



A TRANSFORMATIONAL YEAR

Annual Report and Accounts 2020
Fuller, Smith & Turner P.L.C.

A YEAR OF TRANSFORMATION

“It has been a transformational year. The sale of the Fuller’s Beer Business to Asahi for an enterprise value of £250 million completed in April 2019 – an exciting move, full of opportunity, that enables us to reach new heights as a premium pubs and hotels business.”

– Simon Emeny, Chief Executive

AND THERE HAS BEEN A LOT OF OTHER TRANSFORMATION WITHIN THE BUSINESS...

We have been focused on transforming our customers’ experience (page 09), how we manage our portfolio (page 12), the way we use digital (page 16), and how we develop our people (page 19) – all part of building for our long-term future.

Highlights and Contents

Financial and Operational Indicators

- Revenue and other income from continuing operations up 3% to £333.0 million (2019: £324.7 million)
- Pre IFRS 16 profit before tax for total Group operations of £174.5 million (2019: £26.1 million). Statutory profit before tax for total Group operations of £166.2 million
- Basic earnings per share pre IFRS 16 for total Group operations of 305.86p (2019: 35.12p)
- Good performance from Managed Pubs and Hotels pre coronavirus with like for like sales¹ growth of 2.3% for the 49 weeks to 7 March 2020 (2019: +4.9%) – ahead of the industry average
- Like for like growth in all areas of the business – drinks sales up 1.7%, food sales up 1.9% and accommodation sales up 5.9% for the 49 weeks to 7 March 2020
- Steady performance from Tenanted Inns – like for like profits² declined 3% (2019: +1%) in a tough trading environment
- Net debt pre IFRS 16 reduced by £66.3 million to £178.9 million at year end
- Strong returns to shareholders during the year, equating to £1.33 per 'A' ordinary share³
- £162.4 million profit from the sale of the Fuller's Beer Business
- Impact of coronavirus on 2019/20 trading is estimated in excess of £10 million
- Entire pubs and hotels portfolio closed post government coronavirus directive from 20 March 2020 – phased reopening started 4 July with 163 Managed Pubs and Hotels and almost all Tenanted Inns open as of today.

>> For full details of the impact of coronavirus and our plans for the future, please see page 6.

Key Metrics

	Post IFRS 16 ⁷ 2019/20 £m	Pre IFRS 16 2019/20 £m	2018/19 £m	Change Pre IFRS 16
Revenue and other income	333.0	333.0	324.7	+3%
Profit after income tax	161.9	168.6	19.5	+765%
Net debt	291.8	178.9	245.2	n/a
EBITDA ⁴	54.4	44.0	59.5	-26%
Adjusted profit before income tax ⁵	18.0	19.7	33.1	-40%
Separately disclosed items before income tax	(14.8)	(8.2)	(10.1)	n/a
Profit before income tax	166.2	174.5	26.1	+569%
Adjusted earnings per share ⁶	21.41p	23.95p	48.40p	-51%
Basic earnings per share ³	293.70p	305.86p	35.12p	+771%

1 Managed Pubs and Hotels like for like sales excludes The Stable.

2 Operating profit before separately disclosed items and head office costs.

3 Per 40p 'A' or 'C' ordinary share.

4 Earnings before separately disclosed items, interest, tax, depreciation and amortisation from continuing operations.

5 Adjusted profit is the profit before tax and separately disclosed items from continuing operations.

6 Calculated using adjusted profit after tax for continuing operations and the same weighted average number of shares as for the basic earnings per share using 40p 'A' or 'C' ordinary share.

7 IFRS 16 Leases replaces IAS 17.

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Chairman's Statement



Michael Turner, Chairman

“Fuller’s is a Company with time on its side and our long-term vision has never been more relevant. Your Company is in a position of strength as we exit lockdown.”

The last financial year has been truly transformational for Fuller’s – in more ways than we could have imagined. It started with the sale of the Fuller’s Beer Business to Asahi Europe Limited for the enterprise value of £250 million and culminated with the entire estate temporarily closed to our customers and the whole country in a state of lockdown. Against this backdrop, your Company delivered a solid performance and is well-prepared as we start to reopen our premium pubs and hotels.

As a focused pubs and hotels business, we have had a good year delivering £333 million in revenue and other income and £19.7 million of adjusted profit before tax¹. This includes the detrimental impact of the closure of the business during the last month of trading. Prior to the closure of the business, the year to date financial performance was in line with the Board’s expectations and the final quarter was delivering positive results and strong progress. Profit before tax² was £174.5 million including the profit on the sale of the Fuller’s Beer Business.

- 1 Profit before tax before separately disclosed items and IFRS 16 for continuing operations.
- 2 Profit before tax for total Group, pre IFRS 16.

On a like for like basis, our pubs again outperformed the industry with sales rising by 2.3% to 7 March 2020, when we started to see significant financial impact as our customers stayed at home due to the coronavirus outbreak.

Our Balance Sheet remains strong at the reporting date, supported by a predominately freehold estate and significant levels of liquidity. This has been achieved by successive generations of management, who have stuck to their long-term focus and have built the foundations of the business patiently and carefully to withstand financial shocks, however they are caused. This position has been enhanced by the Company being assessed as Investment Grade by our lenders, which has enabled us to access the Bank of England’s Covid Corporate Financing Facility, under which we have issued £100 million of commercial paper to free up capacity in the Company’s revolving credit facilities. We have also agreed amendments to our lending covenants in light of the coronavirus pandemic.

The acquisition of Cotswold Inns & Hotels in October 2019 added 201 bedrooms to our estate, taking us above the 1,000 mark for the

first time. These seven stunning country sites are a wonderful fit with our existing pubs and hotels, and we will be able to learn from their expertise in large scale weddings and corporate events.

Our Tenanted Inns have not had an easy year, trading against a very strong prior year that was bolstered by the World Cup and amazing summer weather. We have a new leader in this part of the business, Iain Rippon, and the expertise he brings from his previous roles in the leased and tenanted sector are already making a real difference.

During the year, Richard Fuller – who has been a member of the Fuller’s team for over 35 years – stepped down from his role as Corporate Affairs Director but remains on the Main Board in a Non-Executive capacity. I would like to thank him for his contribution, in particular his extremely successful 17 years as Sales Director, and I look forward to continuing to work closely with Richard in the future. We were also delighted to welcome Robin Rowland to our Board. Robin is a hospitality industry legend and I cannot think of a time when his experience, energy and vision will be more appropriate and appreciated. As reported at the half year, Jonathon Swaine and Peter Swinburn stepped down and we welcomed Fred Turner to the Main Board as Retail Director. We were very pleased when Adam Councill joined us as Finance Director in August.

Throughout the recent crisis, Simon Emeny and his Executive Team have shown incredible leadership – not just for Fuller’s, but in promoting the case for government support across the industry. I would also like to pay tribute to the 5,000 team members across the business, and to all our Tenants, who have shown great understanding in these difficult times. I am proud to be your Chairman and I thank you all for your support.

Fuller’s celebrates 175 years this year. While it may not feel like a time for celebrations today, we have survived global recessions, world wars, the devastating Spanish Flu epidemic and all manner of unexpected events during our history. Fuller’s is a company with time on its side and our long-term vision has never been more relevant. Your Company is in a position of strength as we exit lockdown.

Dividend

As previously disclosed, we have taken the decision not to propose a final dividend in light of the temporary closure of the estate. However, during the year the Company has returned £69 million to shareholders – the equivalent of £1.25 per ‘A’ ordinary share – in relation to the sale of the Fuller’s Beer Business as well as paying an interim dividend of 7.80p per ‘A’ and ‘C’ ordinary share and 0.78p per ‘B’ ordinary share.

This is the first time in over 70 years that there has been a reduction in total dividend – although the monies returned to shareholders during the year are the highest they have ever been. These are extraordinary and unprecedented times and the Board felt it was prudent not to propose a final dividend. I thank all our shareholders for their understanding in these difficult circumstances and look forward to our normal progressive dividend policy returning in due course.



Michael Turner
Chairman
30 July 2020

Return to shareholders

£69m

Basic earnings per share

293.70p

A FOCUSED, PREMIUM PUBS AND HOTELS BUSINESS

VISION

We create exceptional experiences full of style and spirit – characterful pubs and hotels where everyone feels they belong and where people leave happier than when they arrived.

VALUES

Doing things the right way

- Deep pride and genuine enjoyment for the business we're in
- Integrity, quality, care and attention to detail in everything we do
- Total dedication and passion for everything we do
- Doing the right thing, not just doing things in the right way
- Bringing a positive “can do” attitude to any challenge, always going above and beyond for our customers.

Being part of the family

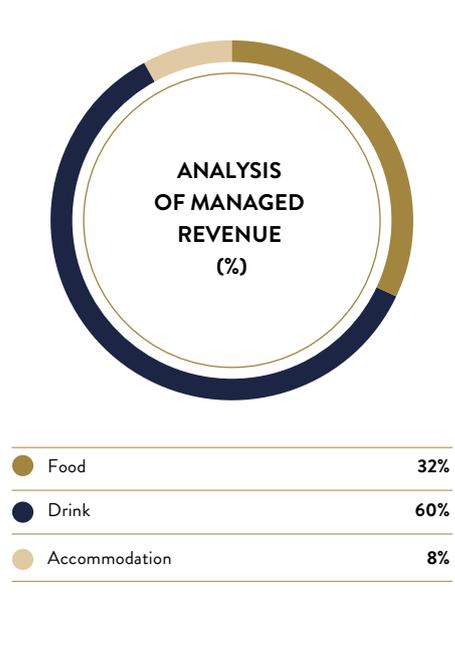
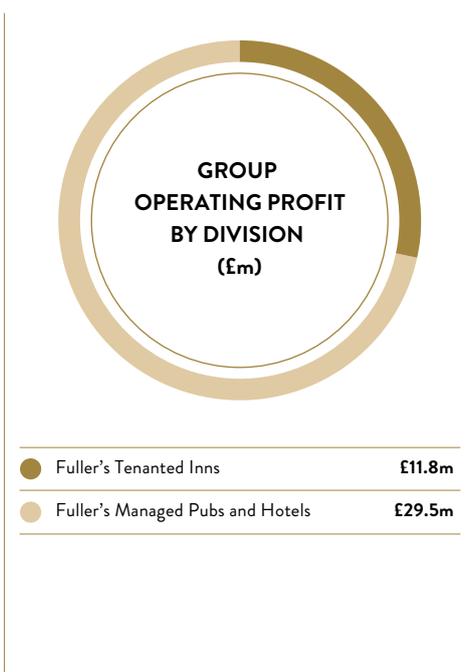
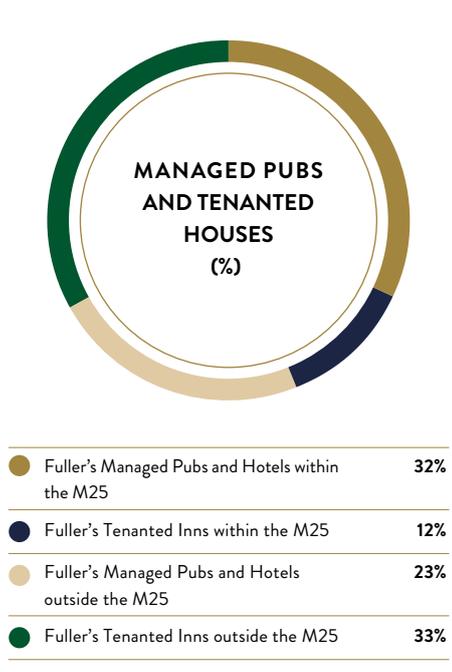
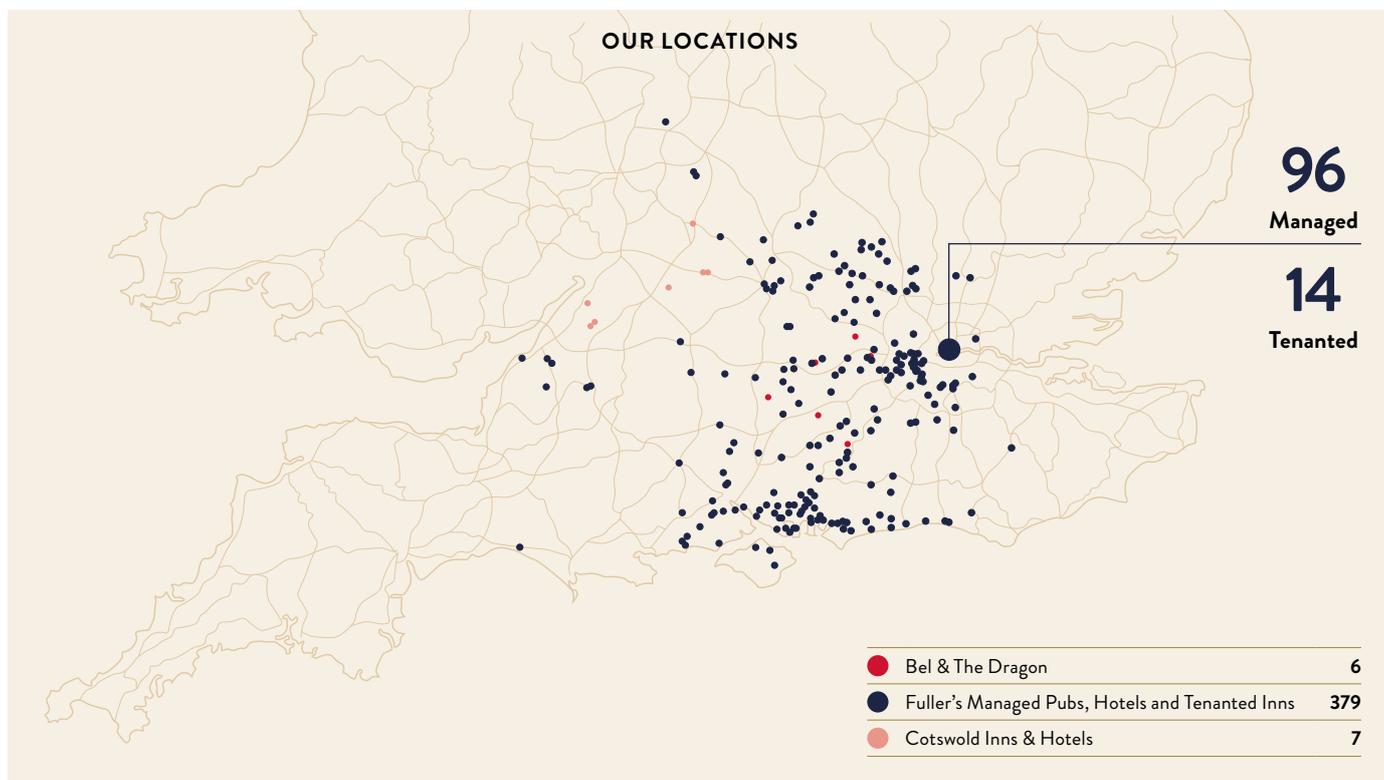
- A family business, in the broadest sense
- Bringing a family ethos and feeling to how we work – one team pulling together, in each pub and hotel, and also together across Fuller's
- A warm sense of belonging – everyone together, including our customers
- Where every member of the family is valued for bringing something special
- Looking out for each other, in a warm environment built on trust and empowerment
- Supporting and respecting each other... and challenging when needed
- Taking the long-term view, not always about short-term gain.

Celebrating individuality

- Nurturing the individuality, spirit and unique character of each person, pub and bedroom, because that's what makes us special
- Believing that it's the individuals who create a great experience... and make that experience come alive
- Embracing the freedom of thought, creativity and diverse personalities that make us who we are
- Where everyone can be who they are... and make a real difference.

Always asking what's next?

- Always asking “what's next?”... for our people, for our customers, for our pubs and hotels
- A restless passion to continuously improve, experiment and make things better
- Encouraging new ideas and creativity in our people
- Outward looking, in touch with our market and customers
- Always changing for the better, but never changing for change's sake
- Embracing the best from our past, thinking creatively about our future.



Room bookings in our Managed Pubs and Hotels

245,300

Cauliflowers used for Sunday roasts during the year

103,000

Employees working in our Managed Pubs and Hotels

4,957

A THREE STAGE PLAN FOR REOPENING

“We will achieve our goal to exit this crisis in the strongest possible position.”

The impact of the coronavirus pandemic started in early March – as consumers started to fear for their health and offices started to encourage their employees to work from home. By the middle of March, the impact was severe – particularly in our City and West End sites – and we started to close pubs from the week of 16 March 2020. On 20 March 2020, following clear instructions from the Prime Minister, we temporarily closed the doors on all of our sites.

The initial response

On the closure of our pubs, we immediately guaranteed all of our employees’ wages for the next two weeks, while we awaited the Government’s response. The Coronavirus Job Retention Scheme (“CJRS”) provided welcome support and we furloughed 99% of eligible employees, retaining a skeleton staff to run essential support functions.

We also took a decision to suspend commercial rent for our Tenants from 15 March 2020. This move was widely welcomed by our Tenants and beyond. From the very start, we had an ambition to emerge from this crisis in the strongest possible position, and we applied the same ethos to our Tenants. We wanted them to emerge in a healthy financial position to seize the opportunity to get their pubs back up and running.

Decisive action to protect cash

On the financial front we started negotiations with our banks, took the decision not to propose a final dividend and our Board and Executive Team took a temporary pay cut of 25% and 20% respectively. All non-essential spending was suspended.

We were pleased to be assessed as Investment Grade by our lenders, which allowed us to access the Bank of England Covid Corporate Financing Facility, under which we issued £100 million of commercial paper to free up capacity in the Company’s revolving credit facilities. We have also agreed amendments to our lending covenants subsequent to year end.

The impact of the coronavirus outbreak on our 2019/20 results is estimated in excess of £10 million and our cash burn was around £4-5 million per month when all our pubs were closed. Our estate is well-invested, which has helped to ensure that we do not incur expensive repair bills as we reopen.

A people first approach

In line with our culture, our people have been front and centre. Regular video updates from the Chief Executive, access to a suite of bite-sized online learning and regular contact with their peers helped to keep us in close contact with our teams while our pubs were closed – and keep them motivated.

As we move forwards, we are working hard to ensure that we give both our teams and our customers the confidence to return and embrace our pubs. For our team members, we are focusing on ensuring they can travel safely, have the tools to give them the confidence that they are safe in the workplace and can keep our customers safe, and ensure we have any PPE that they require.

All our sites have been risk assessed, are using signage to maintain one way systems and social distancing, have intensive cleaning regimes implemented and our teams have received additional training to reduce the chance of coronavirus being an uninvited guest in our pubs and hotels. We surveyed both our teams and our customers to identify areas of key importance and we are grateful for the Government’s VAT cut and the *Eat Out to Help Out* scheme. We also have plans in place to deal with local lockdowns, should they occur. It’s going to be a long journey – but we’ve got the right team, venues and ethos to make it to the end.

Our three stage plan

We are undertaking a three stage plan for reopening.

Stage one, to the end of July, saw us take a measured approach to reopening the estate and we began by opening 27 sites on 4 July. At the end of July we had 75% of our Managed Pubs and Hotels – a total of 163 sites – open, as well as almost all our Tenanted Inns. We continue to keep some of our support centre team on furlough, and use the flexible furlough scheme where appropriate to help reduce our cash burn.

Stage two will run from August to October. We will monitor and evaluate consumer behaviour and use these learnings as we continue to open up the rest of the estate, keeping a close eye on footfall figures in those areas where trade is dominated by local offices. Our focus will be on maximising revenues while keeping costs in check and we will start to reintroduce rent to our Tenants on a tapered basis. We look forward to an additional boost to trade in August from The Chancellor’s *Eat Out to Help Out* voucher scheme.

Stage three will take us from November to March. The estate will be fully open, we will start refinancing discussions and restart our capex programme in the new calendar year.

The road to recovery has just started as we issue this Annual Report – and it is too early to draw serious conclusions on longer term trading – but with our long-term focus, robust plans in place, and the commitment and dedication of our first-class team of people, we will recover. We will achieve our goal to exit this crisis in the strongest possible position.





TRANSFORMING...

Simon Emeny, Chief Executive

“While our long-term goals remain the same, our objectives in the short and medium term have had to adjust to the current unprecedented trading environment.”

When we released our interim statement in December 2019, we were on track to finish the financial year in a good position having received the proceeds from the sale of the Fuller's Beer Business and with a clear future path laid out before us. It had been a transformational year for Fuller's – but we would never have anticipated that we would end it in March with the whole hospitality industry in a state of closure and with no income stream.

We have to deal with the spectre of coronavirus before we can move on to review the rest of the year. The impact on our pubs was severe and started in the second week of March. There was a marked shift in consumer behaviour, and we took the decision to close the most affected pubs during the week commencing 16 March 2020, guaranteeing all wages for at least the ensuing fortnight. On Friday 20 March 2020 we, along with the rest of the hospitality industry, were instructed to close our estate completely by the Prime Minister – which we duly did.

I would like to thank the Government for the speed with which it provided support for furloughed employees and the subsequent additional measures such as the VAT reduction. We took an early decision to cancel commercial rent for our Tenants and we implemented a strategy that focused on being fair to all, be they team members, Tenants, customers or suppliers, and we engaged with all our stakeholders.

Among our initial actions, we furloughed 99% of our eligible team members, our Main Board and Executive Team volunteered to take temporary pay cuts of 25% and 20%

respectively, and we engaged with our banks to ensure their continued support in maintaining our high level of liquidity should the enforced closure be in place for several months. We also took the decision not to propose a full year dividend, to further preserve our cash reserves. Since then, we have renegotiated our financial arrangements and worked on a plan that ensured we started to reopen in the strongest possible position, with our teams ready and raring to go.

Against this backdrop, it is easy to forget that the financial year started in April 2019 with the sale of the Fuller's Beer Business to Asahi Europe Ltd for an enterprise value of £250 million, followed in October 2019 by the acquisition of Cotswold Inns & Hotels – seven stunning hotels in the heart of the Cotswolds – from existing bank facilities. The decision to sell the Fuller's Beer Business at this time has proved fortuitous and ensured we were in a strong position, with substantial liquidity headroom, when the coronavirus pandemic struck. We also made a voluntary £24 million contribution to the defined benefit pension scheme in the second half of the year, reducing our pension deficit to just £4.7 million at the year end.



ENRICHING
... OUR CUSTOMERS' EXPERIENCE

Ensuring “Every Customer Leaves Happy” is what sets us apart. Whether it’s a chef’s signature dish, one-off brews or a calendar of big moments and customer engagement, we will never stop striving to make any visit to a Fuller’s pub a truly memorable one.

(Like these Philadelphia Eagles fans at The Admiralty)

22,500

The number of lights on The Churchill Arms at Christmas and the number of people who watched the switch on through social media

MENUS FOR ALL LIFESTYLES



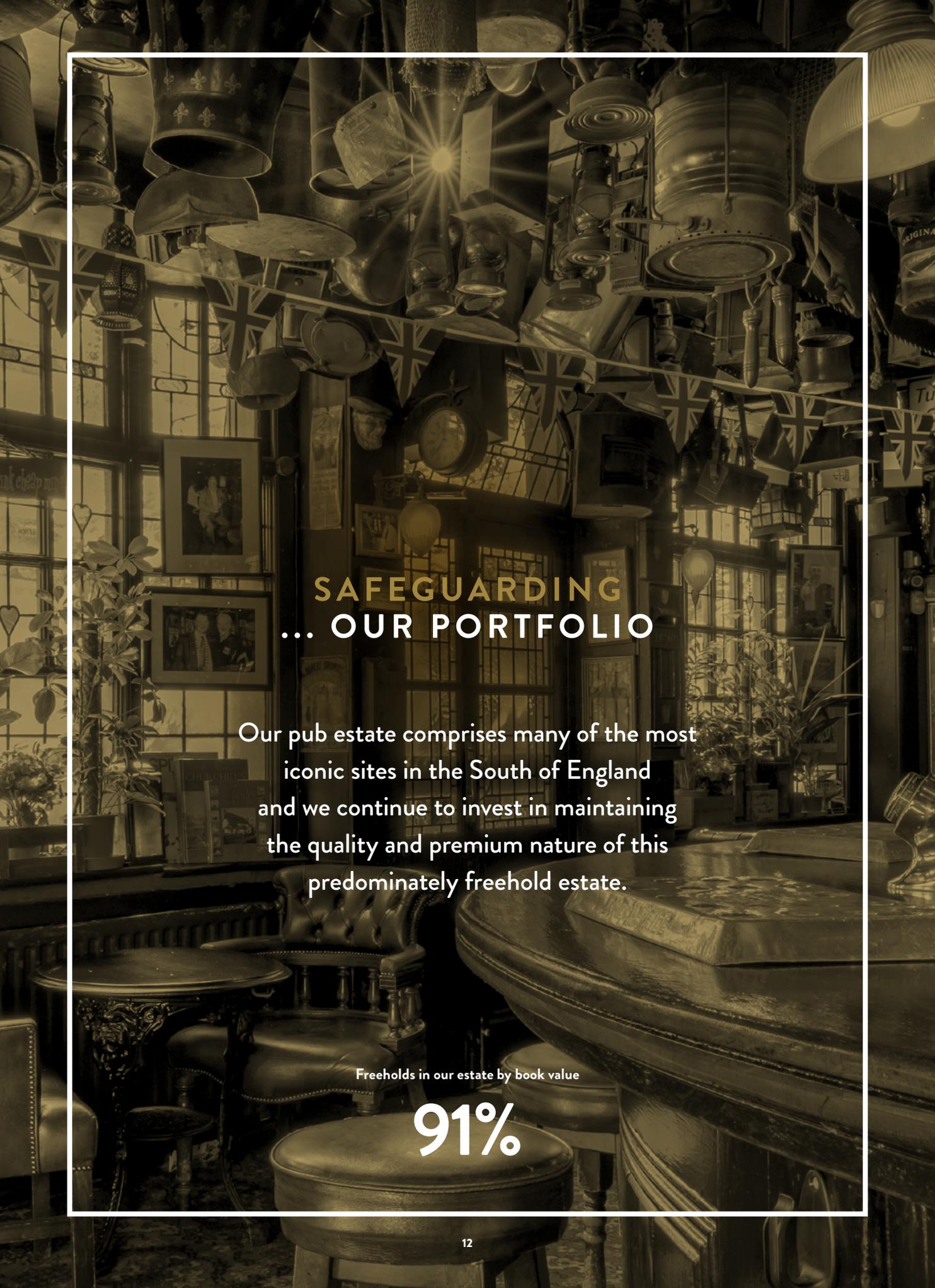
AND TASTEBUDS!

During the year, we have also continued to focus on delivering a wide range of healthier options such as exciting and vibrant low and no-alcohol drinks and additions to our range of vegetarian and vegan dishes. The Sunday roasts holds its position of favour too though, with sales up 4.8%.

... AND EVEN MORE DRINKS TO CHOOSE FROM



We love making our customers feel special and bespoke brews, only available in Fuller's pubs, is a great way to do that. The customers obviously love it too – we sold over 15,000 pints every week of Camden Off Menu IPA. There are more to come with an exclusive on-trade launch of Beavertown's Nanobot.



SAFEGUARDING ... OUR PORTFOLIO

Our pub estate comprises many of the most iconic sites in the South of England and we continue to invest in maintaining the quality and premium nature of this predominately freehold estate.

Freeholds in our estate by book value

91%

INVESTING... THROUGH



TRANSFORMATIONAL REFURBISHMENTS

1,028 bedrooms in our Managed Pubs and Hotels

We have been steadily growing our bedroom stock over the years and this year we increased our bedroom numbers by over 25%. Like everything at Fuller's, each one has its own individuality and those little touches that help our customers relax and enjoy their home from home.



THE ACQUISITION OF COTSWOLD INNS & HOTELS

+201 bedrooms

In October 2019, we were delighted to acquire Cotswold Inns & Hotels – seven stunning venues in the Cotswolds, each individual, but all offering exceptional levels of food, accommodation and hospitality. Roaring fires in the winter and lush gardens and outside space in the summer. Perfect.

ATTRACTING... A WHOLE NEW CUSTOMER BASE



Weddings are part of the heart and soul of the Cotswold Inns & Hotels business – and what bride wouldn't want a special day in a truly special venue. In an average year, The Bay Tree alone often plays host to over 100 happy couples. Here comes the bride!

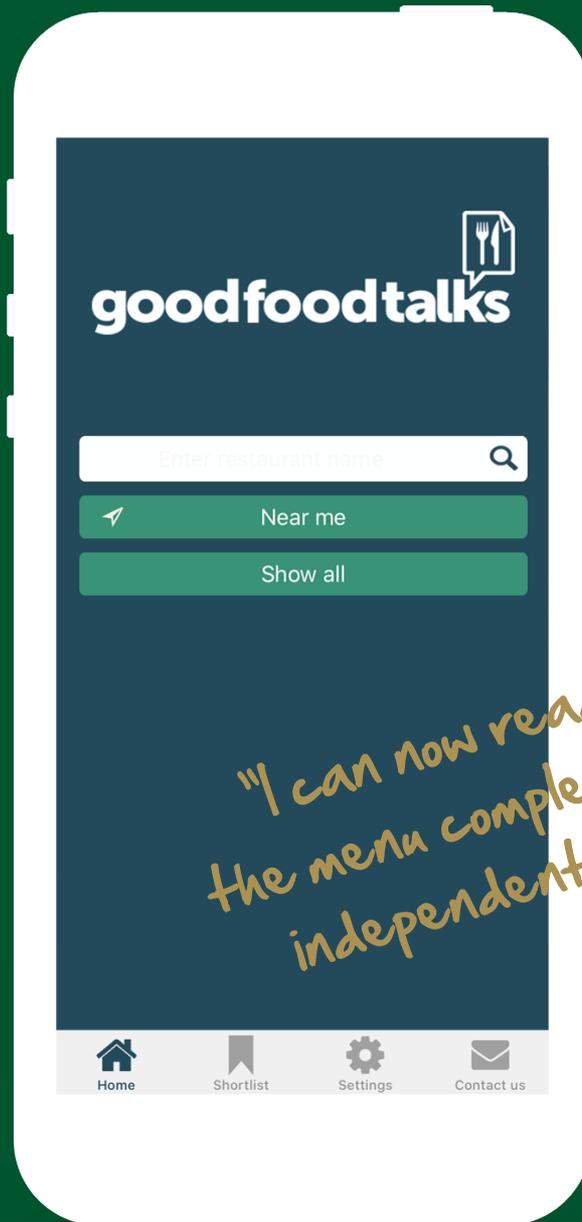


IMPROVING
... HOW WE USE DIGITAL

At Fuller's we have a very clear goal
to ensure that all digital activity
drives increased footfall, frequency
of visit or spend per head.

Customers on our single customer view database

1.1 million

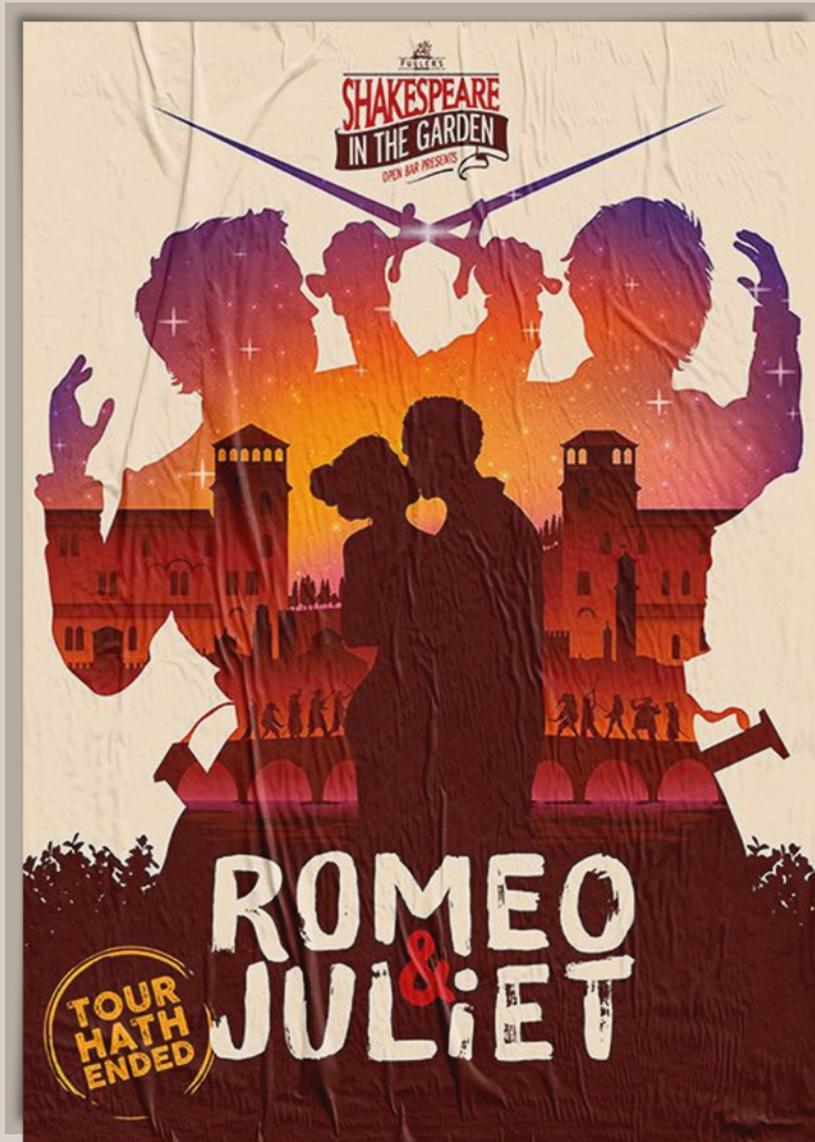


BEING ACCESSIBLE TO EVERYONE

In another addition to the role digital communication plays in our business, we launched Good Food Talks in early September.

This is an app-based talking menu service aimed at allowing anyone with a visual impairment or dyslexia to independently browse and order from the menu. It has been very well received and was used over 7,500 times in the first six months.

EVEN SHAKESPEARE



(IN THE GARDEN)

78% purchased their tickets online

This year's *Shakespeare in the Garden* saw 32 pub gardens play host to *Romeo & Juliet* and *The Merry Wives of Windsor*. This year included free shows for our charity partners. An audience of 6,258 came to see the show and many in the audience purchased their tickets online.

The perfect blend of modern technology with a classic piece of theatre written over 400 years ago.



BUILDING
... CAREERS AND OPPORTUNITIES

Our people are the key to delivering the exceptional experience our customers expect and we take great pride in supporting and developing them through their Fuller's journey.

Apprentices recruited
during the year

120

THROUGH PROGRESSION, TRANSITION



... OR LEADERSHIP TRAINING

6,595

Number of training courses undertaken in our
Managed Pubs and Hotels either online, in situ
or at a class during 2019

The sale gave us an opportunity to build on the most profitable elements of our business – our premium pubs and hotels. With this focus, we restructured our Executive Team, honed our vision and strategy, and invested in Pier House, an outstanding new home for our support team in our Chiswick heartland on the banks of the River Thames at Strand-on-the-Green. We also took the decision to impair the goodwill recognised on the acquisition of The Stable Pizza & Cider business, which we subsequently sold to Three Joes.

Both Bel & The Dragon and Cotswold Inns & Hotels have now been fully integrated, reducing head office costs across the business, and in April 2020 we completed the Transitional Services Agreement (“TSA”) with Asahi. The Enterprise Resource Planning (“ERP”) system was bedded in, we had replaced some old legacy IT systems with a cloud-based solution and all pub General Managers and support centre team workers had been migrated to Office 365. We also started the process of identifying a new finance system, suitable for a focused premium pubs and hotels business.

At the beginning of March 2020, we were trading in line with expectations and had just opened two fantastic new freehold sites. In Christchurch, Dorset, we completed the £2 million transformational refurbishment of The Bear of Burton, and we opened The Windjammer – a stunning new site over two floors with views across the river, overlooking the Thames Barrier in Royal Docks.

Our capital refurbishment programme was on track, with new schemes at a number of pubs including The Mayfly on the River Test near Stockbridge, and we were on site at The White Horse in Wembley, where we were due to open in June for the Euro 2020 championships. We were about to go on site at The Coach & Horses in Soho and The Trinity in Borough. Finally, we had also just sold the freehold of The Castle in North Acton for £10.3 million to the company redeveloping this whole area, but with a licence to continue to operate it for the next 12 months.

In summary, the business was in great shape and perfectly poised to start the new financial year with all elements primed and ready to go.

While our long-term goals remain the same, our objectives in the short and medium term have had to adjust to the current trading environment. Our immediate priority is to minimise our cash burn, while steadily building trade, as we reopen our estate. In the medium term, we are learning

“We are proud to be 175 years old this year and with our balanced and well-invested estate, prudent approach to finance and amazing team of dedicated people, we will still be here for generations to come.”

– Simon Emeny, Chief Executive

... THROUGH THE DELIVERY OF OUR STRATEGY

Happy Teams, serving Happy Customers

1. To deliver a distinctive customer experience across the whole Fuller’s estate
2. To grow by carefully targeted acquisitions and developments that enhance our premium business
3. To build a leaner cost base by investing and improving processes
4. Supporting these objectives by recruiting, developing and investing in the best people

>> Learn more on pages 26 and 27.

Strategic Report
Chief Executive's Review
Continued

from the earlier openings and monitoring footfall in those areas where pubs are still closed – especially Central London and the City. In addition, we have accelerated a number of digital initiatives such as order and pay at table and using wifi logins as a way of capturing data in support of the NHS *Test & Trace* scheme.

Looking to the future, we are in a strong position. Fuller's has always taken decisions for the long term and our predominately freehold estate, coupled with low levels of debt, ensure we can withstand the impact of coronavirus. The sale of the Fuller's Beer Business gives us the financial resources to continue to invest in the estate and take advantage of any suitable opportunities that may arise. This hiatus in trading as a result of coronavirus presented a unique opportunity to review the whole business and ensure we are in the best possible position to take advantage of future growth opportunities.

But that is the future – and as we head into that future, we do so on the back of solid trading for the full year to mid-March 2020 and some great initiatives that we have been delivering across the business. We kept our pubs and our people match fit during lockdown and we have already started the journey to fully reopen our pub estate.

Managed Pubs and Hotels

Our Managed Pubs and Hotels have had a solid year with revenue rising 2% (5.8% to week 49) to £299.6 million (2019: £293.8 million). Pre coronavirus like for like sales grew by 2.3% (2019: 4.9%) for the 49 weeks to 7 March 2020 and, for another year, we have outperformed the industry¹. We have also continued our rolling investment programme to ensure our pubs maintain their premium position.

These results are delivered against the continual pressure of rising costs – through further increases in the National Living Wage, pension costs and the excessive cost of business rates. We hope that, in light of the impact of the coronavirus pandemic on the hospitality sector, the Government will take the economic cost of the crisis into account when setting wage rates and will press ahead with its reforms of the outdated business rates system.

¹ Source: Peach Tracker Index.

Putting our people at the heart

During the year, we took a holistic view of the way we recruit, develop and retain our people, which resulted in a new *Designed for Life* career pathway. This aims to put a stronger focus on in-role leadership.

Through a combination of online learning workshops and bespoke training programmes for all levels, the training journey for any Fuller's employee is tailored to the individual – from a new core induction right through to a degree level apprenticeship in operational leadership. We were delighted to see our commitment to apprenticeships at all levels recognised when we took the award for *Best Apprenticeship Programme* at the BII's *National Innovation in Training Awards*. We also took the silver award in the same category at the *Training Journal Awards* – where we were up against apprenticeship programmes in all sectors of industry and commerce.

As well as more formal learning, our digital learning and communications platform, Fuse, allows us to promote a high number of short, online courses for personal development covering topics such as business English, presentation skills and managing emotions. Many of our team members have undertaken such courses of their own volition during lockdown.

We recognise that not everybody who joins as a kitchen porter or member of part-time bar staff wants a long-term career in our sector – but we still want to help them fulfil their potential and play a role in their personal journey. They may begin with us – and many will become our managers of the future – but we also want to ensure that we deliver a nurturing environment if their aspirations take them beyond Fuller's. Offering tailored development programmes allows us to achieve that and will build our employer brand and our status as the industry employer of choice.

In total, during the year over 3,300 formal training days took place, with an additional 5,300 online courses undertaken. The results speak for themselves with our promotion ladder working well and 64 of the 71 General Managers appointed this year having come via this internal career path.

Revenue for Managed Pubs and Hotels

£299.6m

Increase in like for like sales for Managed Pubs and Hotels

+2.3%



TRANSFORMING OUR OFFICES

We were delighted to secure new premises for our offices with the freehold acquisition of Pier House next to Kew Bridge at Strand-on-the-Green. Light, airy, open plan and kitted out to a very high standard, the premises give us a new home in our Chiswick Heartland. Fuller's has always been by the River Thames, and Pier House has great character and history (just like Fuller's) and offers stunning riverside views.

A pub estate to be proud of

During the period, we completed the major acquisition of Cotswold Inns & Hotels for an enterprise value of £40 million, adding seven outstanding freehold country inns and two vibrant bars in Birmingham to our portfolio. These sites bring a new dimension to our business, with the addition of 201 bedrooms, a focus on traditional Cotswolds hospitality, and expertise in weddings and corporate functions that provides shared learning across the Fuller's estate.

We have completed a number of major refurbishments including a new build site overlooking the Thames Barrier at Royal Dock called The Windjammer, and transformational refurbishments at The Mason's Arms in Battersea, The Chamberlain Hotel in Minories and The Old Bank on Northcote Road in Clapham.

Outside London, we have also delivered a major investment at The Bear of Burton, just outside Christchurch in Dorset, a refurbishment at The Bishop on the Bridge in Winchester, an outstanding scheme at The Mayfly overlooking the River Test near Stockbridge, and the addition of 10 new bedrooms at The White Hart, also in Stockbridge.

We are on site at The White Horse – a new build site in the heart of an extensive residential development in the shadow of the iconic Wembley Stadium – which should now benefit from the delay of the European Football Championship to June 2021. In addition, we will imminently complete work at The Coach & Horses, a truly iconic pub in Soho, and are close to finishing a major scheme at The Trinity in Borough – an impressive site we acquired in August last year. We have also taken advantage of lockdown to undertake a further 11 projects in Bel & The Dragon and Cotswolds Inns & Hotels sites.

We have disposed of two sites during the period – The Red, White & Blue, a tenanted pub in Portsmouth, and The Castle in Acton. The latter of these is located in an area that is undergoing substantial redevelopment and the site has been sold as part of this scheme for £10.3 million.

Finally, we acquired new offices for our support team at Pier House. This site, which has been fitted out and is ready for full occupation as business returns to normal, retains the Fuller's head office within the London W4 postcode that has been our home for 175 years.



TRANSFORMING OUR TEAM

To deliver our plans and ambitions as a focused premium pubs and hotels business, we need a well-balanced Executive Team that combines technical skills with vision, drive and a commitment to Fuller's values and the overriding ambition to deliver our vision.

From top to bottom:
 Simon Emeny (Chief Executive),
 Adam Councill (Finance Director),
 Fred Turner (Retail Director),
 Jane Jones (Marketing Director),
 Dawn Browne (People and Talent Director),
 Peter Turner (Property Director) and
 Séverine Béquin (Company Secretary)

The right offer on the bar and on the menu

The sale of the Fuller's Beer Business has opened up new opportunities to work with suppliers and provide our customers with an increasingly premium, exciting and varied drinks range. Our commitment to Fuller's beers, through the long-term supply agreement we have with Asahi, remains and we will always hero classic Fuller's brands like London Pride.

Across the board, the range changes we have implemented already have driven further premiumisation with strong growth in sales of Asahi Superdry, Meantime Anytime and Beavertown Neck Oil. Camden Brewery has also proved popular with Camden's Off Menu IPA, which was exclusive to Fuller's, driving sales of over 15,000 pints every week. An exclusive on-trade launch for Beavertown's new Nanobot – a 2.8% pale ale – was planned for the spring but will now take place later this summer.

Spirits sales also continue to grow, with a like for like rise of 8.3%, driven by sales of cocktails and gins, which were up by 17.3% and 16.5% respectively on a like for like basis. We work closely with our suppliers and leverage these relationships to provide interesting and bespoke events and experiences for our customers. This programme has included a Victorian hot gin bar with Sipsmiths at The Conductor in Farringdon, an après ski bar at the same venue with Alpine fruit beer Jubel, and a series of garden takeovers with Fever-Tree at 25 sites across the estate.



Strategic Report
Chief Executive's Review
Continued

As we adjust to life as a focused premium pubs and hotels business, our relentless focus on fantastic food continues. In a move that further inspires our chefs to new heights, we were delighted to appoint Simon Rogan, the holder of five Michelin stars, as the Honorary President of the Fuller's Chefs' Guild. The move was aligned with Fuller's sponsorship of the Bocuse d'Or – the legendary international chefs' competition – and aims to elevate the way food is regarded by our kitchen teams, the wider business and our customers.

The year has also seen further focus on vegetarian and vegan dishes, which continue to grow in popularity, as well as the much-loved Sunday roast – now the most important dining occasion in the pub week. Sales of Sunday roasts have risen by 4.8% and an outstanding Sunday roast offer is, more than ever, the benchmark of a fantastic pub.

Underpinning our food agenda are two key constituents – well-trained and passionate chefs and wonderful ingredients. While the former continue to be inspired by their journey through the Chefs' Guild, the latter are equally key. We always look to develop long-term partnerships with our suppliers, which has led to actions that range from delivering financial gains from forward buying meat, to acquiring a whole field of asparagus to ensure supply, to accessing the apprenticeship levy of our suppliers to further develop our own apprenticeship programme. As we rebuild our business in the coming months, these supplier relationships will be more important than ever.

Targeted marketing for discerning customers

Much of the work undertaken by our marketing team during the year will reap rewards as we continue to open our pubs for business again. The focus for the year has been around improving our digital customer journey and building on the single customer view database that allows us to deliver the right message to the right customer at the right time.

Today, that database has in excess of 1.1 million contactable customers with year on year growth of 94%. Through targeted, relevant and eye-catching digital marketing, this database delivers an exceptionally high click rate of 24% and these targeted mailings contributed £1.9 million in sales revenue, after discount, during the year. This is a growth of 12% against the prior year.

This ability to communicate with our customer base is paramount as we continue to come out of lockdown. We need to understand who our existing customers are and who could be potential customers as we progress. Our recent move to Wireless Social as our main wifi provider will help with this process.

In the second half of the last financial year we concluded a project with CBRE Research that identified four statistically significant customer groups. While all have a degree of affluence, they occupy different age categories and have different booking, eating, drinking and lifestyle behaviours. By identifying these groups and their propensity to frequent Fuller's pubs, we can further refine our messaging and targeting. We can then apply this beyond the digital space to broader marketing and wider business planning as we rebuild trade.

This digital activity is supported by multi-channel campaigns that encompass social media and improved websites. This is combined with improved search engine optimisation ("SEO") – particularly around our hotels and pubs with rooms. Having researched and identified the way customers chose locations for weekend breaks and staycations, we invested in improving our hotel websites and SEO to ensure they appeal to customers seeking particular experiences or types of holiday – for example dog friendly or coastal breaks. This new approach has generated great results, improved our search ranking, increased the number of visitors to our web pages by 76% and driven direct bookings – all of which will help us to further capitalise on the staycation opportunity.

As the doors open again to our customers, we will also be ready to build on the experiential activity that has worked so well for us during the year. From *Shakespeare in the Garden* to *Your Home of Rugby*, we have delivered excitement and memories to thousands. A record 6,258 tickets were sold for 50 performances of *Romeo & Juliet* and *The Merry Wives of Windsor* and the large gardens at some of the new Cotswold Inns & Hotels sites will allow us to extend this popular activity to a whole new audience in the future.

The pub experience has had to change, but we have a talent for innovating to deliver a premium experience, and we will be using that talent to ensure our pubs remain at the heart of their communities and enjoyed by our customers from the moment they step back through the door. From order and pay at table options and

211

bedrooms added

4.8%

increase in sales of Sunday roasts

QR codes for easy menu access to *Test & Trace* data collection, the combination of great interpersonal skills supported by digital initiatives will be crucial as we rebuild our business.

Tenanted Inns

It was always going to be a tough year for our Tenanted Inns with trading in the first half measured against the hot weather and World Cup of 2018. As a result, like for like profit was down by 3% and total revenue was down by 4%. This includes the two weeks at the end of the year when our pubs were closed, hence revenue for the 11 months to the end of February was only down 2%. During the year we transferred two sites from Tenanted to Managed – The Coach & Horses in Soho and The Swan at Ship Tavern Passage, London EC3.

In September, we appointed a new leader for the Tenanted Division with Iain Rippon taking charge. Iain has a wealth of tenanted and leased experience and he was heavily involved in our decision to cancel rents at the start of the coronavirus pandemic – a move that was widely applauded and gave our Tenants some breathing space. He and his team have been working with our Tenants to encourage them to use government support to ensure they are in the best position to trade successfully as they open again, while having manageable levels of historical debt.

The ingenuity and generosity of our Tenants was outstanding during lockdown with many offering take-away meals, opening as community stores, and even providing hot meals daily for local rough sleepers. It was fantastic to see the way they rose to the challenges lockdown created, at the very heart of the communities that they serve, and we look forward to building on that creativity in the future.

Among the changes Iain has made are a reduction of ingoing cost for new Tenants and regular meet and greet events advertised on social media. This has led to an increase in the number of applicants for Tenanted vacancies and we have created a new position in the team to focus on providing induction support and in-pub training for new Tenants.

We are also conducting a full review of the agreements we offer Tenants. While the turnover agreement is working well in some pubs, we feel it underperforms in others and our ambition is to better understand this so we can make any changes necessary to optimise the agreement before we roll it out further.

Finally, we are improving the speed and effectiveness of our online ordering which has resulted in over 90% of Tenants' orders now being taken online – making the process more efficient and giving our Tenants more time with their customers.

Current Trading and Prospects

While it is still early days, it is pleasing to see our teams welcoming guests back and we have taken a range of actions and measures to ensure our pubs are safe and inviting. The first stage of our three stage plan saw 27 pubs open on 4 July 2020 and another 136 since – meaning over 75% of our Managed Pubs and Hotels are now open. Almost all our Tenanted Inns have also reopened. While it is too early to draw any meaningful conclusions, we are comfortable with the level of trade and we continue to monitor footfall in those areas where our pubs are not yet open.

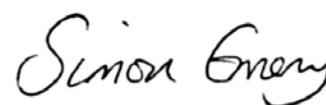
While we are prepared for business, particularly in London, to take some time to return to normal, we are well placed to satisfy the uptick in demand for staycations as many customers holiday closer to home – an opportunity we are supporting with marketing activity for our *Beautiful Bedrooms*. We continue to focus on minimising cash burn and returning to profitability. During August, we will gradually reintroduce rent for Tenants – but on a tapered basis to help with their own return to sustainable trading levels.

In line with our focus on pubs and hotels, we decided to sell our pizza and cider business, The Stable, to Three Joes – a sourdough pizza company. We have retained the freehold interest in five of the sites and we wish the team at Three Joes, and our former colleagues, every success in the future.

The decisions we have taken during these difficult months have, as always, an emphasis on the long term. We will complete our current investment programme prior to stopping refurbishments until Christmas to focus on cash generation. We will recommence the investment programme in Q4 and, in the second half of the financial year, we will begin refinancing discussions with our lenders.

In these uncertain times, it is challenging to accurately predict the future. But having begun reopening our pubs nearly four weeks ago, it is encouraging to see customers returning to our pubs and this steady growth in consumer confidence will be the key to success – not just of our Company or our industry but the economy as a whole. We have a well-balanced estate geographically and that, combined with a freehold asset base and the calibre of our people, puts us in a stronger position than many to build towards sustained profitability in this full year and a strong start to the FY2022 financial year.

A freehold approach is a fundamental foundation of our long-term business. It is not always fashionable, but yet again it underpins our ability to survive the toughest of times. We are proud to be 175 years old this year and with our balanced and well-invested estate, prudent approach to finance and amazing team of dedicated people, we will still be here for generations to come.



Simon Emery
Chief Executive
30 July 2020

Strategic Report
Our Strategy



1. To deliver a distinctive customer experience across the whole Fuller's estate

Investing in:

- Broadening the appeal of our pubs and hotels to new and existing customers
- Sourcing the right range of authentic products to make our pubs distinctive
- Digital communications to provide a single view of each customer to share relevant, targeted marketing
- Monitoring and staying ahead of consumer food trends
- Exceptional levels of customer service
- Creating memorable experiences
- Exceeding expectations and ensuring people leave happier than they arrived.

Progress:

We have delivered strong like for like growth during the year with like for like sales rising 2.3%. Our like for like accommodation sales have risen by 5.9%, which will stand us in good stead to capitalise on the staycation opportunities presented by the coronavirus pandemic.

During the year, and in light of the sale of the Fuller's Beer Business, we have successfully implemented further premiumisation of, in particular, our beer range.

To further elevate the food experience in our pubs and hotels, we have teamed up with Simon Rogan, the holder of five Michelin

Stars, who was named as Honorary President of the Fuller's Chefs' Guild. This will raise the ambitions of our chefs and inspire them to new heights. This is combined with improved use of the FnB food stock and reporting package, which reduces waste and protects our commitment to the highest possible standards of allergen labelling.

Priorities:

- Build on our single customer view database to further improve the success of our targeted e-mail campaigns
- Map the role of technology in the customer journey and maximise the use of digital tools in building sales and improving the customer's digital journey
- Continue to deliver innovative and exciting customer experiences – in a safe and secure environment
- Build on changes to consumer behaviour, such as staycations, due to the coronavirus pandemic.

Influences:

- Customers need an experience that cannot be replicated at home
- Need to adapt our operation to meet changes in behaviour and expectations following on from the coronavirus pandemic and changes to work/home life balance
- Monitor and respond to changes in consumer trends, particularly around healthier lifestyles
- Ensure that our experiences are first class to meet a flight to fewer higher quality experiences that could be the result of decreased incomes as the country comes out of lockdown.

2. To grow by carefully targeted acquisitions and developments that enhance our premium business

Investing in:

- Building our presence in the South of England
- High footfall transport hubs and sites close to good transport links
- Acquisitions in areas where our estate is under represented
- Sites with potential to develop bedrooms
- Acquisitions that enhance our existing business
- Transformational investments that attract new customers.

Progress:

During the year we made a major acquisition with the purchase of Cotswold Inns & Hotels. This stunning collection of seven wonderful country hotels, as well as two vibrant bars in Birmingham, added 201 bedrooms to our estate and is a perfect complement to our existing business. It fills a geographical gap in our portfolio and the expertise of the Cotswold team in dealing with large weddings and corporate functions will be transferable throughout our Managed estate.

We also acquired The Trinity, a well-known pub in the Borough area of London, and opened The Windjammer – a new build site overlooking the Thames Barrier in Royal Docks.

We have completed a number of transformational refurbishments including opening The Bear of Burton – a wonderful pub with 10 bedrooms just outside Christchurch in Dorset.

Priorities:

- To seek further acquisitions that enhance our estate and increase our customer base
- To continue with our programme of investment in our estate to ensure we always have the best pub in the area.

Influences:

- Availability of high quality sites and opportunities.



3. To build a leaner cost base by investing and improving processes

Investing in:

- Core IT systems
- New processes
- New technologies
- Digital communications to improve the customer journey
- New operational standards – particularly in the light of the coronavirus pandemic.

Progress:

During the early part of the year we completed the integration of the ERP system which has allowed us to move on to the search for a more suitable finance system for a focused pubs and hotels business.

We have further rolled out the F&B food stock and reporting package and its links with Ten Kites, our online menu system, which allows diners with a food allergy or intolerance to filter the menu, only showing the dishes that do not contain the relevant ingredient.

We have also replaced some old legacy IT systems with a cloud-based solution and moved all support centre and General Managers to Office 365.

Finally, we have worked with CBRE to further develop our single view customer database – improving our ability to create bespoke communications by pub type and by audience, generating a positive response and contributing £1.9 million of revenue.

Priorities:

- Implement and roll out a new finance system that is suitable for a focused pubs and hotels business
- Build on our single view customer database by identifying key interaction points in the customer journey and digital solutions to improve the customer journey

- Implement new processes and procedures to ensure the safety of our customers and team members in light of the coronavirus outbreak.

Influences:

- Changes in consumer behaviour due to the impact of the coronavirus pandemic
- Increased customer use of digital technology
- Importance of safeguarding personal data.

4. Supporting these objectives by recruiting, developing and investing in the best people

Investing in:

- Training and development programmes for all areas of the business
- Genuine career paths from top to bottom
- A robust succession plan
- Recruiting, recognising and rewarding the best people.

Progress:

We were delighted during the year to pick up two major awards for our apprenticeship programme – a silver in the *Training Journal Awards* and the top prize in the British Institute of Innkeeping *National Innovation in Training Awards*. This programme goes from strength to strength and we hope to utilise our full Apprenticeship Levy funding by 2021.

Our commitment to training and developing our team members is reflected in the completion of over 3,300 formal training days during the year and that 64 of the 71 General Managers appointed during the year were internal promotions.

Priorities:

- Continue to find the best people through a strong employer brand – work is well underway in this area
- Ensure we are fit for the future with the right organisational structure, capability and roles
- Ensure our people experience engages our team members, fulfils their needs and ambitions and encourages the best people to stay at Fuller's.

Influences:

- Impact of potential changes to the size and composition of our workforce in the light of coronavirus and changing consumer behaviour
- Impact of Brexit on the labour market pool within the hospitality industry
- Availability of labour with appropriate skills.





FINANCIAL HIGHLIGHTS

Increase in revenue
and other income¹

+3%

Adjusted profit before tax²

£19.7m

Returns to shareholders
during the year³

£1.33

- 1 From continuing operations.
- 2 Operating profit from continuing operations before separately disclosed items and pre IFRS 16.
- 3 Per 'A' ordinary 40p share, incorporating interim dividend and 'D' share scheme.

Adam Councill, Finance Director

“Pre IFRS 16 profit before tax has increased by £148.4 million to £174.5 million (2019: £26.1 million) predominantly as a result of the sale of the Fuller’s Beer Business. The sale enabled Fuller’s to return £69 million to shareholders.”

Financial Position and Performance

The adoption of IFRS 16 Leases has been reflected in the 52 weeks ended 28 March 2020 and, as permitted by the standard, transitional provisions have been adopted which allow for no restatement of prior period figures. Therefore, for better comparison, the figures discussed below are on a pre IFRS 16 basis and are for the continuing operations of the Group.

Due to the one-off nature of separately disclosed items the Directors believe that an adjusted measure of profit before tax and earnings per share provides shareholders with a more appropriate representation of the underlying earnings derived from the Group.

We have grown revenue and other income by 3% on the prior year despite the significant impact of coronavirus on the final month of trading. Growth was helped by the contribution from our acquisition of Cotswold Inns & Hotels on 31 October 2019. On a like for like basis, our Managed Pubs and Hotels Division outperformed the industry with sales rising by 2.3% to 7 March 2020 (2019: +4.9%).

Our adjusted profits decreased by 40% to £19.7 million (2019: £33.1 million), reflecting the severe impact of the full closure of the business in the final month of the year. We estimate that the negative impact in the final month of the year was in excess of £10 million. In our Managed Pubs and Hotels this consisted of the direct

impact of the closure of the business and the severely impaired trading in the period leading up to the point of closure. In addition, our Managed Pubs and Hotels business suffered from the negative impact of the write down of stock values and certain capitalised development projects. Our Tenanted pubs suffered from reduced rent revenue and reduced orders from tenants in the final month, combined with an increase in the levels of provisions required against outstanding debts. As reported previously, the sale of the Fuller's Beer Business and the subsequent complex separation has resulted in significant restructuring costs. With the TSA completing in April 2020, we are now in a position to transition to a simplified structure and reduce central overheads.

Pre IFRS 16 profit before tax has increased by £148.4 million to £174.5 million (2019: £26.1 million) predominately as a result of the sale of the Fuller's Beer Business. The sale enabled Fuller's to return £69 million to shareholders via 'D' shares issuance and repurchase, make a voluntary contribution to the defined benefit pension scheme of £24 million – helping to reduce the defined benefit pension scheme deficit to £4.7 million at year end – and acquire Cotswold Inns & Hotels for an enterprise value of £40 million.

During the year we also sold two of our freehold pubs for £11.4 million, resulting in a profit of £9.6 million as disclosed in separately disclosed items. These events meant we were in a strong financial position with substantial liquidity headroom when the coronavirus pandemic started to have a direct impact on the business. As the pandemic continues, we are continually monitoring the situation and post year end we have issued £100 million of commercial paper through the Bank of England Covid Corporate Financing Facility and taken advantage of the government support offered through the Coronavirus Job Retention Scheme and the business rates holiday for the hospitality sector.

Sale of the Fuller's Beer Business

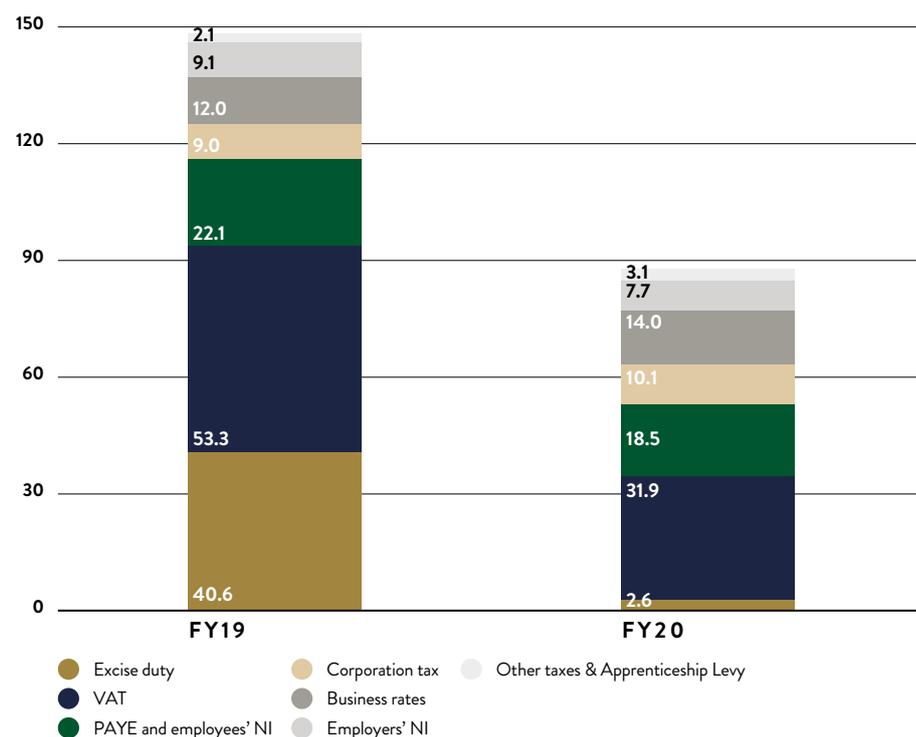
As previously reported, the sale of our Beer Business to Asahi Europe Ltd completed one month into this financial year on 27 April 2019 for an enterprise value of £250 million.

The business sold comprised the entirety of Fuller's beer, cider and soft drinks brewing and production, wine wholesaling, and the distribution thereof, and also included the Griffin Brewery, Cornish Orchards, Dark Star Brewing and Nectar Imports. Accordingly, those divisions are reported as discontinued operations in the financial statements with the remaining Managed Pubs and Hotels and Tenanted Inns businesses being shown as continuing operations.

The amounts shown as discontinued operations in the financial statements for the 52 weeks ended 28 March 2020 are an operating profit before tax of £0.6 million

	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m	52 weeks YoY Var
Revenue and other income				
Managed Pubs and Hotels	299.6	299.6	293.8	2%
Tenanted Inns	29.7	29.7	30.9	(4)%
Unallocated	3.7	3.7	–	100%
Group revenue and other income from continuing operations	333.0	333.0	324.7	3%
	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m	52 weeks YoY Var
Adjusted profit by segment				
Managed Pubs and Hotels	29.5	28.7	42.7	(33)%
Tenanted Inns	11.8	11.7	13.8	(15)%
Unallocated	(15.4)	(15.4)	(16.5)	(7)%
Operating profit from continuing operations	25.9	25.0	40.0	(38)%
Finance costs	(7.9)	(5.3)	(6.9)	(23)%
Adjusted profit from continuing operations	18.0	19.7	33.1	(40)%

TOTAL TAX COLLECTED (£m)



Strategic Report
Financial Review
Continued

(2019: £8.5 million). During the period, a gain on disposal of £162.4 million (net of transaction costs of £9.4 million) has also been recognised in discontinued operations. In addition, £7.0 million of disposal costs were recognised in the year ended 30 March 2019 within separately disclosed items.

Finance Costs

Total net finance costs (before separately disclosed items) have decreased by £1.6 million to £5.3 million as a direct result of sale of the Fuller's Beer Business. Sale proceeds were partially offset by the subsequent return to shareholders, voluntary contribution to the pension scheme and purchase of Cotswold Inns & Hotels, but resulted in average cash balances £4.3 million higher and average cash borrowings £7.2 million lower. The average cost of gross borrowing decreased to 2.3% (2019: 2.9%).

The net interest expense on our defined benefit pension scheme is shown within separately disclosed items as the charge is driven by market conditions at an arbitrary point in time and is not associated with our underlying trading.

Separately Disclosed Items

Separately disclosed items of £8.2 million comprises, principally, £12.3 million of impairments, £2.1 million of reorganisation costs as a direct result of the sale of the Fuller's Beer Business, £1.4 million of acquisition costs, £1.5 million of costs incurred finishing the implementation of our ERP system and a net finance charge on our pension deficit of £0.6 million. The impairment charge includes £8.6 million reduction of carrying values against a number of properties and the write down of previously acquired goodwill on the acquisition of The Stable Pizza & Cider Limited of £3.7 million. Acquisition costs primarily related to the purchase of Cotswold Inns & Hotels, The Trinity at Borough and the acquisition of our new head offices at Pier House. The total separately disclosed costs were offset by £9.6 million of profits on the disposal of two pubs including The Castle in North Acton which was sold for £10.3 million.

Tax

A full analysis of the tax charge for the year is set out in note 7 to the financial statements. The effective tax rate is 33.0% (2019: 19.6%) on adjusted profits from continuing operations, following a £1.6 million deferred tax charge relating to the change to the future corporation tax rate. The overall effective tax rate of 50.4% is due to the separately disclosed items being taxed at an effective tax rate of 8.5%.

	Pre IFRS 16 2020 £m	
Cash flow		
EBITDA	44.0	
Interest	(4.7)	
Tax	(10.1)	
Working capital and pension	(3.7)	
Cash available for discretionary spend	25.5	
Capital expenditure	(47.6)	
Acquisitions including debt repaid	(41.2)	
Acquisition costs and other separately disclosed items	(5.0)	
Property disposals	11.4	
Dividends and share transactions	(78.8)	
Sale of the Fuller's Beer Business and discontinued operations cash flow	226.0	
Voluntary pension contribution	(24.0)	
Cash flow	66.3	
Non-cash movement	-	
Net debt movement	66.3	
	Pre IFRS 16 2020 £m	2019 £m
Sources of finance		
Bank debt	171.7	228.5
Other debt	27.5	27.7
Cash	(20.3)	(11.0)
Total net debt	178.9	245.2

During the 52 weeks ended 28 March 2020, the total tax contribution of the Group to the UK Exchequer was £87.9 million (2019: £148.2 million) in taxes borne and taxes collected on behalf of colleagues, customers and suppliers.

Pension

The defined benefit pension scheme deficit has decreased by £31.7 million to £4.7 million (2019: £36.4 million) primarily due to the voluntary £24 million contribution made in the financial year. The present value of pension obligations decreased by £19.8 million to £128.5 million and the fair value of scheme assets increased by £11.9 million from £111.9 million to £123.8 million primarily as a result of the voluntary contribution. Standard deficit recovery payments of £2.4 million were also made during the financial year.

Shareholders' Return

Adjusted earnings per share for continuing operations were 51% lower than last year at 23.95p (2019: 48.40p). In light of the temporary closure of the estate the Board is not proposing the payment of a final dividend.

However, during the year the Company returned £69 million to shareholders, which is the equivalent of £1.25 per 40p 'A' ordinary share, and paid an interim dividend of 7.80p per 40p 'A' and 'C' ordinary share and 0.780p per 4p 'B' ordinary share. The total returns to shareholders in the year equates to £1.33 per 'A' ordinary share.

During the period 48,700 'A' ordinary 40p shares were purchased into treasury for a total of £0.4 million (2019: 313,983 'A' ordinary 40p shares for £3.1 million). In addition, 90,641 'B' ordinary 4p shares were purchased for £0.1 million by or on behalf of the Trustees of the Long-Term Incentive Plan to cover future issuance (2019: 121,031 'B' ordinary 4p shares for £0.1 million). The average price paid was 962.6p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 650p. The highest price during the year was 1,102p, while the lowest was 610p. The Company's market capitalisation at 28 March 2020 was £358.8 million (2019: £645.8 million).

Cash Flow and Net Debt

The Group generated cash available for discretionary spend of £25.5 million (2019: £35.1 million) with the reduction compared to prior year due to lower EBITDA mainly resulting from the disruption to trading in March. In line with our long-term investment strategy, we invested £47.6 million in capital expenditure (2019: £32.7 million). The investment of £47.6 million in our existing estate included 14 major refurbishments such as The Bear of Burton and the creation of a new build site, The Windjammer, as well as acquiring new offices for our support team at Pier House. We also invested £37.5 million on the acquisition of Cotswold Inns & Hotels and £3.7 million on the acquisition of The Trinity at Borough. Asset disposals from the sale of two pubs raised £11.4 million and generated a separately disclosed profit of £9.6 million.

Overall net debt at 28 March 2020 has decreased by £66.3 million to £178.9 million pre IFRS 16, largely due to the sale of the Fuller's Beer Business. Post IFRS 16, net debt has increased to £291.8 million due to the inclusion of £112.9 million of lease liabilities.

Sources of Finance

The Group has £225 million of bank facilities and £26 million of long-term debentures, £191.7 million of bank facilities are available until August 2021 and £33.3 million of which is available until August 2020. As a result of coronavirus, the Directors have assessed that there was a technical breach of the covenants at the Balance Sheet date and hence classified all debt as current. Subsequent to year end the covenants were formally revised to a liquidity test and £145.6 million was reclassified to non-current liabilities. Our undrawn facilities at 28 March 2020 were £53.0 million, with a further £20.3 million of cash held on the Balance Sheet. £40 million of our borrowings at 28 March 2020 were hedged using swaps at a blended interest rate of 2.42% (excluding bank margin). The interest rate swap agreements in place will allow us to continue to borrow a portion of our bank debt at a fixed interest rate until 2022.

The Group's financing is a mix of bank debt, debentures, cumulative preference shares, overdraft, cash and short-term deposits as disclosed in notes 24, 26 and 28. Other financial assets and liabilities such as trade receivables and payables arise through the Group's operating activities. The Group does not trade in financial instruments.

Financial Risks and Treasury Policies

The Group operates a centralised treasury function, which controls cash management and borrowings and the Group's financial risks. The objectives of the function are to manage the Group's financial risk, to secure cost effective funding for the Group's operations, and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the

cash flows of the Group. The Group Treasury team monitors the overall level of financial gearing weekly, with our short and medium-term forecasts showing underlying levels of gearing which remain within our targets.

Transactions of a speculative nature are prohibited. The Group's treasury activities are governed by policies approved and monitored by the Board.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 41. The financial position of the Company, its cash flows, net debt and borrowing facilities and the maturity of those facilities are set out above and on pages 142 to 149.

In addition, there are further details in the financial statements on the Group's financial risk management, objectives and policies in note 28. The Directors have outlined the assessment approach for going concern in the accounting policy disclosure in note 1 of the consolidated financial statements.

There is a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern as discussed in note 1, however the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Viability Statement

The Corporate Governance Code requires that the Directors have considered the viability of the Group over an appropriate period of time selected by them. In considering the appropriate period, the Directors have chosen to assess for three years through to March 2023, taking into consideration the Group's current position, the potential impact of the principal risks documented on pages 32 to 34 in the Strategic Report as well as the uncertainty regarding the duration, extent and ultimate impact of the coronavirus pandemic.

The Directors recognise that the impact on customer behaviour in the short-term as well as in the long-term, in a post coronavirus world is far from certain. The extent and duration of social distancing will also have a significant bearing on the capacity at which the business can operate at. Multiple scenarios were modelled through the process and were reviewed by the Board.

In making the viability statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, which could impact the business model focusing specifically on the impact of coronavirus and the future performance, solvency and liquidity of the Group. The scenario modelling and sensitivity analysis were applied to forecasted cash flows.

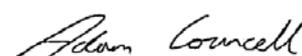
Should the impacts of the pandemic on trading conditions be more prolonged or severe than currently forecast by the Directors, this viability statement would be dependent on the Group's ability to access additional liquidity. Subsequent to year end, the Group has increased its available facilities further by accessing the Covid Corporate Financing Facility ("CCFF") programme which has issued £100 million of commercial paper with access to a further £50 million. The CCFF provides short-term unsecured debt and is repayable in May 2021. As well as the CCFF, the Group has facilities of £225 million; £33 million is due to expire in August 2020 with the remainder in August 2021.

Under a downside scenario that the pubs all remain closed until August 2020, the furlough scheme closes at the end of October 2020, and the Group operates at reduced capacity of 40% of the original budget for the remainder of 2020/21 then the long-term viability would be dependent on whether the Group could refinance when the CCFF loan was repayable in May 2021.

Management are in continuous dialogue with the lenders and are comfortable that they will be able to refinance due to the Group's high-quality asset backed Balance Sheet; however, as this process has not been formalised it gives rise to a material uncertainty over the going concern assumption.

As part of the ongoing discussions with the lenders, post year end the covenants have been revised for March, June and September 2020. Management are in discussion with the lenders to revise the covenants for December 2020 and March 2021 and have informally got their confirmation that this will be agreed. As this has not been formalised and under most scenarios the Group would fail the covenant tests if not revised, this also gives rise to a material uncertainty over the going concern assumption.

Based upon this assessment, the Directors confirm that they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period. However, because of the reliance on refinancing which has not been formalised and the fact that under most scenarios the Group would be unable to comply with the covenants during the assessment period unless revised beyond September 2020, these materiality uncertainties may cast significant doubt about the Group's ability to continue as a going concern.



Adam Council
Finance Director
30 July 2020

Principal Risks and Uncertainties

Risk Management

Risk Management

Managing risks effectively is key to ensuring that we achieve our strategic objectives in the long term and continue to deliver the high standard our customers, people and shareholders expect. Whilst we have a well-established risk management framework, we continually strive to improve our approach, for example by:

- conducting in-depth reviews of specific risks to ensure that our controls operate effectively and mitigate our risks to an acceptable level
- enhancing our regular risk reporting to the Audit Committee to assist its oversight role
- reviewing the potential impact of emerging risks on the business and taking appropriate actions to mitigate those risks
- reviewing ownership and accountability of risks and controls across the new Executive and management teams.

Risk Management Process

Risks are identified, considered and observed at all levels of the business including operational, administrative and strategic risks. These risks are then assessed and appropriate mitigation and management plans are implemented to reduce the potential likelihood and impact. The suitability of these actions is reviewed through robust reporting and monitoring which creates a feedback loop enabling a continuous improvement process to be in place regarding risk management.

The risk management process is managed by the Executive Team and is overseen by the Audit Committee which is further supported by the external audit process. Both the Executive Team and the Audit Committee report to the Main Board.

Principal Risks and Uncertainties

The following sets out the principal risks the business faces at present that may impact future performance. This analysis is not intended to be a comprehensive list of all risks actively managed by the business. The key financial risks are detailed in note 28 to the financial statements. The principal risks have been categorised as emerging or strategic risks in order to highlight areas where there is a greater degree of fluidity due to changing circumstances.

Emerging Risks

Description	Risk mitigation
<p>Coronavirus</p> <p>The coronavirus outbreak has had a seismic short-term impact on our industry. This has most obviously been through the closure of all our pubs and hotels to help limit the spread of the virus. The impact of any government enforced social distancing restrictions on our ability to trade when we reopen, and any changes in the behaviour in our customers following the outbreak, are both considered risks in the medium and longer term. The health and safety of our team members is critical so implementing appropriate measures for them to carry out their roles safely is of paramount importance to Fuller's.</p>	<p>During the period of business closure, we have taken all possible action to reduce our monthly cost base, such as making alternative arrangements with our suppliers and landlords. In addition, we have taken advantage of the government support for business through the job retention scheme, business rates holiday for the hospitality sector and increasing our liquidity levels through the Bank of England Covid Corporate Financing Facility. Furthermore, we have focused on reopening our business with an appropriate offer to maximise our ability to trade despite continued restrictions. Fuller's ability to withstand such periods of uncertainty has been built on a sustained strategy of aiming to develop a largely freehold estate so that the strength of the Company's Balance Sheet underpins the business.</p>
<p>National Living Wage and Labour Pool</p> <p>Future labour cost increases may impact the profitability of the business. The principal drivers of such increases are projections for future increases in the National Living Wage coupled with any potential for a tightening of labour supply.</p>	<p>This risk is kept under review and we aim to mitigate the risk of such increases through a combination of improved operational efficiency and passing the cost on through the prices we charge. Without these opportunities, the business would suffer a reduction in profitability across both pubs and hotels.</p>

Emerging Risks continued

Description	Risk mitigation
<p>Brexit</p> <p>There continues to be a potential negative impact on the business through Brexit following the transitional period. The primary risk is a reduction of labour supply and the impact on our ability to find and recruit appropriate levels of staff. Secondary risks, though less likely, relate to supply chain challenges and the potential for increase in raw material costs.</p>	<p>The Board continues to consider the risk posed by Brexit. Due to the coronavirus outbreak this risk has materially reduced in the short term as we are unlikely to need to recruit as many new team members whilst our business is subject to social distancing restrictions. Our philosophy of providing locally sourced produce on our menus reduces the potential of raw material cost increases.</p>

Strategic Risks

Description	Risk mitigation
<p>Strategy Development</p> <p>There is a risk that we are unable to design or implement appropriate business plans and strategies, to make decisions, to allocate resources or to adapt to changes in the business environment. This includes the risks associated with coronavirus, acquisition and disposal decisions and their implementation.</p>	<p>Our vision for the future is very clear: “to create exceptional experiences full of style and spirit – characterful pubs and hotels where everyone feels they belong and where people leave happier than when they arrived”.</p> <p>We have already restructured our Executive Team to ensure we have the right skills and experience to deliver this vision and retain a strong value set which guides our actions. As a primarily family owned business, we have the advantage of pursuing long-term growth as opposed to short-term gains.</p>
<p>Consumer Demand Shifts</p> <p>The business’s success is attributable to its ability to anticipate and react to consumer demand.</p>	<p>Management monitor and research consumer trends and run trials of new technologies.</p> <p>We gather consumer feedback through Net Promoter Score surveys, customer complaints and online and social media reviews.</p> <p>We analyse retail pricing and market share data to ensure we are competitive but still premium.</p>
<p>Health and Safety</p> <p>The health and safety of our employees and customers is a key priority for us.</p> <p>Operating a large number of sites increases the challenge of ensuring the highest health and safety standards are adhered to. In the short term the increased risk of coronavirus demands that we take all appropriate steps in reopening to protect our customers and provide all employees with the right personal protective equipment to ensure their safety.</p>	<p>We have a comprehensive training programme in place for our employees covering all aspects of health and safety.</p> <p>All sites complete a risk assessment and are required to undertake detailed weekly and monthly compliance checks which are then subject to review by our in-house health and safety team. New risk assessments and appropriate adjustments to sites to comply with government guidelines and restrictions in response to coronavirus have been carried out for every location that has or will be reopened.</p> <p>Finally, we will continue to utilise the services of expert third party health and safety auditors to undertake annual audits on all our sites and perform detailed investigations in instances where an incident does occur.</p>
<p>Recruitment and Retention of Employees</p> <p>The recruitment and retention of high calibre employees is fundamental to our ability to deliver a distinctive experience for our customers, and to support our growth agenda. In particular, the role of the Executive Team in the management of the business is key and any unplanned vacancies would carry an increased level of risk.</p>	<p>We have succession plans in place for key senior management roles and have drawn upon these when selecting an Executive Team to deliver the Board’s strategy for the new pubs and hotels focused business.</p> <p>Given the competition for high quality candidates across our sites and especially in London, we have a progressive recruitment strategy to ensure that our offer to employees is attractive. We provide support for staff from the EU and have increased the number of chef apprentice positions for UK candidates. By investing in our employees and offering them real career paths, we are able to differentiate ourselves from the competition and ensure that we remain the employer of choice in a challenging market.</p>

Strategic Report

Principal Risks and Uncertainties

Continued

Strategic Risks continued

Description	Risk mitigation
<p>Information Technology The Group is increasingly reliant on its information systems to operate, and trading would be affected by any significant or prolonged failures.</p>	<p>Our IT function has a range of facilities and controls in place to ensure that in the event of an issue normal operation would be restored quickly. These include a formal IT Recovery Plan, online replication of systems and data to a third party recovery facility, and external support for hardware and software.</p> <p>Over the last year we have worked hard to separate our IT systems from The Fuller's Beer Company following the sale process and in readiness for relocation to our new support centre.</p>
<p>Cost Inflation Market uncertainty and increasing demand leads to cost pressures in several areas, such as food and drink production, utilities and staff costs. This risk has increased following the sale of the The Fuller's Beer Company and the inception of a new supply agreement to stock our bars, and with the ongoing uncertainty around Brexit.</p>	<p>Our preference is to have long-term agreements in place with our suppliers linking any price rises to CPI. We have a Long-Term Supply Agreement ("LTSA") in place with Asahi Europe Ltd for the supply of beer, cider and other beverages which limits increases to CPI.</p> <p>We regularly monitor prices using relevant commodity databases and the ONS inflation indexes and all contracts are competitively tendered.</p>
<p>Supply Chain There is a risk that poor performance by our suppliers may damage customer satisfaction and could impact the profitability of the Company. This risk has increased following the sale of The Fuller's Beer Company and the inception of a new supply agreement.</p>	<p>We have an LTSA in place with Asahi Europe Ltd for the supply of beer, cider and other beverages. This ensures that products will meet certain brand performance metrics, and the supply service is subject to Key Performance Indicators ("KPIs").</p> <p>All other key suppliers are subject to service and quality KPIs which are monitored on a monthly basis.</p> <p>Our preference is for long-term agreements and strong relationships and we work with smaller suppliers to ensure that they grow healthy sustainable businesses outside of their agreement with Fuller's.</p>
<p>Long-Term Supply Agreement The LTSA entered into with Asahi Europe Ltd from 30 April 2019 exposes the Company to reputational risk, as a third party is operating under the Fuller's name and branding. It also increases the risk of a break in continuity of distribution now that this is no longer directly under the control of the Company.</p>	<p>The operation of the LTSA includes regular dialogue between the Company and Asahi to discuss key initiatives and maintain mutual brand guidelines. Asahi and Fuller's have similar strong core values, which reduces reputational risk.</p> <p>The terms of the LTSA ensure that distribution services are subject to strict KPIs and Fuller's retains direct relationships with all key end suppliers.</p>

Section 172 Statement

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in Section 172(1)(A) to (F) of the Companies Act 2006 (“Section 172”) when performing their duty to promote the success of the Company under Section 172. This includes considering the interest of other stakeholders, which will have an impact on the long-term success of the Company.

This Section 172 statement, which is reported for the first time, explains how Directors have engaged with employees, suppliers, customers and others; and have had regard to employee interests, the need to foster the Company’s business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions taken by the Company during the financial year.

The Section 172 statement focuses on matters of strategic importance to Fuller’s, and the level of information disclosed is consistent with the size and the complexity of the business.

As detailed in the Corporate Governance Report on page 48, the Board of Directors has a clear set of matters reserved for its consideration as well as matters delegated to Committees with detailed terms of reference.

When making decisions, each Director ensures that they act in the way they consider, in good faith, would most likely promote the Company’s success for the benefit of its members as a whole and in doing so have regard to:

- (a) **the likely consequences of any decision in the long term.** For Fuller’s and its Board of Directors, this has always been an integral part of the culture of a very long-established business. The long term for Fuller’s means much more than normal business modelling entails. It is at the heart of all decisions taken by the Board
- (b) **the interest of the Company’s employees.** Details of the normal engagement process with employees can be found in the Directors’ Report on pages 44 and 45; in addition, more information relating to specific engagement in relation to the coronavirus can be found on page 6

(c) **the need to foster the Company’s business relationship with suppliers, customers and others.** The Board believes that delivering the strategy successfully requires strong mutually beneficial relationships with suppliers and customers and indeed with industry bodies that further the interests of the sector as a whole. More details of engagement can be found in the Corporate Social Responsibility report on page 36

(d) **the impact of the Company’s operations on the community and the environment.** The Board has considered and approved a revised Corporate Social Responsibility policy and framework which recognises this impact. Details can be found on page 36

(e) **the desirability of the Company maintaining a reputation for high standards of business conduct.** Fuller’s is well regarded as a business because it has a consistent record of doing the right thing – one of the most enduring key values of the business. This forms part of the Fuller’s culture

(f) **the need to act fairly as between members of the Company.** The unique capital structure of Fuller’s as a partly listed company has always required the Directors to balance the interests of a diverse shareholder base. The focus on the long term is well understood by the Company’s shareholders themselves.

Principal Decisions

As detailed in the Chairman’s and Chief Executive’s Statements on pages 2 to 25, the financial year ended 28 March 2020 has been a transformational year for the business starting with the sale of the Fuller’s Beer Business, a critical decision taken in the previous financial year. The year ended having to face the greatest challenge for the business: the temporary closure of the entire business due to the coronavirus pandemic.

In the period, the Board of Directors considered the use of the proceeds of the disposal of the Beer Business. The Board had already indicated in the Circular relating to the disposal that it intended to use the proceeds to return some value to shareholders (including staff participating in the Share Incentive Plan), making an ad hoc contribution to the Defined Benefit Pension Scheme for the benefit of its members, and reinvesting the larger part of the proceeds into the business for the benefit of all its stakeholders.

The Board also elected to compensate staff who held options to purchase shares as at the date of the return of capital by offering a cash amount equivalent to the value of the return of capital on exercise of options (including in the Savings Related Share Option Scheme).

These decisions have required regard to the interest of investors, whether institutional or from the family, employees, pensioners and the Pension Regulator.

The process of completing the disposal of the Beer Business involved separating out that business into The Fuller’s Beer Company which was subsequently acquired by Asahi Europe Ltd. The Board had specific regard to the interests of employees, customers and suppliers of the Beer Business in that process and this was implemented ensuring good communications throughout.

The disposal of the Griffin Brewery brought about the need to consider where to establish the support office for the focused pubs and hotels business. The Brewery had been the birthplace of Fuller’s and it was important to choose wisely in determining where its new home would be. The decision was taken to remain in Chiswick. The acquisition of the freehold of Pier House provides the business with its own place to establish symbolic new roots for the long term. This, in the view of the Board, is in the best interest of all of Fuller’s stakeholders.

The response to the coronavirus crisis is set out fully on page 6. The Board instituted a series of weekly Board video calls to receive regular reports from the Executive Committee and consider critical decisions required in that period. The decisions taken throughout the crisis have shown the regard the Board has for all stakeholders: from starting to close sites ahead of the Government’s instructions to do so based on health and safety concerns and reduced sales level, to committing to pay wages for two weeks pending decisions from Government, to topping up the Coronavirus Job Retention Scheme (“CJRS”) so that staff received 80% of their actual salary, to suspending commercial rent for our Tenants, to liaising closely with suppliers throughout the closure and getting involved through industry bodies to ensure the best possible outcome for the business and the sector.

FULLER'S HAS HAD CORPORATE SOCIAL RESPONSIBILITY AT ITS HEART FOR 175 YEARS, BUT THIS YEAR WE IMPLEMENTED A NEW CSR STRATEGY – LIFE'S TOO GOOD TO WASTE.

At its core are three distinct areas that we are committed to focusing on:

Our environment

Our communities

Our people

By embarking on this initiative, we are prioritising the protection of those three areas. We will look after the environment, doing our part in the fight against climate change; we will protect our people – which will help to attract and retain the right people for our business – and we will support our communities, working in partnership with those who provide vital care to, or are active in, our neighbourhoods.

The strategy is based on a simple cycle of understanding the issues that impact on the three areas, planning solutions for tackling those issues, implementing the plans – and then understanding how our actions have impacted in a positive manner, thereby creating a virtuous circle to ensure we continuously improve. Good Corporate Social Responsibility (“CSR”) is not a tick box exercise – actions have to be evaluated as the agenda moves on and we must move with it.

The *Life's too good to waste* campaign will also be at the heart of all our strategic business decisions, as our stakeholders demand that we don't just act in a responsible manner, but ensure it is at the centre of our thinking, planning, vision and strategy.

The campaign was launched to the business in January 2020 and started with a number of easy to undertake initiatives to get us started. We will look at the three areas in more detail, the early actions we have taken and the plans we have to develop further.

Our Environment is Too Good to Waste
Environmental issues have really come to the fore over the last year with the protests by Extinction Rebellion gaining extensive media coverage and the rise of Greta Thunberg, who is inspiring the next generation to prioritise the natural world in everything they do.

At Fuller's, we are very keen to ensure that we play our role within this movement and one of the best places to start is with food waste, as this can be tackled on more than one front. The investment we put into training our chefs and kitchen teams focuses their thinking on avoiding waste when creating dishes and planning menus, benefiting the environment and the bottom line.

At the other end of the process, we have trialled a food waste collection service. The food waste is sent for anaerobic digestion to produce green energy and compost. We are already sending zero waste to landfill with 64% being recycled and the remainder being sent for conversion to fuel. We are aiming to raise the recycling figure to 80% by 2022. We will look to regularly update our stakeholders on progress in this area.

Our suppliers play a key role in reducing our environmental footprint. The majority of our suppliers are UK based. Many of these supplier relationships are long established – for instance, we have worked with Owton's, our Hampshire-based butcher, since 2006.

These local food stories are both good for the environment and appealing to customers. Another great example is the chalk stream trout that we serve on our menu. Caught in the River Test, right next to our pub, The Mayfly, the fish is smoked at Severn & Wye Smokery before returning on the pub's menu as one of our most popular dishes. Like all our fish, this is from a sustainable source.

Modern Slavery

All of our suppliers must adhere to the highest practices, particularly around modern slavery. This year, for the first time, we held a modern slavery training session for our hotel teams to help them identify possible abuse. The session, which was a real eye-opener, covered forced labour – particularly around cleaning contractors – and possible abuse of a sexual nature. While incredibly disturbing and emotional, our team members left with some clear ideas on what to look for and what to do if they suspected someone was a victim of modern slavery.

One of the biggest areas where we can improve on our environmental footprint is through the materials, technology and energy systems we use in our refurbishments. We have already installed smart metering across our estate, allowing us to monitor energy consumption every half hour – and to take action accordingly – but where we undertake refurbishments, we have an opportunity to add in exciting new features to further reduce energy usage. The same is true at Pier House, our new support centre, where building work was completed in the last quarter of the financial year.



ROYAL SOCIETY FOR BLIND CHILDREN

Fuller's sponsors a large number of smaller charities every year and one of these is the Royal Society for Blind Children ("RSBC"). The money we donate helps provide support for visually impaired children and their families in the Hounslow area. The RSBC ensures that the children and their families can lead full and active lives and that the children can become socially independent and confident individuals.

>> For more information, visit www.rsbc.org.uk

At Pier House, an intelligent heating system matches output with demand – taking account of the number of people in the building to ensure it can maintain a standard temperature of 21/22°C throughout. There are solar panels for water heating and all lighting – both internal and external – is either on light sensors or movement sensors to avoid unnecessary energy use. The toilets are fitted with low flushing loos, waterless urinals, low energy hand dryers and instant hot water to avoid heating unnecessary tanks. In the kitchens, energy efficient hot water boilers replace kettles while there are taps for cool and carbonated water, avoiding the need for plastic bottled water coolers. The building also has four electrical vehicle charge points in the car park.

£290k

donated to Special Olympics GB

144

trained Mental Health First Aiders

Greenhouse Gas ("GHG") Emissions and Energy Consumption

	52 weeks ended 28 March 2020	52 weeks ended 30 March 2019
The annual quantity of energy consumed in kWh from (i) the combustion gas and (ii) the consumption of fuel for the purposes of transport, together with the annual quantity of energy consumed in kWh resulting from the purchase of electricity	83,555,406	101,587,325
tCO ₂ e ¹ emissions from the combustion of gas and fuel at our facilities as well as fleet vehicle use (Scope 1 emissions)	8,436	11,122
tCO ₂ e emissions from purchased electricity (Scope 2 emissions)	8,902	13,207
Total GHG emissions (Scope 1 and Scope 2)	17,338	24,329
Group's chosen intensity measurement:		
tCO₂e emissions per £100,000 of turnover	5.2	5.6

¹ tCO₂e are tonnes of carbon dioxide equivalent.

The following methodologies were used to calculate the above quantities:

- The kWh consumption figures relevant to gas and electricity were taken from invoices received by the Group – the kWh figures were then converted to tCO₂e figures using the UK Government's GHG Conversion Factors for Company Reporting 2020
- The consumption figures relevant to transport were calculated using invoices received from the Group's fuel supplier – the resulting tCO₂e figures were then converted to kWh using the UK Government's GHG Conversion Factors for Company Reporting 2020.

The Group does not have responsibility for any emission sources that are not included in the consolidated financial statements and are outside the boundary of operational control. Emissions associated with air conditioning and refrigerated leaks have been excluded as not being material.

During the year, measures were in place to collect emissions data from our pub and hotel sites. Where this data was incomplete at the year end, we have extrapolated total emissions by using an average to extend data to a full year. The calculations allow for sites which opened and closed during the year.

Strategic Report
Corporate Social Responsibility

Continued

Similar equipment is also in place in our newly refurbished pubs where we are also installing improved cellar cooling systems that use heat recovery to heat hot water systems in our kitchens. We have also undertaken further work on our kitchen design and the use of Rational ovens reduces energy consumption by 28% and reduces grease by 95%. We continue to develop this area and are in the process of writing new technical specifications for our refurbishments that will improve energy efficiency still further.

Our Communities are Too Good to Waste

Fuller's has been supporting its local communities for 175 years and, thanks to the generosity of our customers, we are providing more financial support than ever due to the Pennies initiative.

Pennies, which was founded in 2010, is a charity leading a micro-donation movement and runs the "digital charity box" which offers customers paying by chip and pin the chance of rounding up their bill to the nearest pound. The money is shared between two of our corporate charities – Special Olympics GB and Shooting Star Children's Hospices.

£194k

raised for charity during the year through 'Pennies' in our pubs

Of the money raised, 100% goes to charity. 10% goes to Pennies, to help grow the micro-donation movement and meet its charitable aims, while Fuller's chooses which charities to support with the remaining 90%. Up until 1 July 2019, Shooting Star Children's Hospices received all of the Fuller's discretionary donation, decreasing to 50% since that date, with the other 50% going to Special Olympics GB. This has resulted in donations during the financial year in excess of £100,000 for Shooting Star Children's Hospices and over £74,000 for Special Olympics GB.

In addition, our main Corporate Charity, which is Special Olympics GB, has received over £100,000 through donations made on the sale of children's meals and our popular Ale & Pie Tasting Board. Our teams have also got behind Special Olympics GB with money raised through walks, bike rides and football tournaments and we are now the biggest contributor to this amazing charity.

We have also supported two other charities in a major way during the year. The first is OnSide – where we are supporting a new youth zone in Hammersmith. OnSide's Youth Zones are designed to give young people aged 8-19 (25 for those with a disability) somewhere to go, something to do and someone to talk to in their leisure time – occupying their bodies and minds with fun activities, learning new skills and socialising in a safe, positive way. OnSide Youth Zones are there for young



SPECIAL OLYMPICS GB

Special Olympics GB ("SOGB") is the largest provider of year-round sports coaching and athletic competitions for children and adults with intellectual disabilities ("IDs"). There are an estimated 1.5 million people with an ID in Great Britain, many of whom experience the worst forms of discrimination and bullying.

SOGB currently has more than 120 accredited clubs and hosts over 160 annual competitions across 28 sports. These programmes are run by over 3,700 volunteers who support thousands of athletes.

Fuller's partnership supports the delivery of these sports programmes, the club accreditation infrastructure, volunteer recruitment and athlete registration. It also supports the development of specialist programmes such as Unified Sport, where children both with and without IDs compete together, and the Athlete Leadership Programme, training athletes to grow through sporting achievements and become leaders in their communities.

SOGB transforms the lives of people living with an ID. It provides opportunities to increase confidence, realise potential, develop physical fitness, demonstrate courage and experience new friendships – and, above all, for both athletes and their families to have some fun.

>> For more information, visit www.specialolympicsgb.org.uk





MENTAL HEALTH FIRST AID

The mental and emotional well-being of our team members is as important as their physical safety and we have worked hard over the year to improve the way we respond to this issue. At the year end we had 144 trained Mental Health First Aiders and we have worked with the Licensed Trade Charity to make sure that any of our 5,000 team members, at any level, can access the help and support they need.

people in deprived areas, where the alternative for many is spending their evenings on the streets or isolated in their bedrooms, surfing the internet. We have made a £25,000 donation to this project in the year and have pledged to provide an additional £125,000 over the next three years to help with the building, set-up and initial running costs.

Prostate Cancer UK is another charity that we have supported during the year with a tie-up in June 2019 that saw this worthy cause receive £2 for every confirmed table booking made online for Father's Day. The activity generated a donation to the charity of £10,000.

Outside of the specific activities mentioned above, Fuller's also donated over £130,000 to a number of charities including local charities, alcohol related charities and by matching employee fundraising activity through our Give As You Earn scheme and ad hoc payments.

In total, and including the Pennies payments, Fuller's and our customers have raised over £350,000 for charities during the financial year. But supporting our communities goes beyond just raising money for charity.

We strive to serve our communities in other ways too – in particular by ensuring that we tailor our offer and our communication to make life easier for those with disabilities or particular dietary requirements. This includes ensuring an excellent range of vegan and vegetarian dishes and low and no-alcohol alternatives on the bar.

One of the biggest issues we face is food intolerances and allergies – and we have worked hard to ingrain allergen training in our front-line employees from the minute they join the team to protect our customers. As well as onsite training, we have also invested in the Ten Kites online menu system, which allows anyone with a food intolerance to screen the menu online before arriving at a venue. Rather than showing people what they can't eat, the system shows them what they can eat, making it a much more positive experience.

Along similar lines, we also signed up to Good Food Talks during the year. This system is aimed at those with a visual impairment and avoids a fellow diner having to read out the menu. Instead, the Good Food Talks app will read the menu to them through their smartphone, giving the diner back their independence. This is the first step in improving our accessibility to a wide range of customers and we look forward to updating all our stakeholders further in the coming years.



NAOMI HOUSE

A number of our Hampshire pubs have raised money for local charity Naomi House. Naomi House first opened in 1997 to offer care and support to children who were not expected to live to adulthood and to their families. Our pubs have played football, volunteered at the house itself and will be undertaking the Three Peaks Challenge for this brilliant local charity.

>> For more information, visit www.naomihouse.org.uk



Strategic Report
Corporate Social Responsibility
 Continued

GENDER DIVERSITY



Female	2	22%
Male	7	78%



Female	8	50%
Male	8	50%



Female	2,148	42%
Male	2,909	58%

Our People are Too Good to Waste

Our people are our most precious resource and we invest heavily in their well-being – both through training and development for their role and career within Fuller’s, but also with regard to their mental and physical well-being

Issues around mental health have definitely become more widespread and more talked about in recent years – and it is an issue that has been a major focus for Fuller’s in the past year.

We have used Fuse – our online training and communications platform – to share a variety of contacts, training and articles signposting sources of help and support for our 5,000 employees. In addition, we have held 12 Mental Health First Aid courses during the year, training 144 team members to be Mental Health First Aiders.

We have also conducted our second Stop the Clock exercise on the topic – whereby discussion and training take place in the pub. We also work very closely with the Licensed Trade Charity to offer support and counselling for any team member and we actively encourage people to reach out and ask for help, creating an environment that enables our team members to be comfortable in doing so.

The investments we have made in training for our people in recent years is showing rewards with 90% of our new pub managers appointed during the year having progressed through the Fuller’s career path. We are also widening our search for new recruits and have been working with Only a Pavement Away, a charity that matches jobs in hospitality with ex-offenders, those in the homeless community and forces veterans. We have already recruited a small number of team members through this network.

During the year, our team members undertook over 3,300 training days and we relaunched our training offer under the banner *Designed for Life*. Rather than just focusing on delivering the skills to do the job, the new programme looks to cover a much broader personal journey.

Starting with a revised and improved induction, the initiative has three core headings – begin, become, beyond. It has a stronger focus on in-role leadership and the soft skills that our team members will need both for work and in life. It includes a huge range of bite-sized learning on subjects including social media marketing, presentation skills, business English and mindfulness. We want to ensure that even if our team members decide not to follow a career in pubs or hotels, we still help them be the best they can be.

Over the last year, we have also continued to develop our award-winning apprenticeship programme and have started to work with our supply chain to access their apprenticeship levy too, allowing us to recruit even more apprentices into our business.

Life’s Too Good to Waste

It is early days for our new CSR Strategy – but we are excited by the start we have made and the opportunity to develop it further in the future.

CSR is no longer something that sits to the side of a business – it has to be at its heart. With the launch of the *Life’s too good to waste* campaign, we have created a path to ensure that happens and we look forward to reporting on our progress in future shareholder communications.

By order of the Board

Simon Emeny
 Chief Executive
 30 July 2020

Non-Financial Information Statement

We set out below the information required by Section 414CA and 414CB of the Companies Act 2006 to help stakeholders understand the development, performance and position of the Group as well as the impact of its activity in relation to this non-financial information.

Reporting requirement	Policies followed	Outcome of the policies
Environmental matters	CSR Strategy – Our environment	CSR Report from page 36
Employees	CSR Strategy – Our people, Alcohol and Drugs Policy, Attendance and Absence Policy, Bullying and Harassment Policy, Communications Policy, Compassionate and Bereavement Policy, Data Protection Policy, Disciplinary Policy, Equal Opportunity Policy, Family Friendly Policy, Anti-Bribery Policy (covering gifts and hospitality), Grievance Policy, IT Policy, Mobile Phone Policy, Other Employment Policy, Parenting Policy, Recruitment Policy, Redundancy Policy, Residential Accommodation Policy, Right to Work Policy, Smoking Policy, Social Media Policy, Staff Accommodation Policy, Stop and Search Policy, Stress Policy, Tuition Policy, Modern Slavery Statement, Whistleblowing Policy	CSR report from page 36 Strategic Report on page 26 and 27
Social matters	CSR Strategy – Our communities, Gender Pay Gap reporting	CSR Report from page 36
Human rights	Modern Slavery Statement	CSR Report – page 37 in particular
Anti-corruption and anti-bribery matters	Anti-Bribery Policy (covering gifts and hospitality), Whistleblowing Policy	Corporate Governance Report from page 48 Audit Committee Report from page 53
Principal risks and impact on business		These are set out on pages 32 and 34 See also page 6 regarding our response to the coronavirus pandemic
Description of business model		At a glance page 4 See our vision and purpose on page 4 Strategic Report on pages 26 and 27
Non-financial Key Performance Indicators		Strategic Report on pages 26 and 27



Governance
Board of Directors

DRIVING OUR STRATEGY

The Main Board thrives by being strong and talented individuals who combine to form the team that drives our strategy. Each member brings their skills and talents to set the strategic direction and deliver further success for the Company.



MICHAEL TURNER
NON-EXECUTIVE CHAIRMAN
CHAIR OF THE NOMINATIONS COMMITTEE

Aged 69.
Joined in 1978. A Chartered Accountant with international experience. Initially ran the Wine Division as Wine Director. Appointed Marketing Director in 1988, Managing Director in 1992, Chief Executive in 2002 and Chairman in 2007. Chairman of the British Beer and Pub Association 2008-2010. Master of the Worshipful Company of Vintners 2011-2012.



SIMON EMENY
CHIEF EXECUTIVE

Aged 54.
Joined in 1996 from Bass plc where he held a variety of senior operational and strategic planning roles. Appointed to the Board as Retail Director in May 1998, Managing Director, Fuller's Inns in July 2006, Group Managing Director in November 2010 and Chief Executive in July 2013. Non-Executive Director of The National Gallery Company Limited and Senior Independent Director of WH Smith PLC. Previously Senior Independent Director and Chair of the Remuneration Committee of Dunelm Group plc. An economics graduate and alumnus of Harvard Business School.



JULIETTE STACEY
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
CHAIR OF THE AUDIT COMMITTEE
MEMBER OF THE REMUNERATION COMMITTEE
MEMBER OF THE NOMINATIONS COMMITTEE

Aged 50.
Appointed in 2018. Former Chief Executive of Mabey Holdings Limited. Former Chief Operating Officer (UK and Europe) and previously Finance Director (Commercial UK) of Savills plc. Qualified as a Chartered Accountant with Ernst & Young. Fellow of Royal Institute of Chartered Surveyors.



RICHARD FULLER
NON-EXECUTIVE DIRECTOR

Aged 60.
Joined the Company in 1984. Appointed a Divisional Director in 1992 and to the Board in December 2009 with responsibility initially for sales then, additionally, personnel. Responsible for Corporate Affairs and government relations. Became Non-Executive Director in February 2020. A GMP graduate of Harvard Business School.



ADAM COUNCELL
FINANCE DIRECTOR

Aged 42.

Appointed in 2019 from AIM-listed Restore plc, where he was Group Finance Director. Started his career at Whitbread plc in the accounts department of The Pelican Group restaurant division before moving to the Milward Brown Precis subsidiary of WPP plc. Joined Rentokil Initial plc in 2003, where he held a variety of finance posts including Commercial Director of the Business and Industry division and Finance Director of Catering and the combined Catering and Hospitals division and finally Finance Director of the UK Business Services division. Qualified as a Chartered Accountant. Holds a degree in Mathematics.



FRED TURNER
RETAIL DIRECTOR

Aged 34.

Appointed to the Board in 2019. Joined the Company in 2013 as an Operations Manager for Fuller's Inns. Appointed Head of Tenanted Operations in 2015 and Tenanted Director in 2018. Qualified as a Chartered Accountant with Grant Thornton UK LLP. Civil engineering graduate.



SÉVERINE BÉQUIN
COMPANY SECRETARY

Aged 50.

Appointed in 2014 after nearly 10 years as Group Company Secretary of Eurotunnel. Previously worked as a solicitor in private practice and then as Company Secretary to various UK and international companies.



SIR JAMES FULLER, BT
NON-EXECUTIVE DIRECTOR

Aged 49.

Appointed in 2010. Served in The Life Guards 1991-1998. Employed by the Company from 1998-2003, working in the Tied and Managed Pub estate and has since been running his own business.



HELEN JONES
INDEPENDENT NON-EXECUTIVE DIRECTOR

CHAIR OF THE REMUNERATION COMMITTEE
MEMBER OF THE AUDIT COMMITTEE

Aged 61.

Appointed in 2019. Non-Executive Director of motor accessories and cycling giant Halfords Group plc, where she chairs the CSR Committee and Non-Executive Director of Premier Foods plc. Formerly Group Executive Director at Caffè Nero and Managing Director of Zizzi, the Italian casual dining chain, and Non-Executive Director of international fast-dining restaurant group Vapiano SE. Vice-Chairman of the Ben & Jerry's Board and Non-Executive Director of Whittard.



ROBIN ROWLAND, OBE
INDEPENDENT NON-EXECUTIVE DIRECTOR
MEMBER OF THE AUDIT COMMITTEE
MEMBER OF THE REMUNERATION COMMITTEE

Aged 59.

Appointed in 2020. Previously Chairman and Chief Executive of YO! Sushi, Non-Executive Director of Marstons PLC and Tortilla. Currently European Operating Partner of TriSpan Private Equity with Chairman and Non-Executive Director roles with three portfolio companies: Rosa Thai, Thunderbird and Rosa Mexicano (USA). Independent Non-Executive Director roles with Eathos (Gulf) and Caffè Nero. Awarded an OBE in 2015 for outstanding services to hospitality.

Governance

Directors' Report

The Directors present their report to shareholders together with the audited financial statements for the 52 weeks ended 28 March 2020.

Strategic Report

The statements and reviews on pages 6 to 41 comprise the Strategic Report which includes information about the Group's strategy and business model as well as providing an update on the business and financial performance during the year and indications of likely future developments, Key Performance Indicators ("KPIs"), principal risks and uncertainties and the Group's financial management and treasury policies. Post Balance Sheet events are disclosed in note 34 to the financial statements.

Directors

A list of Directors who served during the financial year and comprise the Board of Directors as at the date of this report, together with biographical details, is given on pages 42 and 43.

On the disposal of the Fuller's Beer Business, Simon Dodd resigned as a Director with effect from 30 April 2019. John Dunsmore, who had served an additional year beyond his nine-year term, resigned as a Director with effect from 25 July 2019. Jonathon Swaine resigned as a Director with effect from 4 September 2019 and Richard Fuller became a Non-Executive Director with effect from 1 February 2020.

On the recommendation of the Nominations Committee, Fred Turner was appointed by the Board of Directors with effect from 1 June 2019. His appointment was approved by shareholders at the Annual General Meeting held on 4 September 2019.

On the recommendation of the Nominations Committee, Adam Councill was appointed by the Board of Directors with shareholders effect from 27 August 2019, this appointment was approved by the shareholders at the Annual General Meeting held on 4 September 2019. On the recommendation of the Nominations Committee, Robin Rowland was also appointed as a Director by the Board with effect from 23 March 2020. In accordance with the Articles of Association, his appointment will be subject to the approval of shareholders at the Annual General Meeting.

Richard Fuller and Adam Councill retire by rotation at the Annual General Meeting and offer themselves for re-election. Adam Councill is an Executive Director and has a rolling service contract of 12 months' duration.

Details of all Directors' interests as at the end of the financial year are set out in the Directors' Remuneration Report on pages 58 to 80.

Dividends

The Company paid an interim dividend of 7.80p per 'A' and 'C' ordinary share of 40p each and 0.780p per 'B' ordinary share of 4p each on 10 January 2020. In view of the coronavirus pandemic, the Directors decided not to recommend a final dividend for the financial year ended 28 March 2020.

The 2020 interim dividend paid of £4,309,331, which together with the 'D' share single dividend of £69,355,922 and the £120,000 of cumulative preference dividends paid will make total dividends of £73,785,253.

Auditors and Disclosure of Information to Auditors

The Directors who held office as at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Companies Act 2006) of which the Company's auditors are unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information to establish that the Company's auditors are aware of that information. The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Indemnity Provisions

The Articles of Association provide the Directors with indemnities in relation to their duties as Directors, including qualifying third party indemnity provisions (within the meaning of the Companies Acts). All of the Executive Directors' contracts contain a clause which states: "the Executive shall be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court from liability for negligence, default, breach of duty or breach of trust he may be guilty of in relation to the affairs of the Company." The Company purchases Directors and Officers liability insurance which gives appropriate cover for any legal action brought against its Directors.

This insurance also covers the Trustees of the Company's defined benefit pension scheme.

Political Donations

The Group does not make political donations.

Purchase of Own Shares

At the Annual General Meeting held on 4 September 2019, the Company was given authority to purchase up to 4,811,797 'A' ordinary shares to be held as treasury shares to be used in connection with, among other purposes, the Long-Term Incentive Plan ("LTIP") and/or other share option schemes. This authority will expire at the Annual General Meeting and shareholders will be asked to give a similar authority to purchase shares up to 15% of the 'A' ordinary capital at that date.

The Company's maximum issued ordinary share capital during the year was £22,793,726 comprising 33,619,834 'A' ordinary shares, 89,052,625 'B' ordinary shares and 14,459,218 'C' ordinary shares.

During the year the Company purchased a total of 48,700 'A' ordinary shares at a total cost of £395,487 (exclusive of stamp duty). These share purchases represented 0.09% of the maximum issued ordinary shares and 0.14% of the Company's issued 'A' ordinary share capital.

41,374 'A' ordinary shares held in treasury, with a value of £477,870, were transferred to the Trustee of the Share Incentive Plan. 293,955 'A' ordinary shares held in treasury were allocated to participants of the Savings Related Share Option Scheme, the Senior Executive Share Option Scheme and the Executive Share Option Scheme on exercise of options, generating net cash proceeds of £2,267,602. As at 28 March 2020, a total of 1,280,061 'A' ordinary shares and a total of 4,558,009 'B' ordinary shares are held as treasury shares.

Employees

Communication and engagement is important to the business and is part of the rhythm of life at Fuller's. Formal and informal messages are cascaded via a communications app, noticeboards and face to face via the regular team meetings and shift briefings held in every area and every pub or hotel. Every team member has access to Fuse, the communications app, which provides access information at a time to suit the individual and an opportunity to ask questions and provide feedback to the author of the communication.

Large, face to face, events are carefully designed to engage team members and share messages in an experiential way. The annual Managers' Conference (for all General Managers and Head Chefs) and Connection Week, for one non-management representative from each pub or hotel, are popular events on the communications calendar. Both events facilitate the communication of key messages directly from the Executive Team and senior leaders to a largely remote workforce. Materials are also provided for attendees to cascade the messages to their local teams.

A consultation committee further facilitates a dialogue between the business and representatives of all team members including union members. Taken together, these communications have allowed the business to engage successfully with all teams, wherever they are employed.

A recruitment policy is designed to ensure that all applications for employment, including those made by disabled persons, are given full and fair consideration, in light of the applicants' particular aptitudes and abilities. The Company also has an Equal Opportunities Policy which is designed to ensure that all colleagues are treated equally in terms of training, career development and promotion. Where team members develop a disability during their employment, every effort is made to continue their employment and arrange for appropriate training, career development and promotion as far as is reasonably practicable. Development and training of our teams at all levels has always been a priority at Fuller's and we run multiple development and apprenticeship programmes each year culminating in an annual graduation ceremony for our all graduates and apprentices.

The Company continues to offer qualifying staff a Savings Related Share Option Scheme – although no invitation was made in 2019, a Share Incentive Plan ("SIP") and a variety of performance related bonus arrangements, which serve to encourage team interest in the Group's performance. All team members are given an "Indulgence" card allowing them to benefit from a colleague discount in the Company's managed pubs as well as in Cotswold Inns & Hotels and Bel & The Dragon outlets.

Stakeholder Engagement

Information on how the Directors engage with the Group's different stakeholders, including shareholders, employees and customers, can be found on page 35.

Share Capital

Information on the Company's financial instruments, capital structure and related restrictions is given in notes 28 and 29 to the financial statements. Details of significant shareholdings are set out below.

Computershare Trustees Limited holds a total of 226,793 'A' ordinary shares on behalf of employees of the Company who are participants in its SIP. This represents 1.17% of the issued 'A' ordinary share capital (excluding

shares held in treasury). In respect of the shares that have been allocated, Computershare Trustees Limited exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

Substantial Shareholdings

The Company had been advised under the Disclosure and Transparency Rules that the following held an interest in 3% or more of the voting rights of its listed issued share capital:

Percentage 'A' ordinary shares of 40p each

	As at 28 March 2020	As at 1 July 2020
BlackRock, Inc	15.29	14.86
Ameriprise Financial, Inc	6.42	6.42
Dunarden Limited	3.03	3.03

The Company is also aware of the following interests in 3% or more of the voting rights in the two classes of its unlisted share capital:

Percentage 'B' ordinary shares of 4p each

	As at 28 March 2020 and at 1 July 2020
Mr A W M Mitchell & Burges Salmon Trustees Ltd	15.65
Mr R H F Fuller & Mr R I Turner & Mr P A Sheils	8.07
Mr A G F Fuller	6.03
Mr R H F Fuller & Mr P A Sheils & Mr P J Turner	4.87
Dunarden Limited	3.79
Mr R D Inverarity	3.71
Mr G F Inverarity	3.67
Miss S M Turner	3.51
Mr M J Turner	3.50
Mr R H F Fuller	3.25
Mr T J M Turner	3.25

Percentage 'C' ordinary shares of 40p each

	As at 28 March 2020 and at 1 July 2020
Mr A W M Mitchell & Burges Salmon Trustees Ltd	31.02
Mr T J M Turner	6.20
Miss S M Turner	5.25
Mr P A R Carter & Mr J M Gordon	4.30
Mr A G F Fuller & Mr P A R Carter	4.12
Mr P A R Carter & Mr A G F Fuller	4.02
Mrs D M St. C Turner	3.09
Mr C D W Williams	3.02
Mrs E A Crisp	3.02

Governance

Directors' Report

Continued

Articles of Association

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

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

The Articles do not contain any specific provisions about amendments to the Articles and are therefore governed by the relevant Companies Act requirements which state that the Articles may only be amended by special resolution.

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

The Group has entered into a number of agreements with the major brewers operating in the UK under which it both buys and sells beers and these agreements may be terminated by the other party should the Group undergo a change of control.

In the event of a change of control the Company is obliged to notify its main bank lenders of such. The lenders shall not be obliged to fund any new borrowing requests and the facilities will lapse after 30 days from the change of control if terms on which they can continue have not been agreed. All borrowings including accrued interest will become repayable within ten days of such a lapse.

Information Required under the Listing Rules

There is no information to disclose in this Annual Report and Accounts pursuant to Listing Rule 9.8.4.

Corporate Governance

The Group's report on Corporate Governance is set out on pages 48 to 52. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by reference.

Corporate Social Responsibility

The Group's report on Corporate Social Responsibility is set out on pages 36 to 40. It contains information on greenhouse gas emissions, energy efficiency action and gender diversity.

By order of the Board



Séverine Béquin
Company Secretary
30 July 2020

Fuller, Smith & Turner P.L.C.
Pier House
86-93 Strand-on-the-Green
London W4 3NN

Registered in England under number: 241882

Directors' Statements

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Annual Report, the Remuneration Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with IFRS as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and Company for the financial period. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 1 Presentation of Financial Statements and then apply them consistently
- make an assessment of the Company's ability to continue as a going concern
- state that the Group and Company have complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules ("DTR") and in the case of the Group financial statements, with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to Preparation of Financial Statements

The Directors confirm, to the best of their knowledge:

- that these financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company taken as a whole; and
- that the Annual Report and the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Fuller, Smith & Turner P.L.C. are listed on pages 42 and 43.

Directors' Statement as to Disclosure of Information to Auditors

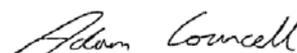
The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 42 and 43. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



Michael Turner
Chairman
30 July 2020



Adam Councill
Finance Director
30 July 2020

Corporate Governance Report



“I am satisfied that the Board comprises the right individuals who have the skills required to run this business and to respond well to the challenges presented.”

It is the Board’s belief that good corporate governance at all levels of the business will further the long-term sustainable success of our long-established business. As Chairman, my responsibility is to lead the Board and ensure it is working effectively towards delivery.

We have made some progress towards compliance with the new UK Corporate Governance Code (the “Code”) published in July 2018 which applies to the Company. However, the challenges presented by the transformative nature of the last 18 months for the business, from the implementation of a complex ERP system, the Disposal of the Fuller’s Beer Business, the return of capital to shareholders and many resulting changes to the composition of the Board mean that there are still areas which require attention going forward as we recover from the impact of the current pandemic.

The Board continues to see succession planning as a key issue for a business that has very low turnover amongst its senior management and is still very much a family-controlled concern whilst also being a listed

public company. However, succession plans continue to be discussed both at Executive Committee and Board level. Throughout the rest of the business, succession plans are in place at departmental level and are reviewed regularly by the relevant Directors in conjunction with their Executive colleagues and their personnel advisors. Furthermore, all department plans are compiled into a Company succession plan which provides effective review of cross-departmental promotion and opportunities.

In terms of Board balance, I chair the Nominations Committee and am personally involved in all Board level recruitment. Therefore, I am able to ensure that we continue to have a good balance of skills, experience, independence and knowledge on our Board and our Board Committees. This year has seen a number of changes to your Board with the departure of Simon Dodd and Jonathon Swaine, following completion of the disposal of the Fuller’s Beer Business. Fred Turner joined the Board as Retail Director with effect from 1 June 2019. Adam Councill joined the Board as Finance Director with effect from 27 August 2019. Having ensured a smooth transition with the appointment of Peter Swinburn and later Helen Jones, John Dunsmore stepped down as planned in the summer of 2019. It was with sadness that the Board had to say goodbye to Peter Swinburn who resigned as a result of health issues. Richard Fuller moved from an Executive to a Non-Executive role with effect from 1 February this year and Robin Rowland joined the Board at a very critical time for the business at the outset of the coronavirus pandemic.

I am satisfied that the Board comprises the right individuals who have the skills required to run this business and to respond well to the

challenges presented by the continually changing environment in which we operate. The Board recognises the importance of diversity for Board effectiveness. We continue to believe that appointments should be made on the basis of merit against the selection criteria for any particular role.

We believe that you can only have an effective Board when all members understand what is required of them and when they all have time to conduct their duties. All of our Directors have detailed appointment letters or contracts which set out their duties. We confirm that appointment letters for Non-Executive Directors set out the expected time commitment required. We also have a policy that Directors can only take on additional roles with Board approval. In line with the Code, the terms of appointment for all our Non-Executives specifically state that the role of the Non-Executive Directors is to challenge and help develop strategy.

Finally, our annual Board evaluation, this year, was carried out by our Senior Independent Director. The Board has resolved to seek external assistance to carry out this process next year as do many listed PLCs as recommended by provision 21 of the Code. However, the Board is satisfied that the internal process is robust and that the manner in which the evaluation is carried out encourages a healthy debate on things that could be improved.

Michael Turner
Chairman
30 July 2020

Introduction and Compliance

The Board of Directors is committed to the highest standards of corporate governance and believes that such standards are critical to overall business integrity and performance. This report explains how the Company applies the principles of the Code, which shareholders can find on the Financial Reporting Council's website at www.frc.org.uk, in the particular circumstances of the Company.

The Company is subject to the UK Corporate Governance Code 2018. It has complied throughout the period with the requirements of the 2016 Code, as applicable to a smaller quoted company, and has endeavoured to satisfy the requirement of the 2018 Code throughout the financial year.

A supporting pillar of our strategy of delivering a distinctive customer experience, building a leaner cost base and growing by carefully targeted acquisitions and developments, as described on page 21, is recruiting, developing and investing in the best people. To implement this element, during the year, the Company started a wide-ranging review of pay and benefits throughout the Group as well as putting plans in place to build engagement with all our staff and develop a sense of belonging for all, already a strong feature of the Fuller's culture. This involves setting up processes and more formal forums to achieve these objectives and better understand the views of the workforce and ensuring Board engagement by drawing on the experience of our Independent Non-Executive Directors. The process has been halted somewhat by the coronavirus pandemic although, as illustrated on page 6, Fuller's has adopted a people first approach in its response to the pandemic by engaging effectively through strong communications with its staff. The Board will consider the designation of a Non-Executive Director to provide a link to the Board as part of this process in compliance with provision 5 of the Code.

The Executive Committee is working on achieving the optimal structure for our focused premium pub and hotel business and this will involve a detailed review of delegated authorities within the business which will be overseen by the Audit Committee. In conjunction with the work being undertaken within the business, the Board will seek to review the responsibilities of the Chairman, Chief Executive, Senior Independent Director, matters reserved for the Board and terms of reference for the Executive Committee. Existing terms of

reference for the Board's standing Committees will also be reviewed. Once this work has been completed, these will be made available on our website in compliance with provision 14 of the Code. The Board understands that the Code recommends that the Remuneration Committee should be responsible for determining the remuneration of senior management per provision 33. However, it is felt that the Chairman and Chief Executive are best placed to determine this. During the year, the Remuneration Committee commissioned a benchmarking survey as part of its review of the Directors' Remuneration Policy. This survey did include senior management and the Company Secretary and informed decisions regarding appropriate pay levels for senior management.

Michael Turner has been Chairman for more than nine years and is not independent according to the Code. Whilst the Board understands the requirements of Code provision 19 in that regard, the Board considers that the Chairman's knowledge and understanding of this long-established family business and its requirements is extremely valuable. The Board will continue to keep provision 19 of the Code under review. Similarly, whilst at least half of the Board is not made up of Independent Non-Executive Directors as recommended by provision 11 of the Code, the Board considers it is well balanced and that the presence of Non-Executive Directors who are long-standing family shareholders is important in this professionally run family business.

As part of its review of the Directors' Remuneration Policy detailed in its report on page 58, the Remuneration Committee has considered provision 38 of the Code and concluded that for any new Executive Directors appointed to the Board from 1 April 2020, the pension opportunity will be in line with the maximum contribution available for the majority of the workforce. It was not considered appropriate to seek a change to the contractual entitlement of current Executive Directors.

Other areas of non-compliance are addressed within this report.

The information that is required by Code provisions 1 and 2 can be found in the Strategic Report on pages 6 to 41. The information relating to the share capital of the Company that is required by DTR 7.2.6R can be found within the Directors' Report, on pages 44 to 46.

The Board

The Board's Role

The Board of Directors is collectively responsible to the shareholders for the performance and long-term success of the Group. Its role includes the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure, ownership of the corporate values, overseeing the Group's systems of internal controls, governance and risk management, and ensuring that the appropriate resources are in place to deliver these and fulfil the Company's obligations to its stakeholders.

How the Board Works

The Board governs through its Executive Committee, and formally via its other clearly mandated Committees. Each standing Board Committee has specific written terms of reference which are regularly reviewed by the Board and there is a formal list of Matters Reserved for the Board. This distinguishes between matters reserved for the Board and Executive Committee decisions. The terms of reference of the Audit, Remuneration and Nominations Committees are available on the Company's website. All Committee Chairmen report orally on the proceedings of their Committees at the next meeting of the Board, and the minutes of the meetings of all Board Committees (with some exceptions on remuneration matters) are provided to Board members. The Chairman ensures that the Executive Committee provides accurate and timely information for Board meetings which is then open to debate and challenge by all. Meetings enjoy open dialogue and constructive challenge on all issues is encouraged. With a good information flow between and prior to Board meetings, decisions are made in a timely manner after appropriate questions are dealt with. The Board has adopted a procedure, in accordance with the Company's Articles, to consider and, if it sees fit, to authorise situations where a Director to have an interest that conflicts, or may possibly conflict, with the interests of the Company.

Board Meetings

The Board meets formally at least six times a year with papers circulated a week in advance and the agenda and papers for these meetings are subject to the scrutiny of the Chairman and the Company Secretary. However, the Board regularly considers matters on an ad hoc basis between scheduled meetings. This year, the Board specifically met more frequently in view of the postponement of the publication of the Group's financial results for the prior financial

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Corporate Governance Report

Continued

year, and since the outset of the coronavirus pandemic, the Board has met weekly by video conference to inform the Board and empower the Executive as required to address the challenges posed by the enforced closure of the business due to the pandemic.

At Board meetings, the agendas cover projects, analysis of the market in which the Group operates and performance. Each of the Executive Directors and the Company Secretary also update the Board at each meeting on matters for which they are responsible. The Board is responsible for approving the annual budget and the annual and half year results. At the beginning of some of the Board meetings, one or more members of the Executive Committee (who are not an Executive Director) or Senior Managers are invited to join the meeting and inform the Board of developments in their area of the business. In addition to scheduled meetings, the Board also meets every year for an in-depth review of corporate strategy, and other agenda items might include an update on the economy and a review of the Group's competitors. The Non-Executive Directors from time to time meet with members of the senior management team and also spend days out in the trade with individual members of that team. This helps to keep Non-Executive Directors up to date with the operations of the Group and also provides the Executive Directors and senior management with valuable feedback about the Company's people and its operations.

Following the disposal of the Fuller's Beer Business, Board and Committee meetings were mainly held within our retail estate. Going forward, meetings will be held at the Group's new registered office, Pier House, and also within the estate.

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

Board Committees

The Executive Committee

The Executive Committee is chaired by the Chief Executive and comprises of the Executive Directors – Finance Director and Retail Director – and the People & Talent Director, the Property Director and the Marketing Director. The Company Secretary is secretary to the Executive Committee.

The Executive Committee normally meets formally at least 11 times a year and also meets informally most weeks. There is thus a regular flow of information at Board and Executive Committee level.

Meetings of the Executive Committee focus on the detail of the Group's performance. The Finance Director leads a review of the Group's management accounts and presents updates on cash management and credit control. Each member of Committee and the Company Secretary update their colleagues on the key issues facing their part of the business. There is a good level of consultation and debate at these meetings. The list of Matters Reserved for the Board sets out which matters need Board approval and which decisions can be made at Executive Committee level. Most significant business decisions are made by the Board. At the beginning of most Executive Committee meetings one or more Senior Managers are invited to join the meeting and talk to the Committee about the issues in their department.

The Audit Committee

Information about the Audit Committee is given in the Audit Committee Report on page 54.

The Remuneration Committee

Information about the Remuneration Committee and Remuneration Policy is given in the Directors' Remuneration Report on page 71.

The Nominations Committee

The Nominations Committee is chaired by Michael Turner and the other members are both independent non-Executive Directors. The members during the period were John Dunsmore (until his resignation on 25 July 2019), Juliette Stacey and Helen Jones.

The Board is satisfied that the Chairman's extensive understanding of the business and its requirements puts him in a very good place to lead the recruitment process for any new Directors. The Board has prepared a detailed skills matrix to identify the areas of expertise

required by the Board and any gaps within the composition of the Board. This was used to inform the recruitment carried out during the year.

The Committee is responsible for leading the process for appointment as Directors, for approval by the Board although the full Board will also typically informally discuss Board and senior management appointments.

The members of the Committee liaised effectively to carry out the recruitment of a new Non-Executive Director following Peter Swinburn's unexpected resignation, with the assistance of Odgers Berndtson. The Committee is satisfied that Odgers Berndtson has no connection with the Company or individual Directors. The Board had previously prepared a skills matrix to identify any additional attributes which would be desirable in a new appointment. Board members were kept informed of the process and all of them were involved in the final interview process.

Whilst the Board is alert to the need to ensure diversity in all its form is promoted, the Board believes appointments should be made on merit and does not want to adopt targets that may affect its ability to make the right decision for the business and all its stakeholders. As and when Board vacancies arise and, should the support of an executive search firm be required, the Board and the Nominations Committee will ensure that it only uses firms that have signed up to their industry's Voluntary Code of Conduct (prepared in response to Lord Davies' report). Further information on gender diversity across the business can be found in the Corporate Social Responsibility report on page 40.

Attendance at Board and Committee Meetings

The table opposite gives details of attendance at Board and Committee meetings during the year relative to the total number of meetings that took place whilst each Director was in office.

The Board believes that all of its members have sufficient time to discharge their duties effectively. All Directors are required to seek permission before accepting any external appointments, therefore Board members are kept fully aware of their colleagues' other commitments.

Attendance 2019/2020	Board	Executive	Audit	Remuneration
Director				
Michael Turner	11 (11)		*	*
Simon Emeny	11 (11)	9 (9)	*	*
Adam Councill ¹	9 (9)	6 (6)	*	
Richard Fuller	11 (11)	1 (1)		
Fred Turner	11 (11)	7 (8)		
Sir James Fuller	11 (11)			
Juliette Stacey	11 (11)		5 (5)	7 (7)
Helen Jones	11 (11)		5 (5)	7 (7)
Robin Rowland ²	2 (2)		0 (0)	0 (0)
Peter Swinburn ³	3 (3)		1 (1)	4 (4)
John Dunsmore ⁴	1 (2)		0 (1)	3 (3)
Simon Dodd ⁵	0 (0)	0 (0)		
Jonathon Swaine ⁶	3 (3)	2 (3)		

* These Directors are not members of the Committees but are invited to be in attendance at meetings.

1 Adam Councill was appointed to the Board with effect from 27 August 2019.

2 Robin Rowland was appointed to the Board with effect from 23 March 2020.

3 Peter Swinburn resigned from the Board with effect from 4 September 2019.

4 John Dunsmore resigned from the Board with effect from 25 July 2019.

5 Simon Dodd resigned from the Board with effect from 30 April 2019.

6 Jonathon Swaine resigned from the Board with effect from 4 September 2019.

Composition and Balance of the Board

The Chairman is responsible for leading the Board and ensuring its effectiveness and openness, and that shareholders are kept well informed. The Chairman does not have any commitments which constrain his ability to fulfil his role. Simon Emeny is responsible for all operational aspects of the Group.

During the period, following the disposal of the Fuller's Beer Business, Simon Dodd resigned as Managing Director of The Fuller's Beer Company with effect from 30 April 2019. Fred Turner was appointed as Retail Director with effect from 1 June 2019. John Dunsmore resigned as independent Non-Executive Director with effect from 25 July 2019. Adam Councill joined the Board as Finance Director with effect from 27 August 2019. Jonathon Swaine resigned as Managing Director of Fuller's Inns and Peter Swinburn as independent Non-Executive Director both with effect from 4 September 2019. Richard Fuller stepped down from his role as Corporate Affairs Director to join the Non-Executive Directors with effect from 1 February 2020. Robin Rowland joined the Board as independent Non-Executive Director on 23 March 2020.

As required by provision 8 of the Code, it is confirmed that none of the Non-Executive Directors who resigned during the period have expressed any concerns in writing to the Chairman as to the operation of the Board or the management of the Company.

On appointment, new Directors undertake a tailored induction programme.

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

The Directors' biographies are on pages 42 and 43. Peter Swinburn was the Senior Independent Director until his departure from the Board when Juliette Stacey took over the role. The Senior Independent Director offers support and advice to the Chairman and all the other Board members; they are in regular dialogue with all Board members outside of Board meetings and co-ordinate the views of the Non-Executive Directors as and when required. All of the Independent Non-Executive Directors are determined by the Board to be independent in character and judgement and there are no relationships or circumstances which could affect or appear to affect their judgement; all are appointed for specified terms. The details of the Non-Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 58 to 80 and are available for inspection at the Company's registered office.

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Advice for the Board

There is a procedure in place under which Directors can obtain independent professional advice. The Directors also have access to the advice and services of the Company Secretary whose appointment and removal is a matter for the whole Board. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with. The Directors are satisfied that any concerns they raise at Board meetings are recorded in the minutes. The Company maintains appropriate insurance cover in respect of legal action against its Directors and Officers.

Professional Development

All Directors attend training courses, industry forums and specialist briefings relevant to their role throughout the year. Occasionally, specialists such as the Company's legal advisers join a Board meeting to brief the Board on a particular topic. Executive Directors are permitted to hold one other paid directorship, with the Board's consent, as the Board believes that experience of how other boards work enhances the Directors' contribution to Fuller's.

Board Evaluation

The annual Board evaluation is conducted by way of a questionnaire, where all Board members are asked to rate the Board's work across a number of different topics, with constructive criticism encouraged, via the medium of a questionnaire. The questionnaire includes questions on the balance of skills, experience, independence and knowledge, diversity (including gender diversity), how the Board works as a unit and other factors relevant to its effectiveness. Where necessary clarifications are sought on the responses given; then the responses are consolidated and reported back to the Board, highlighting significant improvements and deteriorations in any particular area by comparing results with previous years' outputs and agreeing actions to tackle any areas requiring improvement. Unattributed comments of significance are shared with all. This year, the evaluation was carried out by the Senior Independent Director. The results were consistent with last year's scores and provided some insight into areas that could be improved further, and these were debated at a Board meeting and were the Chairman's focus in terms of follow-up. The Audit and Remuneration Committees conduct similar assessments and their work is also commented upon in the Board evaluation. The appraisal of the Executive Directors and the Company Secretary is conducted annually by the Chairman or Chief Executive and, as part

of the appraisal process, individual training and development needs are discussed. The annual appraisal of the Non-Executive Directors is conducted by the Chairman, following consultation with the Executive Team. The annual appraisal of the Chairman is conducted by the Senior Independent Director, following consultation with all the other Directors and the Company Secretary.

Board Re-election

The Articles of Association of the Company ensure that all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and to re-election at three-yearly intervals.

The Board has considered the requirements of provision 18 of the Code with regards to all directors being subject to re-election at each Annual General Meeting of the Company. In view of the Company's size, its ownership structure and its history, the Board will keep this requirement under review but is not minded proposing the annual re-election of all Directors for the time being.

Relations with Shareholders

The Company has an ongoing programme of individual meetings with institutional shareholders, allowing it to update shareholders on the performance of the business and the strategy for the future, and to give them an opportunity to discuss corporate governance matters. The Company's brokers also contact key shareholders to establish if they would like to see the Chief Executive and Finance Director in the days following their presentation to the City on the preliminary and half year results. The Chairman, Richard Fuller and Sir James Fuller are the key contacts with the Company's family shareholders and Sir James Fuller has a specific role to keep in touch with those shareholders. The Senior Independent Director and the other Non-Executive Directors are all willing to attend meetings with shareholders or to be contacted by shareholders should they have any concerns which have not been resolved through the normal channels. The Non-Executive Directors have had no such requests during the last financial year. All Board members receive feedback from the City presentations and meetings with shareholders, thus keeping them in touch with shareholder opinion.

The Board supports the use of the Annual General Meeting to communicate, in particular, with private investors, and the Chairman and Chief Executive make a detailed presentation to shareholders updating them on the Company's performance and progress. The Board is keen to encourage institutional investors to attend the meeting, in line with the duties set out in the Stewardship Code for institutional shareholders as amended in September 2012. Should they have concerns over any issues being voted upon at the Annual General Meeting, they can then meet all the Directors and discuss them in person, particularly if they have declined an invitation for an individual meeting. The Chairman arranges for the Chairman of each of the Company's Board Committees to answer relevant questions at the meeting and encourages all Directors to be present.

This year, in view of current circumstances, the Board has taken the decision to hold the Annual General Meeting behind closed doors. However, shareholders will be invited to submit questions they may have prior to the meeting and answers will be provided via the Company's website.

Details of the engagement process with shareholders regarding the new Directors Remuneration Policy can be found in the Remuneration Report on page 59.

The Group operates a whistleblowing policy providing all staff the means of raising concerns in confidence. Further details can be found in the Report of the Audit Committee on page 56.

By order of the Board



Séverine Béquin
Company Secretary
30 July 2020

Fuller, Smith & Turner P.L.C.
Pier House
86-93 Strand-on-the-Green
London W4 3NN

Audit Committee Report



“Membership of the Committee has changed over the period but at all stages the Committee has adapted, and adopted all steps and procedures necessary to conclude its work.”

Statement of the Audit Committee Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee report for the 52 weeks ended 28 March 2020.

Membership of the Committee has changed across the period but at all stages the Committee has adapted, and adopted all steps and procedures necessary to conclude its work.

As we report, with the full complement of independent Non-Executive director members supplying the Committee with a range of experience covering Finance, Operations and Retail, I am confident that the members have the requisite skills and experience to fulfil the responsibilities of the Committee.

The Audit Committee’s scheduled plan for the year was heavily augmented in the first half of the year by necessary additional considerations following the implementation of the new ERP system and the sale of the Fuller’s Beer Business.

The closure of the estate in March has curtailed some of the activities and reports to the Committee that were planned, but has facilitated fuller consideration of the future structure of finance, internal audit and risk management to better support the new shape of the business, following the sale of the Fuller’s Beer Business, as a premium pubs and hotels operator.

In the second half of the year, the Financial Reporting Council (“FRC”) undertook a review of Grant Thornton UK LLP’s audit of the Company’s financial statements for the year ended 30 March 2019. The Committee has now received the FRC’s report setting out the scope of their review, their principal findings, and Grant Thornton’s proposed actions to those findings. The Committee reports on the FRC’s findings below.

A handwritten signature in black ink that reads "J Stacey".

Juliette Stacey
Chair of the Audit Committee
30 July 2020

Audit Committee Report

Continued

Committee Membership and Meeting Attendance

The Committee normally comprises a minimum of three independent Non-Executive Directors and details of the meetings are set out on page 51. In the period between Peter Swinburn leaving the Board and Robin Rowland joining the Board, the Committee comprised only two members. The Committee is advised internally by the Company Secretary, Séverine Béquin, who also acts as secretary to the Committee. In addition to the four meetings normally scheduled, several additional meetings were required in the year, and by necessity, a number of these were held by conference call.

All meetings are attended by the external Auditors, the Chairman, the Chief Executive and the Finance Director. Members of the finance and risk management team also attend relevant meetings at the Committee Chairman's request, and reports are received on occasion from other members of the management team as required by the agenda.

The Committee Chairman encourages comprehensive debate and scrutiny of reports received from management and the external Auditor by the Committee members. The Committee meets at least once a year with the external Auditor, without management present, to discuss any matters they may wish to raise.

Role and Responsibilities of the Audit Committee

The Audit Committee's responsibilities are outlined in the Committee's terms of reference which are available on the Company's website. The terms of reference were last reviewed in early 2018. The Committee will review them against the requirements of the 2018 Code this year.

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

In addition, the Audit Committee is responsible for ensuring that the Company's risk monitoring programme, internal audit processes and regulatory compliance are appropriate. At all scheduled meetings an update on risk management is presented. The Committee encourages debate and discussion of topical issues outside of the routine agenda items and ensures that such discussions are held at least twice a year in the normal course. The effectiveness of the Committee formed part of the Board evaluation process described in the Corporate Governance Report on page 52.

Financial Reporting and Significant Judgment

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

During its review of the Group's financial statements for the period to 28 March 2020, the Audit Committee has reviewed the key judgements applied in the preparation of the consolidated financial statements, including those communicated by the Auditors during their reporting. These are described in the accounting policies detailed in note 1 to the financial statements. The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements. This financial year, these judgements included the accounting for the sale of the Fuller's Beer Business, the return of capital to shareholders, the acquisitions made in the year and the application of IFRS 16 Leases.

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

Key accounting judgement	How the issue was addressed
Separately Disclosed Items	<p>The Audit Committee considered the nature of items classified as "separately disclosed items" in the financial statements. The Committee was satisfied that the items management proposed to be shown as separately disclosed items were not linked to the underlying trading of the Group. Separately disclosed items include:</p> <ul style="list-style-type: none"> – the net gain recognised on the sale of the Fuller's Beer Business to Asahi Holdings Europe Limited – replacement of core IT systems costs – profit or loss on property disposals – transaction costs on site acquisitions both completed and aborted – impairment on properties, right-of-use assets and goodwill – net movement on revaluation of financial instruments that do not meet the requirements for hedge accounting – net interest expense on the Group's defined benefit pension plan. <p>In addition, the Committee reviewed these disclosures within the 2020 Annual Report and Accounts to ensure they clearly identified and reconciled to the relevant GAAP measure.</p>
Impairment Testing of Intangible Assets, Right-of-Use Assets and Property, Plant and Equipment	<p>The Committee considered the proposed impairment of property assets, right-of-use assets and goodwill for both the Half Year Report and the Annual Report. The Committee was satisfied with the approach presented by management and the judgements made for those properties at risk of impairment.</p>

Key accounting judgement	How the issue was addressed
Pension Accounting	The pension liability is sensitive to the actuarial assumptions applied in measuring future cash outflows. The use of assumptions such as discount rate and inflation which have an impact on the valuation of the defined benefit pension scheme, was assessed by the Committee. The Committee was satisfied with the proposed accounting treatment and disclosures of the Group's defined benefit plan in the financial statements.
Acquisition Accounting	The Committee considered the fair values of the assets and liabilities recognised in the financial statements on the acquisition of Cotswold Inns & Hotels Limited. The Committee was satisfied with the approach presented by management and the judgements made in the calculation of the fair values of the assets and liabilities.
Going Concern	The Committee considered the appropriateness of the going concern assessment and associated judgements around material uncertainties. The Committee reviewed the scenarios and mitigations available to the Group as disclosed in note 1 and are satisfied the disclosures are appropriate.
IFRS 16	The Group implemented IFRS 16 Leases during the year using the modified retrospective method. The transition adjustments required judgement to determine the discount rate applied in calculating lease liabilities, specifically in assessing the Group's Incremental Borrowing Rate ("IBR"). The Committee reviewed a management paper and challenged the judgement and estimates used in the calculation of the transition adjustments and concurred that the IBR applied by the Group was appropriate. Due to the significance of IFRS 16 the Committee has chosen to disclose pre and post IFRS 16 results to enable better comparison with the prior year.

Going Concern and Viability Statement

The Audit Committee assessed the going concern and viability reviews undertaken by management as detailed in the Financial Review on page 31. The Committee was satisfied with the approach presented by management including the judgements made in the estimation of future cash flows, the Group's financing and considering the high proportion of freehold property that underpins the estate.

Fair, Balanced and Understandable

The Audit Committee has responsibility for the oversight of the external audit function. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board can be satisfied that information presented in the Annual Report is fair, balanced and understandable.

Internal Control and Risk Management

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

- the mitigation of risks which might cause the failure of business objectives
- no material misstatements or losses
- the safeguarding of assets against unauthorised use or disposal

- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication
- compliance with applicable laws and regulations.

The Directors' statement on the Company's system of internal controls is set out below.

Early in the year the Committee discussed the Company's risk management process, a selection of individual risks from the risk register, the internal audit work completed during the year and progress on actions arising from both risk management and internal audits.

This year, the focus has continued to be on critical matters, such as the implementation and operation of the ERP system and the sale of the Fuller's Beer Business with the operation of the Transitional Services Agreement until 27 April 2020.

Other matters pertinent to the operations of the Group, such as food safety and the increasing risk of allergens, have been the focus of detailed reviews in the year with policy and procedural updates as necessary.

The Group maintains business continuity plans and tests these plans on an annual basis, usually towards the end of the financial year. Due to the coronavirus pandemic and the closure of

the estate before the year-end, it was not possible to carry out the annual exercise for the financial year ended 28 March 2020. The Board and Audit Committee consider the rapid and thorough response to the coronavirus pandemic by the Executive Committee, and broader management team, as solid evidence of the effectiveness of existing disaster recovery and business continuity plans.

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

The implementation of a new ERP system in October 2018 and the subsequent process of disposing of the Fuller's Beer Business which straddled 2019 and 2020 have remained an area of focus for the Finance Department during this financial year.

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

Audit Committee Report

Continued

The Board and Audit Committee have considered the effectiveness of the Group's system of internal control taking account of material changes in the operations of the Group following the sale of the Fuller's Beer Business, the coronavirus pandemic and further relevant developments since the year end such as the implementation of the coronavirus Job Retention Scheme and, more recently, the Group's reopening plans.

Key elements of the system of internal control designed to address significant risks and uncertainties, as documented on pages 32 to 34, include:

- clearly defined levels of responsibility and delegation throughout the Group, together with well-structured reporting lines up to the Board
- the preparation of annual budgets for each division, including commentary on key business opportunities and risks, approved by the Executive Committee and further reviewed by the Board on a consolidated basis
- an Executive Committee review of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year
- detailed investment approval process requiring Board authorisation for all major projects
- post-implementation appraisals of major capital expenditure projects
- regular reporting of legal and accounting developments to the Board
- regular review of the Group's risk register and discussion of significant risks by the Board and Audit Committee, which among other things takes account of the significance of environmental, social and governance matters to the business
- monitoring of accident statistics and the results of health and safety audits.

The Group does not have a formal internal audit function. The Group employs a team of retail business auditors who monitor the controls in the Managed Pub estate, The Stable sites and Bel & The Dragon sites, in particular those over stock and cash with relevant management attending the Audit Committee meetings twice a year to discuss the issues being addressed. After review by the Audit Committee, the Board has confirmed that it believes that the existing arrangements for internal audit remain appropriate. Management may from time to time augment the internal resource for these audits with specialist external resources.

Whistleblowing

The Committee is responsible for reviewing the arrangements by which staff can raise concerns, in confidence, about any possible improprieties relating to financial reporting or other matters.

The Committee has reviewed the policy in the year and ensured it has been widely published and reissued regularly in order to maintain a good awareness of the whistleblowing arrangements throughout the Company. The policy enables staff to raise any concerns in confidence, directly with the Chairman of the Audit Committee.

The Committee is satisfied the policy has been effective during the year with good visibility of any issues raised.

External Auditor Performance

The Audit Committee has considered the performance of Grant Thornton during the year and is satisfied that the level of communication and reporting is in line with expectation and requirements.

The Audit Committee ensures that evaluation of the audit planning, process, and reporting is combined with confirming the quality of the financial statements, remaining informed and satisfied of the auditors identification of audit risks, the setting of materiality and planning of the work and judgements made throughout the audit.

Financial Reporting Council's audit quality inspections

Each year, the Audit Quality Review team ("AQR") of the FRC issues a report setting out the principal findings of audit quality inspections conducted in the previous calendar year across a sample of audits of all major firms. The report highlights improvements required to promote audit quality and areas of good practice in support of their objective to monitor and promote improvements in the quality of auditing.

The FRC publishes separate reports on the individual firms, including Grant Thornton. In response to the FRC's 2018/19 report Grant Thornton commented that the firm's Audit Improvement Plan which they started to develop in late 2018, incorporates a root and branch change programme to ensure that the firm's 2021 report meets the FRC target of audits being at a standard of good (or with limited improvements).

AQR review of Fuller, Smith and Turner's 2019 audit by Grant Thornton

During the year, the 2019 audit of Fuller's was reviewed by the FRC's AQR. Certain matters for improvement were identified, though these were limited in comparison to the scope of the AQR as set out in the FRC's letter to the Audit Committee's Chairman.

The matters for improvement included the audit team's risk assessment of certain key audit risks, sufficiency of certain audit procedures, completing all planned testing as well as supplementing this with further sample testing of certain items and how the audit team should ensure that quality control and review procedures identify where procedures have not been performed.

The Audit Committee and Grant Thornton have discussed the issues identified and the firm's proposed action and are satisfied with their responses to be implemented in the 2020 audit. Overall, the results of the review raised no issues which cast doubt on the fundamental quality of Fuller's external audit and the Committee remains satisfied with the efficiency and effectiveness of the audit.

The Audit Committee has a primary responsibility for making recommendations to the Board on the re-appointment and removal of external auditors. The Company put the role of the auditors to tender during 2013 and following tenders from three firms for audit services, the Group appointed Grant Thornton UK LLP. The Audit Partner rotated as usual, taking effect for 2019. Since the interim results for 2020 were reported, Grant Thornton have appointed a new audit partner with the Board's full approval.

The Committee has confirmed to the Board that it recommends to shareholders the re-election of Grant Thornton UK LLP. The Committee intends to undertake a review of the external audit appointment during the year.

Accountability

The Committee imposes an upper limit of £50,000 per annum on the amount that the finance team can spend with the auditors for non-audit items without specific approval from the Committee. It is Group policy to seek quotations from multiple providers for significant non-audit services and only to appoint the provider (which could then be the Auditors) that offers the best combination of price and expertise. In 2020, the fees paid to Grant Thornton UK LLP for audit services were £345,000 including £39,000 for non-recurring audit services, other assurance services were £1,000 and non-audit related services were £1,500.



Juliette Stacey
Chair of the Audit Committee
30 July 2020

Directors' Remuneration Report



“During the year the Committee undertook a review of the Remuneration Policy to ensure that it continues to support our strategy of achieving long-term sustainable value creation for our shareholders.”

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the 52 weeks ended 28 March 2020, which includes our revised Directors' Remuneration Policy (“Policy”) which will be put to shareholders for approval at the AGM on 10 September 2020.

Remuneration for 2019/20

In April 2019 Fuller's completed the sale of its Beer Business to Asahi Europe Limited with part of the proceeds being returned to shareholders. Going forwards Fuller's will be a focused, premium pub and hotel operator with the aim of achieving long-term sustainable shareholder value creation through operational excellence and the continued investment in our high-quality estate.

We made good progress against this strategy during the year, delivering excellent revenue growth and receiving positive customer feedback while our sites remained open. In October 2019, we completed the acquisition of Cotswold Inns & Hotels adding a number of high-quality sites to our portfolio positioning the business for further growth.

The outbreak of coronavirus and the steps taken by the UK Government to limit its spread, including the enforced closure of pubs and hotels, has had a significant impact on the business. The Chief Executive and Chairman's statements on pages 8 and 2 outlined this impact in more detail and the steps the Group has taken to mitigate this. As part of these actions, the Executive Directors and Non-Executive Directors have volunteered to temporarily reduce their salary and fees by 25% to support the business in managing costs. With the estate gradually reopening, salaries and fees reverted to normal with effect from 1 July 2020.

The annual bonus for the year was based two-thirds on Group adjusted profit before tax (“Adjusted profit”) performance and one-third of the Group's like for like sales performance compared to growth in the Coffer Peach Business Tracker which includes other companies in managed pub, restaurant and bar sector in the UK. Adjusted profit performance targets were not met. To the end of February 2020, the Group was tracking for like for like sales growth to exceed the Peach Tracker by more than 2% and therefore this element of the annual bonus was due to pay-out in full.

However, in light of the broader business circumstances following the outbreak of coronavirus, the Committee and the Executive Directors have agreed that it is not appropriate to pay this portion of the annual bonus.

LTIP awards granted in 2017 were based on Group adjusted earnings per share (“EPS”) performance for the financial year 2019/20. The EPS targets were not met and therefore these awards will lapse. The Committee did not exercise discretion in relation to LTIP outcomes.

Directors' Remuneration Policy review

It has been a number of years since Fuller's has undertaken a detailed review of executive directors' remuneration. In light of this, in late 2019 and early 2020 the Committee undertook a full review of the current policy to ensure that our approach remains appropriate to support our strategy of achieving long-term sustainable value creation for our shareholders and to ensure that our remuneration arrangements appropriately reflect best practice and shareholder expectations.

For Executive Directors, Fuller's currently operates an annual bonus plus a long-term incentive plan. The Committee continues to believe that this framework is appropriate for the Company and the Committee has not made any changes to the overall remuneration framework. We are, however, proposing a number of changes to the policy to better reflect the size and complexity of the organisation, the introduction of the 2018 UK Corporate Governance Code as well as evolving shareholder expectations and best practice.

This review was undertaken prior to the coronavirus outbreak and the Committee considered whether it was appropriate to continue with the proposed changes. The Committee concluded that given the policy framework is intended to apply for the next three years, the strong level of shareholder feedback and the enhancements made to governance features, that it remained appropriate to seek shareholder approval for the revised Policy. However, in light of the coronavirus outbreak and the impact of this on the business for the current financial year, the approach to implementing the policy for 2020/21 has been modified.

The proposed changes to our remuneration policy are summarised below.

Repositioning of incentive opportunities to better reflect our size and complexity

As noted above it has been a number of years since the Company last undertook a review of remuneration arrangements and therefore our incentive opportunities have fallen behind typical market practice for a company of our size and complexity.

The Committee has therefore amended the policy to increase the annual bonus opportunity from 75% of salary to 100% of salary. Any bonus earned above 75% of base salary would be deferred into shares for a period of three years to support executive shareholdings and alignment with shareholder interests. The Committee has also amended the policy to increase the LTIP opportunity from 110% of salary (82.5% of salary for the Retail Director) to 125% of salary.

The Committee believes that these revised incentive opportunities are a more appropriate reflection of a company of our size and complexity. Following these incentives total compensation will be positioned at between lower quartile and median compared to other companies of a similar size in our sector.

Governance changes

In addition to the changes outlined above the Committee has also made the following changes to better align with best practice and to reflect the changes to the UK Corporate Governance Code.

- **Holding period introduced** – A post-vesting holding period has been introduced for LTIP awards such that executive directors will be required to hold any vested LTIP shares for two years following the end of the three-year performance period
- **Shareholding guidelines increased** – Executive directors' shareholding guideline will be increased from 100% of base salary to 200% of base salary to enhance alignment with shareholders over the long-term and to align with shareholder expectations. Executive directors will be expected to retain at least 50% of the post-tax value of any vested LTIP shares until their guideline has been reached
- **Post-employment shareholding guidelines** – A post-employment shareholding guideline has been introduced. Following stepping down from the board Executive Directors will be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for the first 12 months and 100% of salary (or actual shareholding if lower) for the subsequent 12 months. This guideline applies to shares that vest following the adoption of this guideline. Any shares purchased by the executives would not be subject to the guideline. The Committee believes that this proposed approach encourages Executive Directors to continue to retain an appropriate level of shareholding in the Company following their departure from the business. This will ensure that their interests remain aligned with shareholders and in support of long-term decision making
- **Pensions for new hires** – for any new Executive Directors appointed to the Board from 1 April 2020 the pension opportunity will be in-line with the maximum employer contribution available for the majority of the workforce

- **Malus and clawback** – malus and clawback provisions will be expanded to reflect a broader range of circumstances including where payments are based on erroneous or misleading data, corporate failure and serious reputational damage
- **Discretion** – the Committee has included in incentive arrangements the ability to exercise discretion to adjust incentive pay-outs (both upwards and downwards) if the original outcome is not considered to reflect the underlying performance of the Company or the participant over the period, the outcome is not considered appropriate in the context of circumstances that were unexpected or unforeseen at the time the targets were set or in the context of the experience of shareholders or other stakeholders.

As part our review of remuneration policy, I consulted with our largest shareholders and I am pleased with the level of support we received for the changes we proposed to bring our approach to remuneration more in-line with typical practice of other similar sized FTSE listed businesses.

Implementation of Remuneration Policy for 2020/21

In determining its approach to implementing the remuneration policy for 2020/21 the Committee has sought to ensure that it reflects the business circumstances and the experience of our shareholders while continuing to motivate executives to ensure that the business recovers as quickly and as efficiently as possible from the enforced closures following the coronavirus outbreak.

Base salaries

Base salaries for Executive Directors will not be increased from 1 June 2020 and will therefore remain as follows: Chief Executive – £500,000, Finance Director – £315,000 and Retail Director – £200,000. As noted above from 1 April 2020, the Executive Directors have volunteered to temporarily reduce their salary by 25% and the Non-Executive Directors a similar temporary reduction to their fees. With the estate gradually reopening, salaries and fees reverted to normal with effect from 1 July 2020.

Directors' Remuneration Report

Continued

Annual bonus

We will not be operating an annual bonus for the first half of the financial year as the Committee did not consider that it was appropriate to operate a scheme while our business remained closed and we continued to receive support from the UK Government with most of our workforce being furloughed.

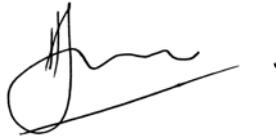
Our intention is to operate a pro-rata annual bonus (maximum 50% of salary) for the second half of this financial year if it is considered appropriate to do so at the time. The Committee will look to set bonus measures and targets at the start of the second half of the financial year. These will be outlined in next year's Director's Remuneration Report.

LTIP

The Committee intends to continue to grant LTIP awards for 2020/21 to ensure that management are aligned with shareholders and incentivised to deliver long-term performance. Awards will be granted at the revised policy level of 125% of base salary. The Committee is aware of shareholder guidance regarding reviewing award levels where there has been a fall in share price. We are not planning to grant awards until September. The Committee will therefore continue to monitor the share price and will determine final award levels prior to grant, taking into account the share price at that point and the need to continue to motivate and retain management.

The LTIP will be based on pre-tax EPS performance as the Committee considers that this provides a clear objective for management and supports our strategy. The portion of the LTIP award that vests for threshold performance will be reduced from 40% of maximum to 25% of maximum to reflect feedback from shareholders. In order to simplify the approach to target setting and to provide greater transparency for management and shareholders, going forward EPS targets will be set on an absolute basis rather than relative to RPI. For 2020 LTIP awards, EPS targets have been set as absolute pence targets for 2022/23 in light of the impact of coronavirus on the base year and to provide a clear focus for management on the required level of performance. For this year's LTIP awards, 25% will vest for pre-tax EPS of 50.16 pence with 100% for pre-tax EPS performance 61.09 pence (straight-line vesting in between).

I hope that you find the report clear and comprehensive and that it helps demonstrate how the remuneration of your Directors is very much linked to the performance of your Company, and that you are able to support the resolutions on remuneration being presented to you at this year's Annual General Meeting.



Helen Jones

Chair of the Remuneration Committee

30 July 2020

Report on Directors' Remuneration Policy

The following table sets out our Remuneration Policy for Directors (the "Policy"). This policy will be put forward to shareholders for their binding approval at the Annual General Meeting to be held on 10 September 2020 and will apply to payments made from this date.

The Committee believes that our Policy is clear and transparent and aligned with our culture. We operate a simple incentive framework of an annual bonus and a LTIP only. Award levels are capped with pay-out linked to performance against a limited number of measures which are well linked to our strategy. Stretching but fair targets are set. This ensures that potential reward outcomes are clear and aligned with performance achieved, with the Committee having the discretion to adjust pay-outs where this is not considered to be the case.

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

Further details regarding the operation of the Policy for the current financial year can be found on pages 66 to 71. Details of how the previous Policy was applied for the financial year ended 28 March 2020 can be found on pages 71 to 80.

Executive Directors ("Executives")

Element	Purpose and how the element supports the short and long-term strategic objectives of the Company	Operation	Maximum opportunity	Performance measures and reason for selection
Base Salary	To recruit, retain and reward high calibre Executive Directors to deliver the Company's strategy. The salary will reflect each role, the importance of that role to the business and the experience the individual brings to it.	<p>The Committee sets base salary taking into account:</p> <ul style="list-style-type: none"> - the individual's skills, experience and their performance - salary levels at other companies of a similar size and complexity - pay and conditions elsewhere in the Group. <p>Any salary increases are normally effective from 1 June.</p>	<p>Whilst there is no maximum salary, increases will normally be in line with the typical increases awarded to other employees in the Group.</p> <p>However, increases may be above this level in certain circumstances such as:</p> <ul style="list-style-type: none"> - where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience - where an Executive Director has been promoted or has had a change in responsibilities - where there has been a significant change in market practice or the size and complexity of the organisation. 	Not applicable.

Governance
Directors' Remuneration Report
 Continued

Element	Purpose and how the element supports the short and long-term strategic objectives of the Company	Operation	Maximum opportunity	Performance measures and reason for selection
Benefits	To recruit and retain Executive Directors by providing competitive benefits which also protect Executives and provide preventative care for them.	<p>The Company offers Executives a range of benefits which include:</p> <ul style="list-style-type: none"> – car allowance – life assurance – private medical insurance – subscriptions to professional bodies or other relevant organisations – regular medical check-ups – permanent health insurance. <p>Executive Directors may participate in the Share Incentive Plan or Savings Related Share Option Plan or any other all-employee plans on the same basis as other eligible employees up to HMRC-approved limits.</p> <p>The Committee may introduce other benefits if it is considered appropriate to do so.</p> <p>Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred.</p> <p>Where an Executive Director is required to relocate to perform their role, the appropriate one-off or ongoing benefits may be provided (e.g. housing, schooling, etc.).</p>	The cost of the provision of allowances and benefits varies from year to year depending on the cost to the Company and there is no prescribed maximum limit. However, the Committee monitors annually the overall cost of the benefits provided, to ensure that it remains appropriate.	Not applicable.
Annual Bonus	To incentivise Executive Directors to deliver performance in line with the Group strategy and to align their interests with those of shareholders.	<p>Any bonus earned of up to 75% of salary will normally be paid in cash following the year-end.</p> <p>Any bonus earned in excess of 75% will normally be deferred into shares under the Bonus and Deferred Bonus plan for three years subject to continued employment.</p> <p>The Committee may decide to pay the entire bonus in cash where the amount to be deferred into shares would, in the opinion of the Committee, be so small it is administratively burdensome to apply deferral.</p> <p>Bonuses are not pensionable.</p> <p>Bonuses are based on annual performance targets.</p> <p>The Committee may, in its discretion adjust annual bonus payments if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgment the Committee may take into account such factors as the Committee considers relevant.</p> <p>Malus and clawback provisions apply, detailed on page 65.</p>	<p>Maximum annual bonus opportunity of 100% of base salary.</p> <p>Normally 50% of the bonus shall pay out for on-target levels of performance. The annual bonus normally starts to accrue for meeting threshold levels of performance.</p>	<p>The Committee shall determine performance measures for the bonus each year. These may include financial measures (for example profitability) and other metrics linked to the delivery of the business strategy.</p> <p>No less than 70% of the annual bonus will be based on financial measures.</p> <p>The Committee has the discretion in exceptional circumstances to adjust the performance targets and/or set different measures if events occur outside of management's control or where the target no longer satisfies its original purpose to ensure that pay is aligned with performance.</p>

Element	Purpose and how the element supports the short and long-term strategic objectives of the Company	Operation	Maximum opportunity	Performance measures and reason for selection
Share Options				
Long-Term Incentive Plan (“LTIP”)	<p>To reward the efforts of Executive Directors in line with the Company’s objective of creating shareholder value and support alignment with shareholder interests.</p> <p>The LTIP also acts as a retention tool.</p>	<p>Awards can be in the form of conditional shares or in such other form that the Committee determines has the same economic effect. Awards can be over ‘A’ (listed), and ‘B’ and ‘C’ (unlisted) ordinary shares and the Committee may alter the distribution between the different classes of shares, provided that there is no increase in the aggregate market value of the award.</p> <p>Awards normally vest based on performance assessed over a period not shorter than three years.</p> <p>Awards granted from 2020/21 onwards will normally be subject to a post-vesting holding period of two years following the end of the performance period.</p> <p>The Committee may, in its discretion, adjust LTIP vesting levels if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period or that such vesting level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set or in the context of the experience of shareholders or other stakeholders. When making this judgment, the Committee may take into account such factors as the Committee considers relevant.</p> <p>Malus and clawback provisions apply, as detailed on page 65.</p>	<p>The maximum annual award in respect of a financial year is 125% of base salary.</p> <p>Normally 25% of awards vest for threshold levels of performance.</p>	<p>Awards granted in 2020/21 will vest subject to pre-tax EPS performance which will normally be measured over a period of three years.</p> <p>The Committee may use different performance measures for future awards it is deemed appropriate.</p>
Executive Share Option Scheme (“ESOS”)	To align the interest of Executive Directors with those of shareholders.	<p>A tax-advantaged market value share option plan.</p> <p>Executive Directors may be granted market value options up to a maximum total value set by HMRC.</p> <p>Options vest based on performance over a three-year period.</p> <p>Once vested, options must be exercised before the tenth anniversary of grant.</p>	<p>Executives may be granted and hold options up to the maximum value set by HMRC (currently £30,000) at any one time.</p> <p>An ESOS option will vest in full if the threshold performance level is achieved.</p>	<p>The vesting of ESOS options is subject to the achievement of performance conditions which will normally be measured over a period of not less than three years.</p> <p>The Committee intends to use EPS as the performance condition.</p> <p>The Committee may, however, use different performance measures if it is deemed appropriate.</p>

Governance

Directors' Remuneration Report

Continued

Element	Purpose and how the element supports the short and long-term strategic objectives of the Company	Operation	Maximum opportunity	Performance measures and reason for selection
Pension	To provide Executive Directors with long-term pension provisions on a competitive basis.	The Company operates a variety of pension benefits. Executive Directors are either deferred members of the defined benefit pension plan – now closed to future accruals – or the Company's defined contribution pension plan or receive a salary supplement or a mixture of these.	<p>The maximum annual pension contribution or cash allowance is 17.5% of base salary. Executive Directors will normally be expected to make a net contribution of 8% of base salary themselves.</p> <p>The Chief Executive is a member of the main section of the defined benefit pension plan which is closed to future accrual.</p> <p>For any new Executive Director to the Board from 1 April 2020, the pension opportunity will be in line with the policy for the majority of the workforce.</p>	Not applicable.
Share ownership guidelines	Align the interests of Executive Directors and shareholders and encourage long-term shareholding and commitment to the Company both in and post-employment.	<p>Executive Directors are expected to build and maintain a holding of shares in the Company equal to at least 200% of base salary.</p> <p>Executive Directors are expected to retain 50% of any post-tax shares that vest under any share incentive arrangements until this shareholding is reached.</p> <p>The Committee also has a policy to promote interests in shares following cessation of employment to enable the interest of former Executive Directors to remain aligned with the interests of shareholders for an extended period after leaving employment.</p> <p>Following ceasing to be an Executive Director, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of base salary (or actual shareholding if lower) for the first 12 months following departure from the Board and 100% of base salary (or actual shareholding if lower) for the subsequent 12 months. The Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.</p>	Not applicable.	Not applicable.

Element	Purpose and how the element supports the short and long-term strategic objectives of the Company	Operation	Maximum opportunity	Performance measures and reason for selection
Non-Executive Directors				
Basic and Additional Fees	To attract and retain high calibre Non-Executive Directors by offering market competitive fee levels that recognise the time that the Non-Executive Directors commit to their various roles.	<p>The fees are paid in cash.</p> <p>The fees paid to the Chairman are determined by the Remuneration Committee.</p> <p>The fees paid to the other Non-Executive Directors are determined by the Chairman and the Executive Committee.</p> <p>Fees are set taking into account the time commitment required to fulfil the role and typical practice at other similar companies.</p> <p>The policy in relation to Non-Executive Directors' fees is to pay a basic fee for membership of the Board, and additional fees for the Senior Independent Director and for chairmanship of a Committee to take into account the additional responsibilities and time commitment of these roles.</p> <p>Additional fees may be paid to reflect additional Board or Committee responsibilities as appropriate (such as liaising with family shareholders).</p>	There is no maximum fee level other than as provided by Article 112 of the Company's articles of association.	Not applicable.
Benefits	To provide suitable arrangements to allow Non-Executive Directors to discharge their duties effectively.	<p>Reasonable costs in relation to travel and accommodation are reimbursed to the Chairman and Non-Executive Directors. The Company may meet any tax liabilities that may arise on such expenses.</p> <p>The Chairman and Non-Executive Directors do not participate in incentive schemes. None of the Non-Executive Directors are members of any Group pension scheme with the exception of Michael Turner and Richard Fuller who are both pensioners of the director's section of the defined benefit pension plan. Both also receive life assurance cover.</p> <p>The Chairman also receives private medical insurance.</p> <p>Additional non-significant benefits may be introduced if considered appropriate.</p>	There is no maximum benefit opportunity.	Not applicable.

Information Supporting the Policy

Malus and clawback

Cash annual bonus payments may be clawed back for a period of three years from the date of payment. Malus and clawback provisions apply under the Bonus and Deferred Bonus Plan ("BDBP") and LTIP from award to the third anniversary of the grant date in the case of BDBP awards and sixth anniversary of the award date for LTIP awards. The circumstances in which malus/clawback may apply are a material misstatement of financial results, an error in assessing performance or in the information/assumptions used, a material failure of risk management, serious reputational damage, serious misconduct by the participant, or any other similar circumstances.

Governance

Directors' Remuneration Report

Continued

Share plan operation

The Committee will operate the annual bonus, BDBP, LTIP and ESOS in accordance with the Rules of the plans. Awards under any of the Company's share plans may:

- have any performance conditions applicable to them amended or substituted by the Committee in circumstances where the Committee determines an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy
- incorporate the right to receive an amount equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (this provision does not apply to the ESOS). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis
- be settled in cash at the Committee's discretion (this provision does not apply to the ESOS). For Executive Directors, this provision will only be used in exceptional circumstances such as where for regulatory reasons it is not possible to settle awards in shares
- be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Summary of Decision-making Process and Changes to Policy

It has been a number of years since Fuller's has undertaken a detailed review of Executive Directors' remuneration. During the year the Committee undertook a full review of the Policy to ensure that our approach remains appropriate to support our strategy of achieving long-term sustainable shareholder value creation. The Committee continues to believe that the overall framework of an annual bonus and LTIP is appropriate for the Company. The annual bonus and LTIP opportunity set out in this policy have, however, been increased to better reflect the size and complexity of the organisation. Changes have also been made to reflect the introduction of the 2018 UK Corporate Governance Code as well as evolving shareholder expectations and best practice.

In determining the new Remuneration Policy, the Committee followed a robust process which included discussions on the content of the Policy at Remuneration Committee meetings during the year. The Committee considered input from Management and our independent advisors, as well as considering best practice and guidance from major shareholders. A summary of the changes to the new Policy compared to the 2017 Policy is set out below:

- Increase in annual bonus and LTIP opportunity – The maximum annual bonus opportunity has been increased to 100% of salary (previously 75% of salary) and the maximum LTIP award has been increased to 125% of salary (previously 110% of salary) to better reflect the size and complexity of the Company
- Bonus deferral – A provision has been introduced such that any bonus earned in excess of 75% of salary will be deferred into shares
- Holding period – From 2020 onwards awards granted under the LTIP will normally be subject to a post-vesting holding period of two years following the end of the performance period
- Shareholding guideline – The in-employment shareholding guideline for Executive Directors has been increased from 100% of salary to 200% of salary to reflect best practice and shareholder expectations. A post-employment shareholding guideline has been introduced
- Other changes have been made to the wording of the policy to increase flexibility, to aid operation, to increase transparency and to reflect typical market practice.

Approved Payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the policy set out above came into effect, provided that the terms of the payment were consistent with any applicable shareholder-approved directors' remuneration policy in force at the time they were agreed or where otherwise approved by shareholders; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than the time the award is granted. This Policy applies equally to any individual who is required to be treated as a director under the applicable regulations.

Selection of Performance Measures

Annual bonus

The annual bonus performance measures are intended to incentivise Executive Directors to achieve the financial objectives of the Group and deliver the business strategy. The particular bonus metrics are selected by the Committee each year to ensure that Executive Directors are appropriately focused on the key objectives for the next twelve months.

LTIP and ESOS

Our long-term strategic objective is to provide long-term sustainable returns for all of our shareholders. It is intended that awards made in 2020/21 will be based on adjusted pre-tax EPS performance to provide a clear incentive for executives to deliver on this objective.

Performance targets for the annual bonus, LTIP and ESOS are set taking into account internal budget forecasts, external expectations and the need to ensure that targets remain motivational.

Remuneration arrangements throughout the Group

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

Remuneration outcomes in different performance scenarios

The charts below set out an illustration of the Policy for 2020/21. The charts provide an illustration of the proportion of total remuneration made up of each component of the Remuneration Policy and the value of each component.

Four performance scenarios have been illustrated for each Executive Director:

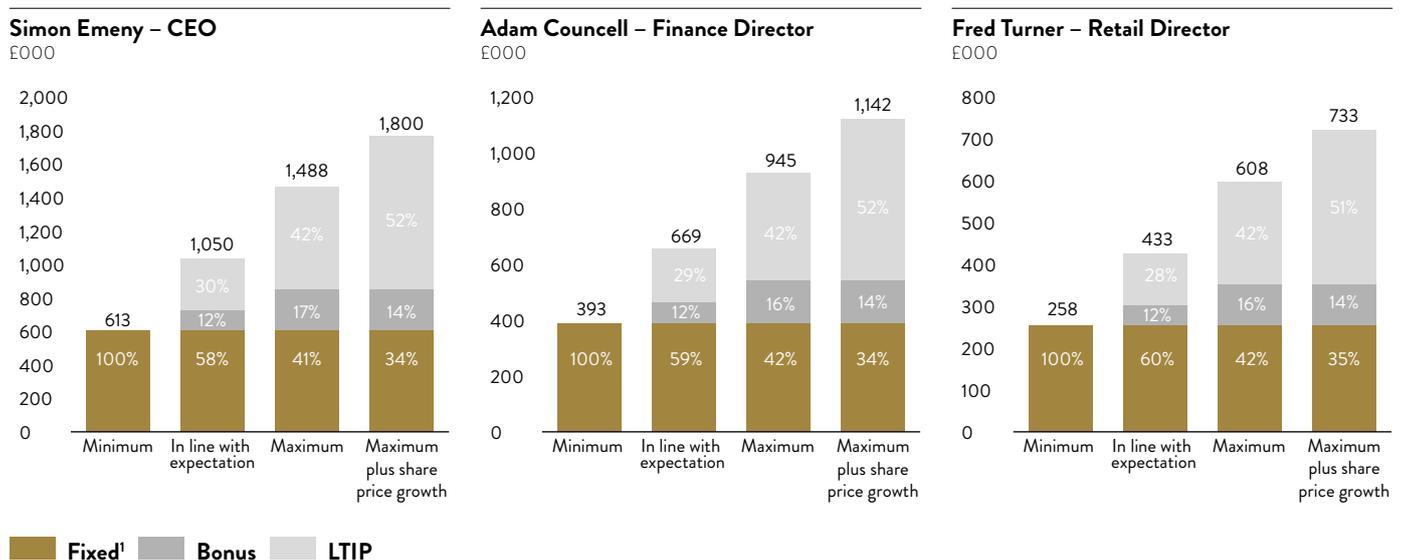
Below threshold performance	<ul style="list-style-type: none"> - Fixed remuneration (base salary, benefits and pension) - No annual bonus pay-out - No vesting under the LTIP
In-line with expectations	<ul style="list-style-type: none"> - Fixed remuneration (base salary, benefits and pension) - 50% annual bonus pay-out - 50% vesting under the LTIP
Maximum performance	<ul style="list-style-type: none"> - Fixed remuneration (base salary, benefits and pension) - 100% annual bonus pay-out - 100% vesting under the LTIP
Maximum performance plus 50% share price growth	<ul style="list-style-type: none"> - Fixed remuneration (base salary, benefits and pension) - 100% annual bonus pay-out - 100% vesting under the LTIP plus 50% share price growth

Governance
Directors' Remuneration Report
 Continued

The charts have been prepared on the following basis:

- Base salary – the base salary in place at 1 June 2020
- Benefits – based on the disclosed benefits value in the single figure for 2019/20
- Pensions – based on a contribution of 17.5% of base salary
- Bonus – the normal maximum annual bonus is 100% of base salary. For the financial year 2020/21, the intention is that we will operate a bonus for the second half of the financial year only. For the purpose of the scenario chart the maximum bonus is shown as 50% of base salary
- LTIP – based on the maximum award of 125% of base salary (note the ESOS has not been included on the basis that awards are not granted at regular intervals).

No payment of dividend equivalents has been assumed. Potential benefits under all-employee share plans have not been included. No share price growth has been assumed other than where stated.



¹ “Fixed” includes salary, benefits and pension.

Remuneration Policy for Newly Appointed Directors

When determining the remuneration package for a newly appointed Executive Director, the Committee would seek to apply the following principles:

- The package should be market competitive to facilitate the recruitment of individuals of sufficient calibre to lead the business. At the same time, the Committee would intend to pay no more than it believes is necessary to secure the required talent
- New Executive Directors will normally receive a base salary, benefits and pension contributions in line with the policy described on pages 61 to 65 and would also be eligible to join the bonus and equity incentive plans up to the limits set out in the Policy
- In addition, the Committee has discretion to include any other remuneration component or award which it feels is appropriate taking into account the specific circumstances of the recruitment, subject to the limit on variable remuneration set out below. The key terms and rationale for any such component would be disclosed as appropriate in the Remuneration Report for the relevant year
- Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of their appointment, the Committee may offer compensatory payments or awards, in such form as the Committee considers appropriate, taking into account all relevant factors including the form of awards, expected value and vesting timeframe of forfeited opportunities. When determining any such “buyout”, the guiding principle would be that awards would generally be on a “like for like” basis unless this is considered by the Committee not to be practical or appropriate
- The maximum level of variable remuneration which may be awarded (excluding any “buyout” awards referred to above) in respect of recruitment is 225% of salary, which is in line with the current maximum limit under the annual bonus and LTIP
- Where an Executive Director is required to relocate from their home location to take up their role, the Committee may provide assistance with relocation (either via one off or on-going payments or benefits)
- In the event that an internal candidate is promoted to the Board, legacy terms and conditions would normally be honoured, including any accrued pension entitlements and any outstanding incentive awards.

To facilitate any buyout awards outlined above, in the event of recruitment the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards, to facilitate, in unusual circumstances, the recruitment of an Executive Director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors on page 65.

Service Contracts/Payments on Loss of Office

When determining leaving arrangements for an Executive Director, the Committee takes into account any contractual agreements including the provisions of any incentive arrangements, typical market practice and the performance and conduct of the individual.

Executive Directors have rolling service contracts terminable on no more than one year's notice served by the Company or Director. Our Policy is that in the event of early termination a payment equal to the salary due for the unexpired period of their notice would be made, payable in monthly instalments, subject to mitigation. The Committee retains discretion to pay any unexpected notice in the form of a lump sum payment if this is considered appropriate.

Simon Emeny's contract has been in place for a number of years. In the event of early termination, he would be entitled to a payment equal to his base salary and the value of all benefits for the unexpired period of his notice, without any reduction for mitigation.

The Committee may make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with their cessation of office or employment.

Annual Bonus

The Committee may determine that an Executive Director may remain eligible to receive a pro-rata bonus for the financial year in respect of the period they remained in employment. The Committee will determine the level of bonus taking into account time in employment and performance.

Share Plan Leaver Rules

The treatment of leavers under the Company's long-term incentive plans is determined by the rules of the relevant plans.

Good leavers*	Leavers in other circumstances
BDBP	
If a participant dies, their BDBP award will vest. If a participant becomes a good leaver for any other reason, BDBP awards would normally continue and vest in full on the normal vesting date. The Committee may exercise discretion to allow awards to vest at the time of cessation of employment or to pro-rate the vesting level to reflect the proportion of the vesting period served.	Awards lapse.
LTIP	
If a participant becomes a good leaver, LTIP awards will not lapse, but will normally be pro-rated to reflect the proportion of the performance period served and remain subject to performance conditions. LTIP awards will normally vest on the normal vesting date. The Committee may determine that LTIP award should vest as soon as practical following cessation of employment.	Awards lapse. If a participant ceases employment during the holding period (other than in the event of gross misconduct) then awards will normally continue and be released at the normal release date. The Committee may exercise discretion to allow awards to be released at the time of cessation of employment.
ESOS	
If a participant dies, ESOS awards will not lapse, but may be exercised for a period of 12 months following death. If a participant becomes a good leaver for any other reason, ESOS awards will not lapse, but may be exercised until six months after the third anniversary of grant (or six months after cessation if later). ESOS awards will continue to be subject to performance conditions.	Awards lapse.
All-employee share plans	
Leaver provisions are determined in accordance with HMRC-approved provisions.	

* Death, ill-health, injury, disability, redundancy, retirement, the sale of their employing entity out of the Group, or for any other reason at the Committee's discretion.

Governance

Directors' Remuneration Report

Continued

Terms and Conditions for the Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors serve the Company on the basis of renewable letters of appointment which can be terminated by written notice by either party. No compensation is awarded on termination. Letters of appointment are available for inspection at the Annual General Meeting and at the Company's registered office.

Service Contracts and Fee Letters

The following sets out the date of Directors service contracts and fee letters:

Executive Directors	Date of contract	Notice period
Simon Emeny	13 January 1999	12 months
Adam Councill	15 March 2019	12 months
Fred Turner	23 May 2019	12 months

Non-Executive Directors	Date of letter of appointment	Term expires
Michael Turner	1 July 2013	June 2022
Sir James Fuller	1 June 2010	May 2022
Juliette Stacey	24 March 2018	March 2021
Helen Jones	12 March 2019	March 2023
Richard Fuller	1 February 2020	February 2022
Robin Rowland*	23 March 2020	March 2021

* Subject to approval of the re-appointment by the Board of Directors during the period at the Annual General Meeting.

Change of Control

In the event of a takeover or winding up of the Company, share awards may vest early, subject (where relevant) to the extent to which performance conditions have been satisfied. Awards (other than awards under the BDBP) will normally be pro-rated for time since award unless the Committee determines otherwise. In the case of a demerger, special dividend or similar circumstances, awards may, at the Committee's discretion, vest early on the same basis as for a takeover.

Consideration of Employment Conditions Elsewhere in the Company

The Committee is advised of the proposed annual pay review for staff in advance of them considering the proposed pay reviews for Directors, so that this can be taken into account when determining Directors' remuneration for the relevant financial year. Salary increases will ordinarily be (in percentage terms) in line with those of the wider workforce, and significant variances would only be expected where there had been a significant change in an individual's responsibilities or a market review had been conducted which suggested that an individual's salary was no longer competitive, or where the Committee wanted to take account of an individual's performance or experience. The Committee would also be advised if there were any other key changes to the terms and conditions on which staff are employed.

Consideration of Employee Views

The Committee does not formally consult directly with employees on executive pay or in drawing up the Remuneration Policy but does receive periodic updates from the People & Talent Director. Share ownership amongst the Company's employees is encouraged through the SAYE Scheme and SIP. These tax-advantaged schemes allow employees to participate as shareholders and align their interests with those of the shareholders.

Consideration of Shareholder Views

In developing this Remuneration Policy, the Committee consulted in detail with our largest shareholders and was pleased with the level of support received for the changes. Our intention is that shareholder views will be sought when there is any significant change to Directors' remuneration. Should shareholders have any concerns about the Remuneration Policy, the Committee Chairman would endeavour to meet with them, as appropriate, to understand and respond to any issues they may have.

Annual Remuneration Implementation Report

The information on pages 71 to 80 has been audited.

The Remuneration Committee

The Remuneration Committee consists entirely of Independent Non-Executive Directors and the members during the period were Helen Jones (Chair from 5 June 2019), Juliette Stacey, Robin Rowland (joined the Board and Committee on 24 March 2020), John Dunsmore (Chair and member to 5 June 2019) and Peter Swinburn (member to 4 September 2019). The Chairman of the Company, Michael Turner, and the Chief Executive, Simon Emeny, are invited to attend the Committee meetings and to advise, where appropriate, on the remuneration and performance of the Executive Directors and related matters. The Committee is advised internally by the Company Secretary, Séverine Béquin, who also acts as Secretary to the Committee.

The Committee's terms of reference – which were reviewed and updated in March 2018 and are available on the Company's website – state that the Committee is responsible for determining the total remuneration package (including pensions, service agreements and termination payments) of the Executive Directors. The Committee also reviews the remuneration of the members of the Executive Committee in consultation with the Chief Executive. Members of the Committee have no personal financial interest in the Company, other than as shareholders and Directors.

The Committee's Advisors

Deloitte LLP was appointed by the Committee during the year to provide the Committee and the Company with advice in connection with remuneration matters as well as the Company's LTIP and share option schemes.

Deloitte is a founding member of the Remuneration Consultants' Group ("RCG"), which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients. Fees are charged on a time and expenses basis and totalled £43,250 (plus VAT) during 2019/20. During the year Deloitte also provided other unrelated tax advice to the Company. The Committee is satisfied that advice received from Deloitte during the year was objective and independent and that all individuals who provided remuneration advice to the Committee have no connections with Fuller's or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

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

Statement of Implementation of Remuneration Policy for 2020/21

As outlined in the Chair's statement on pages 58 to 60, the Committee undertook a detailed review of the Directors' Remuneration Policy during the year to ensure that the Policy remains appropriate to support our strategy of achieving long-term sustainable shareholder value creation. Our intention is to continue with the current overall framework of an annual bonus plus a long-term incentive plan. We have, however, made changes to our incentive opportunities and other parts of our policy to better reflect the size and complexity of the organisation as well as, reflect the introduction of the 2018 UK Corporate Governance Code and evolving shareholder expectations and best practice.

The outbreak of coronavirus in January and the steps taken by the UK Government to limit its spread has had a significant negative impact on the economy. The Group has been significantly impacted by the enforced closure of its pub estate and as a result of social distancing measures implemented in the UK in the later part of 2019/20 and the early part of 2020/21.

In light of this we intend to modify our approach to executive remuneration for 2020/21 to ensure it remains fair and appropriate in the context of the experience of our shareholder, employees and other stakeholders as we recover from the enforced closures. Our intended approach is summarised below:

Base salaries

Executive Directors base salaries will not be increased from 1 June 2020 and therefore remain at the following levels:

Chief Executive	–	£500,000
Finance Director	–	£315,000
Retail Director	–	£200,000

There has been no change to the fees payable to the Non-Executive Directors which were last reviewed in January 2018.

With effect from 1 April 2020, the Executive Directors and Non-Executive Directors have volunteered to temporarily reduce their salary and fees by 25% to support the business in managing costs. With the estate gradually reopening, salaries and fees reverted to normal with effect from 1 July 2020.

Governance

Directors' Remuneration Report

Continued

Annual bonus

We will not be operating an annual bonus for the first half of the financial year as the Committee did not consider that it was appropriate to operate a scheme while our business remained closed and we continued to receive support from the UK Government with most of our workforce being furloughed.

Our intention is to operate a pro-rata annual bonus (maximum 50% of salary) for the second half of this financial year if it is considered appropriate to do so at the time. The Committee will look to set bonus measures and targets at the start of the second half of the financial year. These will be outlined in next year's Director's Remuneration Report.

LTIP

The Committee intends to continue to grant LTIP awards for 2020 to ensure that management are aligned with shareholders and incentivised to deliver long-term performance. Awards will be granted at the revised policy level of 125% of base salary. The Committee is aware of shareholder guidance regarding reviewing award levels where there has been a fall in share price. We are not planning to grant awards until September. The Committee will therefore continue to monitor the share price and will determine final award levels prior to grant, taking into account the share price at that point and the need to continue to motivate and retain management.

The LTIP will be based on pre-tax EPS performance as the Committee considers that this provides a clear objective for management and supports our strategy. The portion of the LTIP award that vests for threshold performance will be reduced from 40% of maximum to 25% of maximum to reflect feedback from shareholders. In order to simplify the approach to target setting and to provide greater transparency for management and shareholders, going forward pre-tax EPS targets will be set on an absolute basis rather than relative to RPI. For 2020 LTIP awards, EPS targets have been set as absolute pence targets for 2022/23 in light of the impact of coronavirus on the base year and to provide a clear focus for management on the required level of performance.

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

Pre-tax EPS targets for the 2020/21 awards are proposed as follows:

	Target (25% vesting)	Maximum (100% vesting)
Pre-tax EPS pence in 2022/23	50.16	61.09

Straight-line vesting in between.

Pension and benefits

There are no changes to the pension and benefits provision for Executive Directors. Executive Directors receive a pension allowance of 17.5% of base salary. The Committee is aware of shareholder guidance that pensions for Executive Directors should be aligned with the wider workforce. However, given the current rate for the Executive Directors represents an existing contractual commitment and that their overall pay is towards the lower end of market practice, the Committee does not consider that it is appropriate to make a reduction at this stage. The Committee will keep this approach under review.

For any new Executive Directors appointed to the Board from 1 April 2020 the pension opportunity will be in-line with the maximum employer contribution available for the majority of the workforce.

Implementation of Remuneration Policy for 2019/20

Single Total Figure of Remuneration Table

The following table shows a breakdown of the remuneration of individual Directors who served in all or part of the year:

	Salary/Fees		Taxable benefits ¹		Annual bonus ²		LTIP/Options ³		Pensions		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 ⁴ £000	2020 £000	2019 £000	2020 £000	2019 ⁴ £000
Simon Emeny	489	430	25	25	1	156	–	1	85	75	600	687
Adam Councill ⁵	189	–	13	–	–	–	–	–	33	–	235	–
Fred Turner ⁶	167	–	19	–	1	–	–	–	30	–	217	–
Michael Turner	250	250	26	26	–	–	–	–	–	–	276	276
Sir James Fuller	50	50	–	–	–	–	–	–	–	–	50	50
Richard Fuller ⁷	162	185	20	23	1	25	–	2	27	32	210	267
Juliette Stacey	71	65	–	–	–	–	–	–	–	–	71	65
Helen Jones	61	5	–	–	–	–	–	–	–	–	61	5
Robin Rowland ⁸	3	–	–	–	–	–	–	–	–	–	3	–
Jonathon Swaine ⁹	104	244	10	21	1	58	–	–	18	33	133	356
Simon Dodd ¹⁰	17	200	2	23	50	15	–	2	3	17	72	257
John Dunsmore ¹¹	21	65	–	–	–	–	–	–	–	–	21	65
Peter Swinburn ¹²	33	62	–	–	–	–	–	–	–	–	33	62

1 Taxable benefits include car allowances and private medical insurance.

2 Bonus refers to the annual bonus scheme based on performance in the period under review and the value of free shares awarded under the SIP (£993). As detailed below for 2020 the annual performance bonus was zero however several specific project-related bonuses were paid in the year as included in the table above.

3 LTIP/Options includes the value transferred to Directors from the LTIP, ESOS, SESOS and SAYE Schemes. Benefit is calculated as the share price at the year end less the exercise price multiplied by the number of vested options. Options are considered to have vested if substantially all of the performance criteria have been met in the financial year, in which case the number of vested options is estimated based on performance against performance measures. The table below sets out how the award is linked to performance of the Group.

4 The 2019 figures for LTIP/options have been recalculated based on the actual vesting of the LTIP in 2019. Totals for 2019 have been updated accordingly.

5 From his appointment on 27 August 2019.

6 From his appointment on 1 June 2019.

7 Richard Fuller was an Executive Director until 1 February 2020, when he became a Non-Executive Director for which he received fees of £7,500 in the period to 28 March 2020, included in the figure above. In addition, he received payments for loss of office, as detailed on page 78.

8 From his appointment to the Board on 23 March 2020.

9 Until his resignation on 4 September 2019. In addition, he received payments for loss of office, as detailed on page 78.

10 Until his resignation on 30 April 2019. In addition, he received payments for loss of office, as detailed on page 78.

11 Until his resignation on 25 July 2019.

12 Until his resignation on 4 September 2019.

Base Salary

The Committee undertook a detailed review of Executive Directors' salaries at the beginning of the financial year as it had been a number of years since salaries had been reviewed. Following this review the Committee determined that it was appropriate to increase the CEO's salary to £500,000 per annum from 1 June 2019 to more appropriately reflect the size and the scope of his role and his ability to add value to the business as a focused, premium pub and hotel operator. The salary for the Retail Director and Finance Director roles were set on appointment to the Board at £200,000 and £315,000 respectively.

As announced on 3 April the Executive Directors and Non-Executive Directors have volunteered to temporarily reduce their salary and fees from 1 April 2020 by 25% to support the business in managing costs. With the estate gradually reopening, salaries and fees reverted to normal with effect from 1 July 2020.

Annual Bonus

The annual bonus for the year was based two-thirds on Group adjusted profit before tax ("Adjusted PBT") performance and one-third of Fuller's like for like sales performance compared to the Coffer Peach Business Tracker which includes other companies in managed pub, restaurant and bar sectors in the UK.

Adjusted PBT performance was significantly impacted by the closure of pubs and hotels in the UK following the outbreak of coronavirus and the stretching Adjusted PBT performance targets were not met. To the end of February, the Company was tracking for like for like sales growth to exceed the Peach Tracker by more than 2% and therefore this element of the annual bonus was due to pay out in full. However, in light of the broader business circumstances following the outbreak of coronavirus, the Committee and the Executive Directors have agreed that it is not appropriate to pay this portion of the annual bonus.

Governance
Directors' Remuneration Report
 Continued

The following sets out details of performance against targets set:

Measure	Proportion of bonus	Threshold (10% payable for PBT, 0% for LFL sales)	Target (50% payable for PBT, 75% for LFL sales)	Maximum (100%)	Actual performance
Adjusted PBT performance	Two-thirds	£34.5m	£37.3m	£40.0m	£19.7m
Like for Like sales vs. Coffey Peach Business Tracker	One-third	Performance equal to Peach Tracker	Performance equal to Peach Tracker + 2%	Performance equal to Peach Tracker + 3%	more than 3% above Peach Tracker

LTIP

LTIP awards granted in 2017 were based on Group adjusted earnings per share ("EPS") performance for the financial year 2019/20. The EPS targets were not met and therefore these awards will lapse. The following sets out details of performance against targets set:

	Performance measure	Target set		Value of award	Actual performance	Value of award
		Minimum (40% vesting)	Maximum (100% vesting)			
LTIP	EPS vs RPI	EPS exceeds RPI by +9%	EPS exceeds RPI by +24%	Percentage vest of original grant: Minimum – 40% Maximum – 100%	-56.9%	nil% of maximum award

The Committee did not exercise any discretion in relation to the LTIP outcomes. No portion of the LTIP awards relates to share price growth.

Total Pension Entitlements

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

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

Adam Councill and Fred Turner are paid a salary supplement of 17.5% of their salaries by the Company which they are required to use as part of their overall retirement planning. They are also required to contribute 8% of their salary to their pension or another investment vehicle.

The Committee considers that the policy operated as intended during the year.

Percentage Change in Remuneration of Chief Executive

The table below shows the percentage change in the remuneration of the Chief Executive compared to that of the average of all of the Group's employees taken as a whole between the financial years ended 30 March 2019 and 28 March 2020:

	Chief Executive	Employees
Change in annual salary	+14.4%	+2.2%
Change in taxable benefits	nil%	-1.2%
Change in annual bonus ¹	-36.1%	+0.3%

¹ "Change in annual bonus" reflects the increase or decrease in the percentage of annual salary paid out as bonus and excludes the value of free shares awarded under the SIP. The employee comparator group excludes pub staff and The Stable employees who receive bonus incentives through other bonus incentive schemes. It also excludes staff who transferred on the disposal of the Fuller's Beer Business on 27 April 2019 as they were only employed within the Group for one month of the year.

External Directorship Fees

The Board may give approval for Executives to have one Non-Executive role and to retain any related fees paid. Simon Emeny was appointed a Non-Executive Director of The National Gallery Company Limited on 6 February 2018 for which he does not receive any remuneration. He is the Senior Independent Director of WH Smith PLC for which he receives a remuneration of £67,000 per annum which he is entitled to retain.

Scheme Interests Awarded During the Financial Year^{1,2}

In respect of the 52 week period ended 28 March 2020 the following LTIPs, share options and SIP awards were granted:

Director	Scheme	Number of 'A' shares	Number of 'B' shares	Exercise price per 'A' share	Exercise price per 'B' share	Face value at grant/award	Date of grant/award	Performance period ends	% of award/grant vesting at minimum threshold
Simon Emeny	LTIP	45,785	114,464	£9.70	£0.97	£555,145	15/01/20	31/03/22	40%
	LTIP ³	4,662	11,655	£10.725	£1.073	£62,500	01/10/19	31/03/21	40%
	LTIP ³	4,265	10,663	£10.725	£1.073	£57,178	01/10/19	31/03/20	40%
	SIP	96	-	£10.34	-	£993	16/08/19	n/a	n/a
	BDBP	4,424	-	-	-	£50,000	28/08/19	-	-
	BDBP ³	515	-	-	-	£5,523	15/01/20	-	-
Total		59,747	136,782			£731,339			
Adam Councill	LTIP	28,844	72,112	£9.70	£0.97	£349,735	15/01/20	31/03/22	40%
	ESOS	3,121	-	£9.61	-	£29,993	15/01/20	31/03/22	100%
Total		31,965	72,112			£379,728			
Fred Turner	LTIP	13,735	34,339	£9.70	£0.97	£166,538	15/01/20	31/03/22	40%
	LTIP ³	569	1,422	£10.725	£1.073	£7,628	01/10/19	31/03/21	40%
	LTIP ³	144	360	£10.725	£1.073	£1,931	01/10/19	31/03/20	40%
	ESOS	520	-	£9.61	-	£4,997	15/01/20	31/03/22	100%
	SIP	96	-	£10.34	-	£993	16/08/19	n/a	n/a
Total		15,064	36,121			£182,087			
Richard Fuller	LTIP ³	1,504	3,760	£10.725	£1.073	£20,163	01/10/19	31/03/21	40%
	LTIP ³	1,376	3,440	£10.725	£1.073	£18,447	01/10/19	31/03/20	40%
	SIP	96	-	£10.34	-	£993	16/08/19	n/a	n/a
Total		2,976	7,200			£39,603			
Jonathon Swaine ⁴	SIP	96	-	£10.34	-	£993	16/08/19	n/a	n/a
Total		96	-			£993			

1 Face values have been calculated using the actual grant prices also shown in the table except for SAYE. For the SAYE Scheme this is based on an average price for the three days before grant (shown above) although options are granted at a 20% discount.

2 Under the tax-advantaged ESOS only options worth £30,000 may be held at any time.

3 This was an adjustment made to subsisting awards on 1 October 2019 (being the record date for participating in the return of capital) to reflect the value the participants would otherwise have received. The price used to determine the additional number of shares was the closing 'A' share price on 1 October 2019 (being £11.975) less the per share value of the return of capital (being £1.25). This amounted to £10.725 for A ordinary shares under award and £1.0725 for B ordinary shares under award.

4 On his resignation as a Director on 4 September 2019, all awards made in the year to Jonathon Swaine lapsed.

Share Scheme Interests Outstanding at the Year End Shares

The Company has Share Ownership Guidelines for Directors which state that Executives should hold shares worth at least 200% of their salary (increased from 100% of base salary as part of the policy review). Accordingly, until their guideline is met, Executives are expected to retain:

- all shares they hold in the SIP
- all shares they acquire as a result of exercising SAYE options
- all shares that they acquire as a result of exercising options under the tax-advantaged ESOS net of the cost of those options
- at least 50% of any shares that they acquire as a result of exercising options under the non-tax-advantaged ESOS net of the cost of those options and the costs of settling related tax and National Insurance ("NI") thereon
- at least 50% of any post-tax and NI vested shares under the LTIP and the BDBP.

Based on the share price on 28 March 2020 of £6.50, Simon Emeny held shares with a value of 287% of salary, Fred Turner held shares with a value of 472% of salary and Adam Councill held shares with a value of 5% of salary. All of the Executive Directors' shareholdings therefore already meet the guideline with the exception of Adam Councill who only joined the Company in August 2019.

Governance
Directors' Remuneration Report
 Continued

Directors' Shareholdings

Directors' share interests	Beneficial interest at 28 March 2020 ¹	Non-beneficial interest at 28 March 2020 ¹	Beneficial interest at 30 March 2019	Non-beneficial interest at 30 March 2019
Simon Emeny				
'A' ordinary 40p shares	113,509	500	110,913	500
'B' ordinary 4p shares	1,055,684	–	1,055,684	–
'C' ordinary 40p shares	2,000	–	2,000	–
Adam Councill				
'A' ordinary 40p shares	2,250	–	n/a	n/a
Fred Turner				
'A' ordinary 40p shares	1,471	–	n/a	n/a
'B' ordinary 4p shares	447,633	–	n/a	n/a
'C' ordinary 40p shares	99,065	–	n/a	n/a
2nd Preference £1 shares	4,324	–	n/a	n/a
Michael Turner				
'A' ordinary 40p shares	271,378	–	271,378	–
'B' ordinary 4p shares	2,988,394	–	2,988,394	–
'C' ordinary 40p shares	624,260	–	624,260	–
2nd Preference £1 shares	71	–	71	–
Sir James Fuller				
'A' ordinary 40p shares	88,942	–	88,942	–
'B' ordinary 4p shares	10,415,881	612,050	9,199,214	–
'C' ordinary 40p shares	2,702,003	–	2,702,003	–
Richard Fuller				
'A' ordinary 40p shares	10,591	500,000	10,094	500,000
'B' ordinary 4p shares	3,065,726	10,935,015	3,065,726	10,935,015
'C' ordinary 40p shares	20,000	–	20,000	–
2nd Preference £1 shares	303	–	303	–
Juliette Stacey				
'A' ordinary 40p shares	1,250	–	1,250	–
Helen Jones				
'A' ordinary 40p shares	–	–	–	–
Robin Rowland				
'A' ordinary 40p shares	–	–	n/a	n/a
Jonathon Swaine				
'A' ordinary 40p shares	38,227	–	38,131	–
'B' ordinary 4p shares	180,535	–	180,535	–
'C' ordinary 40p shares	1,991	–	1,991	–
Simon Dodd				
'A' ordinary 40p shares	997	–	997	–
'B' ordinary 4p shares	6,484	–	6,484	–
'C' ordinary 40p shares	1,000	–	1,000	–
John Dunsmore				
'A' ordinary 40p shares	23,305	–	23,305	–
Peter Swinburn				
'A' ordinary 40p shares	4,000	–	4,000	–

1 Or date of resignation as Director, if earlier.

There were no changes in the beneficial interests of any Director to 30 July 2020, other than the acquisition of 766 'A' ordinary 40p shares by Helen Jones on 12 May 2020.

Directors' Share Options

Director	Scheme	As at 30 March 2019	Exercised	Lapsed	Granted	As at 28 March 2020	Exercise price	Date of grant	Exercisable from	Expiry date	Price at exercise date	Gain on exercise
Simon Emeny	SESOS	5,190	(5,190)	-	-	-	£5.78	12/07/10	12/07/13	11/07/20	£10.575	£24,886.05
	SESOS	515	(515)	-	-	-	£6.30	30/11/10	30/11/13	29/11/20	£10.575	£2,201.63
	SESOS	6,398	(6,398)	-	-	-	£7.09	20/07/11	20/07/14	19/07/21	£10.575	£22,297.03
	SESOS	9,446	(9,446)	-	-	-	£7.05	12/07/12	12/07/15	11/07/22	£10.575	£33,297.15
	SESOS	4,945	(4,945)	-	-	-	£9.10	01/07/13	01/07/16	30/06/23	£10.575	£7,293.88
	ESOS	3,296	-	-	-	3,296	£9.10	01/07/13	01/07/16	30/06/23		
	SAYE	3,410	-	-	-	3,410	£7.74	01/09/16	01/09/21	01/03/22		
	SAYE	467	-	-	-	467	£7.70	01/09/18	01/09/23	01/03/24		
Total		33,667				7,173						£89,975.74
Adam Councill	ESOS	-			3,121	3,121	£9.61	15/01/20	15/06/22	14/06/29		
Total		-			3,121	3,121						
Fred Turner	ESOS	2,590	-	-	-	2,590	£9.65	30/06/14	30/06/17	29/06/24		
	ESOS	489	-	(489)	-	-	£10.23	27/06/16	27/06/19	26/06/26		
	SAYE	3,975	-	-	-	3,975	£7.74	01/09/16	01/09/21	01/03/22		
	ESOS	-	-	-	520	520	£9.61	15/01/20	15/06/22	14/06/29		
Total		7,054			520	7,085						
Richard Fuller	SESOS	2,592	(2,592)	-	-	-	£5.78	12/07/10	12/07/13	11/07/20	£10.50	£12,234.24
	ESOS	869	-	-	-	869	£5.78	12/07/10	12/07/13	11/07/20		
	SESOS	3,229	(3,229)	-	-	-	£7.09	20/07/11	20/07/14	19/07/21	£10.50	£11,010.89
	SESOS	4,765	(4,765)	-	-	-	£7.05	12/07/12	12/07/15	11/07/22	£10.50	£16,439.25
	SESOS	3,747	(3,747)	-	-	-	£9.10	01/07/13	01/07/16	30/06/23	£10.50	£5,245.80
	ESOS	2,588	-	-	-	2,588	£9.65	30/06/14	30/06/17	29/06/24		
	SAYE	401	(401)	-	-	-	£7.47	01/09/14	01/09/19	01/03/20	£11.65	£1,676.18
	SAYE	2,713	-	-	-	2,713	£7.74	01/09/16	01/09/21	01/03/22		
	SAYE	779	-	-	-	779	£7.70	01/09/18	01/09/23	01/03/24		
Total		21,683				6,949					£46,606.36	
Jonathon Swaine¹	SESOS	709	(709)	-	-	-	£7.05	12/07/12	12/07/15	11/07/22	£11.65	£3,261.40
	ESOS	4,255	(4,255)	-	-	-	£7.05	12/07/12	12/07/15	11/07/22	£11.05	£17,020.00
	SESOS	3,901	(3,901)	-	-	-	£9.10	01/07/13	01/07/16	30/06/23	£11.65	£9,947.55
	SAYE	2,325	(2,325)	-	-	-	£7.74	01/09/16	01/09/19	01/03/20	£11.65	£9,090.75
Total		11,190				-					£39,319.70	
Simon Dodd²	ESOS	2,752	-	(2,752)	-	-	£10.90	29/06/15	29/06/18	28/06/25		
	SAYE	1,395	(1,395)	-	-	-	£7.74	01/09/16	01/09/19	01/03/20	£11.65	£5,454.45
	SAYE	886	(640)	(246)	-	-	£8.12	01/09/17	01/09/20	01/03/21	£10.25	£1,363.20
Total		5,033				-					£6,817.65	

1 Figures shown are applicable for the period until his resignation on 4 September 2019.

2 Figures shown are applicable for the period until his resignation on 30 April 2019.

The Executive Share Option Scheme ("ESOS"), Savings related share option scheme ("SAYE") and Share Incentive Plan ("SIP") are all tax-advantaged share option schemes.

The Senior Executive Share Option Scheme ("SESOS") is not a tax-advantaged share option scheme.

Vested but unexercised options

Governance
Directors' Remuneration Report
 Continued

Directors' Long-Term Incentive Plan Allocations

Director	Total held at 30 March 2019 ¹	Awarded during the year ²	Vested during the year	Lapsed during the year	Total held at 28 March 2020	Monetary value of vest £000 ²
Simon Emeny						
'A' ordinary 40p shares	112,724	54,712	–	(36,129)	131,307	n/a
'B' ordinary 4p shares	281,811	136,782	–	(90,322)	328,271	n/a
Adam Councill						
'A' ordinary 40p shares	–	28,844	–	–	28,844	n/a
'B' ordinary 4p shares	–	72,112	–	–	72,112	n/a
Fred Turner						
'A' ordinary 40p shares	6,120	14,448	–	–	20,568	n/a
'B' ordinary 4p shares	15,303	36,121	–	–	51,424	n/a
Richard Fuller						
'A' ordinary 40p shares	36,423	2,880	–	(39,303)	–	n/a
'B' ordinary 4p shares	91,062	7,200	–	(98,262)	–	n/a
Jonathon Swaine³						
'A' ordinary 40p shares	48,080	–	–	(48,080)	–	n/a
'B' ordinary 4p shares	120,203	–	–	(120,203)	–	n/a
Simon Dodd³						
'A' ordinary 40p shares	34,807	–	–	(34,807)	–	n/a
'B' ordinary 4p shares	87,021	–	–	(87,021)	–	n/a

1 Or date of appointment if subsequent.

2 This includes adjustment to subsisting awards on 1 October 2019 (being the record date for participating in the return of capital) to reflect the value the participants would otherwise have received. The price used to determine the additional number of shares was the closing 'A' share price on 1 October 2019 (being £11.975) less the per share value of the return of capital (being £1.25). This amounted to £10.725 for A ordinary shares under award and £1.0725 for B ordinary shares under award.

3 On the resignation of Jonathon Swaine on 4 September 2019 and Simon Dodd on 30 April 2019, all of their respective outstanding LTIPs lapsed.

The performance conditions for the LTIP are set out in the table on page 74 of this report.

Payments to Past Directors

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

Payments on Loss of Office

At the Extraordinary General Meeting held on 24 April 2019, shareholders approved the following payments to departing Directors. These payments fell outside the Remuneration Policy but the Remuneration Committee and the Board believed were appropriate to ensure that each Director was treated in a manner consistent with other employees of the Fuller's Beer Business who were made redundant, for example by calculating the value of the redundancy payments in a manner consistent with the formula applied to those employees who were being made redundant as a result of the disposal. In addition, the Remuneration Committee and the Board believed that the retention bonus paid to Simon Dodd was appropriate and necessary to help ensure the Company complied with its obligations to ensure the Fuller's Beer Business, prior to completion of the disposal, carried on in the ordinary and normal course of business.

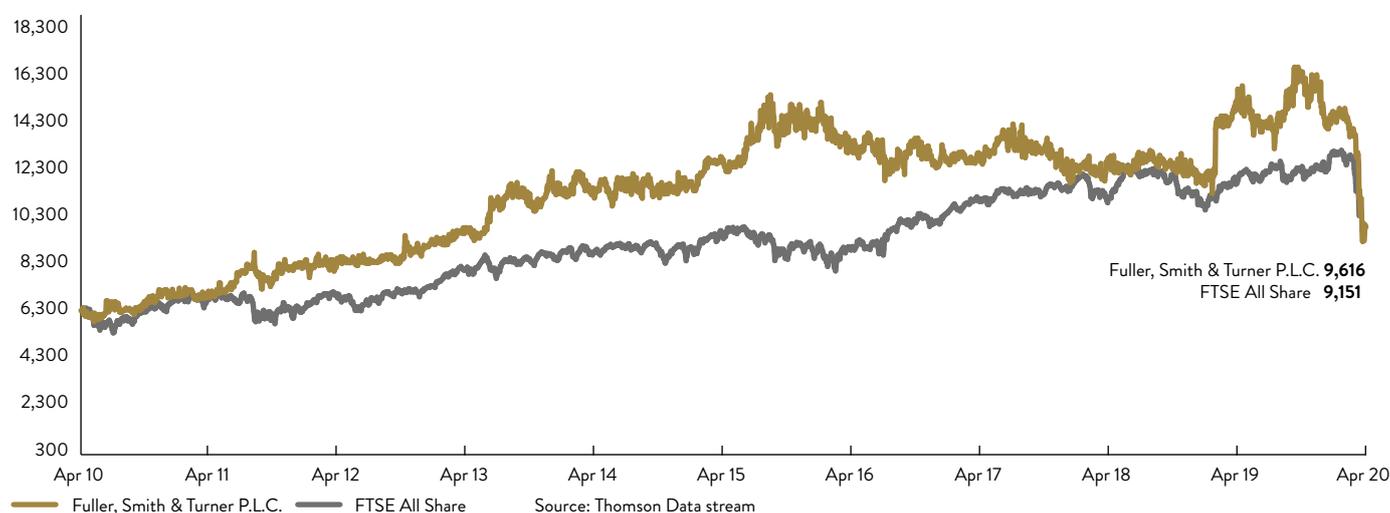
Following the termination of his employment on 30 April 2019, Simon Dodd received a lump sum payment of £150,000 equal to nine months' salary in lieu of notice (less any deductions for tax and national insurance the Company was required to make); an enhanced lump sum redundancy payment (including statutory redundancy) of £42,308; a retention bonus payment of £50,000; and a contribution of £500 (together with VAT) towards the legal fees incurred in connection with the termination of his employment, including advice on the terms of a settlement agreement. Simon Dodd obtained alternative employment and therefore did not receive monthly payment of salary in lieu of notice in respect of months 10, 11 and 12 of his notice periods.

Following the termination of his employment on 4 September 2019, Jonathon Swaine received a lump sum payment of £183,000 equal to nine months' salary in lieu of notice (less any deductions for tax and national insurance the Company is required to make) and an enhanced lump sum redundancy payment (including statutory redundancy) of £164,220. Jonathon Swaine received a contribution of £500 (together with VAT) towards the legal fees incurred in connection with the termination of his employment, including advice on the terms of a settlement agreement. Jonathon Swaine obtained alternative employment and therefore did not receive monthly payment of salary in lieu of notice in respect of months 10, 11 and 12 of his notice period.

Following the termination of his employment on 31 January 2020, Richard Fuller received an enhanced redundancy payment (including statutory redundancy) of £206,364. He also received a payment of £237,575 salary and benefits in lieu of notice in respect of his 12-month notice period (commencing on 1 February 2020) in accordance with the provisions of his service contract. Richard Fuller received a contribution of £500 (together with VAT) towards the legal fees incurred in connection with the termination of his employment, including advice on the terms of a settlement agreement.

Performance Graph and Table

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



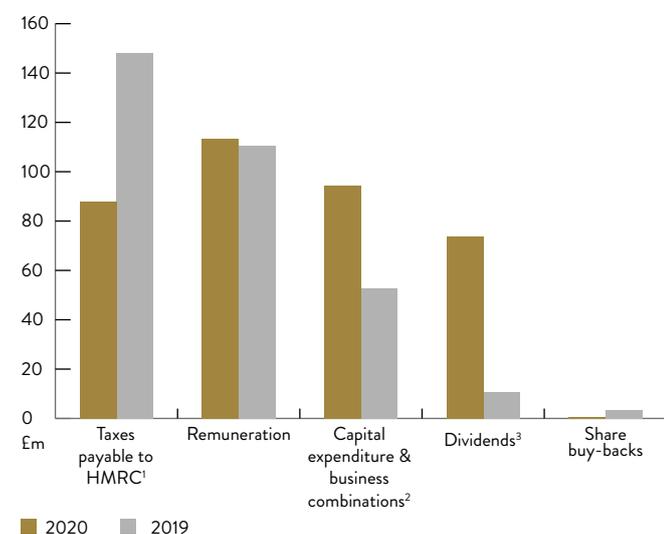
The table below shows the total remuneration figure for the Chief Executive over the last 10 financial years and the annual bonus and LTIP pay-out for each year as a percentage of the maximum available:

	2011	2012	2013	2014 ¹	2015	2016	2017	2018	2019	2020 ²
Single figure total remuneration (£000)	1,518	944	911	977	1,244	1,418	1,097	1,089	687	600
Annual bonus ³	70%	56%	41%	77%	76%	85%	41%	48%	48%	nil
LTIP	85%	92%	56%	64%	96%	100%	100%	56%	nil	nil

- 1 Simon Emeny was appointed as Group Chief Executive in July 2013. This single total figure comprises the remuneration received by Simon Emeny in the financial year, hence includes remuneration for the three months prior to this promotion.
- 2 One-third of the annual bonus was due to pay out reflecting the Company's strong like for like sales performance vs. the Peach Tracker. However, in light of the broader business circumstances following the outbreak of coronavirus, the Committee and the Executive Directors have agreed that it is not appropriate to pay this portion of the annual bonus.
- 3 Annual bonus as a percentage of the maximum available.

Relative Importance of Spend on Pay

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



- 1 Taxes payable to HMRC is based upon tax incurred in the year and includes corporation tax, VAT, PAYE, NI, duty, stamp duty, non-domestic rates, property licences, environmental levies and machine game duty. Duty on the sale of beer only relates to one month for 2020 until the sale of the Fuller's Beer Business on 27 April 2019.
- 2 Capital expenditure (including business combinations) represents cash paid in the year.
- 3 Dividends represents the one-off 'D' share dividend paid in October 2019 as part of the return of capital to shareholders and the interim dividend for 2020 paid in the year.

Governance
Directors' Remuneration Report
 Continued

CEO Pay Ratio

The following table sets out CEO pay ratio figures, in respect of the financial year ending 28 March 2020.

Year	Method	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2019/20	Option B	33.0:1	32.6:1	31.6:1

The relevant individuals have been identified using Option B, as defined under the relevant regulations, as it is considered to be the most appropriate methodology for Fuller's based on the availability of data at the time the Annual Report was published. The respective single figure values for each individual for 2019/20 have then been calculated. No estimates were required, and no elements of pay were omitted in calculating the relevant single figures, except for incentives not representative of the average employee at the percentile such as amounts paid for Service Coach responsibilities. The figures do not include amounts paid to individuals in respect of their tronç share.

The single figure values for individuals immediately above and below the identified employee at each quartile within the Gender Pay Gap analysis were also reviewed.

The chosen individuals were reviewed to determine if they were representative of the 25th percentile, median and 75th centile employees. Where the chosen individual had left the business or had changed roles during the financial year an alternative employee was used for the calculations. The alternative employee used in each instance was the closest employee to the relevant percentile, who was considered representative of that percentile. For the 52 weeks ended 28 March 2020 no adjustment was needed for the median but alternative employees were selected for the 25th and 75th percentiles.

Year	Supporting Information	25th Percentile Pay Ratio	Median Pay Ratio	75th Percentile Pay Ratio
2019/20	Salary	£17,406	£18,059	£17,384
	Total Pay	£18,207	£18,422	£19,003

Statement of Voting at Annual General Meeting

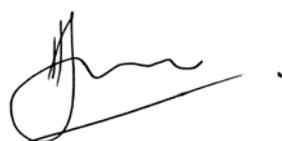
At the Annual General Meeting held on 4 September 2019, votes cast by proxy in respect of the approval of the Directors' Remuneration Report were as follows:

Resolution text	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Approval of Remuneration Report 2019	98,829,369	95.55%	4,599,977	4.45%	103,429,346	3,624,517

At the Annual General Meeting held on 25 July 2017, votes cast by proxy in respect of the approval of the Directors' Remuneration Policy were as follows:

Resolution text	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Approval of Remuneration Policy 2017	97,383,103	93.74%	6,503,340	6.26%	103,886,443	10,616

The Directors' Remuneration Report, encompassing pages 71 to 80, was approved by the Board and signed on its behalf.



Helen Jones

Chair of the Remuneration Committee

30 July 2020

Independent Auditor's Report to the Members of Fuller, Smith & Turner P.L.C.

Our Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Fuller, Smith & Turner P.L.C. (the 'parent company') and its subsidiaries (the 'Group') for the 52 weeks ended 28 March 2020 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 28 March 2020 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 are 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 public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures (such as those in relation to impairments, see note 13) and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Material uncertainty related to going concern

We draw attention to note 1, which notes that the coronavirus pandemic is an ever-evolving situation and management have therefore modelled a range of scenarios from full closure for several months to operating at reduced capacity for the remainder of the financial year. From September 2020 under the base and downside forecast model the Group will fail a number of the covenant tests if these are not revised. In addition, in August 2021, the Group will need to refinance and obtain facilities at a similar level to the facilities at 28 March 2020. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

To respond to risks relating to going concern, our procedures evaluated management's assessment of the impact of Covid-19 on the Group's working capital and covenant conditions by undertaking, inter alia, the following work:

- Obtained management's base case forecasts covering the period to 31 December 2021 which included details of management's key assumptions and an assessment of the impact of coronavirus. We assessed how these forecasts were compiled and assessed the appropriateness of management's forecasts by challenging the assumptions used and applied sensitivities to the key assumptions made by management in preparing the forecasts;
- Evaluated the accuracy of management's historic forecasting by considering the reliability of past forecasts to recent historical financial information; obtained management's downside scenario that reflects management's assessment of further uncertainties, and which management consider to be severe but plausible. We evaluated the assumptions regarding the forecast period of full closure and reduced trading levels. We considered whether the assumptions are consistent with our understanding of the business obtained during the course of the audit;
- Assessed the impact of the mitigating factors available to management to restrict forecast cash outflows in management's base case and downside scenarios;
- Obtained the correspondence in relation to covenant waivers and amendments and confirmed the terms and conditions therein were consistent with those applied by management in their base case and downside scenario forecasts and considered the reasonableness of the assumption regarding the ability to refinance; and
- Assessed the adequacy of related disclosures within the Annual Report and financial statements.

Independent Auditor's Report to the Members of Fuller, Smith & Turner P.L.C.

Continued

Conclusions relating to principal risks, going concern and viability statement

We draw attention to the Viability Statement in the Annual Report at page 55 which indicates that in making the viability statement the Board considered the material uncertainty related to going concern, as a result of the coronavirus pandemic, and the potential impact on the viability of the Group over the assessment period.

Aside from the impact of the matter above and the matters disclosed in the material uncertainty related to going concern section, we have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 32 to 34 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of Brexit);
- the directors' confirmation, set out on page 31 of the Annual Report that they have completed a robust assessment of the principal and emerging risks facing the Group (including the impact of Brexit), including those that would threaten its business model, future performance, solvency or liquidity;
- whether the directors' statements relating to going concern and the prospects of the Group required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 31 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £1.045m, which represents 5% of the Group's preliminary profit before taxation from continuing operations adjusted for the impact of coronavirus;
- Key audit matters were identified as impairment of property, plant and equipment and right of use assets, impairment of goodwill, profit on sale of discontinued operations (Beer business disposal), adoption and accounting for IFRS 16 'Leases'; Separately Disclosed Items, and going concern; and
- Full scope audit procedures have been performed in respect of Group entities representing 92% of Group revenue and 100% of Group profit and other components have been subject to targeted or analytical procedures.

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. These matters included those that 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.

In addition to the matter described in the 'material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter – Group and Parent

How the matter was addressed in the audit – Group and Parent

Impairment of property, plant and equipment and right of use assets

As explained in note 1 to the financial statements, the Directors are required to undertake an impairment assessment for property, plant and equipment and right of use assets where events indicate that the carrying value of the asset may not be recoverable. The Directors have considered coronavirus to be such an event and have therefore undertaken an impairment assessment.

The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and highly judgemental.

In addition, the forecasting of future cash flows and valuation of properties for impairment testing is subject to the increased uncertainties due to coronavirus resulting in an increased risk of material misstatement for assets of this nature.

We therefore identified the assessment of impairment of property, plant and equipment and right of use asset as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- consideration of management's assessment of the existence of any impairment indicators;
- obtaining an understanding of the design effectiveness of key controls relating to the impairment review process and determination of cash flow forecasts;
- obtaining and checking the mechanical accuracy of management's impairment model;
- testing the source data within the calculations, as well as performing a completeness review of all cash generating units to ensure all relevant sites have been appropriately included in management's impairment assessment;
- testing and challenging the assumptions utilised in the value in use models, in particular maintainable trading levels, growth and discount rates, estimated fair values less cost of disposal (utilising a valuation and property specialists) and including management's consideration of the impact of coronavirus;
- where management's experts (inhouse and external third party) have been used to value property, we have evaluated their competence, capability and objectivity, gained an understanding of the work performed and evaluated the appropriateness of their work;
- used our own property expert to review and challenge the property valuation approach and assumptions for a sample of CGUs;
- performing sensitivity analysis on the various assumptions used for this model to consider the headroom levels for various scenarios, including consideration to the risks and uncertainties arising from coronavirus;
- testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends;
- testing whether any impairment charges have been appropriately reflected in the Group's accounting records;
- considering the accounting policy for compliance with IAS 36 and that the application by the Group is consistent with the stated policy; and
- assessing whether disclosures made in the financial statement relating to impairments are appropriate.

The Group's accounting policy on impairment of property, plant and equipment and right of use assets is shown in note 1 to the financial statements and related disclosures are included in note 13. The Audit Committee identified impairment of property, plant and equipment and right of use assets as a key issue and judgement in its report on page 54, where the Audit Committee also described the action that it has taken to address this issue.

Key observations

Based on our audit work, we are satisfied that the judgements made, and assumptions used by management in performing the impairment review and associated disclosures did not identify material misstatements of the impairment of property, plant and equipment and right of use assets.

Impairment of goodwill

As explained in note 1 to the financial statements, the Directors are required to annually test goodwill for impairment.

The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and highly judgemental.

In addition the forecasting of future cash flows for impairment testing is subject to the increased uncertainties due to coronavirus resulting in an increased risk of material misstatement for assets of this nature.

We therefore identified the impairment of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- consideration of management's assessment of the existence of any impairment indicators;
- obtaining an understanding of the key controls relating to the impairment review process and determination of cash flow forecasts;
- obtaining and checking the mechanical accuracy of management's impairment model;
- considering management's assessment of cash generating units;
- assessing whether impairment testing is being conducted for all relevant cash generating units;
- testing and challenging the assumptions utilised in the impairment models, in particular maintainable trading levels, growth and discount rates, estimated fair values less cost of disposal (utilising a valuation and property specialists) and including management's consideration of the impact of coronavirus;
- where management's expert has been used, evaluated competence, capability and objectivity of the management's expert, gained an understanding of the work performed and evaluated the appropriateness of that expert's work;
- testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends;
- testing whether any impairment charges have been appropriately reflected in the Group's accounting records;
- considering the accounting policy for compliance with IAS 36 and that the application by the Group is consistent with the stated policy; and
- assessing whether disclosures made in the financial statement relating to impairments are appropriate.

The Group's accounting policy on the impairment of goodwill is shown in note 1 to the financial statements and related disclosures are included in note 10. The Audit Committee identified the impairment of goodwill as a significant issue in its report on page 54, where the Audit Committee also described the action that it has taken to address this issue.

Key observations

Based on our audit work, we are satisfied that the judgements made, and assumptions used by management in performing the impairment review and associated disclosures and did not identify material misstatements of the impairment of goodwill.

Independent Auditor's Report to the Members of Fuller, Smith & Turner P.L.C.

Continued

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
Profit on sale of discontinued operations (Beer business disposal)	
<p>The disposal of the Beer Company on 27 April 2019 was a significant transaction for the Group, giving rise to a net gain on disposal after disposal costs of £162.4m, and this represents significant risk because the disposal is material and unusual in nature.</p> <p>We therefore identified the profit on sale of discontinued operations as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> – consideration of management's assessment of the profit on disposal together with agreements related to the disposal; – testing the arithmetical accuracy by reperforming the calculations for the profit on disposal; – confirmed the key terms and conditions to the disposal and associated agreements, and considered how these had been reflected by management in accordance with accounting standards; – tested the value and nature of consideration recorded on the disposal including provisional amounts; – confirmed the net assets disposed of, including goodwill, have been correctly removed and any provisions required on disposal have been correctly accounted for, including consideration of related tax matters (utilising a tax specialist); – tested transactions costs on a sample basis to supporting documentation; – assessing whether disclosures made in the financial statement relating to the profit on sale of discontinued operations are appropriate. <p>The Group's accounting policy on the profit on sale of discontinued operations is shown in note 1 to the financial statements and related disclosures are included in note 22. The Audit Committee identified the presentation of the profit on sale of discontinued operations as a significant issue in its report on page 54, where the Audit Committee also described the action that it has taken to address this issue.</p> <p>Key observations</p> <p>Based on our audit work we are satisfied that the judgements made, and assumptions used by management in calculating the profit on the sale of discontinued operations and disclosures included in the accounts and did not identify material misstatement of the profit recognised.</p>
Adoption and accounting for IFRS 16 'Leases'	
<p>IFRS 16 is applicable to financial statements with accounting year ends commencing on or after 1 January 2019 and requires lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability.</p> <p>This is a complex accounting standard and as a result of the first-time adoption there is an increased risk of material misstatement arising in the Group's accounting records.</p> <p>We therefore identified the adoption of IFRS 16 as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> – consideration of management's assessment of the adoption and accounting for IFRS 16; – testing management's assessment including consideration of the model used, challenge of judgements and estimates applied in the calculations, the incremental cost of borrowing rates applied and the practical expedients taken were in accordance with the accounting standard; – testing the arithmetical accuracy and integrity of the underlying data by reperforming the calculations for a sample of leases; – testing the key terms have been properly extracted from the lease agreements and used within management's model to check that the output from the model is appropriate; – performing a completeness review to ensure all leases have been appropriately identified; and – assessing whether disclosures made in the financial statement relating to IFRS 16 are appropriate. <p>The Group's accounting policy on the adoption and accounting for IFRS 16 is shown in note 1 to the financial statements and related disclosures are included in note 18. The Audit Committee identified IFRS 16 as a significant issue in its report on page 55, where the Audit Committee also described the action that it has taken to address this issue.</p> <p>Key observations</p> <p>Based on our audit work we are satisfied that the judgements made, and assumptions used by management in the adoption and accounting for IFRS 16 'Leases', along with the disclosures made and did not identify a material misstatement of the financial statements in this respect.</p>

Separately Disclosed Items

Key Audit Matter – Group

As set out in the consolidated income statement and note 5, the financial statements include a net charge of £14.8m (2019: £10.1m) before tax in respect of Separately Disclosed Items which, as set out in the accounting policies, management considers to merit separate presentation. There is significant management judgement in the determination of these items, which are not defined by IFRSs as adopted by the EU and which are reported upon as part of an alternative performance measure within the financial statements. Consistency of presentation is important for maintaining comparability between reported results for each period.

Alternative performance measures can provide shareholders with appropriate additional information and understanding of a group's financial performance and strategy. However, when improperly used and presented, such measures might prevent the Annual Report being fair, balanced and understandable by confusing the real financial position and results or by making the results of the reporting entity seem more attractive.

We therefore identified presentation of Separately Disclosed Items as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- assessing the criteria used by management to determine the classification of specific transactions as a Separately Disclosed Item;
- agreeing the classification was consistent with the Group's stated accounting policy;
- considering whether the classification was appropriate, and if the presentation enhanced the clarity and understanding of financial statements for the reporting period; and
- assessing whether disclosures made in the financial statement relating to the acquisition of Separately Disclosed Items are appropriate and consistent with prior year.

The Group's accounting policy on Separately Disclosed Items is shown in note 1 to the financial statements and related disclosures are included in note 5. The Audit Committee identified Separately Disclosed Items as a significant issue in its report on page 54, where the Audit Committee also described the action that it has taken to address this issue.

Key observations

As a result of the audit procedures performed, we did not identify any material misstatements in the classification of Separately Disclosed Items.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£1.045m which represents 5% of preliminary profit before taxation from continuing operations adjusted for the impact of coronavirus. This benchmark is considered the most appropriate because it is one of the key performance indicators for the Board and its shareholders.	£1m which represents 5% of preliminary profit before taxation from continuing operations adjusted for the impact of coronavirus. This benchmark is considered the most appropriate because it is one of the key performance indicators for the Board and its shareholders.
	Materiality for the current year is lower than the level that we determined for the period ended 30 March 2019 reflecting lower levels of normalised profits before tax from continuing operations.	Materiality for the current year is lower than the level that we determined for the period ended 30 March 2019 reflecting lower levels of normalised profits before tax from continuing operations.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality.	65% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as for directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£50,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£50,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent Auditor's Report to the Members of Fuller, Smith & Turner P.L.C.

Continued

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Although the Group financial statements are a consolidation of the parent company and its trading subsidiaries, substantially all of the Group's profit before taxation arose in the parent company on which we performed a full scope audit. Targeted and analytical procedures were performed on other components of the Group; and
- recognition that the Group is organised into two principal operating divisions: Managed Pubs and Hotels and Tenanted Inns. We considered applicable controls over the financial reporting systems identified as part of our risk assessment and supplemented this with substantive testing, dependent on the level of assurance obtained from operating control effectiveness. We addressed critical accounting matters, including areas where judgment and estimation is exercised by management, both in the determination and reporting of balances.

The Group disposed of its Beer Brewing division in April 2019. Our audit approach in the 52 weeks ended 28 March 2020 remained largely unchanged from that adopted for the 52 weeks ended 30 March 2019 apart from reflecting the Beer Brewing division disposal.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation. We determined that the following laws and regulations were most significant including IFRSs, UK Companies Act 2006, Listing Rules, UK Corporate governance code, and taxation laws. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- We understood how the parent company and the Group is complying with those legal and regulatory frameworks by, making inquiries to management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team and component auditors included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
 - challenging assumptions and judgments made by management in its significant accounting estimates; and
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 to 80, 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 47 – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – set out on pages 53 to 57 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 47, 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.

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

Independent Auditor's Report to the Members of Fuller, Smith & Turner P.L.C.

Continued

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the board of directors on 30 August 2013 to audit the financial statements for the year ending 29 March 2014 and subsequent financial periods.

The period of total uninterrupted engagement is 7 years, covering the years ending 29 March 2014 to 28 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nick Jones

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP Statutory Auditor, Chartered Accountants

London

30 July 2020

Group Income Statement

for the 52 weeks ended 28 March 2020

	Note	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 ¹ 52 weeks ended 28 March 2020 £m	Restated ² 52 weeks ended 30 March 2019 £m
Continuing operations				
Revenue	3	329.3	329.3	324.7
Operating costs before separately disclosed items	4	(307.1)	(308.0)	(284.7)
Other income	3	3.7	3.7	-
Adjusted operating profit		25.9	25.0	40.0
Operating separately disclosed items	4,5	(23.9)	(17.3)	(11.2)
Operating profit		2.0	7.7	28.8
Finance costs before separately disclosed items	6	(7.9)	(5.3)	(6.9)
Financing separately disclosed items	5,6	(0.5)	(0.5)	(0.8)
Profit on disposal of properties	5	9.6	9.6	1.9
Profit before income tax		3.2	11.5	23.0
Adjusted profit before income tax		18.0	19.7	33.1
Total separately disclosed items	5	(14.8)	(8.2)	(10.1)
Profit before income tax		3.2	11.5	23.0
Tax	7	(4.2)	(5.8)	(5.2)
<i>Analysed as:</i>				
<i>Underlying trading</i>	7	(6.2)	(6.5)	(6.5)
<i>Separately disclosed items</i>	7	2.0	0.7	1.3
(Loss)/profit from continuing operations		(1.0)	5.7	17.8
Net profit from discontinued operations	22	162.9	162.9	1.7
Profit for the year		161.9	168.6	19.5
Attributable to:				
Equity shareholders of the Parent Company		161.9	168.6	19.3
Non-controlling interest		-	-	0.2

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only.

2 Central overheads have not been recharged for the 52 weeks ended 28 March 2020. Prior year overheads have also not been recharged to allow comparison. For the 52 weeks ended 30 March 2019, £3.3 million of central overheads have been reclassified from discontinued operations to continuing operations to reflect this change.

Financial Statements
Group Income Statement
for the 52 weeks ended 28 March 2020
Continued

Group		Post IFRS 16 52 weeks ended 28 March 2020 Pence	Pre IFRS 16 ¹ 52 weeks ended 28 March 2020 Pence	Restated 52 weeks ended 30 March 2019 Pence
Earnings per share per 40p 'A' and 'C' ordinary share	Note			
Basic	8	293.70	305.86	35.12
Diluted	8	293.02	305.15	34.87
Earnings per share per 4p 'B' ordinary share				
Basic	8	29.37	30.59	3.51
Diluted	8	29.30	30.51	3.49
Continuing operations				
Earnings per share per 40p 'A' and 'C' ordinary share				
Basic	8	(1.81)	10.34	32.39
Diluted	8	(1.81)	10.32	32.16
Earnings per share per 4p 'B' ordinary share				
Basic	8	(0.18)	1.03	3.24
Diluted	8	(0.18)	1.03	3.22

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only.

Group Statement of Comprehensive Income

for the 52 weeks ended 28 March 2020

	Note	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 ¹ 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Profit for the year		161.9	168.6	19.5
<i>Items that may be reclassified to profit or loss</i>				
Net gains on valuation of financial assets and liabilities	28	0.2	0.2	0.3
Tax related to items that may be reclassified to profit or loss	7	(0.1)	(0.1)	-
<i>Items that will not be reclassified to profit or loss</i>				
Net actuarial gain/(losses) on pension schemes	25	5.9	5.9	(5.0)
Tax related to items that will not be reclassified to profit or loss	7	(1.1)	(1.1)	0.8
Other comprehensive gain/(losses) for the year, net of tax		4.9	4.9	(3.9)
Total comprehensive income for the year, net of tax		166.8	173.5	15.6
Total comprehensive income attributable to:				
Equity shareholders of the Parent Company		166.8	173.5	15.4
Non-controlling interest	17	-	-	0.2

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only.

Financial Statements
Group Balance Sheet
 28 March 2020

	Note	Post IFRS 16 Group 2020 £m	Pre IFRS 16 ¹ Group 2020 £m	Group 2019 £m
Non-current assets				
Intangible assets	10	28.3	35.5	37.7
Property, plant and equipment	11	617.7	617.7	552.7
Investment properties	12	4.8	4.8	4.6
Other non-current assets	15	0.1	0.1	0.3
Right-of-use assets	18	107.0	–	–
Total non-current assets		757.9	658.1	595.3
Current assets				
Inventories	20	4.0	4.0	5.0
Trade and other receivables	21	12.6	9.7	8.3
Other financial assets	14	–	–	0.1
Cash and cash equivalents	24	20.3	20.3	11.0
Assets classified as held for sale	22	2.6	2.6	87.0
Current tax receivable		6.2	4.5	–
Total current assets		45.7	41.1	111.4
Current liabilities				
Trade and other payables	23	(37.7)	(37.5)	(29.6)
Current tax payable		–	–	(2.8)
Borrowings	24	(171.7)	(171.7)	(50.0)
Lease liabilities	18	(8.9)	–	–
Liabilities classified as held for sale	22	–	–	(30.0)
Provisions	27	(4.1)	(4.5)	(0.5)
Total current liabilities		(222.4)	(213.7)	(112.9)
Non-current liabilities				
Borrowings	24	(27.5)	(27.5)	(206.2)
Lease liabilities	18	(104.0)	–	–
Other financial liabilities	14	(1.1)	(1.1)	(1.4)
Retirement benefit obligations	25	(4.7)	(4.7)	(36.4)
Deferred tax liabilities	7	(17.1)	(17.1)	(9.2)
Provisions	27	–	(1.6)	(2.1)
Total non-current liabilities		(154.4)	(52.0)	(255.3)
Net assets		426.8	433.5	338.5
Capital and reserves				
Share capital	29	22.8	22.8	22.8
Share premium account	29	4.2	4.2	4.8
Capital redemption reserve	29	3.7	3.7	3.1
Own shares	29	(17.1)	(17.1)	(19.8)
Hedging reserve		(0.9)	(0.9)	(0.8)
Retained earnings		414.1	420.8	328.4
Total equity		426.8	433.5	338.5

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only.

Approved by the Board and signed on 30 July 2020.



M J Turner, FCA
 Chairman
 Registered Number: 241882

Company Balance Sheet

28 March 2020

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ADDITIONAL INFORMATION

	Note	Post IFRS 16 Company 2020 £m	Pre IFRS 16 ¹ Company 2020 £m	Company 2019 £m
Non-current assets				
Intangible assets	10	2.6	9.8	8.3
Property, plant and equipment	11	593.8	593.8	526.7
Investment properties	12	4.8	4.8	4.6
Other non-current assets	15	0.1	0.1	0.3
Right-of-use assets	18	96.6	-	-
Investments in subsidiaries	16	122.4	122.4	122.3
Total non-current assets		820.3	730.9	662.2
Current assets				
Inventories	20	3.5	3.5	4.5
Trade and other receivables	21	19.4	16.7	37.9
Other financial assets	14	-	-	0.1
Cash and cash equivalents	24	19.2	19.2	9.2
Assets classified as held for sale	22	2.6	2.6	62.6
Current tax receivable		6.1	5.1	-
Total current assets		50.8	47.1	114.3
Current liabilities				
Trade and other payables	23	(165.2)	(165.0)	(133.9)
Current tax payable		-	-	(1.8)
Borrowings	24	(171.7)	(171.7)	(50.0)
Lease liabilities	18	(7.9)	-	-
Liabilities classified as held for sale	22	-	-	(23.5)
Provisions	27	(4.1)	(4.5)	(0.5)
Total current liabilities		(348.9)	(341.2)	(209.7)
Non-current liabilities				
Borrowings	24	(27.5)	(27.5)	(206.0)
Lease liabilities	18	(91.7)	-	-
Other financial liabilities	14	(1.1)	(1.1)	(1.4)
Retirement benefit obligations	25	(4.7)	(4.7)	(36.4)
Deferred tax liabilities	7	(14.4)	(14.4)	(7.5)
Provisions	27	-	(1.6)	(2.1)
Total non-current liabilities		(139.4)	(49.3)	(253.4)
Net assets		382.8	387.5	313.4
Capital and reserves				
Share capital	29	22.8	22.8	22.8
Share premium account	29	4.2	4.2	4.8
Capital redemption reserve	29	3.7	3.7	3.1
Own shares	29	(17.1)	(17.1)	(19.8)
Hedging reserve		(0.9)	(0.9)	(0.8)
Retained earnings		370.1	374.8	303.3
Total equity		382.8	387.5	313.4

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only.

Profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £143.0 million (2019: £19.2 million).

Approved by the Board and signed on 30 July 2020.



M J Turner, FCA

Chairman

Registered Number: 241882

Financial Statements
Group Statement of Changes in Equity
for the 52 weeks ended 28 March 2020

Group	Share capital (note 29) £m	Share premium account (note 29) £m	Deferred shares £m	Capital redemption reserve (note 29) £m	Own shares (note 29) £m	Hedging reserve £m	Retained earnings £m	Total £m	Non-controlling interest (note 17) £m	Total equity £m
At 31 March 2018	22.8	4.8	–	3.1	(19.2)	(1.1)	328.4	338.8	(3.9)	334.9
Profit for the year	–	–	–	–	–	–	19.3	19.3	0.2	19.5
Other comprehensive loss for the year	–	–	–	–	–	0.3	(4.2)	(3.9)	–	(3.9)
Total comprehensive income for the year	–	–	–	–	–	0.3	15.1	15.4	0.2	15.6
Shares purchased to be held in ESOT or as treasury	–	–	–	–	(3.2)	–	–	(3.2)	–	(3.2)
Shares released from ESOT and treasury	–	–	–	–	2.6	–	(1.5)	1.1	–	1.1
Dividends (note 9)	–	–	–	–	–	–	(10.9)	(10.9)	–	(10.9)
Share-based payment charges	–	–	–	–	–	–	1.0	1.0	–	1.0
Adjustments arising from change in non-controlling interest (note 17)	–	–	–	–	–	–	(3.7)	(3.7)	3.7	–
Total transactions with owners	–	–	–	–	(0.6)	–	(15.1)	(15.7)	3.7	(12.0)
At 30 March 2019	22.8	4.8	–	3.1	(19.8)	(0.8)	328.4	338.5	–	338.5
Profit for the year	–	–	–	–	–	–	161.9	161.9	–	161.9
Other comprehensive income for the year	–	–	–	–	–	0.1	4.8	4.9	–	4.9
Total comprehensive income for the year	–	–	–	–	–	0.1	166.7	166.8	–	166.8
Issue of share capital (note 29)	0.6	(0.6)	–	–	–	–	–	–	–	–
Reclassification of deferred shares (note 29)	(0.6)	–	0.6	–	–	–	–	–	–	–
Cancellation of deferred shares (note 29)	–	–	(0.6)	0.6	–	–	–	–	–	–
Shares purchased to be held in ESOT or as treasury	–	–	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Shares released from ESOT and treasury	–	–	–	–	3.2	–	(1.1)	2.1	–	2.1
Dividends (note 9)	–	–	–	–	–	–	(80.5)	(80.5)	–	(80.5)
Share-based payment charges	–	–	–	–	–	–	0.5	0.5	–	0.5
Transfer to retained earnings	–	–	–	–	–	(0.2)	0.2	–	–	–
Tax debited directly to equity (note 7)	–	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Total transactions with owners	–	(0.6)	–	0.6	2.7	(0.2)	(81.0)	(78.5)	–	(78.5)
At 28 March 2020	22.8	4.2	–	3.7	(17.1)	(0.9)	414.1	426.8	–	426.8

Company Statement of Changes in Equity

for the 52 weeks ended 28 March 2020

Company	Share capital (note 29) £m	Share premium account (note 29) £m	Deferred shares £m	Capital redemption reserve (note 29) £m	Own shares (note 29) £m	Hedging reserve £m	Retained earnings £m	Total £m
At 31 March 2018	22.8	4.8	–	3.1	(19.2)	(1.1)	299.7	310.1
Profit for the year	–	–	–	–	–	–	19.2	19.2
Other comprehensive loss for the year	–	–	–	–	–	0.3	(4.2)	(3.9)
Total comprehensive income for the year	–	–	–	–	–	0.3	15.0	15.3
Shares purchased to be held in ESOT or as treasury	–	–	–	–	(3.2)	–	–	(3.2)
Shares released from ESOT and treasury	–	–	–	–	2.6	–	(1.5)	1.1
Dividends (note 9)	–	–	–	–	–	–	(10.9)	(10.9)
Share-based payment charges	–	–	–	–	–	–	1.0	1.0
Total transactions with owners	–	–	–	–	(0.6)	–	(11.4)	(12.0)
At 30 March 2019	22.8	4.8	–	3.1	(19.8)	(0.8)	303.3	313.4
Profit for the year	–	–	–	–	–	–	143.0	143.0
Other comprehensive income for the year	–	–	–	–	–	0.1	4.8	4.9
Total comprehensive income for the year	–	–	–	–	–	0.1	147.8	147.9
Issue of share capital (note 29)	0.6	(0.6)	–	–	–	–	–	–
Reclassification of deferred shares (note 29)	(0.6)	–	0.6	–	–	–	–	–
Cancellation of deferred shares (note 29)	–	–	(0.6)	0.6	–	–	–	–
Shares purchased to be held in ESOT or as treasury	–	–	–	–	(0.5)	–	–	(0.5)
Shares released from ESOT and treasury	–	–	–	–	3.2	–	(1.1)	2.1
Dividends (note 9)	–	–	–	–	–	–	(80.5)	(80.5)
Transfer to retained earnings	–	–	–	–	–	(0.2)	0.2	–
Share-based payment charges	–	–	–	–	–	–	0.5	0.5
Tax debited directly to equity (note 7)	–	–	–	–	–	–	(0.1)	(0.1)
Total transactions with owners	–	(0.6)	–	0.6	2.7	(0.2)	(81.0)	(78.5)
At 28 March 2020	22.8	4.2	–	3.7	(17.1)	(0.9)	370.1	382.8

Financial Statements
Group Cash Flow Statement
for the 52 weeks ended 28 March 2020

	Note	Post IFRS 16 Group 52 weeks ended 28 March 2020 £m	Pre IFRS 16 ¹ Group 52 weeks ended 28 March 2020 £m	Group 52 weeks ended 30 March 2019 £m
Profit before tax for continuing operations		3.2	11.5	23.0
Net finance costs before separately disclosed items	6	7.9	5.3	6.9
Separately disclosed items	5,6	14.8	8.2	10.1
Depreciation and amortisation	4	28.5	19.0	19.5
		54.4	44.0	59.5
Difference between pension charge and cash paid		(2.3)	(2.3)	(2.2)
Contribution to pension fund		(24.0)	(24.0)	-
Share-based payment charges		0.5	0.5	1.0
Change in trade and other receivables		(1.1)	(1.1)	3.0
Change in inventories		1.1	1.1	(0.9)
Change in trade and other payables		(1.1)	(1.9)	(11.6)
Cash impact of operating separately disclosed items	5	(5.0)	(5.0)	(7.5)
Cash generated from operations		22.5	11.3	41.3
Tax paid		(10.1)	(10.1)	(8.6)
Cash generated from operating activities – continuing operations		12.4	1.2	32.7
Cash generated from operating activities – discontinued operations	22	0.6	0.6	0.3
Net cash generated from operating activities		13.0	1.8	33.0
Cash flow from investing activities				
Business combinations	19	(32.8)	(32.8)	(20.1)
Purchase of property, plant and equipment		(47.6)	(47.6)	(28.5)
Sale of property, plant and equipment		11.4	11.4	7.3
Cash absorbed by investing activities – continuing operations		(69.0)	(69.0)	(41.3)
Cash generated/(absorbed by) investing activities – discontinued operations	22	225.4	225.4	(4.2)
Net cash inflow/(outflow) from investing activities		156.4	156.4	(45.5)
Cash flow from financing activities				
Purchase of own shares	29	(0.5)	(0.5)	(3.2)
Receipts on release of own shares to option schemes		2.3	2.3	1.1
Interest paid		(4.7)	(4.7)	(6.2)
Preference dividends paid	9	(0.1)	(0.1)	(0.1)
Equity dividends paid	9	(80.5)	(80.5)	(10.9)
Drawdown of bank loans		-	-	42.3
Repayment of bank loans		(65.4)	(65.4)	(6.0)
Cost of refinancing		-	-	(0.2)
Principal elements of lease payments		(11.2)	-	-
Cash (absorbed by)/generated from financing activities – continuing operations		(160.1)	(148.9)	16.8
Net cash (outflow)/inflow from financing activities		(160.1)	(148.9)	16.8
Net movement in cash and cash equivalents		9.3	9.3	4.3
Cash acquired on acquisition		-	-	0.3
Cash and cash equivalents at the start of the year	24	11.0	11.0	11.7
Net cash and cash equivalents at the end of the year	24	20.3	20.3	16.3
Included in the assets of the disposal group		-	-	(5.3)
Total cash and cash equivalents as the end of the year		20.3	20.3	11.0

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only. IFRS 16 does not impact actual cash, the impact is only presentational.

Company Cash Flow Statement

for the 52 weeks ended 28 March 2020

	Note	Post IFRS 16 Company 52 weeks ended 28 March 2020 £m	Pre IFRS 16 ¹ Company 52 weeks ended 28 March 2020 £m	Company 52 weeks ended 30 March 2019 £m
Profit before tax for continuing operations		(17.8)	(12.1)	21.7
Net finance costs before separately disclosed items		10.3	8.0	8.4
Separately disclosed items		35.8	31.7	13.5
Depreciation and amortisation		25.6	16.9	18.5
		53.9	44.5	(62.1)
Difference between pension charge and cash paid		(2.3)	(2.3)	(2.2)
Contribution to pension fund		(24.0)	(24.0)	-
Share-based payment charges		0.5	0.5	1.0
Change in trade and other receivables		(10.9)	(10.9)	0.4
Change in inventories		1.1	1.1	(5.6)
Change in trade and other payables		0.8	0.1	(6.8)
Cash impact of operating separately disclosed items	5	(4.8)	(4.8)	(9.7)
Cash generated from operations		14.3	4.2	39.2
Tax paid		(10.1)	(10.1)	(7.8)
Cash generated/(absorbed by) operating activities – continuing operations		4.2	(5.9)	31.4
Cash absorbed by operating activities – discontinued operations		-	-	(2.6)
Net cash generated/(absorbed by) from operating activities		4.2	(5.9)	28.8
Cash flow from investing activities				
Business combinations	19	(34.1)	(34.1)	(20.1)
Purchase of property, plant and equipment		(46.2)	(46.2)	(27.8)
Sale of property, plant and equipment		11.4	11.4	7.3
Cash absorbed by investing activities – continuing operations		(68.9)	(68.9)	(40.6)
Cash generated/(absorbed by) investing activities – discontinued operations		225.4	225.4	(3.5)
Net cash inflow/(outflow) from investing activities		156.5	156.5	(44.1)
Cash flow from financing activities				
Purchase of own shares	29	(0.5)	(0.5)	(3.2)
Receipts on release of own shares to option schemes		2.3	2.3	1.1
Interest paid		(4.7)	(4.7)	(6.2)
Preference dividends paid	9	(0.1)	(0.1)	(0.1)
Equity dividends paid	9	(80.5)	(80.5)	(10.9)
Drawdown of bank loans		-	-	42.3
Repayment of bank loans		(57.1)	(57.1)	(6.0)
Cost of refinancing		-	-	(0.2)
Principal elements of lease payments		(10.1)	-	-
Cash (absorbed by)/generated from investing activities – continuing operations		(150.7)	(140.6)	16.8
Net cash (outflow)/inflow from financing activities		(150.7)	(140.6)	16.8
Net movement in cash and cash equivalents		10.0	10.0	1.5
Cash acquired on acquisition		-	-	0.3
Cash and cash equivalents at the start of the year	24	9.2	9.2	9.7
Net cash and cash equivalents at the end of the year	24	19.2	19.2	11.5
Included in the assets of the disposal group		-	-	(2.3)
Total cash and cash equivalents as the end of the year		19.2	19.2	9.2

1 Pre IFRS 16 results have been prepared under IAS 17 for comparison purposes only. IFRS 16 does not impact actual cash, the impact is only presentational.

Financial Statements

Notes to the Financial Statements

1. Authorisation of Financial Statements and Accounting Policies

Authorisation of Financial Statements

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the “Group”) for the 52 weeks ended 28 March 2020 were authorised for issue by the Board of Directors on 30 July 2020 and the Balance Sheet and financial statements on pages 89 to 158 were signed on the Board’s behalf by M J Turner. Fuller, Smith & Turner P.L.C. is a public limited company incorporated and domiciled in England and Wales. The Company’s ordinary ‘A’ shares are traded on the London Stock Exchange.

Significant Accounting Policies

Basis of preparation

The Group’s and Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted for use in the European Union and applied to the financial statements of the Group and the Company for the 52 weeks ended 28 March 2020, in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in the accounting policies below.

The Group and Company financial statements are presented in Sterling and all values are shown in millions of pounds (£m) rounded to the nearest hundred thousand, except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006 a separate Income Statement for the Parent Company has not been prepared.

Going Concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 41 and include the section entitled ‘Principal Risks and Uncertainties’ on pages 32 to 34. In the Financial Review section on pages 28 to 31 it describes the financial position of the Group, its cash flows and liquidity position. In addition, note 28 to the financial statements includes the Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, borrowing facilities, and its exposure to credit risk and liquidity risk.

The Group has prepared the 2020 financial statements on a going concern basis. The Board is confident that the Group has sufficient liquidity and the ability to access resources when the Group needs to refinance to withstand a prolonged period of closure as a result of the coronavirus pandemic. At 28 March 2020, the Group had a strong Balance Sheet with 91% of the estate being freehold properties and, as at the signing date, headroom on facilities of £186.5 million.

The coronavirus pandemic is an ever-evolving situation with the possible outcomes continually being re-assessed. Management have therefore modelled a range of scenarios from full closure for several months to operating at reduced capacity for the remainder of the financial year. The base model assumes that the estate will not open until August 2020 and there will be significant impact on sales for the rest of the financial year as a result of the social distancing restrictions that will need to be implemented and the risk that customer behaviour will change.

Since the closure of the pubs at the end of March the Group took a number of initial actions to reduce the cash expenditure each month including furloughing the majority of staff, pay cuts for the Main Board and Executive Team of 25% and 20% respectively, taking advantage of business rates holidays as agreed by the Government and the cancellation of the final dividend.

At 28 March 2020, the Group had existing facilities of £225 million; £33 million is due to expire in August 2020 with the rest expiring in August 2021. The facilities are subject to two main covenants, which are tested quarterly: net debt to EBITDA (leverage) and EBITDA to net finance charges. Post year end, in recognition of the current macroeconomic uncertainty, the Group’s banks have revised the covenant tests for the quarters ending March, June and September 2020. As the previous covenant tests were still in place at the year end the Group has reclassified all loans to current as the Group assessed the covenants were breached. Subsequent to year end £145.6 million has been reclassified to non-current when the March covenant was formally revised. From September 2020, under the base and downside forecast model the Group would fail a number of covenant tests if not revised. Management are in discussion with the lenders to revise the covenants beyond this date and have informally received their confirmation that this will be agreed.

Since the year end the Group has increased its available facilities by accessing the Bank of England Covid Corporate Financing Facility (“CCFF”) programme which has already issued £100 million of commercial paper with further access to a further £50 million. The CCFF provides short-term unsecured debt and is repayable in May 2021.

In August 2021, the Group will need to refinance and obtain facilities at a similar level to the facilities at 28 March 2020. There are mitigating actions that the Group could take in addition to the ones discussed above which have not been factored into the model, including reducing central overheads, a complete halt in all capital expenditure and the sale of freehold properties.

The Board has considered a downside scenario that reflects the current unprecedented uncertainty in the UK economy and which management consider to be severe but plausible. The scenario considered full closure of the estate for four months to the end of July and then operating at 40% of the original budget for 2020/21. The results of this scenario show the potential for a covenant breach during the going concern assessment period. Subject to further covenant amendments being agreed with the lenders in the period up to the refinance in August 2021, the Group would have sufficient liquidity in the going concern assessment period under this scenario.

The Board is confident in securing both the revision of the covenant beyond September 2020 and obtaining facilities beyond August 2021 but given that these are not in place at the date of approving these financial statements a material uncertainty exists that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. Accepting these represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Significant accounting judgements, estimates and assumptions

The areas of estimation and assumption which are considered to be significant in the preparation of the financial statements are as follows:

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Full details are supplied in note 13, together with an analysis of the key assumptions.

The Group reviews for impairment all property, plant and equipment at cash-generating unit level where there is any indication of impairment. This requires an estimation of the value in use and involves estimation of future cash flows and choosing a suitable discount rate. See note 13, which describes the assumptions used together with an analysis of the key assumptions.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the Group's qualified actuary. The estimates used and the key assumptions are provided in note 25.

The calculation of lease liabilities requires the Group to determine an incremental borrowing rate ("IBR") to discount future minimum lease payments. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. A sensitivity analysis has been conducted on the lease liabilities which shows that increasing the discount rate by 1% will decrease the lease liability by £6.8 million and decrease the right-of-use asset by £7.0 million. See note 18 for further details.

Estimation is required to determine the expenditure that will result from a present legal obligation arising from a past event. In the current year, the Group have estimated the expected expenditure for a legal claim. The Directors believe the recognised provision in relation to this specific matter reflects the best estimate of the most likely current outcome at the reporting date, based on a probability weighting with a material range of potential outcomes. The claim has still not been resolved at the date of signing and any further details have not been disclosed for serious prejudicial reasons.

The assessment of fair values for the assets and liabilities recognised in the financial statements on the acquisition of a business, the valuation of additional consideration and the date that control is obtained require significant estimate. Management assess fair values, particularly for property, plant and equipment, with reference to current market prices. See note 19 for business combinations made in the year. In the current year, estimation was required in assessing the fair value of the consideration on the acquisition of Cotswold Inns & Hotels.

The areas of judgement which are considered to be significant in the preparation of the financial statements are as follows:

In concluding that there was a material uncertainty over going concern the Directors had to consider a number of possible scenarios due to the uncertainty of when and how the closure of the estate will end. They also needed to use their judgement to assess the most likely scenario and the impact this would have on the covenants and the facilities to assess what the material uncertainty was. Refer to going concern on page 98 for details of the scenarios judged most likely.

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is probable that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment. See note 7.

Judgement is used to determine those items, that should be separately disclosed to allow a better understanding of the underlying trading performance of the Group. The judgement includes assessment of whether an item is of a nature that is not consistent with normal trading activities or of sufficient size or infrequency. See note 5. Judgement was also required in assessing how to present the transition to IFRS 16. Due to the significance it was decided to show pre IFRS 16 to allow better comparison.

Financial Statements
Notes to the Financial Statements
 Continued

1. Authorisation of Financial Statements and Accounting Policies continued

Basis of consolidation

The Group financial statements consolidate the financial statements of Fuller, Smith & Turner P.L.C. and the entities it controls (its subsidiaries) drawn up for the 52 weeks ended 28 March 2020 (2019: 52 weeks ended 30 March 2019). Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to direct the relevant activities of the subsidiary which significantly affect the return of the subsidiary, so as to obtain benefit from its activities, and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

Adoption of new standards and interpretations

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 31 March 2019:

- IFRS 16 Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the substance of transactions involving the legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Balance Sheet.

The Group adopted IFRS 16 using the modified retrospective approach from 31 March 2019. Modified retrospective does not require the comparative figures to be restated and the cumulative impact is recognised as an adjustment to the opening Balance Sheet retained earnings at the date of application. See note 33.

Other than the application of IFRS 16, the Directors do not believe the adoption of the new standards and interpretations has had any significant impact on the amounts reported in the financial statements.

Intangible assets

Business combinations are accounted for under IFRS 3 Business Combinations using the purchase method. Any excess of the consideration of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Balance Sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Income Statement. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Goodwill

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Any impairment of goodwill made cannot be reversed if circumstances subsequently change.

Any contingent consideration recognised on business combinations are measured at fair value using Level 3 valuation techniques.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units (or group of cash-generating units) monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis to write down the cost to the estimated residual value over the expected useful life of the asset as follows:

Freehold buildings – Hotel accommodation and offices	Up to 50 years
Freehold buildings – Licensed retail property, unlicensed property and brewery	50 to 100 years
Leasehold improvements	The term of the lease
Roofs	From 10 to 50 years
Plant, machinery and vehicles, containers, fixtures and fittings	From three years up to 25 years

As required under IAS 16 Property, Plant and Equipment, expected useful lives and residual values are reviewed every year. Land is not depreciated. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Balance Sheet and transferred to the Income Statement on a systematic basis over the useful economic life of the related assets.

Coronavirus Job Retention Scheme (“CJRS”)

Under this scheme, HMRC will reimburse up to 80% of the wages of certain employees who have been asked to stop working (“furloughed”), but who are being kept on the payroll. The scheme is designed to compensate for staff costs, so amounts received are recognised in the Income Statement over the same period as the costs to which they relate. In the Income Statement payroll costs are shown net of grant income.

Hive-up transaction

When a subsidiary transfers its business to its parent immediately after acquisition (hive-up transaction) the assets are transferred at market value and the investment is reduced to reflect the net effect of a return of capital in the form of the underlying net assets.

Investment property

The Group owns properties that are not used for the production of goods or services but are held for capital appreciation or rental purposes. These properties are classified as investment properties and their carrying values are based on cost less impairment. Depreciation is calculated on a straight-line basis to write down the cost to the estimated residual value over the expected useful life of the asset, which for investment properties is between 50 to 100 years.

Impairment

Carrying values are reviewed for impairment if events indicate that the carrying value of the asset may not be recoverable. If such an indicator exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. An asset's recoverable amount is the greater of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs.

The Group bases its impairment calculation on most recent management approved budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of two years. A long-term growth rate is calculated and applied to project future cash flows after the second year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses, and any reversal of such losses, are recognised in the Income Statement.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Financial Statements
Notes to the Financial Statements
Continued

1. Authorisation of Financial Statements and Accounting Policies continued

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Extensions to leases are recognised when it is reasonably certain the option is going to be exercised.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments).

The Group's lease liabilities are included in Cash, Borrowings and Net Debt (see note 24).

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Income Statement due to its operating nature.

Assets held for sale and discontinued operations

Assets are classified as held for sale when the carrying amount will be recovered principally through a sale transaction rather than continuing use. The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell. No depreciation is charged whilst assets are classified as held for sale.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, results for the discontinued operations are presented separately in the Group's Income Statement (for which the comparatives and related notes have been restated). Additional disclosures are provided in note 22. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the 'First In First Out' method. The cost of own beer consists of materials with the addition of relevant overhead expenses. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Financial instruments

Initial recognition and derecognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price in accordance with IFRS 15.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's cash and cash equivalents, trade and other receivables fall into this category.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI and will be recycled upon derecognition of the asset.
- Fair value through PL ("FVPL"): Assets that do not meet the criteria for amortised cost or Fair value through OCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the expected credit loss ("ECL") model. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the future cash flows of the instrument.

When assessing impairment for trade receivables, the Group has applied the simplified approach to expected credit losses as per IFRS 9 Financial Instruments. The model focuses on an appraisal of the risk that a receivable will default rather than whether a loss has been incurred. This involves an unbiased assessment of a range of possible outcomes and their probabilities of occurrence, and is supported by past experience of collecting payments as well as changes in economic conditions that correlate with default on receivables. Expected credit losses are initially determined based on the Group's historical credit loss experience, any forward-looking factors specific to a particular trade receivable and the current economic environment.

The timing of initial recognition for impairment losses is the same period that the asset is recognised. Movements in expected credit losses are recognised in the Income Statement within operating costs. At the point a trade receivable is written off the ledger as uncollectable, the cost is charged against the allowance account and any subsequent recoveries of amounts previously written off are credited to the Income Statement.

In the parent company, amounts due from subsidiary undertakings are recognised at their original amount less allowance for impairment based on the ECL model. In determining the model the Company considers the net assets and the resources available to that subsidiary.

Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss which are measured subsequently at fair value with gains or losses recognised in the Income Statement
- Financial liabilities at amortised cost (loans and borrowings) which are measured using the effective interest method

Bank loans, overdrafts and debentures

Interest bearing bank loans, overdrafts and debentures are initially recorded at the fair value of proceeds received, net of direct issue costs, and thereafter at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate basis in the Income Statement. Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial Statements
Notes to the Financial Statements
Continued

1. Authorisation of Financial Statements and Accounting Policies continued

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Recognition and measurement

The Group uses derivative financial instruments mainly interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

The Group only has interest rate swaps which are classified as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedging accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Company or Group is presented as a liability in the Balance Sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption.

The corresponding dividends relating to the liability component are charged as interest expense in the Income Statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders’ equity, net of transaction costs. The carrying amount of the equity component is not remeasured in subsequent years.

The Group’s ordinary shares are classified as equity instruments. For the purposes of the disclosures given in note 29, the Group considers its capital to comprise its ordinary share capital, share premium, capital redemption reserve, hedging reserve and accumulated retained earnings plus its preference shares which are classified as a financial liability in the Balance Sheet. There have been no changes to what the Group considers to be capital since the prior year.

Preference shares

The Group’s preference shares are reported under non-current liabilities. The corresponding dividends on preference shares are charged as interest in the Income Statement. Preference share dividends are at fixed rates.

Revenue

Revenue is recognised under IFRS 15 upon application of the following steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to each performance obligation
- Recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer.

Managed Pubs and Hotels and Tenanted Inns revenue primarily consists of food, drink and accommodation sales. Food and drink revenue is recognised when control of the goods/services has transferred, being at the point the customer purchases the food or drink. The Group also takes bookings for events and accommodation which require a deposit to secure the booking. A contract liability for the deposit is recognised at the time of the sale. The contract liability is released and revenue is recognised on a straight-line basis over the duration of the room occupation or event. A contract liability is recognised until the event is complete or the guest has occupied the room.

Revenue in relation to The Fuller's Beer Business has been recognised for operations for the one month ended 27 April 2019. The Fuller's Beer Business revenue consists of sales primarily as a result of the brewing and distribution of beer, cider, wines, spirits and soft drinks. Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to a specific location (delivery). A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Following the sale of the Fuller's Beer Business to Asahi Europe Ltd, the Group entered into a Transitional Services Agreement ("TSA") to provide certain services to facilitate the successful separation of the two companies. The revenue is recognised over the period the services are provided.

Revenue is recognised under IFRS 16 where the Group receives rental income from Tenanted and unlicensed properties. This is recognised on a straight-line basis over the lease term. Some rental income includes turnover rent which is based on the percentage of the income generated by that pub. This is recognised when the revenue is earned. Revenue is recognised for machine income when net takings are earned.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for use are capitalised as part of the cost of the asset being created. This is applied to development projects where the development is expected to last in excess of six months at the commencement of the project. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Separately disclosed items

The Group presents as separately disclosed items on the face of the Income Statement those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Separately disclosed items are a key element used to demonstrate the underlying performance of the Group and reported as an alternative performance measure within the management commentary for the reporting period.

Share-based payments

The Group has an employee Share Incentive Plan that awards shares to employees based on the reported profits of the Group for the year, and a Long-Term Incentive Plan that awards shares to Directors and Senior Executives subject to specific performance criteria. The Group also issues equity-settled share-based payments to certain employees under approved and unapproved share option schemes and a Savings Related Share Option Scheme.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions. The Group has no equity-settled transactions that are linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest. At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Income Statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Financial Statements
Notes to the Financial Statements
Continued

1. Authorisation of Financial Statements and Accounting Policies continued

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

Own shares

Shares to be awarded under employee incentive plans and those that have been awarded but have yet to vest unconditionally are held at cost by an employee share ownership trust ("ESOT") and shown as a deduction from equity in the Balance Sheet. ESOT is an independently managed trust and not controlled by the Group.

In addition to the purchase of shares by the various ESOTs for specific awards, the Group also from time to time acquires own shares to be held as treasury shares. These shares are occasionally but not exclusively used to satisfy awards under various share option schemes. Treasury shares are held at cost and shown as a deduction from total equity in the Balance Sheet.

Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current tax payable is based on taxable profit for the year using UK tax rates enacted or substantively enacted at the Balance Sheet date and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which they can be utilised.

Such deferred tax assets and liabilities are not recognised where the asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balance relates to the same taxation entities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Current and deferred tax for the year

Current and deferred tax are recognised in the Income Statement except when they relate to items that are recognised in the Statement of Comprehensive Income or in equity, in which case the current and deferred tax are also recognised in the Statement of Comprehensive Income or directly in equity respectively.

Pensions and other post-employment benefits

Defined contribution schemes

Payments to defined contribution retirement benefit schemes are charged to the Income Statement as they fall due.

Defined benefit schemes

The Group operated a defined benefit pension plan for eligible employees where contributions were made into a separate fund administered by Trustees. The Scheme closed to future accrual in January 2015.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method calculated by qualified actuaries. This attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the Income Statement on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the Income Statement during the period in which the settlement or curtailment occurs.

The Group determines the net interest charge/(credit) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net pension liability/(asset) at the beginning of the period. The net interest charge/(credit) is recognised immediately as a separately disclosed finance cost/(income) in the Income Statement. Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at the year end exchange rates and the resulting exchange differences are taken to the Income Statement, except where hedge accounting is applied.

Dividends

Dividends recommended by the Board but unpaid at the year end are not recognised in the financial statements until they are paid (in the case of the interim dividend) or approved by shareholders at the Annual General Meeting (in the case of the final dividend).

Financial guarantee contracts

Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company's investments in subsidiaries

In its separate financial statements, the parent company recognises its investment in its subsidiaries on the basis of cost less provision for impairment.

New standards and interpretations issued but not yet applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date for periods starting on or after the date on which these financial statements start:

- IFRS 17 Insurance Contracts (effective 1 January 2021)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective 1 January 2020)
- Amendments to IFRS 3: Definition of a Business (effective 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020).

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

2. Segmental Analysis

Operating Segments

For management purposes, the Group's operating segments are:

- Managed Pubs and Hotels, which comprises managed pubs, managed hotels, The Stable Pizza & Cider Limited, Bel & The Dragon and Cotswold Inns & Hotels
- Tenanted Inns, which comprises pubs operated by third parties under tenancy or lease agreements.

The most important measure used to evaluate the performance of the business is adjusted profit, which is the profit before income tax, adjusted for separately disclosed items. The Managed Pubs and Hotels operating segments have been aggregated to one reportable segment on the basis that they have similar economic characteristics as the pubs and hotels are in the same geographical location. Economic indicators assessed in determining that the aggregated operating segments share similar economic characteristics include expected future financial performance, operating and competitive risks and return on invested capital. As such, the operating segments meet the aggregation criteria in paragraph 12 IFRS 8 Operating Segments (amended). More details of these segments are given in the Strategic Report on pages 6 to 41 of this report.

As segment assets and liabilities are not regularly provided to the Chief Operating Decision Maker ("CODM"), the Group has elected, as provided under IFRS 8 Operating Segments (amended), not to disclose a measure of segment assets and liabilities.

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2. Segmental Analysis continued

Change in information presented to CODM

Central overheads were previously recharged to each of the segments and that was how information was presented to the CODM. However, in the current year, the costs have not been recharged to reflect how information is now reported to the CODM and the prior year numbers have been adjusted to allow comparison.

	Post IFRS 16			
	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Total continuing operations £m
52 weeks ended 28 March 2020				
Revenue and other income	299.6	29.7	3.7	333.0
Segment result	29.5	11.8	(15.4)	25.9
Operating separately disclosed items				(23.9)
Operating profit				2.0
Profit on disposal of properties				9.6
Net finance costs				(8.4)
Profit before income tax				3.2
Other segment information				
Additions to property, plant & equipment	24.5	3.6	23.6	51.7
Business combinations	32.8	–	–	32.8
Depreciation	26.4	2.0	0.1	28.5
Impairment of property, right-of-use assets and goodwill	18.2	0.7	–	18.9

¹ Unallocated expenses represent primarily the salaries and costs of central management. Unallocated revenue represents Transitional Services Agreement (“TSA”) income while unallocated capital expenditure relates to the purchase of a new head office.

	Pre IFRS 16			
	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Total continuing operations £m
52 weeks ended 28 March 2020				
Revenue and other income	299.6	29.7	3.7	333.0
Segment result	28.7	11.7	(15.4)	25.0
Operating separately disclosed items				(17.3)
Operating profit				7.7
Profit on disposal of properties				9.6
Net finance costs				(5.8)
Profit before income tax				11.5
Other segment information				
Additions to property, plant & equipment	24.5	3.6	23.6	51.7
Business combinations	32.8	–	–	32.8
Depreciation and amortisation	17.0	1.9	0.1	19.0
Impairment of property and goodwill	11.6	0.7	–	12.3

¹ Unallocated expenses represent primarily the salaries and costs of central management. Unallocated revenue represents Transitional Services Agreement (“TSA”) income while unallocated capital expenditure relates to the purchase of a new head office.

52 weeks ended 30 March 2019	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Total continuing operations £m
Revenue and other income	293.8	30.9	–	324.7
Segment result	42.7	13.8	(16.5)	40.0
Operating separately disclosed items				(11.2)
Operating profit				28.8
Profit on disposal of properties				1.9
Net finance costs				(7.7)
Profit before tax				23.0
Other segment information				
Additions to property, plant & equipment	25.5	3.0	–	28.5
Business combinations	18.1	–	–	18.1
Depreciation and amortisation	17.2	1.8	0.5	19.5
Impairment of property	3.0	–	–	3.0
Reversal of impairment on property	(1.3)	(0.5)	–	(1.8)

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

Geographical Information

All of the Group's business is within the UK and therefore the Group only has one distinct geographical market.

3. Revenue

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	296.5	292.9
Rental income	9.5	11.1
Accommodation income	23.3	20.7
Revenue	329.3	324.7
Transitional Services Agreement revenue ¹	3.7	–
Other income	3.7	–
Revenue and other income	333.0	324.7

1 Following the sale of the Fuller's Beer Business to Asahi Europe Ltd, the Group entered into a Transitional Services Agreement ("TSA") to provide certain services to facilitate the successful separation of the two companies. This included finance, IT and payroll services. The TSA was completed post year end on 27 April 2020.

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Notes to the Financial Statements
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4. Operating Costs

	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019
Production costs and cost of goods used in retailing	83.7	83.7	83.0
Staff costs	116.9	116.9	107.2
Repairs and maintenance	14.1	14.1	12.1
Depreciation of property, plant and equipment	17.9	17.9	18.5
Depreciation of right-of-use asset	10.6	–	–
Amortisation of intangible assets	–	1.1	1.0
Rental expense in relation to short-term and low-value leases	1.4	–	–
Variable lease payments ¹	2.0	2.0	1.6
Operating lease rentals – minimum lease payments	–	11.9	12.0
Property costs	16.9	16.9	15.6
Utilities	8.4	8.4	6.9
Separately disclosed items (note 5)	23.9	17.3	11.2
IT, retail and communication costs	4.5	4.5	2.6
Professional fees	3.2	3.2	2.6
Pub operational costs	16.6	16.6	15.0
Training	2.0	2.0	1.7
Other operating costs	8.9	8.8	4.9
	331.0	325.3	295.9

¹ Variable lease payments are dependent on turnover levels.

Details of income and direct expenses relating to rental income from investment properties are shown in note 12.

a) Auditors' Remuneration

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Fees payable to Company's auditors:		
– Statutory audit fees of Group financial statements	0.3	0.3
– Reporting accountants	–	0.2
	0.3	0.5

Also included in auditors' remuneration are fees of £26,000 comprising a half year review. Also incurred in the period were non-audit related services of £39,000 relating to the sale of the Fuller's Beer Business, other audit related services of £1,000 comprising covenant reporting and non-audit services of £1,500 comprising iXBRL tagging.

b) Employee Benefit Expenses¹

	£m	£m
Wages and salaries ²	100.9	94.8
Social security costs	7.4	6.9
Pension benefits	2.1	1.6
Other staff costs	6.5	3.9
	116.9	107.2

¹ Includes Executive Directors.

² Includes share-based payment expense of £0.5 million (2019: £1.0 million).

c) Average Number of Employees¹

The average monthly number of persons employed by the Group (including part-time staff) was as follows:

Continuing operations	Number	Number
Pub, hotel & restaurant teams	4,957	4,757
Support office ²	209	181
	5,166	4,938

1 Includes Executive Directors.

2 Support office includes Finance, People, IT and other support staff. Previously some support office employees were recharged to each of the segments and shown in Pub, hotel & restaurant teams. In the current year employee costs have not been recharged so staff numbers are now shown in Support office and the prior year has been updated for comparison.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 58 to 80.

5. Separately Disclosed Items

The Group presents separately disclosed items on the face of the Income Statement those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year.

	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Amounts included in operating profit:			
Acquisition costs	(1.4)	(1.4)	(0.6)
Reorganisation costs	(2.1)	(2.1)	(0.5)
Impairment and reversal of impairment of intangible assets, properties and right-of-use assets	(18.9)	(12.3)	(1.2)
IT maintenance, support and rectification costs	(1.5)	(1.5)	(6.7)
Onerous lease provision charge	–	–	(1.9)
Guaranteed Minimum Pension ("GMP") charge	–	–	(0.3)
Total separately disclosed items included in operating profit	(23.9)	(17.3)	(11.2)
Profit on disposal of properties	9.6	9.6	1.9
Separately disclosed finance costs:			
Finance charge on net pension liabilities	(0.6)	(0.6)	(0.8)
Finance credit on the cancellation of interest rate swaps	0.1	0.1	–
Total separately disclosed finance costs	(0.5)	(0.5)	(0.8)
Total separately disclosed items before tax	(14.8)	(8.2)	(10.1)
Separately disclosed tax:			
Profit on disposal of properties	(1.9)	(1.9)	(0.3)
Other items	3.9	2.6	1.6
Total separately disclosed tax	2.0	0.7	1.3
Total separately disclosed items	(12.8)	(7.5)	(8.8)

Acquisition costs of £1.4 million during the 52 weeks ended 28 March 2020 (30 March 2019: £0.6 million) relate to transaction costs on property and business acquisitions.

The reorganisation costs of £2.1 million during the 52 weeks ended 28 March 2020 (30 March 2019: £0.5 million) were principally incurred as a result of the reorganisation of the Group due to the disposal of the Fuller's Beer Business, in order for the Group to transition to a simplified structure and reduce central overheads.

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5. Separately Disclosed Items continued

The total impairment charge of £18.9 million during the 52 weeks ended 28 March 2020 relates to the write down of a number of licensed properties to their recoverable value as well as the write down in value of previously acquired goodwill recognised on acquisition of The Stable Pizza & Cider Limited (30 March 2019: £1.2 million). Post IFRS 16 includes impairment of right-of-use assets of £6.6 million in relation to five properties (30 March 2019: £nil). See note 13.

The expenditure of £1.5 million (30 March 2019: £6.7 million) relates to ongoing maintenance, support and rectification costs in respect of core IT systems. The costs incurred primarily relate to consultancy and incremental staff costs.

The profit on disposal of properties of £9.6 million during the 52 weeks ended 28 March 2020 (30 March 2019: £1.9 million) relates to the disposal of three licensed and unlicensed properties including two pubs (2019: seven properties).

The cash impact of operating separately disclosed items before tax for the 52 weeks ended 28 March 2020 was £5.0 million cash outflow (30 March 2019: £7.5 million cash outflow).

6. Finance Costs

	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Finance Income			
Interest income from financial assets	0.2	0.2	–
Finance Costs			
Interest expense arising on:			
Financial liabilities at amortised cost – loans and debentures	(5.3)	(5.3)	(6.7)
Financial liabilities at amortised cost – preference shares	(0.1)	(0.1)	(0.1)
Financial liabilities at amortised cost – lease liabilities	(2.7)	(0.1)	–
Total interest expense for financial liabilities	(8.1)	(5.5)	(6.8)
Unwinding of discounts on provisions	–	–	(0.1)
Net finance costs before separately disclosed items	(7.9)	(5.3)	(6.9)
Finance charge on net pension liabilities (note 25)	(0.6)	(0.6)	(0.8)
Finance credit on cancellation of interest rate swaps (note 5)	0.1	0.1	–
Total finance costs after separately disclosed items	(8.4)	(5.8)	(7.7)

7. Taxation

Tax on Profit on Ordinary Activities

Group	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Tax charged in the Income Statement			
Current income tax:			
Current tax on profits for the year	0.8	2.4	5.6
Adjustments for current tax on prior periods	0.1	0.1	0.1
Total current income tax expense	0.9	2.5	5.7
Deferred income tax:			
Origination and reversal of temporary differences	1.4	1.4	(0.7)
Change in corporation tax rate	1.6	1.6	–
Adjustments for current tax on prior periods	0.3	0.3	0.2
Total deferred tax expense/(benefit)	3.3	3.3	(0.5)
Total tax charged in the Income Statement	4.2	5.8	5.2
Analysed as:			
Before separately disclosed items	6.2	6.5	6.5
Separately disclosed items	(2.0)	(0.7)	(1.3)
	4.2	5.8	5.2

Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Profit from continuing operations before income tax expense	3.2	11.5	23.0
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2019: 19%)	0.6	2.2	4.4
Items not deductible for tax purposes	1.6	1.6	0.6
Current and deferred tax under provided in previous years	2.0	2.0	0.3
Other	–	–	(0.1)
Total tax charged in the Income Statement	4.2	5.8	5.2
Deferred Tax Relating to Items Charged/(Credited) to the Income Statement			
Deferred tax depreciation	–	–	(1.0)
Rolled over capital gains	2.6	2.6	0.3
Retirement benefit obligations	0.6	0.6	0.2
Employee share schemes	0.1	0.1	0.1
Pub acquisition costs	–	–	(0.1)
Deferred tax in the Income Statement	3.3	3.3	(0.5)
Tax Relating to Items Charged/(Credited) to the Statement of Comprehensive Income			
Deferred tax:			
Valuation gains on financial assets and liabilities	0.1	0.1	–
Net actuarial gains/(losses) on pension scheme	1.1	1.1	(0.8)
Total tax charged/(credited) in the Statement of Comprehensive Income	1.2	1.2	(0.8)
Tax Relating to Items Charged/(Credited) Directly to Equity			
Deferred tax:			
Increase in deferred tax liability due to indexation	–	–	0.1
Share-based payments	0.1	0.1	(0.1)
Total tax charged to equity	0.1	0.1	–

The Finance Bill 2020, which has now been substantively enacted, provided for the main rate of corporation tax to remain at 19% from 1 April 2020 rather than to reduce to 17% as previously enacted. As a result deferred tax balances are stated at 19%. In 2019 balances were stated at either 17% or 19% depending on when the timing differences on which they were calculated might reverse. The impact of this is a charge of £1.6 million to the Income Statement.

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7. Taxation continued

Deferred Tax Provision

The deferred tax included in the Balance Sheet is as follows:

Deferred tax

Group	Deferred tax asset/(liability)									Total £m
	Retirement benefit obligations £m	Tax losses carried forward £m	Employee share schemes £m	Financial assets £m	Accelerated tax depreciation £m	Rolled over capital gains £m	Pension spreading £m	Other £m		
Balances at 31 March 2018	5.4	0.6	0.3	0.3	(7.5)	(9.3)	–	0.9	(9.3)	
(Charge)/credit to Income Statement	(0.1)	–	(0.1)	–	1.1	(0.3)	–	0.1	0.7	
Credit to other comprehensive income	0.8	–	–	–	–	–	–	–	0.8	
(Charge)/credit taken directly to equity	–	–	0.1	–	–	(0.1)	–	–	–	
Acquisitions/disposals	–	–	–	–	(3.1)	–	–	–	(3.1)	
Reclassification of available for sale asset	–	–	–	–	0.7	–	–	1.0	1.7	
Balances at 30 March 2019	6.1	0.6	0.3	0.3	(8.8)	(9.7)	–	2.0	(9.2)	
(Charge)/credit to Income Statement	(4.1)	–	(0.1)	–	–	(2.6)	3.5	–	(3.3)	
(Charge) to other comprehensive income	(1.1)	–	–	(0.1)	–	–	–	–	(1.2)	
(Charge) taken directly to equity	–	–	(0.1)	–	–	–	–	–	(0.1)	
Acquisitions	–	–	–	–	(3.3)	–	–	–	(3.3)	
Balances at 28 March 2020	0.9	0.6	0.1	0.2	(12.1)	(12.3)	3.5	2.0	(17.1)	
								2020 £m	2019 £m	
Deferred tax assets								7.3	9.3	
Deferred tax liabilities								(24.4)	(18.5)	
								(17.1)	(9.2)	

Deferred tax

Company	Deferred tax asset/(liability)								
	Retirement benefit obligations £m	Tax losses carried forward £m	Employee share schemes £m	Financial (liabilities)/assets £m	Accelerated tax depreciation £m	Rolled over capital gains £m	Pension spreading £m	Other £m	Total £m
Balances at 31 March 2018	5.4	0.3	0.3	0.3	(7.9)	(9.3)	–	1.8	(9.1)
(Charge)/credit to Income Statement	(0.3)	–	(0.1)	–	0.9	(0.3)	–	0.1	0.3
Credit to other comprehensive income	0.8	–	–	–	–	–	–	–	0.8
(Charge)/credit taken directly to equity	–	–	0.1	–	–	(0.1)	–	–	–
Reclassification of available for sale asset	–	–	–	–	0.7	–	–	(0.2)	0.5
Balances at 31 March 2019	5.9	0.3	0.3	0.3	(6.3)	(9.7)	–	1.7	(7.5)
(Charge)/credit to Income Statement	(4.1)	–	(0.1)	–	0.1	(2.5)	3.5	0.3	(2.8)
(Charge) to other comprehensive income	(1.1)	–	–	(0.1)	–	–	–	–	(1.2)
(Charge) taken directly to equity	–	–	(0.1)	–	–	–	–	–	(0.1)
Acquisitions	–	–	–	–	(2.8)	–	–	–	(2.8)
Balances at 28 March 2020	0.7	0.3	0.1	0.2	(9.0)	(12.2)	3.5	2.0	(14.4)
							2020 £m		2019 £m
Deferred tax assets							6.8		8.5
Deferred tax liabilities							(21.2)		(16.0)
							(14.4)		(7.5)

8. Earnings Per Share

Group	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Profit attributable to equity shareholders	161.9	168.6	19.3
Separately disclosed items net of tax	(149.6)	(154.9)	15.2
Adjusted earnings attributable to equity shareholders	12.3	13.7	34.5
Weighted average share capital	55,124,000	55,124,000	54,957,000
Dilutive outstanding options and share awards	128,000	128,000	389,000
Diluted weighted average share capital	55,252,000	55,252,000	55,346,000
40p 'A' and 'C' ordinary share	Pence	Pence	Pence
Basic earnings per share	293.70	305.86	35.12
Diluted earnings per share	293.02	305.15	34.87
Adjusted earnings per share	22.31	24.85	62.78
Diluted adjusted earnings per share	22.26	24.80	62.33
4p 'B' ordinary share	Pence	Pence	Pence
Basic earnings per share	29.37	30.59	3.51
Diluted earnings per share	29.30	30.51	3.49
Adjusted earnings per share	2.23	2.49	6.28
Diluted adjusted earnings per share	2.23	2.48	6.23

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8. Earnings Per Share continued

Continuing operations	Post IFRS 16 52 weeks ended 28 March 2020 £m	Pre IFRS 16 52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Profit attributable to equity shareholders	(1.0)	5.7	17.8
Separately disclosed items net of tax	12.8	7.5	8.8
Adjusted earnings attributable to equity shareholders	11.8	13.2	26.6

	Number	Number	Number
Weighted average share capital	55,124,000	55,124,000	54,957,000
Dilutive outstanding options and share awards	128,000	128,000	389,000
Diluted weighted average share capital	55,252,000	55,252,000	55,346,000

40p 'A' and 'C' ordinary share	Pence	Pence	Pence
Basic earnings per share	(1.81)	10.34	32.39
Diluted earnings per share	(1.81)	10.32	32.16
Adjusted earnings per share	21.41	23.95	48.40
Diluted adjusted earnings per share	21.36	23.89	48.06

4p 'B' ordinary share	Pence	Pence	Pence
Basic earnings per share	(0.18)	1.03	3.24
Diluted earnings per share	(0.18)	1.03	3.22
Adjusted earnings per share	2.14	2.39	4.84
Diluted adjusted earnings per share	2.14	2.39	4.81

The Directors have determined the profit or loss and the weighted average number of shares that is attributable to each class of ordinary share to calculate the earnings per share for the 40p 'A' and 'C' ordinary shares and the 4p 'B' ordinary shares. The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 1,860,777 (2019: 2,027,034).

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

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

9. Dividends

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: 4.35p (2018: 12.00p)	2.4	6.6
Second interim dividend for 2019: 8.00p (2018: 0p)	4.4	-
First interim dividend for 2020: 7.80p (2019: 7.80p)	4.3	4.3
'D' Share single dividend for 2020: 125p (2019: 0p)	69.4	-
Equity dividends paid	80.5	10.9
Dividends on cumulative preference shares (note 6)	0.1	0.1
Declared and paid after the year		
Second interim dividend for 2020: 0p (2019: 8.00p)	-	4.4
Proposed for approval at the Annual General Meeting:		
Final dividend for 2020: 0p (2019: 4.35p)	-	2.4

The pence figures above are for the 40p 'A' ordinary shares and 40p 'C' ordinary shares. The 4p 'B' ordinary shares carry dividend rights of one-tenth of those applicable to the 40p 'A' ordinary shares. Own shares held in the employee share trusts do not qualify for dividends as the Trustees have waived their rights. Dividends are also not paid on own shares held as treasury shares.

As indicated in the circular published on 28 March 2019 relating to the disposal of the Fuller's Beer Business, the Board made an additional cash return of £1.25 per 'A' and 'C' ordinary share and 12.5p per 'B' ordinary share through a 'D' share scheme. Each ordinary shareholder as at the record date was issued with ten 'D' shares for every existing 'A' and 'C' ordinary share and one 'D' share for every one 'B' ordinary share held at the time. Numis (acting as principal, and not as agent, nominee or trustee for the Company) made an offer to purchase the 'D' shares for an amount of 12.5p per 'D' share (free of all expenses and commissions). The Company accepted the offer on behalf of shareholders and paid a single dividend to Numis as holder of all the 'D' shares of £69.4 million representing the sum of 12.5p per 'D' share plus the stamp duty payable by Numis in connection with the purchase of all the 'D' shares in issue.

Following the approval of all the resolutions presented to the Company's Extraordinary General Meeting on 1 October 2019, 552,318,406 'D' shares of 0.1p each were allotted and issued to shareholders on 2 October 2019 on the basis of ten 'D' shares for every existing 'A' and 'C' ordinary share of 40p each and one 'D' share for every existing 'B' ordinary share of 4p each held at the record date. Following the purchase by Numis of all of the 'D' shares, and payment by the Company of a single dividend to Numis of £69.4 million as holder of all of the 'D' shares on 7 October 2019, the 'D' shares were reclassified as deferred shares of 0.1p and were immediately repurchased and cancelled by the Company on 8 October 2019.

No final dividend for 2020 has been proposed for approval at the Annual General Meeting due to the temporary closure of the business as a result of the coronavirus pandemic.

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10. Intangible Assets

	Post IFRS 16 Group and Company					
	Goodwill £m	Brand £m	Lease assignment premiums £m	Distribution rights £m	Group Total £m	Company' Total £m
Cost						
At 31 March 2018	32.7	7.2	9.6	1.2	50.7	10.8
Additions	–	–	3.5	–	3.5	3.5
Acquisitions	1.8	–	–	–	1.8	–
Transfers to assets held for sale	(4.5)	(7.2)	–	(1.2)	(12.9)	(1.2)
At 30 March 2019	30.0	–	13.1	–	43.1	13.1
Transfer to right-of-use assets	–	–	(13.1)	–	(13.1)	(13.1)
Acquisitions (note 19)	2.6	–	–	–	2.6	2.6
At 28 March 2020	32.6	–	–	–	32.6	2.6
Amortisation and impairment						
At 31 March 2018	0.6	–	3.8	0.9	5.3	4.7
Provided during the year – continuing operations	–	–	1.0	–	1.0	1.0
Provided during the year – discontinued operations	–	–	–	0.3	0.3	0.3
Transfer to assets held for sale	–	–	–	(1.2)	(1.2)	(1.2)
At 30 March 2019	0.6	–	4.8	–	5.4	4.8
Transfer to right-of-use assets	–	–	(4.8)	–	(4.8)	(4.8)
Impairment	3.7	–	–	–	3.7	–
At 28 March 2020	4.3	–	–	–	4.3	–
Net book value at 28 March 2020	28.3	–	–	–	28.3	2.6
Net book value at 30 March 2019	29.4	–	8.3	–	37.7	8.3
Net book value at 31 March 2018	32.1	7.2	5.8	0.3	45.4	6.1

1 The Company net book value at 28 March 2020 is £2.6 million of goodwill.

	Pre IFRS 16 Group and Company					
	Goodwill £m	Brand £m	Lease assignment premiums £m	Distribution rights £m	Group Total £m	Company' Total £m
Cost						
At 31 March 2018	32.7	7.2	9.6	1.2	50.7	10.8
Additions	–	–	3.5	–	3.5	3.5
Acquisitions	1.8	–	–	–	1.8	–
Transfer to assets held for sale	(4.5)	(7.2)	–	(1.2)	(12.9)	(1.2)
At 30 March 2019	30.0	–	13.1	–	43.1	13.1
Acquisitions (note 19)	2.6	–	–	–	2.6	2.6
At 28 March 2020	32.6	–	13.1	–	45.7	15.7
Amortisation and impairment						
At 31 March 2018	0.6	–	3.8	0.9	5.3	4.7
Provided during the year – continuing operations	–	–	1.0	–	1.0	1.0
Provided during the year – discontinued operations	–	–	–	0.3	0.3	0.3
Transfer to assets held for sale	–	–	–	(1.2)	(1.2)	(1.2)
At 30 March 2019	0.6	–	4.8	–	5.4	4.8
Provided during the year	–	–	1.1	–	1.1	1.1
Impairment	3.7	–	–	–	3.7	–
At 28 March 2020	4.3	–	5.9	–	10.2	5.9
Net book value at 28 March 2020	28.3	–	7.2	–	35.5	9.8
Net book value at 30 March 2019	29.4	–	8.3	–	37.7	8.3
Net book value at 31 March 2018	32.1	7.2	5.8	0.3	45.4	6.1

1 The Company net book value at 28 March 2020 is £2.6 million of goodwill and £7.2 million of lease premiums.

Brand

On 20 February 2018, the Company purchased 100% of the shares in The Dark Star Brewing Company Limited, a manufacturer of beer, for £5.3 million. The value of the acquired brand was calculated using the royalty replacement method.

On 25 January 2019, the Group entered into an agreement for the sale of its entire Beer Business to Asahi Europe Ltd (“AEL”), including Dark Star Brewing Company Limited. Under the terms of sale, AEL acquired the brands of the Beer Business and therefore the intangible asset forms part of the assets held for sale at 30 March 2019. Refer to note 22.

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10. Intangible Assets continued

Lease Assignment Premiums

Amounts paid to acquire leasehold property (“lease assignment premiums”) were previously amortised on a straight-line basis over the remaining useful life of the lease. The amortisation was charged in the Income Statement in the line item “Operating costs” (note 4). There are ten pubs on which we carry lease assignment premiums at 28 March 2020 (2019: ten). Lease assignment premiums have been transferred to right-of-use assets on transition to IFRS 16 and are now being depreciated as part of the right-of-use asset, refer to note 33.

Distribution Rights

Distribution rights represent amounts paid to acquire the exclusive import and distribution rights to Sierra Nevada products within the UK. The amortisation is charged over the period of the rights in the Income Statement in the line item “Operating costs” (note 4). This was fully amortised in the 52 weeks ended 30 March 2019.

Goodwill

	2020			2019
	Managed £m	Tenanted £m	Total £m	£m
Goodwill is allocated to cash-generating units as follows:				
Gales estate	9.1	13.6	22.7	22.7
Jacomb Guinness estate	1.2	–	1.2	1.2
The Stable Pizza & Cider Limited	–	–	–	3.7
Bel & The Dragon	1.8	–	1.8	1.8
Cotswold Inns & Hotels	2.6	–	2.6	–
	14.7	13.6	28.3	29.4

During the 52 weeks ended 28 March 2020, the Group recognised an impairment loss of £3.7 million in relation to previously acquired goodwill recognised on acquisition of The Stable Pizza & Cider Limited, refer to note 13.

11. Property, Plant & Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Total £m
Cost				
At 31 March 2018	528.4	43.0	160.7	732.1
Additions	12.5	4.1	17.3	33.9
Acquisitions (note 19)	20.6	-	-	20.6
Disposals	(2.5)	(0.2)	(3.6)	(6.3)
Derecognition of assets	-	-	(1.9)	(1.9)
Transfer to assets held for sale	(25.0)	(40.7)	(15.9)	(81.6)
At 30 March 2019	534.0	6.2	156.6	696.8
Additions	36.0	0.3	15.4	51.7
Acquisitions (note 19)	42.2	-	2.1	44.3
Disposals	(2.2)	-	(5.0)	(7.2)
Transfer to investment property (note 12)	(0.2)	-	-	(0.2)
Transfer to assets held for sale	(2.2)	-	(0.2)	(2.4)
At 28 March 2020	607.6	6.5	168.9	783.0
Depreciation and impairment				
At 31 March 2018	40.4	26.7	100.9	168.0
Provided during the year – continuing operations	3.6	0.5	14.4	18.5
Provided during the year – discontinued operations	0.4	1.9	1.0	3.3
Disposals	(0.1)	(0.1)	(3.1)	(3.3)
Impairment loss net of reversals	(0.7)	-	1.9	1.2
Derecognition of assets	-	-	(0.9)	(0.9)
Transfer to assets held for sale	(3.9)	(27.7)	(11.1)	(42.7)
At 30 March 2019	39.7	1.3	103.1	144.1
Provided during the year	3.8	0.5	13.6	17.9
Disposals	(0.7)	-	(4.4)	(5.1)
Impairment loss net of reversals	8.5	-	0.1	8.6
Transfer to assets held for sale	(0.1)	-	(0.1)	(0.2)
At 28 March 2020	51.2	1.8	112.3	165.3
Net book value at 28 March 2020	556.4	4.7	56.6	617.7
Net book value at 30 March 2019	494.3	4.9	53.5	552.7
Net book value at 31 March 2018	488.0	16.3	59.8	564.1

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11. Property, Plant & Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Total £m
Cost				
At 31 March 2018	516.3	39.6	152.0	707.9
Additions	12.5	2.7	17.0	32.2
Disposals	(2.5)	–	(3.5)	(6.0)
Derecognition of assets	–	–	(1.9)	(1.9)
Transfer to assets held for sale	(20.8)	(37.4)	(15.7)	(73.9)
At 30 March 2019	505.5	4.9	147.9	658.3
Additions	74.4	–	16.5	90.9
Acquisitions (note 19) ¹	3.7	–	–	3.7
Disposals	(2.1)	–	(4.9)	(7.0)
Transfer to investment property (note 12)	(0.2)	–	–	(0.2)
Transfer to assets held for sale	(2.2)	–	(0.2)	(2.4)
At 28 March 2020	579.1	4.9	159.3	743.3
Depreciation and impairment				
At 31 March 2018	34.7	25.5	95.9	156.1
Provided during the year – continuing operations	3.5	0.2	13.5	17.2
Provided during the year – discontinued operations	0.1	1.3	1.0	2.4
Disposals	(0.1)	–	(3.1)	(3.2)
Impairment loss net of reversal	(1.8)	–	0.9	(0.9)
Derecognition of assets	–	–	(0.9)	(0.9)
Transfer to assets held for sale	(3.8)	(24.4)	(11.0)	(39.2)
At 30 March 2019	32.6	2.6	96.3	131.5
Provided during the year	3.2	–	12.6	15.8
Disposals	(0.7)	–	(4.3)	(5.0)
Impairment loss net of reversals	7.3	–	0.1	7.4
Transfer to assets held for sale	(0.1)	–	(0.1)	(0.2)
At 28 March 2020	42.3	2.6	104.6	149.5
Net book value at 28 March 2020	536.8	2.3	54.7	593.8
Net book value at 30 March 2019	472.9	2.3	51.6	526.7
Net book value at 31 March 2018	481.6	14.1	56.1	551.8

¹ On 28 February 2020, the net assets of the Cotswold Inns & Hotels Limited were hived up to the Company at market value.

Interest Capitalised

The amount of interest capitalised to date is £169,000 (2019: £169,000). The amount of interest capitalised in the year was £nil (2019: £nil).

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost at 31 March 2018 and 30 March 2019	5.5
Transfer from property, plant and equipment (note 11)	0.2
At 28 March 2020	5.7
Depreciation and impairment at 31 March 2018 and 30 March 2019	0.9
Provided during the year	-
At 28 March 2020	0.9
Net book value at 28 March 2020	4.8
Net book value at 30 March 2019	4.6
Net book value at 31 March 2018	4.6
Fair value at 28 March 2020	20.1
Fair value at 30 March 2019	15.4
Fair value at 31 March 2018	14.4

The fair value of investment properties has been estimated by the Directors, based on the rental income earned on the properties during the year and average yields earned on comparable properties from publicly available information, which is a Level 3 fair value valuation technique. An independent valuation of the properties has not been performed.

An independent valuation of the properties has not been performed. The fair value of investment properties has been estimated by the Directors and these have been derived using the inputs of the properties' rental income as per the signed rental agreements and average gross residential and commercial yields earned on comparable properties in comparable geographical locations, which is publicly available information obtained from a reputable UK property specialist. The inputs used in this fair value calculation are a Level 3 valuation technique.

Investment Property Income

The properties are let on both landlord and tenant repairing leases. Amounts recognised in the profit for the financial year relating to rental income from investment properties are as follows:

Group and Company	2020 £m	2019 £m
Rental income	0.5	0.8
Direct operating expenses	(0.3)	(0.1)

All direct operating expenses relate to properties that generate rental income.

13. Impairment

During the year, impairment losses of £18.9 million (2019: £3.0 million) and impairment reversals of £nil (2019: £1.8 million) were recognised within separately disclosed items:

Group	2020 £m	2019 £m
Impairment losses net of reversals		
Intangible assets	3.7	-
Property, plant and equipment	8.6	1.2
Right-of-use assets	6.6	-
	18.9	1.2

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13. Impairment continued

In addition to the impairments recognised on property, plant and equipment and right-of-use assets the Company also recognised impairment losses of £4.0 million on the investment held in The Stable Pizza & Cider Limited due to continued poor trading.

Company	2020 £m	2019 £m
Impairment losses net of reversals		
Property, plant and equipment	7.4	(0.9)
Right-of-use assets	4.1	–
Investment in The Stable Pizza & Cider Limited	4.0	–
	15.5	(0.9)

Property, Plant and Equipment and Right-of-use Assets

The Group considers each trading outlet to be a cash-generating unit (“CGU”) and each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell (“FVLCS”) and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

For the purposes of estimating the value in use of CGUs, management has used a discounted cash flow approach. The calculations use cash flow projections based on business plans covering a five-year period.

The 2020/21 forecast has been adjusted in light of the current circumstances surrounding coronavirus. It is assumed that the full estate will remain closed for four months until the end of July 2020. After this point revenue will only return at 60% of the original amount budgeted for 2020/21 due to the restrictions that social distancing will require. For 2021/22, it is assumed that trading will not return fully to pre-coronavirus conditions and 90% of 2020/21’s original budget has been used. It is assumed trading will return to pre coronavirus conditions in 2022/23 and the 2020/21 budget has been used.

Other key assumptions used by management in the value in use calculations were:

- The discount rate is based on the Group’s WACC which is used across all CGUs due to their similar characteristics. The pre-tax discount rate is 6.2%
- Long term growth rate of 2% was used for cash flows subsequent to the 2021/22 budget

The calculation of value in use is most sensitive to the assumptions in respect of achievement of budgeted cash flows, growth rate and discount rate. The calculation of value in use is also dependent on the following assumptions: sales volume; gross margin in managed premises; barrelage and rent projections in tenanted premises and wage cost in managed premises. Gross margins are based on historical performance levels. The key assumptions above have their assigned values based on management knowledge and historical information.

Where the value in use is higher than the carrying amount of the CGU, no further assessment is required. For CGUs where the value in use is lower than the carrying value (and at risk of impairment), a valuation of the property is performed to determine FVLCS. The property valuations are performed by the Group’s inhouse property expert. The Group has also obtained valuations for a subset of these CGUs from a third party property valuation expert.

Impairments are recognised where the property valuation is also lower than the CGU’s carrying value for those determined to be at risk of impairment. This is measured as the difference between the carrying value and the higher of FVLCS and its value in use. Where the property valuation exceeds the carrying value, no impairment is required.

During the 52 weeks ended 28 March 2020, the Group recognised an impairment loss of £8.6 million (2019: £1.2 million) in respect of the write down of a number of licensed properties where their asset values exceeded the higher of fair value less costs to sell or their value in use. Post IFRS 16 also includes impairment of right-of-use assets of £6.6 million in relation to five properties where asset values exceeded the higher of the fair value less costs to sell or their value in use (30 March 2019: £nil). The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated as well as the significant impact coronavirus will have on these pubs.

Sensitivity to Changes in Assumptions

The value in use calculations are sensitive to the assumptions used. The Directors consider a movement of 1% in the discount rate and 0.5% in the growth rate to be reasonable with reference to current market yield curves and the current economic conditions. The impact is set out as follows:

Impact on impairment of assets at risk – increase/(decrease)	2020 £m	2019 £m
Increase discount rate by 1%	9.9	4.3
Decrease discount rate by 1%	(15.9)	(2.4)
Increase growth rate by 0.5%	(6.3)	(1.2)
Decrease growth rate by 0.5%	5.0	1.6

The increase in discount rate and decrease in growth rate would lead to the CGUs represented by the value above being subject to further review by the Group. The CGUs represented by the 'impact on impairment of assets at risk' would have their FVLCS determined in order to conclude on whether an impairment is required.

A general decrease in property values across the portfolio would have a similar effect to that set out above i.e. any reduction in property values would lead to assets being at risk of impairment. The carrying value of these CGUs would then be compared to their value in use to conclude on whether an impairment is required. In the current year, a decrease of 5% in property values would have led to an additional impairment of £1.3 million for the CGUs determined to be at risk of impairment following the comparison of their carrying values to their value in use.

Goodwill

Goodwill acquired through business combinations has been allocated for impairment testing on an estate and divisional cash-generating unit level. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. An analysis of goodwill by operating segment is included within note 10. Recoverable amount is based on a calculation of value in use based upon the revised 2020/21 budget to incorporate the impact of coronavirus. Cash flows beyond the budget period are extrapolated in perpetuity on the assumption that the growth rate does not exceed the average long-term growth rate for the relevant markets. The same assumptions to calculate the value in use are used for goodwill as those for property, plant and equipment.

During the 52 weeks ended 28 March 2020, the Group recognised an impairment loss of £3.7 million in relation to previously acquired goodwill recognised on acquisition of The Stable Pizza & Cider Limited. The impairment loss was principally driven by poor performance during the year and the sale of the Company post year end, refer to note 34.

Sensitivity to Changes in Assumptions

Management have considered reasonable changes in key assumptions used in their calculations of value in use. They have concluded that such changes would not result in an impairment to any additional cash-generating units at 28 March 2020.

Investment property

The Group considers each trading outlet to be a cash-generating unit ("CGU") and each CGU is reviewed annually for indicators of impairment. During the 52 weeks ended 28 March 2020, the Group did not impair any investment properties (2019: £nil). Refer to note 12.

14. Other Financial Assets & Liabilities

Group and Company	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Interest rate cap	–	0.1	–	0.1
Total financial assets within current assets	–	0.1	–	0.1
Interest rate swaps	(1.1)	(1.4)	(1.1)	(1.4)
Total financial liabilities within non-current liabilities	(1.1)	(1.4)	(1.1)	(1.4)

Details of the interest rate swaps and caps are provided in note 28c (i).

15. Other Non-Current Assets

Group and Company	2020 £m	2019 £m
Loans to customers due after one year	0.1	0.3

16. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net book value £m
At 30 March 2019	122.5	(0.2)	122.3
Additions	30.4	–	30.4
Return of capital	(13.3)	–	(13.3)
Disposals	(13.0)	–	(13.0)
Impairments	–	(4.0)	(4.0)
At 28 March 2020	126.6	(4.2)	122.4

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16. Investments in Subsidiaries continued

During the year, the Group purchased 100% of the shares in RSH 200 Limited for £30.4 million. RSH 200 Limited owns 100% of the shares of Cotswold Inns & Hotels Limited additions, see note 19. In February 2020, the trade and assets were hived up to Fuller, Smith & Turner P.L.C. The reduction of £13.3 million to the investment additions represents the net effect of a return of capital investment in the form of the underlying net assets of the Cotswold Inns & Hotels.

The investment held in The Stable Pizza & Cider Limited was impaired by £4.0 million as a result of poor performance. Subsequent to the year end, The Stable Pizza and Cider Limited and its subsidiary The Stable Bar & Restaurants Limited was sold.

Principal subsidiary undertakings	Holding	Proportion held	Nature of business
Griffin Catering Services Limited	£1 ordinary shares	100% (indirect)	Managed houses service company
The Stable Pizza & Cider Limited	£0.01 ordinary shares	100%	Holding company
	£3.50 'B' ordinary shares	100%	
The Stable Bar & Restaurants Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
George Gale & Company Limited	£1 ordinary shares	100%	Non-trading subsidiary
	25p 'A' ordinary shares	100%	
	£10 preference shares	100%	
FST Trustees Limited	£1 ordinary shares	100%	Non-trading subsidiary
Fuller Smith & Turner Estates Limited	£1 ordinary shares	100%	Non-trading subsidiary
Ringwoods Limited	£1 ordinary shares	100%	Non-trading subsidiary
Griffin Inns Limited	£1 ordinary shares	100%	Non-trading subsidiary
Jacomb Guinness Limited	£1 ordinary shares	100%	Non-trading subsidiary
45 Woodfield Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
Grand Canal Trading Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
B&D Country Inns I Limited	£1 ordinary shares	100%	Holding company
B&D Country Inns II Limited	£1 ordinary shares	100%	Holding company
B&D (Cookham) Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
B&D (Farnham) Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
B&D (Kingsclere) Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
B&D (Odiham) Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
B&D (Reading) Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
B&D (Win) Limited	£1 ordinary shares	100% (indirect)	Restaurant ownership and management
RSH 200 Limited	£1 ordinary shares	100%	Holding company
Cotswold Inns and Hotels Limited	£1 ordinary shares	100% (indirect)	Hotel and restaurant ownership

The above companies are registered and operate in England and Wales. The registered office of all subsidiary companies is the same as Fuller, Smith & Turner P.L.C. at Pier House, 86-93 Strand-on-the-Green, London, England, W4 3NN.

17. Non-controlling Interest

Set out below are the movements in the non-controlling interest for The Stable Pizza & Cider Limited and Nectar Imports Limited.

	£m
At 31 March 2018	(3.9)
Share of profit	0.2
Adjustments arising from change in non-controlling interest	3.7
At 30 March 2019 and 28 March 2020	-

In the prior period, the adjustments arising from change in non-controlling interest relates to the settlement of The Stable Pizza & Cider Limited and Nectar Imports Limited put and call options, originally recognised in non-controlling interest.

18. Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see note 31.

a) Amounts Recognised in the Balance Sheet

Group and Company	Group 2020 £m	Group ¹ 31 March 2019 £m	Company 2020 £m	Company ¹ 31 March 2019 £m
Right-of-use assets				
Properties	105.1	101.0	94.7	89.5
Equipment	0.8	1.2	0.8	1.2
Vehicles	1.1	0.7	1.1	0.7
	107.0	102.9	96.6	91.4
Lease liabilities				
Current	8.9	7.7	7.9	7.1
Non-current	104.0	92.7	91.7	81.5
	112.9	100.4	99.6	88.6

1 In the previous year, the Group accounted for operating leases under IAS 17, Leases. For adjustments recognised on adoption of IFRS 16 at 31 March 2019, refer to note 33.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Property £m	Vehicles £m	Equipment £m	Total £m
Net carrying value as at 31 March 2019	101.0	0.7	1.2	102.9
Additions	2.8	–	0.2	3.0
Lease amendments ²	14.7	0.6	–	15.3
Business combinations	3.0	–	–	3.0
Depreciation	(9.8)	(0.2)	(0.6)	(10.6)
Impairment	(6.6)	–	–	(6.6)
Net carrying value as at 28 March 2020	105.1	1.1	0.8	107.0
Company	Property £m	Vehicles £m	Equipment £m	Total £m
Net carrying value as at 31 March 2019	89.5	0.7	1.2	91.4
Additions	2.8	–	0.2	3.0
Lease amendments ²	15.5	0.6	–	16.1
Depreciation	(9.0)	(0.2)	(0.6)	(9.8)
Impairment	(4.1)	–	–	(4.1)
Net carrying value as at 31 March 2020	94.7	1.1	0.8	96.6

2 Lease amendments include lease terminations, modifications, reassessments and extensions to existing lease agreements.

As at 28 March 2020, the Group was committed to leases with future cash outflows totalling £3.3 million which had not yet commenced and as such are not accounted for as a liability. A liability and corresponding right-of-use asset will be recognised for these leases at the lease commencement date.

A maturity analysis of gross lease liability payments is included within note 28.

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18. Leases continued

b) Amounts Recognised in the Income Statement

Group	52 weeks ended 28 March 2020 £m
Depreciation charge of right-of-use assets	
Properties	9.8
Equipment	0.6
Vehicles	0.2
	10.6
Interest expense (included in finance cost)	2.7
Expense relating to short-term leases (included in operating costs)	0.2
Expense relating to leases of low value assets that are not shown above as short-term leases (included in operating costs)	0.6
Expense relating to variable lease payments not included in lease liabilities (included in operating costs)	2.0
Impairment of right-of-use assets	6.6
Income from sub-leasing right-of-use assets	(0.5)
	11.6

The Group's total cash outflow in relation to leases is included within note 24.

c) The Group's Leasing Activities and How These are Accounted for

The Group leases various properties, equipment and vehicles. Rental contracts are typically made for fixed periods and may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 31 March 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs
- Any previously recognised onerous lease provisions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise vehicle leases and peppercorn leases.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a pub. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established pubs. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

19. Business Combinations

During the 52 weeks ended 28 March 2020, the Company acquired 100% of the shares of Cotswold Inns & Hotels, a business incorporated in the UK and consisting of seven premium hotels and two bars. A further pub was bought and treated as a business combination as it was operating as a business at the point the Company acquired it. Both these transactions have been accounted for by the purchase method of accounting.

	2020		2019	
	Cotswold Inns & Hotels	Pubs and Restaurant	Bel & The Dragon	Pubs and Restaurant
Number of pubs/hotels/restaurants purchased	9	1	6	4
Fair value	£m	£m	£m	£m
Property, plant and equipment	40.6	3.7	20.6	3.5
Right-of-use asset	3.0	–	–	–
Current assets	1.2	–	0.8	–
Lease liabilities	(3.0)	–	–	–
Current liabilities	(3.7)	–	(2.4)	–
Deferred tax	(3.2)	–	(2.0)	–
Borrowings	(8.4)	–	(6.0)	–
Cash and cash equivalents	1.3	–	0.3	–
Net assets acquired	27.8	3.7	11.3	3.5
Goodwill	2.6	–	1.8	–
Consideration	30.4	3.7	13.1	3.5
Cash consideration paid	30.4	3.7	13.1	3.3
Cash deposit paid in prior year	–	–	–	0.2
Total consideration	30.4	3.7	13.1	3.5
Net outflow of cash				
Cash consideration paid	30.4	3.7	13.1	3.3
Cash and cash equivalents acquired	(1.3)	–	(0.3)	–
Net cash outflow from investing activities	29.1	3.7	12.8	3.3
Repayment of third party loans on acquisition	8.4	–	6.0	–
Repayment of liability arising on acquisition	–	–	0.1	–
Net cash outflow from financing activities	8.4	–	6.1	–
Net cash outflow in respect of purchase of businesses	37.5	3.7	18.9	3.3

Costs associated with the acquisitions have been charged to separately disclosed items within operating costs in the Income Statement for the 52 weeks ended 28 March 2020. These comprise primarily stamp duty land tax, legal and other property fees (see note 5).

From the date of acquisition, Cotswold Inns & Hotels contributed £5.2 million of revenue and £0.5 million loss to profit before tax from continuing operations of the Group. The impact of coronavirus was an estimated loss of £0.3 million. If the combination had taken place at the start of the financial year, Cotswold Inns and Hotels would be expected to contribute £17.0 million of revenue and £2.3 million of profit before tax.

The consideration paid is the enterprise value of £40 million less any working capital adjustments.

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20. Inventories

Group and Company	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Stock at retail outlets	4.0	5.0	3.5	4.5

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 28 March 2020 amounted to £66.4 million (2019: £65.9 million). These were included in operating costs.

Inventories were written down by a total amount of £0.4 million at the year end largely due to the temporary closure of the pubs because of the coronavirus pandemic.

21. Trade and Other Receivables

Group	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Trade receivables	2.4	2.4	4.6
Other receivables	7.2	4.3	0.7
Prepayments and accrued income	3.0	3.0	3.0
	12.6	9.7	8.3

Company	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Trade receivables	2.4	2.4	4.5
Amounts due from subsidiary undertakings	7.5	7.5	30.2
Other receivables	6.7	4.0	0.2
Prepayments and accrued income	2.8	2.8	3.0
	19.4	16.7	37.9

Company amounts owed from subsidiary undertakings of £7.5 million (2019: £30.2 million) have no fixed repayment date. Interest is payable on the balance at the higher of either the Bank of England base rate plus 3% or 8%. Company amounts owed from subsidiary undertakings are unsecured. Amounts due from the Stable Pizza & Cider Limited have been impaired as subsequent to year end this loan was waived. The impairment was for a total of £24.7 million.

As at 28 March 2020, the Group has accrued £0.9 million, shown in other receivables, in relation to the Coronavirus Job Retention Scheme ("CJRS").

The trade receivables balance above is shown net of the loss allowance. The Group and Company provides against trade receivables based on an expected credit loss model, calculated from the probability of default for the remaining life of the asset. The expected credit losses relating to amounts due from subsidiary undertakings are, in the view of the Directors, not material.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also accordingly to the geographical location of customers which is the same for all.

The expected loss rates are based on the payment profile for sales over the past 24 months before the balance sheet date. The historical rates are adjusted to reflect current and forward looking macroeconomic factors effecting the customers ability to settle the amount outstanding, the most significant factor being the coronavirus pandemic.

The movements on the loss allowance during the year are summarised below:

Group and Company	2020 £m	2019 £m
Opening balance	0.4	1.4
Transferred to asset held for sale	–	(1.0)
Increase in loss allowance recognised in profit and loss	0.5	–
Closing balance	0.9	0.4

The loss allowance for trade receivables is recorded in the accounts separately from the gross receivable. The contractual ageing of the trade receivables balance is as follows:

Group and Company	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Current	0.9	2.4	0.9	2.3
Overdue up to 30 days	1.2	1.2	1.2	1.2
Overdue between 30 and 60 days	0.1	0.5	0.1	0.5
Overdue more than 60 days	1.1	0.9	1.1	0.9
Trade receivables before loss allowance	3.3	5.0	3.3	4.9
Loss allowance	(0.9)	(0.4)	(0.9)	(0.4)
Trade receivables net of loss allowance	2.4	4.6	2.4	4.5

Included in other receivables are loans to customers of £0.1 million (2019: £0.2 million) due within one year and £0.1 million (2019: £0.4 million) due in more than one year, net of a provision of £0.1 million (2019: £0.2 million).

22. Assets Classified as Held for Sale and Discontinued Operations

On 27 April 2019, the Group sold its entire beer business to Asahi Europe Ltd (“AEL”), a wholly owned subsidiary of Asahi Group Holdings Ltd (“Asahi”), for an enterprise value of £250.0 million on a debt free basis including any cash left in the business.

The business sold comprised the entirety of Fuller’s beer, cider and soft drinks brewing and production, wine wholesaling, as well as the distribution thereof, and also includes the Griffin Brewery, Cornish Orchards, Dark Star Brewing and Nectar Imports (referred to as the “Fuller’s Beer Business”). Accordingly those divisions have been reported as discontinued operations in the Annual Report for the 52 weeks ended 28 March 2020.

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22. Assets Classified as Held for Sale and Discontinued Operations continued

a) Financial Performance and Cash Flow

The financial performance and cash flow information presented reflects the operations for the one month ended 27 April 2019.

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Revenue		
Segment revenue	13.1	161.4
Inter-segment sales	(4.1)	(55.0)
Revenue from third parties	9.0	106.4
Segment result	0.6	10.1
Operating separately disclosed items	–	(1.6)
Operating profit	0.6	8.5
Net finance costs	–	–
Profit from operating activities – discontinued operations	0.6	8.5
Net gain/(loss) on sale of discontinued operation	162.4	(5.4)
Income tax on gain on sale of discontinued operation	–	–
Profit before tax – discontinued operations	163.0	3.1
Taxation	(0.1)	(1.4)
<i>Analysed as:</i>		
Underlying trading	(0.1)	(2.0)
Separately disclosed items	–	0.6
Profit from discontinued operations	162.9	1.7
<i>Attributable to:</i>		
Equity shareholders of the Parent Company	162.9	1.5
Non-controlling interest	–	0.2
Net cash inflow from operating activities	0.6	0.3
Net cash inflow/(outflow) from investing activities	225.4	(4.2)
Net increase/(decrease) in cash generated by the Fuller's Beer Business	226.0	(3.9)
Other segment information		
Additions to property, plant & equipment	–	4.2
Business combinations	–	2.0
Depreciation and amortisation	–	3.6
Earnings per share – discontinued operations		
<i>40p 'A' and 'C' ordinary share</i>		
Basic earnings per share	295.52	2.73
Diluted earnings per share	294.83	2.71
Adjusted earnings per share	0.91	14.37
Diluted adjusted earning per share	0.90	14.27
<i>4p 'B' ordinary share</i>		
Basic earnings per share	29.55	0.27
Diluted earnings per share	29.48	0.27
Adjusted earnings per share	0.09	1.44
Diluted adjusted earning per share	0.09	1.43

b) Details of the Sale of the Subsidiary

	52 weeks ended 28 March 2020 £m
Provisional consideration received	
Cash	230.5
Carrying amount of net assets sold	(47.0)
Goodwill	(11.7)
Gain on sale before income tax	171.8
Transaction costs	(9.4)
Gain net of transaction costs	162.4
Income tax expense on gain	–
Gain on sale after income tax	162.4

The consideration received is the enterprise value of £250.0 million less working capital adjustments and provision.

c) Assets and Liabilities of Disposal Group Classified as Held for Sale

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 March 2019:

	The Fuller's Beer Business Group £m	The Fuller's Beer Business Company £m
Non-current assets		
Intangible assets	11.7	–
Property, plant and equipment	38.9	34.7
Other financial assets	0.1	0.2
Total non-current assets	50.7	34.9
Current assets		
Inventories	12.7	10.6
Cash and short-term deposits	5.3	2.3
Trade and other receivables	18.3	14.8
Total current assets	36.3	27.7
Assets Classified as Held for Sale	87.0	62.6
Current liabilities		
Trade and other payables	(28.0)	(23.2)
Total current liabilities	(28.0)	(23.2)
Other non-current payables	(0.2)	–
Deferred tax liabilities	(1.8)	(0.3)
Non-current liabilities	(2.0)	(0.3)
Liabilities Classified as Held for Sale	(30.0)	(23.5)
Net assets – statutory	57.0	39.1

d) Movement in Total Assets Held for Sale

	Group	Company
Assets held for sale at the start of the year	57.0	39.1
Assets transferred from property plant and equipment	2.2	2.2
Assets transferred from other receivables	0.4	0.4
Disposal of Fuller's Beer Business	(57.0)	(39.1)
Assets held for sale at the end of the year	2.6	2.6

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23. Trade and Other Payables

Due within one year:

Group	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Trade payables	12.6	12.6	2.8
Other tax and social security	5.1	5.1	5.0
Other payables	6.7	6.7	6.4
Accruals	10.9	10.7	13.5
Contract liabilities	2.4	2.4	1.9
	37.7	37.5	29.6

Due within one year:

Company	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Trade payables	11.5	11.5	2.1
Amounts due to subsidiary undertakings	132.2	132.2	106.2
Other tax and social security	4.2	4.2	4.2
Other payables	5.5	5.5	5.2
Accruals	9.4	9.2	14.3
Contract liabilities	2.4	2.4	1.9
	165.2	165.0	133.9

Company amounts due to subsidiary undertakings of £132.2 million (2019: £106.2 million) have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate. Company amounts due to subsidiary undertakings are unsecured.

Contract liabilities relate to deposits received from customers to secure bookings for events and accommodation. Post year end £0.6 million was refunded to customers as a result of coronavirus. The remaining balance will unwind and be recognised as revenue in 2020/21.

24. Cash, Borrowings and Net Debt

Cash and Short-Term Deposits

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Cash at bank and in hand	20.3	11.0	19.2	9.2

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise cash at bank and in hand, as above. Cash at bank earns interest at floating rates.

Borrowings	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Bank loans	171.7	228.5	171.7	228.5
Other loans	–	0.2	–	–
Debenture stock	25.9	25.9	25.9	25.9
Preference shares	1.6	1.6	1.6	1.6
Total borrowings	199.2	256.2	199.2	256.0
Analysed as:				
Borrowings within current liabilities	171.7	50.0	171.7	50.0
Borrowings within non-current liabilities	27.5	206.2	27.5	206.0
	199.2	256.2	199.2	256.0

All borrowings at both year ends are denominated in Sterling and where appropriate are stated net of issue costs. Further information on borrowings is given in note 28.

Bank Loans

Group and Company

£191.7 million of the Company's existing main bank facilities were due to expire in August 2021. The remaining £33.3 million is due to expire in August 2020. However, as a result of coronavirus and the temporary closure of the entire estate the Group assessed that they have breached their covenant testing on 28 March 2020 and therefore the debt became a current liability at this date. Shortly after year end the March covenant testing was revised to a more appropriate test based on liquidity and £145.6 million was reclassified to non-current liabilities.

At the date of signing, £53.0 million (2019: £31.0 million) of the total of £225.0 million (2019: £260.0 million) bank facility was undrawn.

The bank loans at 28 March 2020 are unsecured, and are repayable as shown in the table below. Interest is payable at LIBOR plus a margin, which varies dependent on the ratio of net debt to EBITDA. The variable rate interest payments under the loans have been partially swapped for fixed interest payments. Details of the swap arrangements are given in note 28.

The bank loans are repayable as follows:

	2020 £m	2019 £m
On demand or within one year	171.7	50.0
Current liabilities	171.7	50.0
In the first to second years inclusive	–	179.0
In the third to fifth year inclusive	–	–
Less: bank loan arrangement fees	–	(0.5)
Non-current liabilities	–	178.5

Debenture Stock

Debenture stock repayable after five years:

	2020 £m	2019 £m
Group and Company		
10.70% 1st Mortgage Debenture Stock 2023	6.0	6.0
6.875% Debenture Stock 2028 (1st floating charge)	20.0	20.0
Less: discount on issue	(0.1)	(0.1)
Non-current liabilities	25.9	25.9

Preference Shares

The Company's preference shares are classified as debt. The shares are not redeemable and are included in borrowings within non-current liabilities. See note 26 for further details of the preference shares.

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24. Cash, Borrowings and Net Debt continued
Analysis of Net Debt

Group	Post IFRS 16				At 28 March 2020 £m
	At 30 March 2019 £m	Transition to IFRS 16 £m	Cash flows £m	Non cash ¹ £m	
Cash and cash equivalents:					
Cash and short-term deposits	11.0	-	9.3	-	20.3
	11.0	-	9.3	-	20.3
Financial liabilities					
Lease liabilities	-	(100.4)	11.2	(23.7)	(112.9)
	-	(100.4)	11.2	(23.7)	(112.9)
Debt:					
Bank loans ²	(228.5)	-	57.0	(0.2)	(171.7)
Other loans	(0.2)	-	-	0.2	-
Debenture stock	(25.9)	-	-	-	(25.9)
Preference shares	(1.6)	-	-	-	(1.6)
Total borrowings	(256.2)	-	57.0	-	(199.2)
Net debt	(245.2)	(100.4)	77.5	(23.7)	(291.8)

Group	Pre IFRS 16				At 28 March 2020 £m
	At 30 March 2019 £m		Cash flows £m	Non cash ¹ £m	
Cash and cash equivalents:					
Cash and short-term deposits	11.0		9.3	-	20.3
	11.0		9.3	-	20.3
Debt:					
Bank loans ²	(228.5)		57.0	(0.2)	(171.7)
Other loans	(0.2)		-	0.2	-
Debenture stock	(25.9)		-	-	(25.9)
Preference shares	(1.6)		-	-	(1.6)
Total borrowings	(256.2)		57.0	-	(199.2)
Net debt	(245.2)		66.3	-	(178.9)

1 Non-cash movements relate to the amortisation of arrangement fees, arrangement fees accrued, movements in lease liabilities and corporate disposals.

2 Bank loans net of arrangement fees.

Group	At 31 March 2018 £m	Cash flows £m	Non-cash ¹ £m	At 30 March 2019 £m
Cash and cash equivalents:				
Cash and short-term deposits	11.7	(0.7)	–	11.0
	11.7	(0.7)	–	11.0
Debt:				
Bank loans ²	(185.9)	(42.3)	(0.3)	(228.5)
Other loans	(0.2)	–	–	(0.2)
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
Total borrowings	(213.6)	(42.3)	(0.3)	(256.2)
Net debt	(201.9)	(43.0)	(0.3)	(245.2)

1 Non-cash movements relate to the amortisation of arrangement fees.

2 Bank loans net of arrangement fees.

The Company net debt is as above excluding Other Loans of £nil (2019: £0.2 million), cash of £1.1 million (2019: £1.8 million) and lease liabilities of £13.3 million (2019: £nil) which are held by subsidiary companies. Company net debt as at 28 March 2020 was £279.6 million post IFRS 16, £180.0 million pre IFRS 16 (2019: £246.8 million).

25. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one closed funded defined benefit pension scheme, the Fuller, Smith & Turner Pension Plan (the “Scheme”). The plan is defined benefit in nature, with assets held in separate professionally managed, trustee-administered funds. The Scheme is HM Revenue & Customs registered pension plan and subject to standard United Kingdom pension and tax law. On 1 January 2015 the plan was closed to new entrants.

The Group also operates three defined contribution stakeholder pension plans for its employees. The Fuller’s Stakeholder Pension Plan was set up for new employees of the Parent Company after the closure of the Fuller, Smith & Turner Pension Plan to new entrants on 1 August 2005. The Griffin Stakeholder Pension Plan operates for those employees of a Group subsidiary. The Gales 2001 scheme was set up following the closure of the Gales defined benefit scheme in 2001.

The Group offers workplace pensions to all employees who are not members of the three defined contribution stakeholder pension plans. The Group offers these pensions through the National Employment Savings Trust (“NEST”).

The Group also pays benefits, which are unfunded, to a number of former employees. The Directors consider these benefits to be defined benefit in nature and the full defined benefit liability is recognised on the Balance Sheet.

Group and Company	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Total amounts charged in respect of pensions in the year		
Charged to Income Statement:		
Defined benefit scheme – net finance charge – separately disclosed items	0.6	0.8
Guaranteed minimum pension (“GMP”) equalisation charge – separately disclosed items	–	0.3
Defined contribution schemes and NEST – total operating charge	2.1	1.6
	2.7	2.7
(Credit)/Charge to equity:		
Defined benefit schemes – net actuarial (gains)/losses	(5.9)	5.0
Total pension (credit)/charge	(3.2)	7.7

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25. Pensions continued

b) Defined Contribution Stakeholder Pension Plans – Group and Company

The total cost charged to income in respect of the defined contribution stakeholder schemes is shown in the total operating charge above.

c) Defined Benefit Plans – Group and Company

The Scheme provides pensions and lump sums to members on retirement and to their dependants on death.

Trustees are appointed by both the Company and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Scheme's assets.

The Company pays the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

Responsibility for making good any deficit on the Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are:

- interest and investment risk – The value of the Scheme's assets are subject to volatility in equity prices. The Scheme has diversified its investments to reduce the impact of volatility and variable interest return rates
- inflation risk – The defined benefit obligation is linked to inflation so higher rates would result in a higher defined benefit obligation
- longevity risk – An increase over the assumptions applied will increase the defined benefit obligation.

The Company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal control policies.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. Following the conclusion of the 2016 triennial valuation, the Company agreed to increase the deficit funding payment from 1 January 2017 to £2 million per annum from £1.3 million per annum. The 2019 triennial valuation is still ongoing.

The figures in the following disclosures were measured using the projected unit credit method.

The Scheme has not invested in any of the Group's own financial instruments or in properties or other assets in use by the Group.

Key assumptions

The key assumptions used in the 2020 valuation of the Scheme are set out below:

Mortality assumptions	2020	2019
	Years	Years
Current pensioners (at 65) – males	22.1	22.0
Current pensioners (at 65) – females	24.3	23.9
Future pensioners (at 65) – males	23.4	23.4
Future pensioners (at 65) – females	25.8	25.5

The Plan is now closed to future accrual. The average age of the members who were active at closure is 55 for males and 51 for females. The average age of all non-pensioners is 55.

Key financial assumptions used in the valuation of the Scheme	2020	2019
Rate of increase in pensions in payment	2.85%	3.30%
Discount rate	2.40%	2.40%
Inflation assumption – RPI	2.85%	3.35%
Inflation assumption – CPI	1.95%	2.35%

The present value of the Scheme liabilities is sensitive to the assumptions used, as follows:

	2020 £m	2019 £m
Impact on Scheme liabilities – increase/(decrease)¹		
Increase discount rate by 0.1%	(2.1)	(2.6)
Increase inflation assumption by 0.1% ²	1.8	2.0
Increase life expectancies by 1 year	5.7	7.4

- 1 The sensitivity analyses are based on a change in an assumption whilst holding all of the other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity to change, the same actuarial method has been applied as when calculating the pension liability within the Balance Sheet. Due to the Scheme closing to future accrual on 1 January 2015, there are no longer any active members in the Scheme. As the members who were active at closure did not maintain a salary link on their past service benefits, the future salary increase assumptions no longer have an impact on the Scheme's liabilities.
- 2 For members who were active at closure, their pensions now increase in deferment in line with CPI inflation.

	28 March 2020 £m	30 March 2019 £m
Assets in the Scheme		
Corporate bonds	26.9	27.4
Gilts	24.0	–
UK equities	17.0	21.3
Overseas equities	20.9	22.3
Alternatives	30.5	36.5
Cash	0.9	0.8
Annuities	3.6	3.6
Total market value of assets	123.8	111.9
	2020 £m	2019 £m
Fair value of Scheme assets	123.8	111.9
Present value of Scheme liabilities	(128.5)	(148.3)
Deficit in the Scheme	(4.7)	(36.4)

Included within the total present value of Group and Company Scheme liabilities of £128.5 million (2019: £148.3 million) are liabilities of £2.1 million (2019: £2.4 million) which are entirely unfunded.

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25. Pensions continued

	Defined benefit obligation		Fair value of Scheme assets		Net defined deficit	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Balance at beginning of the year	(148.3)	(142.0)	111.9	109.5	(36.4)	(32.5)
Included in profit and loss						
Current service cost	-	-	-	-	-	-
Net interest cost	(3.7)	(3.6)	3.1	2.8	(0.6)	(0.8)
	(3.7)	(3.6)	3.1	2.8	(0.6)	(0.8)
Included in Other Comprehensive Income						
Actuarial gains/(losses) relating to:						
Return on Scheme's assets (less amounts included in the net interest expense)	-	-	(13.2)	2.6	(13.2)	2.6
Experience gains/(losses) arising on Scheme liabilities	19.1	(7.6)	-	-	19.1	(7.6)
	19.1	(7.6)	(13.2)	2.6	5.9	(5.0)
Other						
Employer special contribution	-	-	24.0	-	24.0	-
Employer contribution	-	-	2.4	2.2	2.4	2.2
Benefits paid	4.4	5.2	(4.4)	(5.2)	-	-
GMP Equalisation	-	(0.3)	-	-	-	(0.3)
	4.4	4.9	22.0	(3.0)	26.4	1.9
Balance at end of the year	(128.5)	(148.3)	123.8	111.9	(4.7)	(36.4)

The weighted average duration of the Scheme's liabilities at the end of the period is 17 years (2019: 18 years).

The total contributions to the Scheme in the next financial year are expected to be £2.0 million for the Group and the Company. These payments are to be made as part of a deficit recovery plan in place until March 2021 as agreed between the Trustees and the Group. No further payments are made as the Scheme is now closed to future accrual.

Following the sale of the Fuller's Beer Business to Asahi Europe Ltd, which completed on 27 April 2019, the Group made a special contribution of £24 million of net cash proceeds from the sale to the Scheme.

26. Preference Share Capital

Group and Company

	First 6% cumulative preference share of £1 each Number 000s	Second 8% cumulative preference share of £1 each Number 000s	Total Number 000s
Authorised, issued and fully paid share capital Number authorised and in issue:			
At 1 April 2018, 30 March 2019 and 28 March 2020	400	1,200	1,600
Monetary amount:	£m	£m	£m
At 1 April 2018, 30 March 2019 and 28 March 2020	0.4	1.2	1.6

The first 6% cumulative preference shares of £1 each are entitled to first payment of a fixed cumulative dividend and on winding up to a return of paid capital plus arrears of dividends. The second 8% cumulative preference shares of £1 each are entitled to second payment of a fixed cumulative dividend and on winding up a return of capital paid up (plus a premium calculated by reference to an average quoted price on the London Stock Exchange for the previous six months) plus arrears of dividends.

Preference shareholders may only vote in limited circumstances: principally on winding up, alteration of class rights or on unpaid preference dividends. Preference shares cannot be redeemed by the holders, other than on winding up.

27. Provisions

Group and Company	Post IFRS 16			
	Legal claim		Onerous lease	
	2020 £m	2019 £m	2020 £m	2019 £m
Balance at beginning of the year	–	–	2.6	0.7
Arising during the year	4.2	–	–	2.0
Utilised	(0.1)	–	–	(0.2)
Transferred to right-of-use assets	–	–	(2.4)	–
Transferred to accruals	–	–	(0.2)	–
Unwinding of discount	–	–	–	0.1
Balance at end of the year	4.1	–	–	2.6
Analysed as:	2020 £m	2019 £m	2020 £m	2019 £m
Due within one year	4.1	–	–	0.5
Due in more than one year	–	–	–	2.1
	4.1	–	–	2.6
Group and Company	Pre IFRS 16			
	Legal claim		Onerous lease	
	2020 £m	2019 £m	2020 £m	2019 £m
Balance at beginning of the year	–	–	2.6	0.7
Arising during the year	4.2	–	–	2.0
Utilised	(0.1)	–	(0.7)	(0.2)
Unwinding of discount	–	–	0.1	0.1
Balance at end of the year	4.1	–	2.0	2.6
Analysed as:	2020 £m	2019 £m	2020 £m	2019 £m
Due within one year	4.1	–	0.4	0.5
Due in more than one year	–	–	1.6	2.1
	4.1	–	2.0	2.6

The onerous lease provision is recognised in respect of leasehold properties where the lease contracts are deemed to be onerous. Provision is made for the discounted value of the lower of the unavoidable lease costs and the losses expected to be incurred by the Group.

On transition to IFRS 16, the Group has elected to apply a practical expedient which has resulted in a reduction of the right-of-use asset for the properties on which an onerous lease provision was previously held. The onerous lease provisions of £2.4 million at 30 March 2019 have been offset against the right-of-use asset at the date of initial application while the remaining provision of £0.2 million has been reclassified to accruals (refer to note 33).

Further information has not been disclosed for the legal claim as it is an ongoing dispute.

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28. Financial Instruments

Details of the Group's treasury function are included in the Financial Review's discussion of financial risks and treasury policies on page 31.

The accounting treatment of the Group's financial instruments is detailed in note 1.

a) Capital Management – Group and Company

As described in note 1, the Group considers its capital to comprise the following:

Group	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Ordinary share capital	22.8	22.8	22.8
Share premium	4.2	4.2	4.8
Capital redemption reserve	3.7	3.7	3.1
Hedging reserve	(0.9)	(0.9)	(0.8)
Retained earnings	414.1	420.8	328.4
Preference shares	1.6	1.6	1.6
	445.5	452.2	359.9

Company	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Ordinary share capital	22.8	22.8	22.8
Share premium	4.2	4.2	4.8
Capital redemption reserve	3.7	3.7	3.1
Hedging reserve	(0.9)	(0.9)	(0.8)
Retained earnings	370.1	374.8	303.3
Preference shares	1.6	1.6	1.6
	401.5	406.2	334.8

In managing its capital, the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth, distributions and the payment of preference dividends to its preference shareholders. The Group seeks to maintain a ratio of debt and equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets and investment requirements, and comply with lending covenants. The Group bought back £0.5 million of shares in the 52 weeks ended 28 March 2020 (2019: £3.2 million), none of which related to purchases made by or on behalf of employee share ownership trusts (2019: £nil). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position every Board meeting.

b) Categories of Financial Assets and Liabilities

The Group's financial assets and liabilities as recognised at the Balance Sheet date may also be categorised as follows:

Group	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Non-current assets			
Financial assets at amortised cost:			
Loans and other receivables	0.1	0.1	0.3
Total non-current assets	0.1	0.1	0.3
Current assets			
Derivative financial instruments used for hedging	–	–	0.1
Financial assets at amortised cost:			
Trade and other receivables	2.4	2.4	4.6
Cash and short-term deposits	20.3	20.3	11.0
Total current assets	22.7	22.7	15.7
Total financial assets	22.8	22.8	16.0
Current liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	30.0	30.2	18.7
Lease liabilities	8.9	–	–
Loans	171.7	171.7	50.0
Total carried at amortised cost	206.5	197.8	68.7
Total current liabilities	206.5	197.8	68.7
Non-current liabilities			
Derivative financial instruments used for hedging	1.1	1.1	1.4
Financial liabilities at amortised cost:			
Other payables	–	1.6	2.1
Lease liabilities	104.0	–	–
Loans and debenture stock	25.9	25.9	204.6
Preference shares	1.6	1.6	1.6
Total carried at amortised cost	131.5	29.1	208.3
Total non-current liabilities	132.6	30.2	209.7
Total financial liabilities	343.2	232.1	278.4

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28. Financial Instruments continued

Company	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m
Non-current assets			
Financial assets at amortised cost:			
Loans and other receivables	0.1	0.1	0.3
Total non-current assets	0.1	0.1	0.3
Current assets			
Derivative financial instruments used for hedging	–	–	0.1
Financial assets at amortised cost:			
Trade and other receivables	9.9	9.9	34.7
Cash and short-term deposits	19.2	19.2	9.2
Total current assets	29.1	29.1	44.0
Total financial assets	29.2	29.2	44.3
Current liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	159.6	159.8	123.1
Lease liabilities	7.9	–	–
Loans	171.7	171.7	50.0
Total carried at amortised cost	339.2	331.5	173.1
Total current liabilities	339.2	331.5	173.1
Non-current liabilities			
Derivative financial instruments used for hedging	1.1	1.1	1.4
Financial liabilities at amortised cost:			
Other payables	–	1.6	2.1
Lease liabilities	91.7	–	–
Loans and debenture stock	25.9	25.9	204.4
Preference shares	1.6	1.6	1.6
Total carried at amortised cost	119.2	29.1	208.1
Total non-current liabilities	120.3	30.2	209.5
Total financial liabilities	459.5	361.7	382.6

There is no set-off of financial assets and liabilities as shown above.

c) Financial Risks – Group and Company

The main risks associated with the Group's financial assets and liabilities are set out below, as are the Group's policies for their management. Derivative instruments are used to change the economic characteristics of financial instruments in accordance with Group policy.

i. Interest rate risk

The Group manages its cost of borrowings using a mixture of fixed rates, variable rates and interest rate caps. Fixed rates do not expose the Group to cash flow interest rate risk, but do not enjoy a reduction in borrowing costs in markets where rates are falling. Interest rate caps limit the maximum rate payable but require payment of a lump sum premium. The fair value risk inherent in fixed rate borrowings means that the Group is exposed to unplanned costs if debt is paid off earlier than anticipated. Floating rate borrowings, although not exposed to changes in fair value, expose the Group to cash flow risk following rises in interest rates and cost.

The debentures totalling £25.9 million (2019: £25.9 million) are at fixed rates. The bank loans totalling £171.7 million (2019: £228.5 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps, 23% (2019: 44%) of the Group's bank loans and 34% (2019: 50%) of gross borrowings were at fixed or capped rates.

Interest rate swaps

The Group has entered into interest rate swap agreements, where the Group pays a fixed rate and receives one month or three month LIBOR, in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £40 million of the Group and Company's borrowings (2019: £60 million) were hedged by interest rate swaps at a blended fixed rate of 2.42% (2019: 1.89%). Of the swaps active at 28 March 2020, £20 million expire in 2020 and £20 million expire in 2022.

Interest rate caps

The Group has previously entered into interest rate cap agreements in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £nil (2019: £40 million) of the Group and Company's borrowings were hedged by interest caps.

The interest rate swaps are expected to impact the Income Statement in line with the liquidity risk table shown in section (iv) below. The interest rate swap cash flow hedges were assessed as being highly effective. Net unrealised gain of £0.2 million (2019: £0.3 million) has been recorded in other comprehensive income.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. Three month Sterling LIBOR rate during the 52 weeks ended 28 March 2020 ranged between 0.60% and 0.84%. The Directors consider 1.00% to be a reasonable possible increase in rates and 0.50% to be a reasonable possible decrease in rates, with reference to market yield curves and the current economic conditions.

The annualised effect of these changes to interest rates on the floating rate debt at the Balance Sheet date, all other variables being constant, are as follows:

	Group		Company ¹	
	2020 £m	2019 £m	2020 £m	2019 £m
Impact on post-tax profit and net equity – increase/(decrease)				
Decrease interest rate by 0.5%	0.5	0.8	1.1	1.2
Increase interest rate by 1.0%	(1.1)	(1.4)	(2.1)	(2.5)

1 The Company has substantial interest bearing payables due to subsidiary companies (note 23).

ii. Credit risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in relation to transactions where the Group provides goods and services on deferred payment terms, deposits surplus cash and enters into derivative contracts.

Group policies are aimed at minimising losses and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual customers are subject to credit limits to control debt exposure. Credit insurance is taken out where appropriate for wholesale customers and goods may also be sold on a cash with order basis.

Cash deposits with financial institutions for short periods and derivative transactions are only permitted with financial institutions approved by the Board. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the Balance Sheet date.

Trade and other receivables

The Group records impairment losses on its trade receivables separately from gross receivables. Further detail is included in note 21.

iii. Liquidity risk

The Group minimises liquidity risk by managing cash generation, applying trade receivables collection targets, monitoring daily cash receipts and payments and setting rolling cash forecasts. Investments have cash payback periods applied as part of a tightly controlled investment appraisal process. The Group's rating with credit agencies is excellent.

The Group has a mixture of long and short-term borrowings and overdraft facilities, 11% (2019: 8%) of the Group's borrowings are repayable after more than five years, 76% (2019: 72%) within the first to fifth years and 13% (2019: 20%) within one year.

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28. Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities at 28 March 2020 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the Balance Sheet date.

	Post IFRS 16					Total £m
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	
Group at 28 March 2020						
Interest bearing loans and borrowings ¹	–	1.2	29.9	160.1	24.3	215.5
Preference shares ²	–	–	0.1	0.5	3.4	4.0
Trade and other payables	12.6	13.3	4.1	–	–	30.0
Lease Liabilities	–	3.0	9.1	41.7	94.7	148.5

1 Bank loans are included after taking account of the following cash flows in relation to the interest rate swap held in respect of these borrowings:

Interest rate swaps	–	0.2	0.3	0.4	–	0.9
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	Pre IFRS 16					Total £m
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	
Group at 28 March 2020						
Interest bearing loans and borrowings ¹	–	1.2	29.9	160.1	24.3	215.5
Preference shares ²	–	–	0.1	0.5	3.4	4.0
Trade and other payables	12.6	13.1	4.5	1.6	–	31.8

1 Bank loans are included after taking account of the following cash flows in relation to the interest rate swap held in respect of these borrowings:

Interest rate swaps	–	0.2	0.3	0.4	–	0.9
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2 The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the Balance Sheet date but no further.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
	Group at 30 March 2019					
Interest bearing loans and borrowings ¹	–	1.5	54.6	197.3	25.5	278.9
Preference shares ²	–	–	0.1	0.5	3.2	3.8
Trade and other payables	5.0	13.3	0.4	2.1	–	20.8

1 Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:

Interest rate swaps and cap	–	0.2	0.5	0.6	–	1.3
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2 The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the Balance Sheet date but no further.

The Company figures are as for the Group, except as follows:

	Post IFRS 16					Total £m
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	
Company at 28 March 2020						
Amounts due to subsidiary undertakings ³	132.2	–	–	–	–	132.2
Trade and other payables	11.5	11.8	4.1	–	–	27.4
Lease Liabilities	–	2.7	8.1	36.3	85.0	132.1
	Pre IFRS 16					Total £m
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	
Company at 28 March 2020						
Amounts due to subsidiary undertakings ³	132.2	–	–	–	–	132.2
Trade and other payables	11.5	11.6	4.5	1.6	–	29.2
Company at 30 March 2019						
Amounts due to subsidiary undertakings ³	106.2	–	–	–	–	106.2
Trade and other payables	2.1	14.4	0.4	2.1	–	19.0

3 Amounts due to subsidiary undertakings have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate.

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £11.0 million (2019: £13.0 million). The 6.875% debentures 2028 are secured by a floating charge over the assets of the Company.

Covenants – Group and Company

The Group and Company are subject to a number of covenants in relation to their borrowing facilities which, if contravened, would result in its loans becoming immediately repayable. These covenants, inter alia, specify maximum net debt to earnings before interest, tax, depreciation and amortisation, and minimum earnings before interest, tax, depreciation and amortisation to interest.

When it came apparent that as a result of coronavirus the Company's pubs and hotels would need to temporarily close, Fuller's began conversations with their lenders and formally agreed appropriate amendments to its banking agreements with its lenders post year end. Primarily concentrating on implementing relevant criteria for the Company's quarterly covenant tests through to and including the September 2020 test, the revised covenants focus on liquidity headroom metrics, which are more appropriate under the current coronavirus conditions. As these were not formalised at year end, the Group assessed the covenants to be breached and hence at the Balance Sheet date reclassified all debt to current.

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28. Financial Instruments continued

d) Fair Value

Group	Post IFRS 16				Fair value Level
	Book value		Fair value		
	2020 £m	2019 £m	2020 £m	2019 £m	
Financial assets					
Cash	20.3	11.0	20.3	11.0	1
Trade and other receivables due within one year in scope of IFRS 9	2.4	4.6	2.4	4.6	3
Loans and other receivables due in more than one year in scope of IFRS 9	0.1	0.3	0.1	0.3	3
Interest rate cap	–	0.1	–	0.1	2
Financial liabilities					
Trade and other payables in scope of IFRS 9	(30.0)	(20.8)	(30.0)	(20.8)	3
Lease liabilities	(112.9)	–	(112.9)	–	3
Fixed rate borrowings	(25.9)	(25.9)	(33.4)	(25.9)	3
Floating rate borrowings	(171.7)	(228.7)	(171.7)	(228.7)	3
Preference shares	(1.6)	(1.6)	(2.0)	(2.0)	3
Interest rate swaps	(1.1)	(1.4)	(1.1)	(1.4)	2

Group	Pre IFRS 16				Fair value Level
	Book value		Fair value		
	2020 £m	2019 £m	2020 £m	2019 £m	
Financial assets					
Cash	20.3	11.0	20.3	11.0	1
Trade and other receivables due within one year in scope of IFRS 9	2.4	4.6	2.4	4.6	3
Loans and other receivables due in more than one year in scope of IFRS 9	0.1	0.3	0.1	0.3	3
Interest rate cap	–	0.1	–	0.1	2
Financial liabilities					
Trade and other payables in scope of IFRS 9	(31.8)	(20.8)	(31.8)	(20.8)	3
Fixed rate borrowings	(25.9)	(25.9)	(33.4)	(25.9)	3
Floating rate borrowings	(171.7)	(228.7)	(171.7)	(228.7)	3
Preference shares	(1.6)	(1.6)	(2.0)	(2.0)	3
Interest rate swaps	(1.1)	(1.4)	(1.1)	(1.4)	2

The Company figures are as for the Group above, except as follows:

Company	Post IFRS 16				Fair value Level
	Book value		Fair value		
	2020 £m	2019 £m	2020 £m	2019 £m	
Financial assets					
Cash	19.2	9.2	19.2	9.2	1
Trade and other receivables due within one year in scope of IFRS 9	9.9	34.7	9.9	30.7	3
Financial liabilities					
Trade and other payables in scope of IFRS 9	(159.6)	(125.2)	(159.6)	(125.2)	3
Lease liabilities	(99.6)	–	(99.6)	–	3

Company	Pre IFRS 16				Fair value Level
	Book value		Fair value		
	2020 £m	2019 £m	2020 £m	2019 £m	
Financial assets					
Cash	19.2	9.2	19.2	9.2	1
Trade and other receivables due within one year in scope of IFRS 9	9.9	34.7	9.9	34.7	3
Financial liabilities					
Trade and other payables in scope of IFRS 9	(161.4)	(125.2)	(161.4)	(125.2)	3

Level 1 fair values are valuation techniques where inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at measure data.

Level 2 fair values are valuation techniques where all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, but are not derived directly from quoted prices in active markets. The Group bases its valuations on information provided by financial institutions, which use a variety of estimation techniques based on market conditions, such as interest rate expectations, existing at each Balance Sheet date.

Level 3 fair values are valuation techniques for which all inputs that have a significant effect on the recorded fair value are not observable. Derivative fair values are obtained from quoted market prices in active markets. The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of preference shares have been calculated using the market interest rates. The fair values of cash, trade and other receivables, loans and other receivables and trade and other payables are equivalent to their carrying value.

29. Share Capital and Reserves

a) Share Capital

Authorised, issued and fully paid Number in issue	'A' ordinary shares of 40p each Number 000s	'C' ordinary shares of 40p each Number 000s	'B' ordinary shares of 4p each Number 000s	'D' ordinary shares of 0.1p each Number 000s	Deferred shares of 0.1p each Number 000s	Total Number 000s
At 31 March 2018	33,572	14,509	89,052	–	–	137,133
Share conversions	6	(6)	–	–	–	–
At 30 March 2019	33,578	14,503	89,052	–	–	137,133
Issue of Share Capital	–	–	–	552,318	–	552,318
Reclassification to Deferred shares	–	–	–	(552,318)	552,318	–
Cancellation of Deferred shares	–	–	–	–	(552,318)	(552,318)
Share conversions	42	(42)	–	–	–	–
At 28 March 2020	33,620	14,461	89,052	–	–	137,133
Proportion of total equity shares at 28 March 2020	24.5%	10.6%	64.9%	–	–	100%
Monetary amount	£m	£m	£m	£m	£m	£m
At 30 March 2019	13.4	5.8	3.6	–	–	22.8
Issue of Share Capital	–	–	–	0.6	–	0.6
Reclassification to Deferred shares	–	–	–	(0.6)	0.6	–
Cancellation of Deferred shares	–	–	–	–	(0.6)	(0.6)
Share conversions	–	–	–	–	–	–
At 28 March 2020	13.4	5.8	3.6	–	–	22.8

Share capital represents the nominal value proceeds received on the issue of the Company's equity share capital, comprising 40p and 4p ordinary shares. The Company's preference shares are classified as non-current liabilities in accordance with IFRS (see note 26).

The ordinary shareholders are entitled to be paid a dividend out of any surplus profits and to participate in surplus assets on winding up in proportion to the nominal value of each class of share ('B' shares have one-tenth of the nominal value of 'A' and 'C' shares).

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29. Share Capital and Reserves continued

All equity shares in the Company carry one vote per share, save that shares held in treasury have their voting rights suspended. The 'A' and 'C' shares have a 40p nominal value and the 'B' shares have a 4p nominal value so that a 'B' share dividend will be paid at 10% of the rate applying to 'A' and 'C' shares. The 'A' shares are listed on the London Stock Exchange. The 'C' shares carry a right for the holder to convert them to 'A' shares by written notice in the 30 day period following the half year and preliminary announcements. The 'B' shares are not listed and have no conversion rights. In most circumstances the value of a 'B' share is deemed to be 10% of the value of the listed 'A' shares. The Trustee holding shares for participants of the LTIP currently waives dividends for shares held during the initial three year period. Dividends are not paid on shares held in treasury.

The Articles include provisions relating to the Company's 'B' and 'C' shares which provide that shareholders who wish to transfer their shares may only do so if the transfer is to another 'B' or 'C' shareholder, or if the transfer is to certain of that shareholder's family members or their executors or administrators or, where shares are held by Trustees, to new Trustees, or to the Trustees of any employee share scheme, or if the Company is unable to identify another shareholder of that class willing to purchase the shares within the specified period, to any person.

The 'D' shares with nominal value of 0.1p were issued to the ordinary shareholders in the following proportions; ten 'D' Shares for each 'A' ordinary share and 'C' ordinary share in issue and one 'D' Share for each 'B' ordinary share in issue. The 'D' shares were reclassified as a deferred share and subsequently cancelled upon payment of single of single 'D' share dividend (note 9).

b) Own Shares

Own shares relate to shares held by independently managed employee share ownership trusts ("ESOTs") together with the Company's holding of treasury shares. Shares are purchased by the ESOTs in order to satisfy potential awards under the Long-Term Incentive Plan ("LTIP") and Share Incentive Scheme ("SIP"). Treasury shares are used, inter alia, to satisfy options under the Company's share option schemes. The LTIP ESOT has waived its rights to dividends on the shares it holds. Treasury shares have voting and dividend rights suspended. All own shares held, as below, are excluded from earnings and net assets per share calculations.

Number	Treasury shares		LTIP ESOT			SIP ESOT		Total			Total
	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'C' ordinary 40p Shares 000s	'A' ordinary 40p shares 000s	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'C' ordinary 40p shares 000s	Own shares 000s	
At 31 March 2018	1,507	4,558	–	271	7	5	1,512	4,829	7	6,348	
Shares purchased	314	–	–	121	–	–	314	121	–	435	
Shares transferred	(123)	–	62	–	–	64	3	–	–	3	
Shares released	(131)	–	(62)	(157)	(1.0)	(62)	(255)	(157)	(1)	(413)	
At 30 March 2019	1,567	4,558	–	235	6	7	1,574	4,793	6	6,373	
Shares purchased	49	–	–	91	–	–	49	91	–	140	
Shares transferred	(41)	–	–	–	–	41	–	–	–	–	
Shares released	(294)	–	–	–	–	(43)	(337)	–	–	(337)	
At 28 March 2020	1,281	4,558	–	326	6	5	1,286	4,884	6	6,176	
Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
At 31 March 2018	14.3	4.6	–	0.2	0.1	–	14.3	4.8	0.1	19.2	
Shares purchased	3.1	–	–	0.1	–	–	3.1	0.1	–	3.2	
Shares transferred	(1.2)	–	0.6	–	–	0.6	–	–	–	–	
Shares released	(1.3)	–	(0.6)	(0.1)	–	(0.6)	(2.5)	(0.1)	–	(2.6)	
At 30 March 2019	14.9	4.6	–	0.2	0.1	–	14.9	4.8	0.1	19.8	
Shares purchased	0.4	–	–	0.1	–	–	0.4	0.1	–	0.5	
Shares transferred	(0.5)	–	–	–	–	0.5	–	–	–	–	
Shares released	(2.8)	–	–	–	–	(0.4)	(3.2)	–	–	(3.2)	
At 28 March 2020	12.0	4.6	–	0.3	0.1	0.1	12.1	4.9	0.1	17.1	
Market value at 28 March 2020	8.3	3.0	–	0.2	–	–	8.3	3.2	–	11.5	

c) Other Capital Reserves

Share premium account

The balance in the share premium account represents the proceeds received above the nominal value on the issue of the Company's equity share capital. Share Premium decreased by £0.6 million in order to issue 'D' Shares with the nominal value of 0.1 pence each to ordinary Shareholders. The 'D' shares were reclassified as a deferred share and subsequently cancelled upon payment of single 'D' share dividend (note 9).

Capital redemption reserve

The capital redemption reserve balance arises from the buy-back of the Company's own equity share capital. The 'D' shares with the nominal value of 0.1 pence issued to ordinary shareholders in proportion to the shareholding were reclassified as deferred shares and subsequently cancelled upon payment of single 'D' share dividend (note 9), resulting in an increase of capital redemption reserve by £0.6 million (note 28).

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships incurred at the Balance Sheet date, net of tax.

30. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 28 March 2020 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purposes of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the post-tax earnings per share excluding separately disclosed items as presented in the financial statements. However, the Remuneration Committee is authorised to make appropriate adjustments to Adjusted EPS as applied to these schemes.

Savings Related Share Option Scheme ("SAYE")

This scheme grants options over shares at a discount of 20% on the average market price over the three days immediately prior to the date of offer. Employees must save a regular amount each month. Savings are made over three or five years, at the participant's choice. The right to buy shares at the discounted price lasts for six months after the end of the savings contract. There are no performance conditions, other than continued employment.

Senior Executive Share Option Scheme

This is an unapproved Executive Share Option Scheme. No new grants have been made under this scheme since 2013 and all remaining options were exercised during the year ended 28 March 2020.

Executive Share Option Scheme

This is an approved Executive Share Option Scheme. The options vest if growth in Adjusted EPS exceeds the growth in RPI by 9% or more, over the three year performance period of the option. The options must then be exercised within seven years after the end of the performance period.

LTIP

This plan awards free shares. Vesting is conditional on growth in Adjusted EPS exceeding growth in RPI by 9% or more over the three year initial performance period of the award. Vesting levels are on a sliding scale from 40% up to 100%, if growth in Adjusted EPS exceeds growth in RPI by 24% or more. An independent firm of advisors verifies the vesting level each year. The initial vesting period is three years. After this time the shares may be passed to the plan participants, as long as vesting conditions are met.

SIP

This plan awards free shares. An equal number of shares are awarded to each eligible employee. The maximum value of the shares allowable under the scheme is £3,000 per year, per person with at least five months' service as at 15 May each year. The basis of the award was changed with effect from the 2018 award so that all eligible employees receive the same number of shares. There is no requirement for performance targets (although there may be tax consequences if sold within five years of the award).

Share-based payment expense recognised in the year

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 28 March 2020 is £0.5 million (2019: £1.0 million). The whole of that expense arises from equity settled share-based payment transactions.

Market value

The market value of the shares at 28 March 2020 was £6.50 (2019: £11.75).

Movements in the year

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, each category of share instrument during the year.

Volatility

The expected volatility is based on the historical volatility over the expected life of the rights.

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30. Share Options and Share Schemes continued

a) SAYE

	2020 Number 000s	2020 WAEP	2019 Number 000s	2019 WAEP
Outstanding at the beginning of the year	485	£7.89	539	£8.09
Granted	–	n/a	143	£7.70
Lapsed	(129)	£7.90	(75)	£7.96
Exercised	(189)	£7.80	(122)	£8.47
Outstanding at the end of the year	167	£7.98	485	£7.89
Exercisable at the end of the year	–		–	
Weighted average share price for options exercised in the year	£10.13		£9.60	
Weighted average contractual life remaining for share options outstanding at the year end	2.2 years		1.7 years	
Weighted average share price for options granted in the year	n/a		£9.73	
Weighted average fair value of options granted during the year	n/a		£1.65	
Range of exercise prices for options outstanding at the year end				
– from	£7.70		£7.50	
– to	£8.70		£8.70	

Outstanding share options granted to employees under the SAYE scheme are as follows:

Exercisable at	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2020 000s	Number of 'A' ordinary shares under option 2019 000s
September 2019	7.74	–	117
September 2019	7.47	–	16
September 2020	8.70	26	40
September 2020	8.12	6	89
September 2021	7.74	35	64
September 2021	7.70	10	107
September 2022	8.12	40	24
September 2023	7.70	50	23
		167	480

b) Share Option Schemes

	Senior Executive share option scheme			
	2020 Number 000s	2020 WAEP	2019 Number 000s	2019 WAEP
Outstanding at the beginning of the year	75	£7.00	77	£7.16
Exercised	(75)	£7.00	(2)	£4.05
Outstanding at the end of the year	–	n/a	75	£7.00
Exercisable at the end of the year	–	n/a	75	£7.00
Weighted average share price for options exercised in the year	£9.67		£9.90	
Weighted average contractual life remaining for share options outstanding at the year end	n/a		2.59 years	
Range of exercise prices for options outstanding at the year end				
– from	n/a		£4.80	
– to	n/a		£9.10	

	Executive share option scheme			
	2020 Number 000s	2020 WAEP	2019 Number 000s	2019 WAEP
Outstanding at the beginning of the year	188	£9.50	167	£9.28
Granted	34	£9.61	47	£9.46
Lapsed	(42)	£10.24	(11)	£10.35
Exercised	(21)	£8.84	(15)	£6.72
Outstanding at the end of the year	159	£9.69	188	£9.50
Exercisable at the end of the year	47	£9.43	104	£9.45
Weighted average share price for options exercised in the year	£10.05		£9.31	
Weighted average contractual life remaining for share options outstanding at the year end	6.93 years		6.94 years	
Weighted average share price for options granted in the year	£9.70		£9.72	
Weighted average fair value of options granted during the year	£0.84		£0.94	
Range of exercise prices for options outstanding at the year end				
– from	£5.78		£4.80	
– to	£10.90		£10.90	

Outstanding options which are capable of being exercised between three and ten years from date of issue and their exercise prices are shown in the table below:

Exercisable in/between	Senior Executive Scheme		Executive Approved Scheme	
	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2020 000s	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2020 000s
2012 and 2019	4.80	–	4.80	–
2013 and 2020	5.78	–	5.78	1
2013 and 2020	6.30	–	–	–
2014 and 2021	7.09	–	7.09	2
2015 and 2022	7.05	–	7.05	5
2016 and 2023	9.10	–	9.10	10
2017 and 2024	–	–	9.65	17
2018 and 2025	–	–	10.90	13
2019 and 2026	–	–	10.23	–
2020 and 2027	–	–	10.34	38
2021 and 2028	–	–	9.46	42
2022 and 2029	–	–	9.61	31
		75		159
				188

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30. Share Options and Share Schemes continued

c) LTIP

Shares	2020 'A' shares Number 000s	2020 'B' shares Number 000s	2019 'A' shares Number 000s	2019 'B' shares Number 000s
Outstanding at the beginning of the year	360	901	394	984
Granted	115	288	165	413
Adjustment for 'D' shares impact	18	45	–	–
Lapsed	(205)	(513)	(136)	(339)
Vested	–	–	(63)	(157)
Outstanding at the end of the year	288	721	360	901
Weighted average share price for shares vested in the year	n/a	n/a	£9.50	£0.95
For shares outstanding at the year end, the weighted average contractual life remaining is	1.60 years	1.60 years	1.37 years	1.37 years
Weighted average share price for shares granted in the year	£9.70	£0.97	£9.72	£0.97
Weighted average fair value of shares granted during the year	£8.95	£0.90	£8.96	£0.90

All LTIPs have a vesting price of £nil. LTIP shares do not receive dividends until vested.

d) SIP

Shares	2020 Number 000s	2019 Number 000s
Outstanding at the beginning of the year	254	261
Granted	43	62
Lapsed	(1)	(2)
Released	(146)	(67)
Outstanding at the end of the year	150	254
Weighted average share price for shares released in the year	£9.61	£9.30
For shares outstanding at the year end, the weighted average contractual life remaining is	2.61 years	2.64 years
Weighted average share price for shares granted during the year	£10.34	£9.72
Weighted average fair value of shares granted during the year	£10.34	£9.72

Outstanding SIP shares represent shares allocated and held by the SIP Trustees on behalf of employees, which remain in the trust for between three and five years. All SIPs have a vesting price of £nil. SIP shares receive dividends once allocated.

e) Fair Value of Grants

i) Equity-settled options and LTIPs

The fair value of equity-settled share options granted is estimated as at the date of grant, taking into account the terms and conditions upon which the awards were granted. The following table lists the inputs to the model used for the 52 weeks ended 28 March 2020 and 52 weeks ended 30 March 2019, except for exercise price and the weighted average share price for grants in the year, which are disclosed in sections a) to d) above.

Fair value inputs	LTIP scheme		SAYE		Executive option scheme	
	2020	2019	2020	2019	2020	2019
Dividend yield (%)	1.8%	2.0%	n/a	2.0%	1.8%	2.0%
Expected share price volatility (%)	n/a	n/a	n/a	15.3 to 15.4%	15.8%	15.6%
Risk-free interest rate (%)	0.4%	0.9%	n/a	0.88 to 1.08%	0.4%	0.9%
Expected life of option/award (years)	3 years	3 years	n/a	3 to 5 years	4 years	4 years
Model used	Black Scholes	Black Scholes	n/a	Black Scholes	Black Scholes	Black Scholes

ii SIP free shares awarded

The fair value of free shares awarded under the SIP is the share price at the date of allocation. The total value of SIPs awarded is a fixed rate based on the Group's performance in the preceding financial year. The number of shares awarded is therefore dependent on the share price at the date of the award.

31. Guarantees and Commitments

a) Operating Lease Commitments

Operating leases where the Group is the lessor

The Group earns rental income from two sources. Licensed property included within property, plant and equipment is rented under agreements where lessees must also purchase goods from the Group. Additionally there are a smaller number of agreements in respect of investment properties where there is no requirement for the lessee to purchase goods.

Investment properties are let to third parties on leases that have remaining terms of between one and fifteen years.

At 28 March 2020 future minimum rentals receivable are as follows:

	Investment properties		Property, plant & equipment	
	2020 £m	2019 £m	2020 £m	2019 £m
Group				
Within one year	0.8	0.6	3.1	6.8
Between one year and five years	1.0	1.0	4.8	5.6
After five years	0.5	0.2	3.3	6.8
	2.3	1.8	11.2	19.2
Company				
Within one year	0.8	0.6	2.6	6.5
Between one year and five years	1.0	1.0	4.7	5.5
After five years	0.5	0.2	4.8	8.8
	2.3	1.8	12.1	20.8

The Group and Company's commercial leases on property are principally for licensed outlets. The terms of the leases are normally for either three, four or five years. The agreements allow for annual inflationary increases and full rental reviews occur on renewal of the lease.

At 28 March 2020 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.4 million (2019: £5.3 million).

b) Other Commitments

	2020 £m	2019 £m
Group and Company		
Capital commitments – authorised, contracted but not provided for	1.3	1.1

32. Related Party Transactions

Group and Company

During the current and prior years the Company provided various administrative services to the Fuller, Smith & Turner Pension Plan free of charge. In addition, the Company settled costs totalling £497,000 (2019: £417,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Compensation of key management personnel (including Directors)		
Short-term employee benefits	4.3	4.8
Termination benefits	1.1	–
Post-employment benefits	0.4	0.2
Share-based payments	0.2	0.8
	6.0	5.8

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32. Related Party Transactions continued

Company Only

During the year the Company entered into the following related party transactions:

	Sales to related parties £m	Purchases from related parties £m	Interest due from related parties £m	Interest due to related parties £m	Amounts due to related parties £m	Amounts due from related parties £m
52 weeks ended 28 March 2020						
Subsidiaries	–	66.3	1.7	4.4	(132.2)	7.5
52 weeks ended 30 March 2019						
Subsidiaries	1.5	60.4	1.6	3.9	(106.2)	30.2

Interest is payable on the majority of the amounts due to subsidiaries at 3% above the Bank of England base rate. All amounts outstanding are unsecured and repayable on demand.

The Company received rental income from subsidiaries of £0.3 million during the year (2019: £0.4 million). The Company also incurred rental expenses from subsidiaries of £0.1 million (2019: £nil).

In addition, the Company has recharged an amount of £1.4 million (2019: £0.6 million) to its subsidiaries and incurred £0.1 million (2019: £nil) of recharges from its subsidiaries during the year.

Subsidiaries of parent companies established within the European Economic Area are exempt from an audit if a guarantee is provided by the parent for the subsidiary liabilities and the shareholders are in unanimous agreement. The Group will be exempting the following companies from an audit in 2020 for the period ending 28 March 2020 under Section 479A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Company	Company Number
Griffin Catering Services Limited	01577632
Jacomb Guinness Limited	02934979
George Gale & Company Limited	00026330
45 Woodfield Limited	04279254
Grand Canal Trading Limited	04271734
The Stable Pizza & Cider Limited	09047045
The Stable Bar & Restaurants Limited	08231786
B&D Country Inns I Limited	07292333
B&D Country Inns II Limited	08029280
B&D (Cookham) Limited	07320065
B&D (Odiham) Limited	08377459
B&D (Reading) Limited	07309587
B&D (Win) Limited	07320245
B&D (Farnham) Limited	08392963
B&D (Kingsclere) Limited	08975762
RSH 200 Limited	12035987
Cotswold Inns and Hotels Limited	03309179

The Group will be exempting the following companies from the preparation and delivering of accounts to Companies House under Section 394A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Company	Company Number
Griffin Inns Limited	00495934
Ringwoods Limited	00178536
F.S.T. Trustee Limited	03163480
Fuller, Smith & Turner Estates Limited	01831674

33. Change in Accounting Policies

This note explains the impact of the adoption of IFRS 16, Leases, on the Group's financial statements, and it discloses the new accounting policies that have been applied from 31 March 2019.

The Group has adopted IFRS 16 using the modified retrospective approach from 31 March 2019 but it has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Balance Sheet on 31 March 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 31 March 2019. The incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 2.1-2.9% depending on the remaining length of the lease.

a) Adjustments Recognised on Adoption of IFRS 16

Operating lease commitments disclosed at 30 March 2019	109.7
(Less): Lease commitments removed due to disposal of Fuller's Beer Business	(0.4)
(Less): Short-term leases recognised on a straight-line basis as expense	(0.1)
(Less): Low-value leases recognised on a straight-line basis as expense	(1.2)
Sub-total gross IFRS 16 liabilities recognised at 30 March 2019	108.0
Discounted using the lessee's incremental borrowing rate at the date of initial application	100.4
Lease liability recognised as at 31 March 2019	
Current lease liabilities	7.7
Non-current lease liabilities	92.7
	100.4

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Balance Sheet as at 30 March 2019. Onerous lease provisions of £2.4 million at 30 March 2019 have been offset against the right-of-use asset at the date of initial application while £8.3 million of previously recognised lease premiums have been reclassified to right-of-use assets.

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33. Change in Accounting Policies continued

The recognised right-of-use assets relate to the following types of asset:

	28 March 2020 £m	31 March 2019 £m
Properties	105.1	101.0
Equipment	0.8	1.2
Vehicles	1.1	0.7
	107.0	102.9

b) Adjustments Recognised in the Balance Sheet on 31 March 2019

The change in accounting policy affected the following items in the Balance Sheet on 31 March 2019:

- Right-of-use assets – increase by £102.9 million
- Other receivables – increase by £3.4 million
- Lease liabilities – increase by £100.4 million
- Intangible assets – reduction by £8.3 million
- Provisions – reduction by £2.4 million.

There is no impact on retained earnings at 31 March 2019.

c) Practical Expedients Applied

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

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments of whether leases are onerous
- The accounting for operating leases, with a remaining lease term of less than 12 months as at 31 March 2019, as short-term leases.

d) Lessor Accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

34. Post Balance Sheet Events

In response to the coronavirus pandemic and the temporary closure of the entire estate at the end of March, management have taken a number of steps to mitigate the financial impact of the pandemic. The Group has strengthened the Balance Sheet by accessing the Bank of England Covid Corporate Financing Facility (“CCFF”) programme which have issued £100 million of commercial paper with access to a further £50 million. The CCFF provides short-term unsecured debt and is repayable in May 2021. Management have also agreed with their lenders that the existing quarterly covenant tests (through to and including September 2020) are revised to be based primarily on liquidity headroom metrics, deemed to be a more appropriate measure while some of the Group’s pubs and hotels remain closed. The above measures are on top of the existing and ongoing cost reducing initiatives, which include minimising the Group’s outgoings across the business and accessing some of the Governments support packages (such as Coronavirus Job Retention Scheme) in order to safeguard employment.

On 15 March 2020, the Group made the decision to cancel Tenants’ rent due to the closure of all pubs. In April and May 2020, this resulted in a total of £1.2 million loss of earnings.

The Stable Pizza & Cider Limited and its subsidiary The Stable Bar & Restaurants Limited was disposed of on 7 June 2020. The Group disposed of non-current assets of £12.1 million, current assets of £0.4 million, current liabilities of £2.1 million and non-current liabilities of £10 million. The consideration received was equal to the Group’s net assets.

Directors and Advisors

as at 30 July 2020

Directors

Michael Turner, FCA, Chairman*
Simon Emeny, Chief Executive
Adam Councill, ACMA
Fred Turner, ACA
Sir James Fuller, Bt*
Juliette Stacey, ACA*
Helen Jones*
Richard Fuller*
Robin Rowland, OBE*

* Non-Executive.

President

Anthony Fuller, CBE
Chairman from 1982-2007,
Anthony Fuller retired from the Board in 2010
after a long career with Fuller's and continues
as President.

Secretary and Registered Office

Séverine Béquin
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Tel: 020 8996 2000
Registered Number 241882

Auditors

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Stockbrokers

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 889 4096

Please note you can now advise
Computershare of changes to your
address or set up a dividend mandate online
at www.computershare.com/investor/uk

Shareholder Information

Shareholder Privileges

Individual shareholders with at least 500 'A' or 'C' ordinary shares or 5,000 'B' ordinary shares are eligible to receive a shareholder 'Inndulgence' card entitling them to a 15% discount on food and drinks in Fuller's Managed Pubs and Hotels and on the best flexible rate or standard flexible B&B rate in Fuller's hotels. There is currently no discount available with the shareholder 'Inndulgence' card at any of the Cotswold Inns & Hotels sites. Information is available from the Company Secretariat on 020 8996 2105 or at company.secretariat@fullers.co.uk.

Redesignation of 'C' Shares

'C' ordinary shares can be redesignated as 'A' ordinary shares within 30 days of the preliminary and half year announcements by sending in your certificates and a written instruction to redesignate prior to or during the period to the Company's Registrars:

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ

ShareGift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. If you have a small number of shares and would like to donate them to charity, details of the scheme can be found on the ShareGift website www.sharegift.org, or by contacting the Company Secretariat on 020 8996 2105.

Glossary

Adjusted earnings per share (“EPS”) – this is earnings per share, adjusted for separately disclosed items. The Directors believe that this measure provides useful information for shareholders as to the performance of the Group.

Adjusted profits – this is profit before tax and before separately disclosed items.

CCFF – This is an HM Treasury and Bank of England lending facility.

CJRS – This is a claim for 80% of employees’ wages plus any employer National Insurance and pension contributions for staff on furlough through the government Coronavirus Job Retention Scheme.

Operating profit – this is profit before finance costs and tax and profit on disposal of properties.

Drinks, food and accommodation like for like sales growth – this is measured on the same basis as “Managed Pubs and Hotels invested like for like sales growth”.

EBITDA – this is the earnings before interest, tax, depreciation, profit on disposal of plant and equipment and amortisation, adjusted for separately disclosed items.

LTIP – Long-Term Incentive Plan.

Managed Pubs and Hotels invested like for like sales growth – this is the sales growth calculated to exclude those pubs which have not been trading throughout the two years for the corresponding period in both years. The principal exclusions from this measure are: pubs purchased or sold in the last 12 months; sites which are closed; and pubs which are transferred to tenancy. The calculation excludes The Stable sites.

Market capitalisation – only the Company’s 40p ‘A’ ordinary shares are listed. The Company calculates its market capitalisation as the total of all classes of ordinary shares; i.e. listed 40p ‘A’ ordinary shares, unlisted 4p ‘B’ ordinary shares and unlisted 40p ‘C’ ordinary shares plus all potentially awardable share options and LTIP awards less any shares held in treasury. For the purposes of the calculation of market capitalisation, a 4p ‘B’ ordinary share is treated as having 10% of the market value of a quoted 40p ‘A’ ordinary share and a 40p ‘C’ ordinary share is treated as having an equivalent value to a 40p ‘A’ ordinary share.

Net debt – this comprises cash, bank loans, other loans, debenture stock and preference shares.

SIP – Share Incentive Plan.

Tenanted like for like profit growth – this is the profits growth of Tenanted Inns calculated to exclude from both years those pubs which have not been trading throughout the two years. The principal exclusions from this measure are: pubs purchased or sold; pubs which have closed; and pubs transferred to or from our Managed business. Bad debt expense is included but head office costs are excluded.

The disposal of the Fuller’s Beer Business – the sale of the entire issued share capital of The Fuller’s Beer Company (which was incorporated to acquire certain of the assets and liabilities of the Fuller’s Beer Business).

The Fuller’s Beer Business or the “Beer Business” – the entirety of Fuller’s beer, cider and soft drinks brewing and production business, wine wholesaling business, as well as the distribution thereof, and also includes the Griffin Brewery, Cornish Orchards, The Dark Star Brewing Company and Nectar Imports Limited.

Total annual dividend – the total annual dividend for a financial year comprises interim dividends paid during the financial year and the final dividend proposed for approval by shareholders at the Annual General Meeting after the completion of the financial year.

TSA – Transitional Service Agreement with Asahi subsequent to sale of the Fuller’s Beer Business.

Five Years' Progress

Group Income Statement	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue and other income	333.0	333.0	324.7	403.6	392.0	350.5
Operating profit before separately disclosed items	25.9	25.0	40.0	49.2	49.5	46.9
Finance costs before separately disclosed items	(7.9)	(5.3)	(6.9)	(6.0)	(6.6)	(6.0)
Adjusted profit before income tax	18.0	19.7	33.1	43.2	42.9	40.9
Separately disclosed items and discontinued operations	148.2	154.8	(7.0)	0.4	(3.0)	(1.7)
Profit before income tax	166.2	174.5	26.1	43.6	39.9	39.2
Taxation	(4.3)	(5.9)	(6.6)	(8.8)	(7.4)	(6.2)
Profit after income tax	161.9	168.6	19.5	34.8	32.5	33.0
Non-controlling interest	–	–	(0.2)	1.0	0.2	(0.2)
Profit attributable to equity shareholders of the Parent Company	161.9	168.6	19.3	35.8	32.7	32.8
EBITDA¹	54.4	44.0	59.5	70.9	70.5	65.0

1 Continuing operations only.

Assets employed	Post IFRS 16 2020 £m	Pre IFRS 16 2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Non-current assets	757.9	658.1	595.3	623.2	612.1	586.9
Inventories	4.0	4.0	5.0	13.5	14.0	12.4
Other current assets	18.8	14.2	8.4	22.9	21.6	21.0
Assets classified as held for sale	2.6	2.6	87.0	2.1	5.9	0.5
Cash and cash equivalents	20.3	20.3	11.0	11.7	15.3	6.2
	803.6	699.2	706.7	673.4	668.9	627.0
Current borrowings	(171.7)	(171.7)	(50.0)	(30.0)	(20.0)	(20.0)
Other current liabilities	(50.7)	(42.0)	(62.9)	(71.8)	(73.7)	(65.6)
	581.2	485.5	593.8	571.6	575.2	541.4
Non-current borrowings	(27.5)	(27.5)	(206.2)	(183.6)	(201.4)	(184.7)
Other non-current liabilities	(126.9)	(24.5)	(49.1)	(53.1)	(64.1)	(55.8)
Net assets	426.8	433.5	338.5	334.9	309.7	300.9

Per 40p 'A' ordinary share	Post IFRS 16 2020	Pre IFRS 16 2020	2019	2018	2017	2016
Adjusted earnings	22.31p	24.85p	62.78p	62.90p	61.39p	58.35p
Basic earnings	293.70p	305.86p	35.12p	64.89p	59.21p	59.25p
Dividends (interim and proposed final) ²	132.80p	132.80p	20.15p	19.55p	18.80p	17.90p
Net assets	£7.74	£7.86	£6.16	£6.07	£5.61	£5.45
Net debt (£ million)	(291.8)	(178.9)	(245.2)	(201.9)	(206.1)	(198.5)
Gross capital expenditure (£ million)	84.5	84.5	58.6	40.6	55.8	80.7
Average number of employees	5,166	5,166	5,399	4,913	4,722	4,479

2 2020 includes 'D' share dividend.



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