



STRONG HERITAGE, CLEAR DIRECTION

ANNUAL REPORT AND ACCOUNTS 2019

WEDNESDAY



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18/09/2019 #41
COMPANIES HOUSE

INTRODUCTION

For 174 years, Fuller's has delivered outstanding hospitality – and we are better at it than ever today. We create exceptional experiences full of style and spirit – in characterful pubs and hotels where everyone feels they belong, both team members and customers, and where people leave happier than when they arrived.

For us, this is not just our business. It's our passion. And at its heart are our people, who bring all their energy, creativity and care to making Fuller's pubs and hotels just that little bit more special than the competition. We believe every one of our exceptional family of people, pubs, hotels and customers deserves to be celebrated for that.

The spirit and imagination that Fuller's was founded upon is key to our success, so we're always exploring new ways to make things better, more interesting, more enjoyable, more Fuller's.

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Operational Highlights

- Strong like for like sales¹ growth of 4.9% in Managed Pubs and Hotels, following good growth across bar, food and accommodation
- Tenanted Inns like for like profits² up 1%
- Sale of the Fuller's Beer Business agreed January 2019, completed post year end on 27 April 2019.

Financial Highlights

- Adjusted profit before tax³ in total level at £43.2 million (2018: £43.2 million); adjusted profit before tax³ on continuing operations up 2% to £36.4 million (2018: £35.6 million)
- Adjusted earnings per share⁴ in total level at 62.78p (2018: 62.90p); Adjusted earnings per share⁴ on continuing operations up 2% to 53.31p (2018: 52.20p)
- Revenue in total up 7% to £431.1 million (2018: £403.6 million); Revenue from continuing operations up 8% to £324.7 million (2018: £301.4 million)
- EBITDA⁵ up 3% to £73.2 million (2018: £70.9 million)
- Total annual dividend up 3% to 20.15p (2018: 19.55p).

	2018/19 £m	2017/18 £m	Change
Total Group measures:			
Revenue	431.1	403.6	+7%
EBITDA ⁵	73.2	70.9	+3%
Adjusted profit ³	43.2	43.2	level
Separately disclosed items before tax	(17.1)	0.4	n/a
Statutory profit before tax	26.1	43.6	-40%
Adjusted earnings per share ⁴	62.78p	62.90p	Level
Basic earnings per share ⁶	35.12p	64.89p	-46%
Total annual dividend ⁶	20.15p	19.55p	+3%

Continuing operations measures:

Revenue	324.7	301.4	+8%
Adjusted profit ¹	36.4	35.6	+2%
Statutory profit before tax	20.9	36.0	-42%
Adjusted earnings per share ²	53.31p	52.20p	+2%

¹ Like for like sales are for the 52 weeks ended 30 March 2019 and exclude The Stable.

² Operating profit before separately disclosed items.

³ Adjusted profit is the profit before tax and separately disclosed items.

⁴ Calculated using adjusted profit after tax and the same weighted average number of shares as for the basic earnings per share and using a 40p 'A' or 'C' ordinary share.

⁵ Earnings before separately disclosed items, interest, tax, depreciation and amortisation.

⁶ Per 40p 'A' or 'C' ordinary share.

15	£321.5m
16	£350.5m
17	£392.0m
18	£403.6m
19	£431.1m

REVENUE (total Group)**£431.1m**

+7%

15	£36.4m
16	£40.9m
17	£42.9m
18	£43.2m
19	£43.2m

ADJUSTED PROFIT³ (total Group)**£43.2m**

Level

15	£36.1m
16	£39.2m
17	£39.9m
18	£43.6m
19	£26.1m

STATUTORY PROFIT BEFORE TAX (total Group)**£26.1m**

-40%

15	51.51p
16	58.35p
17	61.39p
18	62.90p
19	62.78p

ADJUSTED EARNINGS PER SHARE⁴ (total Group)**62.78p**

level

15	16.60p
16	17.90p
17	18.80p
18	19.55p
19	20.15p

TOTAL ANNUAL DIVIDEND PER SHARE**20.15p**

+3%

CHAIRMAN'S STATEMENT

A CLEAR VISION AND A GREAT BUSINESS

At the heart of Fuller, Smith & Turner today is a
leading premium pubs and hotels business.

Michael Turner
Chairman

HIGHLIGHTS

- Sale of the Fuller's Beer Business to Asahi Europe Ltd agreed
- Acquired 11 new sites
- Significant period of investment with 94 closure weeks
- Further progress with our Tenanted Inns turnover agreement
- Completed the roll out of the new ERP (Enterprise Resource Planning) system.

➔ [Read more p12](#)

It has been another good year for your Company, with revenue rising 7% to £431.1 million (2018: £403.6 million) and adjusted profit¹ level at £43.2 million (2018: £43.2 million).

A large proportion of management time and effort in recent months has revolved around the transaction, announced in January, to sell the Fuller's Beer Business to Asahi Europe Ltd for an enterprise value of £250 million. Over the years, we have brewed, marketed and sold fantastic beers including London Pride – which was the brand leader in premium ale. However, to really compete on a worldwide stage and take these beers to the next level, they need the ownership of a global brewing giant and I'm excited to see the heady heights to which Asahi can take a beer such as London Pride. The proceeds generated from the sale will, in time, be reinvested in a focused manner to grow our pubs and hotels business. This is the dawn of a very exciting new era for your Company.

The decision to sell was not an easy one but it is the right one. While the Brewery has historically been an integral part of our heritage and culture, the majority of our profit has derived from Fuller's Inns for many years now. I know that Simon Emeny and his team will be looking to retain that special culture as we move forward, and there is no doubt that this financial year is going to be a transformational one for the business as Fuller, Smith & Turner embarks on a new chapter.

+3%

Increase in total dividend per share

+7%

Increase in total Group revenue

For our shareholders, our adjusted earnings per share² ("EPS") has remained level at 62.78p (2018: 62.90p). The sale of the Fuller's Beer Business will provide additional shareholder returns in due course and I'm delighted that, on top of any return of proceeds, our full year dividend has risen once again.

At the heart of Fuller, Smith & Turner today is a leading premium pubs and hotels business. Built around iconic sites in stunning locations, often with beautiful bedrooms, we serve delicious, fresh-cooked, seasonal food and an interesting portfolio of premium drinks, with exceptional team members dedicated to providing outstanding customer service.

Last year our Managed Pubs and Hotels grew like for like sales by 4.9% (2018: 2.9%). All three key elements – food, accommodation and drink sales – were in growth. The acquisitions we made at the start of the year – six wonderful Bel & The Dragon country inns and the four We Are Bar City sites – have performed well, and the four City bars have already been refurbished to the high standard our customers expect from Fuller's.

Our Tenanted Inns division, which remains an essential part of our business model, has also produced a good performance during the year with like for like profit rising 1% (2018: 3%), a figure which has been tempered due to a high level of investment in our Tenanted pubs. It is pleasing to see the number of applicants for our Tenanted Inns rising – this is testament to the work we have put into the new turnover agreement, which is proving popular with our Tenanted partners. We now have 35 pubs on this exciting business model.

This year has seen a number of changes to the Board. John Dunsmore, a Non-Executive Director since 2009, stepped down following our last Board meeting. He was due to step down last year, but kindly agreed to stay for an additional 12 months. John has been of immense value during his tenure, especially in his role as the Senior Independent Director, and I would like to thank him for his support and contribution. We also said goodbye to Simon Dodd, who was Managing Director of The Fuller's Beer Company. Simon was a very gifted and valuable team member both in his MD role and, prior to this, leading our City pubs. I wish him every success in his future career. James Douglas stepped down as Finance Director in November, after 11 years with Fuller's, to join his wife and children in Germany. I would like to thank him for his contribution over this time.

We have also welcomed Helen Jones to the Board – a talented entrepreneur who brings vast consumer leisure and retail experience from her time launching Ben & Jerry's ice cream in the UK and running Zizzi, the Italian casual dining group, and coffee chain Caffè Nero. Helen has a vibrancy and creativity that will add further depth to our Board and we are excited to be working with her.

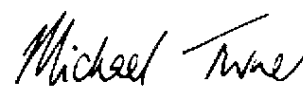
Fuller's success is wholly attributable to its people – and I would like to take this opportunity to thank them all for their dedication, commitment and loyalty. They are an amazing team and have dealt with the roll out of the new enterprise resource planning (ERP) system and the radical changes of recent months with patience, professionalism and understanding. My Board colleagues and I greatly appreciate that.

I would also like to personally recognise my former colleagues in the Fuller's Beer Business. Asahi has gained an amazing team of people who have, in many cases, given a lifetime of service and friendship. I wish them all every success and future happiness.

Dividend

The Board is pleased to announce a final dividend of 4.35p (2018: 12.00p) per 40p 'A' and 'C' ordinary share and 0.435p (2018: 1.20p) per 4p 'B' ordinary share. This takes account of the second interim dividend of 8.00p per 40p 'A' and 'C' ordinary share and 0.800p per 4p 'B' ordinary share already paid on 12 July 2019. The final dividend will be paid on 6 September 2019 to shareholders on the share register as at 2 August 2019. The total dividend of 20.15p per 40p 'A' and 'C' ordinary share and 2.015p per 4p 'B' ordinary share represents an increase of 3% on last year and is covered more than 3.1 times by adjusted EPS.

Evaluation of the best and most efficient way to return proceeds to shareholders, from the sale of the brewing assets to Asahi, is currently underway and the Board looks forward to updating the market in this regard in due course.



Michael Turner
Chairman
24 July 2019

¹ Adjusted profit is the profit before tax excluding separately disclosed items for total Group operations.
² Calculated on total Group operations, using adjusted profit after tax and the same weighted average number of shares as for the basic earnings per share (EPS) and using a 40p ordinary share. Basic EPS was 35.12p (2018: 64.89p).

OUR INVESTMENTS

At Fuller's, we take great pride in our buildings – be they as old as Ye Olde Mitre, dating to 1546, or as new as The Saint at Paternoster Square, which we refurbished in January.

A programme of continuous investment ensures that our pubs always stay fresh and relevant, offering the perfect environment to deliver the outstanding customer experience we are famous for.

1845

PUBS FROM THE BEGINNING

Six of our pubs have been in the Fuller's estate from the day the partnership was founded in 1845. These include four pubs in Chiswick – The George IV, The George & Devonshire, The Old Pack Horse and The Fox & Dogs, which was renamed The Fox & Hounds by William Fuller.

1960s

BRINGING MOTELS TO THE UK

In the 1960s, Lewis Turner took a trip to the USA to study the way motels were run. He came back and converted The Master Robert in Hounslow into one of the UK's first motels.

2018

NEW ROOMS AT ALE & PIE

We've continued that pioneering spirit and in the last financial year, we added 15 boutique rooms to The Counting House, our flagship site in the City, and nine to The Blackbird in Earl's Court – another of our Ale & Pie pubs.

Lady of Lettering

Hana Sunny puts the finishing touches to our Thames Path mural – just one of the stunning features at The Anglers in Teddington.

2019 AND BEYOND

Celebrating individuality in each and every one of our pubs

At Fuller's, we believe that every pub should stand in its own right. They might have the Fuller's cartouche above the pub sign, but each pub has its own character and personality and our Managers and Tenants are the guardians of this personality.

When we invest in a pub, we take care to make sure we reflect that. We look to the local area for design touches that reflect the history and heritage of our geographical location and we use a skilled team of artisans to bring it to life. Artisans like Hana Sunny.

Having completed a degree in illustration at Falmouth University, Hana cut her teeth

creating beautiful pub chalkboards. We were introduced to her through one of our excellent pub designers and now she combines that illustration background with an amazing flair for signwriting to bring empty spaces to life.

We give her a loose brief – and she comes up with the creative. And what a creative it is. Take The Anglers in Teddington, for instance. At this wonderful riverside pub, she has brought The Thames Path, on which the pub sits, to life on a blank wooden wall in an innovative and beautiful way. That appreciation of craft runs through everything we do. It's the Fuller's way.

£32.7m

Amount spent on capital investment projects

94

Refurbishment closure weeks in our Managed Pubs and Hotels

AT A GLANCE

Fuller's now operates 204 Managed Pubs and Hotels and 180 Tenanted Inns, mainly across the South of England. Our northern outpost is The Old Joint Stock in Birmingham, complete with its fabulous theatre, while to the west, it would be The Windmill in Portishead or The Bull Hotel in Bridport. Within these are our six Bel & The Dragon sites, in the Home Counties.

Our footprint goes beyond these boundaries too – through The Stable, the cider and pizza restaurants. We have 16 of these, located in towns and cities that are far from our Chiswick home, including Cardiff, Newquay and Falmouth.

OUR LOCATIONS

94 Managed

16 Tenanted

6

Bel & The Dragon

16

The Stable

378

Fuller's Managed Pubs,
Hotels and Tenanted Inns

MANAGED AND TENANTED HOUSES (%)

GROUP OPERATING PROFIT BY DIVISION (£m)

ANALYSIS OF MANAGED REVENUE (%)

Fuller's Managed Pubs and Hotels within M25	32%
Fuller's Tenanted Inns within M25	13%
Fuller's Managed Pubs and Hotels outside M25	21%
Fuller's Tenanted Inns outside M25	34%

Fuller's Tenanted Inns	£12.8m
Fuller's Managed Pubs and Hotels	£35.1m
Fuller's Beer Company	£6.8m

Food	30%
Drinks	63%
Accommodation	7%

2019

204

Managed Pubs and Hotels around the South of England
including Bel & The Dragon

180

Tenanted Inns at the year end

4,925

Employees working in our Managed Pubs
and Hotels and The Stable restaurants

817

Boutique bedrooms across our Managed estate

£6.5m

Sales of roast dinners during the financial year

OUR ACQUISITIONS

It's been a good year for our acquisitions team with the purchase of a package of four excellent City sites and six beautiful Bel & The Dragon country inns, which added 57 bedrooms to our estate.

On top of this, we opened The Signal Box at Euston Station to add to our transport hub sites and bring a touch of class to thirsty travellers heading to the Midlands and beyond.

1840s

EXTENDING FROM CHISWICK IN THE EARLY DAYS

In the 1840s the Fuller, Smith & Turner estate included 12 pubs in Chiswick as well as nearly 50 other sites in West London and outposts in Parson's Green, Hanger Lane and Knightsbridge.

1990

MAKING THE MOST OF THE BEER ORDERS

In 1990, when the six major brewers had to divest of large numbers of pubs, Fuller's snapped up 44 outlets from Allied Breweries, extending our trading area into Oxfordshire and towards the Cotswolds.

2005

A TRANSFORMATIONAL DEAL

Fuller's surprised the industry with its acquisition of Gales in 2005 which added 111 pubs, mainly in Hampshire, to the Fuller's estate. These included iconic sites such as The Still & West and The Old Customs House in Portsmouth and The Wykeham Arms in Winchester.

2019 AND BEYOND

Further focus on outstanding food, charming bedrooms and freehold properties

Acquisitions are a major part of our growth strategy – but they have to be the right locations, the right price and right for Fuller's. That means a focus on freeholds and locations where we can continue our emphasis on the things we do best – delicious fresh food, an excellent drinks portfolio, beautiful bedrooms and an exceptional level of service.

Bel & The Dragon fitted these criteria perfectly. Famous for outstanding food and an amazing wine offer, the pubs were a perfect acquisition for Fuller's. They even

came with 57 bedrooms and were in locations where we were looking for new opportunities. Of the six sites, five were already freehold and we have since acquired the remaining freehold too.

The Bel & The Dragon story doesn't end there. We are about to convert an existing site to become number seven – The George & Dragon in Westerham. Great sites in excellent locations with a great team of people already in situ. It really was a match made in heaven.

11

New sites added to our Managed estate in the last year

89%

Proportion of our estate where we own the freehold

OUR STRATEGY AND PROGRESS

1

A DISTINCTIVE CUSTOMER EXPERIENCE

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

Investing in:

- Broadening the appeal of our pubs and brands to new and existing customers
- Sourcing and producing 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
- Exceptional levels of customer service
- Creating memorable experiences

Progress in FY 2019

- Strong like for like sales growth
- Function sales grew 12.4% last year driven by focused events personnel
- Shortened customer digital journey
- Prior year roll out of recipe, food stock and reporting package (FnB) making impact on customer experience
- Further progress on strategic review for Tenanted Inns with 30 Tenants on the new turnover agreement at year end
- Disposed of five pubs that no longer matched our vision for Tenanted Inns

Priorities for FY 2020

- Use information from FnB Manager to keep menus fresh, relevant and dynamic
- Work with our design teams to keep pub schemes interesting and contemporary
- Continued investment in training and development
- Integrate newly acquired pubs and pipeline sites, investing where necessary
- Continued investment in our Tenanted Inns

Market influence

- Customers need an experience that cannot be replicated at home
- Need to ensure relevance in product range and design for the younger generation
- Emerging consumer trends, for example lighter, healthier food options

2

TARGETED ACQUISITIONS

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
- Acquiring in areas where our estate is underrepresented
- Sites with potential to develop bedrooms
- Acquisitions that enhance our existing business
- Transformational investments that attract new customers

Progress in FY 2019

- Acquired six Bel & The Dragon country inns, a further four We Are Bar sites and completed the development of The Signal Box in Euston Station
- 16 transformational refurbishments in our Managed estate
- Invested in nine Tenanted sites to reposition the business
- Two sites in the pipeline - The Parcel Office in Liverpool Street Station and The Windjammer at Royal Wharf, near City Airport

Priorities for FY 2020

- To seek further acquisitions that enhance our estate and increase our customer base
- To continue to integrate our new businesses

Market influence

- Availability of high quality sites and opportunities

3

INVESTING AND IMPROVING PROCESSES

To build a leaner cost base by investing and improving processes to increase efficiency

Investing in:

- New core IT systems
- New processes
- New equipment
- Digital communications to improve the customer journey

Progress in FY 2019

- Utilised the new recipe, margin and stock system for Fuller's Inns to identify opportunities for margin improvement
- Our new core Enterprise Resource Planning ("ERP") system went live in October 2018 across the business

Priorities for FY 2020

- Implement plans for targeted margin improvement driven by new recipe, margin and stock system for Fuller's Inns
- Deliver continuous improvement programme using the ERP system to drive improvements

Market influence

- Increased customer use of digital technology
- Introduction of General Data Protection Regulation

4

INVESTING IN OUR PEOPLE

Supporting all the above 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 in FY 2019

- Fuse communications and e-learning app developed to provide access to a range of information and support, for example on mental health
- Currently have 93 apprentices
- Continuing support provided to non-UK resident staff
- Working with Only a Pavement Away, a homeless charity to offer potential employment opportunities in our Managed houses

Priorities for FY 2020

- Relaunch of training offer with new programmes for all levels of front of house and kitchen employees
- Continue focus on recruitment, in particular chef apprentices
- Continue to build our reputation as the employer of choice

Market influence

- Impact of Brexit on labour market pool within the hospitality industry
- Availability of labour with appropriate skills

In addition, last year we had a fifth strategic goal that is no longer relevant following the disposal of the Fuller's Beer Business on 27 April 2019. For completeness, progress during the last financial year is outlined below:

5

GROW REPUTATION

To grow the reputation, distribution and sales of our premium brands

2018/19 Strategic objective –

Investing in:

- New, interesting and delicious beers and ciders at Fuller's, Cornish Orchards and Dark Star
- A wine range with authenticity and provenance
- Making the most of the Nectar opportunity
- Broadening our sales distribution
- High quality marketing with a growing emphasis on digital activity

Progress in FY 2019

- London Pride retained position as No 1 cask ale in London
- Frontier sales grew 4%
- London Pride Unfiltered launched in June 2018
- Collaboration with six craft brewers as Fuller's & Friends, all sold out this year
- Successful social media support for London Marathon sponsorship

Beer Champions

To support our pub team members who are passionate about beer, we created the Beer Champions initiative. A total of 45 team members from our Managed Pubs were picked to take part and encouraged to undertake the Beer Cicerone course – a globally recognised beer qualification – to nurture and develop their existing enthusiasm for beer. The programme was created to encourage Beer Champions to share their passion and knowledge with their colleagues and customers, ensuring that a Fuller's pub is always the best place to enjoy a perfect pint – be it a glorious gose or a marvellous mild.

CHIEF EXECUTIVE'S REVIEW

**ANOTHER GOOD YEAR
FOR THE COMPANY**

There is no doubt that this is a transitional year for the business – but it will be exciting, full of opportunity, and enables us to take this wonderful Company to new heights.

Simon Emeny
Chief Executive

It would be impossible to start this review without mentioning the sale, post year end, of the Fuller's Beer Business – a transformational move that has changed the face of our Company. Fuller's has always taken decisions for the very long term and this sale was no exception. It gives us an even clearer focus on sustainable growth from the higher margin part of our business and has the added advantage of putting us in a strong position to deal with potentially turbulent times ahead as the UK navigates the implications of exiting the European Union. I cannot think of a better time to be entering a transitional year, having bolstered the balance sheet and reduced our debt, putting our business in pole position to take advantage of attractive opportunities that arise.

Underpinning this position is a premium pubs and hotels business in robust health. We have had another year of like for like growth that has outperformed the industry, while our successful Tenanted business has continued to build on the new turnover agreement that creates genuine, sustainable partnerships between our Tenants and ourselves.

The sale of the Fuller's Beer Business to Asahi, and the completion of the roll out of our new ERP system, have taken up significant management time during the year, but with new systems in place and the transaction completed we can turn our attention to building for the future. We will concentrate our focus on growing sales and profits by providing more reasons for customers to visit our wonderful pubs.

To take Fuller's into the future, we have a vibrant, creative and energetic executive team in place – which will be complete when our new Finance Director, Adam Councell, joins in August, and we finalise the recruitment of a new leader for our Tenanted Inns. Fred Turner, who has been instrumental in introducing the new turnover agreement during his tenure heading our Tenanted division, moves to become Retail Director where he will be responsible for our Managed Pubs and Hotels. Peter Turner retains his brief as Property Director and Jane Jones remains as Marketing Director. Dawn Browne, previously Head of Operations for our City pubs, joins the executive team in her new role as People and Talent Director. It is early days – but I am very excited by the potential of this team.

As a new team, we have already started to plan for the future and refine our vision and strategy. We will be continuing to build on our fantastic estate of iconic pubs in stunning locations, an exciting portfolio of interesting drinks – which will be supported by our long-term supply agreement with Asahi – our commitment to delicious, fresh-cooked, seasonal food and outstanding accommodation, together with a great team of people and our financial strength. There is no doubt that this is a transitional year for the business – but it will be exciting, full of opportunity, and enables us to take this wonderful Company to new heights.

Managed Pubs and Hotels

Our Managed Pubs and Hotels have had a strong year with revenue rising 8% to £293.8 million (2018: £271.2 million) and operating profit¹ rising by 5% to £35.1 million (2018: £33.4 million). This performance comes against a backdrop of rising cost pressures with the rise in both the National Living Wage and the Apprenticeship Levy, further increases in Business Rates and rising pension contributions. We do not anticipate these cost pressures abating in the near future.

Our like for like sales have continued to outperform the industry², rising 4.9% over the year (2018: 2.9%), driven by an ongoing strong performance from our wet sales which rose 5.2%. The Football World Cup last June and July, combined with some excellent summer weather, drove sales up and that momentum continued for the rest of the year. Food sales strengthened in the second half of the year, to grow 3.9% in total, while accommodation also had a good year, rising 4.2%.

Our people front and centre

Our success is down to the people who make Fuller's the company it is. During the year, 120 team members completed at least one level of the Chefs' Guild, continuing our commitment to growing our Head Chefs of the future, and many of these colleagues had started on our chef apprentice programme. We recruited around 100 apprentices in the full year and anticipate recruiting another 100 in September 2019. Our long-term ambition is to recruit around 200 apprentices each year.

In addition to our chef training programmes, we are continuing to invest heavily in our front of house teams too with a combination of on the job learning, e-learning through our Fuse digital training and communications platform and more formal classroom development for those interested in furthering their career with us, on topics such as local marketing. We also use a successful *Stop the Clock* approach in pubs, which provides our General Managers with the tools to run a 15-minute training session on topics from our beer portfolio to mental health awareness.

Investing in our people has a direct return as in today's digital world consumers have the power to share their customer experiences with an immediacy that didn't exist even 10 years ago. In response, we have developed a bespoke reputation management platform that allows our pubs to monitor and respond to all their online feedback in one place. Combined with training on reputation management, we have seen our response rate increase by 35% year on year and we have grown our reputation scores on every major channel including Google, Facebook and TripAdvisor. At The Stable, the team has received 32,000 responses through its *Feeditback* system, giving an average Net Promoter Score of 66%.

DELIVERING OUR VISION

Focused on creating memorable experiences

One of our key trading periods is Sunday lunch – which these days run from 12 noon right up to around 6 p.m. Sunday lunches should be a time for family and for sharing, and we set out to deliver a meal where the star is a mouth-watering joint with all the trimmings.

One of the most popular dishes on a number of our Sunday lunch menus is the Roast Norfolk Chicken to share. Accompanied with delicious Yorkshires and lashings of gravy, could there be any better way to spend a Sunday?

¹ Operating profit before separately disclosed items.

² Coffer Peach Tracker index for pubs – year to 31 March 2019, +3.1%.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

SALE OF THE FULLER'S BEER BUSINESS

On 25 January 2019 the Group entered into an agreement for the sale of 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 million on a debt free, cash free basis. The disposal of The Fuller's Beer Company completed on 27 April 2019, subsequent to the end of the reporting period.

The business sold comprises 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 (referred to as the "Fuller's Beer Company", which was incorporated to acquire certain of the assets and liabilities of the Fuller's Beer Business). Accordingly, those divisions are reported as discontinued operations in the 2019 financial statements with the remaining Managed Houses and Hotels and Tenanted Inns businesses being shown as continuing operations.

Under the terms of the sale, AEL acquired the brands of the beer business (including *London Pride*) and will receive the benefit of a licence, on a perpetual, global, exclusive and royalty-free basis, to use certain trade marks (including the "Fuller's" name, logo and cartouche) for the provision of beverages. Ownership of the licensed trademarks has been retained by Fuller's.

As part of the transaction, we have formed a strategic alliance with Asahi by entering into a long-term supply agreement for the

continuing supply of the brands of the Beer Business (and selected Asahi brands) to Fuller's pubs and hotels. This agreement is for a minimum period of five years, with both parties being able to renew for a further five-year term. As a result, our team members and management will continue to cherish, value and promote the brands of the Fuller's Beer Business and our customers can continue to enjoy their Fuller's beers of choice.

The amounts shown as discontinued operations in the financial statements for the year ended 30 March 2019 are a profit before tax and separately disclosed items of £6.8 million (2018: £7.6 million) and separately disclosed costs of £1.6 million (2018: £nil). The net assets held for sale at 30 March 2019 in respect of the Beer Business are £57.0 million.

Net cash proceeds are expected to be approximately £205 million after relevant adjustments including reorganisation, tax, restructuring and transaction costs. £7.0 million of these disposal costs have been recognised in the year ended 30 March 2019 within separately disclosed items. The net proceeds will allow Fuller's to make a return of capital to shareholders, make a voluntary contribution to the pension scheme, reinvest in the existing pubs and hotels business to drive growth and invest in carefully selected acquisition opportunities as they arise.

Evaluation of the best and most efficient way to return capital to shareholders is currently underway and the Board looks forward to updating the market in this regard in due course.

Iconic pubs and new locations

During the year, we opened 11 new sites including six Bel & The Dragon country inns located around the Home Counties. We also acquired a package of four City bars from the We Are Bar group, and opened The Signal Box at Euston Station – a fantastic new addition to our growing portfolio of sites in transport hubs. Located on the mezzanine level overlooking the main station concourse, it is already delivering good results.

We also opened two other new managed pubs

– The Albert Arms in Esher, which had been closed for redevelopment, and The Hercules by Lambeth North station. We purchased the latter in March 2018 with a sitting tenant. It reopened in March 2019 as a stunning pub with a focus on craft beer and a look and feel to reflect the circus history of the area. It has performed exceptionally well – especially with regard to food sales. Both pubs are in areas where we previously lacked presence.

Five of the Bel & The Dragon sites were freehold, and we have since completed the purchase of the sixth freehold, located in the shadow of Windsor Castle. Five also had bedrooms and the commitment to outstanding fresh-cooked food and a high-end drinks portfolio played to our operational strengths. We anticipate realising a number of synergies as part of the purchase although the Bel & The Dragon pubs continue to operate as a standalone brand.

“We opened The Signal Box at Euston Station – a fantastic new addition to our growing portfolio of sites in transport hubs.”

Finally, the four We Are Bar sites acquired in May 2018 have all been refurbished and three have been renamed. These sites have filled in gaps in our City footprint and we still have three of the four original General Managers working in these pubs.

As well as acquiring new sites, we continue to invest in our existing estate and this year we had 94 closure weeks during the year (2018: 59), with the majority occurring in the first half. In total, we invested £25.5 million in our existing estate during the year and we will continue to ensure our iconic pubs are well invested going forward. Investments included The Pavilion End near St Paul's Cathedral, The Anglers at Teddington and The Bull Inn at Sonning. We also carried out schemes at The Counting House on Cornhill and The Blackbird at Earl's Court, where we added 24 bedrooms across the two sites.

A fresh and vibrant drinks portfolio

Bar sales have led the way, with a like for like sales increase of 5.2% and, while we may have divested our beer business, we have entered a long-term supply agreement with Asahi and Fuller's beer continues to be a focal reason for visiting a Fuller's pub. During the year, we

identified 45 Beer Champions from within our pub teams and helped them to complete their Cicerone qualification – a mark of excellence in beer knowledge. We leverage our Beer Champions' expertise by getting them together every three months to hear from brewers, try new beers and share their knowledge within the wider business.

While the long-term supply agreement gives us access to the best range of Fuller's and Asahi beers, specials and collaborations, our pubs are encouraged to provide a wide-ranging choice to their customers from global, national and local microbrewers too. In particular, we are proud to showcase beers that are unique to our estate, with some even brewed with our managers and the pub teams, giving an additional source of engagement in the beer. This keeps the range fresh, piques consumer interest and ensures that we always have something for our exploratory customers to try.

The same commitment to range and innovation can be seen at The Stable where, during the year, this young and vibrant brand launched its first ever Stable Cider Awards – won by Sheppey's 200. This year's event has already been launched and over 20,000 votes are

expected to be cast. The Stable also broke the world record for the largest ever cider tasting experience when 255 people descended on The Stable in Exeter to simultaneously taste a selection of three different ciders.

The trend for low and no alcohol beers is growing, albeit from a small base. Our range now includes Heineken 0.0 and Peroni Libera, as well as craft offerings from Big Drop, Thornbridge and BrewDog, plus a non-alcoholic cider from Sheppey's and new soft drinks such as Real Kombucha, Ugly and Square Root. We also continue to work with a number of interesting suppliers, such as Seedlip, to promote non-alcoholic spirits.

The popularity of G&T also continues to grow, supported by an ever-growing range of tonic flavours. Gin sales are up 37% on a like for like basis and now represent 39% of all spirit sales in our pubs. We have partnered with established premium brands such as Sipsmith to drive seasonal serves, and introduced new emerging pink gins from distilleries including Chase, Warner Edwards and Whitley Neal to capitalise on this continuing trend.

£293.8m

Total revenue for Managed Pubs and Hotels

£35.1m

Operating profit from our Managed Pubs and Hotels

£12.8m

Profit from our Tenanted Inns

QUALITY AND FRESHNESS

Dishes that appeal to all tastes

Much has been written about the increasing number of vegetarians – and there is no doubt we are seeing more vegans, vegetarians and flexitarians. We use the Ten Kites system on our website menus which allows people to be shown a menu that is tailored to their dietary requirements. Of the visitors to this site, 21% were looking for vegetarian options and 18% for vegan dishes.

We celebrated Veganuary in style this year with an amazing array of dishes including the Seitan Burger. This tasty meat-free option has amazing taste and texture and proved very popular with diners from vegans to carnivores.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

Food for thought

While non-alcoholic drink sales rise, the quest for a healthier lifestyle continues to be played out in the food arena too. Our food sales have grown by 3.9% on a like for like basis and within this, we are seeing an increasing number of people eating vegetarian or vegan meals more frequently. There is no doubt that consumer lifestyles have changed with customers being more flexitarian – for example electing to have a couple of meat-free days each week. This is further evidenced by The Stable, which held free Vegan Pizza events in a number of sites to celebrate International Vegan Day.

Anecdotal evidence suggests that those who are committed to a meat-free diet, and the younger generation in general, will carefully study menus in advance. The Ten Kites system that we implemented in the previous financial year, which allows customers to search a menu by dietary requirements, is gaining significant traction and 39% of site visitors are now searching the menu for vegan and vegetarian options.

In addition to ensuring we have a balanced food offer that can cater not just for different diets, but also for different day parts, we continue to focus on building our Chefs' reputations using signature dishes. Our pubs use these special, house-specific, dishes to provide a sense of occasion for those looking for something special – and we encourage our pubs to use their bespoke signature dishes to celebrate the seasonal elements of their menus.

We are very proud of our creative and motivated team of Executive Chefs and it was great recognition for the work they do when, in March this year, they were named *Operations Team of the Year* at The Publican Awards.

Creating memorable experiences

The number of pre-planned events in our pubs continues to increase and our head office sales team is focused on driving function bookings across the estate. In support, we have recruited and trained a network of sales and events personnel, based in our pubs, who can handle function enquiries and manage those special, memorable occasions. As a result, function sales in the last 12 months have grown by 12% and generated £9.3 million of revenue.

It is this central sales team that has, for the last four years, secured bookings from the American NFL when it plays matches each year in London. The agreement sees our most iconic London pubs become supporter hubs for the visiting teams – with a different team in each pub. These vibrant sporting celebrations drive new business, raise the profile of Fuller's as pubs of great character with visiting US tourists and generate excitement in the pub like no other. We are delighted to play such a key role in ensuring that, when the NFL comes to London, the teams and their supporters are treated to the best of British hospitality.

Accommodation sales across our beautiful boutique bedrooms have also risen this year by 4.2% on a like for like basis with Average Room Rate rising by £1.30. One of our targets has been to improve the amount of direct bookings, which means we don't have to concede the commission demanded by third party aggregators. Using targeted, predominantly digital communications has resulted in a 26% increase in bookings made through our website.

We have also worked to shorten the customer's digital journey – the more clicks and questions, the higher the dropout rate. To that end, we have made it as short and efficient an experience as possible to book a room and we use post-booking emails to add value through restaurant bookings and local information. We were particularly delighted to be named *Accommodation Operator of the Year* at The Publican Awards in March and the addition of 93 bedrooms during the year shows our commitment to this part of our business.

4.9%

Like for like sales growth in our
Managed Pubs and Hotels

+37%

Rise in gin sales in our Managed Estate

93

Bedrooms added

Tenanted Inns

Our Tenanted Inns have had a good year with total revenue rising 2%, like for like profits³ rising 1% (2018: 3%) and average EBITDA per pub remaining level despite increased spend on repairs, which also muted the like for like profit figure. During the period we have sold the final five pubs earmarked for sale as part of our strategic review. In addition, two pubs migrated across to the Managed estate, with seven moving in the opposite direction.

We moved another 17 pubs onto our turnover agreement, taking the total number of pubs on this model to 30 at the year end. We have also maintained our investment programme in the Tenanted estate with capex spend of £3.0 million for the year (2018: £3.0 million), reflecting the higher investment spend on pubs that are being leased on a turnover basis. Examples of these schemes include The Andover Arms in Brackbury Village, The Horse & Jockey in Curbridge, The Chequers in Chipping Norton and The Cross Keys in Great Missenden.

We continue to support our tenants in a number of other ways too. During the year, we completed the roll out of Fuse – our digital learning and communication platform – to our Tenants, which has improved the flow of information. We have also included more Tenanted Inns as part of the *Shakespeare in the Garden* programme.

³ Operating profit before separately disclosed items.

It is in the food arena where a company with Managed and Tenanted pubs can provide an extra level of support – and providing access to Food Alert, our food hygiene consultants, helps our Tenants to ensure compliance with Environmental Health regulations with a regular independent food audit. Around 50 Tenants are now using our preferred food suppliers and seeing a reduction in their food costs of around 15%.

The proof of our success is in our recruitment and we have seen a 50% increase in applications. This continued uplift comes on top of a 250% increase the previous year, when we overhauled our website and launched the turnover agreement. Our success depends on the success of our Tenants, so it is fantastic to see such a high level of interest in partnering with us.

The Fuller's Beer Company

The Fuller's Beer Company saw revenues grow by 6% (2018: 3%) while volumes remained flat. We completed the integration of the Dark Star Brewing Company, which we acquired towards the end of the prior financial year.

Sales of Frontier rose by 4%, supported by a marketing campaign to reposition the brand as a London premium lager, building on its flavour credentials and independence. We also installed our first ever Frontier tanks at The Distillers in Hammersmith. Meanwhile, London Pride Unfiltered gained a listing in Waitrose and was the Official Beer of *Pride in London*. Social feeds grew by 314% and, combined with an excellent seasonal calendar and the second series of Fuller's & Friends, The Fuller's Beer Company was perfectly placed for its sale to Asahi Europe Ltd.

Current Trading and Prospects

Against some incredibly tough comparatives from the hot weather and football fervour of summer 2018, I am pleased to report steady trading for the first 16 weeks of the new financial year with like for like sales in our Managed Pubs and Hotels rising by 1.2% and total revenue rising by 2.3%. Like for like profits in our Tenanted Inns were down -3% against very tough comparatives.

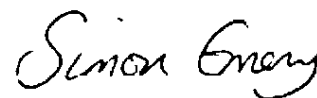
We look to the future as a focused premium pubs and hotels business. Having a long-term successful model, supported with low debt and high capital reserves, positions us well as the nation continues to navigate a number of political challenges.

Our new Finance Director, Adam Councill, joins us in August to complete our new executive team. There is no doubt that this is a transitional year and we have a real opportunity to look at every element of our business and absolutely ensure that we have the strategy, vision and goals to best position the business for further long-term success.

We will be building on our long-term supply agreement with Asahi to guarantee that a great range of Fuller's beers, backed up by continued dedication to cellar quality, will be at the heart of every Fuller's pub. In addition, we will work with a broad portfolio of suppliers to keep our offer fresh, our customers interested and our shareholders happy.

We continue to deliver transitional services to Asahi and, since the year end, have acquired a new freehold head office overlooking the River Thames at Strand on the Green, less than two miles from the Griffin Brewery. We are aiming to move in by the New Year.

This is a transformational period for Fuller, Smith & Turner, which coincides with a great deal of political and economic uncertainty. However, we can see a clear way ahead for the Company. With an exceptionally strong balance sheet, a predominantly freehold estate and a proven long-term business model, there will be undoubted opportunities and we are perfectly poised to leverage those over time as we embark on the next phase in our history.



Simon Emeny
Chief Executive
24 July 2019

BEAUTIFUL BEDROOMS

Facilitating the direct approach

During the last financial year, we increased our efforts to encourage direct booking for our hotel bedrooms. While booking aggregators have a large share of the market, we see the benefits of direct booking in terms of both revenue and customer experience. That's why we always ensure our best price is available to those who book direct.

OUR SUPPLIERS

At Fuller's, the supplier relationship is incredibly important and we prefer long-term relationships so we can truly work in partnership.

You can see the benefits of this in particular in our food supply chain. Working with Owton's for our meat and Laverstoke Park Farm for our dairy, we have been able to create items on the menu that are available *Only at Fuller's* – something we are very proud of.

1900

EARLY DAYS OF STEAM

We've always preferred local suppliers – so it was no surprise when we trialled the local Thornycroft steam wagons at the very start of the 20th century.

1997

MAKING THE MALT

When our legendary former Head Brewer, Reg Drury, decided to produce the first Vintage Ale in 1997, he wanted the best ingredients to make this special beer. To that end, he approached speciality maltster, Fawcett's Malt. Over 20 years later, Vintage Ale still benefits from the Fawcett touch.

2006

TRACEABILITY IS KEY

Our relationship with Owton's – the Hampshire Butcher – goes back to 2006. We work together to source the best cuts of meat for our pubs and also to produce specialist items that are bespoke to Fuller's like our award-winning black pudding. It's these little things that make all the difference.

Field of cream

The amazing buffalo at Laverstoke Park Farm roam in idyllic rural British countryside – which is probably why their milk makes such excellent cheese and ice-cream.

2019 AND BEYOND

The best ice-creams start with buffalo milk

We do like to get involved at the beginning of a project – and that's one of the reasons why we like working with Laverstoke Park Farm. Run by former Formula 1 World Champion, Jody Scheckter, the farm is home to a wonderful herd of over 750 water buffalo.

Buffalo milk is very rich and creamy – and it's that attribute that makes it perfect for cheese and ice-cream. Of course the real skill is in the tending of the herd and that job falls to the Laverstoke farmer James Cranham-Ryder, who has been pulling on his wellies for the last 13 years.

The Laverstoke Park ice-cream team, working with Fuller's, has produced a bespoke range that is available in Fuller's pubs – including our own vanilla, salted caramel and cinnamon flavours. Most recently, we've worked with the Laverstoke Park team to produce vegan ice-cream in chocolate and coconut flavours. This amazing product, using coconut milk, means all our customers can now enjoy an icy delight in a Fuller's pub.

But our relationship doesn't end there. Laverstoke Park has twice played host to our General Managers' Conference and we've had a presence at Carfest, the car

and music festival, for the last two years too. It's another example of how we add value and meaning to our supply chain.

3.9%

Rise in like for like food sales

142

Supplier visits undertaken by our Head Chefs

A STRONG BALANCE SHEET BACKED BY A PREDOMINANTLY FREEHOLD ESTATE

FINANCIAL HIGHLIGHTS

+7%

Increase in total Group revenue

£43.2m

Adjusted profit¹ from total operations

+3%

Increase in EBITDA²

Financial Position and Performance

Total Group revenue rose by 7% on the prior year, largely driven by strong like for like trading within the Managed estate and the contribution from our ten acquisitions and one new opening made in the early part of the year.

Our operating profits before separately disclosed items increased by 2% to £50.1 million (2018: £49.2 million) as adjusted operating profit¹ in the Managed Pubs and Hotels division grew £1.7 million. The Fuller's Beer Company saw adjusted operating profit¹ reduce by 11% against last year. Adjusted Group profit² remained level at £43.2 million, as the revenue increase was offset by increased finance costs following the acquisitions made in the first half of the year. EBITDA³ increased by 3% to £73.2 million (2018: £70.9 million) after adding back the amortisation charge which increased by 6% on the prior year.

Sale of the Fuller's Beer Business

Following the conditional agreement to sell the Fuller's Beer Business to Asahi, entered into on 25 January 2019, and subsequent completion of the sale after the Balance Sheet date, on 27 April 2019, The Fuller's Beer Company results have been shown as discontinued operations in these financial statements.

The amount shown as discontinued operations in the financial statements for the year ended 30 March 2019 are a profit before tax and

separately disclosed items of £6.8 million (2018: £7.6 million) and separately disclosed costs of £1.6 million (2018: £nil). The separately disclosed items comprise non-operational staff costs. The net assets held for sale at 30 March 2019 in respect of the Beer Business are £57.0 million.

Net cash proceeds are expected to be approximately £205 million after relevant adjustments including reorganisation, tax, restructuring and transaction costs. £7.0 million of these disposal costs have been recognised in the year ended 30 March 2019 within separately disclosed items. The net proceeds will allow Fuller's to make a return of capital to shareholders, make a voluntary contribution to the pension scheme, reinvest in the existing pubs and hotels business to drive growth and invest in carefully selected acquisition opportunities as they arise.

Finance Costs

Total net finance costs (before separately disclosed items) have risen by £0.9 million to £6.9 million as a direct result of higher average borrowings this year following the ten sites bought in the first three months of the year. The average cash borrowings increased by £21 million and the average cost of gross borrowing remained low at 2.9% (2018: 2.8%).

The net interest expense on our defined benefit pension scheme is shown within

¹ Operating profit before separately disclosed items.

² Profit before tax and separately disclosed items from total Group operations.

³ Earnings before separately disclosed items, interest, tax, depreciation and amortisation.

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

The separately disclosed items before tax of £17.1 million comprises £6.7 million of ERP replacement costs, £7.0 million of costs associated with the disposal of the Beer Business, £1.2 million of net impairment costs primarily in the Managed Pubs and Hotels division, £1.9 million of onerous lease charges, £0.6 million of acquisition costs, £0.5 million of reorganisation costs, a £0.3 million provision for Guaranteed Minimum Pension equalisation charges and a net finance charge on our pension deficit of £0.8 million, all partially offset by the £1.9 million profit on property disposals.

Tax

A full analysis of the tax charge for the year is set out in note 7 to the financial statements. Tax has been provided for at an effective rate of 19.7% (2018: 20.4%) on adjusted profits. The overall effective tax rate of 25.3% is due to the net loss on separately disclosed items being taxed at an effective tax rate of 11.1%.

During the year the significant tax revenues the Group collects for the Government grew 4.5%. During the 52 weeks ended 30 March 2019, the total tax contribution of the Group to the UK Exchequer was

£148.2 million (2018: £141.8 million) in taxes borne and taxes collected on behalf of colleagues, customers and suppliers.

Pension

The defined benefit pension scheme deficit has increased by £3.9 million to £36.4 million (2018: £32.5 million). The present value of pension obligations increased £6.3 million to £148.3 million, driven by the discount rate falling from 2.6% to 2.4% and the RPI inflation assumption increasing from 3.20% to 3.35%. This was partly offset by an increase in the fair value of scheme assets of £2.4 million from £109.5 million to £111.9 million. Deficit recovery payments of £2.0 million were made during the financial year.

As previously announced, we will be making an additional voluntary contribution to the pension scheme, following the sale of the Beer Business. This will be agreed in the new financial year.

Shareholders' Return

Adjusted earnings per share for the total Group were level with last year at 62.78p (2018: 62.90p). After substantial separately disclosed items, basic earnings per share were 46% lower than last year at 35.12p (2018: 64.89p). The proposed final dividend of 4.35p (2018: 12.00p) per 40p 'A' and 'C' ordinary share, together with the interim dividend of 7.80p per share and second interim dividend of 8.00p per share already paid,

makes a total of 20.15p and compares with a total dividend of 19.55p last year. The total dividend per share has grown by 3% and will be covered more than 3.1 times by adjusted earnings per share, compared with 3.22 times in the previous year. Shareholders' equity at 30 March 2019 was £338.5 million.

As previously announced we will be making a return of capital to shareholders of between £55 million and £69 million, which equates to between £1.00 and £1.25 per 40p 'A' and 'C' ordinary share. This will be made in the current financial year.

During the period 313,983 'A' ordinary 40p shares were purchased into treasury for a total of £3.1 million (2018: 536,827 'A' ordinary 40p shares for £5.3 million). In addition, 121,031 '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 (2018: 214,645 'B' ordinary 4p shares for £0.2 million). The average price paid was 975.6p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 1,175p. The highest price during the year was 1,175p, while the lowest was 846p. The Company's market capitalisation at 30 March 2019 was £645.8 million (2018: £527.1 million).

Revenue	52 weeks 2018/19 £m	52 weeks 2017/18 £m	52 weeks YoY Var
Managed Pubs and Hotels	293.8	271.2	+8%
Tenanted Inns	30.9	30.2	+2%
Group revenue from continuing operations	324.7	301.4	+8%
The Fuller's Beer Company	161.4	152.9	+6%
Less intercompany sales	(55.0)	(50.7)	+8%
Group revenue from total operations	431.1	403.6	+7%

Adjusted Profit	52 weeks 2018/19 £m	52 weeks 2017/18 £m	52 weeks YoY Var
Managed Pubs and Hotels	35.1	33.4	+5%
Tenanted Inns	12.8	12.9	-1%
Central costs	(4.6)	(4.7)	-2%
The Fuller's Beer Company	6.8	7.6	-11%
Operating profit from total operations¹	50.1	49.2	+2%
Finance costs	(6.9)	(6.0)	+15%
Adjusted profit from total operations²	43.2	43.2	level
Adjusted profit from continuing operations	36.4	35.6	+2%

TOTAL TAX COLLECTED (£m)

FINANCIAL REVIEW

CONTINUED

Cash Flow and Net Debt

The Group generated cash available for discretionary spend of £35.1 million (2018: £51.0 million) with the decrease largely due to a £20.9 million net working capital cash outflow in the year compared with a £6.0 million net cash outflow last year. In line with our long-term investment strategy, we invested £32.7 million in capital expenditure.

We spent £19.2 million on the corporate acquisition of six Bel & The Dragon country inns and £3.3 million on the acquisition of four sites formerly under the We Are Bar brand in great locations across the City. We spent £3.7 million on acquiring the remaining minority interests in two of our earlier acquisitions, The Stable Pizza & Cider Limited and Nectar Imports Limited. We also invested £32.7 million in our existing estate including 16 major refurbishments, the opening of The Signal Box at Euston Station and a number of investments in The Fuller's Beer Company, including a new canning line for Cornish Orchards and a pilot plant for new innovative beers. Our continuing investment in a new ERP system of £6.7 million has been expensed within separately disclosed items and went live at the end of October 2018.

Asset disposals from the sale of five properties within the Tenanted portfolio and the termination of a Managed long leasehold raised £7.3 million and generated a separately disclosed profit of £1.9 million, which we used to further invest in our estate.

Overall net debt has increased by £43.3 million to £245.2 million largely due to the acquisitions and capital investments made during the year and as a result our pro forma net debt to EBITDA ratio at 30 March 2019 increased a little to 3.1 times.

Cash flow	2019 £m	2018 £m
EBITDA	73.2	70.9
Interest	(6.2)	(5.7)
Tax	(8.6)	(9.0)
Working capital and other	(23.3)	(5.2)
Cash available for discretionary spend	35.1	51.0
Capital expenditure	(32.7)	(27.6)
Acquisitions including repayment of liabilities on acquisition (see note 17)	(25.9)	(10.6)
Acquisition costs paid and other separately disclosed items	(9.7)	(4.0)
Property disposals	7.3	10.8
Dividends and share transactions	(13.1)	(15.2)
Included in the assets of the disposal group	(5.3)	-
Cash flow	(44.3)	4.4
Non-cash movement	1.0	(0.2)
Net debt movement	(43.3)	4.2

Sources of finance	2019 £m	2018 £m
Bank debt	228.5	185.9
Other debt	27.7	27.7
Cash	(11.0)	(11.7)
Total net debt	245.2	201.9
Available committed facilities	31.0	53.5
% net borrowings fixed/hedged	54%	58%
Net debt/EBITDA	3.1x	2.9x

Sources of Finance

The Group has £260.0 million of available long-term facilities, £176.7 million of which is available until August 2021, £33.3 million of which is available until August 2020 and £51.0 million of which is available until August 2019. Our undrawn committed facilities at 30 March 2019 were £31.0 million, with a further £11.0 million cash held on the Balance Sheet.

£100 million of our borrowings at 30 March 2019 was hedged; £60 million is swapped at a blended interest rate of 1.89% (excluding bank margin) and £40 million is subject to a cap at a blended rate of 1.66%. 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 22, 24 and 26. 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.

Subsequent to the year-end, the completion of the sale of the Beer Business in April 2019 has significantly increased our available facilities. Net debt at 29 June 2019 was £21.7 million. Our very healthy balance sheet position gives us the flexibility to invest strategically in the future as suitable opportunities arise.

IFRS 16 Accounting for leases

IFRS 16 Accounting for Leases will be adopted by the Company for the year ended March 2020. As a result, operating lease expense will be replaced by depreciation and a finance charge. The net impact to adjusted profit is expected to be between £1.0 million and £2.0 million reduction to profit, as the increase to depreciation and finance costs is slightly larger than the reduction to lease operating costs. Both assets and liabilities are expected to increase by between £75 million and £85 million, with no net impact and no impact on cashflows.

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 Statement

In adopting the going concern basis for preparing the financial statements, the Board has considered the business activities as set out within the Strategic Report along with the principal risks and uncertainties as detailed on pages 24 and 25. Based on current financial projections and having considered the facilities available, the Board is confident that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Viability Statement

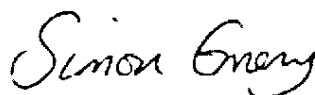
The Directors have assessed the viability of the Group over the four year period to March 2023, taking into consideration the Group's current position and the potential impact of the principal risks documented on pages 24 and 25 in the Strategic Report. Based on this assessment, the Board confirms that it believes the Group will continue to be operationally and financially viable over the four year period to March 2023.

Four years has been considered an appropriate period for assessment as it is the time horizon over which the Board analyses and reviews detailed strategic plans and is considered a good balance between providing a medium-term horizon, whilst not becoming speculative.

The assessment has taken account of the available debt facilities, analysed the key risks to the business, and considered the effectiveness of internal controls and review processes. In making this assessment the Board has considered scenarios based on after the sale of the brewery, the potential impact of Brexit and a severe economic downturn.

Key factors considered include:

- the Group's asset backed Balance Sheet and strong financial position
- the strength of the Group's credit and availability of finance
- the ability to preserve significant cash flows by a reduction in discretionary investments; and
- the long-term strategy and outlook of the Group.



Simon Emeny
Chief Executive
24 July 2019

PRINCIPAL RISKS AND UNCERTAINTIES

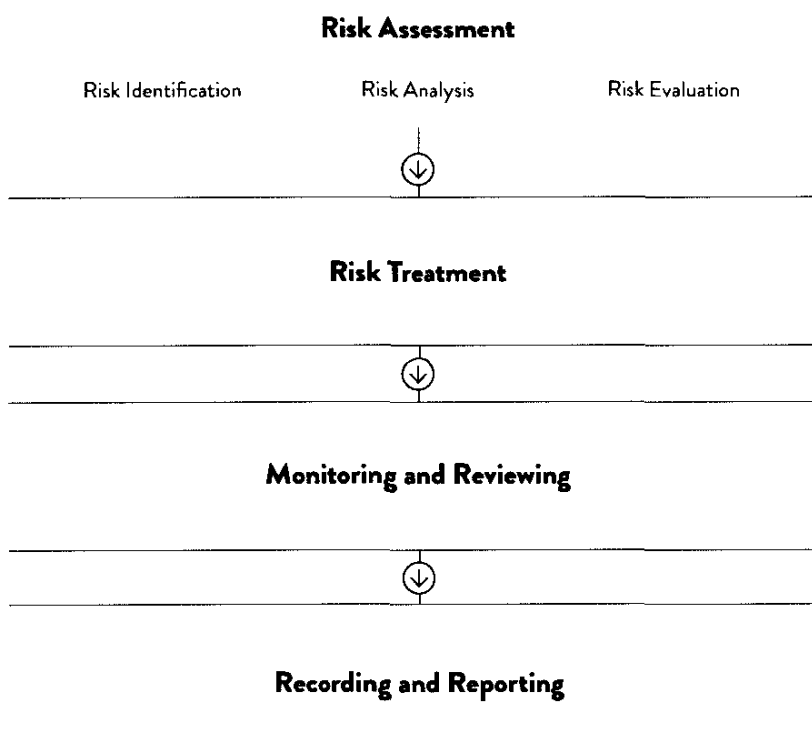
RISK MANAGEMENT

Managing risks well is key to ensuring that we achieve our strategic objectives in the long term and that we 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 Executive and Audit Committees to assist them in their oversight roles
- reviewing the risks associated with the sale of the Fuller's Beer Business and our future focus on the pubs and hotels business
- reviewing the ownership of and accountability for risks and controls within the new Executive and Management teams.

RISK MANAGEMENT PROCESS



PRINCIPAL RISKS AND UNCERTAINTIES

The following sets out the principal risks which face the business at present and may impact future performance, although the analysis is not intended to be a comprehensive list of all risks being actively managed by the business. The key financial risks are detailed in note 26 to the financial statements.

Description	Risk Mitigation
Strategic Risks 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 acquisition and disposal decisions and their implementation. This risk has been heightened following the sale of the Fuller's Beer Business.	Our vision for the future is very clear: 'to create exceptional experiences full of style and spirit – in characterful pubs and hotels where everyone feels they belong and where people leave happier than when they arrived'. 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. Finally, as a family owned business, we have the advantage of pursuing long-term growth as opposed to short-term gains.

Description	Risk Mitigation	Overview
Consumer Demand Shifts The business's success is attributable to its ability to anticipate and react to consumer demand.	Management monitor and research consumer trends and run trials of new technologies. We gather consumer feedback through Net Promoter Score surveys, customer complaints, and online and social media reviews. We analyse retail pricing and market share data to ensure we are competitive but still premium. The Executive Committee approves all acquisition decisions and therefore controls key changes to the Group.	Strategic Report
Health and Safety The health and safety of our employees and customers is a key priority for us. Operating a large number of houses and sites increases the complexity of ensuring the highest health and safety standards are adhered to.	We have a comprehensive training programme in place for our employees covering all aspects of health and safety. All sites complete site specific risk assessments and are required to undertake detailed weekly and monthly compliance inspections which are then subject to review by our in-house health and safety team. Finally, we utilise the services of expert third party health and safety auditors ("Food Alert") who undertake annual audits on all our sites and perform detailed investigations in instances where an incident does occur.	Governance
Recruitment and Retention of Employees The recruitment and retention of high calibre employees is fundamental to enable us to deliver a distinctive experience for our customers and to support our growth agenda. The sale of the Fuller's Beer Business and the ongoing uncertainties surrounding Brexit have presented the business with both challenges and opportunities.	We have succession plans in place for key senior management roles and have drawn upon these when selecting an Executive team who can deliver the Board's strategy for the new pubs and hotels focused business. Given the pressures on identifying high quality candidates across our sites and especially in London, we have had to be innovative with our recruitment and ensure that our offer to employees is attractive. We provide support for our staff from the EU and have increased the number of chef apprentice positions for UK candidates. By investing in our employees and offering 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.	Financial Statements
Information Technology The Group is increasingly reliant on its information systems to operate and trading would be affected by any significant or prolonged failures. Over the last year, the business has invested heavily in implementing a new core ERP system which went live at the end of 2018 and, as with any large project, we must ensure that business benefits are delivered.	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. Our employees have worked extremely hard to ensure that the implementation of our new ERP system is a success and the Executive team is now focused on utilising this new platform (and our overall digital offer) to drive service improvements and cost efficiencies.	Additional Information
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 Business.	We have a Long-Term Supply Agreement 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 services are subject to key performance indicators ("KPIs"). All other key suppliers have service and quality KPIs which are measured on a monthly basis. 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. As part of Brexit preparations, an analysis was undertaken to determine potential disruptions to supply. Whilst our exposure was considered low, mitigating actions were taken to widen the supply chain or to stockpile certain products, to reduce our risk even further.	
Long-Term Supply Agreement with Asahi The Long-Term Supply Agreement ("LTSA") entered into with Asahi Europe Ltd from 27 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.	The operation of the LTSA includes regular dialogue between the Company and Asahi to discuss key initiatives and maintain mutual brand guidelines. Asahi has similar, strong core values which reduces the risk to reputation. The terms of the LTSA ensure that distribution services and technical support services are subject to strict terms with key performance indicators and Fuller's retains direct relationships with all key end suppliers.	

Fuller, Smith & Turner is a company with a rich heritage – one that stretches back over 170 years. Some of our social responsibility projects have been ongoing for many decades, particularly the charity and community support we are involved in, and we are proud to have these historical relationships. But Fuller's is also proud of the more recent social responsibility strategies that we have implemented, and we're excited about future projects too. As today's social and environmental climates change, so must we.

IN THIS REPORT

This report will outline Fuller's corporate social responsibility strategy, structured by dividing it into four key sections:

- Charity and community support
- Responsible retailing and supplier engagement
- People
- The environment

Charity and Community Support

In July 2018 we welcomed Special Olympics GB ("SOGB") as our new charity partner. Special Olympics is the largest sports organisation for children and adults with intellectual disabilities.

We have a three year minimum agreement with SOGB; during this time it will be the main recipient of monies raised by Fuller's – through fundraising at house level and other activities held throughout the year. In the Managed pubs, for every children's meal and Ale & Pie board sold, we will donate 50p to SOGB.

Before we entered in to the partnership with SOGB, Shooting Star Children's Hospices was our charity partner. Up until June 2018, it was the recipient of the children's meal and Ale & Pie donations – from the start of the financial year until then, we raised £40,790 for the charity.

Since fundraising began for SOGB in July 2018, we have raised in excess of £110,000 for them through the meal donations and other activities such as the annual Brewery Open Day.

In this financial year, we have again increased the number of pubs to have the Pennies system – which was in 96 Managed Pubs and all Stable restaurants and has now been rolled out across all Fuller's Managed Pubs. Pennies is an electronic charity box – customers are offered the choice to round up their bill to the nearest pound when paying with chip and pin, with the rounded amount going to charity. As part of the transition between charity

partners, the money made through Pennies will be split between the two charities. In the first year of the new partnership, Shooting Star Children's Hospices will continue to receive 100% of the money made. In the second year, SOGB and Shooting Star Children's Hospices will split the proceeds 50/50 and in the third year of the agreement, SOGB will receive a majority share of 75% while Shooting Star Children's Hospices will receive the remaining 25%.

Another charity partnership, one that goes back over a decade, is with Seafarers UK. Seafarers helps people in the maritime community by providing vital support to seafarers in need and their families. We support Seafarers UK by donating £5 per cask of Seafarers Ale sold and this year we donated £27,635 to the charity.

In December, for the third year running, we brewed Wise Men – a seasonal charity beer for Prostate Cancer UK. Fuller's donated 50p for every pint sold in our Managed Pubs and £10 for every firkin sold to Tenants and free trade customers. Nearly £15,000 was raised through the beer to help fund research into the diagnosis, treatment and prevention of prostate cancer, as well as supporting men and their families who are affected by the disease.

The Stable, our craft cider and gourmet pizza restaurant business, has been working with Dorset Mind for two years now – last year raising £150,000 and awareness for the mental health charity. Site teams took part in charity initiatives such as Get Your Shirt Together ("GYST") and RED January.

GYST is a carefree approach to opening up the conversation about mental health and brightening someone's day – people don Hawaiian shirts for the day to encourage those around them to smile. The Stable Bournemouth's team wore their Hawaiian shirts on 'Blue Monday' – the third Monday of January, which has been labelled the most depressing day of the year. The Stable team members from all over the country took part in RED January – set up by Dorset Mind, the initiative encourages people to support their mental health by staying active every day in January.

Dark Star teamed up with comedians and radio DJs Elis James and John Robins to create a beer to celebrate the launch of their new book, *The Holy Vible: The Book the Bible Could Have Been*. The profits from the eponymous beer raised just over £6,000, which went to CALM: The Campaign Against Living Miserably.

Dark Star also raised £16,000 last year for the Dark Star Foundation – which supports causes local to Dark Star's Partridge Green Brewery.

Responsible Retailing and Supplier Engagement

We have strong relationships with our suppliers and we are proactive in working with them to ensure we serve high quality products. For example, we check the traceability of our meat – including the breed of animal and the date it was slaughtered. We pay for our biggest selling line, burgers, to be regularly tested for E. coli and Campylobacter.

Working alongside our suppliers, we strive to ensure we only serve products that are responsibly and ethically sourced. Direct Seafoods, our fish and seafood supplier, has a sustainability policy in place to preserve species. It works with charities, NGOs and trade associations to raise awareness and improve sustainability. Working to guidelines set by the Marine Conservation Society, Direct Seafoods actively removes species it believes to be endangered from its supply chain and works with chefs to guide them away from using less sustainable species in dishes.

To help reduce the amount of food waste that goes to general landfill, we will be trialling table-top food waste bins in a few of our pubs' kitchens. These will make it quicker and easier for our chefs to dispose of food waste quickly. Without the proper disposal, food waste often ends up in the general waste destined for landfill. Food waste in landfill is not only detrimental to the environment, as trapped decomposing food produces methane, but it is wasted potential – food waste can be used as fertiliser and as a renewable energy source.

We trialled a new brand of soaps and hand lotions, BeeKind, in some of our pubs and hotels. BeeKind is a collection from Gilchrist & Soames, a responsible luxury bath and body products company. Gilchrist & Soames is committed to protecting the environment – it works with other organisations to reduce the amount of greenhouse gases it produces, to ensure its products are not harmful to the environment and to improve the recycling rate of plastics within the hospitality industry. Its BeeKind brand uses its profits to support honey bee populations and fund sustainable pollination research. We are looking to roll this brand out in all our Managed Pubs.

WATERSIDE SAFETY

We have worked with the Tower Lifeboat Station branch of the Royal National Lifeboat Institution ("RNLI") to provide our waterside pubs with throw bags and training on how to use them in an emergency. Throw bags are small bags that contain a line of floating rope. The bags are designed to be easily thrown out to anyone who may have fallen into water, while the thrower holds on to the other end, to pull the person out of the water or to keep them in place while waiting for the emergency services to arrive. Ahead of the University Boat Race in 2019, teams from pubs along the race route attended training with RNLI volunteers and personnel on using the throw bags. The bags are now onsite in these pubs. We are looking to host more training at all of our 31 waterside Managed Pubs.

£111,742

Raised for Special Olympics GB

£40,790

Raised for Shooting Star Children's Hospices

FULLER'S OPEN DAY

The popular Brewery Open Day held each September is just one of the many ways we raised money for Special Olympics GB last year. Beer lovers and families congregate in Chiswick and are kept entertained with free brewery tours, live music, dray horses and even a Punch & Judy show.

CORPORATE SOCIAL RESPONSIBILITY

CONTINUED

The Stable uses carefully selected suppliers to ensure high quality, ethical products. For example, all its beef comes from Long Horn Jim – a beef farmer in Dorset, a stone's throw away from where The Stable was founded. Long Horn Jim's philosophy is "we believe in a way of farming that's honest, sustainable and works for all" – operating with transparency and rearing its cows naturally.

The juices sold at all The Stable sites are from Flawesome Drinks – a juice company that uses only misshapen fruit in its products. The aim is to reduce the tonnes of fruit thrown away because they aren't the "right" shape to be sold in shops, but are perfectly safe to eat. So far this year, it has already saved 7.5 million pieces of fruit from being thrown away.

People

We pride ourselves on the development we offer our team members across the business. The mutually beneficial results we see from investing in the right people inspires us to continue to improve and grow our learning and development programmes. The people in our business are our greatest asset and we strive to nurture those who wish to progress in the company – offering the right career path to suit them.

We offer in-role development – focusing on growing our team members' own leadership skills. We are keen to offer progression and retain people. We also want to change the perception of working in the hospitality industry – showing how it can lead to a rewarding and fulfilling career.

Since the year end, we have relaunched our training offer. The new programmes are aimed at all levels of front of house employees and kitchen team members, where courses support the ongoing Chefs' Guild scheme. Courses are split into two distinct areas. The first focuses on technical skills around safety, retailing and kitchen craft with courses including Emergency First Aid, Master Cellarman, Kitchen Cross Training and Award for Personal Licence Holders.

The second area focuses on mastering management, creating a pathway for team members at any stage in their Fuller's journey to hone their leadership skills, broaden their knowledge and further their careers. Subjects covered include leadership, sales, people and mental health – with courses such as Five Star Impact, Leading the Perfect Shift, People Matters and Head Chef Leadership Scholarship.

Our apprenticeship programme has grown since its inception in 2016. We now have 93 apprentices – with a majority partaking in two chef programmes: Commis Chef and Chef de Partie. We introduced a brewing apprentice programme for the first time in 2018, plus two engineer apprentices and we also have one office-based team member on their second apprenticeship programme through Fuller's.

Our recruitment team has been working with charity Only a Pavement Away ("OAPA"), which offers crucial employment and work experience to those who are struggling to find it elsewhere – such as ex-offenders, the homeless and ex-service personnel. By offering invaluable recruitment advice such as CV building and access to job vacancies in hospitality, OAPA is bridging the gap – helping the individuals and the businesses. We are putting a lot of resource into ensuring our team members feel supported regarding mental health issues. On Fuse, our digital learning and communication platform, we have provided an easy to use, one-stop location for quick access to NHS approved apps, links to charity websites such as Mind, SANE and the Licensed Trade Charity and blogs from these charities. Since the year end, we have marked Mental Health Awareness Week by encouraging our General Managers to hold Stop the Clock sessions – where Managers hold 15 minute sessions with their team members to go through the available resources, including a video from the Licensed Trade Charity. The session also gave people the time to stop and download any of the material or resources that they may find helpful.

We offer a number of benefits to our employees to help well-being – such as discounted gym memberships, a cycle to work scheme, free flu jabs and free health checks. Plus we offer benefits to help save some money including discounts in our Managed Pubs and Hotels and last year we launched Fuller's Hub – an online dashboard where all employees can access discounts from hundreds of retailers.

SPECIAL OLYMPICS GB

Special Olympics GB ("SOGB") is a charity that support adults and children with an intellectual disability ("ID"). An ID is a disability characterised by significant limitations both in intellectual functioning (reasoning, learning, problem solving) and in adaptive behaviour, which covers a range of everyday social and practical skills.

There are 150 SOGB programmes across the country, run by approximately 4,000 volunteers. SOGB uses the platform of sport to transform the lives of those with an ID. These programmes offer year-round activities and incorporate many different sports – it integrates health, well-being, education and social inclusion into all its programmes and strands of work.

There are 1.5 million children and adults with an intellectual disability in Great Britain. It is the most common disability in the UK and predicted to grow by 14% in 2021. Eight out of ten children with an ID are bullied and 78% of all ages do not take part in any sport. We hope that our partnership will help raise awareness of this fantastic charity and about IDs overall.

DIRECTORS

SENIOR MANAGEMENT

ALL EMPLOYEES

Female 2 (22%)
Male 7 (78%)

Female 9 (36%)
Male 16 (64%)

Female 2,013 (41%)
Male 2,947 (59%)

The Environment

We are always looking at how we can reduce our carbon footprint and take measures to help protect the world's ecosystem. Brewing is historically a green process – over 90% of our ingredients come from the UK and we reduce our waste by sending the by-product of brewing to farms to be used as animal feed.

In September 2018, we held the annual Brewery Open Day – which was free of single-use plastics for the first time. Beer, cider and soft drinks were served in reusable cups, tokens were sold in paper bags and the Fuller's Kitchen food stand had all wooden utensils.

On the same day as the Open Day, just up the River Thames from the Griffin Brewery, the organisers of Tidefest – an annual celebration of the Thames – held a river clear-up which was sponsored by Fuller's. We are going to sponsor the same river clean at Tidefest in 2019.

We continually look for ways to reduce our energy and water usage and you can see a case study of one method adopted to reduce the amount of water used when cleaning maturation vessels on page 30.

200

Number of apprentices we are aiming to hire next year

1.5m

Children and adults in the UK with an intellectual disability

£27,635

Donated to the Seafarers Charity

Carbon reporting

Fuel type	52 weeks ended 30 March 2019 CO ₂ tonnes	52 weeks ended 31 March 2018 CO ₂ tonnes
Electricity and gas	22,321	25,670
Petrol and diesel	2,008	2,129
Total	24,329	27,799
CO ₂ emissions per £100,000 of turnover	5.6	6.9

Overview

Strategic Report

Governance

Financial Statements

Additional Information

CORPORATE SOCIAL RESPONSIBILITY

CONTINUED

As the number of electric vehicle ("EV") drivers in the UK increases, Fuller's has installed EV chargepoints in 13 of its pubs – working with EV chargepoint provider Pod Point. Fuller's installed the chargepoints to help support the UK's transition to EVs – the new chargepoints are free to use, for both customers and staff.

Cornish Orchards, the cider maker based in Duloe in Cornwall, has been working on reducing waste. There was significant investment in a waste water treatment plant, which was installed towards the end of 2018 – but is still being commissioned. The plant is designed to clean the large volumes of waste water produced by Cornish Orchards. This was essential to the rural cider maker as it is not connected to mains sewage.

In the meantime, while the plant is being commissioned, Cornish Orchards is still cleaning its waste water through a series of reed beds, which is a natural and traditional way of treating water. This plant-based system allows bacteria, fungi and algae to digest the organic matter in the waste water.

One of the consequences of installing the waste water treatment plant is an increase in the energy used at Cornish Orchards, as it is quite energy hungry. This is one of the continuing battles with environmental control and something that the team at Duloe will work on to balance out.

REDUCING WATER USAGE

Summary

Cleaning in Place ("CIP") Optimisation Project: To observe and record data from cleaning cycles – with the aim of reducing the amount of water used and waste water produced while maintaining or improving hygiene quality of our vessels.

Objective

To reduce the volume of water used and amount of effluent produced by the CIP system.

Method

We conducted trials where we adjusted parameters such as flow rates, duration and frequency of CIP cycles. The results were analysed to monitor pH levels and levels of turbidity. We took into account variables including water pressure, duration of cycles and water temperature. In addition, we analysed manual cleaning practices (i.e. cleaning of doors and seals).

Result

Before the start of the project we conducted a cleaning cycle of two times two minute rinses. After analysing results obtained from many different variations, we found that the most efficient method was to amend this to three times 50 second cycles. By doing so, the required pH levels were reached sooner and the time taken to conduct the rinses was reduced. We calculated that, while still maintaining hygiene quality, we had reduced the amount of water used and effluent produced by 37.5%.

Next Steps

The trial was conducted on maturation vessels. Further work is ongoing on fermentation vessels and bright beer tanks to investigate whether similar savings and improvements can be made in these areas.

99%

The recovery/recycling rate at Cornish Orchards

37.5%

The reduction in water used and effluent produced under new tank cleaning regime

AGE UK

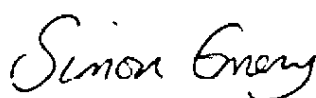
We have started working with charity Age UK to help tackle loneliness in the older community. We believe pubs, particularly those in smaller communities, can help break the taboo of discussing this issue. We hope to encourage people to come to the pub, even if it's just for a cup of tea, to promote regular social interaction – not only with people in a similar situation, but with the pub team members and other customers too. The Ash Tree in Ashford is the heart of its community and General Manager Tony Bedwell has hosted events for his older customers. At Christmas, for example, he hosted a free three-course Christmas lunch for 40 of the local elderly community. Tony provided the meal, drinks and a small gift for all attendees.

During the year, Cornish Orchards worked hard on reducing the amount of waste it produced. It halved the amount of waste per hectolitre of product sold over the last two years. In 2017, Cornish Orchards produced 61kg of waste per hectolitre of product sold and last year this dropped to 23kg per hectolitre.

It has also eliminated landfill waste, with a waste recovery/recycling rate of over 99%. What Cornish Orchards cannot recover or recycle, it sends to its local waste to energy plant where it is used to generate heat and electricity.

This report has covered steps that we have already taken to deliver our social responsibility strategy, however, we will continue to work on these issues. We realise that we will need to continue moving and growing ideas on how we can help the community, the environment and our people.

As a focused pubs and hotels business we have an opportunity to target specific areas of social responsibility. We are looking forward to working with our teams, both in pubs and at head office, to add value to the communities in which we operate and play our part in protecting the environment for future generations.



Simon Emeny
Chief Executive
24 July 2019

OUR PEOPLE

Fuller, Smith & Turner is a business that really does have family at its heart. Not just the three founding families, but many Chiswick families have seen several generations pass through the Brewery gates.

For the Turners and Fullers, we are now in the fifth and sixth generations respectively, with the current custodians active both on the Board and in executive roles throughout the Company.

1845

THE FULLER, SMITH & TURNER PARTNERSHIP IS FORMED

John Bird Fuller joins forces with Henry Smith and John Turner from the Ind & Smith Brewery and the Fuller, Smith & Turner partnership is formed.

1940

TAKING REFUGE BELOW THE BREWERY

During the Blitz, many Chiswick families took to the Hock Cellar, which doubled as the local air raid shelter. Several of the Brewery's employees acted as firewatchers during this period.

1985

SUN AND RUGBY FOR THE CLARKES

Rugby loving Joe Clarke and his wife Margy started collecting an amazing range of rugby memorabilia at The Sun in Richmond – including legend Jason Leonard's first England pay cheque.

Generation game

Scott and Katie Clarke took over where Scott's parents, Joe & Margy, left off at The Sun in Richmond.

2019 AND BEYOND

Being part of the family has never been more important

After 31 years in situ, Joe and Margy Clarke, Tenants of The Sun at Richmond, decided it was time to retire from their Fuller's tenancy. In searching for a new tenant, there was one obvious choice – Joe and Margy's son and daughter-in-law, Scott and Katie.

Scott was, and still is, working for the Fuller's training team – looking after our Management Training Programme and developing the General Managers of the future. Meanwhile, wife Katie is also a

Fuller's protégée, having been the General Manager of The Boat at Berkhamsted, The Fine Line (now The Hydrant) at Monument and one of Fuller's flagship City sites, The Vintry.

The stage was set and in 2016 Scott and Katie took over. The transition has been seamless with Katie running the pub, Scott helping at evenings and weekends, Joe and Margy being regular visitors, and the customers all happy to see one rugby loving set of Clarkes replaced by another.

14,462

Training days undertaken

18

Bespoke development programmes on offer

DRIVING OUR STRATEGY

Driving our strategy is the Board – a team of people who each brings expertise and experience in different areas. They set the strategic direction for the Company and add their contribution to the Fuller's growth story.

Michael Turner
Non-Executive Chairman
Chairman of the Nominations Committee

Aged 68.
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 53.
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 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.

Richard Fuller
Corporate Affairs Director

Aged 59.
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. Will become Non-Executive Director in January 2020. A GMP graduate of Harvard Business School.

Séverine Béquin
Company Secretary

Aged 49.
Appointed in 2014 after nearly ten 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.

Jonathon Swaine
Managing Director of Fuller's Inns

Aged 48.
 Appointed to the Board in 2012.
 Joined the Company in 2005
 and appointed as Operations
 Director for Fuller's Inns in 2007.
 Has previously held positions at Carlton
 Communications and Molson Coors.
 An arts graduate with a master's degree
 in marketing and alumnus of Columbia
 Business School.

Fred Turner
Retail Director

Aged 33.
 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.

Sir James Fuller, Bt
Non-Executive Director

Aged 48.
 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.

Peter Swinburn
**Senior Independent Non-Executive
 Director**

Member of the Remuneration
 Committee
 Member of the Audit Committee
 Member of the Nominations
 Committee

Aged 66.
 Appointed in 2018. Non-Executive
 Director and Chair of the
 Compensation and Governance
 Committee of Express Inc (USA),
 a publicly listed company. Non-
 Executive Director of Driven
 Brands USA, a private company.
 Chairman of the Wales Millennium
 Centre. Former President and Chief
 Executive Officer of Molson Coors
 Brewing Company and former Non-
 Executive Director and member of the
 Audit Committee and Compensation
 Committee of Cabela's Inc (USA).

Juliette Stacey
Independent Non-Executive Director
 Chairman of the Audit Committee
 Member of the Remuneration
 Committee
 Member of the Nominations
 Committee

Aged 49.
 Appointed in 2018. Chief Executive
 of Mabey Holdings Limited.
 Previously Chief Financial Officer of
 Mabey Holdings Limited. Former Chief
 Operating Officer (UK and Europe)
 and Finance Director (Commercial
 UK) of Savills plc. A Geography
 graduate qualified as a Chartered
 Accountant with Ernst & Young.

Helen Jones
Independent Non-Executive Director
 Chairman of the Remuneration
 Committee
 Member of the Audit Committee

Aged 60.
 Appointed in 2019. Non-Executive
 Director of international fast-dining
 restaurant group Vapiano SE and
 motor accessories and cycling giant
 Halfords Group plc, where she chairs
 the CSR Committee. Formerly Group
 Executive Director at Caffè Nero and
 Managing Director of Zizzi, the Italian
 casual dining chain. Vice-chairman of
 the Ben & Jerry's Board.

DIRECTORS' REPORT

The Directors present their report to shareholders together with the audited financial statements for the 52 weeks ended 30 March 2019.

Strategic Report

The statements and reviews on pages 6 to 31 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, KPIs, principal risks and uncertainties and the Group's financial management and treasury policies. Post Balance Sheet events are disclosed in note 31 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 34 and 35.

Lynn Fordham who was appointed to the Board in 2011, resigned as a Director with effect from 8 June 2018. James Douglas, who joined the Board in 2007, resigned as a Director with effect from 16 November 2018.

On the recommendation of the Nominations Committee, Helen Jones was appointed by the Board of Directors with effect from 12 March 2019. In accordance with the Articles of Association, her appointment will be subject to the approval of shareholders at the Annual General Meeting.

On the disposal of the Fuller's Beer Business, Simon Dodd resigned as a Director with effect from 30 April 2019. Jonathon Swaine will resign as a Director with effect from 11 October 2019 and Richard Fuller will become 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. In accordance with the Articles of Association, his appointment will be subject to the approval of shareholders at the Annual General Meeting.

The Board asked John Dunsmore to serve an additional year beyond his nine year term which expired at the 2018 Annual General Meeting. This was to provide continuity and stability as new Board members settled into their roles. John Dunsmore resigned as a Director with effect from 25 July 2019.

Simon Emeny retires by rotation at the Annual General Meeting and offers himself for re-election. Simon Emeny 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 59 to 62.

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 2 January 2019. The Company paid a second interim dividend of 8.00p per 'A' and 'C' ordinary share of 40p each and 0.800p per 'B' ordinary share of 4p each on 12 July 2019. The Directors now recommend a final dividend of 4.35p per 'A' and 'C' ordinary share of 40p each and 0.435p per 'B' ordinary share of 4p each. This makes a total dividend for the financial year of 20.15p per 'A' and 'C' ordinary share of 40p each and 2.015p per 'B' ordinary shares of 4p each.

The total proposed final dividend on ordinary shares will be £2,389,000, which together with the 2019 interim dividend paid of £4,285,713, the second interim dividend paid of £4,399,716 and the £120,000 of cumulative preference dividends paid will make total dividends of £11,194,429.

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. James Douglas was a Trustee of the Scheme.

Political Donations

The Group does not make political donations.

Purchase of Own Shares

At the Annual General Meeting held on 25 July 2018, the Company was given authority to purchase up to 4,807,052 '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 33,578,093 'A' ordinary shares, 89,052,625 'B' ordinary shares and 14,500,959 'C' ordinary shares.

During the year the Company purchased a total of 313,983 'A' ordinary shares at a total cost of £3,014,634 (exclusive of stamp duty). These share purchases represented 0.55% of the maximum issued ordinary shares and 0.94% of the Company's issued 'A' ordinary share capital.

61,639 'A' ordinary shares held in treasury, with a value of £585,331, were transferred to the Trustee of the Share Incentive Plan. 61,777 'A' ordinary shares held in treasury, with a value of £585,788, were transferred to the Trustee of the LTIP. 131,255 '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 £1,080,047. As at 30 March 2019, a total of 1,566,690 'A' ordinary shares and a total of 4,558,009 'B' ordinary shares are held as treasury shares.

Employees

The Group gives a high priority to communication with all its employees and pensioners thus encouraging a common awareness of the financial and economic factors affecting the Group. This is largely facilitated by a communications application, Fuse, which enables communication with all employees of Fuller's, Griffin Catering Services and The Stable. Until the disposal of the Fuller's Beer Business, this was also available to employees of Cornish Orchards, Nectar Imports and The Dark Star Brewing Company. Twice a year, all Brewery-based employees were invited to a results presentation led by the Chief Executive. These presentations will continue following the disposal of the Fuller's Beer Business for remaining staff of the Company. Fuller's Inns runs a "Connection Week" where one person from each pub is invited to a conference at which a number of messages are communicated. That employee returns to their pub and shares the information with their colleagues. The Fuller's Beer Company also ran a "Connection Day". News is regularly communicated via both traditional notice boards and e-mail distributions as well as town-hall style meetings. The communications policy, which is in operation throughout the business, is designed to ensure the successful cascading of information. A structure of consultation committees at both Divisional and Corporate level is in place to facilitate a dialogue between the Group and representatives of all employees including union members. Taken together, these communications have allowed the Group to engage successfully with all our employees, wherever they are employed.

The Group's 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 Group also has an equal opportunities policy which is designed to ensure that all employees are treated equally in terms of training, career development and promotion. Where employees develop a disability during their employment by the Group, 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 employees at all levels has always been a priority at Fuller's.

The Company continues to offer qualifying staff a Savings Related Share Option Scheme, a Share Incentive Plan ("SIP") and a variety of performance related bonus arrangements, which serve to encourage staff interest in

the Group's performance. Staff throughout the Group are given an "Indulgence" card allowing them to benefit from a staff discount scheme in the Group's managed pubs as well as in The Stable and Bel & The Dragon outlets.

Share Capital

Information on the Company's financial instruments, capital structure and related restrictions is given in notes 26 and 27 to the financial statements. Details of significant shareholdings are set out below.

Computershare Trustees Limited holds a total of 375,230 '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 30 March 2019	As at 18 July 2019
BlackRock, Inc	14.37	14.67
Standard Life Aberdeen plc	7.22	7.22
Ameriprise Financial, Inc	5.93	5.93
Dunarden Limited	3.05	3.05

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 30 March 2019 and at 18 July 2019
Mr A W M Mitchell & Burges Salmon Trustees Ltd	17.13
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 30 March 2019 and at 18 July 2019
Mr A W M Mitchell & Burges Salmon Trustees Ltd	31.02
Mr T J M Turner	6.20
Mr H D Williams	6.05
Miss S M Turner	5.25
Mr P A R Carter & Mr J M Gordon	4.29
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

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 40 to 46. 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 26 to 31. It contains information on greenhouse gas emissions, energy efficiency action and gender diversity.

By order of the Board



Séverine Béquin
Company Secretary
24 July 2019

Fuller, Smith & Turner P.L.C.
Griffin Brewery
Chiswick Lane South
London W4 2QB

Registered in England under number: 241882

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.

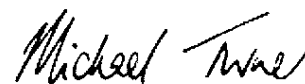
The Directors of Fuller, Smith & Turner P.L.C. are listed on pages 34 and 35.

Directors' Statement as to Disclosure of Information to Auditors

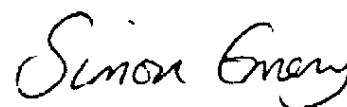
The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 34 and 35. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- 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
24 July 2019



Simon Emery
Chief Executive
24 July 2019

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.

I am pleased to confirm that I see it as the Chairman's responsibility to lead the Board and ensure it is working effectively. This year we are able to report full compliance with the UK Corporate Governance Code (the "Code") as revised in April 2016. We will implement changes as required to bring us in line with the provisions of the new Code published in July 2018 for the current and future financial years. The Board continues to focus on the key issue of succession planning which is a complex topic 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 Lynn Fordham, James Douglas and, following completion of the disposal of the Fuller's Beer Business, Simon Dodd and, later this year, Jonathon Swaine. Helen Jones has been appointed as a Non-Executive Director. As explained last year, in order to ensure a smooth transition, John Dunsmore, who completed his third three year term in office at last year's Annual General Meeting, agreed to stay on until this year to avoid all the Independent Non-Executive Directors being replaced in the same year. John Dunsmore stepped down from the Board in July 2019. Fred Turner was appointed as Retail Director in June this year.

I am satisfied that the Board comprises the right individuals who have the skills required to run this business and to respond to the challenges presented by the continually changing environment in which we operate. The Board recognises the importance of all types 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, I continue to effect our annual Board evaluation. I am aware that larger PLCs are required to seek external assistance to carry out this process but the Board does not believe that this would be likely to add extra value as long as our own process is robust. I believe that we have that robustness and that the manner in which the evaluation is carried out encourages a healthy debate on things that could be improved.



Michael Turner
Chairman

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 has complied with the requirements of the Code, as applicable to a smaller quoted company, throughout the financial year.

The information that is required by Code provision C.1.2 on the business model and the strategy for delivering the Company's objectives can be found in the Strategic Report on pages 6 to 31. 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 36 and 37.

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 management, and formally via its other clearly mandated Committees. Each standing Board Committee has specific written terms of reference which are reviewed by the Board annually 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 Board will be reviewing the Matters Reserved for the Board in the light of the disposal of the Fuller's Beer Business as well as the terms of reference for the Executive Committee where changes have been made following the disposal. 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 Directors provide 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 has 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 to consider the proposed disposal of the Fuller's Beer Business. 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. Until the disposal of the Fuller's Beer Business, Board and Committee meetings were mainly held at the Brewery with some formal meetings being held within the Estate. Going forward, meetings will be held where possible within the Estate.

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 Divisional Directors 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 with valuable feedback about the Company's people and its operations.

The Executive Committee is chaired by Simon Emeny and its meetings 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 treasury and credit control. Each Executive Director 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. Matters such as health and safety policy and approving major contracts are taken at Executive Committee level. 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. Normally three times a year, all of the Divisional Directors and financial controllers join together with the Executive Committee to conduct a detailed review of the half year and full year accounts, and to construct the annual budget, before these are debated at Board level. The composition of the Executive Committee changed following the disposal of the Fuller's Beer Business and now comprises the Chief Executive, Finance Director, Retail Director, Property Director, Marketing Director and People and Talent Director.

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.

CORPORATE GOVERNANCE REPORT

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Attendance at Board and Committee Meetings

The table below 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 2018/2019	Board	Executive	Audit	Remuneration	Nominations
Director					
Michael Turner	10 (10)		*	*	3 (3)
Simon Emeny	10 (10)	10 (10)	*	*	*
James Douglas ¹	4 (4)	7 (7)	*		
Richard Fuller	10 (10)	10 (10)			
Simon Dodd	9 (10)	10 (10)			
Jonathon Swaine	10 (10)	10 (10)			
Sir James Fuller	9 (10)				
John Dunsmore	9 (10)		4 (4)	4 (4)	2 (3)
Lynn Fordham ²	1 (1)		1 (1)	2 (2)	1 (1)
Peter Swinburn	10 (10)		3 (3)	3 (3)	2 (2)
Juliette Stacey	10 (10)		4 (4)	4 (4)	2 (2)
Helen Jones ³	2 (2)				

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

¹ James Douglas resigned from the Board with effect from 16 November 2018.

² Lynn Fordham resigned from the Board with effect from 8 June 2018.

³ Helen Jones was appointed to the Board with effect from 12 March 2019.

Composition and Balance of the Board

Michael Turner is responsible for leading the Board and ensuring its effectiveness and openness, and that communications with shareholders are valuable. 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, James Douglas resigned as Finance Director with effect from 16 November 2018. Following the disposal of the Fuller's Beer Business, Simon Dodd resigned as a Director, his position as Managing Director of The Fuller's Beer Company having become redundant. Fred Turner was appointed as Retail Director, and John Dunsmore stepped down as a Director on 25 July 2019. Jonathon Swaine will resign as Managing Director of Fuller's Inns in October 2019 and Richard Fuller will become a Non-Executive Director with effect from 1 February 2020. These changes result from the disposal of the Fuller's Beer Business and both Jonathon Swaine's and Richard Fuller's Executive roles being redundant.

On appointment, new Directors undertake a tailored induction programme.

Following the departure of James Douglas as Finance Director, the function has been fulfilled by interim managers. Adam Councell has been appointed to join the Board as Finance Director later this year.

The Company had six Non-Executive Directors until John Dunsmore stepped down following his additional one year term which was agreed to ensure continuity following the appointment of three new Independent Non-Executive Directors. Of the five current Non-Executive Directors, two – Sir James Fuller and Michael Turner – are family members. This representation is very important in a company with a high proportion of family shareholders. 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. The Directors

consider that the Board is well balanced as it has the right number of members for the size of the Group and the Directors agree that no one individual dominates discussions and that each makes a full and positive contribution. The Directors' biographies are on pages 34 and 35. Peter Swinburn is the Senior Independent Director and an industry expert who brings knowledge, support and advice to the Chairman and all the other Board members; he is in regular dialogue with all Board members outside of Board meetings and co-ordinates 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 47 to 64 and are available for inspection at the Company's registered office.

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 who 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 actuary or corporate lawyer 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 Chairman conducts an annual evaluation of the Board, 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 the

Chairman seeks clarification on the responses given; he then consolidates the responses and reports 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 results were consistent with last year's scores. The results did provide 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 evaluation conducted by the Chairman. 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.

Board Committees

The Nominations Committee

The Nominations Committee Chairman is Michael Turner and the other members during the period were John Dunsmore and Lynn Fordham (until her resignation on 8 June 2018). The Board appointed Peter Swinburn and Juliette Stacey as members of the Nominations Committee. It is responsible for nominating candidates for appointment as Directors, for approval by the Board although the full Board will also typically informally discuss Board appointments. The Committee met three times during the year to consider the appointment of new Non-Executive Directors and formalise the description of the roles of Chairman and Chief Executive as part of succession planning. The Board does not believe that setting percentage targets for the number of women on the Board is appropriate, given the key principle of appointing on merit. 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 29.

The Remuneration Committee

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

CORPORATE GOVERNANCE REPORT

CONTINUED

The Audit Committee

The Audit Committee of the Board, chaired by Lynn Fordham until her resignation and thereafter by Juliette Stacey, comprises a minimum of three Independent Non-Executive Directors and meets at least four times a year. The current members are Juliette Stacey, Peter Swinburn and Helen Jones. John Dunsmore was also a member until he resigned as a Director. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. In addition, the Chairman, the Chief Executive, the Finance Director and members of the finance team join the meetings on a regular basis as do the external Audit Partner and Audit Manager.

Key accounting judgement	How the issue was addressed
Separately Disclosed Items	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 show as separately disclosed items are not linked to the underlying trading of the Group. Separately disclosed items include: - Transaction costs on the post-year end 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 and reversal of impairment on properties - Recognition of the expected future losses arising from leases which are no longer profitable - Guaranteed Minimum Pension ("GMP") equalisation charge - 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. In addition, the Committee reviewed these disclosures within the 2019 Annual Report and Accounts to ensure they clearly identified and reconciled to the relevant GAAP measure.
Impairment Testing of Intangible Assets and Property, Plant and Equipment	The Committee considered the proposed impairment of property assets 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.
Pension Accounting	<i>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 revised disclosures of the Group's defined benefit plan in the financial statements.</i>
Discontinued Operations Accounting	The Committee considered the amounts shown as profit, costs and cash flows from discontinued operations in the financial statements. The Committee also considered the allocation of assets and liabilities recognised in the financial statements as Assets Held for Sale in respect of the sale of the Fuller's Beer Business. The Committee was satisfied with the approach presented by management and the judgements made in the calculation of the discontinued profits, assets and liabilities.
Acquisition Accounting	The Committee considered the fair values of the assets and liabilities recognised in the financial statements on the acquisition of Bel & The Dragon. 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.

The Chairman of the Audit Committee encourages comprehensive debate and scrutiny of management's and auditors' reports by the Committee members. She also meets with the manager responsible for internal audits, the external Audit Partner and the Finance Director outside of Audit Committee meetings to give them the opportunity to raise any concerns they may have about their work or their roles and to provide advice and support as required.

The Audit Committee's responsibilities are outlined in the Committee's terms of reference which were updated and approved by the Board in September 2017. These cover all those matters required by the Code. The terms of reference are available on the Company's website. 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 meetings an update on risk management is presented. The Chairman of 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, but in the latter half of the year the Committee focused on critical matters, such as the implementation and operation of the new ERP system and the sale of the Fuller's Beer Business. 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.

During its review of the Group's financial statements for the period to 30 March 2019, 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 included the accounting for the sale of the Fuller's Beer Business, the acquisitions made in the year and the future application of IFRS 16 Accounting for Leases.

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

The Audit Committee assessed the going concern and viability reviews undertaken by management as detailed in the Financial Review on page 23. The Committee was satisfied with the approach presented by management and the judgements made in the estimation of future cash flows.

Other items discussed in the first part of the year included the Company's risk management process, selected 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. In the latter half of the year the Committee focused on critical matters, principally the implementation and operation of the new ERP system and the sale of the Fuller's Beer Business. In addition, the Committee considered the implications for the Company of the forthcoming application of IFRS 16.

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 Company's year ended 31 March 2018 was the fifth of a five year maximum term that the first Audit Partner had been in the role for the Company. A new Audit Partner from Grant Thornton was therefore appointed for the financial year ended 30 March 2019.

There is in place a whistle blowing policy, which is overseen by the Audit Committee, and which allows staff to raise any concerns in confidence, directly with the Chairman of the Audit Committee. Posters reminding staff about the existence of the policy and how it may be used are reissued annually in order to maintain a good awareness of the whistle blowing arrangements throughout the Company.

The effectiveness of the Committee formed part of the Board evaluation process described above.

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

Accountability

Auditors

The Committee has confirmed to the Board that it recommends to shareholders the re-election of Grant Thornton UK LLP. Their effectiveness will be formally reviewed by the Committee at the September 2019 meeting, although there are no issues of concern with their performance to date.

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 2019, the fees paid to Grant Thornton UK LLP for audit services were £295,000, other assurance services were £1,000 and for non-audit related services were £1,500. In addition, Grant Thornton were paid £174,500 to provide reporting accountant services to the Company for the purposes of the preparation of the Class 1 Circular relating to the disposal of the Fuller's Beer Business issued on 29 March 2019.

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 disposition
- 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.

Following the sale of the Fuller's Beer Business and the implementation of the new ERP system, the system of internal controls is now under review and recommendations for improvement will be considered as appropriate.

The business maintains business continuity plans and exercises these plans on an annual basis. Due to the complexities linked to the disposal of the Fuller's Beer Business, the annual exercise of the business continuity plans was postponed.

Management within the Finance Department are responsible for the appropriate maintenance of financial records and processes that ensure that 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 the new ERP system and the process of disposing of the Fuller's Beer Business during and after the end of the period created some challenges for the Finance Department in terms of preparation and circulation of financial information and as a result the preparation and publication of these accounts was postponed. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the review of the Audit Committee.

The Board has reviewed the effectiveness of the Group's system of internal control which has also been discussed in detail by the Audit Committee, including taking account of material developments since the year end. Following the sale of the Fuller's Beer Business and the implementation of the new ERP system, the system of internal controls is now under review and recommendations for improvement will be considered as appropriate.

The Board has procedures in place necessary to follow the Financial Reporting Council's "Guidance on Risk Management, Internal Controls, and Related Financial and Business Reporting". In the usual course of business, the Group Risk Manager co-ordinates this process by leading regular risk assessment workshops in which new risks are identified and added to the risk register, and existing risks re-evaluated by the risk owners. Regular meetings, chaired by the Executive Directors, are held in addition to the workshops in order to assess the effectiveness of the controls that are in place, identify new risks and review existing risk mitigation plans. This year the focus has been on critical matters, such as the implementation and operation of the new ERP system and the sale of the Fuller's Beer Business.

CORPORATE GOVERNANCE REPORT

CONTINUED

Key elements of the system of internal control designed to address significant risks and uncertainties, as documented on pages 24 and 25, 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 Directors 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
- A detailed investment approval process requiring Board authorisation for all major projects
- Detailed 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
- Maintenance of an ISO 900 certified quality control system.

The Group does not have a formal internal audit function and, 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.

In addition, the Group employs a team of retail business auditors who monitor the controls in the Managed Pub estate and The Stable, in particular those over stock and cash. This team reports directly to the Fuller's Inns Financial Controller but their Manager attends Audit Committee meetings twice a year to discuss the issues being addressed.

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.

By order of the Board



Séverine Béquin
Company Secretary
24 July 2019

Fuller, Smith & Turner P.L.C.
Griffin Brewery
Chiswick Lane South
London W4 2QB

During 2019/20 we will be undertaking a full review of our remuneration arrangements to ensure it is aligned with our strategy in advance of submitting a revised Directors' Remuneration Policy to shareholders at the AGM in 2020.

Statement of the Remuneration Committee Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Report for the 52 weeks ended 30 March 2019. I was appointed as Chair of the Remuneration Committee on 5 June 2019 following the announcement that John Dunmore planned to retire from the Board later this year. I would like to thank John for his leadership of the Committee over the last ten years and for his support during the handover.

Leadership changes

This year has been one of change for the Company. In April 2019 we completed the sale of our entire beer business to Asahi Europe Ltd enabling Fuller's to become a focused, premium pub and hotel operator. The Board are all very excited about the business' prospectus going forward.

As a consequence of the transaction there have been some changes in Board leadership. Simon Dodd resigned from the Board on 30 April 2019 and Jonathon Swaine and Richard Fuller will be leaving the Board on 11 October 2019 and 31 January 2020 respectively. Their remuneration arrangements in relation to leaving, for which shareholder approval was sought at the Extraordinary General Meeting of the Company held on 24 April 2019, are summarised on pages 62 to 63.

On 30 April 2019, Fred Turner was appointed to the Board in the role of Retail Director. His salary has been set at £200,000 per annum and his maximum bonus and LTIP opportunities will be 75% and 82.5% of salary.

Adam Councill will join the Board as the Company's Finance Director on 27 August 2019. His salary has been set at £315,000 per annum and his maximum bonus and LTIP opportunities will be 75% and 110% of salary.

Remuneration review

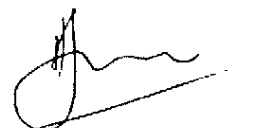
It has been a number of years since we undertook a detailed review of remuneration arrangements. During 2019/20 the Committee therefore intends to undertake a comprehensive review of our policy to ensure that it continues to be appropriate and aligned with our strategy as a focused pub business. I plan to consult with shareholders in relation to the planned changes in the early part of next year with a view to submitting a revised remuneration policy to shareholders at the 2020 AGM.

During the year the Committee did review the CEO's salary and decided to increase this to £500,000 with effect from 1 June 2019 to more appropriately reflect the scope of his role and his ability to add value to the business going forward.

Structure of report

The report follows last year's presentation in two separate sections. The first covers the Company's Remuneration Policy for all of its Board Directors (set out on pages 48 to 53) as approved by shareholders initially at the 2017 Annual General Meeting. The second part of the report shows you the detail of how the policy was applied in the last financial year. That part of the report will be subject to your approval in the same way as it is every year.

I would be happy to receive any comments you may have on this report. 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
24 July 2019

DIRECTORS' REMUNERATION REPORT

CONTINUED

Report on Directors' Remuneration Policy

This policy, approved by shareholders at the Annual General Meeting held on 25 July 2017, was prepared in compliance with Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Company intends to make all future payments to its Directors consistent with this policy for the three years following the date of approval of the policy unless amended by the shareholders at an intervening general meeting.

The Remuneration Policy is designed to support the Company's business strategy of creating shareholder value and increasing earnings per share ("EPS") in the longer term for its shareholders. In order to do so it must attract, retain and motivate high calibre Executive Directors. The policy is therefore to provide competitive packages for the Executives, through reflecting the Group's performance against financial objectives and rewarding above-average performance. Accordingly, the key elements are:

- a significant proportion of performance related pay that rewards Executives in line with Company performance and strongly aligns their interests with those of shareholders
- personal bonus targets for operational Directors that focus on delivery of the strategic drivers for growth in the Company's business strategy
- base pay that rewards above-average performance and remains competitive
- a competitive range of benefits
- participation in a range of share schemes including a long-term incentive plan.

When setting the Remuneration Policy, the Committee considered the Group's performance on environmental, social and governance matters. The Committee does not believe that the existing incentive structure raises any environmental, governance or social risks by inadvertently motivating irresponsible behaviour.

The Committee believes that the Remuneration Policy is consistent with its risk management policy in that existing remuneration structures do not encourage management to take inappropriate risks to achieve targets. It is felt that there is a very low risk of short-term decisions being taken to drive annual bonus pay-outs and the focus is very much based on a long-term remuneration model, delivering value through the Company's various share plans.

Below are the various elements of the Directors' remuneration and the different performance conditions that apply to them.

Executive Directors ("Executives")

Element	Purpose – how the element supports the short and long-term strategic objectives of the Company	Operation	Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
Base Salary	To recruit, retain and reward high calibre Executives 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.	The Committee sets the base salary, and this is reviewed taking into account inflation, and individual and corporate performance. From time to time, advisors are commissioned to obtain benchmarking data for companies in the sector and/or of a similar size, to check market positioning.	Annual salary reviews take effect from 1 June in any year. The Committee expects to target salaries around the median to upper quartile of similar-sized businesses.	Not applicable.	The CEO's salary was increased to £500,000 with effect 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.

Element	Purpose – how the element supports the short and long-term strategic objectives of the Company				
		Operation	Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
Benefits	To recruit and retain Executives by providing competitive benefits which also protect Executives and provide preventative care for them.	The Company offers Executives a range of benefits which include: – car allowance – paid holidays – life assurance – private medical insurance – subscriptions to professional bodies or other relevant organisations – regular medical check-ups – permanent health insurance.	The benefits offered are those typically offered at this level. Car allowances are reviewed every January. The cost of providing the insurance products varies from year to year.	Not applicable.	The product allowance and private account allowing the purchase of goods at cost price plus VAT ceased on the disposal of the Fuller's Beer Business.
Annual Bonus	To incentivise Executives to deliver performance in line with the Group strategy and to align their interests with those of shareholders.	Bonus targets are set annually in relation to the profit achieved by The Fuller's Beer Company, Fuller's Inns and the Group. The performance measures are weighted dependent on the responsibilities of each Executive and are designed to be stretching. The target for the bonus includes the cost of the bonus itself.	The maximum pay-out under the bonus scheme is 75% of salary. No pay-out would be made if the minimum threshold on the bonus target schedules is not achieved. If profits have declined to a specified degree in the year bonuses are due to be paid, the Committee will assess the performance of the Group relative to a selected peer group. Payments will only be authorised if the Group has performed better than the average of the peer group and where the Group's performance represents outperformance.	The actual performance measures are linked to the EPS and profit targets contained in the Group budget for Fuller's Inns and The Fuller's Beer Company. Current and previous targets are considered commercially confidential and will not be published. These targets have been selected as the Committee believes they reward Executives in line with Company performance and strongly align their interests with those of shareholders.	New bonus targets for the financial year 2019/2020 will exclude The Fuller's Beer Company performance and are subject to the bonus rules which include malus and clawback provisions.
Share Options					
Executive Share Option Scheme ("ESOS")	To align the interests of Executives with those of shareholders.	A tax-advantaged executive share option scheme under which options may be granted to Executives periodically up to a maximum total value set by HM Revenue & Customs ("HMRC"). Once options have vested, they must be exercised before the tenth anniversary of grant.	Executives may be issued, and hold share options up to the current maximum value set by HMRC of £30,000 at any one time.	ESOS options vest when growth in EPS adjusted principally to exclude separately disclosed items ("Adjusted EPS") exceeds growth in the Retail Price Index by at least 9% over the three year performance period. The Committee is authorised to make appropriate amendments to Adjusted EPS.	No change. The scheme approved by shareholders in 2008 expired in 2018 and shareholders approved a new scheme on substantially the same terms at the 2018 Annual General Meeting.

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DIRECTORS' REMUNERATION REPORT

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Element	Purpose – how the element supports the short and long-term strategic objectives of the Company	Operation	Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
Senior Executive Share Option Scheme (“SESOS”)		A non-tax-advantaged executive share option scheme under which options were granted to Executives but which has now expired.	The maximum benefit granted to Executives under the SESOS was 20% of salary per annum.	SESOS options vest at 40% (minimum) when growth in Adjusted EPS exceeds growth in RPI by at least 9% over the three year performance period. Maximum vesting (100% of grant) occurs when growth in Adjusted EPS exceeds inflation by 21% over the three year period. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that options only become exercisable against the background of a sustained real increase in the financial performance of the Group.	No change. The last set of options granted under this scheme in 2013 vested in 2016.
Savings Related Share Option Scheme (“SAYE Scheme”)		All employees of Fuller, Smith & Turner P.L.C. are eligible under this tax-advantaged scheme to receive options to subscribe for 40p ‘A’ ordinary shares at a discount of 20% on the prevailing market price at the time of the grant having entered into a three or five year savings contract for the exercise price.	Under the SAYE Scheme rules eligible employees may agree to save up to £500 per month over a period of three or five years and then purchase shares within six months of the end of the term.	None. There is no requirement for performance targets in SAYE schemes.	No change.
Share Incentive Plan (“SIP”)		All employees of Fuller, Smith & Turner P.L.C. with at least five months’ service as at 15 May each year are eligible under this tax-advantaged scheme to receive free 40p ‘A’ ordinary shares in June of that year. Shares are held by the SIP Trustees for a minimum of three years and a maximum of five years before being available to be passed to participants.	An equal number of shares are awarded to each eligible employee. The maximum value of the shares allowable under the Scheme is £3,000 in any one year.	None. There is no requirement for performance targets in SIPs.	No change.

Element	Purpose – how the element supports the short and long-term strategic objectives of the Company	Operation	Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)	Overview
						Strategic Report
Long-Term Incentive Plan (“LTIP”)	To reward the efforts of Executives in line with the Company’s objective of creating shareholder value and increasing EPS in the longer term.	The rules of the LTIP allow for discretionary annual awards of ‘A’ (listed), and ‘B’ and ‘C’ (unlisted) ordinary shares. Grants are calculated by reference to the middle market quotation at close the day before. In all cases shares will vest, subject to performance criteria being attained, within 72 days of the publication of results for the last financial year in the performance period. The Remuneration Committee determines whether the Adjusted EPS performance condition has been met using the EPS information which is published in the Group’s Annual Report and Accounts. BDO LLP confirms the level of vesting of awards based on EPS calculations provided by the Group.	The maximum value of shares for which an award may be made to an Executive in any financial year is 110% of salary and will vary depending on seniority. Actual vesting will depend on how well the Company performs against the LTIP’s performance conditions.	To assess the awards, the average growth in Adjusted EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the start of the financial year in which the award is made. No vesting occurs if the Adjusted EPS growth fails to exceed the RPI by at least 9%. 40% of the award vests if the target is hit and there is a sliding scale above that point. For 100% of an award of shares to vest, growth in Adjusted EPS needs to exceed the growth in RPI by 24% or more over the period. The Committee feels that since underlying long-term freehold property growth is not being included in the calculation, 9% over inflation is a testing target, and one that merits a 40% vesting level. The Committee further believes that the 40% vesting threshold at 9% in excess of inflation is triggering vesting at a value that is still below that being employed by many other companies and that it is the value of the vest that should be considered and not the percentage. Please see the graph on page 56 for further details.	No change. The current scheme approved by shareholders in 2008 expired in 2018 and shareholders approved a new scheme on substantially the same terms at the 2018 Annual General Meeting.	Governance
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						Additional Information

DIRECTORS' REMUNERATION REPORT

CONTINUED

Element	Purpose – how the element supports the short and long-term strategic objectives of the Company	Operation	Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
Pension	To provide Directors with long-term pension provisions on a competitive basis.	The Company operates a variety of pension benefits. Executives are either deferred members of the defined benefit Company pension plan – now closed to future accruals – or the Company's defined contribution stakeholder pension plan or receive a salary supplement or a mixture of these. Further details are available on page 58 of this report.	Defined benefit Company pension plan main section: Until closure, accrued at 1.7% of basic salary less the lower earnings limit (up to a pensions cap) per year of service. Additional salary supplement of 17.5% paid over the earnings cap. This applied only to Simon Emeny. Defined benefit Company pension plan Directors' section: Richard Fuller withdrew from this scheme on 31 March 2015 and now receives a salary supplement of 17.5% of his salary for use in his retirement planning. Pension contributions: For the other Executives the Company will contribute a total of 17.5% of the Executive's salary to the defined contribution Company pension plan and/or their nominated pension scheme or pay a salary supplement for them to use as part of their retirement planning subject to the Executive making a net contribution of 8% themselves.	Not applicable.	No change.
Malus and Clawback	The malus and clawback provisions act as a disincentive to overstate the metrics that determine the rewards the Executive Directors receive.	These provisions enable the Committee not to pay bonuses or allow LTIP awards to vest where misconduct occurs during the relevant financial year or before a bonus is paid or an LTIP award vests. They also enable the Committee to recover bonuses or awards where it is discovered that the Company materially misstated its results for the last whole financial year or a material error was made in assessing the relevant performance conditions.	The malus and clawback principles apply to bonuses paid from 2015 onwards and LTIP awards made from June 2014 onwards.	Not applicable.	No change.

Element	Purpose – how the element supports the short and long-term strategic objectives of the Company	Operation	Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
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.	The fees paid to the Chairman are determined by the Remuneration Committee. The fees paid to the other Non-Executive Directors are determined by the Chairman and the Executive Committee. Fees may be paid for specific duties such as the fee paid to Sir James Fuller for his work in liaising with family shareholders. Non-Executive Directors do not participate in bonus schemes, share options or long-term incentive plans. None of the Non-Executive Directors are members of any Group pension scheme, with the exception of Michael Turner, who is a pensioner of the Directors' section of the defined benefit Company pension plan.	All Non-Executive Directors receive a basic fee. The Senior Independent Director receives a fee for that role and there are additional fees for chairing and being a member of the Audit and Remuneration Committees and other specific roles. Non-Executive Directors' fees are not usually reviewed every year but at periods of two to three years when market data on the level of fees is consulted.	There are no specific measures set but appraisals are carried out as explained in the Corporate Governance Report on pages 40 to 46.	No change.
Benefits	To encourage Non-Executive Directors to keep up to date with the Company's product range and to reimburse expenses.	Non-Executive Directors are reimbursed for travel and other business related expenses. The Chairman, Michael Turner, also benefits from life insurance cover and private medical insurance.		Not applicable.	The product allowance and private account allowing the purchase of goods at cost price plus VAT ceased on the disposal of the Fuller's Beer Business.

The Company will implement changes as required to bring it in line with the provisions of the new UK Corporate Governance Code published in July 2018 for the current and future financial years.

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 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.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Consideration of Shareholder Views

Shareholder views are 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.

Discretion Employed by the Committee

The Committee will operate the annual bonus, the LTIP, the ESOS and the SESOS in accordance with their applicable rules and in accordance with the Listing and Disclosure Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these schemes. These include, but are not limited to, routine matters such as who participates in them, the timing of awards and vests, the size of awards/pay-outs, the determination of vesting, and the setting and application of targets. Other non-routine matters where the Committee may need to use its discretion include, but are not limited to, making adjustments to targets and/or pay-outs when there has been a change in accounting policy, making adjustments required when dealing with a change of control or restructuring of the Group, determination of the treatment of leavers and adjustments required in certain circumstances such as rights issues and corporate restructuring events. Any use of the above discretions would, where relevant, be explained in the Annual Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Illustration of the Application of the Remuneration Policy

A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The following charts demonstrate the key elements of the remuneration package for the Executives under the Remuneration Policy for the year ending 28 March 2020.

In illustrating the potential reward, the following assumptions have been made:

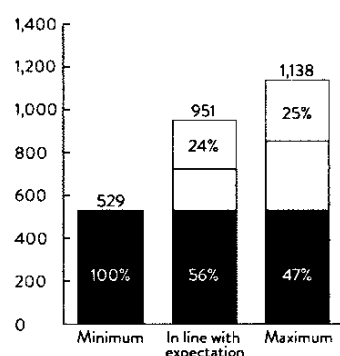
Minimum performance – fixed remuneration only with no pay-out under the bonus scheme or LTIP/share options.

In line with expectation – this is based on what Executives could receive if bonuses pay out at 60% of the maximum bonus allowance (i.e. 45% of salary) for achieving target performance, LTIP pay-out at 80% of maximum vesting and pay-out under the ESOS at 100%.

Maximum – 100% of the bonus (i.e. 75% of salary) and 100% of LTIP and ESOS awards.

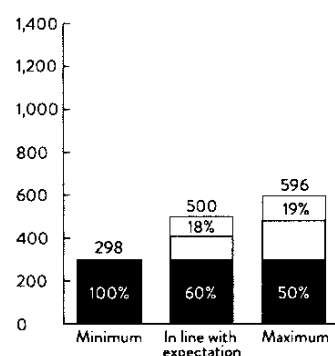
Chief Executive Officer

£000



Retail Director

£000



Fixed¹
 Bonus²
 LTIP/Options³

¹ "Fixed" includes salary, benefits and pension.

² "Bonus" includes Executive bonus scheme.

³ "LTIP/Options" includes LTIP, ESOS and SESOS schemes.

Corporate Affairs Director – this role will no longer exist once Richard Fuller resigns as an Executive Director with effect from 1 February 2020. The remuneration for the current year is therefore not based on performance and is detailed in the section on Payments on Loss of Office on page 55.

Managing Director – Fuller's Inns – this role will no longer exist once Jonathon Swaine resigns with effect from 11 October 2019. The remuneration for the current year is therefore not based on performance and is detailed in the section on Payments on Loss of Office on page 55.

Recruitment and Promotion

The Company wishes to attract talented individuals to Executive positions either from the industry/market or from internal succession. It would not expect any new Director to receive salary or any other part of their remuneration package that is more than 50% higher than current maximum payments which could be received by the previous role holder. The various components of the package for a new Executive are those already on offer to existing Executives as set out in the table above and they are salary, benefits, bonuses, share schemes and pension. The approach to each component is as set out in the tables on pages 48 to 53, subject to existing rule constraints. Contracts would be offered on the basis that on early termination a payment equal to the salary due for the unexpired period of their notice would be made, payable in monthly instalments. For the period of their notice the Executive would be expected to seek alternative income, and if they are successful, that income would be notifiable to the Company and would be set off against the remaining instalments. The Company is only likely to offer a cash amount on recruitment, payment of which may be staggered, to reflect the value of benefits a new recruit may have received from a former employer. Relocation expenses and accommodation might be provided if necessary.

In respect of Non-Executive Directors, the Company would not expect any new Director to receive fees that are more than 50% higher than the fees which could be received by the previous role holder.

On the appointment of a new Chairman or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual and the fees paid to existing Non-Executive Directors.

Service Contracts/Payments on Loss of Office

Executive Directors have rolling service contracts terminable on no more than one year's notice served by the Company or Director. The Directors' letters of appointment are available from the Company's registered office.

Adam Councill, who will be joining the Board at the end of August, as Finance Director, and Fred Turner, who was appointed Retail Director with effect from 1 June 2019, are entitled on early termination of their contract to a payment equal to the salary due for the unexpired period of their notice. This is payable in monthly instalments and for the period of their notice they are expected to seek alternative income, and if successful, that income must be notified to the Company and will be set off against the remaining instalments.

Simon Emeny's contract (which was in place before 27 June 2012 and is different from those that would be offered to any new Executives and is therefore not in line with the approach to recruitment remuneration as set out above) states that he is entitled to a payment equal to salary and the value of all benefits for the unexpired period of his notice, without any reduction for mitigation. Benefits in kind would be valued with reference to his P11D value or cost to the Company.

The rules of the bonus scheme, LTIP and other share option schemes set out what happens to awards if a participant ceases to be employed before the end of a bonus year or performance period. Generally, any outstanding share awards will lapse on such cessation, except in certain circumstances when a Director might be deemed a "good leaver", which could include on redundancy or retirement (these are examples and are not intended to be a definitive list). In determining whether an Executive Director should be treated as a good leaver and the extent to which bonuses, awards and share options vest or become exercisable, and/or a pro-rated bonus is due, the Committee will take into account the circumstances of an individual's departure and their performance.

Service Contracts and Fee Letters

The obligations contained in the Executives' service contracts are described in the section entitled "Service Contracts/Payments on Loss of Office".

Executive Directors	Date of contract	Notice period
Simon Emeny	13 January 1999	12 months
Richard Fuller	8 December 2009	12 months
Jonathon Swaine	20 March 2012	12 months
Fred Turner	1 June 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
Peter Swinburn	20 March 2018	March 2021
Juliette Stacey	24 March 2018	March 2022
Helen Jones*	12 March 2019	March 2020
John Dunsmore	15 November 2011	July 2019

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

DIRECTORS' REMUNERATION REPORT

CONTINUED

Annual Remuneration Implementation Report

The information on pages 57 to 64 has been audited.

The Remuneration Committee

The Remuneration Committee consists entirely of Independent Non-Executive Directors and the members during the period were John Dunsmore (Chairman to 5 June 2019), Peter Swinburn, Juliette Stacey and Helen Jones. Helen Jones was appointed Chair of the Committee on 5 June 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 Company's Divisional Directors 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

XPS Consulting Limited provides the Committee and the Company with advice on matters relating to pensions. BDO LLP provides the Committee and the Company with advice in connection with the Company's LTIP and share option schemes and other remuneration matters. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee. XPS Consulting Limited 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. BDO LLP abides by the Remuneration Consultants Code of Conduct, which requires it to provide objective and independent advice. Other advisors did not charge fees for services provided in respect of Directors' remuneration during the year.

Following the year end, the Committee approved Deloitte LLP to undertake a review of Remuneration Policy.

Statement of Implementation of Remuneration Policy in the Current Financial Year

The Committee recently undertook a detailed review of Executive Directors' salaries as it has 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 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 role was set on appointment to the Board. Salaries for Richard Fuller and Jonathon Swaine were not increased as they are due to step down from the Board during this financial year.

The Executive Directors' salaries with effect from 1 June 2019 are therefore as follows:

Simon Emeny – £500,000

Richard Fuller – £185,000 (stepping down from the Board on 31 January 2020)

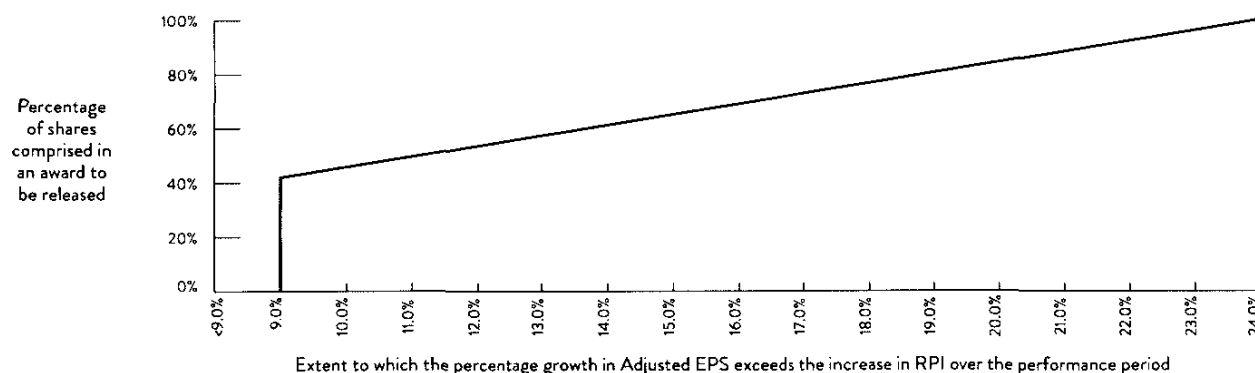
Jonathon Swaine – £244,000 (stepping down from the Board on 11 October 2019)

Fred Turner – £200,000

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

The annual bonus for the financial year 2019/2020 will operate on the same basis as the previous financial year and will be consistent with the policy detailed in the Directors' Remuneration Policy above. As explained on page 49, the Company does not publish bonus targets since these are considered commercially sensitive. However, details of other performance measures which will operate are given on page 49 and details of the relative weightings of each are given on page 58.

The awards under the LTIP are expected to be made at 110% of salary for the Chief Executive and Finance Director and 82.5% for the Retail Director. Jonathon Swaine and Richard Fuller will not be granted an LTIP award in 2019, in light of them stepping down from the Board. The LTIP awards for the financial year 2019/2020 are subject to the following performance condition:



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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Michael Turner	250	250	26	23	–	–	–	–	–	–	276	273
Simon Emeny	430	428	25	25	156	157	273	404	75	75	959	1,089
James Douglas ⁴	186	295	14	23	–	73	190	276	32	52	422	719
Richard Fuller	185	184	23	23	25	69	90	134	32	32	355	442
Jonathon Swaine	244	243	21	23	58	87	110	166	33	43	466	562
Simon Dodd	200	197	23	23	15	27	40	59	17	34	295	340
Sir James Fuller	50	47	–	1	–	–	–	–	–	–	50	48
Peter Swinburn ⁵	62	–	–	–	–	–	–	–	–	–	62	–
Juliette Stacey	65	2	–	–	–	–	–	–	–	–	65	2
Helen Jones ⁶	5	–	–	–	–	–	–	–	–	–	5	–
John Dunsmore ⁷	65	62	–	1	–	–	–	–	–	–	65	63
Lynn Fordham ⁸	16	62	–	1	–	–	–	–	–	–	16	63

¹ Taxable benefits include car allowances, product 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 (£950).

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 Until his resignation on 16 November 2018.

⁵ Peter Swinburn was appointed to the Board on 21 March 2018 but opted not to receive any remuneration in the period to 31 March 2018.

⁶ From her appointment to the Board on 12 March 2019.

⁷ John Dunsmore resigned as a Director with effect from 25 July 2019.

⁸ Lynn Fordham resigned as a Director with effect from 8 June 2018.

The following table shows how variable pay elements are linked to the performance of the Group in 2019:

	Performance measure	Minimum	Maximum	Target set	Actual performance	Value of award
				Value of award		
LTIP	EPS vs RPI	EPS exceeds RPI by +9%	EPS exceeds RPI by +24%	Percentage vest of original grant ¹ : Minimum – 40% Maximum – 100%	-1.6%	nil% of maximum award

¹ Maximum grant equates to 110% of salary.

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 31 March 2018 and 30 March 2019:

	Chief Executive	Employees
Change in annual salary	nil%	+0.9%
Change in taxable benefits	nil%	nil%
Change in annual bonus ¹	nil%	-26.9%

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, The Stable employees, Nectar Imports employees and Dark Star employees who receive bonus incentives through other bonus incentive schemes.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Salary

The Committee sets the base salary for each Executive Director by reference to individual and corporate performance, competitive market practice and independent salary survey information. The Committee recently undertook a detailed review of Executive Directors' salaries as it has 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 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 role was set on appointment to the Board. Salaries for Richard Fuller and Jonathon Swaine were not increased as they are due to step down from the Board during this financial 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 was appointed a Non-Executive Director of WH Smith PLC on 26 February 2019 for which he receives a remuneration of £50,000 per annum.

Bonus

Actual performance against targets is shown above. Performance measures for the annual bonus were weighted for each Director as follows:

	Group profit	The Fuller's Beer Company profit	Fuller's Inns profit	ERP implementation
Simon Emeny	80%	–	–	20%
Richard Fuller	80%	–	–	20%
Jonathon Swaine	30%	–	50%	20%
Simon Dodd	30%	50%	–	20%

In determining bonus payout the Committee also took into account performance against targets set, as well as individual contribution to business performance and execution of strategy during the year.

For the financial year ended 30 March 2019 the Committee determined that Simon Emeny's bonus would be 36.13% of salary. £50,000 of this amount will be in the form of Company shares that will vest on the first anniversary of award subject to continued employment. The remainder will be paid in cash. The Committee determined that the bonus for Richard Fuller would be 12.87% of salary, the bonus for Jonathon Swaine would be 23.22% of salary and for Simon Dodd would be 7.17% of salary.

Total Pension Entitlements

Michael Turner is a pensioner of the defined benefit Company pension plan, which is closed to future accrual, under the Directors' section.

Richard Fuller is in receipt of a 17.5% salary supplement in lieu of employer's pension contribution. With effect from 1 April 2015, he opted to draw his pension benefits early under the defined benefit Company pension plan.

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.

Jonathon Swaine, Simon Dodd 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.

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

In respect of the 52 week period ended 30 March 2019 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	40,000	100,000	£9.46	£0.946	£473,000	15/06/18	31/03/21	40%
	SIP	97	–	£9.80		£950	18/06/18	n/a	n/a
	SAYE	467	–	£7.70	–	£3,595	01/09/18	01/09/23	01/03/24
Total		40,564	100,000			£477,545			
James Douglas ³	LTIP	27,441	68,604	£9.46	£0.946	£324,491	15/06/18	31/03/21	40%
	SIP	97	–	£9.80		£950	18/06/18	n/a	n/a
	Total	27,538	68,604			£325,441			
Richard Fuller	LTIP	12,906	32,367	£9.46	£0.946	£152,615	15/06/18	31/03/21	40%
	SIP	97	–	£9.80		£950	18/06/18	n/a	n/a
	SAYE	1,034	–	£7.70	–	£7,961	01/09/18	01/09/23	01/03/24
Total		14,037	32,367			£161,526			
Jonathon Swaine	LTIP	17,023	42,558	£9.46	£0.946	£201,297	15/06/18	31/03/21	40%
	SIP	97	–	£9.80		£950	18/06/18	n/a	n/a
	Total	17,120	42,558			£202,247			
Simon Dodd	LTIP	13,953	34,883	£9.46	£0.946	£164,995	15/06/18	30/03/21	40%
	SIP	97	–	£9.80		£950	18/06/18	n/a	n/a
	Total	14,050	34,883			£165,945			

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 On his resignation as a Director on 16 November 2018, all awards made in the year to James Douglas 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 100% of their salary. Accordingly, until their guideline is met, Executives are required 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 75% of any shares that they acquire as a result of exercising options under the non-tax-advantaged SESOS net of the cost of those options and the costs of settling related tax and National Insurance ("NI") thereon
- at least 75% of any post-tax and NI vested shares under the LTIP.

All of the Executive Directors' shareholdings already meet the guideline with the exception of Simon Dodd who joined the Company in 2015.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Directors' Shareholdings

Directors' share interests	Beneficial interest at 30 March 2019 ¹	Non-beneficial interest at 30 March 2019 ¹	Beneficial interest at 31 March 2018	Non-beneficial interest at 31 March 2018
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	–
Simon Emeny				
'A' ordinary 40p shares	110,913	500	100,695	500
'B' ordinary 4p shares	1,055,684	–	1,009,343	–
'C' ordinary 40p shares	2,000	–	1,000	–
James Douglas				
'A' ordinary 40p shares	55,902	–	50,488	–
'B' ordinary 4p shares	406,471	–	374,146	–
'C' ordinary 40p shares	1,000	–	1,000	–
Richard Fuller				
'A' ordinary 40p shares	11,844	500,000	10,919	500,000
'B' ordinary 4p shares	3,065,726	10,935,015	3,100,680	10,935,015
'C' ordinary 40p shares	20,000	–	20,000	–
2nd Preference £1 shares	303	–	303	–
Jonathon Swaine				
'A' ordinary 40p shares	38,131	–	34,967	–
'B' ordinary 4p shares	180,535	–	161,886	–
'C' ordinary 40p shares	1,991	–	1,991	–
Simon Dodd				
'A' ordinary 40p shares	997	–	835	n/a
'B' ordinary 4p shares	6,484	–	–	–
'C' ordinary 40p shares	1,000	–	–	–
Sir James Fuller				
'A' ordinary 40p shares	88,942	–	88,942	–
'B' ordinary 4p shares	9,199,214	–	9,149,214	–
'C' ordinary 40p shares	2,702,003	–	2,702,003	–
John Dunsmore				
'A' ordinary 40p shares	23,305	–	23,305	–
Peter Swinburn				
'A' ordinary 40p shares	4,000	–	4,000	–
Juliette Stacey				
'A' ordinary 40p shares	1,250	–	1,250	–
Helen Jones				
'A' ordinary 40p shares	–	–	n/a	n/a
Lynn Fordham				
'A' ordinary 40p shares	13,192	–	13,192	–

¹ Or date of resignation as Director, if earlier.

There were no changes in the beneficial interests of any Director to 18 July 2019.

Director's Share Options

Director	Scheme	As at 31 March 2018	Exercised	Lapsed	Granted	As at 30 March 2019	Exercise price	Date of grant	Exercisable from	Expiry date	Price at exercise date
Simon Emeny	SESOS	5,190	-	-	-	5,190	£5.78	12/07/10	12/07/13	12/07/20	
	SESOS	515	-	-	-	515	£6.30	30/11/10	30/11/13	30/11/20	
	SESOS	6,398	-	-	-	6,398	£7.09	20/07/11	20/07/14	19/07/21	
	SESOS	9,446	-	-	-	9,446	£7.05	12/07/12	12/07/15	11/07/22	
	SESOS	4,945	-	-	-	4,945	£9.10	01/07/13	01/07/16	01/07/23	
	ESOS	3,296	-	-	-	3,296	£9.10	01/07/13	01/07/16	01/07/23	
	SAYE	497	(497)	-	-	-	£7.24	01/09/13	01/09/18	01/03/19	£9.54
	SAYE	3,410	-	-	-	3,410	£7.74	01/09/16	01/09/21	01/03/22	
	SAYE	-	-	-	-	467	£7.70	01/09/18	01/09/23	01/03/24	
Total		33,697				33,667					
James Douglas ¹	SESOS	2,391	(2,391)	-	-	-	£4.05	15/07/08	15/07/11	15/07/18	£9.90
	SESOS	8,625	-	-	-	8,625	£4.80	16/07/09	16/07/12	16/07/19	
	SESOS	4,504	-	-	-	4,504	£5.78	12/07/10	12/07/13	12/07/20	
	SESOS	628	-	-	-	628	£6.30	30/11/10	30/11/13	30/11/20	
	SESOS	5,094	-	-	-	5,094	£7.09	20/07/11	20/07/14	19/07/21	
	SESOS	7,517	-	-	-	7,517	£7.05	12/07/12	12/07/15	11/07/22	
	SESOS	2,659	-	-	-	2,659	£9.10	01/07/13	01/07/16	01/07/23	
	ESOS	3,296	-	-	-	3,296	£9.10	01/07/13	01/07/16	30/06/23	
	SAYE	1,034	(1,034)	-	-	-	£8.70	01/09/15	01/09/18	01/03/19	£9.72
Total		35,748				32,323					
Richard Fuller	SESOS	2,592	-	-	-	2,592	£5.78	12/07/10	12/07/13	12/07/20	
	ESOS	869	-	-	-	869	£5.78	12/07/10	12/07/13	12/07/20	
	SESOS	3,229	-	-	-	3,229	£7.09	20/07/11	20/07/14	19/07/21	
	SESOS	4,765	-	-	-	4,765	£7.05	12/07/12	12/07/15	11/07/22	
	SESOS	3,747	-	-	-	3,747	£9.10	01/07/13	01/07/16	01/07/23	
	ESOS	2,588	-	-	-	2,588	£9.65	30/06/14	30/06/17	30/06/24	
	SAYE	828	(828)	-	-	-	£7.24	01/09/13	01/09/18	01/03/19	£9.36
	SAYE	401	-	-	-	401	£7.47	01/09/14	01/09/19	01/03/20	
	SAYE	2,713	-	-	-	2,713	£7.74	01/09/16	01/09/21	01/03/22	
Total		21,732				21,683					
Jonathon Swaine	SESOS	709	-	-	-	709	£7.05	12/07/12	12/07/15	11/07/22	
	ESOS	4,255	-	-	-	4,255	£7.05	12/07/12	12/07/15	12/07/22	
	SESOS	3,901	-	-	-	3,901	£9.10	01/07/13	01/07/16	01/07/23	
	SAYE	2,325	-	-	-	2,325	£7.74	01/09/16	01/09/19	01/03/20	
Total		11,190				11,190					
Simon Dodd	ESOS	2,752	-	-	-	2,752	£10.90	29/06/15	29/06/18	29/06/25	
	SAYE	1,395	-	-	-	1,395	£7.74	01/09/16	01/09/19	01/03/20	
	SAYE	886	-	-	-	886	£8.12	01/09/17	01/09/20	01/03/21	
Total		5,033				5,033					

¹ Figures shown are applicable for the period until his resignation on 16 November 2018.
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.

DIRECTORS' REMUNERATION REPORT

CONTINUED

Directors' Long-Term Incentive Plan Allocations

Director	Total held at 31 March 2018	Awarded during the year	Vested during the year ¹	Lapsed during the year	Total held at 30 March 2019	Monetary value of vest £000 ²
Simon Emeny						
'A' ordinary 40p shares	105,824	40,000	(18,536)	(14,564)	112,724	176
'B' ordinary 4p shares	264,563	100,000	(46,341)	(36,411)	281,811	44
Richard Fuller						
'A' ordinary 40p shares	34,264	12,906	(6,018)	(4,729)	36,423	57
'B' ordinary 4p shares	85,664	32,267	(15,046)	(11,823)	91,062	14
James Douglas¹						
'A' ordinary 40p shares	73,313	27,441	(12,292)	(87,825)	–	123
'B' ordinary 4p shares	183,284	68,604	(32,325)	(219,563)	–	31
Jonathon Swaine						
'A' ordinary 40p shares	44,378	17,023	(7,459)	(5,862)	48,080	71
'B' ordinary 4p shares	110,947	42,558	(18,649)	(14,653)	120,203	18
Simon Dodd						
'A' ordinary 40p shares	25,486	13,953	(2,593)	(2,039)	34,807	25
'B' ordinary 4p shares	63,718	34,883	(6,484)	(5,096)	87,021	6

¹ On his resignation as Director on 16 November 2018, all of James Douglas' outstanding LTIPs lapsed.

² The market price of 'A' ordinary shares on 28 June 2018 for the LTIP awards that vested and were released to participants was £9.50; the price of 'B' ordinary shares is assumed to be £0.95.

The performance conditions for the LTIP are set out in the tables on pages 56 and 57 of this report.

Payments to Past Directors

Anthony Fuller, former Chairman and now President, receives an annual royalty of £15,000 which is paid in recognition of the fact that Mr Fuller has given the Company ongoing exclusive permission to use his name and signature on any Company product. As part of the disposal of the Fuller's Beer Business, the arrangement was novated to The Fuller's Beer Company Limited and no further payment will be made by the Company.

Nigel Atkinson, former Non-Executive Director, received annual fees of £7,500 which are paid because Mr Atkinson continued to act for the Company as its ambassador in the Hampshire area, attending various events as the Company's representative. This arrangement ceased on 30 April 2018.

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 of £39,512; 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 remains entitled to receive monthly payment of salary in lieu of notice in respect of months 10, 11 and 12 of his notice periods if he has not obtained alternative employment by that time (and, if he has been successful in obtaining alternative employment, that income must be notified to the Company and will be set off against the remaining instalments in months 10, 11 and 12).

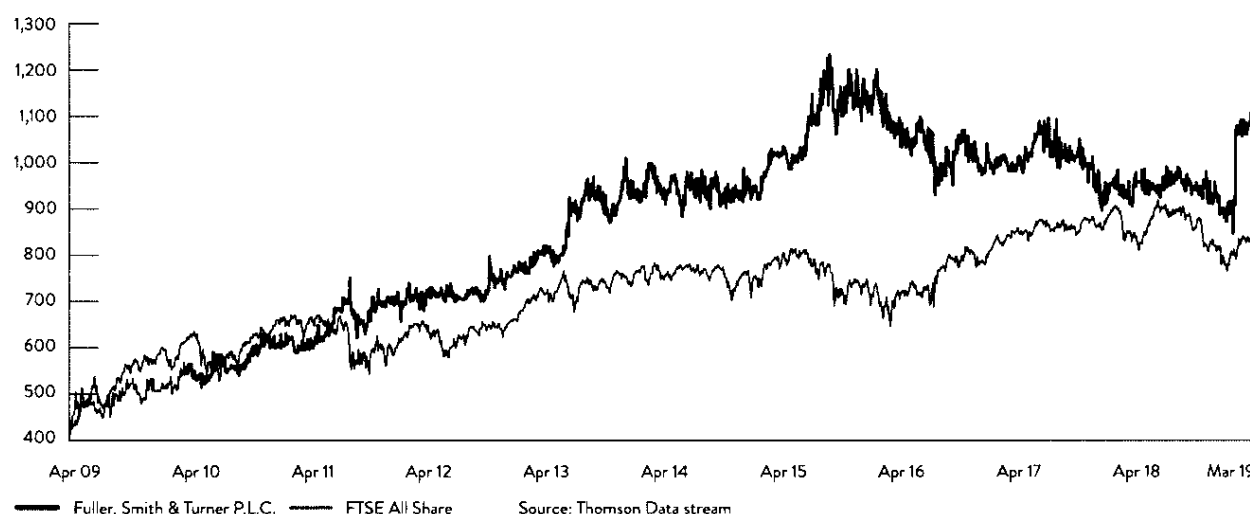
Following the termination of his employment on 11 October 2019, Jonathon Swaine will receive a lump sum payment of £183,000 equal to nine months' salary in lieu of notice (less any deductions for tax and national insurance the Company is required to make) and an enhanced lump sum redundancy payment of £155,330. 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 following shareholder approval of the payment. Jonathon Swaine will remain entitled to receive monthly payment of salary in lieu of notice in respect of months 10, 11 and 12 of his notice period if he has not obtained alternative employment by that time (and, if he has been successful in obtaining alternative employment, that income must be notified to the Company and will be set off against the remaining instalments in months 10, 11 and 12).

Following the termination of his employment on 31 January 2020, Richard Fuller will receive an enhanced redundancy payment of £191,632. He will also receive a payment of 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 following shareholder approval of the payment.

In accordance with the Remuneration Policy, each of the departing Directors was also eligible to receive an annual cash bonus payment under the Company's executive bonus scheme in relation to the financial year ended 30 March 2019. Details appear on page 58 pro-rata to their period of service in that year. This is consistent with the Remuneration Policy and the rules of the Company's executive bonus scheme.

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:

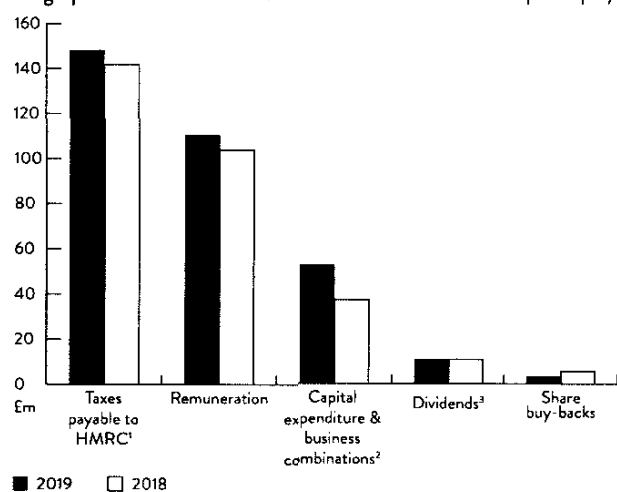
	2010	2011	2012	2013	2014 ²	2015	2016	2017	2018	2019
Single figure total remuneration (£000)	564	1,518	944	911	977	1,244	1,418	1,097	1,089	959
Annual bonus ¹	100%	70%	56%	41%	77%	76%	85%	41%	48%	48%
LTIP	70%	85%	92%	56%	64%	96%	100%	100%	56%	nil

¹ Annual bonus as a percentage of the maximum available.

² Simon Emery was appointed as Group Chief Executive in July 2013. This single total figure comprises the remuneration received by Simon Emery in the financial year, hence includes remuneration for the three months prior to this promotion.

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.

² Capital expenditure (including business combinations) represents cash paid in the year.

³ Dividends represents the interim dividend for 2019, paid in the year, the second interim dividend for 2019 that was paid post year end and the final dividend for 2019 that has been proposed but not paid in the year.

Statement of Voting at the Last Annual General Meeting

At the Annual General Meeting held on 25 July 2018, 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 2018	101,552,869	96.43%	3,762,641	3.57%	105,315,510	2,131,033
Approval of Remuneration Report 2017	98,562,946	94.87%	5,324,292	5.13%	103,887,238	9,821

The Directors' Remuneration Report, encompassing pages 47 to 64, was approved by the Board and signed on its behalf.

Helen Jones

Chair of the Remuneration Committee

24 July 2019

INDEPENDENT AUDITOR'S REPORT

to the Members of Fuller, Smith & Turner P.L.C.

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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 30 March 2019 which comprise the Group Income Statement, the Group and Company Statements 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 30 March 2019 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; and
- 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.

Conclusions relating to principal risks, going concern and viability statement

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 and accounts that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 24 of the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 23 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 23 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 group materiality: £2.2m, which represents 5% of the group's continuing and discontinued operations profit before taxation and separately disclosed items;
- Key audit matters were identified as impairment of property, plant and equipment and intangible assets, presentation of Separately Disclosed Items, presentation of discontinued operations, risk of fraud in revenue recognition and completeness of trade payables and accruals; and
- A full scope audit has been performed in respect of all trading entities which comprise 100% of group revenue and profit, which is consistent with 2018.

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.

Overview

Strategic Report

Governance

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Additional Information

INDEPENDENT AUDITOR'S REPORT

CONTINUED

to the Members of Fuller, Smith & Turner P.L.C.

Key Audit Matter – Group and Parent

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

Impairment of property, plant and equipment and intangible assets

As more fully explained in note 11, the Directors have made an annual impairment assessment for trading sites included within property, plant and equipment with a group net book value of £552.7m (2018: £564.1m). The process for measuring and recognising impairment under International Accounting Standard (IAS) 36: 'Impairment of Assets' is complex and highly judgemental, particularly as each individual trading outlet is treated as a separate cash-generating unit for impairment purposes, and the value in use (VIU) relies on forecasts of trading activity made by management, discounted to net present value, as well as consideration of alternative fair values determined for each site by either internal or external valuations.

In addition, as required by IFRS, the Directors perform an annual impairment review of unamortised intangible assets valued at £29.4m (2018: £32.1m) as more fully explained in note 10. The impairment review of intangible assets is complex and judgemental, including what constitutes a cash generating unit (CGU) and the use of forecasts including the use of relevant discount rates.

We therefore identified the assessment of impairment of property, plant and equipment and intangible assets 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:

- reading the accounting policy for compliance with IAS 36 and that the application by the group and parent company is consistent with the stated policy;
- performing an appraisal of current trading for pub transactions in comparison with budgeted performance and performance consistent with market expectations;
- testing of the integrity of data used in the models assessing value in use by agreeing a sample to source data;
- testing the key inputs within the calculations, as well as performing a completeness review of all operating units to ensure all appropriate sites and CGUs had been appropriately identified;
- challenging management's impairment model, using industry data to consider the reasonableness of management's assumptions, in particular maintainable trading levels, growth and discount rates; and
- testing the accuracy of management's forecasting through a comparison of budget to actual data and to historical trends.

The group's accounting policy on impairment is shown in note 1 to the financial statements and related disclosures are included in notes 10 & 11. The Audit Committee identified impairment as a key accounting judgement in its report on page 44, where the Audit Committee also described the action that it has taken to address this matter.

Key observations

As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that impairment has been appropriately assessed in accordance with the requirements of IAS36.

Presentation of Separately Disclosed Items

As set out in the consolidated income statement and note 5, the financial statements include a net charge of £17.1m (2018: credit £0.4m) before tax in respect of Separately Disclosed Items which, as set out in the accounting policies, 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.

We therefore identified presentation of Separately Disclosed Items 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:

- testing the criteria used by management to determine classification 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
- checking that the presentation was consistent with that presented in prior periods.

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 key accounting judgement in its report on page 44, 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 have concluded that Separately Disclosed Items have been appropriately classified and disclosed on a consistent basis.

Key Audit Matter – Group and Parent

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

Presentation of discontinued operations

Disposal of the brewing division shortly after the year-end represents a material allocation of the group results, and group and parent assets and liabilities, including restatement of comparative figures on the same basis.

Discontinued operations amounted to revenue of £106.4m (2018: £102.2m) generating a profit before tax of £5.2m (2018: £7.6m) as set out in the income statement. Net assets held for disposal totalled £57.0m for the group and £39.1m for the parent as detailed in note 20.

These are also reported upon as part of alternative performance measures within the financial statements. Consistency and accuracy of presentation is important for maintaining comparability between reported results for each period.

We therefore identified the risk of presentation of discontinued operations 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:

- agreement of allocation of disposal entities to underlying sale agreement and financial accounting records;
- agreement of discontinued activity disclosures for income statement, statement of financial position, cash flows and notes to the accounts to the financial accounting records in accordance with the requirements of IFRS 5;
- testing recovery of the assets held for sale included in note 20 to the sale agreement and post year end receipt;
- testing management judgement applied to the treatment of previously joint and shared costs with other divisions of the group and whether these are discontinued or continuing; and
- reading management commentary related to discontinued operations and that it is consistent with financial statements and is fair, balanced and understandable.

The group's accounting policy on discontinued operations is shown in note 1 to the financial statements and related disclosures are included in note 20. The Audit Committee identified presentation of discontinued operations as a key accounting judgement in its report on page 44, where the Audit Committee also described the action that it has taken to address this matter.

Key observations

As a result of the audit procedures performed, we have concluded that discontinued operations been recognised and presented appropriately in accordance with IFRS 5.

Risk of fraud in revenue recognition

Under ISA (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in revenue recognition. The Group records a substantial proportion of sales in cash and through point of sale transactions.

We therefore identified risk of fraud in revenue recognition 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:

- an evaluation of the revenue recognition policies for each of the Group's revenue streams against the requirements of the Group's stated accounting policies and IFRS 15: 'Revenue from contracts with customers';
- for beer and liquor sales made by the Brewery, which are included in discontinued operations, we performed substantive testing of transactions within the year, agreeing each item to the sales invoice and subsequent cash receipt or trade receivable or third-party purchase order. Brewery sales are only recorded within the management system, and the change in these systems during the year determined that operational controls could not be relied upon;
- for managed inns revenue, testing the relevant controls over the capture and recording of revenue from individual inns and the reconciliation of income recorded in the inns management system to the financial reporting system;
- testing the receipt of cash collected at inns into Group bank accounts; and
- substantively tested tenanted inns revenue to supporting agreements and third-party documentation.

The group's accounting policy on revenue is shown in note 1 to the financial statements and related disclosures are included in notes 2 and 3.

Key observations

As a result of the audit procedures performed, we have concluded that revenue has been recognised appropriately in accordance with IFRS 15.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

to the Members of Fuller, Smith & Turner P.L.C.

Key Audit Matter – Group and Parent

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

Completeness of trade payables and accruals

During the year, and as a result of migration to a new management system, there were significant challenges over the management of supplier payments. This included difficulties in matching accruals and invoices, suppliers not being paid on a timely basis, and duplicate payments to suppliers.

We therefore identified the risk of omission of liabilities 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:

- Obtaining supplier statement reconciliations for the top 25 suppliers at 30 March 2019;
- Substantively testing a sample of reconciling items to appropriate payments and accrued costs;
- Testing debit balances recorded within trade payables by matching to recorded accruals or subsequent recovery to determine these had been validly recorded as an asset and appropriately offset within the balance;
- Reviewing post year end payments and invoices to identify potential unrecorded liabilities at the year-end; and
- Performing a year on year analytical review of trade payables by supplier and verifying any unusual variances.

The group's accounting policies relating to trade payables and accruals are shown in note 1 to the financial statements and related disclosures are included within trade and other payables in note 21.

Key observations

As a result of the audit procedures performed, we have concluded that there are no material omissions in trade payables and accruals at 30 March 2019.

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
Financial statements as a whole	£2.2m which is approximately 5% of profit before taxation and Separately Disclosed Items. This benchmark is considered the most appropriate because it is one of the key performance indicators for the Board and its shareholders as well as being a crucial component of the earnings per share calculation and in calculating Directors' bonuses. Materiality for the current year is higher than the level that we determined for the 52 weeks ended 31 March 2018 (£2.1m) to reflect the increase in reported profit.	£2.1m which is approximately 5% of profit before profit before taxation and Separately Disclosed Items of the group. This benchmark is considered the most appropriate because group profit before tax resides primarily in the parent entity. Materiality for the current year is the same level that we determined for the 52 weeks ended 31 March 2018 (£2.1m).
Performance materiality used to drive the extent of our testing	Performance materiality was set at 65% of financial statement materiality to reflect the increased risk of misstatement following the migration to the new group management information system and the increased risk of unidentified error arising.	Performance materiality was set at 65% of financial statement materiality to reflect the increased risk of misstatement following the migration to the new group management information system and the increased risk of unidentified error arising.
Specific materiality	We determined a lower level of specific materiality of £25,000 for certain areas such as Directors' remuneration and related party transactions.	We determined a lower level of specific materiality of £25,000 for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£110,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£105,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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. Full scope audit work was performed on other components at materiality levels commensurate with their size;
- recognition that the Group is organised into three principal operating divisions: Managed Pubs and Hotels, Tenanted Inns and The Fuller's Beer Company. We tested 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;
- undertaking controls and substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the design effectiveness of controls over individual systems and the management of specific risks;
- appraisal and testing of the migration of data from the old to the new group management information system and assessment of the general controls surrounding that system, using specialists to assist the audit team.

This approach was unchanged from that adopted for the 52 weeks ended 31 March 2018.

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 fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the group financial statements or that had a fundamental effect on the operations of the group. 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 understood how the company and the group is complying with those legal and regulatory frameworks by making inquiries of the 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 company's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team 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
 - testing the operating effectiveness of controls that prevent and detect fraud;
 - assessing matters reported through the group's whistleblowing programme and the results of management's investigation of such matters;
 - challenging assumptions and judgments made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

INDEPENDENT AUDITOR'S REPORT

CONTINUED

to the Members of Fuller, Smith & Turner P.L.C.

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 64, 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** – 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** – 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, 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.

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 ended 29 March 2014 and subsequent financial periods.

The period of total uninterrupted engagement is 6 years, covering the years ending 31 March 2014 to 2019.

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.

Philip Westerman

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 July 2019

GROUP INCOME STATEMENT for the 52 weeks ended 30 March 2019

	Note	52 weeks ended 30 March 2019			Restated 52 weeks ended 31 March 2018		
		Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Revenue	3	324.7	106.4	431.1	301.4	102.2	403.6
Operating costs	4	(281.4)	(99.6)	(381.0)	(259.8)	(94.6)	(354.4)
Operating separately disclosed items	5	(16.6)	(1.6)	(18.2)	(4.7)	-	(4.7)
Operating profit		26.7	5.2	31.9	36.9	7.6	44.5
Finance costs	6	(6.9)	-	(6.9)	(6.0)	-	(6.0)
Financing separately disclosed items	5, 6	(0.8)	-	(0.8)	(1.0)	-	(1.0)
Profit on disposal of properties separately disclosed items	5	1.9	-	1.9	6.1	-	6.1
Profit before tax		20.9	5.2	26.1	36.0	7.6	43.6
Adjusted profit before tax		36.4	6.8	43.2	35.6	7.6	43.2
Total separately disclosed items	5	(15.5)	(1.6)	(17.1)	0.4	-	0.4
Profit before tax		20.9	5.2	26.1	36.0	7.6	43.6
Tax		(5.5)	(1.1)	(6.6)	(7.3)	(1.5)	(8.8)
<i>Analysed as:</i>							
Underlying trading	7	(7.1)	(1.4)	(8.5)	(7.3)	(1.5)	(8.8)
Separately disclosed items	5	1.6	0.3	1.9	-	-	-
Profit for the year		15.4	4.1	19.5	28.7	6.1	34.8
Attributable to:							
Equity shareholders of the Parent Company		15.4	3.9	19.3	29.9	5.9	35.8
Non-controlling interest		-	0.2	0.2	(1.2)	0.2	(1.0)

Earnings per share per 40p 'A' and 'C' ordinary share		Pence	Pence	Pence	Pence	Pence	Pence
Basic	8	28.02	7.10	35.12	54.20	10.69	64.89
Diluted	8	27.82	7.05	34.87	53.86	10.63	64.49
Adjusted	8	53.31	9.47	62.78	52.20	10.70	62.90
Diluted adjusted	8	52.94	9.40	62.34	51.88	10.63	62.51
Earnings per share per 4p 'B' ordinary share							
Basic	8	2.80	0.71	3.51	5.42	1.07	6.49
Diluted	8	2.78	0.71	3.49	5.39	1.06	6.45
Adjusted	8	5.33	0.95	6.28	5.22	1.07	6.29
Diluted adjusted	8	5.29	0.94	6.23	5.19	1.06	6.25

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the 52 weeks ended 30 March 2019

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Group	Note	52 weeks ended	52 weeks ended	Overview
		30 March 2019 £m	31 March 2018 £m	
Profit for the year		19.5	34.8	Strategic Report
<i>Items that may be reclassified to profit or loss</i>				
Net gains on valuation of financial assets and liabilities	26	0.3	1.5	Strategic Report
Tax related to items that may be reclassified to profit or loss		–	(0.2)	
<i>Items that will not be reclassified to profit or loss</i>				Strategic Report
Net actuarial (losses)/gain on pension schemes	23	(5.0)	4.4	
Tax related to items that will not be reclassified to profit or loss	7	0.8	(0.8)	Strategic Report
Other comprehensive (losses) /gain for the year, net of tax		(3.9)	4.9	
Total comprehensive income for the year, net of tax		15.6	39.7	Strategic Report
Total comprehensive income attributable to:				
Equity shareholders of the Parent Company		15.4	40.7	Strategic Report
Non-controlling interest	16	0.2	(1.0)	

GROUP AND COMPANY BALANCE SHEETS

30 March 2019

	Note	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets					
Intangible assets	10	37.7	45.4	8.3	6.1
Property, plant and equipment	11	552.7	564.1	526.7	551.8
Investment properties	12	4.6	4.6	4.6	4.6
Other non-current assets	14	0.3	0.4	0.3	0.4
Investments in subsidiaries	15	-	-	122.3	105.5
Total non-current assets		595.3	614.5	662.2	668.4
Current assets					
Inventories	18	5.0	13.5	4.5	11.6
Trade and other receivables	19	8.3	22.9	37.9	42.5
Cash and short-term deposits	22	11.0	11.7	9.2	9.7
Assets classified as held for sale	20	87.0	2.1	62.6	2.1
Other financial assets	13	0.1	-	0.1	-
Total current assets		111.4	50.2	114.3	65.9
Current liabilities					
Trade and other payables	21	(29.6)	(64.0)	(133.9)	(163.7)
Current tax payable		(2.8)	(4.0)	(1.8)	(3.1)
Provisions	25	(0.5)	(0.1)	(0.5)	(0.1)
Borrowings	22	(50.0)	(30.0)	(50.0)	(30.0)
Liabilities classified as held for sale	20	(30.0)	-	(23.5)	-
Other financial liabilities	13	-	(3.7)	-	-
Total current liabilities		(112.9)	(101.8)	(209.7)	(196.9)
Non-current liabilities					
Borrowings	22	(206.2)	(183.6)	(206.0)	(183.4)
Other financial liabilities	13	(1.4)	(1.8)	(1.4)	(1.8)
Retirement benefit obligations	23	(36.4)	(32.5)	(36.4)	(32.5)
Deferred tax liabilities	7	(9.2)	(9.3)	(7.5)	(9.0)
Provisions	25	(2.1)	(0.6)	(2.1)	(0.6)
Other non-current payables	21	-	(0.2)	-	-
Total non-current liabilities		(255.3)	(228.0)	(253.4)	(227.3)
Net assets		338.5	334.9	313.4	310.1
Capital and reserves					
Share capital	27	22.8	22.8	22.8	22.8
Share premium account		4.8	4.8	4.8	4.8
Capital redemption reserve		3.1	3.1	3.1	3.1
Own shares	27	(19.8)	(19.2)	(19.8)	(19.2)
Hedging reserve		(0.8)	(1.1)	(0.8)	(1.1)
Retained earnings		328.4	328.4	303.3	299.7
Equity attributable to equity holders of the parent		338.5	338.8	313.4	310.1
Non-controlling interest	16	-	(3.9)	-	-
Total equity		338.5	334.9	313.4	310.1

Profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £19.2 million (2018: £35.1 million).

Approved by the Board and signed on 24 July 2019.



M.J. Turner, FCA
Chairman

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY

for the 52 weeks ended 30 March 2019

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Group	Share capital (note 27) £m	Share premium account £m	Capital redemption reserve £m	Own shares (note 27) £m	Hedging reserve £m	Retained earnings £m	Total £m	Non- controlling interest (note 16) £m	Total equity £m	Overview
At 1 April 2017	22.8	4.8	3.1	(16.7)	(2.6)	301.4	312.8	(3.1)	309.7	
Profit for the year	-	-	-	-	-	35.8	35.8	(1.0)	34.8	
Other comprehensive loss for the year	-	-	-	-	1.5	3.4	4.9	-	4.9	
Total comprehensive income/(loss) for the year	-	-	-	-	1.5	39.2	40.7	(1.0)	39.7	
Shares purchased to be held in ESOT or as treasury	-	-	-	(5.5)	-	-	(5.5)	-	(5.5)	Strategic Report
Shares released from ESOT and treasury	-	-	-	3.0	-	(2.2)	0.8	-	0.8	
Dividends (note 9)	-	-	-	-	-	(10.5)	(10.5)	-	(10.5)	
Share-based payment charges	-	-	-	-	-	0.8	0.8	-	0.8	
Tax credited directly to equity (note 7)	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)	
Adjustments arising from change in non-controlling interest (note 16)	-	-	-	-	-	-	-	0.2	0.2	
Total transactions with owners	-	-	-	(2.5)	-	(12.2)	(14.7)	0.2	(14.5)	Governance
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 income 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	Financial Statements
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 16)	-	-	-	-	-	(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	Additional Information

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY

CONTINUED

for the 52 weeks ended 30 March 2019

Company	Share capital (note 27) £m	Share premium account £m	Capital redemption reserve £m	Own shares (note 27) £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 April 2017	22.8	4.8	3.1	(16.7)	(2.6)	273.1	284.5
Profit for the year	-	-	-	-	-	35.1	35.1
Other comprehensive loss for the year	-	-	-	-	1.5	3.4	4.9
Total comprehensive income for the year	-	-	-	-	1.5	38.5	40.0
Shares purchased to be held in ESOT or as treasury	-	-	-	(5.5)	-	-	(5.5)
Shares released from ESOT and treasury	-	-	-	3.0	-	(2.2)	0.8
Dividends (note 9)	-	-	-	-	-	(10.5)	(10.5)
Share-based payment charges	-	-	-	-	-	0.8	0.8
Total transactions with owners	-	-	-	(2.5)	-	(11.9)	(14.4)
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 income 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

GROUP AND COMPANY CASH FLOW STATEMENTS

for the 52 weeks ended 30 March 2019

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	Note	Group 52 weeks ended 30 March 2019 £m	Group 52 weeks ended 31 March 2018 £m	Company 52 weeks ended 30 March 2019 £m	Company 52 weeks ended 31 March 2018 £m
Profit before tax for continuing operations		20.9	36.0	21.7	36.4
Net finance costs before separately disclosed items		6.9	6.0	8.4	8.1
Separately disclosed items	5	15.5	(0.4)	13.5	(2.7)
Depreciation and amortisation	10, 11	19.5	17.9	18.5	15.7
		62.8	59.5	62.1	57.5
Difference between pension charge and cash paid		(2.2)	(2.0)	(2.2)	(2.0)
Share-based payment charges		1.0	0.8	1.0	0.8
Change in trade and other receivables		3.0	1.8	0.4	1.2
Change in inventories		(0.9)	0.4	(5.6)	0.1
Change in trade and other payables		(11.6)	(13.7)	(6.8)	(10.0)
Cash impact of operating separately disclosed items	5	(9.7)	(4.0)	(9.7)	(4.0)
Cash generated from operations		42.4	42.8	39.2	43.6
Tax paid		(8.6)	(9.0)	(7.8)	(8.2)
Cash generated from operating activities – continuing operations		33.8	33.8	31.4	35.4
Cash (absorbed by)/generated from operating activities – discontinued operations		(0.8)	18.5	(2.6)	17.1
Total cash generated from operating activities		33.0	52.3	28.8	52.5
Cash flow from investing activities					
Business combinations	17	(20.1)	(10.6)	(20.1)	(10.6)
Purchase of property, plant and equipment		(28.5)	(23.5)	(27.8)	(20.1)
Sale of property, plant and equipment and investment property		7.3	10.8	7.3	10.8
Cash absorbed by investing activities – continuing operations		(41.3)	(23.3)	(40.6)	(19.9)
Cash absorbed by investing activities – discontinued operations		(4.2)	(4.1)	(3.5)	(5.8)
Net cash outflow from investing activities		(45.5)	(27.4)	(44.1)	(25.7)
Cash flow from financing activities					
Purchase of own shares	27	(3.2)	(5.5)	(3.2)	(5.5)
Receipts on release of own shares to option schemes		1.1	0.8	1.1	0.8
Interest paid		(6.2)	(5.6)	(6.2)	(5.5)
Preference dividends paid	9	(0.1)	(0.1)	(0.1)	(0.1)
Equity dividends paid	9	(10.9)	(10.5)	(10.9)	(10.5)
Drawdown of bank loans		42.3	10.0	42.3	10.0
Repayment of bank loans		(6.0)	(18.0)	(6.0)	(18.0)
Loans to subsidiary companies		–	–	–	–
Cost of refinancing		(0.2)	–	(0.2)	(1.1)
Cash generated/(absorbed by) financing activities – continuing operations		16.8	(28.9)	16.8	(29.9)
Cash absorbed by financing activities – discontinued operations		–	–	–	–
Net cash inflow/(outflow) from financing activities		16.8	(28.9)	16.8	(29.9)
Net movement in cash and cash equivalents		4.3	(4.0)	1.5	(3.1)
Cash acquired on acquisition		0.3	0.4	0.3	–
Cash and cash equivalents at the start of the year	22	11.7	15.3	9.7	12.8
Cash and cash equivalents at the end of the year		16.3	11.7	11.5	9.7
Included in the assets of the disposal group		(5.3)	–	(2.3)	–
Total cash and cash equivalents at the end of the year	22	11.0	11.7	9.2	9.7

Cash and cash equivalents comprise cash and other short-term highly liquid investments with a maturity of three months or less. There were no significant non-cash transactions during either period.

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 30 March 2019 were authorised for issue by the Board of Directors on 24 July 2019 and the Balance Sheet was signed on the Board's behalf by M J Turner. Fuller, Smith & Turner P.L.C. is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary 'A' shares are traded on the London Stock Exchange.

Significant Accounting Policies

Basis of preparation

The Group's and Company's financial statements have been prepared in accordance with International 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 30 March 2019, 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.

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore continued to be prepared on a going concern basis. See the Going Concern statement on page 23 of the Financial Review.

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

Significant accounting estimates and judgements

The areas of judgement, 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 10, 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 11, 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 23.

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 possible that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment. See note 7.

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 judgement. Management assess fair values, particularly for property, plant and equipment, with reference to current market prices. See note 17 for business combinations made in the year.

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.

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 30 March 2019 (2018: 52 weeks ended 31 March 2018).

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.

1. Authorisation of Financial Statements and Accounting Policies continued

Adoption of new standards and interpretations

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 1 April 2018:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments (2014)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendments to IAS 28: Investments in Associates and Joint Ventures.

On 28 May 2014, the International Accounting Standards Board issued IFRS 15 Revenue from Contracts with Customers which is effective for periods starting on or after 1 January 2018. IFRS 15 replaces existing revenue recognition guidance and establishes a comprehensive framework for determining whether, how much and when revenue is recognised. In the year ended 30 March 2019, almost all of the Group's revenue was derived through sales of drink, food and accommodation in the Managed estate and drink sales in the Tenanted estate and The Fuller's Beer Company. These represent simple transactions with only one performance obligation, require a low level of judgement in determining the consideration and the timing of transfer of control occurs at a point of time. The remainder of the Group's revenue is made up of rental income received from Tenanted and unlicensed properties and accrued interest using the effective interest method which are outside of the scope of IFRS 15. The Group does not receive any dividend income. The standard has been applied retrospectively. After a detailed assessment of all the Group's revenue, the Group concluded that the adoption of IFRS 15 did not have a material impact on the Group's financial performance, position or cash flows.

On 24 July 2014, the International Accounting Standards Board issued IFRS 9 Financial Instruments: Recognition and Measurement which is effective for periods starting on or after 1 January 2018. Debt instruments currently classified as held to maturity and measured at amortised cost meet the conditions for classification at amortised cost under IFRS 9. The Company's current hedge relationships qualified as continuing hedges, on the adoption of IFRS 9.

IFRS 9 also covers a new expected credit loss model for calculating impairment of financial assets. The Group has applied the simplified approach as permitted by IFRS 9. The expected credit loss model considers the Group's historical credit loss, factors specific for each receivable, current economic environment and expected changes in forecast. The application of this new model did not result in a material impact to the Group's financial performance or the financial position.

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

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect on any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite lives that are acquired separately from a business are carried at cost less accumulated impairment losses. An intangible asset acquired as part of a business combination and recognised separately from goodwill is initially recognised at fair value at the acquisition date (which is regarded as cost). Payments made to acquire operating leases from third parties are classified as intangible assets and amortised over the expected life of the lease and recognised 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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. Authorisation of Financial Statements and Accounting Policies continued

Property, plant and equipment

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

Freehold buildings – Hotel accommodation and offices	Up to 50 years
Freehold buildings – Licensed retail property, 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.

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.

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

Leases

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Income Statement on a straight-line basis over the lease term. The Group has a number of lease arrangements in which the rent payable is contingent on revenue. Any contingent rentals payable are accrued in line with revenues generated by the site.

Group as a lessor

Assets leased under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight-line basis over the lease term.

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. To be classified as such, management need to have initiated a sales plan as at the Balance Sheet date and must expect the sale to qualify for recognition as a completed sale within one year. 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).

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.

1. Authorisation of Financial Statements and Accounting Policies continued

Financial instruments

Financial assets

Trade and other receivables

Trade receivables are recognised at their original invoiced amounts, less an allowance for impairment based on an expected credit loss (ECL) model approach as per IFRS 9 Financial Instruments. This model focuses on an appraisal of the risk that a receivable will default rather than whether a loss has been incurred. This involves an 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 national or economic conditions that correlate with default on receivables. The timing of initial recognition for impairment losses is the same period that the asset is recognised. Increases to the allowance account 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.

Cash and short-term deposits

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired.

Financial liabilities

Trade and other payables

Trade and other payables do not bear interest and are carried at original cost.

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Derivative financial instruments and hedging

In order to hedge its exposure to certain foreign exchange transaction risks, the Group enters into forward foreign exchange contracts. In order to hedge its exposure to interest rate risks, the Group enters into interest rate derivative contracts. The Group uses these contracts in order to hedge known borrowings. The Group does not use any derivative financial instruments for speculative purposes.

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 assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and cap contracts is determined by reference to market values for similar instruments. This represents a Level 2 fair value under the hierarchy in IFRS 13 Fair Value Measurement.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging an 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.

Interest rate swaps are classified as cash flow hedges. If they are effective hedges, then any changes in fair value are deferred in equity until the hedged transaction occurs, when any changes in fair value will be recycled through the Income Statement together with any changes in the fair value of the hedged item. If the hedges are not effective hedges, then any changes in fair value are recognised in the Income Statement immediately.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are then transferred to the Income Statement.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. Authorisation of Financial Statements and Accounting Policies continued

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 27, 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 shares carry interest 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. Revenue is recognised when control of the goods/services has transferred, being at the point the customer purchases the food, drink or accommodation. Payment of the transaction price is due immediately at the point the customer purchases the goods. The Group also receives rental income from Tenanted and unlicensed properties which is recognised on a straight-line basis over the lease term and machine income where net takings are recognised as earned. 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.

The Fuller's Beer Company 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.

Finance revenue

Finance revenue is recognised as interest accrues using the effective interest method.

Borrowing costs

Borrowing costs are generally recognised as an expense when incurred. Interest expenses 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 assets 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.

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 measures within the management commentary for the reporting period.

1. Authorisation of Financial Statements and Accounting Policies continued

Share-based payments

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

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

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

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

Own shares

Shares to be awarded under employee incentive plans and those that have been awarded but have yet to vest unconditionally are held at cost by an employee share ownership trust ("ESOT") and shown as a deduction from equity in the Balance Sheet.

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 performance statements 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 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. Authorisation of Financial Statements and Accounting Policies continued

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 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 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

The Company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits.

1. Authorisation of Financial Statements and Accounting Policies continued

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 16 Leases (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12
- Income Taxes and IAS 23 Borrowing Costs (effective 1 January 2019)
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement (effective 1 January 2019)
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

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, except as noted below:

The Group will implement IFRS 16 for the year ending 29 March 2020. IFRS 16 replaces IAS 17 Leases and significantly revises the way that entities will account for leases. It will result in most leases being accounted for on-Balance Sheet recognising a new category of right-of-use asset and liability based on discounted future lease payments. The lease liability will be recognised equal to the present value of the remaining lease payments discounted using an incremental borrowing rate at the date of initial application. Generally, the right-of-use asset will be recognised equal to the lease liability adjusted for initial direct costs (including lease premiums) and any prepaid or accrued lease payments.

The Group will apply IFRS 16 using the modified retrospective approach and therefore no prior year restatement is required. The Group has reviewed all lease contracts which fall within the scope of IFRS 16 and intends to apply the below practical expedients permitted under the modified retrospective approach:

- Exclude leases for measurement and recognition for leases where the term ends within 12 months from the date of initial application
- Apply a single discount rate to a portfolio of leases with similar characteristics
- Adjust the right-of-use asset on transition by any previously recognised onerous lease provisions.

We are in the progress of finalising our impact assessment of the requirements of IFRS 16 and the potential impact on the results of the Group are summarised below:

Income Statement

Based on the Group's lease portfolio at 30 March 2019, adjusted profit before tax for the period ending 29 March 2020 is expected to decrease by between £1.0 million and £2.0 million. This is a result of the lease expense of between £9.0 million and £10.0 million being replaced by depreciation on the right-of-use asset of between £8.0 million and £9.0 million and finance costs of between £2.0 million and £3.0 million to reflect the current year unwinding of the discounted lease liability. Adjusted EBITDA is expected to benefit by between £9.0million and £10.0 million.

Balance Sheet

At the opening Balance Sheet date of 31 March 2019, total assets and total liabilities are both expected to increase by between £75.0 million and £85.0 million. This is the result of the introduction of a lease liability and a right-of-use asset.

Cash flow statement

The principal lease payments and interest will be separately disclosed within the cash flow statement, no longer forming part of operating activities. The above items will have no effect on the Group's net cash flow apart from certain disclosures and classifications.

Due to routine acquisitions and modifications to lease terms, the actual impact of IFRS 16 may vary to such an extent that the actual impact of IFRS 16 on the period to 29 March 2020 may be materially different to the amounts disclosed.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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 and Bel & The Dragon
- Tenanted Inns, which comprises pubs operated by third parties under tenancy or lease agreements
- The Fuller's Beer Business, which comprises the brewing and distribution of beer, cider, wines, spirits and soft drinks, Nectar Imports Limited and The Dark Star Brewing Company Limited. The Fuller's Beer Business was disposed of after year end. See note 20.

The most important measure used to evaluate the performance of the business is adjusted profit, which is the profit before tax, adjusted for separately disclosed items. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit. More details of these segments are given in the Strategic Report on pages 10 to 33 of this report. Segment performance is evaluated based on operating profit before separately disclosed items and is measured consistently with the operating profit before separately disclosed items in the consolidated financial statements.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between operating segments. Those transfers are eliminated on consolidation. Group financing, including finance costs and revenue, and taxation are managed on a Group basis.

As segment assets and liabilities are not regularly provided to the Chief Operating Decision Maker, the Group has elected, as provided under IFRS 8 Operating Segments (amended), not to disclose a measure of segment assets and liabilities.

52 weeks ended 30 March 2019	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Continuing Operations £m	Discontinued Operations – The Fuller's Beer Company ² £m	Total £m
Revenue						
Segment revenue	293.8	30.9	–	324.7	161.4	486.1
Inter-segment sales	–	–	–	–	(55.0)	(55.0)
Revenue from third parties	293.8	30.9	–	324.7	106.4	431.1
Segment result	35.1	12.8	(4.6)²	43.3	6.8	50.1
Operating separately disclosed items						(18.2)
Operating profit						31.9
Profit on disposal of properties						1.9
Net finance costs						(7.7)
Profit before tax						26.1
Other segment information						
Capital expenditure: property, plant and equipment	25.5	3.0	–	28.5	4.2	32.7
Business combinations (note 17)	18.1	–	–	18.1	2.0	20.1
Depreciation and amortisation	17.6	1.9	–	19.5	3.6	23.1
Impairment of property	3.0	–	–	3.0	–	3.0
Reversal of impairment on property	(1.3)	(0.5)	–	(1.8)	–	(1.8)

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

² Unallocated costs have been adjusted to include costs previously allocated to The Fuller's Beer Business as they are considered to be continuing in nature and therefore form part of the continuing operations.

2. Segmental Analysis continued

52 weeks ended 31 March 2018	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated ¹ £m	Continuing Operations £m	Discontinued Operations – The Fuller's Beer Company £m	Total £m
Revenue						
Segment revenue	271.2	30.2	–	301.4	152.9	454.3
Inter-segment sales	–	–	–	–	(50.7)	(50.7)
Revenue from third parties	271.2	30.2	–	301.4	102.2	403.6
Segment result	33.4	12.9	(4.7) ²	41.6	7.6	49.2
Operating separately disclosed items						(4.7)
Operating profit						44.5
Profit on disposal of properties						6.1
Net finance costs						(7.0)
Profit before tax						43.6
Other segment information						
Capital expenditure: property, plant and equipment	18.8	3.0	–	21.8	5.8	27.6
Business combinations (note 17)	1.5	2.8	–	4.3	6.3	10.6
Depreciation and amortisation	16.4	1.5	–	17.9	3.8	21.7
Impairment of property	3.5	–	–	3.5	–	3.5
Reversal of impairment on property	(0.8)	(0.8)	–	(1.6)	–	(1.6)

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

² Unallocated costs have been adjusted to include costs previously allocated to The Fuller's Beer Business as they are considered to be continuing in nature and therefore form part of the continuing operations.

Geographical Information

The majority of the Group's business is within the UK and the Group identifies two distinct geographical markets:

52 weeks ended 30 March 2019	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers – continuing operations	324.7	–	324.7
Sales to external customers – discontinued operations	98.7	7.7	106.4
			Restated
52 weeks ended 31 March 2018	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers – continuing operations	301.4	–	301.4
Sales to external customers – discontinued operations	94.0	8.2	102.2

Sales to external customers disclosed in geographical information are based on the geographical location of the customer. All of the Group's assets, liabilities and capital expenditure relate to the UK only.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. Revenue

	52 weeks ended 30 March 2019 £m			Restated 52 weeks ended 31 March 2018 £m		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
<i>Revenue disclosed in the Income Statement is analysed as follows:</i>						
Sale of goods and services	313.6	106.4	420.0	291.1	102.2	393.3
Rental income	11.1	-	11.1	10.3	-	10.3
	324.7	106.4	431.1	301.4	102.2	403.6

4. Operating Costs

	52 weeks ended 30 March 2019 £m			Restated 52 weeks ended 31 March 2018 £m		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Production costs and cost of goods used in retailing	86.6	111.4	198.0	79.4	107.8	187.2
Inter-segment costs*	-	(55.0)	(55.0)	-	(50.7)	(50.7)
Change in stocks of finished goods and beer in progress	1.1	3.1	4.2	(0.2)	(0.5)	(0.7)
Staff costs	110.5	14.0	124.5	90.4	13.4	103.8
Repairs and maintenance	13.0	1.1	14.1	12.4	0.5	12.9
Depreciation of property, plant and equipment	18.5	3.3	21.8	17.9	3.0	20.9
Amortisation of intangibles	1.0	0.3	1.3	0.6	0.2	0.8
Operating lease rentals						
- minimum lease payments ¹	10.3	0.4	10.7	9.1	0.4	9.5
- contingent rents ²	1.9	-	1.9	3.8	-	3.8
Property costs	29.0	0.2	29.2	26.6	0.1	26.7
Utilities	5.8	1.6	7.4	5.6	1.3	6.9
Separately disclosed items (note 5)	16.6	1.6	18.2	4.7	-	4.7
Other	3.7	19.2	22.9	14.2	19.1	33.3
	298.0	101.2	399.2	264.5	94.6	359.1

¹ Included within minimum lease payments are sub-lease payments of £0.4 million (2018: £0.6 million).

² Contingent rents are dependent on turnover levels.

* Inter-segment costs included in continuing operations have been eliminated in discontinued operations to offset the elimination of the inter-segment sales in discontinued operations.

Details of income and direct expenses relating to rental income from investment properties are shown in note 12.

4. Operating Costs continued

a) Auditors' Remuneration

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
	Total	Total
Fees payable to Company's auditors:		
- Statutory audit fees of Group financial statements	0.3	0.1
- Reporting accountants	0.2	-
	0.5	0.1

Included in audit fees is £17,500 comprising a half year review. Also incurred in the period were non-audit related services of £173,000 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) Staff Costs¹

	£m			Restated £m		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Wages and salaries ²	101.0	12.1	113.1	84.3	11.7	96.0
Deemed remuneration on the future purchase of shares in The Stable	-	-	-	(1.2)	-	(1.2)
Social security costs	7.9	1.3	9.2	6.1	1.1	7.2
Pension benefits	1.6	0.6	2.2	1.2	0.6	1.8
	110.5	14.0	124.5	90.4	13.4	103.8

¹ Includes Directors.

² Includes share-based payment expense.

c) Average Number of Employees¹

	Number			Restated Number		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
The average monthly number of persons employed by the Group (including part-time staff) was as follows:						
Fuller's Inns	4,925	-	4,925	4,481	-	4,481
The Fuller's Beer Company	-	461	461	-	417	417
Central Services	13	-	13	15	-	15
	4,938	461	5,399	4,496	417	4,913

¹ Includes Directors.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 47 to 64.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. Separately Disclosed Items

	52 weeks ended 30 March 2019 £m			52 weeks ended 31 March 2018 £m		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Amounts included in operating profit:						
Acquisition costs	(0.6)	-	(0.6)	(0.6)	-	(0.6)
Reorganisation costs	(0.5)	-	(0.5)	-	-	-
Disposal of the Fuller's Beer Business	(5.4)	(1.6)	(7.0)	-	-	-
Deemed remuneration on the future purchase of shares in The Stable	-	-	-	1.2	-	1.2
Impairment of properties	(3.0)	-	(3.0)	(3.5)	-	(3.5)
Reversal of impairment on property	1.8	-	1.8	1.6	-	1.6
Replacement of core IT systems	(6.7)	-	(6.7)	(3.4)	-	(3.4)
Onerous lease provision charge	(1.9)	-	(1.9)	-	-	-
Guaranteed Minimum Pension ("GMP") equalisation charge	(0.3)	-	(0.3)	-	-	-
Total separately disclosed items included in operating profit	(16.6)	(1.6)	(18.2)	(4.7)	-	(4.7)
Profit on disposal of properties	1.9	-	1.9	6.1	-	6.1
Separately disclosed finance costs:						
Finance charge on net pension liabilities	(0.8)	-	(0.8)	(1.0)	-	(1.0)
Total separately disclosed finance costs	(0.8)	-	(0.8)	(1.0)	-	(1.0)
Total separately disclosed items before tax	(15.5)	(1.6)	(17.1)	0.4	-	0.4
Separately disclosed tax:						
Profit on disposal of properties	(0.3)	-	(0.3)	(1.0)	-	(1.0)
Other items	1.9	0.3	2.2	1.0	-	1.0
Total separately disclosed tax	1.6	0.3	1.9	-	-	-
Total separately disclosed items	(13.9)	(1.3)	(15.2)	0.4	-	0.4

Acquisition costs of £0.6 million during the 52 weeks ended 30 March 2019 (31 March 2018: £0.6 million) relate to transaction costs on property and business acquisitions. The reorganisation costs of £0.5 million during the 52 weeks ended 30 March 2019 (31 March 2018: £nil) are as a result of the change in IT system and relate to staff costs.

The disposal of the Fuller's Beer Business costs of £5.4 million relates to the sale of the Group's entire beer business (see note 20). The sale was completed in April 2019. An additional £1.6 million of separately disclosed items have been recognised within discontinued operations which relates to redundancies as part of the sale.

The property impairment charge of £3.0 million during the 52 weeks ended 30 March 2019 relates to the write down of four licensed properties to their recoverable value (31 March 2018: £3.5 million relating to three licensed properties). The reversal of impairment on property credit of £1.8 million during the 52 weeks ended 30 March 2019 relates to the write back of previously impaired licensed properties to their recoverable value (31 March 2018: £1.6 million).

The expenditure in relation to the upgrade of core IT systems of £6.7 million (31 March 2018: £3.4 million) relates to the costs associated with the development of a new ERP system for the Group. The costs incurred primarily relate to consultancy and incremental additional staff costs to support the project.

The onerous lease provision charge of £1.9 million during the 52 weeks ended 30 March 2019 (31 March 2018: £nil) relates to the change in circumstances of three leasehold properties (see note 25).

The Guaranteed Minimum Pension ("GMP") equalisation charge is the minimum pension which a UK occupational pension scheme must provide for those employees who were contracted out of the State Earnings Related Pensions scheme between 6 April 1978 and 5 April 1997. The increase in liabilities of £0.3 million during the 52 weeks ended 30 March 2019 provides an estimate for the differences in GMPs between males and females.

The profit on disposal of properties of £1.9 million during the 52 weeks ended 30 March 2019 (31 March 2018: £6.1 million) relates to the disposal of seven properties.

The cash impact of operating separately disclosed items before tax for the 52 weeks ended 30 March 2019 was £9.7 million cash outflow (31 March 2018: £4.0 million cash outflow).

6. Finance Costs

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
	Total	Total
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	6.7	5.9
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	6.8	6.0
Unwinding of discounts on provisions	0.1	-
Total finance costs before separately disclosed items	6.9	6.0
Finance charge on net pension liabilities (note 23)	0.8	1.0
Total finance costs	7.7	7.0

7. Taxation

Tax on Profit on Ordinary Activities

Group	52 weeks ended 30 March 2019 £m			Restated 52 weeks ended 31 March 2018 £m		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Tax charged in the Income Statement						
Current income tax:						
Corporation tax	5.9	1.2	7.1	6.9	1.4	8.3
Amounts under provided in previous years	0.1	-	0.1	0.1	-	0.1
Total current income tax	6.0	1.2	7.2	7.0	1.4	8.4
Deferred tax:						
Origination and reversal of temporary differences	(0.7)	(0.1)	(0.8)	0.3	0.1	0.4
Amounts over provided in previous years	0.2	-	0.2	-	-	-
Total deferred tax	(0.5)	(0.1)	(0.6)	0.3	0.1	0.4
Total tax charged in the Income Statement	5.5	1.1	6.6	7.3	1.5	8.8
Analysed as:						
Before separately disclosed items	7.1	1.4	8.5	7.3	1.5	8.8
Separately disclosed items	(1.6)	(0.3)	(1.9)	-	-	-
	5.5	1.1	6.6	7.3	1.5	8.8

Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Profit from operations before taxation	26.1	43.6
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2018: 19%)	4.9	8.3
Items not deductible for tax purposes	1.6	0.5
Current and deferred tax under provided in previous years	0.3	0.1
Other	(0.2)	(0.1)
Total tax charged in the Income Statement	6.6	8.8

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7. Taxation continued

Deferred Tax Relating to Items (Credited)/Charged to the Income Statement

	52 weeks ended 30 March 2019 £m			52 weeks ended 31 March 2018 £m		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Deferred tax depreciation	(1.0)	(0.1)	(1.1)	(1.3)	0.1	(1.2)
Rolled over capital gains	0.3	–	0.3	1.0	–	1.0
Retirement benefit obligations	0.2	–	0.2	0.1	–	0.1
Employee share schemes	0.1	–	0.1	0.3	–	0.3
Pub acquisition costs	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Others	–	–	–	0.3	–	0.3
Deferred tax in the Income Statement	(0.5)	(0.1)	(0.6)	0.3	0.1	0.4

Tax Relating to Items (Credited)/Charged to the Statement of Comprehensive Income

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Deferred tax:		
Valuation gains on financial assets and liabilities	–	0.2
Net actuarial (gains)/losses on pension scheme	(0.8)	0.8
Total tax (credited)/charged in the Statement of Comprehensive Income	(0.8)	1.0

Tax Relating to Items Charged Directly to Equity

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Deferred tax:		
Increase in deferred tax liability due to indexation	0.1	0.3
Share-based payments	(0.1)	0.2
Deferred tax depreciation	–	(0.1)
Current tax:		
Share-based payments	–	(0.1)
Total tax charged to equity	–	0.3

7. Taxation continued

Deferred Tax Provision

The deferred tax included in the Balance Sheet is as follows:

Group

Deferred Tax	Deferred tax asset/(liability)							Total £m
	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	Other £m	
Balances at 1 April 2017	6.3	0.6	0.8	0.5	(8.8)	(8.0)	2.2	(6.4)
(Charge)/credit to Income Statement	(0.1)	-	(0.3)	-	1.2	(1.0)	(0.1)	(0.4)
(Charge)/credit to other comprehensive income	(0.8)	-	-	(0.2)	-	-	-	(1.0)
(Charge)/credit taken directly to equity	-	-	(0.2)	-	-	(0.3)	-	(0.5)
Fair value adjustment on acquisition	-	-	-	-	0.1	-	(1.2)	(1.1)
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	(0.2)	-	(0.1)	-	1.1	(0.3)	0.1	0.6
(Charge)/credit to other comprehensive income	0.8	-	-	-	-	-	-	0.8
(Charge)/credit taken directly to equity	-	-	0.1	-	-	(0.1)	-	-
Fair value adjustment on acquisition	-	-	-	-	(3.1)	-	-	(3.1)
Reclassification of available for sale asset	-	(0.2)	-	-	2.0	-	-	1.8
Balances at 30 March 2019	6.0	0.4	0.3	0.3	(7.5)	(9.7)	1.0	(9.2)
							2019 £m	2018 £m
Deferred tax assets							9.3	8.7
Deferred tax liabilities							(18.5)	(18.0)
							(9.2)	(9.3)

Deferred tax has been represented in 2018 as a net figure on the balance sheet.

Company

Deferred Tax	Deferred tax asset/(liability)							Total £m
	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	Other £m	
Balances at 1 April 2017	6.3	0.3	0.8	0.5	(8.5)	(8.0)	1.6	(7.0)
(Charge)/credit to Income Statement	(0.1)	-	(0.3)	-	0.7	(1.0)	0.2	(0.5)
(Charge)/credit to other comprehensive income	(0.8)	-	-	(0.2)	-	-	-	(1.0)
(Charge)/credit taken directly to equity	-	-	(0.2)	-	-	(0.3)	-	(0.5)
Balances at 31 March 2018	5.4	0.3	0.3	0.3	(7.8)	(9.3)	1.8	(9.0)
(Charge)/credit to Income Statement	(0.2)	-	(0.1)	-	0.9	(0.3)	0.1	0.4
(Charge)/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	-	(0.2)	-	-	-	0.5	-	0.3
Balances at 30 March 2019	6.0	0.1	0.3	0.3	(6.9)	(9.2)	1.9	(7.5)
							2019 £m	2018 £m
Deferred tax assets							8.5	8.1
Deferred tax liabilities							(16.0)	(17.1)
							(7.5)	(9.0)

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8. Earnings Per Share

	52 weeks ended 30 March 2019 £m			52 weeks ended 31 March 2018 £m		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit attributable to equity shareholders	15.4	3.9	19.3	29.9	5.9	35.8
Separately disclosed items net of tax	13.9	1.3	15.2	(1.1)	–	(1.1)
Adjusted earnings attributable to equity shareholders	29.3	5.2	34.5	28.8	5.9	34.7

	Number		Number	
Weighted average share capital	54,957,000		55,169,000	
Dilutive outstanding options and share awards	389,000		344,000	
Diluted weighted average share capital	55,346,000		55,513,000	

40p 'A' and 'C' ordinary share	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	28.02	7.10	35.12	54.20	10.69	64.89
Diluted earnings per share	27.82	7.05	34.87	53.86	10.63	64.49
Adjusted earnings per share	53.31	9.47	62.78	52.20	10.70	62.90
Diluted adjusted earnings per share	52.94	9.40	62.34	51.88	10.63	62.51

4p 'B' ordinary share	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	2.80	0.71	3.51	5.42	1.07	6.49
Diluted earnings per share	2.78	0.71	3.49	5.39	1.06	6.45
Adjusted earnings per share	5.33	0.95	6.28	5.22	1.07	6.29
Diluted adjusted earnings per share	5.29	0.94	6.23	5.19	1.06	6.25

For the purposes of calculating the number of shares to be used above, 'B' shares have been treated as one-tenth of an 'A' or 'C' share. The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 2,027,034 (2018: 1,815,668).

Diluted earnings per share amounts are calculated using the same earnings figure as for basic earnings per share, divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. Adjusted earnings per share are 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. Adjusted earnings per share measures have been included as the Directors consider that these measures better reflect the underlying earnings of the Group.

9. Dividends

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2018: 12.00p (2017: 11.55p)	6.6	6.4
Interim dividend for 2019: 7.80p (2018: 7.55p)	4.3	4.1
Equity dividends paid	10.9	10.5
Dividends on cumulative preference shares (note 6)	0.1	0.1
Declared and paid after the year		
Second interim dividend for 2019: 8.00p (2018: nil)	4.4	-
Proposed for approval at the Annual General Meeting		
Final dividend for 2019: 4.35p (2018: 12.00p)*	2.4	6.6

* The final dividend proposed for 2019 takes into account the level of interim dividends already paid during the year, which includes a second interim dividend. The Directors do not intend to pay a second interim dividend in the next financial year.

The pence figures above are for the 40p 'A' ordinary shares and 40p 'C' ordinary shares. The 4p 'B' ordinary shares carry dividend rights of one-tenth of those applicable to the 40p 'A' ordinary shares. Own shares held in the employee share trusts do not qualify for dividends as the Trustees have waived their rights. Dividends are also not paid on own shares held as treasury shares.

10. Intangible Assets

	Group and Company					
	Group Goodwill £m	Group Brand £m	Lease assignment premiums £m	Distribution rights £m	Group Total £m	Company Total £m
Cost						
At 1 April 2017	32.7	-	9.6	1.2	43.5	10.8
Acquisitions (note 17)	-	7.2	-	-	7.2	-
At 31 March 2018	32.7	7.2	9.6	1.2	50.7	10.8
Additions	-	-	3.5	-	3.5	3.5
Acquisitions (note 17)	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
Amortisation and impairment						
At 1 April 2017	0.6	-	3.2	0.7	4.5	3.9
Provided during the year	-	-	0.6	0.2	0.8	0.8
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
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
Net book value at 1 April 2017	32.1	-	6.4	0.5	39.0	6.9

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. The acquired brand has an indefinite life and is not amortised. The acquired brand is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. On 25 January 2019, the Group entered into an agreement for the sale of its entire beer business to Asahi Europe Ltd ("AEL"), including The Dark Star Brewing Company Limited. Under the terms of sale, AEL acquired the brands of the Fuller's Beer Business and therefore the intangible asset forms part of the assets held for sale (see note 20). The brand was assessed for impairment at the point it was held for sale. As the consideration for Dark Star was higher than the net book value, no impairment was required.

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10. Intangible Assets continued

Lease Assignment Premiums

Amounts paid to acquire leasehold property ("lease assignment premiums") are amortised on a straight-line basis over the remaining useful life of the lease. The amortisation is charged in the Income Statement in the line item "Operating costs" (see note 4). There are ten pubs on which we carry lease assignment premiums at 30 March 2019 (2018: six).

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" (see note 4). This was fully amortised in FY19.

Goodwill

Goodwill is allocated to cash-generating units as follows:	Managed £m	Tenanted £m	Total £m	Discontinued operations £m	2019 £m	2018 £m
Gales estate	9.1	13.6	22.7	–	22.7	22.7
Jacomb Guinness estate	1.2	–	1.2	–	1.2	1.2
Cornish Orchards	–	–	–	2.6	2.6	2.6
The Stable Pizza & Cider Limited	3.7	–	3.7	–	3.7	3.7
Bel & The Dragon	1.8	–	1.8	–	1.8	–
Nectar Imports Limited	–	–	–	1.9	1.9	1.9
	15.8	13.6	29.4	4.5	33.9	32.1

Key assumptions used in value in use calculations:	2019	2018
Long-term growth rate – Managed	2.0%	2.0%
Long-term growth rate – Tenanted	2.0%	2.0%
Long term growth rate – Bel & The Dragon	2.0%	–
Long-term growth rate – The Stable Pizza & Cider Limited	2.0%	2.0%
Pre-tax discount rate – Freehold	5.6%	5.3%
Pre-tax discount rate – Leasehold	5.6%	8.9%
Pre-tax discount rate – Bel & The Dragon	5.6%	–
Pre-tax discount rate – The Stable Pizza & Cider Limited	5.6%	8.9%

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. Recoverable amount is based on a calculation of value in use based upon the budget for the forthcoming financial year approved by senior management. For the Gales and Jacomb Guinness estates and The Stable Pizza & Cider Limited, 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 pre-tax discount rate applied to cash flow projections is based on the Directors' assessment of the Group's weighted average cost of capital and current market conditions.

The calculation of value in use is most sensitive to the assumptions in respect of achievement of budgeted cash flows, growth rate and discount rate. The calculation of value in use is also dependent on the following assumptions: sales volume; gross margin in managed premises; barrellage and rent projections in tenanted premises; wage cost in managed premises; and capital expansion in The Stable Pizza & Cider Limited. Gross margins are based on historical performance levels. The key assumptions above have their assigned values based on management knowledge and historical information.

During the financial year, it was announced that The Fuller's Beer Company and subsidiaries (Dark Star, Nectar Imports and Cornish Orchards) would be sold to AEL for a disclosed amount of £250.0 million (see note 20). The consideration was split as £181.0 million for the Fuller's Beer Company and £69.0 million for Dark Star, Nectar Imports and Cornish Orchards combined. As the recoverable amount exceeds the combined carrying amount of goodwill, no impairment loss is recognised.

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 will not result in an impairment to any of the cash-generating units at 30 March 2019.

11. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 1 April 2017	516.9	40.4	152.8	710.1
Additions	7.9	3.4	14.6	25.9
Acquisitions (note 17)	4.3	–	–	4.3
Disposals	(0.7)	(0.8)	(6.7)	(8.2)
At 31 March 2018	528.4	43.0	160.7	732.1
Additions	12.5	4.1	17.3	33.9
Acquisitions (note 17)	20.6	–	–	20.6
Disposals	(2.5)	(0.2)	(3.6)	(6.3)
Derecognition of assets	–	–	(1.9)	(1.9)
Transfer to asset held for sale	(25.0)	(40.7)	(15.9)	(81.6)
At 30 March 2019	534.0	6.2	156.6	696.8
Depreciation and impairment				
At 1 April 2017	34.1	25.3	93.2	152.6
Provided during the year	4.3	2.2	14.4	20.9
Disposals	(0.7)	(0.8)	(6.7)	(8.2)
Impairment loss net of reversals	2.7	–	–	2.7
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 asset held for sale	(3.9)	(27.7)	(11.1)	(42.7)
At 30 March 2019	39.7	1.3	103.1	144.1
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
Net book value at 1 April 2017	482.8	15.1	59.6	557.5

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11. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 1 April 2017	505.4	37.1	145.0	687.5
Additions	7.3	3.2	13.7	24.2
Acquisitions (note 17)	4.3	–	–	4.3
Disposals	(0.7)	(0.7)	(6.7)	(8.1)
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
Depreciation and impairment				
At 1 April 2017	32.5	24.3	89.6	146.4
Provided during the year	3.7	1.9	13.0	18.6
Disposals	(0.7)	(0.7)	(6.7)	(8.1)
Impairment loss net of reversals	(0.8)	–	–	(0.8)
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 reversals	(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
Net book value at 30 March 2019	472.9	2.3	51.5	526.7
Net book value at 31 March 2018	481.6	14.1	56.1	551.8
Net book value at 1 April 2017	472.9	12.8	55.4	541.1

Group and Company

Assets that belong to the Fuller's Beer Business have been transferred to assets held for sale during the year ended 30 March 2019. At the point they were transferred they were no longer depreciated (see note 20).

Interest capitalised

The amount of interest capitalised to date is £169,000 (2018: £203,000). The amount of interest capitalised in the year was Enil (2018: Enil).

11. Property, Plant and Equipment continued

Impairment

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 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.

During the 52 weeks ended 30 March 2019, the Group recognised an impairment loss of £3.0 million (2018: £3.5 million) in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use. The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated. Following an improvement in trading performance and an increase in the amounts of estimated future cash flows of certain previously impaired sites, reversals of £1.8 million were recognised during the 52 weeks ended 30 March 2019 (2018: £1.6 million). The key assumptions used in the value in use calculations are those detailed in note 10.

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 asset at risk – increase/(decrease)	2019 £m	2018 £m
Increase discount rate by 1%	4.3	1.1
Decrease discount rate by 1%	(2.4)	(0.3)
Increase growth rate by 0.5%	(1.2)	(0.2)
Decrease growth rate by 0.5%	1.6	0.5

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost at 1 April 2017	5.6
Additions	–
Disposals	(0.1)
Transfer to property, plant and equipment	–
At 31 March 2018	5.5
Additions	–
Disposals	–
At 30 March 2019	5.5
Depreciation and impairment	
At 1 April 2017 and 31 March 2018	0.9
Provided during the year	–
At 30 March 2019	0.9
Net book value at 30 March 2019	4.6
Net book value at 31 March 2018	4.6
Net book value at 1 April 2017	4.7
Fair value at 30 March 2019	15.4
Fair value at 31 March 2018	14.4
Fair value at 1 April 2017	12.1

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12. Investment Properties continued

The fair value of investment properties has been estimated by the Directors, based on the rental income earned on the properties during the year and average yields earned on comparable properties from publicly available information, which is a Level 3 fair value valuation technique. An independent valuation of the properties has not been performed.

Impairment

The Group considers each outlet to be a CGU and each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

During the 52 weeks ended 30 March 2019, the Group did not impair any investment properties (2018: £nil).

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:

	2019 £m	2018 £m
Group and Company		
Rental income	0.8	0.8
Direct operating expenses	(0.1)	(0.1)

All direct operating expenses relate to properties that generate rental income.

13. Other Financial Assets and Liabilities

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Group and Company				
Interest rate cap	0.1	–	0.1	–
Total financial assets within current assets	0.1	–	0.1	–
Subsidiary share purchase options	–	(3.7)	–	–
Total financial liabilities within current liabilities	–	(3.7)	–	–
Interest rate swaps	(1.4)	(1.8)	(1.4)	(1.8)
Total financial liabilities within non-current liabilities	(1.4)	(1.8)	(1.4)	(1.8)

Details of the interest rate swaps and caps are provided in note 26c (i).

14. Other Non-Current Assets

	2019 £m	2018 £m
Group and Company		
Loans to customers due after one year	0.3	0.4

15. Investments in Subsidiaries

	Cost £m	Provision £m	Net book value £m
Company			
At 31 March 2018	105.7	(0.2)	105.5
Additions	16.8	–	16.8
At 30 March 2019	122.5	(0.2)	122.3

During the year, the Group purchased the remaining 24% of the shares in The Stable Pizza & Cider Limited for £1.7 million and the remaining 49% of the shares in Nectar Imports Limited for £2.0 million. Both companies are now 100% owned. The Group also purchased 100% of the shares of Bel & The Dragon for £13.1 million as detailed in note 17.

15. Investments in Subsidiaries continued

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 (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
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
The Fuller's Beer Company Limited*	£1 ordinary shares	100%	Manufacturer of beer
The Dark Star Brewing Company Limited*	£1 ordinary shares	100%	Manufacturer of beer
Cornish Orchards Limited*	£1 ordinary shares	100%	Production of cider and soft drinks
Nectar Imports Limited*	£1 ordinary shares	100%	Wholesale drinks distribution

* These companies were sold post year-end (see note 20).

The above companies are registered and operate in England and Wales. Until 26 April 2019, the registered office of all subsidiary companies was the same as Fuller, Smith and Turner P.L.C. with the exception of Nectar Imports Limited which had its registered office at Cold Berwick Hill, Berwick St Leonard, Salisbury, Wiltshire, SP3 5SN. From 28 April 2019, Nectar Imports Limited, The Fuller's Beer Company Limited, The Dark Star Brewing Company Limited and Cornish Orchards Limited registered offices are One, Forge End, Woking, Surrey, England, GU21 6DB (see note 20).

16. Non-Controlling Interest

Set out below are the movements in the non-controlling interest for The Stable Pizza & Cider Limited and Nectar Imports Limited in the year.

	£m
At 1 April 2017	(3.1)
Share of profit	(1.0)
Adjustments arising from change in non-controlling interest	0.2
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	-

In the current 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. In the prior period, the adjustments arising from change in non-controlling interest relates to the change in valuation of the Nectar Imports Limited put and call option.

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17. Business Combinations

On 6 June 2018, the Company acquired 100% of the shares of Bel & The Dragon, a business incorporated in the UK and consisting of six premium pubs. A further four pubs were bought and treated as a business combination as they were operating as a business at the point the Company acquired them. Both these transactions have been accounted for by the purchase method of accounting.

On 20 June 2018, the Company purchased the remaining 24% of the shares in The Stable Pizza & Cider Limited for £1.7 million and on the 7th July 2018, the remaining 49% of the shares in Nectar Imports Limited were purchased for £2.0 million. Both companies are now 100% owned.

	2019		2019		2018	2018
	Bel & The Dragon		Pubs and restaurants		The Dark Star Brewing Company Limited	Pubs and restaurants
Number of pubs/restaurants purchased	6		4		-	2

	2019		2019		2018	2018
	Book value		Fair value adjustments		The Dark Star Brewing Company Limited	Pubs and restaurants
Intangible assets	-		-		7.2	-
Property, plant and equipment	11.2		9.4		-	4.3
Current assets	0.8		-		0.6	-
Current liabilities	(2.4)		-		(0.3)	-
Deferred tax	(0.4)		(1.6)		(1.1)	-
Borrowings	(6.0)		-		-	-
Cash and cash equivalents	0.3		-		(0.1)	-
Net assets acquired	3.5		7.8		6.3	4.3
Goodwill arising on acquisition	1.8		-		-	-
Cash consideration paid	13.1		3.3		5.3	-
Cash deposit paid in prior year	-		0.2		1.0	-
Total consideration	13.1		3.5		6.3	4.3

Net outflow of cash						
Cash consideration paid			13.1	3.3	5.3	4.3
Repayment of third party loans on acquisition			6.0	-	1.0	-
Repayment of liability arising on acquisition			0.1	-	-	-
Cash and cash equivalents acquired			(0.3)	-	-	-
Net cash outflow in respect of purchase of businesses			18.9	3.3	6.3	4.3

Costs associated with the acquisitions have been charged to separately disclosed items within operating costs in the Consolidated Income Statement for the 52 weeks ended 30 March 2019. These comprised primarily stamp duty, stamp duty land tax, legal and other property fees (see note 5).

It is not practical to identify the related cash flows, revenue and profit on an annualised basis as the months for which the businesses have been owned are not representative of the annualised figures. The pre-acquisition trading results are not indicative of the trading expected going forward following the significant redevelopment of the pubs and restaurants by the Group, and cost savings expected in Bel & The Dragon, therefore pro forma trading results have not been included.

18. Inventories

Group and Company	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Raw materials, beer and cider in progress	-	2.0	-	1.9
Beer, wines and spirits	-	7.3	-	5.7
Stock at retail outlets	5.0	4.2	4.5	4.0
	5.0	13.5	4.5	11.6

The difference between purchase price or production cost and their replacement cost is not material.

19. Trade and Other Receivables

Group and Company	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Trade receivables	4.6	16.3	4.5	12.7
Amounts due from subsidiary undertakings	–	–	30.2	24.1
Other receivables	0.7	3.6	0.2	3.1
Prepayments and accrued income	3.0	3.0	3.0	2.6
	8.3	22.9	37.9	42.5

Company amounts owed by subsidiary undertakings of £30.2 million (2018: £24.1 million) have no fixed repayment date. Interest is payable on the balance at the higher of either the Bank of England base rate plus 4% or 8%.

The trade receivables balance above is shown net of the provision for bad debts. The Group 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 application of IFRS 9 has not resulted in any material impact to the Group.

The movements on this bad debt provision during the year are summarised below:

Group and Company	2019 £m	2018 £m
Trade receivables provision at 31 March 2018	1.4	1.5
Transferred to asset held for sale	(1.0)	–
Amounts written off during the year	–	(0.1)
Trade receivables provision at 30 March 2019	0.4	1.4

The provision 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 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Current	2.4	15.2	2.3	12.5
Overdue up to 30 days	1.2	0.9	1.2	0.3
Overdue between 30 and 60 days	0.5	0.4	0.5	0.2
Overdue more than 60 days	0.9	1.2	0.9	1.1
Trade receivables before provision	5.0	17.7	4.9	14.1
Less provision	(0.4)	(1.4)	(0.4)	(1.4)
Trade receivables net of provision	4.6	16.3	4.5	12.7

In addition, there are loans to customers included in other receivables of £0.2 million (2018: £0.4 million) due within one year and £0.4 million (2018: £0.6 million) due in more than one year, against which there is a provision of £0.2 million (2018: £0.3 million).

20. Assets Classified as Held For Sale and Discontinued Operations

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Assets held for sale at the start of the year	2.1	5.9	2.1	5.9
Assets disposed of during the year	(2.1)	(4.6)	(2.1)	(4.6)
Reversal of impairment on assets held for sale	–	0.8	–	0.8
Disposal of Fuller's Beer Business	57.0	–	39.1	–
Assets held for sale at the end of the year	57.0	2.1	39.1	2.1

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20. Assets Classified as Held For Sale and Discontinued Operations (continued)

On 25 January 2019, the Group entered into an agreement for the sale of 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 plus any cash left in the business. The disposal of the Fuller's Beer Business completed on 27 April 2019, subsequent to the end of the reporting period.

The business being sold comprises 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 are reported as discontinued operations in the 2019 financial statements.

Under the terms of the sale, AEL will acquire the brands of the beer business (including "London Pride") and will receive the benefit of a licence, on a perpetual, global, exclusive and royalty-free basis, to use certain trade marks (including the "Fuller's" name, logo and cartouche) for the provision of beverages. Ownership of the licensed trademarks will be retained by Fuller's.

At the balance sheet date, the sale was deemed to be probable within 12 months from the reporting date, and the disposal of the Fuller's Beer Business will signal a departure from a major line of business in which the Group previously operated. In accordance with IFRS 5, this business has been treated as an asset held for sale and the results of the Fuller's Beer Business are reported as discontinued operations.

The net assets of this business as at 30 March 2019, which have been presented gross on the Group balance sheet, are shown below:

	Group The Fuller's Beer Company 2019 £m	Company The Fuller's Beer Company 2019 £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
Total assets	87.0	62.6
Current liabilities		
Trade and other payables	(28.0)	(23.2)
Total current liabilities	(28.0)	(23.2)
Non-current liabilities		
Other non-current payables	(0.2)	–
Deferred tax liabilities	(1.8)	(0.3)
Total non-current liabilities	(2.0)	(0.3)
Total liabilities	(30.0)	(23.5)
Net assets	57.0	39.1

21. Trade and Other Payables

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Due within one year:				
Trade payables	3.1	27.8	2.1	23.1
Amounts due to subsidiary undertakings	–	–	106.2	106.9
Other tax and social security	5.0	10.3	4.2	9.6
Other payables	6.4	10.0	7.1	9.1
Accruals	15.1	15.9	14.3	15.0
	29.6	64.0	133.9	163.7

21. Trade and Other Payables continued

Company amounts due to subsidiary undertakings of £106.2 million (2018: £106.9 million) have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate. All other significant trade and other payables balances due within one year are at nil rate of interest.

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Due in more than one year:				
Deferred revenue	–	0.2	–	–

Included in other payables at 31 March 2018 was £0.2 million of deferred revenue which relates to government grants received for the purchase and construction of plant, property and equipment by Cornish Orchards Limited. There are no unfilled conditions and contingencies attached to these amounts. At 30 March 2019, the deferred revenue has been transferred to asset held for sale (see note 20).

22. Cash, Borrowings and Net Debt

Cash and Short-Term Deposits

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Cash at bank and in hand	11.0	11.7	9.2	9.7

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.

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Borrowings				
Bank loans	228.5	185.9	228.5	185.9
Other loans	0.2	0.2	–	–
Debenture stock	25.9	25.9	25.9	25.9
Preference shares	1.6	1.6	1.6	1.6
Total borrowings	256.2	213.6	256.0	213.4
Analysed as:				
Borrowings within current liabilities	50.0	30.0	50.0	30.0
Borrowings within non-current liabilities	206.2	183.6	206.0	183.4
	256.2	213.6	256.0	213.4

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 26.

Bank Loans

Group and Company

£176.7 million of the Company's existing main bank facilities were due to expire in August 2021. Of the remaining £83.3 million, £50.0 million expire in August 2019 and £33.3 million expire in August 2020.

At 30 March 2019, £31.0 million (2018: £53.5 million) of the total of £260.0 million (2018: £210.0 million) committed bank facility was available and undrawn.

The bank loans at 30 March 2019 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 and a proportion of the remaining variable interest payments have also been capped. Details of the swap and cap arrangements are given in note 26.

	2019 £m	2018 £m
The bank loans are repayable as follows:		
On demand or within one year	50.0	30.0
Current liabilities	50.0	30.0
In the first to second years inclusive	179.0	50.0
In the third to fifth year inclusive	–	106.5
Less: bank loan arrangement fees	(0.5)	(0.6)
Non-current liabilities	178.5	155.9

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22. Cash, Borrowings and Net Debt continued

Debenture Stock

Group and Company

The debenture stocks are secured on specified fixed and floating assets of the Company and are redeemable on maturity.

	2019 £m	2018 £m
Debenture stock repayable after five years:		
10.70% 1st Mortgage Debenture Stock 2023	6.0	6.0
6.875% Debenture Stock 2028 (first 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 24 for further details of the preference shares.

Analysis of Net Debt

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)
	(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.

Group	At 1 April 2017 £m	Cash flows £m	Non-cash ¹ £m	At 31 March 2018 £m
Cash and cash equivalents				
Cash and short-term deposits	15.3	(3.6)	–	11.7
	15.3	(3.6)	–	11.7
Debt				
Bank loans ²	(193.7)	8.0	(0.2)	(185.9)
Other loans	(0.2)	–	–	(0.2)
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
	(221.4)	8.0	(0.2)	(213.6)
Net debt	(206.1)	4.4	(0.2)	(201.9)

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 £0.2 million (2018: £0.2 million) and cash of £1.8 million (2018: £2.0 million) which are held by subsidiary companies. Company net debt as at 30 March 2019 was £246.8 million (2018: £203.7 million).

23. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one closed funded defined benefit pension scheme, the Fuller, Smith & Turner Pension Plan (the “Scheme”). The plan is defined benefit in nature, with assets held in separate professionally managed, Trustee-administered funds. The Scheme is an HMRC-registered pension plan and subject to standard UK pension and tax law. On 1 January 2015, the plan was closed to future accrual.

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.

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Group and Company		
Total amounts charged in respect of pensions in the period		
Charged to Income Statement - Operating Costs	2.2	1.7
Defined contribution schemes – total operating charge		
Charged to Income Statement - Separately Disclosed Items		
Defined benefit scheme – net finance charge	0.8	1.0
Guaranteed Minimum Pension (“GMP”) equalisation charge	0.3	-
	3.3	2.7
Charge/(credit) to equity:		
Defined benefit schemes – net actuarial losses/(gains)	5.0	(4.4)
Total pension charge/(credit)	8.3	(1.7)

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 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 controls 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 £2.0 million per annum from £1.3 million per annum.

The figures in the following disclosures were measured using the projected unit credit method.

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23. Pensions continued

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 2019 valuation of the Scheme are set out below:

Mortality assumptions	2019 Years	2018 Years
Current pensioners (at 65) – males	22.0	21.9
Current pensioners (at 65) – females	23.9	23.9
Future pensioners (at 65) – males	23.4	23.3
Future pensioners (at 65) – females	25.5	25.4

The Scheme is now closed to future accrual and to new members. The average age of members who were active at closure is 54 for males and 49 for females. The average age of all non-pensioners is 55.

Key financial assumptions used in the valuation of the Scheme	2019	2018
Rate of increase in pensions in payment	3.30%	3.20%
Discount rate	2.40%	2.60%
Inflation assumption – RPI	3.35%	3.20%
Inflation assumption – CPI	2.35%	2.20%

The present value of the Scheme liabilities is sensitive to the following assumptions used, as follows:

Impact on Scheme liabilities – increase/(decrease) ¹	2019 £m	2018 £m
Increase discount rate by 0.1%	(2.6)	(2.5)
Increase inflation assumption by 0.1% ²	2.0	1.9
Increase in life expectancies by 1 year	7.4	6.7

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 when calculating the pension liability within the Balance Sheet. Due to the Scheme closing to future accrual on 1 January 2015, there are no longer any active members in the Scheme. As the members who were active at closure did not maintain a salary link on their past service benefits, the future salary increase assumptions no longer have an impact on the Scheme's liabilities.

² For members who were active at closure, their pensions now increase in deferment in line with CPI inflation.

Assets in the Scheme	2019 £m	2018 £m
Corporate bonds	27.4	21.9
UK equities	21.3	23.9
Overseas equities	22.3	24.8
Alternatives	36.5	34.3
Cash	0.8	1.2
Annuities	3.6	3.4
Total market value of assets	111.9	109.5
	2019 £m	2018 £m
Fair value of Scheme assets	111.9	109.5
Present value of Scheme liabilities	(148.3)	(142.0)
Deficit in the Scheme	(36.4)	(32.5)

23. Pensions continued

Included within the total present value of Group and Company Scheme liabilities of £148.3 million (2018: £142.0 million) are liabilities of £2.4 million (2018: £2.4 million) which are entirely unfunded.

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit/(deficit)	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Balance at beginning of the year	(142.0)	(149.3)	109.5	111.4	(32.5)	(37.9)
Included in profit and loss						
Current service cost	-	-	-	-	-	-
Net interest cost	(3.6)	(3.8)	2.8	2.8	(0.8)	(1.0)
	(3.6)	(3.8)	2.8	2.8	(0.8)	(1.0)
Included in other comprehensive income						
Actuarial gains/(losses) relating to:						
Actual return less expected return on Scheme assets	-	-	2.6	(0.9)	2.6	(0.9)
Experience gains/(losses) arising on Scheme liabilities	(7.6)	5.3	-	-	(7.6)	5.3
	(7.6)	5.3	2.6	(0.9)	(5.0)	4.4
Other						
Employer contributions	-	-	-	-	-	-
Employer special contributions	-	-	2.2	2.0	2.2	2.0
Employee contributions	-	-	-	-	-	-
Benefits paid	5.2	5.8	(5.2)	(5.8)	-	-
GMP equalisation	(0.3)	-	-	-	(0.3)	-
	4.9	5.8	(3.0)	(3.8)	1.9	2.0
Balance at end of the year	(148.3)	(142.0)	111.9	109.5	(36.4)	(32.5)

The weighted average duration of the Scheme's liabilities at the end of the period is 18 years (2018: 18 years).

As part of a deficit recovery plan in place until March 2021, as agreed between the Trustees and the Group, the Company has committed to paying total contributions of £2.0 million for the Group and the Company. As disclosed in note 31, the sale of the Fuller's Beer Business will allow the Group to make a voluntary contribution to the Scheme in the year ending 28 March 2020.

24. Preference Share Capital

Group and Company	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
Authorised, issued and fully paid share capital	Number 000s	Number 000s	Number 000s
Number authorised and in issue:			
At 1 April 2017, 31 March 2018 and 30 March 2019	400	1,200	1,600
Monetary amount:	£m	£m	£m
At 1 April 2017, 31 March 2018 and 30 March 2019	0.4	1.2	1.6

The first 6% cumulative preference shares of £1 each are entitled to first payment of a fixed cumulative dividend and on winding up to a return of paid capital plus arrears of dividends. The second 8% cumulative preference shares of £1 each are entitled to second payment of a fixed cumulative dividend and on winding up a return of capital paid up (plus a premium calculated by reference to an average quoted price on the London Stock Exchange for the previous six months) plus arrears of dividends.

Preference shareholders may only vote in limited circumstances: principally on winding up, alteration of class rights or on unpaid preference dividends. Preference shares cannot be redeemed by the holders, other than on winding up.

NOTES TO THE FINANCIAL STATEMENTS

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25. Provisions

Onerous Lease and Contingent Consideration

	Onerous lease		Contingent consideration		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Group and Company						
Balance at beginning of the year	0.7	0.8	–	0.4	0.7	1.2
Arising during the year	2.0	–	–	–	2.0	–
Released during the year	(0.2)	(0.1)	–	–	(0.2)	(0.1)
Utilised	–	–	–	(0.4)	–	(0.4)
Unwinding of discount	0.1	–	–	–	0.1	–
Balance at end of the year	2.6	0.7	–	–	2.6	0.7
Analysed as:	£m	£m	£m	£m	£m	£m
Due within one year	0.5	0.1	–	–	0.5	0.1
Due in more than one year	2.1	0.6	–	–	2.1	0.6
	2.6	0.7	–	–	2.6	0.7

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.

The contingent consideration recognised in 2018 was in respect of the fair value of additional amounts which are only payable on completion of certain performance targets for business combinations.

26. 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 23.

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 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Capital				
Ordinary share capital	22.8	22.8	22.8	22.8
Share premium	4.8	4.8	4.8	4.8
Capital redemption reserve	3.1	3.1	3.1	3.1
Hedging reserve	(0.8)	(1.1)	(0.8)	(1.1)
Retained earnings	328.4	328.4	303.3	299.7
Preference shares	1.6	1.6	1.6	1.6
	359.9	359.6	334.8	330.9

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 £3.2 million of shares in the 52 weeks ended 30 March 2019 (2018: £5.5 million), none of which related to purchases made by or on behalf of employee share ownership trusts (2018: £nil). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position at every Board meeting.

26. Financial Instruments continued

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 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Non-current assets				
Loans and other receivables in scope of IFRS 9	0.3	0.4	0.3	0.4
Total non-current assets	0.3	0.4	0.3	0.4
Current assets				
Derivative financial assets hedge accounted	0.1	–	0.1	–
Loans and other receivables:				
Trade and other receivables in scope of IFRS 9	4.6	16.3	34.7	36.8
Cash and short-term deposits	11.0	11.7	9.2	9.7
Total current assets	15.7	28.0	44.0	46.5
Total financial assets	16.0	28.4	44.3	46.9
Current liabilities				
Put and call option	–	3.7	–	–
Trade and other payables in scope of IFRS 9	18.7	43.8	123.1	145.1
Loans	50.0	30.0	50.0	30.0
Total carried at amortised cost	68.7	73.8	173.1	175.1
Total current liabilities	68.7	77.5	173.1	175.1
Non-current liabilities				
Derivative financial liabilities hedge accounted	1.4	1.8	1.4	1.8
Put and call options	–	–	–	–
Carried at amortised cost:				
Other payables in scope of IFRS 9	2.1	0.6	2.1	0.6
Loans and debenture stock	204.6	182.0	204.4	181.8
Preference shares	1.6	1.6	1.6	1.6
Total carried at amortised cost	208.3	184.2	208.1	184.0
Total non-current liabilities	209.7	186.0	209.5	185.8
Total financial liabilities	278.4	263.5	382.6	360.9

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. The current Group policy is that a minimum of 50% of total outstanding borrowings should be at a fixed or capped rate of interest. This is achieved by both taking out interest rate swaps and caps with third parties and by loan instruments that require the Group to pay a fixed rate. 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 (2018: £25.9 million) are at fixed rates. The bank loans totalling £228.5 million (2018: £185.9 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 44% (2018: 48%) of the Group's bank loans and 50% (2018: 55%) of gross borrowings were at fixed or capped rates.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26. Financial Instruments continued

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 £60 million of the Group and Company's borrowings (2018: £60 million) were hedged by interest rate swaps at a blended fixed rate of 1.89% (2018: 1.89%). Of the swaps active at 30 March 2019, £20 million expires in 2020, £20 million expires in 2021 and £20 million expires in 2022. Subsequent to year end, £20 million of swaps were cancelled.

Interest rate caps

The Group has 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, £40 million (2018: £30 million) of the Group and Company's borrowings were hedged by two interest caps at a blended rate of 1.66% (2018: 1.98%), £20.0 million of which expires in 2020 and £20.0 million in 2022. Subsequent to year end, £40 million of caps were cancelled.

The interest rate swaps and caps 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 and the interest rate caps cash flow hedges in effect at 30 March 2019 were assessed as being highly effective. Net unrealised gain of £0.3 million (2018: £1.5 million) has been recorded in other comprehensive income. Hedge accounting was not applied to the swaps and caps that were cancelled post year end.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. Three month Sterling LIBOR rate during the 52 weeks ended 30 March 2019 ranged between 0.72% and 0.85%. 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, is as follows:

	Group 2019 £m	Group 2018 £m	Company* 2019 £m	Company* 2018 £m
Impact on post-tax profit and net equity – increase/(decrease)				
Decrease interest rate by 0.5%	0.8	0.5	1.2	0.9
Increase interest rate by 1.0%	(1.4)	(0.9)	(2.5)	(1.8)

* The Company has substantial interest bearing payables due to subsidiary companies (note 21).

(ii) Foreign currency risk

The Group buys and sells goods and services denominated in non-Sterling currencies, principally US dollar, Euro and Australian dollar. As a result, movements in exchange rates can affect the value of the Group's revenues and purchases.

The Group policy on covering foreign currency exposure is included in the Financial Review's discussion of financial risks and treasury policies on page 23. As a minimum, it buys or sells forward the net known value of all committed purchase or sales orders. In addition, the Group will usually buy or sell a proportion of the estimated sale or buy orders for the remaining part of the year to minimise its transactional currency exposures in non-Sterling currencies. Forward currency contracts must be in the same currency as the hedged items. The Group does not trade in forward currency hedges.

At 30 March 2019, the Group and Company had no open forward contracts. At 31 March 2018, the Group and Company had open forward contracts to buy €2.5 million, with a Sterling equivalent of £2.2 million and a net loss of £nil when comparing contractual rates with the year end exchange rates. At 31 March 2018 the Group and Company had open forward contracts to buy \$1.5 million, with a Sterling equivalent of £1.1 million and a net gain of £nil when comparing the contractual rates with the year end exchange rates.

At 30 March 2019, the significant foreign currency assets or liabilities were the following:

Group and Company	Cash deposits		Trade receivables		Trade payables	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Euro assets/(liabilities)	0.3	–	–	–	(0.4)	(0.2)
US dollar assets/(liabilities)	0.1	0.5	0.2	0.6	(0.7)	(0.2)
Australian dollar assets	–	0.1	–	–	–	–

The trade receivables and trade payables form part of assets held for sale as at 30 March 2019.

26. Financial Instruments continued

(iii) Credit risk

The risk of financial loss due to a counter party's failure to honour its obligations arises principally in relation to transactions where the Group provides goods and services on deferred payment terms, deposits surplus cash and enters into derivative contracts.

Group policies are aimed at minimising losses and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual customers are subject to credit limits to control debt exposure. 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 1 and note 19.

(iv) 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: 8% (2018: 13%) of the Group's borrowings are repayable after more than five years, 72% (2018: 73%) within the first to fifth years and 20% (2018: 14%) within one year.

The tables below summarise the maturity profile of the Group's financial liabilities at 30 March 2019 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the Balance Sheet date.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	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.

Group at 31 March 2018

Interest bearing loans and borrowings ¹	–	1.4	33.1	168.7	33.7	236.9
Preference shares ²	–	–	0.1	0.5	3.4	4.0
Trade and other payables	18.7	24.9	0.1	0.4	0.3	44.4

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	0.6	1.8	–	2.6
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² The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the Balance Sheet date but no further.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26. Financial Instruments continued

The Company figures are as for the Group, except as follows:

	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
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
Company at 31 March 2018						
Amounts due to subsidiary undertakings ³	106.9	–	–	–	–	106.9
Trade and other payables	11.9	26.3	0.1	0.4	0.3	39.0

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 £13.0 million (2018: £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.

d) Fair Value

Fair values of financial assets and liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the financial instruments that are carried in the financial statements.

Group	Book value 2019 £m	Book value 2018 £m	Fair value 2019 £m	Fair value 2018 £m	Fair value Level
Financial assets					
Cash	11.0	11.7	11.0	11.7	1
Trade and other receivables due within one year in scope of IFRS 9	4.6	16.3	4.6	16.3	3
Loans and other receivables due in more than one year in scope of IFRS 9	0.3	0.4	0.3	0.4	3
Interest rate cap	0.1	–	0.1	–	2
Financial liabilities					
Trade and other payables in scope of IFRS 9	(20.8)	(44.4)	(20.8)	(44.4)	3
Fixed rate borrowings	(25.9)	(26.1)	(25.9)	(32.7)	3
Floating rate borrowings	(228.7)	(185.9)	(228.7)	(185.9)	3
Preference shares	(1.6)	(1.6)	(2.0)	(2.0)	3
Interest rate swaps	(1.4)	(1.8)	(1.4)	(1.8)	2
Put and call option	–	(3.7)	–	(3.7)	3

26. Financial Instruments continued

The Company figures are as for the Group above, except as follows:

Company	Book value 2019 £m	Book value 2018 £m	Fair value 2019 £m	Fair value 2018 £m	Fair value Level
Financial assets					
Cash	9.2	9.7	9.2	9.7	3
Trade and other receivables due within one year in scope of IFRS 9	34.7	36.8	34.7	36.8	3
Financial liabilities					
Trade and other payables in scope of IFRS 9	(125.2)	(145.7)	(125.2)	(145.7)	3
Fixed rate borrowings	(25.9)	(25.9)	(25.9)	(32.5)	3

Level 1 fair values are valuation techniques where inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at measure data.

Level 2 fair values are valuation techniques where all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, but are not derived directly from quoted prices in active markets. The Group bases its valuations on information provided by financial institutions, who use a variety of estimation techniques based on market conditions, such as interest rate expectations, existing at each Balance Sheet date.

Level 3 fair values are valuation techniques for which all inputs that have a significant effect on the recorded fair value are not observable. Derivative fair values are obtained from quoted market prices in active markets. The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. 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. The fair value of the put and call option has been calculated by discounting the expected future cash payments for the shares in The Stable Pizza & Cider Limited and Nectar Imports Limited set under the terms of the respective shareholders' agreements.

27. Share Capital and Reserves

a) Share Capital

Authorised, issued and fully paid	'A' ordinary shares of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
	Number 000s	Number 000s	Number 000s	Number 000s
Number in issue				
At 1 April 2017	33,554	14,527	89,052	137,133
Share conversions	18	(18)	-	-
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
Proportion of total equity shares at 30 March 2019	24.5%	10.6%	64.9%	100%
Monetary amount	£m	£m	£m	£m
At 1 April 2017	13.4	5.8	3.6	22.8
Share conversions	-	-	-	-
At 31 March 2018	13.4	5.8	3.6	22.8
Share conversions	-	-	-	-
At 30 March 2019	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 24).

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).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

27. 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 of Association 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.

b) Own Shares

Own shares relate to shares held by independently managed employee share ownership trusts ("ESOTs") together with the Company's holding of treasury shares. Shares are purchased by the ESOTs in order to satisfy potential awards under the Long-Term Incentive Plan ("LTIP") and Share Incentive Scheme ("SIP"). Treasury shares are used, inter alia, to satisfy options under the Company's share options schemes. The LTIP ESOT has waived its rights to dividends on the shares it holds. Treasury shares have voting and dividend rights suspended. All own shares held, as below, are excluded from earnings and net assets per share calculations.

Number	Treasury shares		LTIP ESOT			SIP ESOT		Total	
	'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
At 1 April 2017	1,263	4,558	–	338	10	4	1,267	4,896	10
Shares purchased	537	–	–	215	–	–	537	215	–
Shares transferred	(190)	–	109	–	–	81	–	–	–
Shares released	(103)	–	(109)	(282)	(3)	(80)	(292)	(282)	(3)
At 31 March 2018	1,507	4,558	–	271	7	5	1,512	4,829	7
Shares purchased	314	–	–	121	–	–	314	121	–
Shares transferred	(123)	–	62	–	–	64	3	–	–
Shares released	(131)	–	(62)	(157)	(1)	(62)	(255)	(157)	(1)
At 30 March 2019	1,567	4,558	–	235	6	7	1,574	4,793	6
Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2017	11.8	4.6	–	0.2	0.1	–	11.8	4.8	0.1
Shares purchased	5.3	–	–	0.2	–	–	5.3	0.2	–
Shares transferred	(1.8)	–	1.0	–	–	0.8	–	–	–
Shares released	(1.0)	–	(1.0)	(0.2)	–	(0.8)	(2.8)	(0.2)	–
At 31 March 2018	14.3	4.6	–	0.2	0.1	–	14.3	4.8	0.1
Shares purchased	3.1	–	–	0.1	–	–	3.1	0.1	–
Shares transferred	(1.2)	–	0.6	–	–	0.6	–	–	–
Shares released	(1.3)	–	(0.6)	(0.1)	–	(0.6)	(2.5)	(0.1)	–
At 30 March 2019	14.9	4.6	–	0.2	0.1	–	14.9	4.8	0.1
Market value									
At 30 March 2019	18.4	5.4	–	0.3	0.1	–	18.4	5.7	0.1

c) Other Capital Reserves

Share premium account

The balance in the share premium account represents the proceeds received above the nominal value on the issue of the Company's equity share capital.

Capital redemption reserve

The capital redemption reserve balance arises from the buy-back of the Company's own equity share capital.

Hedging reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships incurred at the Balance Sheet date, net of tax.

28. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 30 March 2019 are summarised below. All schemes are equity-settled. All disclosure relates to both the 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. If growth in Adjusted EPS exceeds growth in the RPI by 9% over the performance period of the option, then 40% of the award will vest. Vesting levels are then on a sliding scale, with 100% vesting occurring if growth in Adjusted EPS exceeds growth in RPI by more than 21%. The performance period for grants under this scheme is three years. Options must be exercised within seven years of the end of the performance period.

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 5 month's 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 in SIP (although there may be tax consequences if sold within 5 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 30 March 2019 is £1.0 million (2018: £0.8 million). The whole of that expense arises from equity-settled share-based payment transactions.

Market Value

The market value of the shares at 30 March 2019 was £11.75 (2018: £9.58).

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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28. Share Options and Share Schemes continued

a) SAYE

	2019 Number 000s	2019 WAEP	2018 Number 000s	2018 WAEP
Outstanding at the beginning of the year	539	£8.09	548	£7.93
Granted	143	£7.70	148	£8.12
Lapsed	(75)	£7.96	(65)	£8.08
Exercised	(122)	£8.47	(92)	£7.18
Outstanding at the end of the year	485	£7.89	539	£8.09
Exercisable at the end of the year	-	-	-	-
Weighted average share price for options exercised in the year	£9.60		£9.99	
Weighted average contractual life remaining for share options outstanding at the year end	1.7 years		2 years	
Weighted average share price for options granted in the year	£9.73		£10.52	
Weighted average fair value of options granted during the year	£1.65		£1.94	
Range of exercise prices for options outstanding at the year end				
- from	£7.50		£7.24	
- 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 2019 000s	Number of 'A' ordinary shares under option 2018 000s
September 2018	7.24	-	19
September 2018	8.70	-	106
September 2019	7.74	117	134
September 2019	7.47	16	18
September 2020	8.70	40	51
September 2020	8.12	89	109
September 2021	7.74	64	72
September 2021	7.70	107	-
September 2022	8.12	24	30
September 2023	7.70	23	-
		480	539

28. Share Options and Share Schemes continued

b) Share Option Schemes

Senior Executive Share Option Scheme

	2019 Number 000s	2019 WAEP	2018 Number 000s	2018 WAEP
Outstanding at the beginning of the year	77	£7.16	77	£6.94
Exercised	(2)	£4.05	–	n/a
Outstanding at the end of the year	75	£7.45	77	£7.16
Exercisable at the end of the year	75	£7.00	77	£6.90
Weighted average share price for options exercised in the year	n/a		n/a	
Weighted average contractual life remaining for share options outstanding at the year end	2.59 years		3.48 years	
Range of exercise prices for options outstanding at the year end				
– from	£4.80		£4.05	
– to	£9.10		£9.10	

Executive Share Option Scheme

	2019 Number 000s	2019 WAEP	2018 Number 000s	2018 WAEP
Outstanding at the beginning of the year	167	£9.28	150	£8.73
Granted	47	£9.46	44	£10.34
Lapsed	(11)	£10.35	(13)	£10.04
Exercised	(15)	£6.72	(14)	£8.23
Outstanding at the end of the year	188	£9.50	167	£9.28
Exercisable at the end of the year	104	£9.45	74	£8.59
Weighted average share price for options exercised in the year	£9.31		£10.13	
Weighted average contractual life remaining for share options outstanding at the year end	6.94 years		6.94 years	
Weighted average share price for options granted in the year	£9.72		£10.78	
Weighted average fair value of options granted during the year	£0.94		£1.05	
Range of exercise prices for options outstanding at the year end				
– from	£4.05		£4.80	
– to	£10.90		£10.90	

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28. Share Options and Share Schemes continued

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 Share Option Scheme			Executive Share Option Scheme		
	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2019 000s	Number of 'A' ordinary shares under option 2018 000s	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2019 000s	Number of 'A' ordinary shares under option 2018 000s
2013 and 2020	5.78	12	12	5.78	1	6
2013 and 2020	6.30	1	1	-	-	-
2014 and 2021	7.09	15	15	7.09	2	2
2015 and 2022	7.05	22	22	7.05	10	11
2016 and 2023	9.10	16	16	9.10	19	21
2017 and 2024	-	-	-	9.65	27	33
2018 and 2025	-	-	-	10.90	23	27
2019 and 2026	-	-	-	10.23	22	22
2020 and 2027	-	-	-	10.34	36	42
2020 and 2028	-	-	-	9.46	47	-
		75	77		188	167

c) LTIP

Shares	2019 'A' shares Number 000s	2019 'B' shares Number 000s	2018 'A' shares Number 000s	2018 'B' shares Number 000s
Outstanding at the beginning of the year	394	984	358	894
Granted	165	413	154	386
Lapsed	(136)	(339)	(7)	(19)
Vested	(63)	(157)	(111)	(277)
Outstanding at the end of the year	360	901	394	984
Weighted average share price for shares vested in the year	£9.50	£0.95	£10.19	£1.02
For shares outstanding at the year end, the weighted average contractual life remaining is	1.37 years	1.37 years	1.74 years	1.74 years
Weighted average share price for shares granted in the year	£9.72	£0.97	£10.78	£1.08
Weighted average fair value of shares granted during the year	£8.96	£0.90	£9.98	£1.00

All LTIPs have a vesting price of £nil. LTIP shares do not receive dividends until vested.

28. Share Options and Share Schemes continued

d) SIP

	2019 Number 000s	2018 Number 000s
Outstanding at the beginning of the year	261	268
Granted	62	80
Lapsed	(2)	(2)
Released	(67)	(85)
Outstanding at the end of the year	254	261
Weighted average share price for shares released in the year	£9.30	£9.65
For shares outstanding at the year end, the weighted average contractual life remaining is	2.64 years	2.80 years
Weighted average share price for shares granted during the year	£9.72	£10.42
Weighted average fair value of shares granted during the year	£9.72	£10.42

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 30 March 2019 and 52 weeks ended 31 March 2018, 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 Scheme		Executive and Senior Executive Option Schemes	
	2019	2018	2019	2018	2019	2018
Dividend yield (%)	2.0%	1.9%	2.0%	1.9%	2.0%	1.9%
Expected share price volatility (%)	n/a	n/a	15.3 to 15.4%	15.7 to 16.0%	15.6%	15.7%
Risk-free interest rate (%)	0.9%	0.2%	0.88 to 1.08%	0.4 to 0.6%	0.9%	0.3%
Expected life of option/award (years)	3 years	3 years	3 to 5 years	3 to 5 years	4 years	4 years
Model used	Black Scholes	Black Scholes	Black Scholes	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.

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29. Guarantees and Commitments

a) Operating Lease Commitments

Operating leases where the Group is the lessee

Future minimum rentals payable under non-cancellable operating leases are due as follows:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Within one year	10.4	11.2	9.3	10.1
Between one year and five years	34.8	38.0	30.6	33.8
After five years	64.5	65.2	53.8	54.5
	109.7	114.4	93.7	98.4

Commercial property operating leases are typically for 20 to 25 years, although certain leases have lease periods extending up to 40 years.

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 ten years.

At 30 March 2019, future minimum rentals receivable by the Group are as follows:

	Investment properties		Other property, plant & equipment	
	2019 £m	2018 £m	2019 £m	2018 £m
Group				
Within one year	0.6	0.5	6.8	5.2
Between one year and five years	1.0	1.6	5.6	4.2
After five years	0.2	0.1	6.8	5.1
	1.8	2.2	19.2	14.5

	Investment properties		Other property, plant & equipment	
	2019 £m	2018 £m	2019 £m	2018 £m
Company				
Within one year	0.6	0.5	6.5	5.6
Between one year and five years	1.0	1.6	5.5	5.6
After five years	0.2	0.1	8.8	11.6
	1.8	2.2	20.8	22.8

The Group's and Company's commercial leases on property are principally for licensed outlets. The terms of the leases are normally for either three, five or ten years with the maximum being 30 years. The agreements allow for annual inflationary increases and full rental reviews occur on renewal of the lease, or every five years for a ten year lease.

At 30 March 2019 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.3 million (2018: £5.3 million).

b) Other Commitments

	2019 £m	2018 £m
Group and Company		
Capital commitments – authorised, contracted but not provided for	1.1	3.1

30. 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 £417,000 (2018: £313,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

	52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Compensation of key management personnel (including Directors)		
Short-term employee benefits	4.8	4.9
Post-employment benefits	0.2	0.4
Share-based payments	0.8	1.4
	5.8	6.7

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 owed to related parties £m	Amounts owed by related parties £m
52 weeks ended 30 March 2019						
Subsidiaries	1.5	60.4	1.6	3.9	(106.2)	30.2
52 weeks ended 31 March 2018						
Subsidiaries	1.3	58.7	1.5	3.5	(106.9)	24.1

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.

In addition, the Company received rental income from subsidiaries of £0.4 million during the year (2018: £0.3 million).

Parent Company Guarantee

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 2019 for the period ended 30 March 2019 under Section 479A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

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

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:

Griffin Inns Limited	00495934
Ringwoods Limited	00178536
FST Trustee Limited	03163480
Fuller, Smith & Turner Estates Limited	01831674

31. Post Balance Sheet Event

The disposal of the Fuller's Beer Business completed on 27 April 2019, subsequent to the end of the reporting period (see note 20). The proceeds of the sale, expected to be approximately £205 million after relevant adjustments including transaction and reorganisation costs, will allow Fuller's to make a return of capital to shareholders, make a voluntary contribution to the pension scheme, reinvest in the existing pubs and hotels business to drive growth and invest in carefully selected acquisition opportunities as they arise.

DIRECTORS AND ADVISORS

as at 24 July 2019

Directors

Michael Turner, FCA, Chairman*
Simon Emery, Chief Executive
Richard Fuller
Jonathon Swaine
Fred Turner, ACA
Sir James Fuller, Bt*
John Dunsmore*
Peter Swinburn*
Juliette Stacey, ACA*
Helen Jones*

* 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
Griffin Brewery
Chiswick Lane South
London W4 2QB
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

2019 Diary

Friday, 2 August

Record Date

Monday, 1 July

Preference dividend paid

Wednesday, 4 September

Annual General Meeting

The George IV, 185 Chiswick High Rd, Chiswick, London W4 2DR

Friday, 6 September

Final dividend paid

Friday, 22 November

Half year results announcement

2020 Diary

January

Preference dividends paid

Interim dividend paid

June

Preliminary results announcement

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 'Indulgence' card entitling them to a 15% discount on food and drinks in Fuller's Managed Pubs and Hotels and on the best available rate in Fuller's hotels.

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.

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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.

Beer and cider volumes – this is the volume of beer and cider sold, in number of barrels (a brewing term representing 288 pints).

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, loss on disposal of plant and equipment and amortisation, adjusted for separately disclosed items.

Foreign Beer – this is sales made by the Group of beer produced by other brewers, the majority of which is lager.

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.

Own beer and cider – this is sales of own brand beer and cider brewed by the Company in Chiswick, Cornwall and Sussex.

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.

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Income Statement	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Revenue	431.1	403.6	392.0	350.5	321.5
Operating profit before separately disclosed items	50.1	49.2	49.5	46.9	42.3
Net finance costs before separately disclosed items	(6.9)	(6.0)	(6.6)	(6.0)	(5.9)
Adjusted profit	43.2	43.2	42.9	40.9	36.4
Separately disclosed items	(17.1)	0.4	(3.0)	(1.7)	(0.3)
Profit before tax	26.1	43.6	39.9	39.2	36.1
Taxation	(6.6)	(8.8)	(7.4)	(6.2)	(7.8)
Profit after tax	19.5	34.8	32.5	33.0	28.3
Non-controlling interest	(0.2)	1.0	0.2	(0.2)	0.1
Profit attributable to equity shareholders of the Parent Company	19.3	35.8	32.7	32.8	28.4
EBITDA	73.2	70.9	70.5	65.0	58.7

Assets employed					
Non-current assets	595.3	623.2	612.1	586.9	524.2
Inventories	5.0	13.5	14.0	12.4	10.6
Trade and other receivables	8.3	22.9	21.6	21.0	17.7
Assets classified as held for sale	57.0	2.1	5.9	0.5	-
Cash and short-term deposits	11.0	11.7	15.3	6.2	5.1
	676.6	673.4	668.9	627.0	557.6
Current borrowings	(50.0)	(30.0)	(20.0)	(20.0)	(20.0)
Other current liabilities	(32.8)	(71.8)	(73.7)	(65.6)	(53.5)
	593.8	571.6	575.2	541.4	484.1
Non-current borrowings	(206.2)	(183.6)	(201.4)	(184.7)	(147.7)
Other non-current liabilities	(49.1)	(53.1)	(64.1)	(55.8)	(54.7)
Net assets	338.5	334.9	309.7	300.9	281.7

	2019	2018	2017	2016	2015
Per 40p 'A' ordinary share					
Adjusted earnings	62.78p	62.90p	61.39p	58.35p	51.51p
Basic earnings	35.12p	64.89p	59.21p	59.25p	51.15p
Dividends (interim and proposed final)	20.15p	19.55p	18.80p	17.90p	16.60p
Net assets	£6.16	£6.07	£5.61	£5.45	£5.09
Net debt (£ million)	(245.2)	(201.9)	(206.1)	(198.5)	(162.6)
Net debt/EBITDA¹	3.1	2.9	2.9	3.0	2.7
Gross capital expenditure (£ million)	58.6	40.6	55.8	80.7	56.3
Average number of employees	5,399	4,913	4,722	4,479	4,058

¹ Net debt/EBITDA is adjusted as appropriate for the pubs acquired and disposed of in the period.



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