

# Accounting *Policies*

## BASIS OF PREPARATION

Daniel Thwaites PLC is a Public Limited Company incorporated and domiciled in the UK.

These Group and parent company financial statements have applied FRS102 (March 2018) in these Financial Statements, which includes the amendments as a result of the Triennial review 2017.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review and the Risks and Uncertainties section of the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review section of the Strategic Report. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss, investment property, tangible fixed assets measured in accordance with the revaluation model.

## GOING CONCERN

At 31 March 2023, the Group had net debt of £66.7m and available bank facilities of £82m, giving headroom of £15.3m. The bank facilities include the long-term loan of £45m, revolving credit facilities of £35m which were renewed shortly before 31 March 2023 and overdraft facilities of £2m.

A financial model has been prepared, and stress tested, which shows that the Group meets its banking covenants for at least the next 12 months.

The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the annual financial statements.

## SIGNIFICANT JUDGEMENTS AND ESTIMATES

The key area of judgement is the assessment of impairment of the Group's properties. The directors review the book value of each individual property on an annual basis taking into account current and prospective levels of trade and industry published trading multiples based on the location, mix of business and sustainability of that business. It is difficult to apply a sensitivity to this assessment of impairment as trading multiples vary by business type, mix of business and location. In addition, alternative use and development options for properties are also taken into account when assessing potential impairments.

The surpluses on the defined benefit pension schemes are determined using actuarial assumptions. Due to the long-term nature of the liabilities, the assumptions around life expectancy and discount rates are subject to a degree of estimation (see note 10).

Whilst judgements and estimates have been made in assessing asset values and provisions, the directors consider the risk of material adjustment in the next year to be low.

## BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2023. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Under FRS 102 (Sections 1.8 and 1.12) the Company is exempt from the requirement to present its own statement of cash flows.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

## FIXED ASSETS

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Buildings: periods up to 50 years
- plant and equipment: periods between 3 and 25 years
- fixtures and fittings: periods between 5 and 15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Residual value is based on prices prevailing at the date of acquisition or subsequent valuation. Where, because of high estimated residual value, depreciation is immaterial, no depreciation is charged but an annual review for impairment is performed. Both residual values and useful lives are reviewed and adjusted, if appropriate, at each financial year end.

The profit or loss on disposal of properties is the difference between the net amount realised and book value. Valuation differences realised on disposal are transferred from the revaluation reserve to the profit and loss account reserve.

It is the Groups policy to value 20% of its properties by external valuers each year, so that all properties are externally valued over a 5 year period.

Land and properties include properties revalued by external valuers and the Group's own professionally qualified staff.

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

A revaluation loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Revaluation losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. A revaluation loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise, revaluations are recognised in the statement of comprehensive income until the carrying amount reaches the asset's depreciated historic cost. Thereafter, revaluation losses are recognised in the profit and loss account unless it can be demonstrated that the recoverable amount of the asset is greater than its revalued amount, in which case the loss is recognised in the statement of comprehensive income to the extent that the recoverable amount of the asset is greater than its revalued amount.

Revaluation gains are recognised in the profit and loss account only to the extent (after adjusting for subsequent depreciation) that they reverse revaluation losses on the same asset that were previously recognised in the profit and loss account. All other revaluation gains are recognised in the statement of comprehensive income.

## INVESTMENTS

The Group's long-term trade loans are recognised as investments within fixed assets and are stated at cost less amounts provided for impairment losses.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off as impairment losses.

## STOCKS

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

## FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### Derivative financial instruments

Derivative financial instruments in the form of interest rate swaps are recognised at fair value. The gain or loss on re-measurement is recognised immediately in the profit and loss account. Hedge accounting is not carried out.

### Interest-bearing borrowings

Interest-bearing borrowings are recognised at transaction price adjusted for transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### Cash and cash equivalents

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

### TRADE AND OTHER DEBTORS / CREDITORS

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

### IMPAIRMENT OF FINANCIAL ASSETS (INCLUDING TRADE AND OTHER DEBTORS)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### LOANS TO AND FROM SUBSIDIARIES

Loans to and from subsidiaries are non-interest bearing and have no fixed repayment dates, and are therefore disclosed as current assets or liabilities in the parent balance sheet.

### EMPLOYEE BENEFITS

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit asset/liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

## TURNOVER

Turnover represents amounts recognised by the Group in respect of goods and services supplied, exclusive of Value added Tax and trade discounts. Revenue principally consists of food, drink and accommodation sales, which are recognised at the point at which goods or services are provided, rental income which is recognised on a straight-line basis over the lease term and machine income, where net takings are recognised as earned.

## COVID-19 GOVERNMENT ASSISTANCE

Government grants and furlough support are measured at the fair value of the asset received or receivable, where there is reasonable assurance that the assistance will be received and all associated conditions met. Amounts are recognised in the profit and loss account over the period in which the costs to which the grants and support are intended to compensate are expensed, and are reported within other operating income.

## OPERATING LEASE

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

## INTEREST RECEIVABLE AND INTEREST PAYABLE

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

## TAXATION

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on asset revaluations and rolled over taxable gains to the extent that the taxable gains are not offset by carried forward and future taxable losses.

# Notes to the *Accounts*

## 1. TURNOVER AND SEGMENTAL ANALYSIS

Turnover comprises sales to external customers, rents and other trading income, excluding value added tax.

| | Turnover | | Profit before tax | | Net assets | |
|---|---|---|---|---|---|---|
| | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m | **2023 £m** | 2022 £m |
| **Segmental analysis** | | | | | | |
| Turnover (all from UK trade), profit before tax and net assets: | | | | | | |
| Pubs and Inns | **57.7** | 52.1 | **14.4** | 15.6 | **156.1** | 158.8 |
| Hotels | **51.1** | 43.9 | **6.2** | 7.0 | **124.0** | 116.7 |
| Group Central Charges | **-** | - | **(8.3)** | (9.3) | **-** | - |
| Net interest payable | **-** | - | **(3.8)** | (4.4) | **-** | - |
| Gain on interest rate swaps measured at fair value | **-** | - | **6.6** | 3.8 | **-** | - |
| | **108.8** | 96.0 | **15.1** | 12.7 | **280.1** | 275.5 |
| Net pension asset | **-** | - | **-** | - | **32.2** | 10.1 |
| Financial liability for interest rate swaps | **-** | - | **-** | - | **(3.6)** | (11.4) |
| Net debt | **-** | - | **-** | - | **(66.7)** | (61.6) |
| | **108.8** | 96.0 | **15.1** | 12.7 | **242.0** | 212.6 |

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.

## 2. OPERATING PROFIT

| | **2023 £m** | 2022 £m |
|---|---|---|
| Operating profit is stated after charging: | | |
| Depreciation | **6.8** | 6.8 |
| Operating leases - plant and equipment | **0.3** | 0.3 |
| Operating leases - property | **0.1** | 0.1 |
| Pension schemes - defined benefit | **0.7** | 0.7 |
| Pension schemes - defined contribution | **0.8** | 0.7 |

## 3. OTHER OPERATING INCOME

| | **2023 £m** | 2022 £m |
|---|---|---|
| Coronavirus Job Retention Scheme | **-** | 0.8 |
| Coronavirus Business Support Grant | **0.1** | 0.9 |
| | **0.1** | 1.7 |

## 4. AUDITOR'S REMUNERATION

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Fees payable: | | |
| Statutory audit fees (for the parent and the group) | 59.9 | 48.0 |

## 5. INTEREST PAYABLE

| | 2023 £m | 2022 £m |
|---|---|---|
| Interest payable: | | |
| On variable rate loans and overdrafts | 0.9 | 0.8 |
| On fixed rate loans | 3.2 | 3.2 |
| | 4.1 | 4.0 |
| Interest receivable and similar income | - | - |
| | 4.1 | 4.0 |

## 6. TAXATION

| | 2023 £m | 2022 £m |
|---|---|---|
| The tax charge comprises: | | |
| Current tax | | |
| UK corporation tax at 19% | 1.7 | 1.2 |
| Adjustments in respect of prior years | (0.1) | - |
| | 1.6 | 1.2 |
| Deferred tax | | |
| Origination and reversal of timing differences (note 19) | 0.1 | 0.1 |
| Increase in tax rate | - | 0.3 |
| Pension cost relief in excess of pension cost charge including effect of rate changes (note 19) | 0.3 | (1.0) |
| Adjustments in respect of prior years | 0.2 | - |
| | 0.6 | (0.6) |
| Tax on profit on ordinary activities | 2.2 | 0.6 |

The difference between the total tax charge and the amount calculated at the standard rate of corporation tax in the UK of 19% is explained below:

| | 2023 £m | 2022 £m |
|---|---|---|
| Profit for the year | 12.9 | 12.1 |
| Total tax expense | 2.2 | 0.6 |
| Profit on ordinary activities before tax | 15.1 | 12.7 |
| Tax on profit on ordinary activities at standard rate of corporation tax | 2.9 | 2.4 |
| Non-deductible expenditure/non-taxable income | (0.8) | (0.9) |
| Increase in tax rate on deferred tax balances | - | (0.9) |
| Adjustments in respect of prior years | 0.1 | - |
| Tax on profit on ordinary activities | 2.2 | 0.6 |

### 6. TAXATION continued

Factors that may affect future tax charges:

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax asset at 31 March 2023 has been calculated based on these rates.

### 7. DIVIDENDS PAID

| | 2023 £m | 2022 £m |
|---|---|---|
| 2022 final | 1.3 | - |
| 2023 interim | 0.4 | - |
| | 1.7 | - |

The 2022 final dividend of 2.2p per share was paid on 26 July 2022 to shareholders on the register on 1 July 2022. The 2023 interim dividend of 0.75p per share was paid on 10 January 2023 to shareholders on the register on 9 December 2022.

The directors have recommended a dividend in respect of 2023 of 2.4p per share for approval at the Annual General Meeting. This amounts to £1.4m but has not been reflected in the financial statements. The dividend is payable on 9 August 2023 to shareholders on the register on 13 July 2023.

### 8. EARNINGS PER SHARE

| | 2023 £m | 2022 £m |
|---|---|---|
| Profit attributable to ordinary shareholders | 12.9 | 12.1 |
| Gain on interest rate swaps measured at fair value | (6.6) | (3.8) |
| Underlying profit attributable to ordinary shareholders | 6.3 | 8.3 |
| | Number '000 | Number '000 |
| Weighted average number of ordinary shares in issue during the year | 58,828 | 58,828 |
| Earnings per share | 21.9p | 20.6p |
| Underlying earnings per share | 10.7p | 14.1p |

The gain on interest rate swaps measured at fair value is adjusted in calculating underlying EPS, as it is a volatile, non-cash movement linked to changing predictions of future interest rates. A diluted EPS is not presented as there are no dilutive financial investments.

### 9. STAFF COSTS

| | 2023 £m | 2022 £m |
|---|---|---|
| Wages and salaries | 31.5 | 28.9 |
| Social security costs | 2.5 | 2.1 |
| Other pension costs | 0.8 | 0.7 |
| Expenses related to defined benefit scheme | 0.6 | 0.7 |
| | 35.4 | 32.4 |

The costs for 2022 include those staff who were furloughed through the year under the Coronavirus Job Retention Scheme, recoveries from which are shown within other operating income (see note 3).

## 9. STAFF COSTS continued

| | Full time | | Part time | |
|---|---|---|---|---|
| | 2023 No. | 2022 No. | 2023 No. | 2022 No. |
| The average number of persons employed by the Group was: | | | | |
| Pubs and Inns | 286 | 304 | 283 | 263 |
| Hotels | 551 | 624 | 459 | 414 |
| Group central services | 75 | 71 | 9 | 5 |
| | 912 | 999 | 751 | 682 |

## 10. PENSION SCHEMES

### Defined contribution

Eligible employees are able to join the group's defined contribution scheme, the assets of which are held separately from those of the group in an independently administered fund. The pension charge to the profit and loss account represents contributions payable by the group and amounts to £0.8m (2022: £0.7m).

### Defined benefit

The group operates two defined benefit schemes which have been closed to new entrants since 1 April 2001 and closed to future accrual with effect from 31 August 2009. The schemes are funded by contributions from the group and, prior to closure, also from the employees. The assets of the schemes are held separately from the assets of the group in trustee administered funds.

A full actuarial valuation was carried out as at 1 January 2021, the results of this have been updated at 31 March 2023 by a qualified actuary.

The main assumptions used by the actuary were:

| | 2023 | 2022 |
|---|---|---|
| Rate of increase in pensions payment | 3.35% | 3.70% |
| Discount rate | 4.75% | 2.85% |
| Price inflation (RPI) | 3.45% | 3.80% |
| Price inflation (CPI) | 3.05% | 3.40% |
| Cash commutation (proportion taken on retirement) | 60% | 60% |
| Mortality (1959 scheme) | 111% SAPS S3 CMI 2021 1.5% | 111% SAPS S3 CMI 2021 1.5% |
| Mortality (Supplementary scheme) | 95% SAPS S3 L CMI 2021 1.5% | 95% SAPS S3 L CMI 2021 1.5% |

Life expectancies under the 1959 scheme mortality assumptions are shown below:

| | 2023 Years | 2022 Years |
|---|---|---|
| Current pensioners (at 65) - males | 86 | 86 |
| Current pensioners (at 65) - females | 89 | 89 |
| Pensioners retiring in 20 years (at 65) - males | 88 | 88 |
| Pensioners retiring in 20 years (at 65) - females | 91 | 91 |

## 10. PENSION SCHEMES continued

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| | Change in assumption | Impact on scheme liabilities |
|---|---|---|
| Discount rate | decrease 0.25% | increase 3.3% |
| Price inflation (RPI and CPI) | increase 0.25% | increase 0.9% |
| Cash commutation (proportion taken on retirement) | decrease 10% | increase 0.9% |
| Rate of mortality (change to life expectancy) | decrease LTIR 0.25% | decrease 0.2% |

| | Value | |
|---|---|---|
| | 2023 £m | 2022 £m |
| Equities | 44.2 | 113.0 |
| Bonds | 29.2 | 18.9 |
| Multi asset credit | 32.0 | 22.1 |
| LDI | - | 2.7 |
| Gilts | 18.2 | 1.4 |
| Other | 21.2 | 1.5 |
| Fair value of scheme assets | 144.8 | 159.6 |
| Present value of scheme liabilities | (112.6) | (149.5) |
| Surplus in schemes | 32.2 | 10.1 |
| Related deferred tax liability | (8.1) | (2.5) |
| Net pension asset | 24.1 | 7.6 |

The difference between assets and liabilities is extremely volatile; it can alter significantly depending on the date at which the measurements are carried out.

In the year to 31 March 2024, the group does not expect to pay contributions to its defined benefit pension schemes.

| | Scheme assets | | Scheme liabilities | | Net surplus | |
|---|---|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| **Movement in surplus in the year** | | | | | | |
| At the beginning of the year | 159.6 | 149.7 | (149.5) | (169.6) | 10.1 | (19.9) |
| Current service cost | - | - | - | - | - | - |
| Administration costs | (0.1) | - | - | - | (0.1) | - |
| Contributions by employer | 0.8 | 1.3 | - | - | 0.8 | 1.3 |
| Interest on pension liabilities | 4.5 | 3.0 | (4.2) | (3.4) | 0.3 | (0.4) |
| Benefits paid | (7.3) | (5.7) | 7.3 | 5.7 | - | - |
| Actuarial gain (loss) | (12.7) | 11.3 | 33.8 | 17.8 | 21.1 | 29.1 |
| At the end of the year | 144.8 | 159.6 | (112.6) | (149.5) | 32.2 | 10.1 |

## 10. PENSION SCHEMES continued

| | 2023 £m | 2022 £m |
|---|---|---|
| **Group Profit and Loss Account** | | |
| Pension costs charged against operating profit: | | |
| Administration expenses | (0.6) | (0.7) |
| Charge in respect of defined contribution scheme | (0.8) | (0.7) |
| | (1.4) | (1.4) |
| Net interest on pension asset | 0.3 | (0.4) |
| **Total charge** | (1.1) | (1.8) |
| Actual return on scheme assets | (8.2) | 14.3 |
| **Amounts recognised in the statement of comprehensive income** | | |
| Actuarial gain | 21.1 | 29.1 |
| Deferred tax | (5.3) | (7.3) |
| Recognised actuarial gain on pension schemes less related tax | 15.8 | 21.8 |

### Past service cost in respect of defined benefit scheme

The Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC (and others) court judgement on 26 October 2018 provided some clarity in respect of Guaranteed Minimum Pensions (GMP) equalisation and the obligations that this places on schemes. A further judgement in November 2020 gave greater clarity on the impact on past transfer payments.

In the year ended 31 March 2019, an actuarial estimate of the cost of GMP equalisation was prepared using the C2 method in the Lloyds Judgement, and gave an estimated cost of £1.2m for the Daniel Thwaites 1959 Pension Scheme. The scheme actuary believes this estimate is sufficiently prudent such that no increase is required as a result of the latest judgement. The Daniel Thwaites Supplementary Pension Scheme does not contain any GMP and therefore there is no impact of GMP equalisation.

### Relationship between the reporting entity and the trustees (managers) of the defined benefit scheme

The pension assets are held in separate trustee administered schemes to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees to the schemes is determined by the schemes' trust documentation. The Group is responsible for the appointment and removal of the trustees except for the two member nominated trustees of each Scheme who are elected by the membership and can only be removed with the consent of all the trustees.

### Future funding obligations in relation to defined benefit schemes

The most recently completed triennial actuarial valuation of the Group's defined benefit schemes was performed by an independent actuary for the trustees of the schemes and was carried out as at 1 January 2021. Following the valuation, the Group agreed to contribute £0.9m per annum, payable monthly, to the Daniel Thwaites 1959 Pension Scheme and £0.2m per annum to the Daniel thwaites Supplementary Pension Scheme from 1 April 2022. The Group also agreed to pay the amount of the PPF levy as requested and any expenses of the schemes.

Following the significant improvement in the funding position of the schemes during the year, the Group agreed with the trustees to suspend contributions to the Schemes from 1 December 2022 until 1 January 2025, and during this period the Schemes would also pay the PPF levy and the expenses of the schemes.

The next triennial valuations are due to be completed as at 1 January 2024. The schemes provide death-in-service benefits which are insured and the Group pays these insurance premiums directly as requested.

## 11. TANGIBLE FIXED ASSETS

| | Land and properties £m | Plant and machinery £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Group** | | | | |
| **Cost or valuation:** | | | | |
| At 31 March 2022 | 263.3 | 4.8 | 124.6 | **392.7** |
| Capital expenditure | 9.1 | 0.1 | 6.4 | **15.6** |
| Disposals | (1.4) | - | (0.9) | **(2.3)** |
| Revaluation | 2.0 | - | - | **2.0** |
| At 31 March 2023 | 273.0 | 4.9 | 130.1 | **408.0** |
| **Depreciation:** | | | | |
| At 31 March 2022 | 2.1 | 2.2 | 95.5 | **99.8** |
| Charge for the year | 0.2 | 0.4 | 6.2 | **6.8** |
| Disposals | - | - | (0.6) | **(0.6)** |
| Revaluation | - | - | - | **-** |
| At 31 March 2023 | 2.3 | 2.6 | 101.1 | **106.0** |
| **Net book value 31 March 2023** | **270.7** | **2.3** | **29.0** | **302.0** |
| Net book value 31 March 2022 | 261.2 | 2.6 | 29.1 | **292.9** |

As at 31 March 2023, in accordance with Group policy, 20% of the pub estate and two inns were revalued by external valuers, Messrs. Fleurets, Chartered Surveyors. The valuation was on the basis of Existing Use Value in respect of these properties in accordance with the RICS Valuation Standards, Sixth Edition.

At the same date one hotel was revalued by external valuers, Christie & Co., Surveyors, Valuers and Agents. The property was valued on the basis of Existing Use Value as a fully operational individual hotel unit in accordance with the RICS Valuation Standards, Sixth Edition.

In addition, an impairment review was carried out on the remainder of the estate, by the Company's own professionally qualified staff. Valuations are carried out with reference to the fair maintainable trade of the property and appropriate multipliers.

| | 2023 £m | 2022 £m |
|---|---|---|
| Land and properties at cost or valuation: | | |
| Freehold | **245.7** | 236.0 |
| Long leasehold | **27.3** | 27.3 |
| | **273.0** | 263.3 |
| Cost or valuation of land and properties: | | |
| As valued 2023 | **53.8** | - |
| As valued 2022 | **46.0** | 46.2 |
| As valued 2021 and prior | **135.3** | 175.8 |
| At cost* | **37.9** | 41.3 |
| | **273.0** | 263.3 |
| The historical cost of land and properties as shown above: | | |
| Cost | **195.5** | 187.9 |
| Accumulated depreciation | **(2.0)** | (1.8) |
| Net book value | **193.5** | 186.1 |

* Due to the timing of purchase of these assets they have yet to be formally valued. The purchase price is deemed to be a reasonable approximation of the asset's market value.

## 11. TANGIBLE FIXED ASSETS continued

| | Land and properties £m | Plant and machinery £m | Fixtures and fittings £m | Total £m |
|---|---|---|---|---|
| **Parent** | | | | |
| **Cost or valuation:** | | | | |
| At 31 March 2022 | 263.3 | 4.8 | 124.6 | **392.7** |
| Capital expenditure | 9.1 | 0.1 | 6.4 | **15.6** |
| Disposals | (1.4) | - | (0.9) | **(2.3)** |
| Revaluation | 2.0 | - | - | **2.0** |
| At 31 March 2023 | 273.0 | 4.9 | 130.1 | **408.0** |
| **Depreciation:** | | | | |
| At 31 March 2022 | 2.1 | 2.2 | 95.5 | **99.8** |
| Charge for the year | 0.2 | 0.4 | 6.2 | **6.8** |
| Disposals | - | - | (0.6) | **(0.6)** |
| Revaluation | - | - | - | **-** |
| At 31 March 2023 | 2.3 | 2.6 | 101.1 | **106.0** |
| **Net book value 31 March 2023** | **270.7** | **2.3** | **29.0** | **302.0** |
| Net book value 31 March 2022 | 261.2 | 2.6 | 29.1 | **292.9** |

| | 2023 £m | 2022 £m |
|---|---|---|
| Land and properties at cost or valuation: | | |
| Freehold | **245.7** | 236.0 |
| Long leasehold | **27.3** | 27.3 |
| | **273.0** | 263.3 |
| Cost or valuation of land and properties: | | |
| As valued 2023 | **53.8** | - |
| As valued 2022 | **46.0** | 46.2 |
| As valued 2021 and prior | **135.3** | 175.8 |
| At cost* | **37.9** | 41.3 |
| | **273.0** | 263.3 |
| The historical cost of land and properties as shown above: | | |
| Cost | **218.8** | 211.2 |
| Accumulated depreciation | **(2.0)** | (1.8) |
| Net book value | **216.8** | 209.4 |

* Due to the timing of purchase of these assets they have yet to be formally valued. The purchase price is deemed to be a reasonable approximation of the asset's market value.

## 12. INVESTMENTS

| | Trade loans £m |
|---|---|
| **Group and Parent** | |
| **Cost:** | |
| At 31 March 2022 | 0.7 |
| Additions | 0.5 |
| Disposals and repayments | (0.3) |
| At 31 March 2023 | 0.9 |
| | |
| **Provision for dimunition in value** | |
| At 31 March 2022 | 0.1 |
| Decrease in the year | - |
| At 31 March 2023 | 0.1 |
| | |
| **Net book value 31 March 2023** | **0.8** |
| | |
| Net book value 31 March 2022 | 0.6 |

## 13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

| | Shares in subsidiaries £m | Loans to subsidiaries £m |
|---|---|---|
| **Parent** | | |
| **Cost less amounts written off:** | | |
| At 31 March 2022 | 11.5 | (12.6) |
| Movements | - | - |
| **At 31 March 2023** | **11.5** | **(12.6)** |

Loans from subsidiaries are non-interest bearing and have no fixed repayment date.

The company had the following 100% owned subsidiary undertakings all of which were dormant throughout the year:

Shire Hotels Limited, Shire Inns Limited, Lodge on the Park Limited, Park Hotels Limited, Thwaites Inns Limited, Yerburgh Estates Limited, Rosewood Limited, Wirral Inns Limited, Royal Oak Limited, Yates and Jackson Limited, Star Lager Brewing Limited, Preston Breweries Limited, Bury Brewery Limited, Daniel Thwaites (Trustee) Limited, Langdale Chase Hotel Limited, Langdale Chase Limited, Lady Anne Middleton's Hotel Limited.

The registered address is the same for all companies and is given on page 58.

## 14. STOCKS

| | 2023 £m | 2022 £m |
|---|---|---|
| **Group and Parent** | | |
| Finished goods and goods for resale | **0.9** | 0.7 |

## 15. DEBTORS

| | Group | | Parent | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£m** | £m | **£m** | £m |
| **Due within one year** | | | | |
| Trade debtors | **3.6** | 3.3 | **3.6** | 3.3 |
| Other debtors | **0.8** | 0.9 | **0.8** | 0.9 |
| Prepayments and accrued income | **1.5** | 1.3 | **1.5** | 1.3 |
| | **5.9** | 5.5 | **5.9** | 5.5 |

## 16. CREDITORS

| | Group | | Parent | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£m** | £m | **£m** | £m |
| **Group and Parent** | | | | |
| **Due within one year** | | | | |
| Trade creditors | **9.7** | 9.1 | **9.7** | 9.1 |
| Other taxation and social security | **1.8** | 2.0 | **1.8** | 2.0 |
| Other creditors | **3.0** | 3.1 | **3.0** | 3.1 |
| Corporation tax | **0.3** | 0.9 | **0.3** | 0.9 |
| Accruals and deferred income | **5.2** | 5.5 | **5.2** | 5.5 |
| Loans from subsidiaries (note 13) | **-** | - | **12.6** | 12.6 |
| | **20.0** | 20.6 | **32.6** | 33.2 |

| | Group | | Parent | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£m** | £m | **£m** | £m |
| **Due after one year** | | | | |
| Loan capital (note 17) | **67.0** | 45.0 | **67.0** | 45.0 |
| Deferred tax (see note 19) | **9.5** | 3.6 | **9.5** | 3.6 |
| Interest rate swaps | **3.6** | 11.4 | **3.6** | 11.4 |
| | **80.1** | 60.0 | **80.1** | 60.0 |

| **Group and Parent** | **Total** |
|---|---|
| | **£m** |
| **Interest rate swaps** | |
| At 31 March 2022 | **11.4** |
| Interest expense arising from financial liabilities | **(1.2)** |
| Movement in fair value | **(6.6)** |
| **At 31 March 2023** | **3.6** |

## 17. LOAN CAPITAL AND OTHER BORROWINGS

| | 2023 £m | 2022 £m |
|---|---|---|
| **Group and Parent** | | |
| Bank loans - revolving credit facilities | 22.0 | 22.0 |
| Overdrafts | 1.7 | - |
| Term loan | 45.0 | 45.0 |
| | 68.7 | 67.0 |

The term loan is secured by a first floating charge over all of the assets of the parent company and certain subsidiaries and bears interest at an average fixed rate of 7.02% per annum. The term loan is repayable by ten equal annual instalments commencing on 16th December 2025.

In accordance with the terms of the borrowing facilities, the group is required to comply with certain financial covenants. As at, and for the year ended 31 March 2023, the group has complied with the terms of those financial covenants.

Borrowings are repayable as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| After five years | 31.5 | 36.0 |
| Between two and five years | 35.5 | 9.0 |
| | 67.0 | 45.0 |
| On demand or within one year | 1.7 | 22.0 |
| | 68.7 | 67.0 |

Borrowing facilities:

| | 2023 £m | 2022 £m |
|---|---|---|
| The group has the following undrawn committed borrowing facilities available: | | |
| Expiring within one year | 1.3 | 16.0 |
| Expiring between two and five years | 13.0 | - |

## 18. FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. All financial assets and liabilities are denominated in sterling.

The Financial Review section within the Strategic Report provides an explanation of the group's funding, liquidity and interest rate management policies.

The interest rate profile of the group's borrowings was as follows:

| | Fixed rate borrowings £m | Floating rate borrowings £m | Weighted average of fixed borrowings Rate (%) | Weighted average of fixed borrowings Period (years) |
|---|---|---|---|---|
| **At 31 March 2023** | **45.0** | **22.0** | **7.02%** | **6** |
| At 31 March 2022 | 45.0 | 22.0 | 7.02% | 7 |

As at 31 March 2023, the group has interest rate swap contracts with a notional value of £45m. At the year end none of these swap contracts are hedged against current variable rate borrowings.

The primary financial instruments are as follows:

| | Carrying value | |
|---|---|---|
| | **2023 £m** | 2022 £m |
| **Financial instruments that are debt instruments measured at amortised cost** | | |
| Trade loans | **0.8** | 0.6 |
| Cash | **2.0** | 5.4 |
| Trade debtors | **3.6** | 3.3 |
| Other debtors | **0.8** | 0.9 |
| **Financial liabilities measured at amortised cost** | | |
| Loan capital | **(67.0)** | (67.0) |
| Trade creditors | **(9.7)** | (9.1) |
| Bank overdraft | **(1.7)** | - |
| Other creditors | **(3.0)** | (3.1) |
| Accruals | **(5.2)** | (5.5) |
| **Financial liabilities measured at fair value through the profit and loss account** | | |
| Interest rate swaps | **(3.6)** | (11.4) |

## 19. DEFERRED TAXATION

Deferred taxation is provided in the accounts at 25%

The elements of deferred tax are as follows:

| | 2023 £m | 2022 £m |
|---|---|---|
| Accelerated capital allowances | 1.4 | 1.1 |
| Deferred tax excluding that relating to pension asset | 1.4 | 1.1 |
| Deferred tax on pension scheme surplus (note 10) | 8.1 | 2.5 |
| **Total deferred tax liability (included within creditors on the balance sheet)** | 9.5 | 3.6 |
| **Movement in the provision** | | |
| At 31 March 2022 | 1.1 | |
| Deferred tax charged to the profit and loss account (current year movement at 25%) | 0.3 | |
| At 31 March 2023 | 1.4 | |
| **Deferred tax relating to pension surplus** | | |
| At 31 March 2022 | 2.5 | |
| Deferred tax charged to the profit and loss account | 0.3 | |
| Deferred tax charged in the statement of comprehensive income | 5.3 | |
| At 31 March 2023 | 8.1 | |

In addition to the deferred tax liability recognised above, the group has an unrecognised deferred tax asset in respect of capital losses of £0.3m (2022 : £0.7m). This asset has not been recognised due to uncertainty regarding the asset being realised in the future.

## 20. CALLED UP SHARE CAPITAL

| | Allotted and Fully Paid Up | |
|---|---|---|
| | 2023 £m | 2022 £m |
| Ordinary shares of 25p each | 14.7 | 14.7 |

## 21. RESERVES

Revaluation reserve - where property, plant and equipment is revalued, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

Capital redemption reserve - a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

## 22. FUTURE CAPITAL EXPENDITURE

| | Group | | Parent | |
|---|---|---|---|---|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Contracted for but not provided | 5.0 | 0.6 | 5.0 | 0.6 |

## 23. LEASE COMMITMENTS

| | Plant and equipment | | Property | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£m** | £m | **£m** | £m |
| Non-cancellable operating lease rentals are payable as follows: | | | | |
| Within one year | **0.3** | 0.2 | **0.1** | 0.1 |
| One to five years | **0.3** | 0.2 | **0.2** | 0.2 |
| Over five years | **-** | - | **0.1** | 0.2 |
| | **0.6** | 0.4 | **0.4** | 0.5 |

## 24. DIRECTORS' REMUNERATION

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| **Aggregate amount:** | | |
| Directors' emoluments | **958.6** | 865.6 |
| Company pension contributions to money purchase schemes | **23.8** | 22.7 |
| | **982.4** | 888.3 |
| **Highest paid director:** | | |
| Directors' emoluments | **493.4** | 434.2 |
| Company pension contributions to money purchase schemes | **23.8** | 22.7 |
| | **517.2** | 456.9 |

Retirement benefits are accruing to one director under the Group's defined contribution pension scheme (2022: one) and are payable to one director under the Group's defined benefit pension scheme (2022: one).

There is no further compensation of key management personnel other than that disclosed above (2022 : none).

# Annual General *Meeting*

## Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Daniel Thwaites, Myerscough Road, Mellor Brook, Blackburn, Lancashire, BB2 7LB on Thursday, 3 August 2023 at 12.00 noon for the transaction of the following business:

### ORDINARY BUSINESS

To consider, and if thought fit, pass the following resolutions which will be proposed as ordinary resolutions.

1. To receive and adopt the accounts for the year ended 31 March 2023 and the reports of the directors and the auditor, and to approve and declare a final dividend for the year ended 31 March 2023

2. To re-elect Kevin Wood as a director

3. To re-elect Roseanna McKinley as a director

4. To approve and confirm the remuneration of the directors for the year ended 31 March 2023

5. To reappoint BDO LLP as auditor and authorise the directors to determine their remuneration

### SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolutions of which resolutions 6 and 8 will be proposed as ordinary resolutions and resolution 7 as a special resolution.

6. THAT, for the purposes of section 551 of the Companies Act 2006 (the Act) the directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of section 560 of the Act) up to an amount equal to the aggregate nominal amount of the authorised but unissued share capital of the Company provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

   This authority is in substitution for any and all authorities previously conferred upon the directors for the purposes of section 551 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.

7. THAT, subject to the passing of resolution 6 above, the directors of the Company be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by resolution 6 above as if section 561 of the Act did not apply to any such allotment provided that the power conferred by this resolution shall be limited to:

   i. the allotment of equity securities for cash in connection with an issue or offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of equity securities subject only to such exclusions or other arrangements as the directors of the Company may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange in any territory; and

   ii. the allotment (otherwise than pursuant to resolution 7.1) of equity securities for cash up to an aggregate nominal amount of £735,343.

   The power conferred by this resolution 7 shall expire (unless previously renewed, revoked or varied by the Company in general meeting), at such time as the general authority conferred on the directors of the Company by resolution 6 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

8. To authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 25 pence each in the capital of the Company provided that:

   i. the maximum aggregate number of ordinary shares that may be purchased is 5,882,750. Representing 10% of the issued share capital of the Company;

   ii. the minimum price (excluding expenses) which may be paid for each ordinary share is 25 pence.

   iii. the maximum price (excluding expenses) which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share of the Company (as derived from the AQUIS Exchange website) for the five business days immediately preceding the day on which the purchase is made; and

   iv. unless previously renewed, varied or revoked, the authority conferred by this resolution shall expire at the earlier of the conclusion of the Company's next Annual General Meeting and the date which is six months from the end of the Company's next financial year save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

## NOTES

### Resolution 6 – Authority to allot relevant securities

The Company requires the flexibility to allot shares from time to time. The directors are limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006 (the Act).

Accordingly, resolution 7 would grant this authority (until the next Annual General Meeting or unless such authority is revoked or renewed prior to such time) by authorising the directors (pursuant to section 551 of the Act) to allot relevant securities up to an amount equal to the aggregate nominal amount of the authorised but unissued share capital of the Company as at 31 March 2023. The directors believe it to be in the interests of the Company for the Board to be granted this authority, to enable the Board to take advantage of appropriate opportunities which may arise in the future.

### Resolution 7 – Disapplication of statutory pre-emption rights

This resolution seeks to disapply the pre-emption rights provisions of section 561 of the Act in respect of the allotment of equity securities for cash pursuant to rights issues and other pre-emptive issues, and in respect of other issues of equity securities for cash up to an aggregate nominal value of £735,343, being an amount equal to approximately 5 per cent of the current issued share capital of the Company. If given, this power will expire at the same time as the authority referred to in resolution 6. The directors consider this power desirable due to the flexibility afforded by it.

### Resolution 8 - Authority to make market purchases of shares

Resolution 8 seeks authority for the Company to make market purchases of its own ordinary shares. If passed, the resolution gives authority for the Company to purchase up to 5,882,750 of its ordinary shares, representing 10 per cent of the Company's issued ordinary share capital.

Resolution 8 specifies the minimum and maximum prices which may be paid for any ordinary shares purchased under this authority. The authority will expire at the conclusion of the Company's next Annual General Meeting in 2024 or, if earlier, the date which is six months from the end of the Company's financial year which commenced on 1 April 2023.

Any shares purchased under this authority will be cancelled.

As a member of the Company entitled to attend and vote at the meeting convened by this notice you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend and to speak and vote in your place at the meeting. Your proxy need not be a member of the Company.

You may appoint more than one proxy in relation to the meeting convened by this notice provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share.

By order of the Board Susan Woodward, A.C.I.S.

**Secretary**
20 June 2023

# Shareholder *Information*

## REGISTERED OFFICE
Daniel Thwaites PLC
Myerscough Road
Mellor Brook
Blackburn
Lancashire
BB2 7LB

Telephone: 01254 686868

## COMPANY SECRETARY
Susan Woodward, ACIS
susanwoodward@thwaites.co.uk

## REGISTRARS
Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone: 0871 664 0300
www.linkassetservices.com

## AUDITOR
BDO LLP
3 Hardman Street
Manchester
M3 3AT

## FINANCIAL CALENDAR

Annual General Meeting
Thursday 3 August 2023
12.00 noon at Daniel Thwaites, Mellor Brook

Announcement of Interim Results
November 2023

## REGISTERED NUMBER
51702

## SHARE PRICE INFORMATION
The Company's share price is quoted daily in the Financial Times under the AQUIS (AQSE) section.

Further information about the Company is available on our website:

**www.thwaites.co.uk**


WHO'S ABSENT?
Is it You?
CHOP HOUSE
THE HOP HOUSE
CRAFT ROOM
THWAITES
RIBBLE VALLEY

Myerscough Road
Mellor Brook
Lancashire
BB2 7LB

thwaites.co.uk