ANNUAL REPORT
AND ACCOUNTS 2017

PASSION
THE SECRET INGREDIENT

THE PERFECT MIX

For us, brewing beer and running pubs is not just our business. It's our passion. We bring everything to it, committing all our energy and creativity to make Fuller's beers, pubs and hotels just that little bit more special than the competition.

Our enduring London roots are symbolic of the spirit and imagination we bring to our business. We never stop exploring new ways to make things better, more interesting, more Fuller's.

We genuinely believe every one of our beers and pubs deserves to be celebrated for its individuality and unique character. And this holds true for our people too, whose unique talents are behind it all, making the real difference to everything we do for our customers.

While every Fuller's beer and pub does stand proudly on its own – each an achievement in its own right – the Fuller's name tells you they have all been crafted with the same passion, care and attention to detail that we bring to everything we do.

This is what it means to be part of Fuller's.

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Financial Highlights

Operational and financial highlights

- Adjusted profit before tax[1] up 5% to £42.9 million (2016: £40.9 million)
- Adjusted earnings per share[2] up 5% to 61.39p (2016: 58.35p)
- Revenue up 12% to £392.0 million (2016: £350.5 million)
- EBITDA[3] up 8% to £70.5 million (2016: £65.0 million)
- Total annual dividend up 5% to 18.80p (2016: 17.90p)
- Strong performance from Managed Pubs and Hotels with like for like sales[6] growth of 3.7%, driven by good growth in food and accommodation
- Tenanted Inns like for like profits[5] marginally down 1%, EBITDA per pub up 2%
- Total beer and cider volumes down 2%, but operating profits[5] in The Fuller's Beer Company rose 5%.

Revenue (£m)

£392.0m

2017	£392.0m
2016	£350.5m
2015	£321.5m
2014	£288.0m
2013	£271.5m

Adjusted profit[1] (£m)

£42.9m

2017	£42.9m
2016	£40.9m
2015	£36.4m
2014	£34.1m
2013	£31.1m

EBITDA[3] (£m)

£70.5m

2017	£70.5m
2016	£65.0m
2015	£58.7m
2014	£54.5m
2013	£51.2m

Adjusted earnings per share[2] (p)

61.39p

2017	61.39p
2016	58.35p
2015	51.51p
2014	46.94p
2013	42.18p

Total annual dividend per share (p)

18.80p

2017	18.80p
2016	17.90p
2015	16.60p
2014	15.10p
2013	13.70p

Pro forma net debt to EBITDA[4] (£m)

2.9 times

2017	2.9
2016	3.0
2015	2.7
2014	2.5
2013	2.6

Statutory results	**2017 £m**	2016 £m
Profit before tax before separately disclosed items	**42.9**	40.9
Separately disclosed items	**(3.0)**	(1.7)
Profit before tax	**39.9**	39.2
Adjusted earnings per share	**61.39p**	58.35p
Basic earnings per share	**59.21p**	59.25p

1 Adjusted profit is the profit before tax and separately disclosed items.
2 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 ordinary share.
3 Earnings before separately disclosed items, interest, tax, depreciation and amortisation.
4 Earnings before separately disclosed items, interest, tax, depreciation and amortisation, adjusted as appropriate for acquisitions and disposals in the period.
5 Operating profit before separately disclosed items.
6 Like for like sales are for the 52 weeks ended 25 March 2017 and exclude The Stable.

THE PERFECT PINT

40

In the last year, we brewed 40 different beers at Chiswick

FULLER'S CRAFT

"WE CREATE BESPOKE BEERS OF THE HIGHEST QUALITY TO SUIT EVERY DISCERNING PALATE. IT'S OUR CRAFT"

GEORGINA YOUNG
HEAD BREWER

QUALITY. CREATIVITY. PRIDE.

While we have always had fantastic brewers at Fuller's, we take great pride in the nuts and bolts of the Brewery too. To make great beer, you need the best ingredients, the best brewers, the right kit, a large dose of creativity and lots and lots of passion.

This year, our new cross-flow filter became fully operational. It might not sound sexy, but it has helped us improve flavour stability. This means that the beer in our kegs, bottles and cans tastes better for longer – surely a good thing in anyone's brewing book. It works by first centrifuging the beer to remove the yeast and then forcing the beer at high pressure through membranes with very tiny holes, which are only 0.65 microns wide.

As a result, more of the important flavour molecules make it into the beer and that's good news for our customers. With more flavour coming in and a new piece of kit to play with, our brewers are experimenting even more than ever and that's already resulted in a Black IPA, which was part of the seasonal calendar for the spring. With such creativity flowing, we just can't wait to see what the brewers come up with when they get given access to the planned, new pilot plant.

A clear vision and a great business

I am delighted to be announcing another year of strong results due to our clear, consistent strategy, the dedication of our people across the business and the strength of our management team.

Michael Turner
Chairman

I am pleased to be announcing another year of strong results due to our clear, consistent strategy, the dedication of our people across the business and the strength of our management team. Our total revenues during this 53 week period have increased by 12% to £392.0 million (2016: £350.5 million) and this has led to a rise in adjusted profit before tax of 5% to £42.9 million (2016: £40.9 million).

One of the key measures for shareholders, adjusted earnings per share (EPS), has risen by 5% to 61.39p (2016: 58.35p), reflecting a continuous upward trend, and I am delighted to announce a rise in the full year dividend of 5%. As ever, we have delivered excellent returns for our shareholders and over the last five years, our EPS has risen 56%.

Our Managed Pubs and Hotels have had another very strong year, with like for like sales rising by 3.7%, outperforming the market once again. Food sales have grown ahead of this rate, while our accommodation business has performed exceptionally well, with a rise in occupancy rates increasing like for like sales by 6.4%.

The Tenanted Inns division has had a year of consolidation while we reviewed our strategy. We have a clear vision of where we can add value to the tenanted partnership and how to build solid foundations for future growth. It will be a long term process, but I look forward to updating you on progress in the coming months and years.

The Fuller's Beer Company continues to produce an interesting and award-winning range of beers and ciders and brands such as Frontier, our delicious craft lager, have grown sales and taken Fuller's into new listings.

During the year, we appointed Simon Dodd, who used to run the Premium City pubs for Fuller's Inns, to the role of Managing Director of The Fuller's Beer Company. He brings a real customer focus, a keen understanding of consumer trends and a new approach to the role.

In another personnel change, John Keeling will be spending more time in a beer ambassador role, promoting Fuller's both in the UK and globally and I am delighted that he has handed the Head Brewer baton to Georgina Young, who he has mentored and developed since she joined us in 1999.

Dividend

The Board is pleased to announce a final dividend of 11.55p (2016: 11.00p) per 40p 'A' and 'C' ordinary share and 1.155p (2016: 1.10p) per 4p 'B' ordinary share. This will be paid on 27 July 2017 to shareholders on the share register as at 23 June 2017. The total dividend of 18.80p per 40p 'A' and 'C' ordinary share and 1.88p per 4p 'B' ordinary share represents a 5% increase on last year and will be covered 3.3 times by adjusted earnings per share.

Michael Turner

Michael Turner
Chairman

8 June 2017

Michael is a keen skier and still races for the Vintners' Ski Team – where he has been known to pick up the odd gold medal. He first took to the slopes at the tender age of four and a half when his father put him in the car, put the car on a plane, and took him to Adelboden in Switzerland.

THE PERFECT MEAL

542

Since it was launched in 2015, 542 students have passed through the Fuller's Chefs' Guild

FULLER'S CRAFT

"OUR FOOD IS OUR REPUTATION AND WE TAKE PRIDE IN MAKING FULLER'S AS FAMOUS FOR OUR FOOD AS IT IS FOR OUR BEER. IT'S OUR CRAFT"

PAUL DICKINSON
DIRECTOR OF FOOD

PASSION. INNOVATION. PERFECTION.

The Fuller's Chefs' Guild is the foundation for our food business. It is the route by which we recruit, develop and inspire our teams. It is designed to ensure consistency in our dishes, without limiting creativity and from Kitchen Porter to Head Chef, there is always something new for everyone to learn.

Bringing our chefs and our suppliers together has helped to build on the family values that run through the heart of Fuller's. A chef who has seen a fish smoked, a cow milked or an ice-cream churned has a better appreciation of the flavours in, and the passion behind our ingredients. It helps to inspire them to create exciting dishes and it builds a relationship with the supplier that creates a lasting and sincere partnership.

The Fuller's Chefs' Guild was the start of the *Fuller's Kitchen* initiative. With social media and billboard advertising bringing our chefs to life and our Chef of the Year competition now in its second year, we are on the right path to achieving our goal of becoming famous for our food. And we are attracting the right people, at all levels, to build the kitchen teams of the future.

There are many parts to the Fuller's business – and each one interacts with the others. Managed Pubs and Hotels, Tenanted Inns, The Stable, The Fuller's Beer Company, Cornish Orchards and Nectar Imports all working in cohesion. And supporting it all are our incredible people who make us really stand out from the competition.

Our Exports

Europe
48.1%

North America
18.6%

Asia Pacific
22.2%

Middle East & Africa
5.0%

Latin America
6.1%

Total beer and cider barrels by channel

Fuller's Tenanted Inns	**11%**
Fuller's Managed Pubs and Hotels	**24%**
Free On Trade	**38%**
Off Trade	**13%**
Exports	**13%**
Other	**1%**

Managed and Tenanted houses

Managed pubs within M25	**121**
Tenanted pubs within M25	**54**
Tenanted pubs outside M25	**138**
Managed pubs outside M25	**77**

Group operating profit by division[1]
(£m)

Fuller's Managed Pubs and Hotels	**32.4**
Fuller's Tenanted Inns	**13.2**
Fuller's Beer Company	**8.0**

[1] Operating profit before separately disclosed items and unallocated central management costs.

A new look for our seasonal range

We have taken a new approach to our seasonal ale calendar this year. Each season sees one 'Super Seasonal' cask ale, two more cask ales both available for six to eight weeks each and, for the first time ever, a seasonal keg too – for spring, it was a Black IPA. The pump clips and keg lenses for all the seasonal beers have been designed with our other brands in mind, to ensure they are unmistakeably Fuller's.

400,000

Customers use the superfast WiFi every month in our Managed Pubs and Hotels.

1.5m

Our Brewer Street coffee continues to prove popular and we sold 1.5 million hot beverages during the year.

198

Managed Pubs and Hotels in the South of England.

56,503,872

Pints of beer, all brewed at The Griffin Brewery, Chiswick.

2,500 tonnes

Apples used at Cornish Orchards in Duloe to make our delicious ciders and apple juices.

192

Tenanted Inns at the year end.

Great chefs in Fuller's kitchens

We are one of the only companies where everyone from Kitchen Porter to Head Chef is developed through the Fuller's Chefs' Guild training programme. All levels of our chefs' focus on keeping classical skills alive, cooking delicious fresh food and making sure that the craft and passion in our chefs rival that of our brewers.

THE PERFECT PIZZA

89

There are 89 different ciders available at The Stable in Cheltenham

FULLER'S CRAFT

"THE STABLE IS AND ALWAYS WILL BE A CATHEDRAL TO FANTASTIC CIDER AND DELICIOUS PIZZA WITH AUTHENTIC INGREDIENTS. IT'S OUR CRAFT"

SEB RAY-MARTHUR
ASSISTANT MANAGER, FISTRAL BEACH

LOCAL. EXTRAORDINARY. ADVENTUROUS.

The Stable now sits proudly with 17 sites across the UK and as well as being famous for its incredible range of ciders and delicious pizzas, it is becoming equally famous for the locality of its ingredients and the amazing names it gives its pizzas.

Take The Headland Herbivore for instance, on the menu at Fistral Beach, a delicious veggie treat heroing Cornish Blue cheese, or The Fresh Hawaiian, with local ham from the West Country. In Birmingham, your lamb will have come from Dorset, but what's not to love about The Perry Barr Baa or even The Smethwick Scorcher – although the three chilli rating might deter those with a weaker constitution. And if it's chicken you're after, the Bournville Bantam makes more than a passing nod to the area's heritage, although it doesn't have any chocolate on it.

It's not just the locals who might be turned on by the menu though. The Stable is building an enviable reputation with the vegan community with a range of pizzas, salads and sides on all Stable menus. Finally, there is one pizza that appears throughout the estate – The Longhorn Jim. This is a tribute to Jim Armstrong, who has supplied beef to The Stable from his farm in Little Bredy, Dorset, since the first Stable was opened in Bridport in 2009.

Our Strategy and Progress

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

Investing in:	Progress in FY 2017	Priorities for FY 2018	Market influence
— Broadening the appeal of our pubs and brands to new and existing customers — The look and feel of our pubs and hotels — Sourcing and producing the right range of authentic products to make our pubs distinctive — Digital communications to provide a single view of our customers to share relevant, targeted marketing — Exceptional levels of customer service	— Success reflected in strong sales, rise in NPS, good customer reviews and repeat business — Named *Pub Wine Merchant of the Year* at the Wine Sommelier Awards — Well targeted email campaigns generating significant returns — Completed strategic review of Tenanted business to deliver distinctive experience customers expect — Further raised the profile of our food through the *Fuller's Kitchen* campaign — 147 team members now qualified as service coaches	— Build our digital presence further and make the customer journey as smooth and simple as possible — Continue to invest in our food and *Only at Fuller's* range — Implement the Tenanted strategy to ensure the same great experience in all Fuller's pubs — Investment in our existing Managed estate — Continued investment in training and development of our staff	— Customers looking for an excellent all round experience in a stunning environment to entice them out of home — Continued focus on craft, provenance and authenticity — Trends for lighter, healthier dishes — Need to retain flexibility to adapt to changing demands and motivation, particularly of the younger generation

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

Investing in:	Progress in FY 2017	Priorities for FY 2018	Market influence
— Building our presence in growth areas of London — 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, such as The Stable and Nectar — Core estate investments that reposition our pubs and attract new customers	— Acquired five sites in line with our criteria — Four of the new sites have letting bedrooms — Opened in Herne Hill, South London, Hornsey, North London and currently redeveloping a site in Esher — £22 million invested in our existing Inns Estate, with record number of closure weeks — Redeveloped pubs in our Managed and Tenanted estate to broaden our customer appeal — Opened four new sites for The Stable	— To seek further acquisitions that enhance our estate and increase our customer base — To continue to integrate our new businesses – The Stable and Nectar	— Availability of high quality sites and opportunities

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

Investing in:	Progress in FY 2017	Priorities for FY 2018	Market influence
— New core IT systems — New processes — New equipment — Digital communications such as improved online booking systems	— Commissioned a new core IT (ERP) system — New cross-flow filter now fully operational — Redesigned processes in the Brewery, generating significant cost savings — Increased warehouse capacity at Nectar and Cornish Orchards	— Design, build and test new ERP system — Improve digital communications for both staff and customers — Implement new cask and packaging lines at the Brewery — Commission a pilot brewing plant — Roll out of new recipe, margin and stock system for Fuller's Inns	— Increased customer use of digital technology

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

Investing in:
- New, interesting and delicious beers and ciders
- 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 2017
- Frontier sales volumes increased by 27%
- Sales volumes of Cornish Orchards rose by 27%
- Exciting collaboration beers with craft brewers
- Widened distribution of agency brands
- Integrated Nectar business
- Launched London Pride Unfiltered at Craft Beer Rising

Priorities for FY 2018
- Grow sales of London Pride Unfiltered
- Invest in London Pride Original
- Continue to innovate with flavour and styles
- Widen access of Fuller's brands via Nectar
- Widen Nectar's customer base
- Continue to work with other craft brewers
- Build on recent successes for Cornish Orchards

Market influence
- Continued focus on authenticity and provenance
- Growth of craft beer market continues
- Consumers wanting increased choice and are prepared to pay a premium

5 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 2017
- 66% of appointments were filled with internal promotions
- Over 15,000 training days undertaken
- 11 development programmes in place

Priorities for FY 2018
- Build our reputation as the Employer of Choice in our sector
- Encourage eligible EU and EEA nationals to take advantage of our scheme to pay for their permanent residency
- Recruit the right people to join our team

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

1

2

3

4

5

Another good year for the Company

It has been another good year for Fuller's with a strong set of results for the Company.

Simon Emeny
Chief Executive

+5%

Adjusted profit[1] growth

Managed like for like sales (%)

2017	+3.7%
2016	+4.8%
2015	+6.3%
2014	+8.3%
2013	+2.1%

Tenanted like for like profits (%)

2017	–1%
2016	+2%
2015	+5%
2014	+2%
2013	+1%

[1] Profit before tax and separately disclosed items.

It has been another good year for Fuller's with a strong set of results for the Company. Food and accommodation have driven like for like sales growth in our Managed Pubs and Hotels and the targeted investments we have made in both new sites and redeveloping our existing estate have generated excellent returns. We have purchased five new sites and completed 25 major refurbishments in the last 53 weeks.

Although The Fuller's Beer Company and our Tenanted Inns have had a more demanding year, both divisions have made excellent strategic progress, developing new plans and laying the foundations for future growth. This is not about fixing problems, it is about building a clear vision with achievable goals to drive these businesses forward. We have strong teams in place and while this is a long term process, these are exciting times for both of these key parts of the Company.

When I took over as Chief Executive, I made a clear commitment to enhance the way we develop our most talented people and build succession plans for the future. As a result of the great work of our training team, this year 66% of our appointments were internal promotions. This included the appointment during the year of three divisional directors – Liz Peck as Sales Director, Paul Dickinson as Director of Food and Jane Jones as Director of Marketing. In addition, Georgina Young, who originally joined Fuller's as a junior brewer under the tutelage of John Keeling, was promoted to Head Brewer.

We are seeing significant changes to our business and the way many of our customers run their day to day lives – and we have to adapt accordingly. This includes embracing and increasing the way we use the digital space to amplify and bring to life our long term, consistent strategy. To that end, we have a number of different projects underway within the business. We are improving the way we collect, collate and use the data we generate to enrich our distinctive customer experience. Other digital led projects will help us build a leaner cost base – including investing in a comprehensive, far-reaching enterprise resource planning (ERP) system. All parts of our business and each element of our strategy must accommodate and embrace the digital world and the new technologies that form a major part of our consumers' lives, while at the same time it is imperative that we do not lose the personal touch and excellent face to face relationship we enjoy with our customers.

It is important to remember that while our strategy is consistent, our business also has the flexibility and capability to evolve and react quickly to the external environment. We are facing unprecedented cost pressures with a sharp increase in business rates (an additional £2 million in the next full financial year), the impact of the National Living Wage and increasing competition for key skilled team workers such as chefs. This is compounded by the uncertainty around Brexit and the future for the EU nationals that are a key part of our business, particularly in London. However, we have robust plans in place, a superb team of people and we are ready to tackle these future challenges and seize the opportunities they present.

Simon is a big fan of music – and especially live music. He has a particular love of U2, who he has seen at least six times in four different countries. He was present at the Live Aid concert, Wembley 1985, and his original ticket is one of his most precious possessions.

"Yet again, our Managed Pubs and Hotels division has outperformed the market with like for like sales up 3.7%"

Fuller's Inns

£22m

Invested in existing Inns estate

£23m

Invested in new site developments and acquisitions

Fuller's Inns continues to lead the Group and this year is no exception. Total revenue for our Managed Pubs and Hotels is up by 10% to £261.3 million (2016: £238.4 million), while total revenue for our Tenanted Inns decreased by 1% to £31.2 million (2016: £31.5 million).

Managed Pubs and Hotels

£32.4m

Operating profit[1] (+5%)

3.7%

Managed like for like sales growth

Yet again, our Managed Pubs and Hotels division has outperformed the market with like for like sales rising by 3.7% and an increase in operating profit[1] of 5% to £32.4 million (2016: £30.9 million). EBITDA[2] grew 10% to £48.1 million (2016: £43.9 million).

While food has continued to show strong like for like growth of 4.5%, accommodation has been the standout performer over the last 12 months, with like for like sales rising by 6.4%. This was driven by a strong rise in occupancy rates, benefiting from both an increase in inbound tourists, many of whom like to stay in a traditional British pub, and a rise in the popularity of the staycation. We are continuing to upgrade our hotel stock and this year added a further 71 bedrooms through the acquisition of new properties and building more in our existing estate. This brings the total number of bedrooms in our Managed Pubs and Hotels division to 706.

1 Operating profit excluding separately disclosed items.
2 Earnings before separately disclosed items, interest, tax, depreciation and amortisation.

London Porter Smoked Salmon

We've talked about it before – and we'll talk about it again, but we are just so proud of our excellent London Porter Smoked Salmon. As well as serving it with scrambled eggs or in Eggs Royale for a delicious breakfast, it is also the hero of our Salad Nicoise, just one of the lighter dishes we have added to our menus.

Our total food sales have risen 11%, while like for like food sales have risen by 4.5% during the period. This is an area where we continue to invest in our kitchens, as well as developing our team members and building sustainable, mutually beneficial relationships with our suppliers. During the year, we held our inaugural Chef of the Year competition, with over-25 and under-25 categories. The two winners, Gavin Sinden of The Stonemason's Arms in Hammersmith, and Luke Emmess of The Still & West, Southsea, were rewarded with a trip to Dubai, including the chance to cook in some of the Emirates' top restaurants.

The successful Fuller's Chefs' Guild continues to deliver excellent results and is one of the ways we are mitigating the problems of chef recruitment. We have increased both the number of chef scholars undertaking one of our training programmes and the frequency of the training cycles, with six cycles per year, each lasting five and a half months. In addition, we are in the second year of our Chef Apprentice programme, aimed at entry level kitchen positions. This has proved successful and we have provided permanent jobs for all those who completed the apprenticeship programme. These trainees will, we hope, be the Head Chefs of the future.

Our food journey continues and we are currently investing in systems to underpin the fantastic work we have completed around supplier partnerships, training and development. This includes a new food recipe, margin and stock system which will enable us to improve food margin and consistency of our freshly cooked dishes, while maintaining the quality, originality and provenance of the ingredients we use. We are also expanding our healthier options and in the last 12 months have markedly increased the number of vegetarian and vegan dishes on the menu.

During the year we relaunched and refreshed the wine offer in our pubs. We redesigned our lists around styles, giving customers a choice of wines of different origin and price, while retaining our focus on provenance and quality. The lists now have unfussy descriptions of the flavours and the move has resulted in customers trading up to more premium wines. Our efforts have also been noticed outside of Fuller's and we have just taken the title of *Pub Merchant of the Year* at the Sommelier Wine Awards. Craft beers also continued to perform well across the Managed estate, with sales increasing of both Fuller's own range and those from other brewers. In addition, our Managed Pubs now have access to an even wider range of brands through Nectar. All of these trends have helped invested like for like drinks sales to grow 3.1%.

With customers looking for new, exciting and experiential reasons to visit the pub, we look to provide many and varied interesting events. The popular *Shakespeare in the Garden* programme featured *Twelfth Night* last summer and once again, we had a full house at each performance. We will be re-running the *My Dad's Pub* competition that we created last year, whereby one lucky father wins his own pub for the day, including personalisation of the pub's hanging sign. Our *Fuller's Kitchen* campaign continues, seizing the opportunities presented by Instagram to share photos of delicious dishes through social media to whet our customers' appetites. *Fuller's Kitchen* has also been focusing on monthly offers that combine food and drink and over 12,000 of these were redeemed over a five month period, with a chorizo burger paired with a pint of Frontier being the most popular.

Bedroom Business

Four of the five new pubs we have opened this year have bedrooms. The Half Moon's rooms are all named after people who have walked on the moon, while The White Star in Southampton has had some unlucky residents in the past. It played host to a number of transatlantic passengers in 1912, the night before they boarded the Titanic, hence the reason it is named after the ill-fated ship's operating company.

Digital technology is allowing us to enhance our distinctive customer experience and deliver efficiency and we have a number of exciting initiatives in place. Our single customer view database was launched at the start of the year and has helped to drive incremental revenue through carefully targeted email marketing activity. We pride ourselves on the individuality of each of our pubs and our online approach is no different. We have upgraded over 100 of our pub websites with fully responsive, mobile optimised sites where photography is at the heart. We place huge value on the feedback that we receive from our customers and launched a new online feedback system which has so far generated over 40,000 individual responses. Over 60% of our managed pubs and hotels now have a superfast WiFi connection and we are continuing to invest to improve the experience for the 400,000 customers that use the service each month.

During the year, we purchased or opened five new Managed Pubs, including The Gun, a pub in South Quay, Docklands, with panoramic views across the bend of the River Thames to the O2 and an enviable reputation for food, and The Half Moon in Herne Hill, an iconic pub in South London, an area in which Fuller's is underrepresented. It is a Grade II listed building and our scheme restored many original features and added 12 stylish, individually-designed bedrooms. It is truly wonderful to see this grand old lady of Herne Hill once again proudly dominating the local scene.

We also purchased The White Star in Southampton, which comes with 14 bedrooms, The King's Arms in Woodstock, which has 15 bedrooms, and The Albert Arms in Esher, an affluent area perfect for our premium fresh food offer. The Albert Arms has six bedrooms, is currently undergoing extensive refurbishment and we plan to reopen it in the second half of the year.

During the year, we have invested £20 million in our existing Managed estate with a number of high profile refurbishments that have resulted in a record number of 155 closure weeks (2016: 121 weeks). These included adding additional bedrooms at sites such as The Princess Royal in Farnham and The Head of the River in Oxford as well as developing sites to broaden their appeal, such as The Three Guineas at Reading Station. This traditional station pub has been completely repositioned, with an excellent food offer and the innovative conversion of a large disused cellar area into a superb function space. The Three Guineas is in a perfect position to benefit from the forthcoming arrival of Crossrail.

Ultimately, the success of our Managed Pubs and Hotels is due to the excellent team of people who work in them, and we continue to invest wholeheartedly in their training and development. We are fortunate to have some incredible team members from throughout Europe and beyond working in our pubs and in the light of Britain's forthcoming departure from the EU, we are investing in and supporting our people by covering the cost of applying for a permanent residence card for any eligible EU or EEA nationals who have worked for us for at least one year.

After opening four new sites for The Stable in the first half – two in London at Whitechapel and Kew Bridge and two closer to the brand's heartland in Bournemouth and Exeter – we are pausing for breath in our opening programme. Since acquiring The Stable just three years ago, it has trebled in size, and now stands at 17 sites. During the year we increased our stake in this business to 76% and we have the option to acquire the remaining 24% in 2018.

In order to focus on The Stable's position as the home of great cider, we have rolled out a Cidermaster programme, creating cider sommeliers in each restaurant. We have also created a house cider, Rapscallion, produced at Cornish Orchards and collaboratively blended by The Stables' Cidermasters and the talented cider makers at Duloe. In the latter part of the year we appointed David Gough, another internal promotion, to the role of Operations Director. We have moved the back office and systems to Chiswick to allow The Stable to benefit from being part of the Fuller's family, while the retail offer remains wholly under the control of The Stable team. The Stable is still a very young and exciting brand and it continues to offer a point of difference to the Fuller's portfolio.

The Astronomer, London E1

The Astronomer was just one of the refurbishments we carried out during the last year. Formerly The Shooting Star, this fantastic pub pays homage to the great astronomers and has a downstairs bar known as The Hubble Room. TV presenter Dallas Campbell came and opened it for us and even brought a real space suit with him.

Tenanted Inns

£13.2m

Operating profit[1] (-1%)

Our Tenanted business has had a challenging year with like for like profits, our main KPI, decreasing by 1% (2016: +2%). The division generated £13.2 million of profit[1] during the year (2016: £13.4 million) and average EBITDA per pub increased by 2%. During the year, we completed a strategic review of the business and identified 20 pubs that we did not feel belonged in the Fuller's portfolio. Prior to the period end, we sold four of these and another 16 are either held for sale or have been sold since the year end. In addition we sold two Tenanted pubs in the first half of the year.

A Fuller's branded pub should always be a hallmark of high standards and great quality with regards to beer, wines and food, irrespective of whether the site is managed or tenanted. The strategic review of this part of our business has given us an opportunity to identify and clarify the standards we expect for our customers and ensure they are evident in all pubs.

Investment in our Tenanted pubs has always played an important part in our journey and in light of the strategic review we have undertaken, we have implemented a plan to grow our annual rate of investment in our Tenanted pubs by over 50% to around £3 million per year. This investment will be back and front of house, in the right pubs, in conjunction with the right entrepreneurial Tenants. We have completed 15 projects during the year that have enhanced the nature of the business including The Prestonville in Brighton, The Globe in Brentford, The Bear & Swan in Chew Magna, which included adding boutique bedrooms, The Oak at Stanstead Abbotts and The Buckingham Inn, Buckingham. All of these projects were jointly funded by Fuller's and the Tenant.

As part of this programme, we have put in place a new agreement based on a turnover rent, benefiting both the Company and the Tenant, including better transparency of trade and trading patterns and giving the Tenant greater flexibility in how they grow their business. In the future, Tenants will have access to the excellent Fuller's Chefs' Guild and we will be improving access to our food supplier base.

It is early days, but we are delighted that among our first turnover agreement signatories are a former Fuller's Managed Pub Manager and Head Chef – completing the career path from front line team member to business owner. We have also had two internal promotions within the team, with one of our first set of graduate trainees and a former Fuller's Managed Pub Manager both taking up Business Development Manager positions. Finally, we now have 92% of our estate on substantive agreements, up from 85% a year ago.

There is much work still to be done, but we have a number of workstreams in place to further develop the new agreement, enhance the look and feel of our Tenanted estate, improve the quality of the food and, as a result, recruit talented, entrepreneurial Tenants.

[1] Operating profit excluding separately disclosed items.

"In light of the strategic review we have undertaken, we have implemented a plan to grow our annual rate of investment in our Tenanted pubs by over 50%"

Our Tenants have access to Brewer Street coffee and its special blend of beans, chosen by our Head Brewer. Brewer Street is available *Only at Fuller's* **and we support those Tenants that take it on by helping with a promotional starter kit.**

The Fuller's Beer Company

£8.0m

Operating profit[1] (+5%)

Revenue in The Fuller's Beer Company rose by 17% to £147.9 million (2016: £126.8 million), principally due to the full year effect of the Nectar acquisition, although volumes (excluding Nectar) were down by 2%. Operating profit[1] rose 5%, to £8.0 million (2016: £7.6 million). We continue to see a shift to higher margin beers and ciders and it is only the impact of Nectar, our specialist craft beer wholesaler, that has caused the overall margin to fall.

One of the top performers during the year was Frontier Craft Lager, which saw volumes increase by 27% and capped off the year by picking up the *2017 International Beer and Cider Award* for Champion Draught Lager. This prestigious award reinforces the appeal of this fantastic beer, which continues to gain new fans across the UK and beyond.

Cornish Orchards has performed well with volumes also rising by 27%. Cornish Orchards has released some well received new products, such as the refreshing seasonal cider Keeper's Meadow, and launched three of its range – Cornish Orchards Gold, Cornish Orchards Blush and Alcoholic Ginger Beer – in 330ml cans.

[1] Operating profit excluding separately disclosed items.

The year saw the launch of London Pride Unfiltered. This new beer takes the original London Pride recipe with the beer being centrifuged but not filtered. The beer is then dry hopped with additional Target hops. The result is a delicious, slightly hoppier, beer with all the balance of original London Pride. It still has a full flavour and is served colder, which appeals to today's craft beer drinker. Early signs are very positive and we are confident the beer will bring London Pride to a whole new audience. London Pride cask still remains the grand master of our beer portfolio and we will be unveiling exciting new plans for it later in the year.

London Pride has been supported by a number of exciting marketing initiatives during the period, particularly in the social media space. *Drop of Pride*, whereby offices can compete on Twitter using the hashtag #DropOfPride to have a one-off delivery of London Pride to their office on a Friday afternoon, has been shortlisted for an *Institute of Promotional Marketing* award. Meanwhile, #whenitrainsitpours, a combined Twitter and Periscope activation featuring weatherman Michael Fish, received over four million views. Consumers could receive a voucher for a free pint of London Pride when the live Periscope feed showed it was raining outside our pub The Hydrant at Monument. The site generated a fantastic response with the supporting ads reaching 11.2 million people and over 1,200 pints being given away over a three week period.

337,000

Beer and cider barrels

Fuller's exports to 84 countries around the world and in the last financial year we added Cambodia, Costa Rica, Ivory Coast and The Bahamas to our global portfolio.

We continue to invest in our brewery, with the new cross-flow filter coming into action, helping improve the quality and range of our keg and bottled beers. We have made a number of other improvements that have resulted in a positive impact on our efficiency, such as new electric forklift trucks with lower carbon emissions and changes to our loading bank to create more space and easier stock movement. The Brewery team participated in our first ever Brewery employee engagement event, promoting and improving health and safety through an impactful, innovative and fun day. We are looking forward in the new financial year to improvements in the cask racking line and we will be building a pilot plant to allow our brewers to experiment and be even more creative.

Maintaining a wide portfolio of interesting brands is key to our success and while smaller brands may not generate huge volumes, they keep Fuller's top of mind with the beer cognoscenti and provide interest and excitement for our consumers. During the year, we have changed the look and feel of our seasonal portfolio, ensuring that the range is a perfect complement at all times to our core selection.

Finally, it has been a busy year for both Cornish Orchards and Nectar with notable infrastructure investments in both businesses. A new warehouse and new offices have been built at Duloe, where production has trebled since our acquisition in 2013. Meanwhile, at Nectar we have built a new warehouse which will double capacity. Both of these business are generating good returns for The Fuller's Beer Company and we look forward to helping them continue to grow in the future.

Current trading and prospects

We are only nine weeks in to the new financial year but we have had a very strong start, albeit against our softest quarter last year, with like for like sales in Managed Pubs and Hotels up 6.6%, like for like profits in our Tenanted Inns up 5% and volumes in The Fuller's Beer Company rising 7%.

There are a number of headwinds that will have a significant financial impact on both Fuller's and the industry as a whole, but we face the future in a strong position. Our Managed Pubs and Hotels are in good shape and although there is a lot of work and a long way to go, we have a clear vision and solid strategy for both our Tenanted Inns and The Fuller's Beer Company.

We will continue to build and develop our business and have plans to invest £25 million, before allowing for any pubs we find to acquire. A further £5 million, which we will expense, has been allocated to the implementation of the once in a generation replacement of our core systems, which will equip us for further success in the coming years.

The projects that we have started today give us a solid digital foundation and a clear vision for the future. We will use integrated technology to get to know our customers and our teams better and form the best possible personal relationship with everyone who comes into contact with Fuller's.

In short, while we are cautious and realistic about the future, we are well-placed to continue to delight our customers, recruit and develop the best team members and reward our shareholders.

Simon Emeny

Simon Emeny
Chief Executive

8 June 2017

London Pride Unfiltered

In February, we launched London Pride Unfiltered at Craft Beer Rising, in Shoreditch. It is colder, hoppier and hazier and it is proving very popular with both new drinkers and traditional Pride drinkers looking for extra refreshment on a hot day. Delicious!

THE PERFECT CIDER

12

We make 12 different ciders at Cornish Orchards in Duloe

FULLER'S CRAFT

"CONCENTRATE IS WHAT WE DO, NOT WHAT WE USE, AT CORNISH ORCHARDS. IT'S OUR CRAFT"

PATRICK GARDNER
BUSINESS SUPPORT & PLANNING MANAGER

PREMIUM. TRADITIONAL. DISTINCT.

The team down at Cornish Orchards have been busy this year, with new products, new offices and a new warehouse. The additional capacity that went in during the previous financial year is all now up and running and we have trebled production since we acquired the business in 2013.

During the last year, we have expanded the range of drinks produced at Westnorth Manor Farm in Duloe to include Sparkling Apple, a soft drink made with Cornish spring water taken from a spring in our own orchard, and we've taken our popular Rhubarb and Vanilla Sparkle and made it available all year round.

In addition, we have added Cornish Orchards Blush, with a hint of fresh raspberry, to our draught portfolio.

The new year has seen the arrival of even more new products and new formats with Gold, Blush and our Alcoholic Ginger Beer now available in cans and a new draught and bottled cider, Keeper's Meadow. This apple and pear-based cider has a hint of elderflower, creating a highly refreshing drink and making it appealing to the prosecco brigade.

The key ingredient at Cornish Orchards is fresh fruit – from our own orchards, from local people who sell us their apples and from other fruit growers in the South West. All the fruit is then pressed at Westnorth Manor Farm and we never, ever use concentrate. It's that commitment to fruit, to quality and to the skill of our blenders that means you can taste the nature in Cornish Orchards ciders and juices.

Investing for the future

Adjusted profit[1] grew by 5% and EBITDA[2] increased by 8% reflecting our continued investment in our estate. Period end net debt was £206.1 million and the pro forma net debt to pro forma EBITDA ratio was 2.9 times.

James Douglas
Finance Director

1 Profit before tax and separately disclosed items.
2 Earnings before separately disclosed items, interest, tax, depreciation and amortisation.

James is a keen cyclist and has been for many years. In May 2017, he led the pack on this year's Fuller's & Shooting Star Chase Cycle Challenge and is a keen road racer. He may not be the fastest competitor in the peloton, but claims he is almost certainly the oldest!

Financial position and performance
The Group has a strong financial position as a cash generative business with a high quality, mainly freehold asset base and a ratio of net debt to pro forma EBITDA of 2.9 times (2016: 3.0 times).

We have grown revenue by 12% on the prior year with the majority of the growth driven by strong like for like trading within the Managed estate along with the impact of the five new and acquired pubs, four further Stable sites and the acquisition of Nectar in the prior period. Excluding Nectar our revenue has grown by 7%. Our operating profits before separately disclosed items grew by 5% to £42.9 million (2016: £40.9 million), with the largest contribution to growth again coming from the Managed Pubs and Hotels division, where profits grew by £1.5 million. EBITDA[2] increased by 8% to £70.5 million (2016: £65.0 million) reflecting our continued investments in our estate leading to a depreciation and amortisation increase of 16% on prior period.

The results reported within the financial statements are for the 53 weeks ended 1 April 2017, compared to the 52 weeks ended 26 March 2016. All commentary is for the statutory periods with the exception of like for like information. A summary of the impact of the 53rd week is detailed in the accompanying table with the additional 53rd week contributing £8.0 million of revenue and £0.8 million of adjusted profit[1].

Finance costs
Net finance costs before separately disclosed items have increased by £0.6 million to £6.6 million with the significant capital investment in 2016 and continued investment in 2017 leading to a higher average level of debt compared to the prior period. The average cost of gross borrowing has decreased to 3.0% (2016: 3.1%) reflecting the reduction in interest rates.

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

Separately disclosed items
Net separately disclosed items before tax of £3.0 million comprised £0.9 million profit on property disposals, offset by £1.3 million of acquisition costs expensed, £1.5 million of business reorganisation costs, primarily related to The Fuller's Beer Company, £0.3 million deemed remuneration on the future purchase of shares in The Stable and a net interest charge on our pension deficit of £0.8 million. After separately disclosed items, profit before tax was therefore £39.9 million (2016: £39.2 million).

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 21.2% (2016: 20.5%) on adjusted profits. The overall effective tax rate of 18.5% benefits from the deferred tax credit of £1.0 million relating to the reduction in the UK corporation tax rate from 18% to 17% from 1 April 2020.

The Group generates significant tax revenues for the Government. During the 53 weeks ended 1 April 2017, the total tax contribution of the Group to the UK Exchequer was £134.0 million (2016: £128.8 million) in taxes borne and taxes collected on behalf of colleagues, customers and suppliers.

Total tax contribution
(£m)

Excise duty	**£42.4m**
VAT	**£43.7m**
PAYE and Employees' NI	**£19.1m**
Corporation Tax	**£9.2m**
Business Rates	**£9.8m**
Employer's NI	**£7.7m**
Other taxes	**£2.1m**

Revenue	53 weeks 2016/17 £m	52 weeks 2016/17 £m	Reported 2015/16 £m	53 weeks YoY Var	52 weeks YoY Var
Managed Pubs & Hotels	261.3	255.9	238.4	10%	7%
Tenanted Inns	31.2	30.6	31.5	(1)%	(3)%
The Fuller's Beer Company	147.9	144.9	126.8	17%	14%
Less intercompany sales	(48.4)	(47.4)	(46.2)	5%	3%
Group revenue	392.0	384.0	350.5	12%	10%

Adjusted Profit	53 weeks 2016/17 £m	52 weeks 2016/17 £m	Reported 2015/16 £m	53 weeks YoY Var	52 weeks YoY Var
Managed Pubs & Hotels	32.4	31.8	30.9	5%	3%
Tenanted Inns	13.2	13.0	13.4	(1)%	(3)%
The Fuller's Beer Company	8.0	7.8	7.6	5%	3%
Central Costs	(4.1)	(4.0)	(5.0)	(18)%	(20)%
Operating profit[3]	49.5	48.6	46.9	6%	4%
Finance Costs	(6.6)	(6.5)	(6.0)	10%	8%
Adjusted profit[1]	42.9	42.1	40.9	5%	3%

[3] Before separately disclosed items.

Pensions
The defined benefit pension scheme deficit has increased by £14.4 million to £37.9 million (2016: £23.5 million). The present value of pension obligations increased from £119.5 million to £149.3 million, this was driven by the assumed discount rate decreasing from 3.55% to 2.60%, RPI inflation assumptions increasing from 3.05% to 3.30% and a £3.2 million experience loss due to the updating of membership data following the 2016 triennial valuation. This was partly offset by an increase in the fair value of scheme assets of £15.4 million from £96.0 million to £111.4 million. Following the conclusion of the 2016 triennial valuation, the Company agreed to increase the deficit recovery payments to £2.0 million per annum from 1 January 2017 from £1.1 million. Deficit recovery payments of £1.3 million were therefore made during the financial year.

Shareholders' return
Adjusted earnings per share were 5% higher than last year at 61.39p (2016: 58.35p). The proposed final dividend of 11.55p per 40p 'A' ordinary share, together with the interim dividend of 7.25p per share already paid, makes a total of 18.80p and compares with a total dividend of 17.90p last year. The total dividend per share has grown by 5% and will be covered 3.27 times by adjusted earnings per share, compared with 3.26 times in the previous year. Shareholders' equity at the year end was £312.8 million.

During the period 341,415 'A' ordinary 40p shares were purchased into treasury for a total of £3.5 million (2016: 274,000 'A' ordinary 40p shares and 1,000,000 'B' ordinary 4p shares for £4.4 million). In addition 105,764 '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 (2016: 146,028 'A' ordinary 40p shares and 225,281 'B' ordinary 4p shares for £1.8 million by or on behalf of the Trustees of the Share Incentive Plan and the Long Term Incentive Plan to cover future issuance). The average price paid was 1,036.5p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 997.5p. The highest price during the year was 1,098p, while the lowest was 930p. The Company's market capitalisation at 1 April 2017 was £551.3 million (2016: £580.9 million).

Cash flow	2017 £m	2016 £m
EBITDA	**70.5**	65.0
Interest	**(5.9)**	(5.3)
Tax	**(9.2)**	(8.5)
Other	**4.2**	5.6
Cash available for discretionary spend	**59.6**	56.8
Capital expenditure	**(35.0)**	(66.0)
Acquisitions	**(20.8)**	(14.7)
Acquisition costs paid and other separately disclosed items	**(2.4)**	(1.1)
Property disposals	**4.4**	5.1
Dividends and share transactions	**(13.2)**	(15.0)
Cash flow	**(7.4)**	(34.9)
Non cash movement*	**(0.2)**	(1.0)
Net debt movement	**(7.6)**	(35.9)

* Prior period includes acquired debt on acquisition of G&M Leisure Limited.

Cash flow and net debt
The Group-generated cash available for discretionary spend was £59.6 million (2016: £56.8 million) with the increase due largely to EBITDA growth. In line with our long term investment strategy, we invested £55.8 million in capital expenditure (2016: £80.7 million).

We spent £35.0 million on continued investment in our existing business through pub refurbishment, new pub and restaurant site openings, investment in equipment at the Chiswick Brewery including the cross-flow filter, and increasing warehouse capacity at Cornish Orchards and Nectar.

We have also spent £16.6 million on the acquisition of four pubs that fit with our strategic goals – The Gun in London's Docklands, The Albert Arms in Esher, The King's Arms in Woodstock, and The White Star in Southampton. During the period we have acquired an additional 25% share in The Stable Pizza & Cider Limited for £2.7 million, taking our ownership to 76%, and paid £1.2 million in deferred contingent consideration to the former owners of Cornish Orchards. Asset disposals from the sale of properties within the tenanted portfolio raised £4.4 million and generated a separately disclosed profit of £0.9 million, which we will use to further invest in our estate as part of our property portfolio management.

Overall net debt has increased by £7.6 million to £206.1 million due to our commitment to investment in all aspects of our operations. Our pro forma net debt to EBITDA ratio has reduced to 2.9 times (2016: 3.0 times) reflecting our EBITDA growth in the period. Our committed facilities, along with our strong balance sheet position, give us the flexibility to invest strategically in the future should opportunities arise.

Sources of finance
The Group has £210 million of available long term facilities, £126.7 million of which has been extended for another year and is now available until August 2021. Of the remaining long-term facilities, £33.3 million is available to August 2020 and £50 million is available until August 2019. An additional £20 million facility is available until August 2017. Our undrawn committed facilities at 1 April 2017 were £35.5 million, with a further £15.3 million of cash held on the Balance Sheet.

Sources of finance	2017 £m	2016 £m
Bank debt	**193.7**	177.0
Other debt	**27.7**	27.7
Cash	**(15.3)**	(6.2)
Total net debt	**206.1**	198.5
Available committed facilities	**35.5**	52.0
% net borrowings fixed/hedged	**57%**	57%
Net Debt/EBITDA	**2.9x**	3.0x

£90.0 million of our borrowings at 1 April 2017 were hedged; £60.0 million is swapped at a blended interest rate of 1.89% (excluding bank margin), £20.0 million is subject to a cap of 2.1% and £10.0 million is subject to a cap of 1.73%. 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.

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. The Group treasury team consists of the Finance Director and the Group Financial Controller.

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 28 to 29. On the basis of current financial projections and having considered the facilities available, the Board are 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 2021, taking into account the Group's current position and the potential impact of the principal risks documented on pages 28 and 29 in the Strategic Report. Based on this assessment, the Board 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 to March 2021.

This year our delivery trucks have clocked up more than 720,000 miles. That's more than three times the distance to the Moon, where we would open a pub – but it's got no atmosphere.

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

The assessment has taken into account the available debt facilities, analysed the key risks to the business and considered the effectiveness of internal controls and review processes. The Board have performed scenario modelling based on a worst case economic outlook, being a recession deeper than that triggered by the 2008/9 financial crisis.

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.

James Douglas
Finance Director

8 June 2017

Risk Management

In the course of its normal business, the Group continually assesses and takes action to mitigate the various risks encountered that could impact the achievement of its objectives. As detailed in the Corporate Governance Report, there are systems and processes in place to enable the Board to monitor and control the Group's management of risk. The Audit Committee regularly reviews the effectiveness of this process and seeks to ensure that management's response is adapted appropriately to the changing environment.

External risks

There are a number of external risks over which the Board has no direct control, which are discussed at Board and Audit Committee meetings to ensure that the business can respond effectively to changes in the external environment. The following risks are therefore considered at both a strategic and micro-environment level.

a) A decline in the UK economy would reduce consumer disposable income and could see a reduction in revenues across the industry, or a polarisation between cost leaders and premium operators.
b) The implications of Brexit are uncertain and will continue to be for the next two to five years while exit terms are negotiated and the consequences are realised.
c) Terrorism in the UK has an impact on the way in which we operate and the safety of our customers and employees is of paramount importance. A prolonged terrorist campaign could ultimately reduce consumer spending habits.

Principal Risks and Uncertainties

The following sets out what the Board considers to be the principal risks which affect the Group at present, although it is not intended to be a comprehensive analysis of all the risks that the business may face. In addition, the key financial risks to the Group are detailed in note 26C to the financial statements.

Regulatory and compliance risks

Description	Risk Mitigation and Monitoring
Legislative changes	
Fuller's operates in a highly regulated sector where government legislation impacts much of the way we do business and therefore the business model. Any significant changes in policy could lead to a sudden change in profitability or the long term decline of the business. The National Living Wage (NLW) and apprenticeship levy present challenges to the way in which we control staff costs, specifically in the managed houses, and the impact of the recent rates revaluation is expected to be significant. Similar changes in future could reduce profitability. Legislative changes to the sale of alcohol could reduce consumer spending habits.	We carefully monitor legislative developments and review sales trends and consumer habits to gauge their impact on our business. We participate in industry initiatives aimed at the responsible promotion and retailing of alcohol. We have taken steps to mitigate the impact of the NLW legislation through review of our staff hours and pricing strategies and we are in a unique competitive position as we already pay the majority of our employees above the NLW. We are also monitoring closely the potential wider wage inflation impact. We have diversified our offering to include soft drinks, coffee, food and accommodation to reduce our reliance on alcohol-based revenue. We continue to maintain ongoing dialogue with government and industry bodies and our Directors are members of key industry lobbying committees.
Health and safety	
The health and safety of the Group's employees and customers is a key concern to us. We are required to comply with health and safety legislation, including fire safety, food hygiene and allergen measures. Operating a large number of houses and sites increases the complexity of ensuring the highest health and safety standards are adhered to at all times.	A Health and Safety Committee oversees the operation of the Group's health and safety policies and procedures, and regularly updates its policies and training programme to ensure all risks are identified and properly assessed and that relevant regulation is adhered to. We report and investigate all accidents and near misses and have appointed dedicated safety champions throughout the business. In our Managed Pubs and Hotels we have automatic fire suppression systems in our kitchens to reduce fire risk. All staff receive food hygiene and allergen awareness training as standard and regular kitchen audits/checks ensure they comply with the standards expected of them. Quality assurance checks on our core suppliers ensure hygiene standards have been adhered to before produce reaches our kitchens.

Operational risks

Description	Risk Mitigation and Monitoring
Business continuity and crisis management	
The Group's headquarters and sole brewing facility are based at the Griffin Brewery site in Chiswick. A disaster at this site would seriously disrupt operations. Our managed houses represent a key revenue stream. The impact of a major disaster affecting a number of these over a period of time could be significant.	We take various measures to mitigate the impact of such an event. We continually monitor fire safety and invest in capital projects to reduce the risk of failure. We store recipes and yeast off-site and have informal arrangements in place to use alternative facilities. We have well-documented disaster recovery plans which are rehearsed regularly throughout the business to ensure that normalisation can occur as swiftly as possible after a serious incident and that any damage is contained.
Information technology	
The Group is increasingly reliant on its information systems to operate on a daily basis and trading would be affected by any significant or prolonged failure of these systems. The data held by the Group is a key business asset and personal data protection is key. Any significant loss of data could lead to a considerable interruption for the business and reputational damage.	To minimise this risk the 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. The IT systems in place follow appropriate data protection guidelines to ensure the risk of both personal and Company data loss is minimal.
Recruitment and staff retention	
The Group has a business model built upon recruiting the best people in order to support its strategy. There is a risk that if a number of key employees were to leave at the same time, it may risk the delivery of the Group's strategy. There is a risk that recruitment will become increasingly competitive and that staffing shortages within the hospitality industry could drive wage inflation, especially if restrictions to free movement of EU nationals are imposed as a result of Brexit.	The Group performs detailed succession planning to ensure that key roles are considered to ensure appropriate cover is available. In addition the remuneration policy is set up to ensure that the key members of our staff are appropriately remunerated to reduce the likelihood they are attracted to competitor businesses. We have established a strategy which will ensure we continue to attract and retain highly trained, quality staff in all of our divisions and have invested in internal development as part of our Chefs' Guild Scholarship programme. We have taken steps to ensure that we will be prepared for the impact of a potential reduction in qualified hospitality workers in the wake of Brexit and that we will remain the employer of choice.

Economic and market risks

Description	Risk Mitigation and Monitoring
Brands and reputation	
Fuller's has a wide portfolio of brands and has established an excellent reputation in the market. Principally, there is a risk that the Group's beer could become contaminated at source or outlet, which could damage the reputation of the brand and deter customers.	The Group reduces product contamination risks to an acceptable level by ensuring that the business is operated to the highest standards by maintaining long term relationships with suppliers and by significant investment in security, quality control and cleaning. The Group has in place product recall procedures, which are regularly rehearsed, together with insurance coverage in the event of contamination. In addition, the Group runs an active and continuous training programme covering all aspects of the pub operations and provides its pubs with on-site technical support.
Loss of company values or a failure to adhere to them	
Fuller's is a company based on a strong set of values which are key to its success and future. Should these be undermined or not adhered to, the Company's unique position and long-term future would be jeopardised.	The Company has a unique culture due to its share structure and history which ensures business decisions are taken for the long term benefit of the Company. This culture also promotes a long term and collaborative approach that does not lead to excessive risk taking and the reward system encourages appropriate behaviour. The share structure of the Company and family shareholder representation on the Board and involvement in the Company's management ensure the values are maintained and followed.
Consumer demand shifts	
A significant part of the Group's success is attributable to its ability to anticipate and react to consumer demand. The way in which the Group responds to market changes is critical to its ongoing strategy and has a direct impact on all operational activity.	Management monitor and research consumer trends and run trials of new technologies, brands and products. 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 significant new product development and acquisition decisions and therefore controls key changes to the Group.

THE PERFECT DELIVERY

29

We have a fleet of 29 branded delivery vehicles based in Chiswick and Horndean, Hampshire

FULLER'S CRAFT

"IT'S THE PERSONAL RELATIONSHIP WE HAVE WITH OUR CUSTOMERS THAT SETS US APART. IT'S OUR CRAFT"

DEAN GUNTER
DRAYMAN

DEDICATION. DETERMINATION. EFFICIENCY.

At Fuller's, we are very proud of our distribution team – they are a key part of the relationship we have with our customers. Often, they are the Brewery team member who has the most contact with a licensee, our front line if you like.

A Fuller's drayman is very conscious of the job they are there to do and the beer needs to get to the pub, come what may. They deal every day with traffic, weather, diversions and even the building of the cycle superhighway, which has created an interesting addition to the route in and out of the City of London. But they deal with it all in good humour and still help by putting the beer right into the cellar and often on the stillage too.

There is one other group of people who are always very pleased to see the Fuller's dray – and that's runners in the London Marathon, where it marks the half way point. Resplendent in its London Pride livery, it plays host not to beer, but to live entertainment – and we do the same for our annual Brewery Open Day. From horses to horse power, the Fuller's dray has been a familiar site in London over the last two centuries – and long may it continue.

Corporate Social Responsibility

As a Company with over 170 years of history and heritage behind us, playing a responsible role in the communities in which we operate has always been a key part of our culture.

15,552

The number of days of training that our team members have undertaken this year.

£190,000

The amount of money that we have raised for Shooting Star Chase during the year.

Doubling our donations

This year we match funded £30,000 that was raised by our team members for a variety of charities, but we want to give more. This coming financial year we will be encouraging our employees to increase their *Give As You Earn* donations and we will match up to £2,000 per employee per year.

This is where our corporate social responsibility starts and those communities do not just revolve around geographical locations. They include all our team members throughout the business, our suppliers, local charities and the environment as a whole.

Our strong culture has always been one of caring and consideration and this continues today with one of our four key values being *Always doing things the right way*. At Fuller's, that does not mean the cheapest or the quickest way, but the way that gives the best results for all our stakeholders, inside and outside the business.

There are four key areas where we implement an active Corporate Social Responsibility (CSR) strategy:

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

Charity and community support
We raise a substantial amount for a wide range of charities. As much of this is raised in our pubs, it is hard to quantify the amount exactly, but in the last year this was around £340,000 across the Company.

There are two main ongoing pieces of charitable activity that are activated as part of our day to day business, benefiting the charities Shooting Star Chase and Seafarers UK.

Shooting Star Chase is an amazing charity that helps improve the lives of children with life-limiting illnesses, both at home and in its two hospices. For every children's meal that we sell, we donate 50p to the charity and we also donate £1 for every tasting board sold in our Ale & Pie pubs. This year, we have contributed just under £80,000 to Shooting Star Chase via these two initiatives.

In total, during the financial year, we have raised just over £190,000 for the charity. As well as the meal donations, we have raised money through a game on our stand at The London Marathon Expo, donations at The Annual Sausage Roll Off, which is held at The Red Lion in Barnes, and numerous events in individual pubs. These have included a skydive by the team at The Mill at Elstead, undertaking the Three Peaks Challenge by team members at The Rose & Crown in Ealing and a £1 cheque challenge by The Red Lion Hotel in Hillingdon who collected over 600 £1 cheques for the charity.

The largest single amount outside the children's meal donation came via our inaugural Fuller's and Shooting Star Chase Bike Ride. In May 2016, 22 riders left The Brewery in Chiswick and headed to our pub, The Pointer, on the Isle of Wight. The 100 mile route took in a number of our pubs, raising awareness of this excellent charity and our intrepid riders generated a donation of £40,000 for the event. It was so successful that it was repeated in May 2017, this time ending at The Boater in Bath – a distance of 125 miles and with over 40 riders participating.

We launched a trial of Pennies in five pubs during the year too, adding another 15 sites just before the year end. Pennies is an electronic charity box – with guests being offered the chance to round up their bill to the nearest

120

metres of Beef Wellington sold on Christmas Day alone.

Focused on fresh ingredients

Fresh produce is vitally important to our business and we work in genuine partnership with our suppliers to get great meat, fish and fresh fruit and vegetables. Take Sheringhams for instance, working with British farmers to get the best seasonal produce at its peak. That's why if you have broad beans in a Fuller's pub in June, they will have travelled less than 100 miles and you can really taste the freshness. Truly British, truly local, truly summer.

pound when they pay using a chip and pin machine, with the rounding going to charity. This year the sites generated an average of £25 per week, a total of £4,000, to add to our Shooting Star Chase total.

Our other main corporate charity is Seafarers UK, where our relationship goes back over a decade. Seafarers UK is a charity that 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 barrel of Seafarers Ale and this year we donated just over £29,000 to the charity. We are looking forward to continuing to support Seafarers UK in the coming year, when this valuable charity celebrates its centenary.

We brewed another charity beer during the year for a very limited period in the run up to Christmas. Wise Men was produced in support of Prostate Cancer UK. This delicious seasonal beer certainly seemed to resonate with our customers and we very quickly sold the entire stock, raising £15,000 for this worthwhile cause.

Fuller's makes a number of donations through the Charities Aid Foundation to charities that are either local to our sites at Chiswick, Horndean in Hampshire and Duloe in Cornwall, that have relevance to us due to the nature of our industry, such as alcohol-related charities, or that involve a connection to the business such as through an employee. This year, for instance, we have given £29,000 to alcohol-related charities.

In the coming year, we will be running a series of workshops focusing on *Give As You Earn* to make sure that our team members are able to donate to charity in a tax efficient manner and to open access to a larger pot of money for matched funding. We will be encouraging team members to open their own Charities Aid Foundation accounts and we will also match fund any regular donations employees make under this method, up to £2,000 per person per year. We expect this will greatly increase the sum of money we donate through match funding, which this year was £30,000, and have set a target in the future of raising the equivalent of 1% of our profits for charitable causes.

As always, we continue to support a plethora of raffles, fetes and events with brewery tour vouchers or free beer for the organisers to sell to raise money. We do this around Chiswick, Horndean and Duloe and feel it is an important way to be a good neighbour and support our local communities.

Our managed and tenanted pubs also raise money for causes local to them and the figure raised during the year from this activity is in the region of £70,000.

We have some very longstanding community sponsorships with local events. We sponsor the Fuller's Brewery Surrey County Cricket League and the Head of the River IVs, as well as the Hampshire Village of the Year. We provide a glass for every participant and prizes for the winners of the Thames Towpath Ten, a local race that we have teamed up with for the last 12 years and we donate beer to the Hospital of St Cross, an almshouse near Winchester, which sells the beer to raise money for the home and its residents.

Finally, in another piece of great community support, we have supported the installation of defibrillators at two of our pubs – The Fisherman's Haunt in Winkton and The Ship at Langstone. The units are installed externally at the pubs so in the case of an emergency in the local area, the medics or ambulance crews can bring the patient to the pub to use the equipment. It is a valuable local service with particular relevance in rural areas.

Responsible retailing and supplier engagement

In the past, responsible retailing in the pub sector has tended to focus on alcohol consumption, but today, the focus is just as concentrated on the food agenda.

This year has seen a major focus on allergens and allergen training. We have joined the Anaphylaxis Campaign and we have rolled out a comprehensive training programme to ensure that all of our Managed House team members check before taking an order whether any diner has allergy requirements.

Corporate Social Responsibility continued

Issues around obesity continue to dominate the headlines and we took the decision during the year to change the Pepsi on our soda guns in our Managed estate to sugar-free Pepsi Max. This reflects changing consumer trends in our own venues and UK sales in general. We have used a sugar free lemonade on our soda gun for many years, so the move to a sugar-free cola was a natural progression.

We have also continued work to reduce the sugar and salt content of our menus, through a number of initiatives. We have introduced new training to upskill our chefs' understanding of healthy food and this has led to less salt being put into our dishes. We always have salt and pepper on the table so customers can still add their own, but the choice is in the hands of the customer.

In addition, we add no seasoning to food on the children's menu and our children's pizza is made using seaweed as a salt substitute. We have also worked hard to put more low fat/light options on the menu and increased the range of dishes suitable for vegans and vegetarians. With a focus on fresh food, we use no processed products, which gives us full control of ingredients and we ensure there are minimal nitrates in our cured products.

Working in partnership with local suppliers is one of our key tenets and we have good transparency in our food chain. All our contracted suppliers are audited to ensure they have CSR policies and there are some basic principles, such as only using free range eggs, which we adhere to stringently. Any fresh meat or fruit and veg that can be sourced from within the UK is, so we keep our food miles to a minimum, and by having long term relationships with our suppliers they have the confidence to invest and we have confidence in the quality, provenance and safety of the food we purchase. Where we cannot source from the UK, we still maintain an ethical stance – for instance, our Brewer Street Coffee is 100% Fairtrade.

Finally, we continue to be a responsible retailer of alcohol. We have our own range of soft drinks, produced by Cornish Orchards, and sales of our Brewer Street coffee remain strong. We avoid discounted drinks promotions and are supporters of the PASS scheme to prevent those under 18 from having access to alcohol.

People

The fantastic people in our business make us successful and set us apart from the competition and we continue to invest heavily in training and development. During the year, our team members undertook over 15,000 days of training.

One of our key aims this year was to instigate a cultural change in the way our Brewery teams view health and safety. We held our first Brewery employee engagement event, to bring this to life in a fun and motivating way. This was combined with some e-learning and we are now at the point where every Brewery employee in Brewing and Operations is trained to Level 2 Health and Safety qualification standard.

Lost days due to accidents have decreased by 21%, from 58 in the last full year to just 46 this year. In addition, during the period we have had an 80% drop in reportable accidents from five to just one.

On a wider scale, we continue to offer a wide range of career paths and opportunities for our employees and this year, 66% of our appointments have been filled with internal promotions – up from 35% in 2014. As well as linear career paths, the diverse nature of our growing business allows for a career path that crosses from one part of the business to another.

The Fuller's & Shooting Star Chase Cycle Challenge

Some were experienced, some were novices, some were just brave – that sums up the 22 people who left The Griffin Brewery in Chiswick at 7am on Friday 13 May, 2016 to cycle to The Pointer in Newchurch on the Isle of Wight. The weather was perfect, the five pubs the intrepid explorers visited along the way provided the warm welcome Fuller's is famous for and Shooting Star Chase benefited to the tune of £40,000. An all-round success – with only one puncture and a slap-up BBQ at the end.

Directors

Male	**9 (90%)**
Female	**1 (10%)**

Senior Managers

Male	**38 (60%)**
Female	**25 (40%)**

All employees

Male	**3,119 (57%)**
Female	**2,356 (43%)**

Carbon reporting

Fuel type	**53 weeks ended 1 April 2017 CO_2 tonnes**	52 weeks ended 26 March 2016 CO_2 tonnes*
Electricity and gas	**26,021**	27,340
Petrol and diesel	**2,186**	1,902
Total	**28,207**	29,242
CO_2 emissions per £100,000 of turnover	**7.2**	8.3

*2016 comparative figures have been restated to include pro forma carbon reporting data for the Group's 51% stake in Nectar Imports Limited, which was acquired on 31 December 2015.

As an example, the Sales and Operations Manager from the Brewery in Chiswick has been promoted to Head of Operations at Nectar, while a Fuller's Inns Operations Manager was promoted to the position of Operations Director at The Stable.

We have increased the focus on employee benefits during the year too, with the issue of our first ever benefits statements to remind our employees of the many perks of a job at Fuller's. Although the benefits on offer depend on the part of the business and level an employee is in, the range includes shares, staff discounts and private health care.

Finally, it has been a difficult year for our European team members with the result of the referendum on Britain's membership of the EU. We are very proud of the contribution made to our success by all of our employees and we have decided to assist with the process and pay the permanent residency fee for any EU or EEA employee who is eligible and has worked for us for at least 12 months. This has been well received and nearly 200 team members have either applied or expressed an interest.

The environment

We made further strides during the year to reduce our impact on the environment. A number of improvements in our cellars using remote cooler pumps and a new gas for our remote coolers has reduced energy consumption and we are using variable fan speed motors, which accelerate as trade increases and decelerate as it slows. We have also installed our first heat recovery system from cellar cooling at The Head of the River in Oxford. It is early days, but again this should generate savings in both energy use and environmental impact, as well as costs.

At the Brewery, we have installed solar panels and converted to electric forklift trucks, which will reduce our carbon footprint. In addition, we have moved our main printers to a Follow Me printing system. This allows the user to collect printing from any printer in the business by swiping their ID card. Any uncollected printing is removed from the printer's memory after 24 hours. This has reduced paper usage in the brewery by 5.8%.

Our pubs carry out recycling on site including food, glass, card and plastic and all our pubs have their waste oil collected and recycled for use as bio-diesel. In addition, we continue to look at ways to reduce our effluent levels at the Brewery.

Brewing is historically a very green process and we still reduce our waste by sending the by-products of the brewing process for pig feed, and for cattle and lamb feed during winter months. To complete nature's circle, we buy these animals from the butcher for sale in our pubs.

While we are a long way from being carbon neutral, we do continually look at ways to reduce our carbon footprint and reduce our impact on the environment.

Simon Emeny

Simon Emeny
Chief Executive

James Douglas

James Douglas
Finance Director

11

Employee development programmes

Home grown talent

We believe in training our own at Fuller's and to that end we have 11 different development programmes to create genuine career paths from entry level to director. We are delighted that 66% of our appointments are now internal promotions and this year, that included four Director appointments.

THE PERFECT SERVICE

147

There are 147 service coaches working in our Managed Pubs and Hotels

FULLER'S CRAFT

"WE MIGHT BE LIVING IN A DIGITAL WORLD, BUT YOU CAN NEVER REPLACE THE HUMAN TOUCH. IT'S OUR CRAFT"

CHARLOTTE WHITE
SERVICE COACH, THE CROWN INN, BISHOP'S WALTHAM

ENTHUSIASM. PERSONALITY. EMPOWERMENT.

Our Service Coach programme was launched in August 2012. The Olympics had just finished and although our plans were already in place, the Olympic Games Makers added an extra inspiration. The idea behind our initiative was to create a team of people who had customer service firmly front and centre – and not just be able to deliver it themselves, but to instil the same ethos in the rest of the team.

It formed part of the *Every Customer Leaves Happy* strategy. A Service Coach will always go the extra mile. They can help out at other pubs in times of need. They belong to an elite team and they are ever present at our big events – ready to help, to guide and to lead when necessary.

Being a Service Coach also forms part of the career structure for our pub teams. Over the last five years, we have grown the number of service coaches in our business. We are not quite there yet – but we have a goal of making sure each pub has at least one. And some of them have progressed even further up the Fuller's career ladder – with at least six former service coaches now managing their own pubs. Customer service back, front and centre – that's the Fuller's way.

An inclusive family

We are a 'family business' in the broadest sense, and not just because we're family controlled. We apply a family ethos to how we work: it feels like a family, with everyone pulling together and where every member is valued for bringing something special to the table.

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1 Michael Turner
Non-Executive Chairman
Chairman of the Nominations Committee

Aged 65. 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.

Hobby: Skiing

2 Simon Emeny
Chief Executive

Aged 51. 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 Senior Independent Director and chair of the Remuneration Committee of Dunelm Group plc. An economics graduate and alumnus of Harvard Business School.

Hobby: Live music

3 James Douglas
Finance Director

Aged 51. Appointed in 2007 from LSE-listed telecoms operator Fibernet Group plc, where he was Finance Director. Spent eight years with Deutsche Bank as an investment banker. Qualified as a prize-winning Chartered Accountant with PricewaterhouseCoopers. Holds a first degree in physics and a master's degree in economics.

Hobby: Cycling

4 Richard Fuller
Corporate Affairs Director

Aged 57. 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. Now responsible for Corporate Affairs and government relations. A GMP graduate of Harvard Business School.

Hobby: Horse racing

5 Simon Dodd
Managing Director of The Fuller's Beer Company

Aged 42. Appointed in 2016. Joined the Company in 2015 as Operations Director for Fuller's Inns – Premium City. Previously COO of The Orchid Group, and has held positions at nPower, The Yates Group, Mitchell & Butlers and Scottish & Newcastle. A retail marketing graduate.

Hobby: BBQ chef

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6 Jonathon Swaine
Managing Director
of Fuller's Inns

Aged 46. 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 an alumnus of Columbia Business School.

Hobby: Brentford FC

7 Séverine Garnham
Company Secretary

Aged 47. 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.

Hobby: Classical music

8 John Dunsmore
Senior Independent
Non-Executive Director
Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nominations Committee

Aged 58. Appointed in 2009. Senior Independent Non-Executive Director. Non-Executive Deputy Chairman of Genius Foods Ltd., Founder and CEO of The Hothouse Investment Club and Non-Executive Chairman of Chapel Down Group plc. Director of The Edinburgh Beer Factory Limited. Former Chief Executive of C&C Group plc and former Chief Executive of Scottish & Newcastle plc prior to its takeover by Heineken and Carlsberg in 2008.

Hobby: Dog, Daisy

9 Lynn Fordham
Independent
Non-Executive Director
Chairman of the Audit Committee
Member of the Remuneration Committee
Member of the Nominations Committee

Aged 54. Appointed in 2011. Chief Executive of SVG Capital plc. Previous appointments include CFO SVG Capital, Deputy CFO at BAA plc, Director of Audit and Risk at Boots Group plc and Finance Director of ED & F Man Sugar. In addition, she spent ten years at Mobil Oil in a number of financial and operational roles, predominantly internationally. An accountancy graduate and Chartered Accountant.

Hobby: Skiing

10 Alastair Kerr
Independent
Non-Executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee

Aged 67. Appointed in 2011. Non-Executive Director of Scottish Leather Group Limited, Non-Executive Chairman of J. Murphy and Sons Ltd, MPC Group Pty Ltd (Australia), Drilton Ltd and Steamer Trading Ltd. He has previously held senior roles at Mothercare and Kwik-Fit, and was Managing Director of Europe, Middle East and Africa for The Body Shop and Managing Director Europe for Virgin. He was previously Chairman of Arran Aromatics Ltd, Non-Executive Director of White Stuff Ltd and Fenwick Ltd, Senior Independent Director and Chairman of the Remuneration Committee of Alliance Trust PLC and Non-Executive Director and Chairman of the Remuneration Committee of Havelock Europa PLC.

Hobby: Golf

11 Sir James Fuller Bt.
Non-Executive Director

Aged 46. 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.

Hobby: Fly fishing

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Directors' Report

The Directors present their report to shareholders together with the audited financial statements for the 53 weeks ended 1 April 2017.

Strategic Report
The statements and reviews on pages 8 to 37 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.

Directors
A list of Directors who served during the financial year, together with biographical details, is given on pages 38 and 39.

Ian Bray resigned as a Director with effect from 31 May 2016. On the recommendation of the Nominations Committee, Simon Dodd was appointed by the Board of Directors with effect from 1 August 2016. In accordance with the Articles of Association, his reappointment will be subject to the approval of shareholders at the Annual General Meeting.

John Dunsmore, Richard Fuller and Jonathon Swaine retire by rotation at the Annual General Meeting and offer themselves for re-election. Richard Fuller and Jonathon Swaine are Executive Directors and have 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 51 to 67.

Dividends
The Company paid an interim dividend of 7.25p per 'A' and 'C' ordinary share of 40p each and 0.725p per 'B' ordinary share of 4p each on 3 January 2017. The Directors now recommend a final dividend of 11.55p per 'A' and 'C' ordinary share of 40p each and 1.155p per 'B' ordinary share of 4p each. This makes a total dividend for the financial year of 18.80p per 'A' and 'C' ordinary share of 40p each and 1.88p per 'B' ordinary shares of 4p each.

The total proposed final dividend on ordinary shares will be £6,378,000 which together with the 2017 interim dividend paid of £4,009,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £10,507,000.

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 is 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 21 July 2016, the Company was given authority to purchase up to 4,846,553 '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 share capital at that date.

The Company's maximum issued ordinary share capital during the year was £22,793,726 comprising 33,553,879 40p 'A' ordinary shares, 89,052,625 4p 'B' ordinary shares and 14,525,173 40p 'C' ordinary shares.

During the year the Company purchased a total of 341,415 40p 'A' ordinary shares at a total cost of £3,506,525.61 (exclusive of stamp duty). These share purchases represented 0.25% of the maximum issued ordinary shares and 1.02% of the Company's issued 'A' ordinary share capital.

101,813 40p 'A' ordinary shares held in treasury, with a value of £923,299.30, were transferred to the Trustee of the LTIP. 108,057 40p 'A' ordinary shares held in treasury were allocated to participants of the Savings Related Share Option Scheme and the Executive Share Option Scheme on exercise of options, generating net cash proceeds of £827,331.48. As at 1 April 2017, a total of 1,263,830 40p 'A' ordinary shares and a total of 4,558,009 4p '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. Increasingly, the Company's intranet and e-mail systems facilitate this, and we will continue to search for ways to exploit these media to best effect. Twice a year, all Brewery-based employees are invited to a results presentation led by the Chief Executive. Once a year the Company also runs "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. 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 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 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 'Inndulgence' card allowing them to benefit from a staff discount scheme in the Group's managed pubs.

Share capital

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

Computershare Trustees Limited holds a total of 392,490 40p 'A' ordinary shares on behalf of employees of the Company who are participants in its SIP. This represents 1.22% 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 1 April 2017	As at 2 June 2017
BlackRock, Inc	9.98	10.11
Aberdeen Asset Management PLC and its subsidiaries	9.96	10.06
Ameriprise Financial, Inc	5.93	5.93
Kames Capital and associated entities	4.06	4.06

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 1 April 2017 and at 2 June 2017
Sir J H F, Messrs A F and E F Fuller	17.13
J F Russell-Smith Charitable Trust	8.07
Mr A G F Fuller	6.03
A B Earle Charitable Trust	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	3.32
Mr T J M Turner	3.17

Percentage 'C' ordinary shares of 40p each

	As at 1 April 2017 and at 2 June 2017
Sir J H F, Messrs A F and E F Fuller	30.89
Mr T J M Turner	6.17
Mr H D Williams	6.02
Miss S M Turner	5.17
Mrs J M Fuller	4.27
Fuller Family Members Trust	3.99
Mrs D M St. C Turner	3.08

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 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 last appointment or re-appointment, he shall retire at that Annual General Meeting.

The Articles do not contain any specific provisions about amendments to the Articles which 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 10 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 44 to 50. 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 32 to 35. It contains information on greenhouse gas emissions and gender diversity.

By order of the Board

Séverine Garnham
Company Secretary

8 June 2017

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

Registered in England under number: 241882

Directors' Statements

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

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

— select suitable accounting policies in accordance with IAS 1 Presentation of Financial Statements and then apply them consistently;
— present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
— make an assessment of the Company's ability to continue as a going concern;
— provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance;
— 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 38 and 39.

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 page 38 and 39. 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

8 June 2017

James Douglas
Finance Director

8 June 2017

Governance

Corporate Governance Report

I am pleased to confirm that I see it as the Chairman's responsibility to lead the Board and make sure it is working effectively. This year we are able to report full compliance with the UK Corporate Governance Code (the "Code") as revised in September 2014. There are several key issues that I want to comment on. One of these is the issue of succession planning. This 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 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. I am satisfied that our Board is comprised of the right individuals who have the skills required to run this type of 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 the 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 would like shareholders to understand that I am in charge of our annual Board evaluation. I am aware that larger PLCs are required to seek external assistance to effect this process but do 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

Michael Turner
Chairman

8 June 2017

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.

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 page 8 to 37. 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 40 and 41.

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 (which is also reviewed annually). This distinguishes between matters reserved for the Board and Executive Committee decisions. The terms of reference of the Audit, Remuneration and Nominations Committees are available on the Company's website. All Committee Chairmen report orally on the proceedings of their Committees at the next meeting of the Board, and the minutes of the meetings of all Board Committees (with some exceptions on remuneration matters) are provided to Board members. The Chairman ensures that the Executive 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. The Executive Committee meets formally at least eleven times a year and also meets informally most weeks. There is thus a regular flow of information at Board and Executive Committee level.

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, a Divisional Director or Senior Manager is invited to join the meeting and inform the Board of developments in their area of the business. The Board also meets away from the Griffin Brewery 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 at the Brewery and also spend days out in the trade with individual members of that team. This helps to keep the 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, but 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, a Senior Manager is invited to join the meeting and talk to the Committee about the issues in their department. 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.

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.

Attendance 2016/2017	Board	Executive	Audit	Remuneration	Nominations
Number of formal meetings	7	11	4	4	1
Director					
Michael Turner	7		*	*	1
Simon Emeny	7	11	*	*	
James Douglas	7	11	*		
Richard Fuller	7	11			
Ian Bray (until his resignation on 31 May 2016)	1	1			
Simon Dodd (from his appointment on 1 August 2016)	4	7			
Jonathon Swaine	7	11			
Sir James Fuller	7				
John Dunsmore	7		4	4	1
Lynn Fordham	6		3	4	1
Alastair Kerr	7		4	4	

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

Attendance at Board and Committee Meetings
The table above gives details of attendance at Board and Committee meetings during the year.

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.

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, Ian Bray resigned as a Director with effect from 31 May 2016. On the recommendation of the Nominations Committee, Simon Dodd was appointed to the Board with effect from 1st August 2016. New Directors undertake a tailored induction programme.

The Company has five Non-Executive Directors, two of whom – 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-Executive Directors 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 38 and 39. John Dunsmore 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 51 to 67 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. Both the Board and the Executive Committee visit Group pubs and hotels as part of the Board meeting programme. On these and on other occasions, Board meetings may be held in the Group's pubs, with the aim of keeping the Directors familiar with the Group's estate. 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. Simon Emeny currently holds such a directorship at Dunelm Group plc.

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 marginally lower than 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 Senior Non-Executive Director annually appraises the Chairman's performance, having first consulted with the other Non-Executive Directors and also the Executive team. The appraisal of the other 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.

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 are John Dunsmore and Lynn Fordham. 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 once during the year to consider the appointment of a new Managing Director for The Fuller's Beer Company. 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 and Social Responsibility Report, on page 34.

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

The Audit Committee
The Audit Committee of the Board, chaired by Lynn Fordham, comprises the three Independent Non-Executive Directors and meets at least four times a year. 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.

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 and cover all those matters required by the Code. 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. 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 1 April 2017, 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 of 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.

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 continue to include: — Profit or loss on property disposals — Transaction costs on site acquisitions both completed and aborted — Reorganisation costs, principally related to The Fuller's Beer Company — The Stable deemed remuneration in relation to the revaluation of the option to purchase the remaining share in The Stable Pizza & Cider Limited. — 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 2017 Annual Report and Accounts to ensure they are clearly identified and reconciled to the relevant GAAP measure.
Impairment testing of goodwill and property, plant and equipment	The Committee considered the proposed impairment of property assets and goodwill for both the Half Year Report and the Annual Report. The Committee was satisfied with the approach presented by management and the judgements made for those properties at risk of impairment.
Pension accounting	The pension liability is sensitive to the actuarial assumptions applied in measuring future cash outflows. The use of assumptions such as discount rate and inflation which have an impact on the valuation of the defined benefit pension scheme, was assessed by the Committee. The Committee was satisfied with the proposed accounting treatment and revised disclosures of the Group's defined benefit plan in the financial statements.
Subsidiary share purchase options	The Committee considered the fair value of the liabilities recognised in the financial statements for the subsidiary share purchase options relating to the remaining shares in The Stable Pizza & Cider Limited and Nectar Imports Limited. The Committee was satisfied with the approach presented by management and the judgements made in the calculation of the potential option liabilities.

The key issues and judgements considered by the Audit Committee are detailed in the accompanying table. The presentation of financial information within the Annual Report was also discussed given the financial statements are for the 53 weeks to 1 April 2017, compared to 52 weeks ended 26 March 2016, including the supplementary disclosure in relation to the impact of the 53rd week within the Financial Review.

The Audit Committee assessed the going concern and viability reviews undertaken by management as detailed in the Financial Review on page 27. 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 year included the Company's risk management process, of selected individual risks from the risk register, the internal audit work completed during the period and progress on actions arising from both risk management and internal audits. The Group's tax strategy and tax risk management governance processes were also reviewed and approved in advance of review and approval by the Board.

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 decision to appoint Grant Thornton UK LLP was made. The Company's year ended 1 April 2017 was the fourth of a five year maximum term that the current Audit Partner has been in the role for the Company.

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 whistleblowing arrangements throughout the Company.

The Committee also reviewed its own effectiveness during the year.

The Directors' statement on the Company's system of internal controls is set out on page 49.

Accountability

Auditors

The Committee is happy for the Board to recommend to shareholders the re-election of Grant Thornton UK LLP who were appointed in September 2013 following a formal tender process. Their effectiveness will be formally reviewed by the Committee at the September 2017 meeting, although there are no issues of concern with their performance to date.

The Group's auditors may from time to time provide non-audit services to the Company. In 2017, the fees paid to Grant Thornton UK LLP for audit services were £129,000 (including £44,000 for the audit of subsidiaries), for audit-related services were £1,000, other assurance services of £15,000 and for non-audit services were £5,500. 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. The non-audit services were provided in the year by a team independent of those providing audit services.

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 is 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.

The business maintains business continuity plans, and exercises these plans on an annual basis.

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. 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. The review covers all material controls including financial and operational controls, compliance and risk management systems. Where weaknesses are identified, actions to address them are agreed.

The Board has procedures in place necessary to follow the Turnbull Guidance ("Internal Control: Guidance for Directors on the Combined Code") for the full financial year. 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 are 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.

Key elements of the system of internal control designed to address significant risks and uncertainties, as documented on pages 28 and 29, include:

— Clearly defined levels of responsibility and delegation throughout the Group, together with well-structured reporting lines up to the Board
— The preparation of comprehensive 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 9000 certified quality control system.

The Group does not have a formal internal audit function and, after a review by the Audit Committee and the Board, the Board has confirmed that it believes that the existing arrangements for internal audit are appropriate. Management may from time to time augment the internal resource for these audits with specialist external resources. The Group carries out internal audits on financial areas according to a programme agreed between the Audit Committee and the Finance Director and with input from the other Executive Directors and the external auditors as appropriate. The audits are co-ordinated by an experienced senior member of the finance team and are undertaken by other members of the finance team; in each case, the person undertaking the audit is independent of the area which is the subject of the audit. The internal audit reports, the management responses and the recommended actions are presented in summary form to the Audit Committee on a regular basis. There are also in place procedures to ensure recommended actions are implemented. During the year, audits were performed on the Gifts and Hospitality declaration process and the documentation surrounding Right to Work, as well as a number of reviews of other internal processes including controls in place at the Stable and Nectar.

In addition, the Group employs a team of retail business auditors who monitor the controls in place 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 progress his team is making and the issues they are dealing with.

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 shareholders an opportunity to discuss corporate governance matters. The Company's brokers 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 Public Relations team also attends the Annual General Meeting and provides further information to shareholders about the Company through photo boards featuring pub and product information. 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 first published in July 2010. 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

S Garnham

Séverine Garnham
Company Secretary

8 June 2017

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

Directors' Remuneration Report

Statement of the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the 53 weeks ended 1 April 2017.

The report follows last year's presentation in two separate sections. The first covers the Company's Remuneration Policy for all of its Main Board Directors (set out on pages 38 and 39) as approved by shareholders at the 2014 Annual General Meeting for a period of three years. It is designed to explain to shareholders how that policy supports the Company's strategy. There are no changes being proposed to the policy and there have been no payments made outside of the approved policy in the reporting period. The policy as it currently stands will be proposed for approval by shareholders at the forthcoming Annual General Meeting for a new period of three years.

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 was last year.

Whilst there has not been any change to remuneration during the financial year and therefore we have not engaged with shareholders, 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.

Alastair Kerr
Chairman of the Remuneration Committee

8 June 2017

Report on Directors' Remuneration Policy
This policy, approved by shareholders at the Annual General Meeting held on 24 July 2014, 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. This policy, without amendments, will be put forward for re-approval by shareholders at the Annual General Meeting to be held on 25 July 2017.

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.

Overleaf 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
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, 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.
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 — Product allowance — A private account which allows the purchase of goods at cost price plus VAT — Subscriptions to professional bodies or other relevant organisations — Regular medical check-ups — Permanent health insurance.
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.
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. Once options have vested, they must be exercised before the tenth anniversary of grant.
Senior Executive Share Scheme ("SESOS")		A non-tax-advantaged executive share option scheme under which options were granted to Executives but which has now expired.
Savings Related Share Option Scheme ("SAYE Scheme")		All employees of Fuller, Smith & Turner P.L.C. with at least one year's service in July in any year 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.
Share Incentive Plan ("SIP")		All employees of Fuller, Smith & Turner P.L.C. with at least 5 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.

Governance

Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
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.	Executive salaries were increased by between 2.44% and 9.09% in June 2016.
The benefits offered are those typically offered at this level. Car allowances are reviewed every January. Product allowances are reviewed from time to time but not typically increased every year. The cost of providing the insurance products varies from year to year.	Not applicable.	The benefit is unchanged but the cost of insurance products varies from year to year.
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 were agreed in May 2017 for the financial year 2017/2018 subject to the bonus rules which include malus and clawback provisions.
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 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.	The last set of options granted under this scheme in 2013 vested during the period.
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.
Shares are awarded based on length of service and base salary. 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.	The timing of the award was changed from December to June each year from 2016.

Executive Directors ("Executives") continued

Element	Purpose – how the element supports the short and long-term strategic objectives of the Company	Operation
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.
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 61 of this report.
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 were introduced in 2014 to the bonus scheme and to LTIP awards made from last year. They will 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 will 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.
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.
Benefits	To encourage Non-Executive Directors to keep up to date with the Company's product range and to reimburse expenses.	Non-Executive Directors receive a modest product allowance and are entitled to buy additional products at cost plus VAT. They are reimbursed for travel and other business-related expenses. The Chairman, Michael Turner, also benefits from life insurance cover and private medical insurance.

Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
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 59 for further details.	No change.
Defined benefit Company pension plan Main section: Until closure, accrued at 1.7% of basic salary less 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.
The malus and clawback principles apply to the bonuses that may be paid from 2015 onwards and option grants made from 2014 onwards.	Not applicable.	No change.

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 44 to 50.	No change.
Product allowances are reviewed from time to time, but not typically increased every year.	Not applicable.	None.

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.

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.

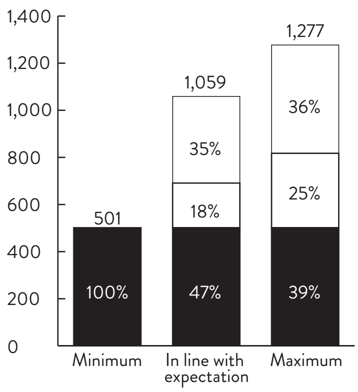
Discretion employed by the Committee

The Committee will operate the annual bonus, the LTIP, the ESOS and 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.

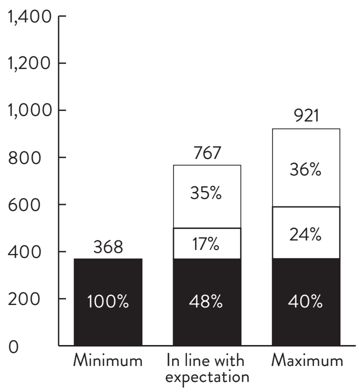
Illustration of the Application of the Remuneration Policy

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 31 March 2018:

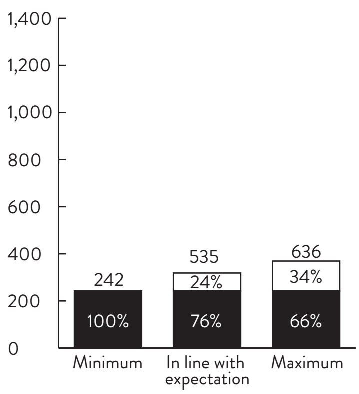
Chief Executive Officer
£000



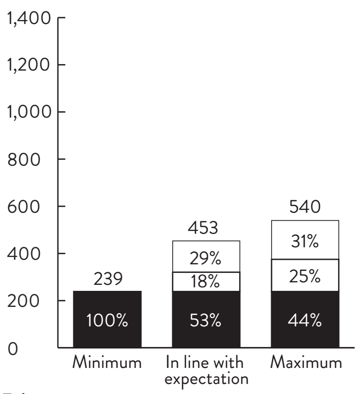
Finance Director
£000



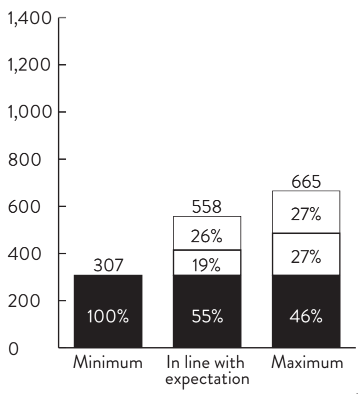
Managing Director – The Fuller's Beer Company
£000



Corporate Affairs Director
£000



Managing Director – Fuller's Inns
£000



Fixed[1]
Bonus[2]
LTIP/Options[3]

1 "Fixed" includes salary, benefits and pension.
2 "Bonus" includes Executive Bonus scheme.
3 "LTIP/Options" includes LTIP, ESOS and SESOS schemes.

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.

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 52 to 55, 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.

Jonathon Swaine and Simon Dodd 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.

The contracts of the other Executives (which were all in place before 27 June 2012 and are different from those that would be offered to any new Executives and are therefore not in line with the approach to recruitment remuneration as set out above) state that they are entitled to a payment equal to salary and the value of all benefits for the unexpired period of their notice, without any reduction for mitigation. Benefits in kind would be valued with reference to their P11D value or cost to the Company.

The Committee has considered whether it should attempt to negotiate a change to the contracts of these Executives but does not believe that this is currently appropriate.

The rules of the bonus scheme and 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 his or her 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
James Douglas	31 July 2007	12 months
Richard Fuller	8 December 2009	12 months
Jonathon Swaine	20 March 2012	12 months
Simon Dodd	1 August 2016	12 months

Non-Executive Directors	Date of appointment	Term expires
Michael Turner	1 July 2013	June 2019
John Dunsmore	20 January 2009	January 2018
Sir James Fuller	1 June 2010	May 2019
Lynn Fordham	18 January 2011	January 2018
Alastair Kerr	1 August 2011	August 2018

Annual remuneration implementation report
The information on pages 60 to 67 has been audited.

The Remuneration Committee
The Remuneration Committee consists entirely of Independent Non-Executive Directors and the members are currently Alastair Kerr (Chairman), John Dunsmore and Lynn Fordham. 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 Garnham, who also acts as Secretary to the Committee.

The Committee's terms of reference 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
Xafinity 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. Xafinity 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.

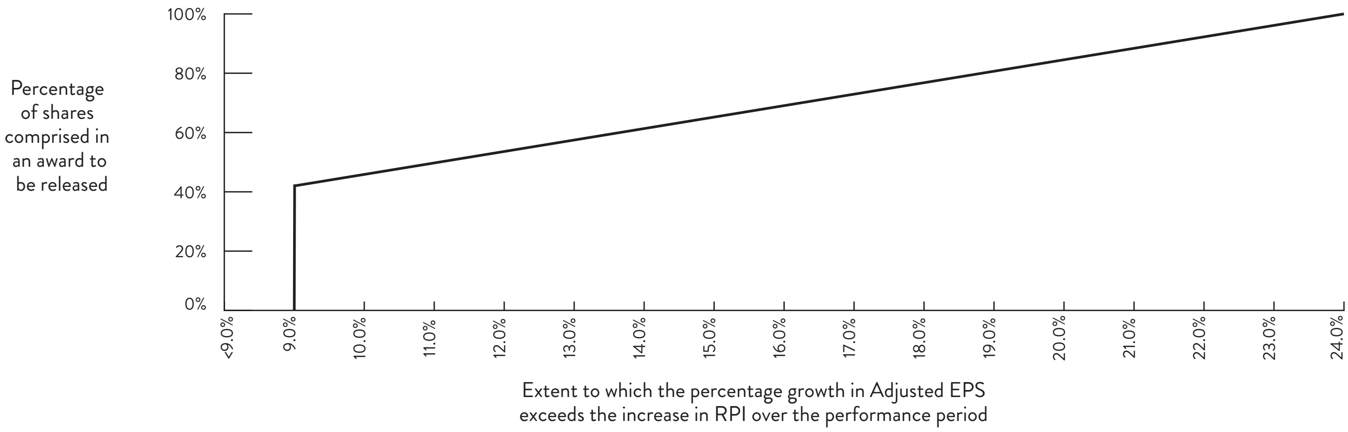
Statement of implementation of Remuneration Policy in the current financial year
The Executive Directors' salaries with effect from 1 June 2017 are:

Simon Emeny	£430,000
James Douglas	£295,000
Richard Fuller	£185,000
Jonathon Swaine	£244,000
Simon Dodd	£200,000

The Non-Executive Directors' fees were last reviewed in January 2015 and changes were effective from 1 January 2015.

The annual bonus for the financial year 2017/2018 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 53, 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 53 and details of the relative weightings of each are given on page 61.

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 other Executives. The LTIP awards for the financial year 2017/2018 are subject to the following performance condition:



Governance

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	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Michael Turner	**250**	250	**25**	24	**–**	–	**–**	–	**–**	–	**275**	274
Simon Emeny	**419**	406	**25**	24	**133**	263	**446**	653	**74**	71	**1,097**	1,417
James Douglas	**291**	285	**23**	22	**75**	188	**319**	504	**51**	50	**759**	1,049
Richard Fuller	**181**	177	**23**	22	**59**	116	**155**	325	**32**	30	**450**	670
Ian Bray[4]	**214**	211	**6**	22	**–**	3	**–**	–	**7**	38	**227**	274
Jonathon Swaine	**237**	217	**23**	22	**78**	134	**177**	330	**42**	39	**557**	742
Simon Dodd[5]	**160**	n/a	**20**	n/a	**36**	n/a	**4**	n/a	**26**	n/a	**246**	n/a
John Dunsmore	**60**	60	**1**	1	**–**	–	**–**	–	**–**	–	**61**	61
Sir James Fuller	**46**	46	**1**	1	**–**	–	**–**	–	**–**	–	**47**	47
Lynn Fordham	**61**	61	**1**	1	**–**	–	**–**	–	**–**	–	**62**	62
Alastair Kerr	**58**	58	**1**	1	**–**	–	**–**	–	**–**	–	**59**	59

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 (£3,000).

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 Ian Bray ceased to be a Director with effect from 31 May 2016. No annual bonus or LTIP/options were due. In accordance with the provision of his employment contract, he was entitled to a payment equal to the salary due for his one year notice period of £211,000 payable in monthly instalments. Ian Bray did not notify the company that he had secured alternative income in the period to be set off against any such instalments. In addition, he received a payment of £160,000, which is not included in the table above.

5 Simon Dodd was appointed with effect from 1 August 2016. As such, his salary includes that for the period prior to this appointment where he was a Divisional Director, his bonus for the 2017 financial year is pro-rata from his date of appointment and includes an element relating to his employment as a Divisional Director.

The following table shows how variable pay elements are linked to the performance of the Group in 2017:

	Target set					
	Performance measure	Minimum	Maximum	Value of award	Actual performance	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%	25.09%	100% of maximum award

1 Maximum grant equates to 100% 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 26 March 2016 and 1 April 2017:

	Chief Executive	**Employees**
Change in annual salary	**3.2%**	**2.3%**
Change in taxable benefits	**4.2%**	**nil%**
Change in annual bonus[1]	**(51.8)%**	**(46.2)%**

1 The "Change in annual bonus" reflects the increase or decrease in the percentage of annual salary to be 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 and Nectar Imports employees who receive bonus incentives through other bonus incentive schemes.

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. Last year, base pay was increased by approximately 4% for all Directors. The median of increases paid to head office staff was 2%.

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 is the Senior Independent Non-Executive Director of Dunelm Group plc. He retains fees of £61,200 per annum in respect of this position.

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	The Stable profit
Simon Emeny	100%	–	–	–
James Douglas	80%	–	–	20%
Richard Fuller	100%	–	–	–
Jonathon Swaine	40%	–	40%	20%
Simon Dodd	40%	60%	–	–

For the year under review, James Douglas earned a bonus of 25% of salary, Simon Emeny and Richard Fuller each earned a bonus of 31% of salary and Jonathon Swaine earned a bonus of 32% of salary. Simon Dodd was appointed with effect from 1 August 2016 and he received a bonus of 19% of pro rata annual salary.

Total pension entitlements
Michael Turner is a pensioner of the defined benefit Company pension plan, 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.

Simon Emeny, James Douglas and Jonathon Swaine are paid a contribution 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 net salary to their pension or another investment vehicle.

The Company makes a contribution of 17.5% of salary to Simon Dodd's nominated pension scheme. He is also required to make a contribution of 8%.

Scheme interests awarded during the financial year[1,2]
In respect of the 53-week period ended 1 April 2017 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	36,129	90,322	£10.23	£1.023	£461,999	27/06/16	27/06/19	50%
	SAYE	3,410	–	£7.74	–	£26,394	01/09/16	01/09/21	100%
	SIP	300	–	£10.00	–	£3,000	17/06/16	n/a	n/a
Total		**39,839**	**90,322**			**£491,393**			
James Douglas	LTIP	25,118	62,795	£10.23	£1.023	£321,196	27/06/16	27/06/19	50%
	SIP	300	–	£10.00	–	£3,000	17/06/16	n/a	n/a
Total		**25,418**	**62,795**			**£324,196**			
Richard Fuller	LTIP	11,709	29,274	£10.23	£1.023	£149,730	27/06/16	27/06/19	50%
	SAYE	2,713	–	£7.74	–	£20,999	01/09/16	01/09/21	100%
	SIP	300	–	£10.00	–	£3,000	17/06/16	n/a	n/a
Total		**14,722**	**29,274**			**£173,729**			
Jonathon Swaine	LTIP	15,483	38,709	£10.23	£1.023	£197,990	27/06/16	27/06/19	50%
	SAYE	2,325		£7.74		£17,996	01/09/16	01/09/19	100%
	SIP	300	–	£10.00	–	£3,000	17/06/16	n/a	n/a
Total		**18,108**	**38,709**			**£218,986**			
Simon Dodd	LTIP	8,089	20,224	£9.79	£0.979	£99,000	02/12/16	02/12/19	50%
	SAYE	1,395	–	£7.74	–	£10,797	01/09/16	01/09/19	100%
	SIP	300	–	£10.00	–	£3,000	17/06/16	n/a	n/a
Total		**9,784**	**20,224**			**£112,797**			

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.

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:

a) All shares they hold in the SIP
b) All shares they acquire as a result of exercising SAYE options
c) All shares that they acquire as a result of exercising options under the tax-advantaged ESOS net of the cost of those options
d) 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
e) 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' shareholdings

Directors Share Interests	Beneficial interest at 1 April 2017	Non–beneficial interest at 1 April 2017	Beneficial interest at 26 March 2016	Non–beneficial interest at 26 March 2016
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	**98,420**	–	98,120	–
'B' ordinary 4p shares	**911,989**	–	829,572	–
James Douglas				
'A' ordinary 40p shares	**49,009**	–	48,709	–
'B' ordinary 4p shares	**310,312**	–	250,752	–
Richard Fuller				
'A' ordinary 40p shares	**8,894**	**500,000**	8,031	500,000
'B' ordinary 4p shares	**3,122,462**	**10,935,015**	3,194,358	10,935,015
'C' ordinary 40p shares	**20,000**	–	20,000	–
2nd Preference £1 shares	**303**	–	303	–
Jonathon Swaine				
'A' ordinary 40p shares	**30,067**	–	24,954	–
'B' ordinary 4p shares	**127,690**	–	98,432	–
Simon Dodd				
'A' ordinary 40p shares	**560**	–	n/a	n/a
John Dunsmore				
'A' ordinary 40p shares	**23,305**	–	23,305	–
Sir James Fuller				
'A' ordinary 40p shares	**88,942**	–	88,942	–
'B' ordinary 4p shares	**9,143,952**	–	9,143,952	–
'C' ordinary 40p shares	**2,702,003**	–	2,702,003	–
Lynn Fordham				
'A' ordinary 40p shares	**13,192**	–	13,098	–
Alastair Kerr				
'A' ordinary 40p shares	**3,941**	–	3,941	–

There were no changes in the beneficial interests of any Director to 2 June 2017.

Director's Share Options

Director	Scheme	As at 26 March 2016	Exercised	Lapsed	Granted	As at 1 April 2017	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	
	SAYE	3,034	–	–	–	*	£8.70	01/09/15	01/09/20	01/03/21	
	SAYE	–	–	–	3,410	3,410	£7.74	01/09/16	01/09/21	01/03/22	
Total		**33,321**				**33,697**					
James Douglas	SESOS	2,391	–	–	–	2,391	£4.05	15/07/08	15/07/11	15/07/18	
	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	1,204	–	–	–	1,204	£7.47	01/09/14	01/09/17	01/03/18	
	SAYE	1,034	–	–	–	1,034	£8.70	01/09/15	01/09/18	01/03/19	
Total		**36,952**				**36,952**					
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	
	SAYE	563	(563)	–	–	–	£5.47	01/09/11	01/09/16	01/03/20	£10.48
	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	
	SAYE	828	–	–	–	828	£7.24	01/09/13	01/09/18	01/03/19	
	ESOS	2,588	–	–	–	2,588	£9.65	30/06/14	30/06/17	30/06/24	
	SAYE	401	–	–	–	401	£7.47	01/09/14	01/09/19	01/03/20	
	SAYE	689	–	–	–	*	£8.70	01/09/15	01/09/20	01/03/21	
	SAYE	–	–	–	2,713	2,713	£7.74	01/09/16	01/09/21	01/03/22	
Total		**20,271**				**21,732**					

Director	Scheme	As at 26 March 2016	Exercised	Lapsed	Granted	As at 1 April 2017	Exercise price	Date of grant	Exercisable from	Expiry date	Price at exercise date
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	3,848	–	–	–	*	£8.70	01/09/15	01/09/20	01/03/21	
	SAYE	–	–	–	2,325	2,325	£7.74	01/09/16	01/09/19	01/03/20	
Total		**12,713**				**11,190**					
Simon Dodd	ESOS	2,752	–	–	–	2,752	£10.90	29/06/15	29/06/18	29/06/25	
	SAYE	620	–	–	–	*	£8.70	01/09/15	01/09/18	01/09/19	
	SAYE	–	–	–	1,395	1,395	£7.74	01/09/16	01/09/19	01/03/20	
Total		**3,372**				**4,147**					
TOTAL		**106,629**				**107,718**					

* These savings contract were cancelled prior to subscribing to new savings contract in 2016.

Note: 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' Long Term Incentive Plan allocations

Director	Total held at 26 March 2016	Awarded during the year	Vested during the year	Lapsed during the year	**Total held at 1 April 2017**	Monetary value of vest £000[1]
Simon Emeny						
'A' ordinary 40p shares	101,175	36,129	(32,967)	–	**104,337**	330
'B' ordinary 4p shares	252,941	90,322	(82,417)	–	**260,846**	82
James Douglas						
'A' ordinary 40p shares	72,446	25,118	(23,824)	–	**73,740**	238
'B' ordinary 4p shares	181,118	62,795	(59,560)	–	**184,353**	60
Richard Fuller						
'A' ordinary 40p shares	33,888	11,709	(11,241)	–	**34,356**	112
'B' ordinary 4p shares	84,724	29,274	(28,104)	–	**85,894**	28
Jonathon Swaine						
'A' ordinary 40p shares	38,702	15,483	(11,703)	–	**42,482**	117
'B' ordinary 4p shares	96,756	38,709	(29,258)	–	**106,207**	29
Simon Dodd[2]						
'A' ordinary 40p shares	4,632	8,089	–	–	**12,721**	–
'B' ordinary 4p shares	11,580	20,224	–	–	**31,804**	–

1 The market price of 'A' ordinary shares on 28 July 2016 for the LTIP awards that vested and were released to participants was £10.00; the price of 'B' ordinary shares is assumed to be £1.00.

2 Following his appointment on 1st August 2016, Simon Dodd received a pro-rata award in December 2016.

The performance conditions for the LTIP are set out in the tables on pages 59 and 60 of this report.

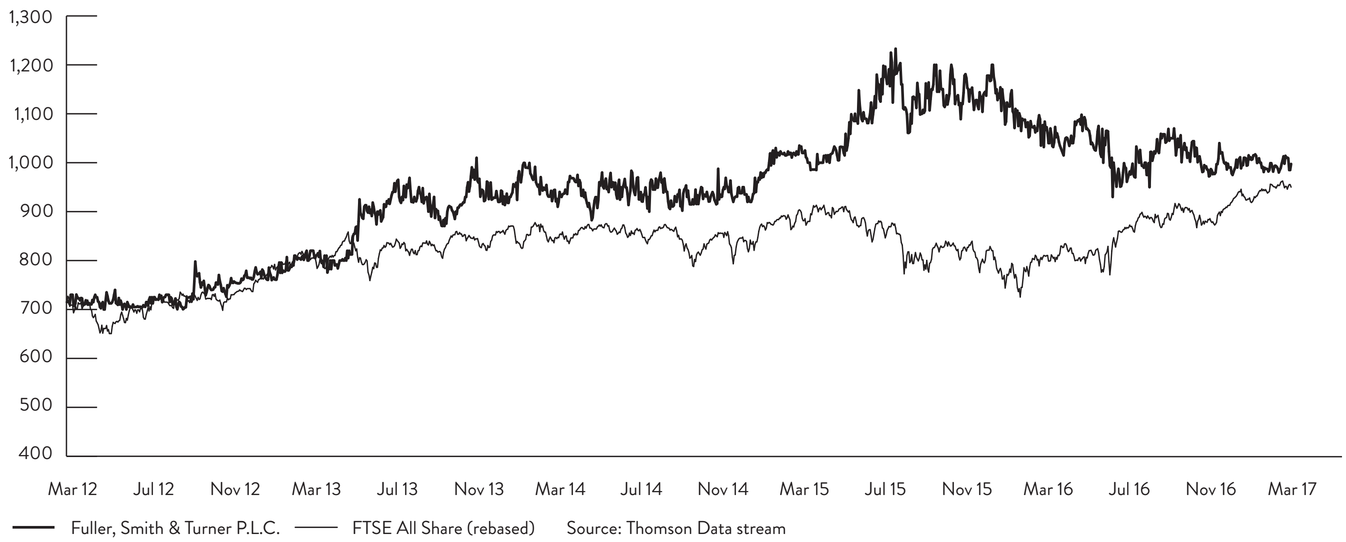
Directors' Remuneration Report continued

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.

Nigel Atkinson, former Non-Executive Director, receives annual fees of £7,500 which are paid because Mr Atkinson continues to act for the Company as its ambassador in the Hampshire area, attending various events as the Company's representative.

Payments for loss of office
Ian Bray resigned as a Director with effect from 31 May 2016 and has received a payment equivalent to one year's salary paid in monthly instalments until May 2017 in accordance with the remuneration policy. He was not entitled to receive any bonus payment or LTIP/options for the years ended 26 March 2016 and 1 April 2017 and instead received a payment of £160,000.

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 five financial years against the TSR for the companies in the FTSE Travel & Leisure Index. The Company is a constituent of this Index and therefore it is an appropriate choice for this report.



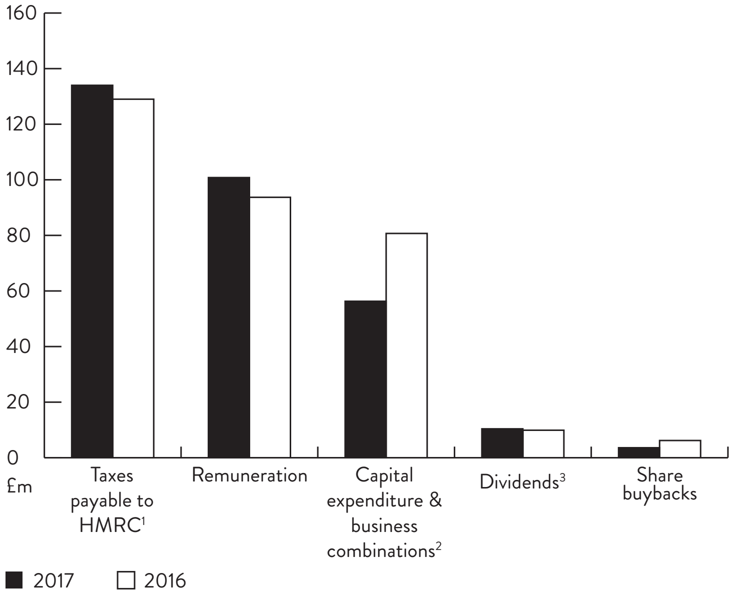
The table below shows the total remuneration figure for the Chief Executive over the last five financial years and the annual bonus and LTIP pay-out for each year as a percentage of the maximum available:

	2013	2014[2]	2015	2016	**2017**
Single figure total remuneration (£000)	911	977	1,244	1,418	**1,097**
Annual bonus[1]	41%	77%	76%	85%	**41%**
LTIP	56%	64%	96%	100%	**100%**

1 Annual bonus as a percentage of the maximum available.
2 Simon Emeny was appointed as Group Chief Executive in July 2013. The single total figure comprises the remuneration received by Simon Emeny in the financial year, hence includes remuneration for the three months prior to this promotion.

Relative importance of spend on pay

The table 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.

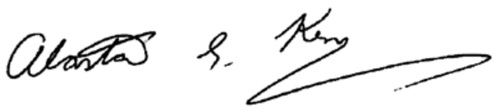
[3] Dividends represents the interim dividend for 2017 paid in the year and the final dividend for 2017 that has been proposed but not paid in the year.

Statement of Voting at the Last Annual General Meeting

At the Annual General Meeting held on 21 July 2016, 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	102,315,099	98.06%	2,019,138	1.94%	104,334,237	3,483,174

The Directors' Remuneration Report, encompassing pages 51 to 67, was approved by the Board and signed on its behalf.



Alastair Kerr
Chairman of the Remuneration Committee

8 June 2017

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

Our opinion on the financial statements is unmodified
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 1 April 2017 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Who we are reporting to
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.

What we have audited
Fuller, Smith & Turner P.L.C.'s financial statements for the 53 weeks ended 1 April 2017 comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and 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.

Overview of our audit approach
- Overall Group materiality: £2 million, which represents approximately 5% of the Group's profit before taxation and separately disclosed items;
- We performed full scope audit procedures at the Parent Company, from which all of the Group's profit before taxation arose, and targeted procedures for subsidiary operations; and
- Key audit risks identified were assessment of impairment of property, plant and equipment and intangible assets, risk of fraud in revenue recognition and presentation of separately disclosed items.

Our assessment of risk
In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit:

Audit risk	How we responded to the risk
Impairment of property, plant and equipment and intangible assets	
As more fully explained in note 11, the Directors are required to make an impairment assessment for property, plant and equipment when there is an indication that an asset may be impaired and for goodwill annually. 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. We therefore identified the assessment of impairment of property, plant and equipment and intangible assets as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: – reviewing the accounting policy for compliance with IFRSs as adopted by the EU and that the application by the Group is consistent with the stated policy; – an assessment of current trading and the market for pub transactions; – challenge of the impairment models prepared by management that assess each trading property and each component of goodwill; – testing of the integrity of data used in the models by agreeing a sample to source data; – a review of the key inputs within the calculations, as well as performing a completeness review of all operating units to ensure all appropriate sites 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 historical trends. The Group's accounting policy on impairment is shown in note 1 and related disclosures are included in respect of property, plant and equipment in note 11 and goodwill in note 10. The Audit Committee also identified impairment testing of property assets as a significant issue in its report on page 48, where the Committee also describes how it addressed this issue.

Audit risk	How we responded to the risk
Risk of fraud in revenue recognition	
Under International Standards on Auditing (ISAs) (UK and Ireland) 240 'The Auditor's Responsibilities Relating to Fraud in an audit of financial statements' there is a presumed risk of fraud in revenue recognition. As the Group records a substantial proportion of sales in cash and through point of sale transactions, we identified the risk of fraud in revenue recognition as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: – an evaluation of the revenue recognition policies for each of the Group's two principal revenue streams against the requirements of the Group's stated accounting policies and IAS 18 'Revenue'; – for beer and liquor sales made by the Brewery we performed testing of certain key controls such as proof of delivery over invoicing and despatch, testing the recovery of trade receivables to after date cash and checking the application of cut-off at the period end; and – for managed inns revenue we tested the key controls over the completeness and capture of sales from individual inns and tested the receipt of cash collected at inns into Group bank accounts. – for all income streams, we assessed management review processes for the assessment and reporting of revenue. The Group's accounting policy on revenue, including its recognition, is shown in note 1 and related disclosures are included in note 3.
Presentation of separately disclosed items	
As set out in the consolidated income statement and note 5, the financial statements included a net charge of £3m in respect of separately disclosed items. There is significant management judgement in the determination of these items, which are not defined by IFRSs as adopted by the European Union, and 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 the presentation of separately disclosed items as a significant risk requiring special audit consideration.	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 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 significant issue in its report on page 48, where the Committee also described how it addressed this issue.

Our application of materiality and an overview of the scope of our audit

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.

We determined materiality for the audit of the Group financial statements as a whole to be £2 million, which is approximately 5% of the Group's 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 period is unchanged from the level we determined for the 52 week period ended 26 March 2016 to reflect the similar activities and operations as the prior period.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group financial statements. We also determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.

We determined the threshold at which we communicate misstatements in respect of the Group financial statements to the Audit Committee to be £100,000. In addition we communicated misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with ISAs (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

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, all of the Group's profit before taxation arose in the Parent Company on which we performed a full scope audit;
– 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 controls over the financial reporting systems identified as part of our risk assessment, reviewed the accounts production process and addressed critical accounting matters. We sought, wherever possible, to rely on the effectiveness of the Group's internal controls in order to reduce substantive testing;
– 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; and
– the only change in the overview of the scope of the current period audit from the scope of that of the prior period was the inclusion of the audit of separately disclosed items as a significant risk. Separately disclosed items were included as a reported risk reflecting greater consistency between risk and materiality assessment, and the judgment exercised in the determination of separately disclosed items irrespective of the monetary value of these items. Accounting for acquisitions was included as an audit risk in 2016 but was not included as an audit risk in 2017 as the accounting principles and valuation assessment had been established in prior periods and adjustment of estimates was immaterial.

Other reporting required by regulations

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

In our opinion, the part of the Director's 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
– the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

Matter 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

Under the Companies Act 2006 we are required 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.

Under the Listing Rules, we are required to review:

– the directors' statements, set out on page 27, in relation to going concern and longer-term viability;
– the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
– otherwise misleading.

In particular, we are required to report to you if:

– we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or
– the annual report does not appropriately disclose those matters that were communicated to the Audit Committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

– the Directors' confirmation in 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 disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
– the Directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
– the Directors' explanation in 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.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Charles Hutton-Potts
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

8 June 2017

Group Income Statement
for the 53 weeks ended 1 April 2017

	Note	53 weeks ended 1 April 2017 Before separately disclosed items £m	Separately disclosed items £m	Total £m	52 weeks ended 26 March 2016 Before separately disclosed items £m	Separately disclosed items £m	Total £m
Revenue	3	**392.0**	**–**	**392.0**	350.5	–	350.5
Operating costs	4,5	**(342.5)**	**(3.1)**	**(345.6)**	(303.6)	(3.9)	(307.5)
Operating profit		**49.5**	**(3.1)**	**46.4**	46.9	(3.9)	43.0
Profit on disposal of properties	5	**–**	**0.9**	**0.9**	–	2.9	2.9
Finance costs	5,6	**(6.6)**	**(0.8)**	**(7.4)**	(6.0)	(0.7)	(6.7)
Profit before tax		**42.9**	**(3.0)**	**39.9**	40.9	(1.7)	39.2
Taxation	5,7	**(9.1)**	**1.7**	**(7.4)**	(8.4)	2.2	(6.2)
Profit for the year		**33.8**	**(1.3)**	**32.5**	32.5	0.5	33.0
Attributable to:							
Equity shareholders of the Parent Company		**33.9**	**(1.2)**	**32.7**	32.3	0.5	32.8
Non-controlling interest		**(0.1)**	**(0.1)**	**(0.2)**	0.2	–	0.2

Earnings per share per 40p 'A' and 'C' ordinary share		**Pence**	**Pence**	Pence	Pence
Basic	8		**59.21**		59.25
Diluted	8		**58.54**		58.45
Adjusted	8	**61.39**		58.35	
Diluted adjusted	8	**60.69**		57.56	
Earnings per share per 4p 'B' ordinary share					
Basic	8		**5.92**		5.93
Diluted	8		**5.85**		5.85
Adjusted	8	**6.14**		5.84	
Diluted adjusted	8	**6.07**		5.76	

The results and earnings per share measures above are all in respect of continuing operations of the Group.

Group and Company Statements of Comprehensive Income
for the 53 weeks ended 1 April 2017

Group	Note	**53 weeks ended 1 April 2017 £m**	52 weeks ended 26 March 2016 £m
Profit for the year		**32.5**	33.0
Items that may be reclassified to profit or loss			
Net losses on valuation of financial assets and liabilities	26	–	(0.3)
Tax related to items that may be reclassified to profit or loss		–	0.1
Items that will not be reclassified to profit or loss			
Net actuarial (losses)/gains on pension schemes	23	**(14.6)**	0.7
Tax related to items that will not be reclassified to profit or loss		**2.1**	(0.8)
Other comprehensive loss for the year, net of tax		**(12.5)**	(0.3)
Total comprehensive income for the year, net of tax		**20.0**	32.7
Total comprehensive income attributable to:			
Equity shareholders of the Parent Company		**20.2**	32.5
Non-controlling interest	16	**(0.2)**	0.2
Company			
Profit for the year		**33.0**	31.3
Items that may be reclassified to profit or loss			
Net losses on valuation of financial assets and liabilities	26	–	(0.3)
Tax related to items that may be reclassified to profit or loss		–	0.1
Items that will not be reclassified to profit or loss			
Net actuarial (losses)/gains on pension schemes	23	**(14.6)**	0.7
Tax related to items that will not be reclassified to profit or loss		**2.1**	(0.8)
Other comprehensive loss for the year, net of tax		**(12.5)**	(0.3)
Total comprehensive income for the year, net of tax		**20.5**	31.0

Group and Company Balance Sheets
1 April 2017

	Note	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Non-current assets					
Intangible assets	10	**39.0**	39.8	**6.9**	7.7
Property, plant and equipment	11	**557.5**	533.8	**541.1**	521.2
Investment properties	12	**4.7**	4.6	**4.7**	4.6
Other financial assets	13	**0.1**	0.1	**0.1**	0.1
Other non-current assets	14	**0.4**	0.3	**0.4**	0.3
Investments in subsidiaries	15	**–**	–	**100.2**	99.6
Deferred tax assets	7	**10.4**	8.3	**9.5**	7.8
Total non-current assets		**612.1**	586.9	**662.9**	641.3
Current assets					
Inventories	18	**14.0**	12.4	**12.2**	10.9
Trade and other receivables	19	**21.6**	21.0	**42.3**	32.2
Cash and short term deposits	22	**15.3**	6.2	**12.8**	5.1
Total current assets		**50.9**	39.6	**67.3**	48.2
Assets classified as held for sale	20	**5.9**	0.5	**5.9**	0.5
Current liabilities					
Trade and other payables	21	**(68.6)**	(60.8)	**(167.8)**	(158.1)
Current tax payable		**(4.6)**	(4.4)	**(3.8)**	(4.3)
Provisions	25	**(0.5)**	(0.4)	**(0.5)**	(0.4)
Borrowings	22	**(20.0)**	(20.0)	**(20.0)**	(20.0)
Total current liabilities		**(93.7)**	(85.6)	**(192.1)**	(182.8)
Non-current liabilities					
Borrowings	22	**(201.4)**	(184.7)	**(201.2)**	(184.5)
Other financial liabilities	13	**(8.5)**	(10.7)	**(3.2)**	(3.2)
Retirement benefit obligations	23	**(37.9)**	(23.5)	**(37.9)**	(23.5)
Deferred tax liabilities	7	**(16.8)**	(19.0)	**(16.5)**	(18.6)
Provisions	25	**(0.7)**	(2.2)	**(0.7)**	(2.2)
Other non-current payables	21	**(0.2)**	(0.4)	**–**	–
Total non-current liabilities		**(265.5)**	(240.5)	**(259.5)**	(232.0)
Net assets		**309.7**	300.9	**284.5**	275.2
Capital and reserves					
Share capital	27	**22.8**	22.8	**22.8**	22.8
Share premium account	27	**4.8**	4.8	**4.8**	4.8
Capital redemption reserve	27	**3.1**	3.1	**3.1**	3.1
Own shares	27	**(16.7)**	(15.8)	**(16.7)**	(15.8)
Hedging reserve	27	**(2.6)**	(2.6)	**(2.6)**	(2.6)
Retained earnings		**301.4**	293.0	**273.1**	262.9
Equity attributable to equity holders of the parent		**312.8**	305.3	**284.5**	275.2
Non-controlling interest	16	**(3.1)**	(4.4)	**–**	–
Total equity		**309.7**	300.9	**284.5**	275.2

Profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £33.0 million (2016: £31.3 million).

Approved by the Board and signed on 8 June 2017.

Michael Turner

M J Turner, FCA
Chairman

Group and Company Statements of Changes in Equity
for the 53 weeks ended 1 April 2017

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
At 28 March 2015	22.8	4.8	3.1	(13.5)	(2.4)	270.0	284.8	(3.1)	281.7
Profit for the year	–	–	–	–	–	32.8	32.8	0.2	33.0
Other comprehensive loss for the year	–	–	–	–	(0.2)	(0.1)	(0.3)	–	(0.3)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(0.2)**	**32.7**	**32.5**	**0.2**	**32.7**
Shares purchased to be held in ESOT or as treasury	–	–	–	(6.2)	–	–	(6.2)	–	(6.2)
Shares released from ESOT and treasury	–	–	–	3.9	–	(3.1)	0.8	–	0.8
Dividends (note 9)	–	–	–	–	–	(9.5)	(9.5)	–	(9.5)
Share-based payment charges	–	–	–	–	–	2.6	2.6	–	2.6
Tax credited directly to equity (note 7)	–	–	–	–	–	0.3	0.3	–	0.3
Adjustments arising from change in non-controlling interest (note 16)	–	–	–	–	–	–	–	(1.5)	(1.5)
Total transactions with owners	**–**	**–**	**–**	**(2.3)**	**–**	**(9.7)**	**(12.0)**	**(1.5)**	**(13.5)**
At 26 March 2016	**22.8**	**4.8**	**3.1**	**(15.8)**	**(2.6)**	**293.0**	**305.3**	**(4.4)**	**300.9**
Profit for the year	–	–	–	–	–	32.7	32.7	(0.2)	32.5
Other comprehensive loss for the year	–	–	–	–	–	(12.5)	(12.5)	–	(12.5)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**20.2**	**20.2**	**(0.2)**	**20.0**
Shares purchased to be held in ESOT or as treasury	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
Shares released from ESOT and treasury	–	–	–	2.7	–	(2.1)	0.6	–	0.6
Dividends (note 9)	–	–	–	–	–	(10.1)	(10.1)	–	(10.1)
Share-based payment charges	–	–	–	–	–	1.7	1.7	–	1.7
Tax credited directly to equity (note 7)	–	–	–	–	–	0.2	0.2	–	0.2
Adjustments arising from change in non-controlling interest (note 16)	–	–	–	–	–	(1.5)	(1.5)	1.5	–
Total transactions with owners	**–**	**–**	**–**	**(0.9)**	**–**	**(11.8)**	**(12.7)**	**1.5**	**(11.2)**
At 1 April 2017	**22.8**	**4.8**	**3.1**	**(16.7)**	**(2.6)**	**301.4**	**312.8**	**(3.1)**	**309.7**

Group and Company Statements of Changes in Equity continued
for the 53 weeks ended 1 April 2017

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 28 March 2015	22.8	4.8	3.1	(13.5)	(2.4)	241.4	256.2
Profit for the year	–	–	–	–	–	31.3	31.3
Other comprehensive loss for the year	–	–	–	–	(0.2)	(0.1)	(0.3)
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**(0.2)**	**31.2**	**31.0**
Shares purchased to be held in ESOT or as treasury	–	–	–	(6.2)	–	–	(6.2)
Shares released from ESOT and treasury	–	–	–	3.9	–	(3.1)	0.8
Dividends (note 9)	–	–	–	–	–	(9.5)	(9.5)
Share-based payment charges	–	–	–	–	–	2.6	2.6
Tax credited directly to equity (note 7)	–	–	–	–	–	0.3	0.3
Total transactions with owners	**–**	**–**	**–**	**(2.3)**	**–**	**(9.7)**	**(12.0)**
At 26 March 2016	**22.8**	**4.8**	**3.1**	**(15.8)**	**(2.6)**	**262.9**	**275.2**
Profit for the year	–	–	–	–	–	33.0	33.0
Other comprehensive loss for the year	–	–	–	–	–	(12.5)	(12.5)
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**20.5**	**20.5**
Shares purchased to be held in ESOT or as treasury	–	–	–	(3.6)	–	–	(3.6)
Shares released from ESOT and treasury	–	–	–	2.7	–	(2.1)	0.6
Dividends (note 9)	–	–	–	–	–	(10.1)	(10.1)
Share-based payment charges	–	–	–	–	–	1.7	1.7
Tax credited directly to equity (note 7)	–	–	–	–	–	0.2	0.2
Total transactions with owners	**–**	**–**	**–**	**(0.9)**	**–**	**(10.3)**	**(11.2)**
At 1 April 2017	**22.8**	**4.8**	**3.1**	**(16.7)**	**(2.6)**	**273.1**	**284.5**

Group and Company Cash Flow Statements
for the 53 weeks ended 1 April 2017

	Note	**Group 53 weeks ended 1 April 2017 £m**	Group 52 weeks ended 26 March 2016 £m	**Company 53 weeks ended 1 April 2017 £m**	Company 52 weeks ended 26 March 2016 £m
Profit before tax		**39.9**	39.2	**37.8**	37.5
Net finance costs before separately disclosed items		**6.6**	6.0	**8.4**	8.5
Separately disclosed items	5	**3.0**	1.7	**4.3**	(0.6)
Depreciation and amortisation	4	**21.0**	18.1	**18.8**	16.9
		70.5	65.0	**69.3**	62.3
Difference between pension charge and cash paid		**(1.0)**	(1.0)	**(1.0)**	(1.0)
Share-based payment charges		**1.7**	2.6	**1.7**	2.6
Change in trade and other receivables		**(0.6)**	(0.3)	**(0.5)**	(0.6)
Change in inventories		**(1.6)**	(0.3)	**(1.3)**	(0.3)
Change in trade and other payables		**5.9**	3.7	**5.6**	4.8
Cash impact of operating separately disclosed items	5	**(2.4)**	(1.1)	**(2.1)**	(0.9)
Cash generated from operations		**72.5**	68.6	**71.7**	66.9
Tax paid		**(9.2)**	(8.5)	**(9.0)**	(8.5)
Cash generated from operating activities		**63.3**	60.1	**62.7**	58.4
Cash flow from investing activities					
Business combinations	17	**(20.8)**	(14.7)	**(20.8)**	(13.8)
Purchase of property, plant and equipment		**(35.0)**	(66.0)	**(28.8)**	(59.2)
Cash acquired on acquisition		**–**	0.9	**–**	–
Sale of property, plant and equipment		**4.4**	5.1	**4.4**	5.1
Net cash outflow from investing activities		**(51.4)**	(74.7)	**(45.2)**	(67.9)
Cash flow from financing activities					
Purchase of own shares	27	**(3.6)**	(6.2)	**(3.6)**	(6.2)
Receipts on release of own shares to option schemes		**0.6**	0.8	**0.6**	0.8
Interest paid		**(5.9)**	(5.3)	**(5.9)**	(5.3)
Preference dividends paid	9	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Equity dividends paid	9	**(10.1)**	(9.5)	**(10.1)**	(9.5)
Drawdown of bank loans		**16.5**	36.4	**16.5**	36.4
Repayment of other loans		**–**	(0.2)	**–**	–
Loans to subsidiary companies		**–**	–	**(7.0)**	(6.1)
Cost of refinancing		**(0.1)**	(0.2)	**(0.1)**	(0.2)
Cost of new derivative instruments		**(0.1)**	–	**(0.1)**	–
Net cash (outflow)/inflow from financing activities		**(2.8)**	15.7	**(9.8)**	9.8
Net movement in cash and cash equivalents		**9.1**	1.1	**7.7**	0.3
Cash and cash equivalents at the start of the year	22	**6.2**	5.1	**5.1**	4.8
Cash and cash equivalents at the end of the year	22	**15.3**	6.2	**12.8**	5.1

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 53 weeks ended 1 April 2017 were authorised for issue by the Board of Directors on 8 June 2017 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 53 weeks ended 1 April 2017, 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 when 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 27 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 and additional consideration, and the date that control is obtained, require significant judgement and estimate. 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 53 weeks ended 1 April 2017 (2016: 52 weeks ended 26 March 2016).

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 inter-company 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 27 March 2016:

– IFRS 14 Regulatory Deferral Accounts	1 January 2016
– Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
– Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
– Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016
– Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016
– Annual improvements to IFRS 2012-2014 cycle	1 January 2016
– Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements	1 January 2016
– Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016

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 are carried at cost less accumulated amortisation and impairment losses. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. 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.

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 considerations recognised on business combinations are measured at fair value using Level 3 valuation techniques.

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

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

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis down 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.

1. Authorisation of Financial Statements and Accounting Policies continued

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 down 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
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.

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

Financial instruments
Financial assets
Trade and other receivables
Trade receivables and loans to customers do not carry any interest and are recognised at their original invoiced amounts, less an allowance for any amounts that are not considered to be collectible. 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 uncollectible, 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.

1. Authorisation of Financial Statements and Accounting Policies continued

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 are 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.

The put and call options for the remaining shares in The Stable Pizza & Cider Limited and Nectar Imports Limited are recognised as derivative financial instruments measured using Level 3 fair value valuation techniques.

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 26, 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.

1. Authorisation of Financial Statements and Accounting Policies continued

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. It is measured at the fair value of consideration received or receivable, net of discounts and VAT.

Sales of goods are recognised when the goods are delivered and title has passed. Rental income is recognised on a straight-line basis over the term of the lease. Revenue for bedroom accommodation is recognised at the point the services are rendered. Amusement machine revenue is recognised in the accounting period to which the income relates.

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.

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 granted 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 and shown as a deduction from equity in the Balance Sheet.

In addition to the purchase of shares by the various employee share ownership trusts 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.

1. Authorisation of Financial Statements and Accounting Policies continued

Taxation

Current tax

Income tax expense represents the sum of the tax currently payable and deferred 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.

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 directly 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.

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

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 15 Revenue from Contracts with Customers (effective 1 January 2018)
– IFRS 16 Leases (effective 1 January 2019)
– IFRS 9 Financial Instruments (2014) (effective 1 January 2018)
– Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
– Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)
– Annual Improvements to IFRS 2014-2016 Cycle (effective 1 January 2017)
– IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
– Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
– Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective 1 January 2018)
– Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)

The Directors expect that the adoption of the Standards and Interpretations listed below will have a material impact on the financial statements of the Group in future periods:

– New requirements within IFRS 16 to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. However, there will be no impact on the cash flow of the business. The impact of this change is still being assessed.
– IFRS 9 will impact both the measurement and disclosure of financial instruments, the impact of which is being assessed.

2. Segmental Analysis

Operating Segments

For management purposes, the Group's operating segments are:

– Managed Pubs and Hotels, which comprises managed pubs, managed hotels, and The Stable Pizza & Cider Limited;
– Tenanted Inns, which comprises pubs operated by third parties under tenancy or lease agreements; and
– The Fuller's Beer Company, which comprises the brewing and distribution of beer, cider, wines, spirits and soft drinks, and Nectar Imports Limited.

The Group's business is vertically integrated. 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 8 to 37 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.

53 weeks ended 1 April 2017	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	**261.3**	**31.2**	**147.9**	–	**440.4**
Inter-segment sales			**(48.4)**	–	**(48.4)**
Revenue from third parties	**261.3**	**31.2**	**99.5**	–	**392.0**
Segment result	**32.4**	**13.2**	**8.0**	**(4.1)**	**49.5**
Operating separately disclosed items					**(3.1)**
Operating profit					**46.4**
Profit on disposal of properties					**0.9**
Net finance costs					**(7.4)**
Profit before tax					**39.9**
Other segment information					
Capital expenditure: property, plant and equipment	**26.0**	**2.1**	**6.9**	–	**35.0**
Business combinations (note 17)	**19.3**	–	**1.5**	–	**20.8**
Depreciation and amortisation	**15.7**	**1.6**	**3.7**	–	**21.0**
Impairment of property	–	–	–	–	–
Reversal of impairment on property	–	–	–	–	–

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

2. Segmental Analysis continued

52 weeks ended 26 March 2016	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	238.4	31.5	126.8	–	396.7
Inter-segment sales	–	–	(46.2)	–	(46.2)
Revenue from third parties	238.4	31.5	80.6	–	350.5
Segment result	30.9	13.4	7.6	(5.0)	46.9
Operating separately disclosed items					(3.9)
Operating profit					43.0
Profit on disposal of properties					2.9
Pension fund curtailment gain					–
Net finance costs					(6.7)
Profit before tax					39.2
Other segment information					
Capital expenditure: property, plant and equipment	60.9	2.2	2.9	–	66.0
Business combinations (note 17)	7.3	4.7	2.7	–	14.7
Depreciation and amortisation	13.0	1.6	3.5	–	18.1
Impairment of property	1.2	0.2	–	–	1.4
Reversal of impairment on property	(0.5)	(0.1)	–	–	(0.6)

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

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

53 weeks ended 1 April 2017	**UK £m**	**Rest of the World £m**	**Total £m**
Revenue			
Sales to external customers	**384.2**	**7.8**	**392.0**

52 weeks ended 26 March 2016	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	342.5	8.0	350.5

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.

3. Revenue

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	**382.0**	341.0
Rental income	**10.0**	9.5
	392.0	350.5

4. Operating Costs

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Production costs and cost of goods used in retailing	**149.1**	117.6
Change in stocks of finished goods and beer in progress	**1.6**	1.8
Staff costs	**100.8**	91.5
Repairs and maintenance	**12.3**	11.5
Depreciation of property, plant and equipment	**20.2**	17.3
Amortisation of intangibles	**0.8**	0.8
Operating lease rentals – minimum lease payments[1]	**8.5**	7.8
– contingent rents[2]	**3.9**	3.5
Separately disclosed items (note 5)	**3.1**	3.9
Other	**45.3**	51.8
	345.6	307.5

1 Included within minimum lease payments are sublease payments of £0.6 million (2016: £0.5 million).
2 Contingent rents are dependent on turnover levels.

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

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Fees payable to Company's auditors:		
– Statutory audit fees of Group financial statements	**0.1**	0.1
	0.1	0.1

Included in audit fees, is £44,000 payable to the Group auditors for audits of subsidiary undertakings. Other assurance fees of £15,000 comprising a half year review, other audit related services of £1,000 comprising covenant reporting and non-audit services of £5,500 comprising iXBRL tagging, were also incurred in the period.

b) Staff Costs[1]

	£m	£m
Wages and salaries[2]	**92.1**	84.2
Deemed remuneration on the future purchase of shares in The Stable	**0.3**	2.2
Social security costs	**6.9**	5.9
Pension benefits	**1.6**	1.4
	100.8	93.7

1 Includes Directors.
2 Includes share-based payment expense.

c) Average Number of Employees[1]

	Number	Number
The average monthly number of persons employed by the Group (including part-time staff) was as follows:		
Fuller's Inns	**4,301**	4,114
The Fuller's Beer Company	**408**	352
Central Services	**13**	13
	4,722	4,479

1 Includes Directors.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 51 to 67.

5. Separately Disclosed Items

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Amounts included in operating profit:		
Acquisition costs	**(1.3)**	(1.1)
Reorganisation cost	**(1.5)**	–
Deemed remuneration on the future purchase of shares in The Stable	**(0.3)**	(2.2)
Impairment of properties	–	(1.4)
Reversal of impairment on property	–	0.6
Onerous lease provision release/(charge) (note 25)	–	0.2
Total separately disclosed items included in operating profit	**(3.1)**	(3.9)
Profit on disposal of properties	**0.9**	2.9
Separately disclosed finance costs:		
Finance charge on net pension liabilities	**(0.8)**	(0.8)
Movement in fair value of financial instruments	–	0.1
Total separately disclosed finance costs	**(0.8)**	(0.7)
Total separately disclosed items before tax	**(3.0)**	(1.7)
Separately disclosed tax:		
Change in corporation tax rate (note 7)	**1.0**	1.9
Profit on disposal of properties	–	(0.5)
Other items	**0.7**	0.8
Total separately disclosed tax	**1.7**	2.2
Total separately disclosed items	**(1.3)**	0.5

Acquisition costs of £1.3 million during the 53 weeks ended 1 April 2017 (2016: £1.1 million) relate to transaction costs on site acquisitions both completed and aborted. In the 52 weeks ended 26 March 2016, the costs incurred related to site and business acquisitions. See note 17.

The reorganisation costs of £1.5 million incurred in the period, were principally incurred within The Fuller's Beer Company and primarily relate to staff costs.

Deemed remuneration on the future purchase of shares in The Stable relates to the remuneration element of the increase in the estimated value of the option remaining on The Stable group of companies. The original option was over 49% of the shares, but during the current period, the Group exercised the option to purchase an additional 25% of the shares for £2.7 million, taking its shareholding to 76%. The current estimate of the amount payable for the remaining 24% is £3.4 million, of which £2.8 million is accrued at the balance sheet date, with the balance to be accrued over the remaining period to 31 March 2018.

There was no property impairment in the period. In the 52 weeks ended 26 March 2016, there was a write down of licensed properties to their recoverable value. The reversal of impairment credit of £0.6 million during the 52 weeks ended 26 March 2016 related to the write back of previously impaired licensed properties to their recoverable value.

The onerous lease provision release of £0.2 million in the prior period relates to a leasehold property disposed during the prior period.

The profit on disposal of properties of £0.9 million during the 53 weeks ended 1 April 2017 (2016: £2.9 million) relates to the disposal of six licensed properties (2016: five licensed properties).

The cash impact of separately disclosed items before tax for the 53 weeks ended 1 April 2017 was £2.4 million cash outflow (2016: £1.1 million cash outflow).

6. Finance Costs

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	**6.2**	5.7
Financial liabilities at amortised cost – preference shares	**0.1**	0.1
Total interest expense for financial liabilities	**6.3**	5.8
Unwinding of discounts on provisions	**0.3**	0.2
Total finance costs before separately disclosed items	**6.6**	6.0
Finance charge on net pension liabilities (note 5)	**0.8**	0.8
Movement in fair value of financial instruments (note 5)	**–**	(0.1)
Total finance costs	**7.4**	6.7

7. Taxation

Tax on Profit on Ordinary Activities

Group	**53 weeks ended 1 April 2017 £m**	52 weeks ended 26 March 2016 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	**9.6**	9.3
Amounts (over)/under provided in previous years	**(0.1)**	–
Total current income tax	**9.5**	9.3
Deferred tax:		
Origination and reversal of temporary differences	**(1.0)**	(1.2)
Change in corporation tax rate (note 5)	**(1.0)**	(1.9)
Amounts (over)/under provided in previous years	**(0.1)**	–
Total deferred tax	**(2.1)**	(3.1)
Total tax charged in the Income Statement	**7.4**	6.2
Analysed as:		
Before separately disclosed items	**9.1**	8.4
Separately disclosed items	**(1.7)**	(2.2)
	7.4	6.2

Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is lower than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are reconciled below:

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Profit from continuing operations before taxation	**39.9**	39.2
Accounting profit multiplied by the UK standard rate of corporation tax of 20% (2016: 20%)	**8.0**	7.8
Items not deductible for tax purposes	**0.5**	0.5
Current and deferred tax overprovided in previous years	**(0.2)**	–
Change in corporation tax rate	**(1.0)**	(1.9)
Other	**0.1**	(0.2)
Total tax charged in the Income Statement	**7.4**	6.2

7. Taxation continued

Deferred tax relating to items charged/(credited) to the Income Statement

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Deferred tax depreciation	**(1.5)**	(2.3)
Rolled over capital gains	**(0.6)**	(0.1)
Retirement benefit obligations	–	(0.1)
Tax losses carried forward	–	(0.1)
Employee share schemes	**0.1**	–
Pub acquisition costs	**(0.1)**	(0.1)
Others	–	(0.4)
Deferred tax in the Income Statement	**(2.1)**	(3.1)

Tax relating to items charged/(credited) to the Statement of Comprehensive Income

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Deferred tax:		
Change in corporation tax rate	**0.3**	0.6
Net actuarial (losses)/gains on pension scheme	**(2.4)**	0.1
Total tax charged in the Statement of Comprehensive Income	**(2.1)**	0.7

Tax relating to items charged/(credited) directly to equity

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Deferred tax:		
Reduction in deferred tax liability due to indexation	**(0.1)**	–
Share-based payments	–	0.1
Current tax:		
Share-based payments	**(0.1)**	(0.4)
Total tax charged to equity	**(0.2)**	(0.3)

During the period The Finance Act 2016 received Royal Assent. The main impact was the reduction of the UK corporation tax rate from 18% to 17% from 1 April 2020. To the extent that this rate change will affect the amount of future cash tax payments to be made by the Group, this will reduce the size of both the Group's Balance Sheet deferred tax liability and deferred tax asset. The impact in the 53 weeks to 1 April 2017 was a credit to separately disclosed items in the Income Statement of £1.0 million, and a charge to the Statement of Comprehensive Income of £0.3 million.

7. Taxation continued

Deferred Tax Provision

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

Group

	Deferred tax asset/(liability)							
Deferred Tax	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	Total £m
Balances at 28 March 2015	4.9	0.4	1.0	0.6	(12.4)	(8.9)	1.5	(12.9)
(Charge)/credit to income statement	–	0.2	–	(0.1)	2.1	0.2	0.6	3.0
(Charge)/credit to other comprehensive income	(0.7)	–	–	–	–	–	–	(0.7)
(Charge)/credit taken directly to equity		–	(0.1)	–	–	–	–	(0.1)
Balances at 26 March 2016	4.2	0.6	0.9	0.5	(10.3)	(8.7)	2.1	(10.7)
(Charge)/credit to income statement	–	–	(0.1)	–	1.5	0.6	0.1	2.1
(Charge)/credit to other comprehensive income	2.1	–	–	–	–	–	–	2.1
(Charge)/credit taken directly to equity	–	–	–	–	–	0.1	–	0.1
Balances at 1 April 2017	**6.3**	**0.6**	**0.8**	**0.5**	**(8.8)**	**(8.0)**	**2.2**	**(6.4)**

	2017 £m	2016 £m
Deferred tax assets	**10.4**	8.3
Deferred tax liabilities	**(16.8)**	(19.0)
	(6.4)	(10.7)

Company

Deferred Tax	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	Total £m
Balances at 28 March 2015	4.9	0.2	1.0	0.6	(12.4)	(8.9)	1.5	(13.1)
(Charge)/credit to income statement	–	0.3	–	(0.1)	2.5	0.2	0.2	3.1
(Charge)/credit to other comprehensive income	(0.7)	–	–	–	–	–	–	(0.7)
(Charge)/credit taken directly to equity	–	–	(0.1)	–	–	–	–	0.2
Balances at 26 March 2016	4.2	0.5	0.9	0.5	(9.9)	(8.7)	1.7	(10.8)
(Charge)/credit to income statement	–	(0.2)	(0.1)	–	1.4	0.6	(0.1)	1.6
(Charge)/credit to other comprehensive income	2.1	–	–	–	–	–	–	2.1
(Charge)/credit taken directly to equity	–	–	–	–	–	0.1	–	0.1
Balances at 1 April 2017	**6.3**	**0.3**	**0.8**	**0.5**	**(8.5)**	**(8.0)**	**1.6**	**(7.0)**

	2017 £m	2016 £m
Deferred tax assets	**9.5**	7.8
Deferred tax liabilities	**(16.5)**	(18.6)
	(7.0)	(10.8)

8. Earnings Per Share

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Profit attributable to equity shareholders	**32.7**	32.8
Separately disclosed items net of tax	**1.2**	(0.5)
Adjusted earnings attributable to equity shareholders	**33.9**	32.3

	Number	Number
Weighted average share capital	**55,223,000**	55,356,000
Dilutive outstanding options and share awards	**636,000**	764,000
Diluted weighted average share capital	**55,859,000**	56,120,000

40p 'A' and 'C' ordinary share	Pence	Pence
Basic earnings per share	**59.21**	59.25
Diluted earnings per share	**58.54**	58.45
Adjusted earnings per share	**61.39**	58.35
Diluted adjusted earnings per share	**60.69**	57.56

4p 'B' ordinary share	Pence	Pence
Basic earnings per share	**5.92**	5.93
Diluted earnings per share	**5.85**	5.85
Adjusted earnings per share	**6.14**	5.84
Diluted adjusted earnings per share	**6.07**	5.76

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 1,760,953 (2016: 1,628,444).

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. An adjusted earnings per share measure has been included as the Directors consider that this measure better reflects the underlying earnings of the Group.

9. Dividends

	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: 11.00p (2015: 10.20p)	**6.1**	5.6
Interim dividend for 2017: 7.25p (2016: 6.90p)	**4.0**	3.9
Equity dividends paid	**10.1**	9.5
Dividends on cumulative preference shares (note 6)	**0.1**	0.1
Proposed for approval at the Annual General Meeting:		
Final dividend for 2017: 11.55p (2016: 11.00p)	**6.4**	6.1

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.

Company
Fuller, Smith & Turner P.L.C received a dividend of £2.3m from G & M Leisure Limited during the period.

10. Intangible Assets

	Group Goodwill £m	Group and Company: Lease assignment premiums £m	Group and Company: Distribution rights £m	Group Total £m	Company Total £m
Cost					
At 28 March 2015	30.8	9.6	1.2	41.6	10.8
Acquisitions (note 17)	1.9	–	–	1.9	–
At 26 March 2016	32.7	9.6	1.2	43.5	10.8
Acquisitions (note 17)	–	–	–	–	–
At 1 April 2017	**32.7**	**9.6**	**1.2**	**43.5**	**10.8**
Amortisation and impairment					
At 28 March 2015	0.6	2.0	0.3	2.9	2.3
Provided during the year	–	0.6	0.2	0.8	0.8
At 26 March 2016	0.6	2.6	0.5	3.7	3.1
Provided during the year	–	0.6	0.2	0.8	0.8
At 1 April 2017	**0.6**	**3.2**	**0.7**	**4.5**	**3.9**
Net book value at 1 April 2017	**32.1**	**6.4**	**0.5**	**39.0**	**6.9**
Net book value at 26 March 2016	32.1	7.0	0.7	39.8	7.7
Net book value at 28 March 2015	30.2	7.6	0.9	38.7	8.5

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" (note 4).

There are six pubs on which we carry lease assignment premiums at 1 April 2017 (2016: 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" (note 4).

10. Intangible Assets continued

Goodwill

Goodwill is allocated to cash-generating units as follows:	Managed £m	Tenanted £m	Beer Company £m	2017 £m	2016 £m
Gales estate	9.1	13.6	–	**22.7**	22.7
Jacomb Guinness estate	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
Nectar Imports Limited	–	–	1.9	**1.9**	1.9
	14..0	13.6	4.5	**32.1**	32.1

Key assumptions used in value in use calculations:	2017	2016
Long-term growth rate – Managed	**0.5%**	0.5%
Long-term growth rate – Tenanted	**1.0%**	1.0%
Long-term growth rate – Cornish Orchards, The Stable Pizza & Cider Limited	**2.0%**	2.0%
Long-term growth rate – Nectar Imports Limited	**nil**	2.0%
Pre-tax discount rate – Freehold	**5.2%**	5.9%
Pre-tax discount rate – Leasehold	**10.2%**	8.3%
Pre-tax discount rate – Cornish Orchards	**8.2%**	7.9%
Pre-tax discount rate – The Stable Pizza & Cider Limited, Nectar Imports Limited	**10.2%**	8.3%

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, 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. For Cornish Orchards, The Stable Pizza & Cider Limited and Nectar Imports Limited cash flows beyond the modelling horizon are valued on a conservative market multiple basis. 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 upon the following assumptions: sales volume; gross margin in managed premises; barrelage and rent projections in tenanted premises; wage cost in managed premises; and capital expansion in Cornish Orchards and The Stable Pizza & Cider Limited. Gross margins are based on historical performance levels. All of the key assumptions above have their assigned values based on management knowledge and historical information.

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 1 April 2017.

11. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 28 March 2015	438.8	37.8	128.7	605.3
Additions	48.3	2.4	18.5	69.2
Acquisitions (note 17)	13.3	0.7	0.2	14.2
Disposals	(3.0)	(2.1)	(6.9)	(12.0)
Transfer to assets held for sale	(0.5)	–	–	(0.5)
At 26 March 2016	496.9	38.8	140.5	676.2
Additions	13.3	2.8	19.8	35.9
Acquisitions (note 17)	16.4	–	0.2	16.6
Disposals	(3.4)	(1.2)	(6.3)	(10.9)
Transfers from investment property	0.5	–	–	0.5
Transfer to assets held for sale	(6.8)	–	(1.4)	(8.2)
At 1 April 2017	**516.9**	**40.4**	**152.8**	**710.1**
Depreciation and impairment				
At 28 March 2015	28.9	24.0	80.5	133.4
Provided during the year	3.3	2.1	11.9	17.3
Acquisitions (note 17)	0.1	0.4	0.1	0.6
Impairment loss net of reversals	0.8	–	–	0.8
Disposals	(1.2)	(2.2)	(6.3)	(9.7)
At 26 March 2016	31.9	24.3	86.2	142.4
Provided during the year	4.0	2.2	14.0	20.2
Disposals	(0.6)	(1.2)	(5.9)	(7.7)
Transfer to assets held for sale	(1.2)	–	(1.1)	(2.3)
At 1 April 2017	**34.1**	**25.3**	**93.2**	**152.6**
Net book value at 1 April 2017	**482.8**	**15.1**	**59.6**	**557.5**
Net book value at 26 March 2016	465.0	14.5	54.3	533.8
Net book value at 28 March 2015	409.9	13.8	48.2	471.9

11. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 28 March 2015	437.9	35.7	123.9	597.5
Additions	46.0	2.4	16.8	65.2
Acquisitions (note 17)	9.0	–	–	9.0
Disposals	(3.0)	(2.1)	(6.7)	(11.8)
Transfer to assets held for sale	(0.5)	–	–	(0.5)
At 26 March 2016	489.4	36.0	134.0	659.4
Additions	9.0	2.3	18.4	29.7
Acquisitions (note 17)	16.4	–	0.2	16.6
Disposals	(3.1)	(1.2)	(6.2)	(10.5)
Transfers from investment property	0.5	–	–	0.5
Transfer to assets held for sale	(6.8)	–	(1.4)	(8.2)
At 1 April 2017	**505.4**	**37.1**	**145.0**	**687.5**
Depreciation and impairment				
At 28 March 2015	28.5	23.7	78.6	130.8
Provided during the year	2.9	1.9	11.4	16.2
Impairment loss net of reversals	0.8	–	–	0.8
Disposals	(1.2)	(2.1)	(6.3)	(9.6)
At 26 March 2016	31.0	23.5	83.7	138.2
Provided during the year	3.3	1.9	12.8	18.0
Disposals	(0.6)	(1.1)	(5.8)	(7.5)
Transfer to assets held for sale	(1.2)	–	(1.1)	(2.3)
At 1 April 2017	**32.5**	**24.3**	**89.6**	**146.4**
Net book value at 1 April 2017	**472.9**	**12.8**	**55.4**	**541.1**
Net book value at 26 March 2016	458.4	12.5	50.3	521.2
Net book value at 28 March 2015	409.4	12.0	45.3	466.7

Group and Company
Interest capitalised
The amount of interest capitalised to date is £203,000 (2016: £203,000). The amount of interest capitalised in the year was £nil (2016: £9,000 at a rate of 2%).

Assets under construction
Included in the cost of property, plant and equipment at 1 April 2017 are amounts of £0.3 million relating to two property developments in the course of construction.

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 53 weeks ended 1 April 2017, the Group recognised an impairment loss of £nil (2016: £1.4 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, no reversals were recognised during the 53 weeks ended 1 April 2017 (2016: £0.6 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)	**2017 £m**	2016 £m
Increase discount rate by 1%	**4.9**	1.9
Decrease discount rate by 1%	**(2.1)**	(1.3)
Increase growth rate by 0.5%	**(1.0)**	(0.7)
Decrease growth rate by 0.5%	**2.2**	0.6

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost	
At 28 March 2015 and 26 March 2016	5.5
Additions	**0.6**
Transfer to property, plant & equipment	**(0.5)**
At 1 April 2017	**5.6**
Depreciation and impairment	
At 28 March 2015	0.9
Provided during the year	–
At 26 March 2016 and 1 April 2017	**0.9**
Net book value at 1 April 2017	**4.7**
Net book value at 26 March 2016	4.6
Net book value at 28 March 2015	4.6
Fair value at 1 April 2017	**12.1**
Fair value at 26 March 2016	11.2
Fair value at 28 March 2015	10.9

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.

12. Investment Properties 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.

During the 53 weeks ended 1 April 2017, the Group did not impair any investment properties (2016:£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:

Group and Company	**2017 £m**	2016 £m
Rental income	**0.7**	0.6
Direct operating expenses	**(0.2)**	(0.2)

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

13. Other Financial Assets and Liabilities

Group and Company	**Group 2017 £m**	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Interest rate cap	**0.1**	0.1	**0.1**	0.1
Total financial assets within non-current assets	**0.1**	0.1	**0.1**	0.1
Subsidiary share purchase options	**(5.3)**	(7.5)	**–**	–
Interest rate swaps	**(3.2)**	(3.2)	**(3.2)**	(3.2)
Foreign currency contracts	**–**	–	**–**	–
Total financial liabilities within non-current liabilities	**(8.5)**	(10.7)	**(3.2)**	(3.2)

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

Subsidiary share purchase options relate to the option to purchase the remaining shares in The Stable Pizza & Cider Limited and Nectar Imports Limited. The current estimate of the amount payable in respect of the remaining 24% of shares in The Stable Pizza & Cider Limited is £3.0 million (2016: £8.0 million for the 49% of shares remaining) of which £2.8 million (2016: £5.2 million for the 49% of shares remaining) is included above, with the balance to be accrued over the remaining period to 28 March 2018. The current estimate of the amount payable in respect of the remaining 49% of shares in Nectar Imports Limited is £2.5 million (2016: £2.3 million) which is included above.

14. Other Non-Current Assets

Group and Company	**2017 £m**	2016 £m
Loans to customers due after one year	**0.4**	0.3

15. Investments in Subsidiaries

	Cost £m	Provision £m	Net book value £m
Company			
At 28 March 2015 and 26 March 2016	99.8	(0.2)	99.6
Additions	2.7	–	2.7
Impairment	(2.1)	–	(2.1)
At 1 April 2017	**100.4**	**(0.2)**	**100.2**

On 27 May 2016, the Group purchased an additional 25% of the shares in The Stable Pizza & Cider Limited for £2.7 million as detailed in note 17.

During the 53 weeks to 1 April 2017 Fuller, Smith & Turner P.L.C.'s investment in G & M Leisure Limited was impaired following the hive up of its trade and assets to Fuller, Smith & Turner P.L.C. in the prior period, and the receipt of a £2.3 million dividend from G & M Leisure Limited (see note 9).

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	76%	Holding company
	£3.50 'B' Ordinary shares	100%	
The Stable Bar & Restaurants Limited	£1 Ordinary shares	76% (indirect)	Restaurant ownership and management
Cornish Orchards Limited	£1 Ordinary shares	100%	Production of cider and soft drinks
Nectar Imports Limited	£1 Ordinary shares	51%	Wholesale drinks distribution
G & M Leisure Limited	£1 Ordinary shares	100%	Non-trading subsidiary
George Gale & Co. 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
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

The above companies are registered and operate in England and Wales. The registered office of all subsidiary companies is the same as Fuller,Smith and Turner P.L.C. with the exception of Nectar Imports Limited which has its registered office at Cold Berwick Hill, Berwick St. Leonard, Salisbury, Wiltshire, SP3 5SN.

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 28 March 2015	(3.1)
Share of profit	0.2
Adjustments arising from change in non-controlling interest	(1.5)
At 26 March 2016	(4.4)
Share of profit	(0.2)
Adjustments arising from change in non-controlling interest	1.5
At 1 April 2017	**(3.1)**

The current period adjustments arising from change in non-controlling interest relates to the settlement of part of the The Stable Pizza & Cider Limited put and call option, originally recognised in non-controlling interest, through the purchase of a further 25% share in The Stable Pizza & Cider Limited. In the prior period, the adjustments arising from change in non-controlling interest related to the initial recognition of Nectar Imports Limited and the accompanying put and call option.

17. Business Combinations

On 27 May 2016, the Group purchased an additional 25% of the shares in The Stable Pizza & Cider Limited for £2.7 million, bringing the Group's interest in the Stable Pizza & Cider Limited to 76%. The Group has the option to acquire the remaining 24% of shares in 2018 and a liability of £2.8 million has been recognised at the balance sheet date, which reflects management's best estimate of the option value (see note 13).

The Group has also paid £1.2 million in contingent consideration to the former owners of Cornish Orchards Limited, which was acquired on 4 June 2013, and £0.3 million to the company that formerly held the import and distribution rights to Sierra Nevada.

During the 53 weeks ended 1 April 2017, the Company has individually acquired four new pubs for £16.6 million, all of which have been treated as business combinations as they were operating as a business at the point the Company acquired them.

In the prior period, the Company purchased a 51% holding in Nectar Imports Limited which is a wholesale distributor and 100% of G & M Leisure Limited, which operates The Lord Northbrook pub in Lee, South East London. Additional contingent consideration of £2.5 million was recognised as a balance sheet liability in relation to the acquisition of Nectar Imports Limited and reflects management's best estimate of the likely amount to be paid out for the remaining 49% of the business. Under the terms of the agreement, the total consideration will not exceed £10 million.
See note 13.

17. Business Combinations continued

	2017	2016		
	Pubs and Restaurants	Nectar Imports Limited	G&M Leisure Limited	Pubs and Restaurants
Number of pubs/restaurants purchased	**4**		1	9
Provisional fair value	**£m**	£m	£m	£m
Property, plant and equipment	**16.6**	0.6	3.1	9.9
Intangible assets	**–**	–	–	–
Current assets	**–**	4.6	–	–
Cash/(net debt)	**–**	0.7	(0.7)	–
Deferred revenue, trade and other payables	**–**	(4.3)	(0.3)	–
Goodwill	**–**	1.9	–	–
Non-controlling interest	**–**	(0.8)	–	–
Consideration	**16.6**	2.7	2.1	9.9
Satisfied by:				
Cash	**–**	2.7	2.1	9.9
Total	**16.6**	2.7	2.1	9.9

Costs associated with the acquisitions have been charged to separately disclosed items within operating costs in the Consolidated Income Statement for the 53 weeks ended 1 April 2017. These comprised primarily stamp duty, legal and other property fees (see note 5).

	2017	2016		
	Pubs and Restaurants £m	Nectar Imports Limited £m	G & M Leisure Limited £m	Pubs and Restaurants £m
Operating profit	**0.4**	0.1	–	0.4

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 for acquisition in the current and prior period are not indicative of the trading expected going forwards following the significant redevelopment of the pubs, restaurants and capital investment in Nectar Imports Limited by the Group, therefore pro-forma trading results have not been included. G & M Leisure Limited's trade and assets were hived into Fuller, Smith & Turner P.L.C.

18. Inventories

Group and Company	**Group 2017 £m**	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Raw materials, beer and cider in progress	**2.0**	1.6	**2.0**	1.6
Beer, wines and spirits	**7.7**	7.3	**6.2**	5.8
Stock at retail outlets	**4.3**	3.5	**4.0**	3.5
	14.0	12.4	**12.2**	10.9

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

19. Trade and Other Receivables

Group and Company	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Trade receivables	**14.3**	14.9	**11.6**	12.2
Amounts due from subsidiary undertakings	–	–	**23.9**	14.2
Other receivables	**3.7**	2.0	**3.5**	1.8
Prepayments and accrued income	**3.6**	4.1	**3.3**	4.0
	21.6	21.0	**42.3**	32.2

Company amounts owed by subsidiary undertakings of £23.9 million (2016: £14.2 million) have no fixed repayment date. Interest is payable on the balance at the higher of either the Bank of England base rate plus 4% or 8%.

The trade receivables balance above is shown net of the provision for bad debts. As a general rule the Group provides fully against all trade receivables which are over six months overdue. In addition to this there are individual specific provisions against balances which are considered by management to be at risk of default.

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

Group and Company	2017 £m	2016 £m
Trade receivables provision at 26 March 2016	**1.6**	1.4
Increase in provision recognised in profit and loss	–	0.3
Amounts written off during the year	**(0.1)**	(0.1)
Trade receivables provision at 1 April 2017	**1.5**	1.6

19. Trade and Other Receivables continued

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 2017 £m	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Current	**15.2**	15.5	**13.0**	13.5
Overdue up to 30 days	**0.5**	0.8	**0.1**	0.3
Overdue between 30 and 60 days	**0.1**	0.1	–	–
Overdue more than 60 days	–	0.1	–	–
Trade receivables before provision	**15.8**	16.5	**13.1**	13.8
Less provision	**(1.5)**	(1.6)	**(1.5)**	(1.6)
Trade receivables net of provision	**14.3**	14.9	**11.6**	12.2

Included in the Group's trade receivables balance are trade receivables with a carrying value of £nil (2016: £0.1 million) which are overdue at the Balance Sheet date for which the Group has not provided as the Group considers these amounts to be recoverable.

In addition, there are loans to customers included in other receivables of £0.4 million (2016: £0.3 million) due within one year and £0.5 million (2016: £0.5 million) due in more than one year, against which there is a provision of £0.3 million (2016: £0.3 million).

20. Assets Classified as Held For Sale

	Group 2017 £m	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Property, plant and equipment	**5.9**	0.5	**5.9**	0.5
	5.9	0.5	**5.9**	0.5

The movements in assets classified as held for sale during the year are summarised below:

	Group 2017 £m	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Assets held for sale at the start of the year	**0.5**	–	**0.5**	–
Assets disposed of during the year	**(0.5)**	–	**(0.5)**	–
Transfer from property, plant and equipment	**5.9**	0.5	**5.9**	0.5
Assets held for sale at the end of the year	**5.9**	0.5	**5.9**	0.5

At 1 April 2017, the Group identified 16 properties which meet the criteria of being assets classified as held for sale. These properties were reclassified from property, plant and equipment as the carrying amounts of the properties identified are to be recovered principally through sale transactions rather than through continuing use.

21. Trade and Other Payables

Due within one year:	**Group 2017 £m**	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Trade payables	**27.2**	21.4	**23.3**	17.8
Amounts due to subsidiary undertakings	**–**	–	**104.6**	102.2
Other tax and social security	**10.6**	9.3	**10.3**	9.1
Other payables	**11.8**	11.4	**11.6**	11.3
Accruals	**19.0**	18.7	**18.0**	17.7
	68.6	60.8	**167.8**	158.1

Company amounts due to subsidiary undertakings of £104.6 million (2016: £102.2 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 receivables and trade and other payables balances are due within one year and are at nil rate of interest.

Due in more than one year:	**Group 2017 £m**	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Deferred revenue	**0.2**	0.4	**–**	–

Included in other payables is £0.2 million (2016: £0.4 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 unfulfilled conditions and contingencies attached to these amounts.

22. Cash, Borrowings and Net Debt

Cash and Short Term Deposits

	Group 2017 £m	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Cash at bank and in hand	**15.3**	6.2	**12.8**	5.1

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise cash at bank and in hand, as above. Cash at bank earns interest at floating rates.

Borrowings	**Group 2017 £m**	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Bank loans	**193.7**	177.0	**193.7**	177.0
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	**221.4**	204.7	**221.2**	204.5
Analysed as:				
Borrowings within current liabilities	**20.0**	20.0	**20.0**	20.0
Borrowings within non-current liabilities	**201.4**	184.7	**201.2**	184.5
	221.4	204.7	**221.2**	204.5

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.

22. Cash, Borrowings and Net Debt continued

Bank Loans

Group and Company

In November 2016 the Company extended £126.7 million of its existing main bank facilities by a year so they now 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 1 April 2017, £35.5 million (2016: £52.0 million) of the total of £210.0 million (2016: £210.0 million) committed bank loan facility was available and undrawn.

In addition the Company renewed a short term £20.0 million bank facility with a one year fixed term expiring in August 2017. At 1 April 2017 this facility was fully drawn.

The bank loans at 1 April 2017 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.

The bank loans are repayable as follows:	**2017 £m**	2016 £m
On demand or within one year	**20.0**	20.0
Current liabilities	**20.0**	20.0
In the first to second years inclusive	**50.0**	–
In the third to fifth year inclusive	**124.5**	158.0
Less: bank loan arrangement fees	**(0.8)**	(1.0)
Non-current liabilities	**173.7**	157.0

Debenture Stock

Group and Company

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

Debenture stock repayable after five years:	**2017 £m**	2016 £m
The debenture stocks are secured on specified fixed and floating assets of the Company and are redeemable on maturity.		
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.

22. Cash, Borrowings and Net Debt continued

Analysis of Net Debt

Group	At 26 March 2016 £m	**Cash flows £m**	**Non-cash[1] £m**	**At 1 April 2017 £m**
Cash and cash equivalents				
Cash and short term deposits	6.2	**9.1**	**–**	**15.3**
	6.2	**9.1**	**–**	**15.3**
Debt				
Bank loans[2]	(177.0)	**(16.5)**	**(0.2)**	**(193.7)**
Other loans	(0.2)	**–**	**–**	**(0.2)**
Debenture stock	(25.9)	**–**	**–**	**(25.9)**
Preference shares	(1.6)	**–**	**–**	**(1.6)**
	(204.7)	**(16.5)**	**(0.2)**	**(221.4)**
Net debt	(198.5)	**(7.4)**	**(0.2)**	**(206.1)**

[1] Non-cash movements relate to the amortisation of arrangement fees
[2] Bank loans net of arrangement fees

Group	At 28 March 2015 £m	Cash flows £m	Non-cash[1] £m	At 26 March 2016 £m
Cash and cash equivalents				
Cash and short term deposits	5.1	1.1	–	6.2
	5.1	1.1	–	6.2
Debt				
Bank loans[2]	(140.0)	(36.2)	(0.8)	(177.0)
Other loans	(0.2)	0.2	(0.2)	(0.2)
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
	(167.7)	(36.0)	(1.0)	(204.7)
Net debt	(162.6)	(34.9)	(1.0)	(198.5)

[1] Non-cash movements relate to the amortisation of arrangement fees and the acquisition of Nectar Imports Limited and G & M Leisure Limited during the year.
[2] Bank loans net of arrangement fees.

The Company net debt is as above excluding “Other Loans” of £0.2 million (2016: £0.2 million) and cash of £2.5 million (2016: £1.1 million) which are held by subsidiary companies. Company net debt as at 1 April 2017 was £208.4 million. (2016: £199.4 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 was closed to future accrual on 1 January 2015. The plan is defined benefit in nature, with assets held in separate professionally managed, Trustee-administered funds. The Scheme is an HM Revenue & Customs registered pension plan and subject to standard United Kingdom pension and tax law.

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 to a number of former employees which are unfunded. The Directors consider these benefits to be defined benefit in nature and the full defined benefit liability is recognised on the Balance Sheet.

Group and Company	**53 weeks ended 1 April 2017 £m**	52 weeks ended 26 March 2016 £m
Total amounts charged in respect of pensions in the period		
Charged to Income Statement:		
Defined benefit scheme – operating profit	**0.3**	0.2
Defined benefit scheme – net finance charge	**0.8**	0.8
Defined contribution schemes – total operating charge	**1.2**	1.2
	2.3	2.2
Charge/(credit) to equity:		
Defined benefit schemes – net actuarial losses/(gains)	**14.6**	(0.7)
Total pension charge	**17.0**	1.5

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 upon 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; and
- 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 payments from 1 January 2017 to £2 million per annum from £1.1 million per annum.

23. Pensions continued

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

The Scheme has not invested in any of the Group's own financial instruments or in properties or other assets in use by the Group.

Key assumptions

The key assumptions used in the 2017 valuation of the Scheme are set out below:

Mortality assumptions	2017 Years	2016 Years
Current pensioners (at 65) – males	**22.2**	22.2
Current pensioners (at 65) – females	**24.3**	24.4
Future pensioners (at 65) – males	**24.0**	23.6
Future pensioners (at 65) – females	**26.2**	25.9

The average age of all non-pensioners is 55.

Key financial assumptions used in the valuation of the Scheme	2017	2016
Rate of increase in pensions in payment	**3.30%**	3.05%
Discount rate	**2.60%**	3.55%
Inflation assumption – RPI	**3.30%**	3.05%
Inflation assumption – CPI	**2.30%**	2.05%

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

Impact on Scheme liabilities – increase/(decrease) [1]	2017 £m	2016 £m
Increase rate of pensions in payment by 0.5%	**7.2**	5.5
Increase discount rate by 1.0%	**(24.1)**	(18.0)
Increase inflation assumption by 0.5% [2]	**3.8**	3.3
Increase in life expectancies by 1 year	**6.8**	4.9

[1] The sensitivity analyses are based on a change in an assumption whilst holding all of the other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity to change, the same actuarial method has been applied as when calculating the pension liability within the Balance Sheet. Due to the Scheme closing to future accrual on 1 January 2015, there are no longer any active members in the Scheme. As the members who were active at closure did not maintain a salary link on their past service benefits, the future salary increase assumptions no longer has 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.

23. Pensions continued

Assets in the Scheme	2017 £m	2016 £m
Corporate bonds	**21.8**	19.3
UK equities	**20.5**	24.4
Overseas equities	**26.3**	20.4
Alternatives	**37.0**	28.3
Property	–	1.0
Cash	**2.3**	1.4
Annuities	**3.5**	1.2
Total market value of assets	**111.4**	96.0

	2017 £m	2016 £m
Fair value of Scheme assets	**111.4**	96.0
Present value of Scheme liabilities	**(149.3)**	(119.5)
Deficit in the Scheme	**(37.9)**	(23.5)

Included within the total present value of Group and Company Scheme liabilities of £149.3 million (2016: £119.5 million) are liabilities of £2.6 million (2016: £2.8 million) which are entirely unfunded.

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit (deficit)	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Balance at beginning of the year	**(119.5)**	(127.9)	**96.0**	103.5	**(23.5)**	(24.4)
Included in profit and loss						
Current service cost	–	–	**(0.3)**	(0.2)	**(0.3)**	(0.2)
Curtailment gain	–	–	–	–	–	–
Net interest cost	**(4.2)**	(4.2)	**3.4**	3.4	**(0.8)**	(0.8)
	(4.2)	(4.2)	**3.1**	3.2	**(1.1)**	(1.0)
Included in Other Comprehensive Income						
Actuarial gains/(losses) relating to:						
Actual return less expected return on Scheme assets	–	–	**15.5**	(6.8)	**15.5**	(6.8)
Experience gains/(losses) arising on Scheme liabilities	**(30.1)**	7.5	–	–	**(30.1)**	7.5
	(30.1)	7.5	**15.5**	(6.8)	**(14.6)**	0.7
Other						
Employer contributions	–	0.2	–	–	–	0.2
Employer special contributions	–	–	**1.3**	1.0	**1.3**	1.0
Employee contributions	–	–	–	–	–	–
Benefits paid	**4.5**	4.9	**(4.5)**	(4.9)	–	–
	4.5	5.1	**(3.2)**	(3.9)	**1.3**	1.2
Balance at end of the year	**(149.3)**	(119.5)	**111.4**	96.0	**(37.9)**	(23.5)

The weighted average duration of the Scheme's liabilities at the end of the period is 20 years (2016: 20 years).

The total contributions to the Scheme in the next financial year are expected to be £1.3 million for the Group and the Company. These payments are to be made as part of a deficit recovery plan in place until March 2021 as agreed between the Trustees and the Group. No further payments are made as the Scheme is now closed to future accrual.

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 000's**	**Number 000's**	**Number 000's**
Number authorised and in issue:			
At 28 March 2015, 26 March 2016 and 1 April 2017	**400**	**1,200**	**1,600**
Monetary amount:	**£m**	**£m**	**£m**
At 28 March 2015, 26 March 2016 and 1 April 2017	**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.

25. Provisions

Onerous Lease and Contingent Consideration

	Onerous lease		Contingent consideration		Total	
Group and Company	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Balance at beginning of the year	**0.8**	1.11	**1.8**	1.8	**2.6**	2.9
Arising during the year	**–**	–	**–**	–	**–**	–
Released during the year	**(0.1)**	(0.1)	**–**	(0.1)	**(0.1)**	(0.2)
Utilised	**–**	(0.3)	**(1.5)**	–	**(1.5)**	(0.3)
Unwinding of discount	**0.1**	0.1	**0.1**	0.1	**0.2**	0.2
Balance at end of the year	**0.8**	0.8	**0.4**	1.8	**1.2**	2.6
Analysed as:	**£m**	£m	**£m**	£m	**£m**	£m
Due within one year	**0.1**	0.1	**0.4**	0.3	**0.5**	0.4
Due in more than one year	**0.7**	0.7	**–**	1.5	**0.7**	2.2
	0.8	0.8	**0.4**	1.8	**1.2**	2.6

The onerous lease provision is recognised in respect of leasehold properties where the lease contracts are deemed to be onerous. Provision is made for the discounted value of the lower of the unavoidable lease costs and the losses expected to be incurred by the Group.

The contingent consideration is recognised 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 27.

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:

Capital	**Group 2017 £m**	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
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	**(2.6)**	(2.6)	**(2.6)**	(2.6)
Retained earnings	**301.4**	293.0	**273.1**	262.9
Preference shares	**1.6**	1.6	**1.6**	1.6
	331.1	322.7	**302.8**	292.6

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, investment requirements and comply with lending covenants. The Group bought back £3.6 million of shares in the 53 weeks ended 1 April 2017 (2016: £6.2 million), none of which related to purchases made by or on behalf of employee share ownership trusts (2016: £1.6million). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position 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 2017 £m	Group 2016 £m	**Company 2017 £m**	Company 2016 £m
Non-current assets				
Derivative financial assets hedge accounted	**0.1**	0.1	**0.1**	0.1
Loans and other receivables in scope of IAS 39	**0.4**	0.3	**0.4**	0.3
Total non-current assets	**0.5**	0.4	**0.5**	0.4
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	**14.3**	14.9	**35.5**	26.4
Cash and short term deposits	**15.3**	6.2	**5.1**	5.1
Total current assets	**29.6**	21.1	**40.6**	31.5
Total financial assets	**30.1**	21.5	**41.1**	31.9
Current liabilities				
Trade and other payables in scope of IAS 39	**46.7**	40.5	**146.4**	138.1
Loans	**20.0**	20.0	**20.0**	20.0
Total carried at amortised cost	**66.7**	60.5	**166.4**	158.1
Total current liabilities	**66.7**	60.5	**166.4**	158.1
Non-current liabilities				
Derivative financial liabilities hedge accounted	**3.2**	3.2	**3.2**	3.2
Put and call options	**5.3**	7.5	**–**	–
Carried at amortised cost:				
Other payables in scope of IAS 39	**0.7**	2.2	**0.7**	2.2
Loans and debenture stock	**199.8**	183.1	**199.6**	182.9
Preference shares	**1.6**	1.6	**1.6**	1.6
Total carried at amortised cost	**202.1**	186.9	**201.9**	186.7
Total non-current liabilities	**210.6**	197.6	**205.1**	189.9
Total financial liabilities	**277.3**	258.1	**371.5**	348.0

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 (2016: £25.9 million) are at fixed rates. The bank loans totalling £194.5 million (2016: £177.0 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 47% (2016: 48%) of the Group's bank loans and 53% (2016: 55%) of gross borrowings were at fixed or capped rates.

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 1 month or 3 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 (2016: £65.0 million) were hedged by interest rate swaps at a blended fixed rate of 1.89% (2016: 1.94%). Of the swaps active at 1 April 2017, £20 million expires in 2020, £20 million expires in 2021 and £20 million expires in 2022.

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 £30.0 million (2016: £20 million) of the Group and Company's borrowings were hedged by two interest caps at a blended rate of 1.98% (2016: 2.1%), £20.0 million of which expires in 2020 and £10.0 million in 2022.

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 1 April 2017 were assessed as being highly effective. No net unrealised gain or loss (2016: £0.3 million loss) has been recorded in Other Comprehensive Income.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. Three month Sterling LIBOR rate during the 53 weeks ended 1 April 2017 ranged between 0.34% and 0.59%. The Directors consider 1.00% to be a reasonable possible increase in rates and 0.50% to be a reasonable possible decrease in rates, with reference to market yield curves and the current economic conditions.

The annualised effect of these changes to interest rates on the floating rate debt at the Balance Sheet date, all other variables being constant, are as follows:

Impact on post-tax profit and net equity – increase/(decrease)	**Group 2017 £m**	Group 2016 £m	**Company* 2017 £m**	Company* 2016 £m
Decrease interest rate by 0.5%	**0.1**	0.4	**0.5**	0.7
Increase interest rate by 1.0%	**(1.1)**	(0.9)	**(1.9)**	(1.4)

* 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 27. 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 1 April 2017, the Group and Company had no open forward contracts. At 26 March 2016, the Group and Company had open forward contracts to buy €4.9 million with a Sterling equivalent of £3.8 million and a net gain of £0.2 million when comparing the contractual rates with the year end exchange rates. At 26 March 2016 the Group and Company had open forward contracts to buy $1.0 million with a Sterling equivalent of £0.7 million and a net gain of £nil when comparing the contractual rates with year end exchange rates.

At 1 April 2017 the only significant foreign currency assets or liabilities were the following:

	Cash deposits		Trade receivables		Trade payables	
Group and Company	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Euro assets/(liabilities)	–	1.1	–	–	**(0.4)**	(0.7)
US dollar assets/(liabilities)	–	0.2	–	0.4	**(0.2)**	(0.2)

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 19.

(iv) Liquidity risk

The Group minimises liquidity risk by managing cash generation, applying debtor 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: 16% (2016: 13%) of the Group's borrowings are repayable after more than five years, 75% (2016: 77%) within the first to fifth years and 9% (2016: 10%) within one year.

The tables below summarise the maturity profile of the Group's financial liabilities at 1 April 2017 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the Balance Sheet date.

Group at 1 April 2017	**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**
Interest bearing loans and borrowings[1]	–	**0.9**	**22.4**	**185.6**	**37.5**	**246.4**
Preference shares[2]	–	–	**0.1**	**0.5**	**3.5**	**4.1**
Trade and other payables	**11.3**	**34.8**	**0.1**	**0.3**	**0.4**	**46.9**

[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**	**0.7**	**3.0**	**0.1**	**4.0**

[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 26 March 2016						
Interest bearing loans and borrowings[1]	–	1.3	24.1	166.1	42.7	234.2
Preference shares[2]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	11.6	29.0	0.1	1.8	0.4	42.9

[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	–	0.1	0.6	2.4	1.7	4.8

[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.

26. Financial Instruments continued

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

Company at 1 April 2017	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
Amounts due to subsidiary undertakings[3]	**104.6**	**–**	**–**	**–**	**–**	**104.6**
Trade and other payables	**7.6**	**34.1**	**0.1**	**0.3**	**0.4**	**42.5**

Company at 26 March 2016						
Amounts due to subsidiary undertakings[3]	102.2	–	–	–	–	102.2
Trade and other payables	7.1	29.0	0.1	1.8	0.4	38.4

[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 £12.8 million (2016: £12.7 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 2017 £m**	Book value 2016 £m	**Fair value 2017 £m**	Fair value 2016 £m	Fair value Level
Financial assets					
Cash	**15.3**	6.2	**15.3**	6.2	1
Trade and other receivables due within one year in scope of IAS 39	**14.3**	14.9	**14.3**	14.9	3
Loans and other receivables due in more than one year in scope of IAS 39	**0.4**	0.3	**0.4**	0.3	3
Interest rate swaps	**–**	–	**–**	–	2
Interest rate cap	**0.1**	0.1	**0.1**	0.1	2
Financial liabilities					
Trade and other payables in scope of IAS 39	**(47.4)**	(42.7)	**(47.4)**	(42.7)	3
Fixed rate borrowings	**(26.1)**	(26.1)	**(26.5)**	(32.5)	3
Floating rate borrowings	**(193.7)**	(177.0)	**(193.7)**	(177.0)	3
Preference shares	**(1.6)**	(1.6)	**(2.0)**	(1.8)	3
Interest rate swaps	**(3.2)**	(3.2)	**(3.2)**	(3.2)	2
Put and call option	**(5.3)**	(7.5)	**(5.3)**	(7.5)	3
Forward currency contract	**–**	–	**–**	–	2

26. Financial Instruments continued

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

Company	**Book value 2017 £m**	Book value 2016 £m	**Fair value 2017 £m**	Fair value 2016 £m	Fair value Level
Financial assets					
Trade and other receivables due within one year in scope of IAS 39	**35.5**	26.4	**35.5**	26.4	3
Financial liabilities					
Trade and other payables in scope of IAS 39	**(147.1)**	(140.3)	**(147.1)**	(140.3)	3
Fixed rate borrowings	**(25.9)**	(25.9)	**(26.3)**	(32.3)	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 which 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 in issue	Number 000s	Number 000s	Number 000s	Number 000s
At 28 March 2015	33,519	14,562	89,052	137,133
Share conversions	18	(18)	–	–
At 26 March 2016	33,537	14,544	89,052	137,133
Share conversions	17	(17)	–	–
At 1 April 2017	**33,554**	**14,527**	**89,052**	**137,133**
Proportion of total equity shares at 1 April 2017	**24.5%**	**10.6%**	**64.9%**	**100%**

Monetary amount	£m	£m	£m	£m
At 28 March 2015	13.4	5.8	3.6	22.8
Share conversions	–	–	–	–
At 26 March 2016	13.4	5.8	3.6	22.8
Share conversions	–	–	–	–
At 1 April 2017	**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).

All equity shares in the Company carry one vote per share, save that shares held in treasury have their voting rights suspended. The 'A' and 'C' shares have a 40p nominal value and the 'B' shares have a 4p nominal value so that a 'B' share dividend will be paid at 10% of the rate applying to 'A' and 'C' shares. The 'A' shares are listed on the London Stock Exchange. The 'C' shares carry a right for the holder to convert them to 'A' shares by written notice in the 30 day period following the half year and preliminary announcements. The 'B' shares are not listed and have no conversion rights.
In most circumstances the value of a 'B' share is deemed to be 10% of the value of the listed 'A' shares. The Trustee holding shares for participants of the LTIP currently waives dividends for shares held during the initial three year period. Dividends are not paid on shares held in treasury.

The Articles include provisions relating to the Company's 'B' and 'C' shares which provide that shareholders who wish to transfer their shares may only do so if the transfer is to another 'B' or 'C' shareholder, or if the transfer is to certain of that shareholder's family members or their executors or administrators or, where shares are held by trustees, to new trustees, or to the trustees of any employee share scheme, or if the Company is unable to identify another shareholder of that class willing to purchase the shares within the specified period, to any person.

27. Share Capital and Reserves continued

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.

	Treasury shares		LTIP ESOT			SIP ESOT	Total		
Number	'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 28 March 2015	1,163	3,558	–	673	10	1	1,164	4,231	10
Shares purchased	274	1,000	–	225	–	146	420	1,225	–
Shares transferred	(165)	–	165	–	–	–	–	–	–
Shares released	(141)	–	(165)	(411)	–	(63)	(369)	(411)	–
At 26 March 2016	1,131	4,558	–	487	10	84	1,215	5,045	10
Shares purchased	342	–	–	106	–	–	342	106	–
Shares transferred	(102)	–	102	–	–	–	–	–	–
Shares released	(108)	–	(102)	(255)	–	(80)	(290)	(255)	–
At 1 April 2017	**1,263**	**4,558**	**–**	**338**	**10**	**4**	**1,267**	**4,896**	**10**
Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 28 March 2015	9.5	3.4	–	0.5	0.1	–	9.5	3.9	0.1
Shares purchased	3.2	1.2	–	0.2	–	1.6	4.8	1.4	–
Shares transferred	(1.4)	–	1.4	–	–	–	–	–	–
Shares released	(1.2)	–	(1.4)	(0.4)	–	(0.9)	(3.5)	(0.4)	–
At 26 March 2016	10.1	4.6	–	0.3	0.1	0.7	10.8	4.9	0.1
Shares purchased	3.5	–	–	0.1	–	–	3.5	0.1	–
Shares transferred	(0.9)	–	0.9	–	–	–	–	–	–
Shares released	(0.9)	–	(0.9)	(0.2)	–	(0.7)	(2.5)	(0.2)	–
At 1 April 2017	**11.8**	**4.6**	**–**	**0.2**	**0.1**	**–**	**11.8**	**4.8**	**0.1**
Market value at 1 April 2017	12.6	4.5	–	0.3	0.1	–	12.6	4.8	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 1 April 2017 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purposes of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the post-tax earnings per share excluding separately disclosed items as presented in the financial statements. However, the Remuneration Committee is authorised to make appropriate adjustments to Adjusted EPS as applied to these schemes.

Savings Related Share Option Scheme ("SAYE")

This scheme grants options over shares at a discount of 20% on the average market price over the three days immediately prior to the date of offer. Employees must save a regular amount each month. Savings are made over three or five years, at the participant's choice. The right to buy shares at the discounted price lasts for six months after the end of the savings contract. There are no performance conditions, other than continued employment.

Senior Executive Share Option Scheme

This is an unapproved Executive Share Option Scheme. If growth in Adjusted EPS exceeds growth in the Retail Price Index ("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 verify 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. The number of shares awarded, up to a maximum value of £3,000 per person per year, is based on length of service and salary. The life of each plan is five years, after which shares are released to participants. There are no performance conditions as in almost all circumstances participants can retain the shares awarded (although there may be tax consequences if sold within five years of the award).

Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 53 weeks ended 1 April 2017 is £3.2 million (2016: £2.6 million). The whole of that expense arises from equity settled share-based payment transactions.

Market Value

The market value of the shares at 1 April 2017 was £9.98 (2016: £10.40).

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.

28. Share Options and Share Schemes continued

a) SAYE

	2017 Number 000s	2017 WAEP	2016 Number 000s	2016 WAEP
Outstanding at the beginning of the year	**478**	**£6.43**	348	£6.43
Granted	**257**	**£7.74**	270	£8.70
Lapsed	**(110)**	**£8.22**	(30)	£7.43
Exercised	**(77)**	**£6.73**	(110)	£4.89
Outstanding at the end of the year	**548**	**£7.93**	478	£6.43
Exercisable at the end of the year	**–**	**n/a**	–	n/a
Weighted average share price for options exercised in the year	**£10.23**		£10.80	
Weighted average contractual life remaining for share options outstanding at the year end	**2.25 years**		2.37 years	
Weighted average share price for options granted in the year	**£10.23**		£11.23	
Weighted average fair value of options granted during the year	**£1.77**		£2.13	
Range of exercise prices for options outstanding at the year end				
– from	**£5.63**		£5.47	
– to	**£8.70**		£8.70	

Outstanding share options granted to employees under the Saving Related Share Option Scheme are as follows:

Exercisable at	Exercise price 40p shares £	**Number of 'A' ordinary shares under option 2017 000s**	Number of 'A' ordinary shares under option 2016 000s
September 2016	5.47	**–**	24
September 2016	7.24	**–**	51
September 2017	5.63	**18**	19
September 2017	7.47	**65**	73
September 2018	7.24	**21**	26
September 2018	8.70	**122**	169
September 2019	7.74	**162**	–
September 2019	7.47	**22**	23
September 2020	8.70	**59**	93
September 2021	7.74	**79**	–
		548	478

28. Share Options and Share Schemes continued

b) Share Option Schemes

Senior Executive Share Option Scheme

	2017 Number 000s	2017 WAEP	2016 Number 000s	2016 WAEP
Outstanding at the beginning of the year	**83**	**£7.03**	83	£9.14
Lapsed	**–**	**n/a**	–	n/a
Exercised	**(6)**	**£8.59**	–	n/a
Outstanding at the end of the year	**–**	**n/a**	–	n/a
Exercisable at the end of the year	**77**	**£6.79**	63	£6.38
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	**4.48 years**		**5.61 years**	
Range of exercise prices for options outstanding at the year end				
– from	**£4.05**		£4.05	
– to	**£9.10**		£9.10	

Executive Share Option Scheme

	2017 Number 000s	2017 WAEP	2016 Number 000s	2016 WAEP
Outstanding at the beginning of the year	**167**	**£8.81**	169	£6.73
Granted	**22**	**£10.23**	34	£10.90
Lapsed	**(9)**	**£9.05**	(5)	£9.65
Exercised	**(30)**	**£7.43**	(31)	£6.58
Outstanding at the end of the year	**150**	**£8.73**	167	£8.81
Exercisable at the end of the year	**47**	**£9.10**	55	£6.62
Weighted average share price for options exercised in the year	**£10.21**		£11.22	
Weighted average contractual life remaining for share options outstanding at the year end	**7.07 years**		7.14 years	
Weighted average share price for options granted in the year	**£10.21**		£10.90	
Weighted average fair value of options granted during the year	**£0.75**		£1.11	
Range of exercise prices for options outstanding at the year end				
– from	**£4.05**		£4.05	
– to	**£10.23**		£10.90	

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:

	Senior Executive Share Option Scheme			Executive Share Option Scheme		
Exercisable in/between	Exercise price 40p shares £	**Number of 'A' ordinary shares under option 2017 000s**	Number of 'A' ordinary shares under option 2016 000s	Exercise price 40p shares £	**Number of 'A' ordinary shares under option 2017 000s**	Number of 'A' ordinary shares under option 2016 000s
2010 and 2017		**–**	–	7.51		7
2011 and 2018	4.05	**2**	2	4.05	**2**	4
2012 and 2019	4.80	**9**	9	4.80	**3**	3
2013 and 2020	5.78	**12**	12	5.78	**6**	6
2013 and 2020	6.30	**1**	1	–	**–**	–
2014 and 2021	7.09	**15**	15	7.09	**4**	13
2015 and 2022	7.05	**22**	24	7.05	**13**	21
2016 and 2023	9.10	**16**	20	9.10	**25**	32
2017 and 2024		**–**	–	9.65	**46**	47
2018 and 2025		**–**	–	10.90	**29**	34
2019 and 2026		**–**	–	10.23	**22**	–
		77	83		**150**	167

c) LTIP

Shares	**2017 'A' shares Number 000s**	**2017 'B' shares Number 000s**	2016 'A' shares Number 000s	2016 'B' shares Number 000s
Outstanding at the beginning of the year	**387**	**968**	435	1,088
Granted	**138**	**345**	136	339
Lapsed	**(65)**	**(164)**	(19)	(48)
Vested	**(102)**	**(255)**	(165)	(411)
Outstanding at the end of the year	**358**	**894**	387	968

Weighted average share price for shares vested in the year	**£9.76**	**£0.98**	£9.49	£0.95
For shares outstanding at the year end, the weighted average contractual life remaining is	**1.31 years**	**1.31 years**	1.31 years	1.31 years
Weighted average share price for shares granted in the year	**£9.93**	**£0.99**	£10.90	£1.09
Weighted average fair value of shares granted during the year	**£9.24**	**£0.92**	£10.17	£1.02

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

	2017 Number 000s	2016 Number 000s
Outstanding at the beginning of the year	**297**	297
Granted	**83**	64
Lapsed	**(2)**	(1)
Released	**(85)**	(87)
Outstanding at the end of the year	**293**	273

Weighted average share price for shares released in the year	**£10.55**	£11.00
For shares outstanding at the year end, the weighted average contractual life remaining is	**2.88 years**	2.86 years
Weighted average share price for shares granted during the year	**£10.50**	£11.54
Weighted average fair value of shares granted during the year	**£10.00**	£11.30

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 53 weeks ended 1 April 2017 and 52 weeks ended 26 March 2016, except for exercise price and the weighted average share price for grants in the year, which are disclosed in sections a) to d) above.

	LTIP scheme		Save As You Earn scheme		Executive and Senior Executive option schemes	
Fair value inputs	**2017**	2016	**2017**	2016	**2017**	2016
Dividend yield (%)	**1.7%**	1.6%	**1.7%**	1.6%	**1.7%**	1.6%
Expected share price volatility (%)	**n/a**	n/a	**15.6 to 17.0%**	15.0 to 17.4%	**15.6%**	15.8%
Risk-free interest rate (%)	**0.2%**	1.0%	**0.2 to 0.4%**	1.0 to 1.51%	**0.3%**	1.3%
Expected life of option/award (years)	**3 years**	3 years	**3 to 5 years**	3 to 5 years	**3 years**	3 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.

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 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Within one year	**10.0**	9.4	**9.0**	7.4
Between one year and five years	**29.4**	30.1	**25.9**	26.1
After five years	**69.2**	57.8	**60.3**	51.7
	108.6	97.3	**95.2**	85.2

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 1 April 2017 future minimum rentals receivable by the Group are as follows:

	Investment properties		Other property, plant & equipment	
Group	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Within one year	**0.4**	0.4	**6.7**	7.6
Between one year and five years	**0.6**	0.7	**5.0**	16.3
After five years	**0.2**	0.2	**5.6**	11.1
	1.2	1.3	**17.3**	35.0

	Investment properties		Other property, plant & equipment	
Company	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Within one year	**0.4**	0.4	**7.0**	7.8
Between one year and five years	**0.6**	0.7	**5.9**	17.1
After five years	**0.2**	0.2	**8.2**	12.9
	1.2	1.3	**21.1**	37.8

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 1 April 2017 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £4.5 million (2016: £8.3 million).

b) Other Commitments

Group and Company	**2017 £m**	2016 £m
Capital commitments – authorised, contracted but not provided for	**1.2**	1.7

The Company has accepted various duty deferment bonds in connection with HMRC. The total outstanding commitment at 1 April 2017 was £395,000 (2016: £720,000) for the Group and Company.

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 £480,000 (2016: £284,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

Compensation of key management personnel (including Directors)	53 weeks ended 1 April 2017 £m	52 weeks ended 26 March 2016 £m
Short term employee benefits	**5.2**	5.2
Post-employment benefits	**0.7**	0.4
Share-based payments	**1.4**	2.7
	7.3	8.3

Company Only

During the year the Company entered into the following related party transactions:

52 weeks ended 1 April 2017	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
Subsidiaries	**1.0**	**54.2**	**1.4**	**3.4**	**(104.6)**	**23.9**

52 weeks ended 26 March 2016	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
Subsidiaries	0.4	53.0	0.8	3.4	(102.2)	14.2

Interest is payable on the majority of the amounts due to subsidiaries at 3% above the Bank of England base rate. All amounts outstanding are unsecured and repayable on demand.

In addition, the Company received rental income from subsidiaries of £0.3 million during the year (2016: £0.1 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 2016 for the period ending 1 April 2017 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
Cornish Orchards Limited	04871687
Grand Canal Trading Limited	04271734
G & M Leisure Limited	07668132

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
F.S.T Trustee Limited	03163480
Fuller, Smith & Turner Estate Limited	01831674

31. Post Balance Sheet Event

Following the period end the Company sold two Tenanted properties classified as assets held for sale at 1 April 2017 for £1.7 million.

Directors and Advisors
as at 8 June 2017

Directors
Michael Turner, FCA, Chairman*
Simon Emeny, Chief Executive
James Douglas, ACA
Richard Fuller
Jonathon Swaine
Simon Dodd
John Dunsmore*
Sir James Fuller*
Lynn Fordham, CA*
Alastair Kerr*

* 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 Garnham
Griffin Brewery
Chiswick Lane South
London W4 2QB
Tel: 020 8996 2105
Registered Number 241882

Auditors
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

Stockbrokers
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Tel: 0370 889 4096

Please note: you can now advise Computershare of changes to your address or set up a dividend mandate online at www.computershare.com/investor/uk

Shareholder Information

2017 Diary

Friday, 23 June
Record Date

Monday, 3 July
Preference dividends paid

Tuesday, 25 July
Annual General Meeting
Hock Cellar, Griffin Brewery

Thursday, 27 July
Final dividend paid

Friday, 24 November
Half year results announcement

2018 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 'Inndulgence' card entitling them to a 15% discount on food and drinks in Fuller's Managed Pubs and Hotels and when visiting the Brewery Store in Chiswick as well as a 10% discount 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 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.

- **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.
- **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 Company 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 sum 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 and Cornwall.
- **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.
- **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.
- **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".

Five Years' Progress

Income Statement	2017 £m	2016 £m	2015 £m	Restated* 2014 £m	Restated* 2013 £m
Revenue	**392.0**	350.5	321.5	288.0	271.5
Operating profit before separately disclosed items	**49.5**	46.9	42.3	39.9	37.0
Net finance costs*	**(6.6)**	(6.0)	(5.9)	(5.8)	(5.9)
Adjusted profit*	**42.9**	40.9	36.4	34.1	31.1
Separately disclosed items*	**(3.0)**	(1.7)	(0.3)	(0.6)	2.6
Profit before tax*	**39.9**	39.2	36.1	33.5	33.7
Taxation*	**(7.4)**	(6.2)	(7.8)	(4.4)	(5.6)
Profit after tax*	**32.5**	33.0	28.3	29.1	28.1
Non-controlling interest	**0.2**	(0.2)	0.1	–	–
Profit attributable to equity shareholders of the Parent Company*	**32.7**	32.8	28.4	29.1	28.1
EBITDA	**70.5**	65.0	58.7	54.5	51.2

* Comparatives have been restated for changes to IAS 19.

Assets employed					
Non-current assets	**612.1**	586.9	524.2	481.3	455.6
Inventories	**14.0**	12.4	10.6	10.6	10.1
Trade and other receivables	**21.6**	21.0	17.7	18.3	18.3
Assets classified as held for sale	**5.9**	0.5	–	1.2	0.6
Cash and short term deposits	**15.3**	6.2	5.1	4.1	4.3
	668.9	627.0	557.6	515.5	488.9
Current borrowings	**(20.0)**	(20.0)	(20.0)	–	–
Other current liabilities	**(73.7)**	(65.6)	(53.5)	(51.2)	(45.7)
	575.2	541.4	484.1	464.3	443.2
Non-current borrowings	**(201.4)**	(184.7)	(147.7)	(143.9)	(139.9)
Other non-current liabilities	**(64.1)**	(55.8)	(54.7)	(43.2)	(43.9)
Net assets	**309.7**	300.9	281.7	277.2	259.4

	2017	2016	2015	2014	2013
Per 40p 'A' ordinary share					
Adjusted earnings	**61.39p**	58.35p	51.51p	46.94p	42.18p
Basic earnings	**59.21p**	59.25p	51.15p	52.14p	50.43p
Dividends (interim and proposed final)	**18.80p**	17.90p	16.60p	15.10p	13.70p
Net assets	**£5.61**	£5.45	£5.09	£4.98	£4.65
Net debt (£ million)	**(206.1)**	(198.5)	(162.6)	(139.8)	(135.6)
Net debt/EBITDA[1]	**2.9**	3.0	2.7	2.5	2.6
Gross capital expenditure (£ million)	**55.8**	80.7	56.3	38.1	31.1
Average number of employees	**4,722**	4,479	4,058	3,610	3,477

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

Additional Information

luminous
Design and production
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