



BREWED BESIDE THE

A  
**TRANSFORMATIONAL  
YEAR**

HALF YEAR REPORT  
FOR THE 26 WEEKS ENDED 26 SEPTEMBER 2020

# Financial and Operational Indicators<sup>1</sup>

- Mandated closure of the estate for 14 weeks of the 26 week trading period. Phased reopening from 4 July 2020 but 66% trading weeks lost in Managed business due to ongoing restrictions on consumer behaviour
- During the final two months, with the majority of the estate open, the Group made an operating profit of £2.0 million despite severe restrictions in place
- Managed like for like sales outside of London were 92% of prior year. Overall like for like sales were 75% including transport hubs and Central London pubs
- Tight management of cash burn and recovery of working capital contributed to net debt only increasing by £9 million to £187 million
- Accessed £100 million of commercial paper through the Covid Corporate Financing Facility
- Financing and liquidity position underpinned by strength of freehold portfolio
- Interim dividend suspended due to current economic situation.

## Fuller, Smith & Turner P.L.C. Financial Highlights<sup>1</sup>

for the 26 weeks ended 26 September 2020

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
Revenue and other income	45.6	167.1	319.7
EBITDA <sup>2</sup>	(3.7)	34.9	53.9
Adjusted (loss)/profit before tax <sup>3</sup>	(22.2)	17.9	19.4
Statutory (loss)/profit before tax	(23.0)	14.2	8.4
Group statutory (loss)/profit before tax	(24.0)	176.2	166.2
Basic (loss)/earnings per share <sup>4</sup>	(34.60)p	21.45p	7.62p
Dividend per share <sup>4</sup>	-	7.80p	132.80p
Net debt excluding lease liabilities <sup>5</sup>	187.4	23.0	178.9

1 All figures above are from continuing operations.

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

3 Adjusted (loss)/profit before tax is the (loss)/profit before tax excluding separately disclosed items.

4 Calculated on a 40p ordinary share for continuing operations.

5 Net debt comprises cash and short-term deposits, bank overdraft, CCFF, bank loans, debenture stock and preference shares.

# Chairman's Statement



It has been an incredibly challenging six months for the country, for the hospitality industry and for Fuller's. The impact of coronavirus has touched every part of the physical and economic landscape and once again we find ourselves in a state of national lockdown.

The rollercoaster of emotions from closure, to reopening, through the well-designed and inspired *Eat Out to Help Out* scheme and then back down into a quagmire of increasingly onerous restrictions, tier alert levels and finally back to temporary closure, has been tough on our business and even tougher on our people.

The Government has been supportive and destructive in almost equal measure – but we are grateful for the recent extension of the furlough scheme. We urge the Chancellor to follow this with extensions to the business rates holiday and the VAT reduction. We know that our sector can lead the economic recovery – however we will need this longer-term support to rebuild our businesses and return to growth.

In the short term, we need clarity of message and a clear roadmap out of the coronavirus crisis. We know we can play a major role and we relish the challenge of doing so. Should the Chancellor need any further encouragement, the net tax deficit from Fuller's alone for the first six months of the year is over £70 million. The country needs pubs, restaurants and hotels fully open – and soon – for the financial contribution they make, the jobs they create, and the significant role they play in the emotional wellbeing of our customers and our teams.

Unfortunately, we again find ourselves in a position where we have had to take the decision not to propose a dividend in light of the current economic situation. I would like to thank our shareholders for their patience and understanding in these difficult times and it's fair to say that the sale of the Fuller's Beer Business in April 2019, and the subsequent return of capital – which exceeded the total of the previous seven years' dividends – has proved to be excellent timing.

I have one Board change to announce – the appointment of Rachel Spencer, who joins us on 7 December 2020 to take over the role of Company Secretary from 1 January 2021. Rachel is an experienced Company Secretary having held positions at a number of other listed companies including Invensys, Aldermore Group and, most recently, Clarkson PLC – the world's leading provider of integrated shipping services. Rachel takes over from Séverine Béquin who has held the role for the past six years. Séverine leaves us to move to Madrid with her husband and, on behalf of the Board, I would like to thank her for all her hard work – particularly through the immense complications caused by the sale of the Fuller's Beer Business. She has made a very valuable contribution to Fuller's and we wish her every happiness in the Spanish sun.

Finally, I would like to pay tribute to the amazing team of people at Fuller's. Simon and his Executive Board have risen to the challenge and navigated a course through the most turbulent of times. But it is the teams in our pubs who are the real heroes. Armed with masks, social distancing and sanitiser by the lorryload, they have delivered an amazing Fuller's experience in extremely unusual conditions and I am in awe of the upbeat and positive manner that they maintain.

We should have been commemorating 175 years of this wonderful company during November with a major consumer promotion and in a loud and celebratory manner. That may not have happened, but with our predominately freehold estate, strong Balance Sheet, and single minded focus to exit this crisis in the best possible position, I know that we will have many milestones to celebrate in the future.

# Chairman's Statement

Continued

As lockdown comes to its scheduled end, it is important to note that there have been incredibly low levels of infection recorded across pubs, restaurants and hotels. It is vital now for the mental wellbeing of the nation that people are allowed to meet and socialise in a responsible manner, in the safe environment that pubs, restaurants and hotels have proved they can provide.

We need our industry to reopen without onerous restrictions that deter our customers and hamper our ability to trade profitably, and in a way that reflects the commitment we have made to ensuring our venues are safe and coronavirus secure. The notion that closing the hospitality industry reduces infection rates is a fallacy, as doing so forces people to socialise in the home in a completely unregulated environment where recorded infection rates are infinitely higher.

With a vaccine on the visible horizon, we look forward to welcoming our customers back to our wonderful pubs and hotels, returning to profitability and getting on with business as usual.



**Michael Turner**

Chairman

25 November 2020

## Chief Executive's Review



At the time of drafting this review of the last six months, all 388 of our pubs and hotels are closed, 98% of our people are on furlough or flexi-furlough, and we are a week away from hopefully reopening the estate. It feels like Groundhog Day, and we are awaiting the details regarding which areas will be in which tier, but we look forward to welcoming back our customers to our wonderful pubs and hotels, that are the epitome of great British hospitality.

Our reported figures for the first six months of the year reflect the total, temporary closure of the business for more than half of the reporting period – resulting in total sales of £45.6 million (H1 2020: £167.1 million). Our like for like sales for the 26 weeks stand at 75% of the previous year (H1 2020: +2.7%). However, we were encouraged by the like for like run rate, which illustrated how quickly consumer confidence built as we reopened the estate from 4 July 2020. By the end of July, sales were at 68% of prior year levels on a like for like basis, and at the end of August – following the success of the Government's inspired *Eat Out to Help Out* scheme – 79% of our pubs were open and we were trading at 78% of prior year levels.

Sales momentum had been steadily building but the introduction of ever-tightening restrictions, despite hospitality accounting for a tiny percentage of infections, knocked consumer confidence and impacted trading. The rule of six came into force in mid-September, causing like for like sales for that week to fall to 68% of prior year. This was followed on 24 September 2020 by the introduction of the 10pm curfew and the news that all customers must be seated to order food or drink in a pub. This further impacted consumer confidence and sales dropped to 58% of prior year levels on a like for like basis for the following week.

The introduction of the tier system had the largest impact of all. On 17 October 2020, when London was moved into Tier 2 and people were once again encouraged to work from home, leaving the City like a ghost town, like for like sales in 37 of our largest Central London sites fell to less than 30% of the previous year. This has led to our like for like sales, across the estate, finishing at 57% for the final week of October.

Despite the obstacles that we have had to overcome, we have used the time well to innovate, particularly on the digital front, invest in our estate, and complete the process of ensuring we have the right people in place to hit the ground running when we reopen again to welcome our customers.

### **Rightsizing for the future**

At the start of the financial year, we completed the delivery of the Transitional Services Agreement ("TSA") with Asahi and the integration of the support functions for both Bel & The Dragon and Cotswold Inns & Hotels. The sale of The Stable Pizza and Cider Limited ("The Stable"), a leasehold business, to Three Joes was also completed during the period.



# Chief Executive's Review

Continued

Following the sale of the Fuller's Beer Business, we had identified a number of changes that could be made in our central functions, leading to a leaner, more efficient, support centre team. This exercise has been completed during the period, and the business is perfectly poised, with the right team in place, to deliver sustainable, profitable growth in the future both organically and through acquisitions and developments.

It is clear trading will take time to return to pre-coronavirus levels and we have streamlined the teams across our pubs and hotels accordingly. The result of this exercise, combined with the fact that 300 team members moved under TUPE with sale of The Stable, means our total employee numbers are already 20% below where they were at the beginning of the financial year. I am pleased to report that, due to a structured redeployment programme, we have reassigned as many team members as we have made redundant.

## Accelerating and investing in innovation

Crisis often accelerates change in businesses – and Fuller's has been no exception. The current situation has altered consumer behaviour and made us think differently about the way we operate, resulting in a number of planned initiatives being rolled out earlier than intended.

We launched Order & Pay – a web-based solution that asks customers to scan a QR code displayed on the table, allowing them to browse the menu, choose items, and order and pay their bill without the need for interaction with a team member. We started in a handful of sites when we reopened in July, where it proved popular and successful. It is now operational in around 75% of our Managed Pubs and Hotels, with the rest of our Managed sites due to come online over the coming months.

It has led to some interesting insights into consumer behaviour, with customers choosing dishes and drinks they have not tried before, now they have the luxury of carefree browsing time, and our team members have more quality time to spend with customers as they serve the customers' tables.

The work that has been carried out in recent years on our single customer view database has also paid dividends – as communication has become key due to the ever-changing regulations. We have used clear targeting with offers for those sites that are struggling the most and been able to tactically drive bookings by communicating to specific sectors of the database according to geography and demographics.

## A perfectly balanced and well-invested estate

Strategically, Fuller's has always understood the importance for a long-term business to invest in and operate a balanced estate in terms of both style and geography – and the difference in trading across the estate has been more marked than ever during the coronavirus pandemic. Throughout the summer, alfresco dining and staycations were the order of the day – while those sites in city centres that depend on office workers and international tourists, were naturally harder hit.

Typically, our top performing pubs by revenue and EBITDA, are those in Central London and transport hub sites. For the first six months of this financial year, those are the sites that have suffered most, particularly due to the stay at home message – so the natural balance of our estate has come into play. The purchase of the Cotswold Inns & Hotels business could not have been more timely and during August and September, five of our highest turnover sites (and three of our most profitable) came from this part of the business.

When we acquired the Cotswold business just over a year ago, we believed that we could add value to an already successful business by building more local trade and increasing the revenue from food and beverage sales to those who lived locally or within driving distance. The venues were famous for their wedding trade and this was one of the key sources of revenue.

The possible outcome of so many weddings being cancelled could have been a problem – but a successful, targeted, digital staycation campaign and the widespread growth in domestic tourism have resulted in the Cotswold business outperforming its sales from the prior year. We will, in future, use the data we have captured and creative and innovative marketing to build on this staycation trend. In addition, the restaurants have outperformed our expectations and provided a welcome reminder that this delightful business is a perfect fit for Fuller's and our customers.

During the period, we continued with committed capex projects and this included opening a new pub, The White Horse in Wembley. The pub is located in the shadow of the iconic Wembley Arch and in an area that is benefiting from a large mixed-use redevelopment and the addition of over 6,000 new homes. The pub looks amazing and opened strongly, with local residents giving it the seal of approval. We look forward to the return of the large events close by that will generate high earning days for the pub, but even now The White Horse has become a firm favourite in Wembley.

Early on in the coronavirus pandemic, we took the decision to use the short-term opportunity created by the enforced closure at the start of the financial year to complete a number of schemes that were already started or scheduled – in line with our long-term strategy. Highlights have included The Trinity at Borough, which we acquired in August 2019, The Windmill at Waterloo and The Coach & Horses – the iconic Soho pub that is the backdrop for Keith Waterhouse's cult play, *Jeffrey Bernard is Unwell*. Outside of the Capital, we have invested in major schemes at The Grove Lock near Leighton Buzzard and The Fox & Pelican in Grayshott, near Hindhead.

We have been investing heavily in our external spaces and pub gardens for some years now – and this has reaped rewards over recent months. Much of the work had also involved adding gazebos, awnings and covered areas and we have continued to build on this activity to ensure the outside area of our pubs and hotels provides desirable and comfortable additional trading space throughout the colder months too. The success and scale of our outside areas was particularly visible during September when we hosted our ever-popular *Shakespeare in the Garden*, with *The Tempest* being profitably delivered to a socially distanced audience in 15 venues across our Managed and Tenanted estate.

The property team also used the first part of the financial year to good effect by undertaking a number of smaller, decorative schemes across the Bel & The Dragon and Cotswold Inns & Hotels sites, again using the period of temporary closure well. This helped to ensure we realised the benefit of the rise in staycations. One of these schemes has seen a complete reimagining of the restaurant at The Bear of Rodborough in Stroud – creating a stunning and imposing dining space with breathtaking views, which is already proving popular with hotel residents and local diners alike.

# Chief Executive's Review

Continued

## Tenanted Inns

During lockdown, our Tenants have consistently shown innovation and commitment to their local communities, providing meals for the homeless and opening as local stores. I am consistently delighted by their entrepreneurial nature and creativity, and it was great to see them reopening so quickly and strongly.

Our like for like profits in this part of the business are down 19% for the period. Fuller's led the way in the industry with the suspension of all commercial rent during both the initial lockdown and the current closure. This has been widely welcomed by our Tenants and given them the breathing space they need to ensure their businesses survive, flourish and were in a position to reopen strongly when the time came.

Suspending all commercial rent was a bold move – but there have been knock-on benefits for the Company too. Combined with the grants available to small businesses, our Tenants exited the first lockdown in a position of strength and without the shadow of debt to hold them back. We reintroduced rent on a tapered basis in August and this had been slowly increasing until the start of the current lockdown, when we once again took the decision to suspend it.

## Financial position

Group revenue and other income fell by 72.7% to £45.6 million (H1 2020: £167.1 million). Adjusted loss<sup>1</sup> was £22.2 million (H1 2020: profit £17.9 million) showing the severe impact the coronavirus pandemic and the resulting government regulations have had on the Group. The results for the period reflect 14 weeks of zero trade where the Group incurred an operating loss of £16.3 million<sup>2</sup>, a period of transition which saw a phased reopening of the estate from 4 July 2020 (loss of £3.6 million<sup>2</sup>) and the final two months where the majority of the estate was open albeit trading with severe restrictions (profit of £2.0 million<sup>2</sup>). The final two months show that the Group was able to rapidly return to profitability once the estate had reopened despite the ongoing restrictions and reduced capacity in the pubs.

The sales performance across the Group during the two months of trading reflected the balanced nature of our estate with rural pubs outperforming the prior year with like for like sales of 103% while pubs located in the City naturally saw like for like sales fall to just 45% in comparison with the prior year as people continued to work from home. Cotswold Inns & Hotels, which was acquired in October 2019, outperformed prior year for the two months and included five of our highest turnover sites despite the restrictions on weddings.

On 7 June 2020, the Group sold The Stable to Three Joes for an enterprise value of £0.5 million, which resulted in a loss on disposal of £0.5 million. As The Stable was sold during the period the results have been reported within discontinued operations. The amounts shown as discontinued operations within the financial statements are an operating loss of £0.5 million as well as the loss on disposal. As part of the transaction, Fuller's retained ownership of the five freehold properties associated with The Stable business.

The Group generated cash from continuing operating activities of £5.7 million in the period (H1 2020: £20.5 million). The significant decrease is a direct result of being closed for three months within the period and trading under restrictions for the remaining months due to the government regulations in place. As expected, the working capital outflow the Group experienced during lockdown started to recover on reopening.

During the period, £33 million of our bank facilities expired. At 26 September 2020, the Group had £192 million of facilities until August 2021. In May 2020, the Group issued £100 million of commercial paper through the Bank of England Covid Corporate Financing Facility ("CCFF") taking our total facilities to £292 million. The CCFF provides short-term unsecured debt and is repayable in May 2021. Our undrawn facilities at 26 September 2020 were £113.0 million, with a further £18.0 million of cash held on the Balance Sheet.

1 Excluding separately disclosed items.

2 Excluding the impact of IFRS 16 *Accounting for Leases*.



Separately disclosed items before tax from continuing operations was a charge of £0.8 million (H1 2020: £3.7 million), which principally consists of £0.8 million reorganisation costs of which £0.6 million related to the corporate restructure of the business where the trade and assets of Bel & The Dragon and Cotswold Inns & Hotels were hived up into the Company. Restructuring costs also included £0.2 million of redundancy costs. Other costs included in separately disclosed items are acquisition costs of £0.1 million and £0.1 million of payroll costs for the initial scoping of the new finance system.

Tax has been provided for at an effective rate before separately disclosed items of 17.1% (H1 2020: 19.6%). Deferred tax liabilities have decreased from £17.1 million at 28 March 2020 to £13.7 million due to the recognition of a deferred tax asset for losses incurred in the period. A full analysis of the tax charge is set out in note 5.

The net impact of these items results in basic earnings per share on continuing operations decreasing by 261% to -34.60p (H1 2020: 21.45p), with adjusted earnings per share<sup>3</sup> on continuing operations down 227% at -33.33p (H1 2020: 26.17p).

The deficit on the defined benefit pension scheme has increased by £6.1 million from the year end to £10.8 million (28 March 2020: £4.7 million, 28 September 2019: £34.4 million). The increase was due to the fall in discount rate and is only marginally offset by the improvement in asset returns.

### Current trading and prospects

While our pubs are temporarily closed again, the imminent roll out of a vaccine is excellent news for the future. The tightening of the tier system will present further challenges over the winter months, but we welcome the Prime Minister's comments that we will see the need for restrictions fall away in the spring. Without doubt, a return to normality is in sight.

When the current lockdown was announced, we acted swiftly to implement the lessons learned last time round and this latest closure has been made with minimal stock losses. We also immediately placed 98% of our team members – across our pubs, hotels and in our support functions – on furlough or flexi-furlough, thereby minimising our cash burn. The extension of the Coronavirus Job Retention Scheme until March 2021 provides a degree of breathing space and will allow us to apply a sensible and measured approach to costs as we reopen our estate, particularly at the most affected sites in our city centres.

We entered this crisis in a position of strength, buoyed by the sale of the Fuller's Beer Business. We have used the time and space created by the pandemic wisely – completing targeted investments in our estate, rightsizing our teams and utilising the support available to manage our cash reserves where possible. It has not been easy, but prudent financial management, an estate that is 92% freehold, and a strong Balance Sheet mean that we will be in the best possible position to get back on a growth trajectory.

3 Excluding separately disclosed items.

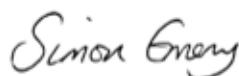
# Chief Executive's Review

Continued

We know our customers want to come back, we know they trust us to look after them and provide a safe and sensible environment to enjoy a great Fuller's experience and, over and above this, we have a dedicated and passionate team of people with the ability and desire to delight, surprise and welcome back those customers.

We are optimistic about the future in the medium term and beyond, but there is no doubt that this will be a tough winter and a very different looking Christmas. We will start to reopen our estate in a measured way, navigating the tier system and the restrictions that come with it. However, it is important that we see beyond these obstacles and look at the bigger picture. The excellent news of successful vaccines gives us confidence where previously there was uncertainty, and with the sensible decisions we have taken during the pandemic, Fuller's is well-placed for future success.

This business is armed with a well-invested and well-balanced, freehold estate, excellent people, robust financial foundations, a clear and consistent strategy, and the drive and desire to lead the way out of this crisis. The long-term future for Fuller's looks positive.



**Simon Emery**

Chief Executive

25 November 2020

# Condensed Group Income Statement

for the 26 weeks ended 26 September 2020

	Note	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Continuing operations</b>				
Revenue	2	45.4	165.1	316.0
Operating costs before separately disclosed items		(63.5)	(145.7)	(292.7)
Other income	2	0.2	2.0	3.7
<b>Adjusted operating (loss)/profit</b>	2	<b>(17.9)</b>	21.4	27.0
Operating separately disclosed items	3	(1.0)	(3.0)	(20.1)
<b>Operating (loss)/profit</b>		<b>(18.9)</b>	18.4	6.9
Finance costs before separately disclosed items	4	(4.3)	(3.5)	(7.6)
Financing separately disclosed items	3,4	0.2	(0.3)	(0.5)
(Loss)/profit on disposal of properties	3	–	(0.4)	9.6
<b>(Loss)/profit before tax</b>		<b>(23.0)</b>	14.2	8.4
<b>Adjusted (loss)/profit before tax</b>		<b>(22.2)</b>	17.9	19.4
Total separately disclosed items	3	(0.8)	(3.7)	(11.0)
<b>(Loss)/profit before tax</b>		<b>(23.0)</b>	14.2	8.4
Income tax expense	5	3.9	(2.4)	(4.2)
<i>Analysed as:</i>				
Underlying trading		3.8	(3.5)	(6.2)
Separately disclosed items	3	0.1	1.1	2.0
<b>(Loss)/profit for the year from continuing operations</b>		<b>(19.1)</b>	11.8	4.2
Net (loss)/profit after tax from discontinued operations	11	(1.2)	161.9	157.7
<b>(Loss)/profit for the year</b>		<b>(20.3)</b>	173.7	161.9

# Condensed Group Income Statement

for the 26 weeks ended 26 September 2020

Continued

	Note	Unaudited 26 weeks ended 26 September 2020 Pence	Unaudited 26 weeks ended 28 September 2019 Pence	Audited 52 weeks ended 28 March 2020 Pence
<b>Group</b>				
<b>(Loss)/earnings per share per 40p 'A' and 'C' ordinary share</b>				
Basic	6,11	(36.77)	315.73	293.70
Diluted	6,11	(36.77)	311.87	293.02
<b>(Loss)/earnings per share per 4p 'B' ordinary share</b>				
Basic	6,11	(3.68)	31.57	29.37
Diluted	6,11	(3.68)	31.19	29.30
<b>Continuing operations</b>				
<b>(Loss)/earnings per share per 40p 'A' and 'C' ordinary share</b>				
Basic	6	(34.60)	21.45	7.62
Diluted	6	(34.60)	21.19	7.60
<b>(Loss)/earnings per share per 4p 'B' ordinary share</b>				
Basic	6	(3.46)	2.14	0.76
Diluted	6	(3.46)	2.12	0.76

# Condensed Group Statement of Comprehensive Income

for the 26 weeks ended 26 September 2020

	Note	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>(Loss)/profit for the period</b>		<b>(20.3)</b>	173.7	161.9
<i>Items that may be reclassified to profit or loss</i>				
Net gains/(losses) on valuation of financial assets and liabilities		0.2	(0.1)	0.2
Tax related to items that may be reclassified to profit or loss	5	-	-	(0.1)
<i>Items that will not be reclassified to profit or loss</i>				
Net actuarial (losses)/gains on pension schemes	10	(7.1)	1.3	5.9
Tax related to items that will not be reclassified to profit or loss	5	1.3	(0.2)	(1.1)
<b>Other comprehensive (loss)/income for the period, net of tax</b>		<b>(5.6)</b>	1.0	4.9
<b>Total comprehensive (loss)/income for the period net of tax</b>		<b>(25.9)</b>	174.7	166.8



# Condensed Group Balance Sheet

26 September 2020

	Note	Unaudited At 26 September 2020 £m	Unaudited At 28 September 2019 £m	Audited At 28 March 2020 £m
<b>Non-current assets</b>				
Intangible assets		28.1	37.9	28.3
Property, plant and equipment	8	607.5	559.7	617.7
Investment properties		3.9	4.6	4.8
Other non-current assets		0.1	0.1	0.1
Right-of-use assets		88.9	86.7	107.0
<b>Total non-current assets</b>		<b>728.5</b>	<b>689.0</b>	<b>757.9</b>
<b>Current assets</b>				
Inventories		3.1	5.2	4.0
Trade and other receivables		11.5	14.0	12.6
Cash and cash equivalents	9	18.0	44.2	20.3
Assets classified as held for sale		8.3	-	2.6
Current tax receivable		3.8	2.4	6.2
<b>Total current assets</b>		<b>44.7</b>	<b>65.8</b>	<b>45.7</b>
<b>Current liabilities</b>				
Trade and other payables		(43.2)	(37.4)	(37.7)
Borrowings	9	(177.9)	-	(171.7)
Financial liabilities – lease liabilities	9	(8.0)	(8.4)	(8.9)
Provisions		(4.1)	(0.2)	(4.1)
<b>Total current liabilities</b>		<b>(233.2)</b>	<b>(46.0)</b>	<b>(222.4)</b>
<b>Non-current liabilities</b>				
Borrowings	9	(27.5)	(67.2)	(27.5)
Financial liabilities – lease liabilities	9	(86.1)	(87.4)	(104.0)
Other financial liabilities		(0.8)	(1.4)	(1.1)
Retirement benefit obligations	10	(10.8)	(34.4)	(4.7)
Deferred tax liabilities		(13.7)	(10.0)	(17.1)
<b>Total non-current liabilities</b>		<b>(138.9)</b>	<b>(200.4)</b>	<b>(154.4)</b>
<b>Net assets</b>		<b>401.1</b>	<b>508.4</b>	<b>426.8</b>

	Note	Unaudited At 26 September 2020 £m	Unaudited At 28 September 2019 £m	Audited At 28 March 2020 £m
<b>Capital and reserves</b>				
Share capital		22.8	22.8	22.8
Share premium account		4.2	4.8	4.2
Capital redemption reserve		3.7	3.1	3.7
Own shares		(17.0)	(17.2)	(17.1)
Hedging reserve		(0.7)	(1.1)	(0.9)
Retained earnings		388.1	496.0	414.1
<b>Total equity</b>		<b>401.1</b>	<b>508.4</b>	<b>426.8</b>

# Condensed Group Statement of Changes in Equity

for the 26 weeks ended 26 September 2020

	Share capital Em
<b>Unaudited – 26 weeks ended 26 September 2020</b>	
At 28 March 2020	22.8
Loss for the period	–
Other comprehensive income/(loss) for the period	–
<b>Total comprehensive income/(loss) for the period</b>	–
Shares purchased to be held in ESOT or as treasury	–
Shares released from ESOT and treasury	–
Dividends (note 7)	–
Share-based payment charges	–
Tax charged directly to equity (note 5)	–
<b>At 26 September 2020</b>	<b>22.8</b>
<b>Unaudited – 26 weeks ended 28 September 2019</b>	
At 30 March 2019	22.8
Profit for the period	–
Other comprehensive (loss)/income for the period	–
<b>Total comprehensive (loss)/income for the period</b>	–
Shares purchased to be held in ESOT or as treasury	–
Shares released from ESOT and treasury	–
Dividends (note 7)	–
Share-based payment charges	–
Transfer to retained earnings	–
Tax charged directly to equity (note 5)	–
<b>At 28 September 2019</b>	<b>22.8</b>
<b>Audited – 52 weeks ended 28 March 2020</b>	
At 30 March 2019	22.8
Profit for the year	–
Other comprehensive income for the year	–
<b>Total comprehensive income for the year</b>	–
Issue of share capital	0.6
Reclassification of deferred shares	(0.6)
Cancellation of deferred shares	–
Shares purchased to be held in ESOT or as treasury	–
Shares released from ESOT and treasury	–
Dividends (note 7)	–
Share-based payment charges	–
Transfer to retained earnings	–
Tax debited directly to equity (note 5)	–
<b>Total transactions with owners</b>	–
<b>At 28 March 2020</b>	<b>22.8</b>

Share premium account £m	Deferred shares £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total £m
4.2	-	3.7	(17.1)	(0.9)	414.1	426.8
-	-	-	-	-	(20.3)	(20.3)
-	-	-	-	0.2	(5.8)	(5.6)
-	-	-	-	0.2	(26.1)	(25.9)
-	-	-	-	-	-	-
-	-	-	0.1	-	(0.1)	-
-	-	-	-	-	-	-
-	-	-	-	-	0.1	0.1
-	-	-	-	-	0.1	0.1
4.2	-	3.7	(17.0)	(0.7)	388.1	401.1
4.8	-	3.1	(19.8)	(0.8)	328.4	338.5
-	-	-	-	-	173.7	173.7
-	-	-	-	(0.1)	1.1	1.0
-	-	-	-	(0.1)	174.8	174.7
-	-	-	(0.1)	-	-	(0.1)
-	-	-	2.7	-	(0.9)	1.8
-	-	-	-	-	(6.8)	(6.8)
-	-	-	-	-	0.4	0.4
-	-	-	-	(0.2)	0.2	-
-	-	-	-	-	(0.1)	(0.1)
4.8	-	3.1	(17.2)	(1.1)	496.0	508.4
4.8	-	3.1	(19.8)	(0.8)	328.4	338.5
-	-	-	-	-	161.9	161.9
-	-	-	-	0.1	4.8	4.9
-	-	-	-	0.1	166.7	166.8
(0.6)	-	-	-	-	-	-
-	0.6	-	-	-	-	-
-	(0.6)	0.6	-	-	-	-
-	-	-	(0.5)	-	-	(0.5)
-	-	-	3.2	-	(1.1)	2.1
-	-	-	-	-	(80.5)	(80.5)
-	-	-	-	-	0.5	0.5
-	-	-	-	(0.2)	0.2	-
-	-	-	-	-	(0.1)	(0.1)
-	-	-	2.7	(0.2)	(81.0)	(78.5)
4.2	-	3.7	(17.1)	(0.9)	414.1	426.8

# Condensed Group Cash Flow Statement

for the 26 weeks ended 26 September 2020

	Note	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>(Loss)/profit before tax for continuing operations</b>		<b>(23.0)</b>	14.2	8.4
Net finance costs before separately disclosed items	4	4.3	3.5	7.6
Separately disclosed items	3	0.8	3.7	11.0
Depreciation and amortisation	2	14.2	13.5	26.9
		(3.7)	34.9	53.9
Difference between pension charge and cash paid		(1.1)	(0.7)	(2.3)
Share-based payment charges		0.1	0.5	0.5
Contribution to pension fund		-	-	(24.0)
Change in trade and other receivables		0.7	(2.1)	(1.1)
Change in inventories		0.6	(0.3)	1.1
Change in trade and other payables		6.3	(2.3)	(1.5)
Cash impact of operating separately disclosed items	3	(0.8)	(2.2)	(5.0)
<b>Cash generated from operations</b>		<b>2.1</b>	27.8	21.6
Tax received/(paid)		3.6	(7.3)	(10.1)
<b>Cash generated from operating activities – continuing operations</b>		<b>5.7</b>	20.5	11.5
Cash (absorbed)/generated from operating activities – discontinued operations	11	(0.5)	1.5	1.5
<b>Cash generated from operating activities</b>		<b>5.2</b>	22.0	13.0
<b>Cash flow from investing activities</b>				
Business combinations		-	(3.7)	(32.8)
Purchase of property, plant and equipment and intangible assets		(7.3)	(13.4)	(46.7)
Sale of property, plant and equipment		-	-	11.4
<b>Cash absorbed by investing activities – continuing operations</b>		<b>(7.3)</b>	(17.1)	(68.1)
Cash generated by investing activities – discontinued operations	11	0.3	230.6	224.5
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(7.0)</b>	213.5	156.4



	Note	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Cash flow from financing activities</b>				
Purchase of own shares		–	(0.1)	(0.5)
Receipts on release of own shares to option schemes		–	1.8	2.3
Interest paid		(2.4)	(2.7)	(4.7)
Preference dividends paid		(0.1)	(0.1)	(0.1)
Equity dividends paid	7	–	(6.8)	(80.5)
Issue of commercial paper		99.4	–	–
Repayment of bank loans		(93.0)	(188.9)	(65.4)
Principal elements of lease payments		(4.3)	(5.1)	(10.3)
<b>Cash absorbed from financing activities continued</b>		<b>(0.4)</b>	<b>(201.9)</b>	<b>(159.2)</b>
<b>Cash absorbed from financing activities discontinued</b>		<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.9)</b>
<b>Net cash (outflow) from financing activities</b>		<b>(0.5)</b>	<b>(202.3)</b>	<b>(160.1)</b>
<b>Net movement in cash and cash equivalents</b>	9	<b>(2.3)</b>	33.2	9.3
Cash and cash equivalents at the start of the period		20.3	11.0	11.0
<b>Cash and cash equivalents at the end of the period</b>	9	<b>18.0</b>	44.2	20.3

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

## 1. Half Year Report

### Basis of Preparation

The half year financial statements for the 26 weeks ended 26 September 2020 have been prepared in accordance with the Disclosure and Transparency Rules ("DTRs") of the Financial Conduct Authority and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as adopted by the European Union and should be read in conjunction with the Annual Report and Financial Statements for the 52 weeks ended 28 March 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

The half year financial statements do not constitute full accounts as defined by Section 434 of the Companies Act 2006. The figures for the 52 weeks ended 28 March 2020 are derived from the published statutory accounts. Full accounts for the 52 weeks ended 28 March 2020, including an unqualified auditor's report which did not make any statement under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Board has adopted the going concern basis in preparing these accounts after assessing the Group's principal risks including the risks arising from the coronavirus pandemic. The Board is confident that the Group has sufficient liquidity and the ability to access resources when the Group needs to refinance to withstand another prolonged period of closure as a result of the coronavirus pandemic.

The outbreak of coronavirus, and its continuing impact on the economy, casts uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern, the Board has considered the Group's financing arrangements, the pattern of trading since reopening on 4 July 2020, the second lockdown on 5 November and future trading risks, including a protracted lockdown or the possibility that when the pubs reopen there will be tight restrictions akin to those of Tier 3.

At 26 September 2020, the Group had existing facilities of £192 million, all of which expire in August 2021. The Group has also accessed the Bank of England Covid Corporate Financing Facility ("CCFF") programme which has already issued £100 million of commercial paper. The CCFF provides short-term unsecured debt and is repayable in May 2021.

The bank facilities are subject to two main covenants, which are tested quarterly: net debt to EBITDA (leverage) and EBITDA to net finance charges. In recognition of the current macroeconomic uncertainty, the Group's banks have revised the covenant tests to a liquidity test for the quarters ending March, June, September and December 2020.

In undertaking a going concern review, the Board has considered two main scenarios prepared by management:

- Management have prepared the Group's base case forecast, which is based on current trading trends and takes into account the Government's recent decision to have another national lockdown and to extend the furlough scheme until end of March 2021. It also assumes steady improvement in trading, with pre-coronavirus sales level not returning until FY23.

In the base case forecast, the Group would need to refinance all its facilities when they expire in August 2021 to the same level of facilities the Group currently has (excluding the CCFF). Under this scenario the Group would also need to seek waivers from its lending banks until the end of the period of assessment for going concern.

## 1. Half Year Report continued

- Management have also prepared a stress case, which reflects a severe but plausible scenario and assumes the national lockdown lasts for three months, with no additional government support over that already announced and with the extension of the furlough scheme until March 2021. Again, it assumes steady improvement in trading, with pre-coronavirus sales level not returning until FY23.

In this scenario, again it shows that in August 2021 the Group would need to refinance its loans to a similar level of debt the Group currently has (excluding the CCFF). Under this scenario the Group would also need to seek waivers from its lending banks until the end of the period of assessment for going concern.

The Board has concluded that in both scenarios, the Group has sufficient debt facilities to finance operations for at least the next 12 months, subject to the ability to refinance in August 2021 to a similar level of the facilities it currently has and the revision of the covenants attached to those facilities beyond December 2020.

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

The half year financial statements were approved by the Directors on 25 November 2020.

### **New Accounting Standards**

The accounting policies adopted in the preparation of the half year financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 28 March 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Other amendments to accounting standards applied from 28 March 2020 were as follows:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

The application of these did not have a material impact on the Group's accounting treatment and has therefore not resulted in any material changes.

### **Taxation**

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

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 2. Segmental Analysis

	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated <sup>1</sup> £m	Total continuing operations £m
<b>Unaudited – 26 weeks ended 26 September 2020</b>				
<b>Revenue and other income</b>	39.4	6.0	0.2	45.6
<b>Segment result</b>	(10.6)	1.3	(8.6)	(17.9)
Operating separately disclosed items				(1.0)
<b>Operating loss</b>				(18.9)
Profit on disposal of properties				–
Net finance costs				(4.1)
<b>Loss before tax</b>				(23.0)
<b>Other segment information</b>				
Additions: property, plant and equipment	6.5	0.3	0.5	7.3
Business combinations	–	–	–	–
Depreciation and amortisation	12.6	0.9	0.7	14.2
Impairment of property and right-of-use assets	–	–	–	–
<b>Unaudited – 26 weeks ended 28 September 2019</b>				
<b>Revenue and other income</b>	149.1	16.0	2.0	167.1
<b>Segment result</b>	23.2	6.6	(8.4)	21.4
Operating separately disclosed items				(3.0)
<b>Operating profit</b>				18.4
Loss on disposal of properties				(0.4)
Net finance costs				(3.8)
<b>Profit before tax</b>				14.2
<b>Other segment information</b>				
Additions: property, plant and equipment	11.8	0.7	0.2	12.7
Business combinations	–	3.7	–	3.7
Depreciation and amortisation	12.3	1.0	0.2	13.5
Impairment of property and right-of-use assets	0.9	–	–	0.9

1 Unallocated expenses represent primarily the salary and costs of central management. Unallocated revenue represents TSA income.

## 2. Segmental Analysis continued

Audited – 52 weeks ended 28 March 2020	Managed Pubs and Hotels £m	Tenanted Inns £m	Unallocated <sup>1</sup> £m	Total continuing operations £m
<b>Revenue and other income</b>	286.3	29.7	3.7	319.7
<b>Segment result</b>	30.6	11.8	(15.4)	27.0
Operating separately disclosed items				(20.1)
<b>Operating profit</b>				6.9
Profit on disposal of properties				9.6
Net finance costs				(8.1)
<b>Profit before tax</b>				8.4
<b>Other segment information</b>				
Additions: property, plant and equipment	23.6	3.6	23.6	50.8
Business combinations	32.8	–	–	32.8
Depreciation and amortisation	24.8	2.0	0.1	26.9
Impairment of property, right-of-use assets and goodwill	14.4	0.7	–	15.1

<sup>1</sup> Unallocated expenses represent primarily the salary and costs of central management. Unallocated revenue represents TSA income.



# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 3. Separately Disclosed Items

Continuing operations	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Amounts included in operating (loss)/profit:</b>			
Acquisition costs	(0.1)	(0.2)	(1.4)
Reorganisation costs	(0.8)	(0.5)	(2.1)
Impairment of properties, right-of-use assets and intangible assets	–	(0.9)	(15.1)
IT maintenance, support and rectification costs	–	(1.4)	(1.5)
Replacement of central finance system	(0.1)	–	–
<b>Total separately disclosed items included in operating (loss)/profit</b>	<b>(1.0)</b>	<b>(3.0)</b>	<b>(20.1)</b>
<b>(Loss)/profit on disposal of properties</b>	<b>–</b>	<b>(0.4)</b>	<b>9.6</b>
<b>Separately disclosed finance costs:</b>			
Finance charge on net pension liabilities (note 10)	–	(0.4)	(0.6)
Finance credit on the cancellation of interest rate swaps	0.2	0.1	0.1
<b>Total separately disclosed finance costs</b>	<b>0.2</b>	<b>(0.3)</b>	<b>(0.5)</b>
<b>Total separately disclosed items before tax</b>	<b>(0.8)</b>	<b>(3.7)</b>	<b>(11.0)</b>
<b>Separately disclosed tax:</b>			
Profit on disposal of properties	–	–	(1.9)
Other items	0.1	1.1	3.9
<b>Total separately disclosed tax</b>	<b>0.1</b>	<b>1.1</b>	<b>2.0</b>
<b>Total separately disclosed items</b>	<b>(0.7)</b>	<b>(2.6)</b>	<b>(9.0)</b>

Acquisition costs of £0.1 million during the 26 weeks ended 26 September 2020 (28 September 2019: £0.2 million, 28 March 2020: £1.4 million) relates to transaction costs on property acquisitions.

The reorganisation costs of £0.8 million during the 26 weeks ended 26 September 2020 were incurred as a result of the corporate restructure, where the trade and assets of Bel & The Dragon and Cotswold Inns & Hotels were hived into the Company. Also, this includes redundancy costs as a result of the restructuring because of coronavirus pandemic (28 September 2019: £0.5 million, 28 March 2020: £2.1 million).

Replacement of central finance system costs of £0.1 million were incurred in the period for projects costs for the initial scoping to implement a new finance system.

The cash impact of operating separately disclosed items before tax for the 26 weeks ended 26 September 2020 was £0.8 million cash outflow (28 September 2019: £2.2 million cash outflow, 28 March 2020: £5.0 million cash outflow).

#### 4. Finance Costs

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Finance income</b>			
Interest income from financial assets	–	–	0.2
<b>Finance costs</b>			
<b>Interest expense arising on:</b>			
Financial liabilities at amortised cost – loans and debentures	(2.7)	(2.3)	(5.3)
Financial liabilities at amortised cost – preference shares	(0.1)	(0.1)	(0.1)
Financial liabilities at amortised cost – lease liabilities	(1.5)	(1.1)	(2.4)
<b>Total interest expense for financial liabilities</b>	<b>(4.3)</b>	<b>(3.5)</b>	<b>(7.8)</b>
<b>Total finance costs before separately disclosed items</b>	<b>(4.3)</b>	<b>(3.5)</b>	<b>(7.6)</b>
Finance charge on net pension liabilities (note 10)	–	(0.4)	(0.6)
Finance credit on the expiry/cancellation of interest rate swaps	0.2	0.1	0.1
<b>Total finance costs</b>	<b>(4.1)</b>	<b>(3.8)</b>	<b>(8.1)</b>

During the period, the Group accessed Covid Corporate Financing Facility ('CCFF') whereby commercial paper was issued to the Bank of England at a favourable rate and therefore deemed to constitute a government grant. The debt has been recognised within current borrowings on the Balance Sheet at fair value, with the grant element, reflecting the favourable rate, recognised as deferred income within trade and other payables. Finance costs are net of grant income recognised on the amortisation of the deferred income.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 5. Taxation

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Continuing operations</b>			
<b>Tax on (loss)/profit on ordinary activities</b>			
Current income tax:			
Corporation tax	–	2.3	0.8
Amounts over provided in previous years	–	–	0.1
<b>Total current income tax</b>	<b>–</b>	<b>2.3</b>	<b>0.9</b>
Deferred tax:			
Origination and reversal of temporary differences	(3.9)	0.1	1.4
Change in corporation tax rate	–	–	1.6
Amounts over provided in previous years	–	–	0.3
<b>Total deferred tax</b>	<b>(3.9)</b>	<b>0.1</b>	<b>3.3</b>
<b>Total tax (credited)/charged in the Income Statement</b>	<b>(3.9)</b>	<b>2.4</b>	<b>4.2</b>
<b>Tax relating to items charged to the Statement of Comprehensive Income</b>			
Deferred tax:			
Tax charge on valuation gains of financial assets and liabilities	–	–	0.1
Tax (credit)/charge on actuarial gains on pension scheme	(1.3)	0.2	1.1
<b>Tax (credit)/charge included in the Statement of Comprehensive Income</b>	<b>(1.3)</b>	<b>0.2</b>	<b>1.2</b>
<b>Tax relating to items (credited)/charged directly to equity</b>			
Deferred tax:			
Increase in deferred tax liability due to indexation	–	–	–
Share-based payments	(0.1)	0.1	0.1
<b>Tax (credit)/charge included in the Statement of Changes in Equity</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.1</b>

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

## 6. (Loss)/Earnings Per Share

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Continuing operations</b>			
<b>(Loss)/profit attributable to equity shareholders</b>	<b>(19.1)</b>	11.8	4.2
Separately disclosed items net of tax	0.7	2.6	9.0
<b>Adjusted (loss)/earnings attributable to equity shareholders</b>	<b>(18.4)</b>	14.4	13.2
	Number	Number	Number
<b>Weighted average share capital</b>	<b>55,205,000</b>	55,015,000	55,124,000
Dilutive outstanding options and share awards	287,000	681,000	128,000
<b>Diluted weighted average share capital</b>	<b>55,492,000</b>	55,696,000	55,252,000
<b>40p 'A' and 'C' ordinary share</b>	Pence	Pence	Pence
Basic (loss)/earnings per share	<b>(34.60)</b>	21.45	7.62
Diluted (loss)/earnings per share	<b>(34.60)</b>	21.19	7.60
Adjusted (loss)/earnings per share	<b>(33.33)</b>	26.17	23.95
Diluted adjusted (loss)/earnings per share	<b>(33.33)</b>	25.85	23.89
<b>4p 'B' ordinary share</b>	Pence	Pence	Pence
Basic (loss)/earnings per share	<b>(3.46)</b>	2.14	0.76
Diluted (loss)/earnings per share	<b>(3.46)</b>	2.12	0.76
Adjusted (loss)/earnings per share	<b>(3.33)</b>	2.62	2.39
Diluted adjusted (loss)/earnings per share	<b>(3.33)</b>	2.59	2.39

For the purposes of calculating the number of shares to be used above, 'B' shares have been treated as one-tenth of an 'A' or 'C' share. The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 1,779,745 (28 September 2019: 1,969,717, 28 March 2020: 1,860,777).

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

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

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 7. Dividends

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Declared and paid during the period</b>			
Second interim in the period for 2019	–	4.4	4.4
First dividend paid in period for 2019	–	2.4	2.4
First interim paid in period for 2020	–	–	4.3
'D' Share single dividend for 2020	–	–	69.4
<b>Equity dividends paid</b>	–	6.8	80.5
<b>Dividends on cumulative preference shares (note 4)</b>	<b>0.1</b>	0.1	0.1
	Pence	Pence	Pence
<b>Dividends per 40p 'A' and 'C' ordinary share declared in respect of the period</b>			
Interim	–	7.80	7.80
	–	7.80	7.80

The pence figures above are for the 40p 'A' and '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 ownership trusts do not qualify for dividends as the Trustees have waived their rights. Dividends are also not paid on own shares held as treasury shares.

As indicated in the circular published on 28 March 2019 relating to the disposal of the Fuller's Beer Business, the Board made an additional cash return of £1.25 per 'A' and 'C' ordinary share and 12.5p per 'B' ordinary share through a 'D' share scheme. Each ordinary shareholder as at the record date was issued with ten 'D' shares for every existing 'A' and 'C' ordinary share and one 'D' share for every one 'B' ordinary share held at the time. Numis (acting as principal, and not as agent, nominee or trustee for the Company) made an offer to purchase the 'D' shares for an amount of 12.5p per 'D' share (free of all expenses and commissions). The Company accepted the offer on behalf of shareholders and paid a single dividend to Numis as holder of all the 'D' shares of £69.4 million representing the sum of 12.5p per 'D' share plus the stamp duty payable by Numis in connection with the purchase of all the 'D' shares in issue.

Following the approval of all the resolutions presented to the Company's Extraordinary General Meeting on 1 October 2019, 552,030,154 'D' shares of 0.1p each were allotted and issued to shareholders on 2 October 2019 on the basis of ten 'D' shares for every existing 'A' and 'C' ordinary share of 40p each and one 'D' share for every existing 'B' ordinary share of 4p each held at the record date. Following the purchase by Numis of all of the 'D' shares, and payment by the Company of a single dividend to Numis of £69.4 million as holder of all of the 'D' shares on 7 October 2019, the 'D' shares were reclassified as deferred shares of 0.1p and were immediately repurchased and cancelled by the Company on 8 October 2019.

No interim dividend has been declared (2019: 7.80p) for the 40p 'A' ordinary shares and 40p 'C' ordinary shares, and nil (2019: 0.780p) for the 4p 'B' ordinary shares due to the impact of coronavirus pandemic on the business.

## 8. Property, Plant and Equipment

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Net book value at start of period</b>	<b>617.7</b>	552.7	552.7
Reclassification of prior year impairment to right-of-use asset	0.4	-	-
Additions	7.3	13.0	51.7
Acquisitions	-	3.7	44.3
Disposals	(3.7)	-	(2.1)
Impairment loss net of reversals	-	(0.4)	(8.6)
Transfers to assets classified as held for sale	(4.9)	-	(2.2)
Transfers to investment properties	-	-	(0.2)
Depreciation provided during the period – continuing operations	(9.2)	(8.8)	(16.9)
Depreciation provided during the period – discontinued operations	(0.1)	(0.5)	(1.0)
<b>Net book value at end of period</b>	<b>607.5</b>	559.7	617.7

During the 26 weeks ended 26 September 2020, the Group recognised a charge of £nil (28 September 2019: £0.4 million, 28 March 2020: £8.6 million) in respect of the write down of sites to their recoverable value.

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 9. Analysis of Net Debt

Unaudited – 26 weeks ended 26 September 2020	At 28 March 2020 £m	Cash flows £m	Non cash <sup>1</sup> £m	At 26 September 2020 £m
<b>Cash and cash equivalents:</b>				
Cash and short-term deposits	20.3	(2.3)	–	18.0
	20.3	(2.3)	–	18.0
<b>Financial liabilities</b>				
Lease liabilities	(112.9)	4.4	14.4	(94.1)
	(112.9)	4.4	14.4	(94.1)
<b>Debt:</b>				
Bank loans <sup>2</sup>	(171.7)	93.0	(0.1)	(78.8)
CCFF	–	(99.4)	0.3	(99.1)
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
Total borrowings	(199.2)	(6.4)	0.2	(205.4)
<b>Net debt</b>	<b>(291.8)</b>	<b>(4.3)</b>	<b>14.6</b>	<b>(281.5)</b>

Unaudited – 26 weeks ended 28 September 2019	At 30 March 2019 £m	Transition to IFRS 16	Cash flows £m	Non cash <sup>1</sup> £m	At 28 September 2019 £m
<b>Cash and cash equivalents:</b>					
Cash and short-term deposits	11.0	–	33.2	–	44.2
	11.0	–	33.2	–	44.2
<b>Financial liabilities</b>					
Lease liabilities	–	(100.4)	5.5	(0.9)	(95.8)
	–	(100.4)	5.5	(0.9)	(95.8)
<b>Debt:</b>					
Bank loans <sup>2</sup>	(228.5)	–	188.9	(0.1)	(39.7)
Other loans	(0.2)	–	–	0.2	–
Debenture stock	(25.9)	–	–	–	(25.9)
Preference shares	(1.6)	–	–	–	(1.6)
Total borrowings	(256.2)	–	188.9	0.1	(67.2)
<b>Net debt</b>	<b>(245.2)</b>	<b>(100.4)</b>	<b>227.6</b>	<b>(0.8)</b>	<b>(118.8)</b>

1 Non-cash movements relate to the amortisation of arrangement fees, arrangement fees accrued, movements in lease liabilities and corporate acquisitions.

2 Bank loans net of arrangement fees.



## 9. Analysis of Net Debt continued

Audited – 52 weeks ended 28 March 2020	At 30 March 2019 £m	Transition to IFRS 16	Cash flows £m	Non cash <sup>1</sup> £m	At 28 March 2020 £m
<b>Cash and cash equivalents:</b>					
Cash and short-term deposits	11.0	–	9.3	–	20.3
	11.0	–	9.3	–	20.3
<b>Financial liabilities</b>					
Lease liabilities	–	(100.4)	11.2	(23.7)	(112.9)
	–	(100.4)	11.2	(23.7)	(112.9)
<b>Debt:</b>					
Bank loans <sup>2</sup>	(228.5)	–	57.0	(0.2)	(171.7)
Other loans	(0.2)	–	–	0.2	–
Debenture stock	(25.9)	–	–	–	(25.9)
Preference shares	(1.6)	–	–	–	(1.6)
Total borrowings	(256.2)	–	57.0	–	(199.2)
<b>Net debt</b>	<b>(245.2)</b>	<b>(100.4)</b>	<b>77.5</b>	<b>(23.7)</b>	<b>(291.8)</b>

1 Non-cash movements relate to the amortisation of arrangement fees, arrangement fees accrued, movements in the lease liability and corporate acquisitions.

2 Bank loans net of arrangement fees.

## 10. Retirement Benefit Obligations

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan	Unaudited At 26 September 2020 £m	Unaudited At 28 September 2019 £m	Audited At 28 March 2020 £m
Fair value of Scheme assets	142.8	118.4	123.8
Present value of Scheme liabilities	(153.6)	(152.8)	(128.5)
<b>Deficit in the Scheme</b>	<b>(10.8)</b>	<b>(34.4)</b>	<b>(4.7)</b>

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

Rate of increase in pensions in payment	3.05%	3.25%	2.85%
Discount rate	1.50%	1.80%	2.40%
Inflation assumption – RPI	3.05%	3.25%	2.85%
Inflation assumption – CPI	2.15%	2.25%	1.95%

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 10. Retirement Benefit Obligations continued

### Mortality Assumptions

The mortality assumptions used in the valuation of the Scheme as at 26 September 2020 are as set out in the financial statements for the 52 weeks ended 28 March 2020.

Assets in the Scheme	At 26 September 2020 £m	At 28 September 2019 £m	At 28 March 2020 £m
Corporate bonds	31.2	29.8	26.9
Gilts	–	–	24.0
Index linked debt instruments	24.2	–	–
UK equities	–	22.7	17.0
Overseas equities	27.7	24.4	20.9
Alternatives	53.5	36.4	30.5
Cash	2.0	1.1	0.9
Annuities	4.2	4.0	3.6
<b>Total market value of assets</b>	<b>142.8</b>	<b>118.4</b>	<b>123.8</b>

Movement in deficit during period	Unaudited At 26 September 2020 £m	Unaudited At 28 September 2019 £m	Audited At 28 March 2020 £m
Deficit in Scheme at beginning of the period	(4.7)	(36.4)	(36.4)
Movement in period:			
Net interest cost	–	(0.4)	(0.6)
Net actuarial (losses)/gains	(7.1)	1.3	5.9
Contributions	1.0	1.1	26.4
Guaranteed Minimum Pension equalisation	–	–	–
<b>Deficit in Scheme at end of the period</b>	<b>(10.8)</b>	<b>(34.4)</b>	<b>(4.7)</b>

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

## 11. Discontinued Operations

On 7 June 2020, the Group sold its subsidiary The Stable Pizza & Cider Limited ("The Stable") to Sourdough South Limited ("Three Joes"), for an enterprise value of £0.5 million on a debt free basis including any cash left in the business. Accordingly this business has been reported as discontinued operations in the half year report for the 26 weeks ended 26 September 2020.

On 27 April 2019, the Group sold its entire beer business to Asahi Europe Ltd ("AEL"), a wholly owned subsidiary of Asahi Group Holdings, Ltd ("Asahi"), for an enterprise value of £250.0 million on a debt free basis including any cash left in the business.

The business sold comprised the entirety of Fuller's beer, cider and soft drinks brewing and production, wine wholesaling, as well as the distribution thereof, and also includes the Griffin Brewery, Cornish Orchards, Dark Star Brewing and Nectar Imports (referred to as the "Fuller's Beer Business"). Accordingly those divisions have been reported as discontinued operations in the Annual Report for the 52 weeks ended 28 March 2020.

### (a) Financial Performance and Cash Flow

The financial performance and cash flow information presented reflects the operations for the period ended 7 June 2020.

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Revenue</b>	–	16.7	22.3
Segment result	(0.5)	0.3	(0.5)
Operating separately disclosed items	–	(2.6)	(3.8)
<b>Operating loss</b>	<b>(0.5)</b>	<b>(2.3)</b>	<b>(4.3)</b>
Net finance costs	–	(0.2)	(0.3)
<b>Loss from operating activities – discontinued operations</b>	<b>(0.5)</b>	<b>(2.5)</b>	<b>(4.6)</b>
(Loss)/profit on sale of discontinued operation	(0.5)	164.5	162.4
<b>(Loss)/profit before tax – discontinued operations</b>	<b>(1.0)</b>	<b>162.0</b>	<b>157.8</b>
Taxation	(0.2)	(0.1)	(0.1)
<i>Analysed as:</i>			
Underlying trading	(0.2)	(0.1)	(0.1)
Separately disclosed items	–	–	–
<b>(Loss)/profit for the period – discontinued operations</b>	<b>(1.2)</b>	<b>161.9</b>	<b>157.7</b>
Net cash inflow from ordinary activities	(0.5)	1.5	1.5
Net cash inflow from investing activities	0.3	230.6	224.5
<b>Net increase in cash (absorbed)/generated by discontinued operations</b>	<b>(0.2)</b>	<b>232.1</b>	<b>226.0</b>

# Notes to the Condensed Financial Statements

for the 26 weeks ended 26 September 2020

Continued

## 11. Discontinued Operations continued

	Unaudited 26 weeks ended 26 September 2020 £m	Unaudited 26 weeks ended 28 September 2019 £m	Audited 52 weeks ended 28 March 2020 £m
<b>Other segment information</b>			
Additions: property, plant and equipment	–	0.3	0.9
Impairment of property and right-of-use assets	–	2.6	3.8
Depreciation and amortisation	0.1	0.9	1.6
<b>(Loss)/earnings per share – discontinued operations</b>			
<b>40p 'A' and 'C' ordinary share</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic (loss)/earnings per share	(2.17)	294.28	286.08
Diluted (loss)/earnings per share	(2.17)	290.68	285.42
Adjusted (loss)/earnings per share	(1.27)	–	(1.63)
Diluted adjusted (loss)/earnings per share	(1.27)	–	(1.63)
<b>4p 'B' ordinary share</b>			
Basic (loss)/earnings per share	(0.22)	24.43	28.61
Diluted (loss)/earnings per share	(0.22)	29.07	28.54
Adjusted (loss)/earnings per share	(0.13)	–	(0.16)
Diluted adjusted (loss)/earnings per share	(0.13)	–	(0.16)

## (b) Details of the Sale of the Subsidiary

	Unaudited 26 weeks ended 26 September 2020
<b>Consideration received</b>	
Cash	0.4
Carrying amount of net assets sold	(0.8)
<b>Loss on sale before income tax</b>	<b>(0.4)</b>
Transaction costs	(0.1)
<b>Loss net of transaction costs</b>	<b>(0.5)</b>
Income tax expense on loss	–
<b>Loss on sale after income tax</b>	<b>(0.5)</b>

As The Stable was sold prior to 26 September 2020, the assets and liabilities classified as held for sale are no longer included in the Statement of Financial Position.

## 12. Principal Risks and Uncertainties

In the course of normal business, the Group continually assesses and takes action to mitigate the various risks encountered that could impact the achievement of its objectives. Systems and processes are in place to enable the Board to monitor and control the Group's management of risk, which are detailed in the Corporate Governance Report of the Annual Report and Financial Statements 2020. The principal risks and uncertainties and their associated mitigating and monitoring controls which may affect the Group's performance in the next six months are consistent with those detailed on pages 32 to 34 of the Annual Report and Financial Statements 2020, and are available on the Fuller's website, [www.fullers.co.uk](http://www.fullers.co.uk).

The most significant risk remains the impact of coronavirus pandemic. The Group continues to take the appropriate actions to respond to the ever-changing situation. We have successfully closed our estate twice, taken actions to reduce our costs base, both in the short term and on a sustainable basis, and taken advantage of the appropriate government support through the coronavirus job retention scheme, business rates holidays and Bank of England Covid Corporate Financing Facility. We safely reopened nearly all of our estate looking after the health and safety of our team members and our customers. We are well placed to reopen again, react quickly to changes in restrictions and ultimately withstand long periods of uncertainty through the strength of our Balance Sheet.

In addition, the Group faces political and economic uncertainty with regard to the outcome of Brexit negotiations but has plans in place in order to limit any negative impacts on the Group's operations and financial performance.

## 13. Shareholders' Information

Shareholders holding 40p 'C' ordinary shares are reminded that they have 30 days from 26 November 2020 should they wish to convert those 'C' shares to 'A' shares. The next available opportunity after that will be June 2021. For further details, please contact the Company's registrars, Computershare, on 0370 889 4096.

## 14. Statement of Directors' Responsibilities

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

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

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

By order of the Board

**Michael Turner**

Chairman

25 November 2020

**Adam Councill**

Finance Director

# Directors and Advisors

as at 25 November 2020

## Directors

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Simon Emeny, *Chief Executive*

Adam Councill, ACMA

Fred Turner, ACA

Sir James Fuller, Bt\*

Juliette Stacey, ACA\*

Helen Jones\*

Richard Fuller\*

Robin Rowland, OBE\*

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# Notes



# Notes

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Design and production  
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