WELCOME TO FULLER'S...

FULLER'S

Fuller, Smith & Turner P.L.C.
Annual Report 2016

FROM A SINGLE BREWERY... TO 390 PUBS AND HOTELS

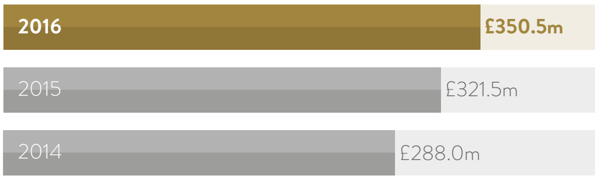
Operating from the historic Griffin Brewery site in Chiswick, Fuller's is an independent family brewer and pub company whose brands include the world-famous ESB and iconic London Pride. Fuller's has an estate of 390 pubs and hotels – split between Managed and Tenanted houses – located primarily in London and the South of England.

Another excellent year from our great team of people.

- Adjusted profit before tax[1] **up 12%**; up 39% over five years
- Adjusted earnings per share[2] **up 13%**; up 55% over five years
- Revenue **up 9%**; up 45% over five years
- EBITDA[3] **up 11%**; up 39% over five years
- Total annual dividend **up 8%**; up 52% over five years
- Managed Pubs and Hotels **like for like sales up 4.8%** and **profits[4] up 12%**
- Tenanted Inns **like for like profits[4] up 2%** and average **EBITDA per pub up 2%**
- The Fuller's Beer Company **revenue up 5%** and **total beer and cider volumes down 1%**

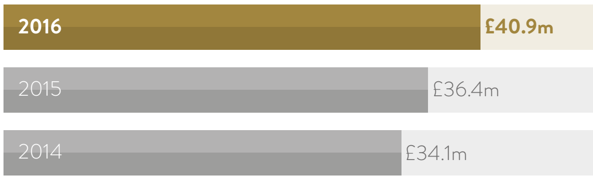
Revenue

£350.5m



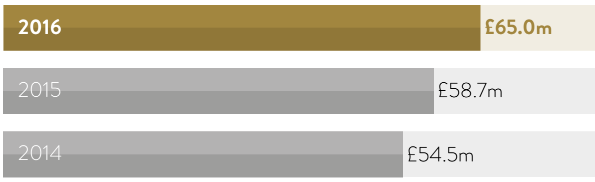
Adjusted profit[1]

£40.9m



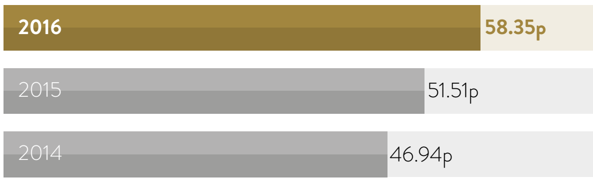
EBITDA[3]

£65.0m



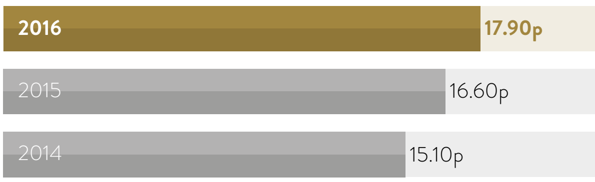
Adjusted earnings per share[2]

58.35p



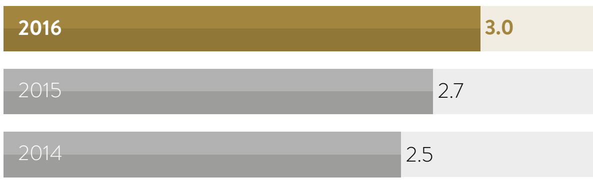
Total annual dividend per share

17.90p



Pro forma net debt to EBITDA[5]

3.0 times



1 Adjusted profit is the profit before tax excluding exceptional items. Statutory profit before tax was £39.2 million (2015: £36.1 million)
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. Basic earnings per share were 59.25p (2015: 51.15p)
3 Pre-exceptional earnings before interest, tax, depreciation and amortisation
4 Operating profit before exceptional items
5 Pre-exceptional earnings before interest, tax, depreciation and amortisation, adjusted as appropriate for acquisitions and disposals in the period

A CLEAR VISION AND A GREAT BUSINESS

It gives me great pleasure to announce another year of excellent results. This is testament to the strength of our management team, the commitment of our people, the fantastic business that we have built up over time and our ability to adapt and respond to changes in our customers' expectations.

It gives me great pleasure to announce another year of excellent results. This is testament to the strength of our management team, the commitment of our people, the fantastic business that we have built up over time and our ability to adapt and respond to changes in our customers' expectations. Our total revenues have increased by 9% to £350.5 million (2015: £321.5 million) resulting in a rise in adjusted profit before tax of 12% to £40.9 million (2015: £36.4 million).

I was delighted to read an article in *The Daily Telegraph* in March, which named Fuller's as one of only 10 FTSE companies that had shown at least two decades of consistent share dividend growth. In fact our dividend has demonstrated continued progressive growth for over seven decades. We continue this trend with adjusted earnings per share rising by 13% to 58.35p (2015: 51.51p) and a rise in the full year dividend of 8%. It is our long-term vision and strategy that differentiates us from other FTSE companies, while it is our people that make the difference between Fuller's and the competition in the pub sector.

Managed Pubs and Hotels have again been the star of the show with like for like sales growth of 4.8%, total sales growth of 12% and profit[1] growth of 17%. This has been driven by a rise in like for like food sales of 6.9%, while like for like drinks sales have grown by 4.3%. The investments the team has made in the standard of our kitchens and the excellent Chefs' Guild programme is driving this growth with our chefs producing some exquisite dishes.

We have continued to protect our long-term future by investing our money wisely, purchasing the freeholds of three more of our iconic sites and securing new long-term leases for a number of other key pubs in the London area.

Our tenanted pubs have performed well, with like for like profits increasing by 2% and total profits[1] holding level. The year has been one of great upheaval for tenanted businesses across the UK due to the Government's Pub Company Inquiry, but we are well placed to compete in this ever changing marketplace.

Meanwhile, at The Fuller's Beer Company, total beer and cider volumes were down by 1% and the profit[1] contribution remained level.

As ever, the success of this year is due to an exceptional team of people. Throughout the Company, we have some of the best people in the industry. Not just within Fuller's, but also in those businesses in which we have invested more recently such as The Stable, Cornish Orchards and Nectar Imports. All have a similar culture and a family ethos – as does Sierra Nevada, whose products we distribute throughout the UK.

This culture and the commitment made to developing our own people has led to a number of key internal promotions and it gives me great pleasure to see these people develop. Inspired by Simon, the team at Fuller's is well-placed to continue to deliver good results through great pubs and wonderful beers and ciders.

Dividend

The Board is pleased to announce a final dividend of 11.00p (2015: 10.20p) per 40p 'A' and 'C' ordinary share and 1.10p (2015: 1.02p) per 4p 'B' ordinary share. This will be paid on 25 July 2016 to shareholders on the share register as at 24 June 2016. The total dividend of 17.90p per 40p 'A' and 'C' ordinary share and 1.79p per 4p 'B' ordinary share represents an 8% increase on last year and will be covered more than 3.2 times by adjusted earnings per share.

Michael Turner
Chairman

9 June 2016

[1] Operating profit before exceptional items

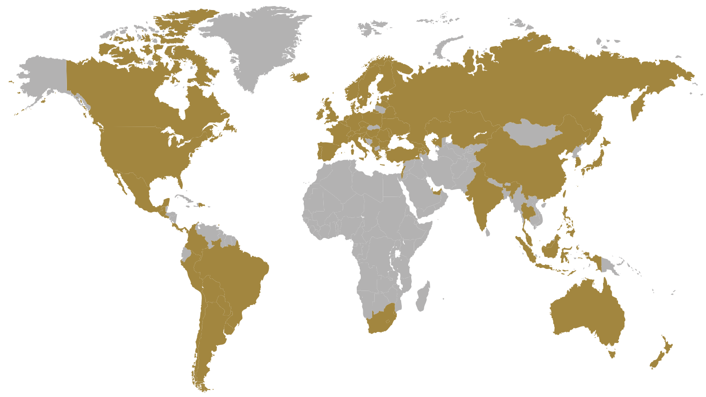
MANAGED PUBS AND HOTELS

193

PUBS AND HOTELS

At the year end, we owned and operated 193 Managed Pubs and Hotels around the south of England. From The Windmill in Portishead, with its fantastic views over the Severn Estuary to The Sail Loft in Greenwich, overlooking the magnificent River Thames, you will always find delicious, fresh food, a great range of beers, wines and cider, and exceptional service.

EXPORTS



Asia Pacific **19.3%**
North America **20.3%**
Latin America **6.8%**
Europe **49.6%**
Middle East & Africa **4.0%**

FRONTIER

Frontier is now a regular on the street food and festival scene attending the equivalent of over 1,350 event days last year.

MAKE THE MOST OF YOUR TIME

FRONTIER CRAFT LAGER IS BREWED FOR A FULL 42 DAYS TO GIVE IT A MORE MEMORABLE FLAVOUR

78% of our vegetables come fresh from the UK

MONTANA RED JOINS CRAFT KEG LINE-UP

FULLER'S NAMED EMPLOYER OF THE YEAR AT

THE PUBLICAN AWARDS 2016

197

TENANTED INNS

The Tenanted Inns division has 197 pubs, where the individual pubs are run by self-employed entrepreneurs, who work in partnership with us, operating under the Fuller's brand.

FULLER'S NAMED BEST COMPANY AT **PEACH HERO AND ICON AWARDS 2015**

TRAINING

THIS YEAR, OUR TEAM MEMBERS UNDERTOOK THE EQUIVALENT OF **14,000** TRAINING DAYS ON A RANGE OF PROGRAMMES ACROSS THE BUSINESS

ENJOY THE FRESH AIR

WE NOW HAVE OUTSIDE BARS IN **14** OF OUR MANAGED PUBS

WE PRESSED 1,012 TONNES OF APPLES AT CORNISH ORCHARDS IN DULOE

1.4M

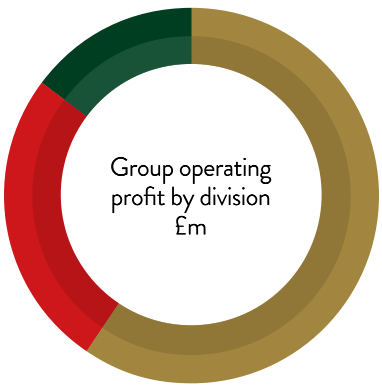
WE SOLD **1.4 MILLION** CUPS OF BREWER STREET COFFEE IN OUR PUBS THIS YEAR

THE KEY INGREDIENT IN OUR FOOD? **OUR CHEFS**

We are one of the only companies where everyone from the Kitchen Porter to the Head Chef benefits from an ongoing training programme. All three levels of our Chefs' Guild Scholarship focus on keeping classical kitchen skills alive and making sure that the craft and passion in our chefs rival those of our brewers.

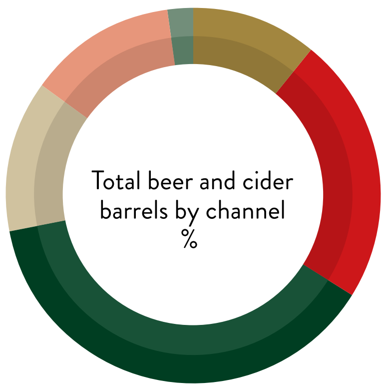
FULLER'S IPA

We launched a new IPA as part of of our craft keg range, with a pump clip designed by artistic collective *ilovedust*.



Fuller's Managed Pubs and Hotels **30.9**
Fuller's Tenanted Inns **13.4**
Fuller's Beer Company **7.6**

Managed pubs within M25 **118**
Tenanted pubs within M25 **55**
Tenanted pubs outside M25 **142**
Managed pubs outside M25 **75**



Fuller's Tenanted Inns **11%**
Fuller's Managed Pubs and Hotels **23%**
Free On Trade **38%** Off Trade **13%**
Exports **13%** Other **2%**

Distinctive Pub and Hotel Experience

Investing in	Progress in FY 2016	Priorities for FY 2017	Market influence
– Our people – Our retail offer – Behind the scenes – Customer experience – Customer feedback	– Excellent like for like ("LFL") sales, up 4.8% in our Managed Estate driven by a superior food offering – Tenanted LFL profits up 2% – good growth despite fewer pubs – Chef's Scholarship programme succeeding in achieving better chef retention and menu creativity	– Continue to invest through the business cycle helping to drive LFL sales growth and gross margins – Focus on developing our people to become managers and chefs of the future – Integrate new sites and support The Stable with systems and evolving its offer – Focus on offsetting the £2 million expected cost of the National Living Wage	Current consumer trends include a focus on the provenance of food, authenticity of brands, healthier options and good value

Targeted Acquisitions and Developments

Targeted acquisitions and developments in	Progress in FY 2016	Priorities for FY 2017	Market influence
– High footfall transport hubs – Iconic London pubs – Affluent market towns	– Acquired five additional pubs for a total of £12 million – New riverside pub development: The Sail Loft, Greenwich Reach opened January 2016 – Acquired a majority investment in Nectar Imports, providing new routes to market – Six new Stable sites opened in the year, operating 13 at year end – Over £20 million invested to sustain the quality of our existing estate	– Expanding The Stable operations to at least 18 sites in total – Record spend on refurbishments to sustain quality or reposition properties – Refurbish all five acquisitions made in FY2016	London and the South East continue to outperform the rest of the UK market, although the UK's potential exit from the EU could halt this

Premium Brand Portfolio

Focusing on	Progress in FY 2016	Priorities for FY 2017	Market influence
– Well-invested equipment and processes – Skilled brewers – Constant innovation – Putting flavour first	– Expanded our chilled and filtered range available in keg format, including new beers, Montana Red and Fuller's IPA – Westside Drinks, augmented by acquisition of Nectar, targeting new high end markets with craft product range – Successful installation of new advanced filter which has increased brewing efficiency	– Drive sales of Cornish Orchards and Frontier through all channels – Continue to build on successful London Pride advertising – Focus on growing sales through Nectar distribution channel	Consumers increasingly want more interesting choices and are prepared to pay a premium for authentic, quality craft products



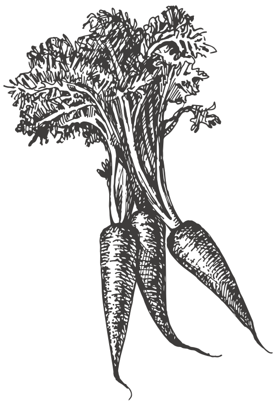






FROM LOCAL FARMS... TO CULINARY CHARMS

We like long term partnerships and we work with a small number of hand-picked farms to get the best crops for our business. We listen to their advice to make sure we get the best seasonal produce in our kitchens at the right time. Our strawberries all come from the same farm in Lymington, on the edge of the New Forest and we get all our asparagus from Sopley Farm near Christchurch in Dorset. You might think that partnership doesn't taste of anything – but our strawberries and asparagus prove otherwise!



A ROBUST BUSINESS WITH STRONG RESULTS

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It has been another outstanding year for the Company and I am delighted to be reporting an excellent set of results, particularly in the largest part of our business – our Managed Pubs and Hotels. We are seeing the rewards of our continued investment programme and the emphasis we have placed on recruiting, developing, rewarding and promoting the best people. We do this to ensure that across the business we are giving industry-leading service.

Our long-term approach is underpinned by a consistent strategy, but we continue to seek new, exciting opportunities to build our business further – keeping the Brewery as our beating heart. We have purchased pubs in geographical areas where we have previously lacked a presence, introduced new premium brands that the consumers of today and tomorrow are seeking out and continued to develop our pub designs and the quality and creativity of our menus.

It has been a busy year for the property team, with the purchase of five new pubs for a total of £11.1 million. At the year end, our total pub estate comprised 191 Managed Pubs and Hotels and 200 Tenanted Inns.

The corporate investments we have made in recent years have also performed well. The Stable continues to flourish – with the addition of six new restaurants during the year. Cornish Orchards grew volumes and we increased distribution of Sierra Nevada, which has also opened new doors for the wider Fuller's craft portfolio.

We found a new route to market in December 2015, when we acquired a 51% stake in Nectar Imports, a family run specialist wholesale business, for £2.7 million. This investment gives us an excellent new channel to independent craft beer outlets. Nectar has a similar ethos and culture to our own and, as with The Stable, it will continue to run as a standalone business under the excellent stewardship of founder and Managing Director, Fiona Jukes.

In 2012 our employees undertook training to the equivalent of 3,000 days. Just four years later that number has increased to 14,000 days. Across the Company, we now offer 14 development programmes and, in November, we decided that we would move early to apply the National Living Wage selectively, awarding it to colleagues who commit to one of these development programmes, regardless of age. We anticipate the direct and consequential financial impact of the National Living Wage on all staff wages in the current financial year will be around £2 million.

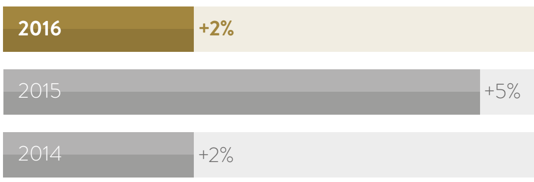
Our career path structure ensures that there is a plan which allows every Kitchen Porter to work towards becoming a Head Chef and every member of bar staff a route to become a General Manager or Operations Manager. In addition to this, we have a programme of training and development for our managers, to increase their skills and take them from junior management or team leader positions right through to Director.

This commitment to our own people improves retention, which reduces induction costs, rewards hardworking and talented employees and ultimately provides exceptional service to Fuller's customers. It has already delivered results with a high number of internal promotions during the period including two positions on the Fuller's Inns' Board.

I am delighted that we picked up the award for *Employer of the Year* at the prestigious *Publican Awards* in March. The People Team at Fuller's has worked tirelessly to improve the way we recruit, train, reward and recognise our people and this award is testament to that success. It was great to see our People Director, David Hoyle, and Group Development Manager, Dawn Browne, on stage to collect the award.

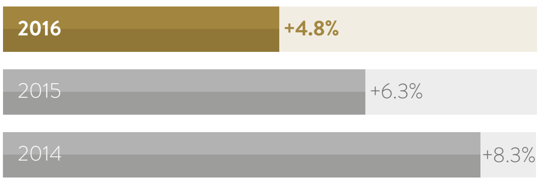
Tenanted like for like profits

+2%



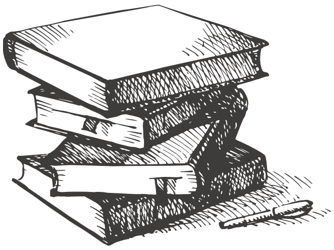
Managed like for like sales

+4.8%



FROM A GREAT TEAM... TO REALISING YOUR DREAM

It's our people that differentiate Fuller's from the competition and we now have structured career paths from Kitchen Porter to Head Chef, frontline Team Members to General Manager and from Junior Management to Director. All our employees are encouraged to have a Personal Development Plan to map out their career ambitions. Realising a person's potential and helping them achieve their dream is rewarding for everyone.



The ever-popular *Shakespeare in the Garden* series returned to our pubs last summer with a production of *Romeo and Juliet*. This most famous tale of passion was performed in 12 of our managed pubs to an enthralled audience of over 3,700 customers

Fuller's Inns

It has been another good year across Fuller's Inns with total revenue from our Managed Pubs and Hotels up by 12% to £238.4 million (2015: £213.8 million) while total revenue for our Tenanted Inns was maintained at £31.5 million (2015: £31.4 million).

We purchased five new pubs during the year, including our only pub in the London Borough of Lewisham, The Lord Northbrook in Lee. We also purchased The Great Northern Railway Tavern in Hornsey, North London – another area where we are under-represented. We hope these footholds will pave the way to further appropriate acquisitions in these growing neighbourhoods. The other three pubs purchased were The Queen's Head in Kingston, The King's Head in Earl's Court and The Sutton Arms in Barbican.

This year we invested £20 million on 18 significant projects and a number of smaller schemes, resulting in 121 weeks of closures – up from 108 in the prior year and a number we anticipate being higher still next year. As we refurbish our pubs, we apply a holistic approach, treating each scheme individually, creating a bespoke design and décor that is tailored to the local area and often taking the opportunity to reposition the pub within its local market. In addition, we always look to improve and enhance the kitchen and menu to further inspire our chefs.

Finally, one of the key ways that we protect our pub estate is by purchasing the freeholds of our sites and securing long-term leases so that we have a stable position from which to develop individual pubs. During the year, we have purchased the freeholds of three existing businesses – The Blackbird in Earl's Court, The Barrowboy and Banker on London Bridge and The Stable in Poole. In addition, we have secured six new long-term leases on existing Fuller's pubs in London.

Managed Pubs and Hotels

Our Managed Pubs and Hotels have had an excellent year, with like for like sales[1] increasing by 4.8%, a rise in operating profit before exceptional items of 17% to £30.9 million (2015: £26.3 million) and an operating profit margin improvement of 0.7% to 13.0%.

The pub and eating out market is continually evolving and critical to our success is our ability to create an experience for the consumer that is not only better than the competition, but is unique and is something our guests cannot get at home.

Food remains one of the key drivers of this performance, with like for like food sales[1] rising 6.9%. We have continued to invest in the Fuller's Chefs' Guild programme – which is attracting new recruits and taking our existing chefs to new heights of culinary skill and creativity. We have supported this activity by enhancing the contracts of our chefs, which has also helped to reduce staff turnover. We have identified a need to improve recognition for our kitchen teams and, since the year end, have held our first ever *Chef of the Year* competition, which was won by Gavin Sinden of The Stonemasons Arms in Hammersmith in the over-25s category and Luke Emmess of The Still & West in Southsea in the under-25s category.

Consumers are increasingly seeking more balanced, lighter dishes and recent successes include our Cornish Orchards cured and smoked sea trout and our tea and hop-smoked haddock. We have also developed a range of bespoke ice-creams with Laverstoke Park Farm and this includes interesting flavours such as cardamom ice cream, specifically created to accompany one of our best-selling desserts, Paul's Chocolate Brownie. We develop these dishes, which are available *Only at Fuller's*, as they provide a point of difference and reinforce our premium position, setting us apart from the competition.

[1] Like for like sales excludes The Stable

There's not much in life that's better than a great pint or a refreshing glass of wine in a pub garden and as part of our ongoing investments we are designing some beautiful outdoor spaces for our customers.

Despite this success, we still have further to go and recent research showed that only one in four people associated Fuller's with food – yet we have an 80% Net Promoter Score for our food overall. This demonstrates the potential opportunity we have to entice more customers to our pubs to try the dishes that are being invented, freshly prepared and served in our kitchens.

The rise in food sales is accompanied by growth in premium wine and coffee. This year we have seen rising wine sales across the board, but of particular note is Sancerre – where sales have risen by 40% in the year – and New Zealand Sauvignon Blanc, where sales are up in the Managed Estate by 49%. We serve a DOCG Prosecco, a cut above the DOC alternative that is available in the majority of pubs and casual dining restaurants, and sales of this are also up, by 36%. In addition, we sold 1.4 million cups of Brewer Street Coffee, a blend of coffee that is available *Only at Fuller's*.

Our customers expect ever-more interesting designs and an environment that has been created with style, elegance and individuality. In January, we opened The Sail Loft in Greenwich Reach, a fantastic site with views up and down the river, right next to the Cutty Sark. This venue is the embodiment of all that is great about a Fuller's pub, with its exciting range of beers and wines and an open kitchen producing stunning food, served by engaged team members, in an amazing venue.

Over recent years, we have reported regularly on the investments we have made in recruiting and developing team members and building the senior team of the future. It was rewarding last May to see Mark Fulton, who joined us as a frontline team member at The Counting House in 2004, promoted to Head of Operations – Hotels.

While we have not added any bedrooms to the estate during the year, we have upgraded 99 of them. Accommodation continues to play a key role for us, although trading in our hotels has been more challenging with a drop in tourism following the Paris attacks, which has coincided with a large number of competitors coming into the market, particularly in locations close to our Central London hotels.

We have also maintained our focus on search engine optimisation and the way we communicate with our customers through highly targeted emails that come directly from the pub – rather than from a head office address. Offers and content are personalised and our response rates are strong. This is a great way to promote events in our pubs, such as the excellent *Shakespeare in the Garden* series that saw *Romeo and Juliet* performed in 12 of our pub gardens during July, August and September to an enthralled audience of over 3,700 people.

Beer Company: total beer and cider barrels

344,000

2016	**344,000**
2015	348,400
2014	334,100

Capital expenditure

£80.7m

2016	**£80.7m**
2015	£56.9m
2014	£38.1m

FROM HOPS... TO HAPPINESS

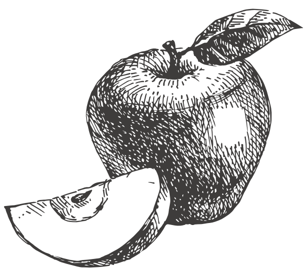
Hops are a key element in the production of beer, imparting bitterness and flavour to the brew. We use a number of hops in our beers from all over the world. However, over 80% of our hops are grown and picked in England, mainly in Kent and the Teme Valley, Worcestershire. We also buy hops from America, Germany, the Czech Republic, Slovenia and, most recently, Australia and New Zealand.

The flavours from hops are many and varied – American hops tend to give big, bold, citrus flavours, while Australian hops give a more tropical fruit note. But if it's floral or spicy notes you're after, then you're better off sticking to hops from good old Blighty.

FROM APPLES... TO ADVENTURES

It's been a busy time down in Duloe for the team at Cornish Orchards. Having increased capacity, we made more cider than ever before. During the winter, the Cornish Orchards Wassail kit proved popular, with mulled cider appearing on the bar of numerous pubs and even on the counter of the Fuller's Brewery Shop in Chiswick.

There's exciting things in the pipeline too with the launch of Cornish Orchards Blush on draught – a delicious cider with a hint of raspberries. So now it's cider time all year round.



It's been a busy year for the Westside Drinks team with Frontier and Sierra Nevada gaining distribution and a high number of festival appearances. During the year, we attended the equivalent of 1,350 event days, reaching nearly one million potential customers at a range of events from Rooftop Film Club in Peckham to Hawker House in Canada Water.

In line with the growth of Apple Pay and similar systems, customers are always keen to find easier ways of paying and Flypay, a payment app which allows a customer to run, split and settle a bill with their friends, is now available in 18 of our London pubs. Most striking though, is how our customers have adopted contactless as their preferred means of payment. In November 2014, contactless transactions made up less than 25% of our card transactions and only represented 11% of value. Volumes have grown every month and today, contactless payments account for more than 50% of all of our card transactions and 33% of value, helping improve speed of service at the bar.

The Stable has continued to expand and we opened six new sites during the year – Plymouth, Winchester, Southampton, Birmingham, Cheltenham and Cardiff. We also relocated the Bath restaurant to a higher profile site, which has increased customer numbers significantly. The new sites also have less exposure to the seasonality that impacts on The Stable's heartland sites in the West Country. Since the year end, we have opened our first London restaurant, in Whitechapel, and this is a very exciting development for what is still a fledgling restaurant brand. Many of these new sites opened at the end of the third quarter, yet total revenue for the year has more than doubled, showing underlying growth in the more mature sites.

In line with our experience in the pub sector, The Stable customer also demands lots of choice, interesting flavours, premium brands and fresh, delicious food made with authentic ingredients. This is reflected in the fact that the Cider Tasting Board is the brand's biggest selling drink and in the attraction of fresh, artisan pizzas made with local ingredients and carrying innovative names, complemented by a range of pies and salads.

As long as we continue to delight our customers with our pubs, our food and our service, we will prosper as a business. We always strive to do better and although we already have a strong overall Net Promoter Score of 70%, up from 68% last year, we continue to seek ways to improve it further.

[2] Operating profit before exceptional items

Tenanted Inns

Our tenanted business has delivered good results again this year, with profits[2] rising by 2% on a like for like basis and average EBITDA per pub increasing by 2% to £83,000. Total operating profit before exceptional items is flat – mainly due to the move of some high volume sites to the Managed Estate in recent years.

We continued to invest in our Tenanted Estate, working with our tenants on schemes to reposition pubs, often to focus more heavily on food. These schemes are jointly funded by Fuller's and the tenant and notable projects during the last year include The Bear & Swan at Chew Magna, where we created some letting bedrooms, and The Griffin in Brentford, where we utilised some redundant space to increase the trading area. We also sold four sites during the year that no longer fitted our long-term strategy.

Our focus on ensuring our tenants have great access to first class training, cellar services support and motivated business development managers continues to drive success and this year both our key internal awards were won by Tenanted pubs. The coveted *Griffin Trophy* was awarded to The Rising Sun in Milland, Hampshire and the *Master Cellarman of the Year* went to The Star in Petworth, West Sussex.

The Fuller's Beer Company

Revenue rose by 5% to £126.8 million (2015: £120.9 million) and while our beer and cider volumes for the year are down by 1%, operating profit before exceptional items remained level at £7.6 million. These figures reflect the shift in mix as we are selling more premium products in line with our strategy.

This year, the Beer Company team has focused on identifying new products and developing new routes to market to counteract our largest customer being taken over by another brewer. The development of Montana Red and Fuller's IPA has enhanced our craft beer range and packaging beers such as Wild River, Frontier Craft Lager and Black Cab Stout into 330ml cans has given us access to new customers. Volumes rose at Cornish Orchards, making use of new capacity at Duloe, and we also increased distribution and volume of Sierra Nevada.

We continue to invest in our flagship brand, London Pride, which benefited from the Rugby World Cup last October. With the focus of attention falling on our London heartland, we ran a widespread outdoor campaign in the area on the theme *Made of Rugby*. This was brought to life through the London Pride Clubhouse – a fantastic sports venue in the City, heavily promoted through the *Evening Standard*. We have also further developed the brand's *Made of London* campaign featuring shots of London Pride against iconic London locations and vistas.

Both Oliver's Island, our golden ale, and Frontier Craft Lager grew sales and distribution during the year, with Oliver's Island becoming our second biggest cask ale. Frontier meanwhile is now our second biggest brand, just three years after its launch. It has continued to grow in popularity with customers who seek out new flavours at street food festivals and other events and this resulted in the equivalent of 1,350 event days for Frontier during the last financial year, reaching an audience of 920,000 potential customers. The activity was supported by an outdoor advertising campaign in the brand's East London heartland including two street murals in Shoreditch.

Current trading and prospects

Our business is in excellent shape and it has been a solid start to the year. Like for like sales in our Managed Pubs and Hotels for the first 10 weeks of the new financial year are up by 2.7% against strong comparatives from last year. Over the same period, like for like profits in our Tenanted Inns are down by 2% and beer and cider volumes have decreased by 5%.

The economy is difficult to read with the European referendum imminent, but while it is important to be aware of the external environment, we will continue with the exciting plans we have in place and our long-term perspective gives us the flexibility to react accordingly.

We will further invest in training our people and we will also be investing a record amount in refurbishing our existing estate, putting more focus on our delicious fresh food and continuing to attract new customers to our pubs. We have already completed seven major schemes in this current financial year including The Harpenden Arms in Harpenden, The Drayton Court in Ealing and The Ox Row in Salisbury, and four more are under way as of today with many others soon to follow. In addition, since the year end, we have purchased an additional 25% of The Stable, taking our stake to 76%.

As we look forward to the year ahead, we know that our long-term strategy, combined with the vision to address the needs of our customers and consumers of the future, will keep Fuller's on the path of growth. By continuing to invest in our assets, our brands and, most importantly, our employees, we will continue to build a Fuller's that delivers outstanding service to our customers, excellent careers for our people and good returns for our shareholders.

Simon Emeny

Simon Emeny
Chief Executive

9 June 2016

Breakfast is a key meal of the day – both in the Brewery and out in our pubs and hotels. The Parcel Yard at King's Cross has some of the most interesting breakfast guests – normally large groups of stags on a Friday heading off for that last weekend of freedom. Once they served a Pope, three cardinals and 30 monks – but it's a less religious affair in most of our pubs!

FROM ROAST AND BAKE... TO A CUP OF WIDE AWAKE

Brewer Street Coffee is our own unique, Fairtrade-certified blend. We put as much effort into sourcing our coffee beans as we do brewing our world-class beers, which is why we went to the ends of the earth to create Brewer Street Coffee.

INVESTING FOR THE FUTURE

Our operating profits before exceptional items grew by 12% and EBITDA increased by 11%. Year end net debt was £198.5 million and the pro forma net debt to EBITDA ratio was 3.0 times.

Our Operating Results

We have grown revenue by 9% on the prior year with the majority of the growth driven by strong like for like trading within the Managed and Tenanted estate. Our operating profits before exceptional items grew by 12% to £40.9 million (2015: £36.4 million), with the largest contribution to growth again coming from the Managed Pubs and Hotels division. EBITDA increased by 11% to £65.0 million (2015: £58.7 million).

Finance Costs

Despite our net debt level increasing significantly to £198.5 million (2015: £162.6 million), our net finance costs before exceptional items increased only marginally from £5.9 million to £6.0 million. This is a result of the terms of our new bank loan facilities and the impact of continuing historical low interest rates allowing us to achieve low interest rates on our variable rate debt. Further details of the new arrangements are included across. The net interest expense on our defined benefit pension scheme is shown as an exceptional item as the charge is driven by market conditions at an arbitrary point in time and is not associated with our underlying trading. Our blended cost of borrowings has decreased to 2.8% due to low rates on the variable rate portion of our debt. We expect this blended rate of interest to increase marginally in the coming year as interest rates begin to rise.

Exceptional Items

Net exceptional costs before tax of £1.7 million comprised £2.9 million profit on property disposals and a £0.2 million onerous lease provision release, offset by £1.1 million of acquisition costs expensed, £0.8 million of impairment charges net of reversals, £2.2 million deemed remuneration on the future purchase of shares in The Stable, a net interest charge on our pension deficit of £0.8 million and a £0.1 million credit movement in the fair value of financial instruments. After exceptional items, profit before tax was therefore £39.2 million (2015: £36.1 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 20.5% (2015: 21.7%) on adjusted profits. The overall effective tax rate of 15.8% benefits from the deferred tax credit of £1.9 million relating to the stepped reduction in the UK corporation tax rate from 20% down to 19% from 1 April 2017 and to 18% on 1 April 2020.

Pensions

The deficit on the defined benefit pension scheme decreased by £0.9 million to £23.5 million (2015: £24.4 million). This was driven by the assumed discount rate increasing from 3.25% to 3.55%, resulting in a decrease in the calculated present value of pension obligations from £127.9 million to £119.6 million. This was partly offset by a lower than expected return on scheme assets, resulting in a decrease in the fair value from £103.5 million to £96.1 million. Deficit recovery payments of £1.1 million were made during the year.

Shareholders' Return

Adjusted earnings per share were 13% higher than last year at 58.35p (2015: 51.51p). The proposed final dividend of 11.00p per 40p 'A' ordinary share, together with the interim dividend of 6.90p per share already paid makes a total of 17.90p and compares with a total dividend of 16.60p last year. The total dividend per share has grown by 8% and will be covered 3.26 times by adjusted earnings per share, compared with 3.1 times in the previous year. Shareholders' equity at the year end was £305.3 million.

During the period 274,000 'A' ordinary 40p shares and 1,000,000 'B' ordinary 4p shares were purchased into treasury for a total of £4.4 million (2015: 291,500 'A' ordinary 40p shares and 3,558,009 'B' ordinary 4p shares for £6.2 million). In addition 146,028 'A' ordinary 40p shares and 225,281 'B' ordinary 4p shares were purchased for £1.8 million by or on behalf of the Trustees of the Share Incentive Plan and the Long Term Incentive Plan Trustees to cover future issuance (2015: 72,500 'A' ordinary 40p shares and 248,089 'B' ordinary 4p shares for £0.9 million). The average price paid was 1141.8p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 1,040p. The highest price during the year was 1,233.0p, while the lowest was 985.0p. The Company's market capitalisation at 26 March 2016 was £580.9 million (2015: £569.4 million).

Cash available for discretionary spend was £55.9 million (2015: £47.7 million). The increase was largely due to increased EBITDA and positive movements in working capital, mainly due to the timing of payments around the year end. Group net debt increased from £162.6 million at the start of the year to £198.5 million as a result of acquisitions and the continued investment in our existing estate including the purchase of three freeholds of existing sites. Our capital spending increased to £80.7 million (2015: £56.9 million) and included the acquisition of Nectar Imports (including £0.7 million of acquired cash), five new pubs – The King's Head, Earl's Court, The Queen's Head, Kingston, The Sutton Arms, Barbican, The Great Northern Railway Tavern, Hornsey and The Lord Northbrook, Lee (acquired as part of the corporate acquisition of G&M Leisure). We have invested significantly in the refurbishment of our existing estate – £20.2 million. Asset disposals raised a total of £5.1 million and we recorded an exceptional gain on disposal of £2.9 million. EBITDA increased by 11% to £65.0 million (2015: £58.7 million). The increased capital spend was financed through the incremental EBITDA and drawing on our bank facilities. This has resulted in the pro-forma net debt to EBITDA ratio increasing to 3.0 times (2015: 2.7 times). This level of debt allows us continued flexibility to invest in future opportunities as they arise.

Cash flow	**2016 £m**	2015 £m
EBITDA	**65.0**	58.7
Interest	**(5.3)**	(5.2)
Tax	**(8.5)**	(8.3)
Other	**5.6**	2.5
Cash available for discretionary spend	**56.8**	47.7
Capital expenditure	**(66.0)**	(29.0)
Acquisitions	**(14.7)**	(27.3)
Acquisition costs paid and other exceptional items	**(1.1)**	(1.7)
Property disposals	**5.1**	3.3
Dividends and share transactions	**(15.0)**	(14.9)
Cash flow	**(34.9)**	(21.9)
Non cash movement*	**(1.0)**	(0.9)
Net debt movement	**(35.9)**	(22.8)

* Includes acquired debt on acquisition of G&M Leisure Limited.

Sources of finance	**2016 £m**	2015 £m
Bank debt	**177.0**	140.0
Other debt	**27.7**	27.7
Cash	**(6.2)**	(5.1)
Total net debt	**198.5**	162.6
Available committed facilities (expiring in more than one year)	**32.0**	39.0
% total borrowings fixed/hedged	**55%**	75%
Net Debt / EBITDA	**3.0x**	2.7x

Sources of Finance

During the year the Group successfully arranged an additional £30.0 million fixed term loan. The new loan has a four year term expiring in August 2020 to coincide with existing arrangements, with no amortisation requirements. In addition, we extended £130.0 million of our existing bank loan facilities and the £20.0 million one year fixed term loan. As a result £160.0 million of our bank loan facilities expire in 2020, £50.0 million in 2019 and £20.0 million in August 2016.

£85.0 million of our borrowings at 26 March 2016 were hedged of which £65.0 million is swapped at a blended interest rate of 1.8% (excluding bank margin) and £20.0 million is subject to a cap of 2.1%. In March 2016 we entered into a further interest rate swap arrangement for £20.0 million at 0.819% from April 2016 to February 2021. 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. The Group is able to operate with negative working capital – trade and other payables were £27.4 million greater than the aggregate of inventories and trade and other receivables at the year end (2015: £20.9 million greater).

Financial Risks and Treasury Policies

The Group Treasury Team consists of the Finance Director and the Group Financial Controller. The objectives of the Treasury Team 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.

Going Concern Statement

The financial position of the Group including the various sources of finance available and its cash flows have been described herein. In addition, note 26 of the financial statements includes detailed disclosure on the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk. The Group is vertically integrated, is diversified across a wide range of sales channels and is strongly cash generative. We have performed well throughout the recent economic cycles. Our financial position is strong as we have always borrowed prudently.

We had approximately £32 million of undrawn medium term bank facilities in place at the year end which is considered more than sufficient to meet cash flow requirements over the coming 12 months. On the basis of current financial projections and having considered the facilities available, the Directors are confident that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Viability Statement

The Directors have assessed the viability of the Group over the three year period to March 2019, taking into account the Group's current position and the potential impact of the principal risks documented on pages 22 and 23 in the Strategic Report. Based on this assessment the Directors 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 2019.

Three 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 Directors have performed scenario modelling based on a possible but worst case economic outlook, with and without mitigating action.

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 cashflows by a reduction in discretionary investments; and the long term strategy and outlook of the Group.

James Douglas
Finance Director

9 June 2016

FROM CHOOSING WINES... TO GREAT TIMES

We source over 350 wines from 15 countries across five continents – and it's not as much fun as it might sound. It's a long, detailed process to make the grade to be listed by the Fuller's wine team. We are looking for outstanding wines – and Neil Bruce, our Head of Wine has been honing his expert palate over the last 25 years. Whether you prefer an everyday Pinot Grigio or a special occasion Premier Cru Burgundy Village, we have the same exacting standards.

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.

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.

Risk	Mitigation and Monitoring
Regulatory Risks	
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 or the long term decline of the business. The two key areas of consideration are the regulation of the sale of alcohol and the Beer Tie.	We carefully monitor legislative developments and review sales trends and consumer habits to gauge the impact on our business. We participate in industry initiatives aimed at the responsible promotion and retailing of alcohol. We have diversified our offering to include soft drinks, coffee, food and accommodation to reduce our reliance on alcohol-based revenue, which now represents 57% of managed house revenue. We continue to monitor ongoing dialogue between the Government and industry bodies. Our Directors are members of key industry bodies and committees. The industry maintains a voluntary code of practice with tenants, which is regularly reviewed and updated in consultation with numerous pub companies and industry groups. Fuller's operates an internal code of practice that is more rigorous than the current industry code to ensure the transparency and openness of our Tied agreements. We also provide marketing, training and promotional support to help tenants run profitable and long term businesses. Enforced changes to our tied arrangements by the Government would necessitate changes to our business model, with higher property rents and lower prices for the supply of drinks being charged.
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 and food hygiene. 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. In our Managed Pubs and Hotels we have automatic fire suppression systems in most of our kitchens to reduce fire risk. All staff receive food hygiene training as standard and regular kitchen audits/checks ensure they comply with the standards expected from them. Quality assurance checks on our core suppliers ensure hygiene standards have been adhered to before produce even reaches our kitchens.
Loss of Premium Position	
The Group operates in a premium market for both Fuller's Inns and The Fuller's Beer Company. This positioning is key to the success of the business and the achievement of the Group's strategic goals. The loss of the position would have a significant impact on the Group's business model and financial performance.	This strategy has been agreed by the Board and communicated to key senior staff in the Company. In addition the Executive Committee approves all significant new product development and acquisition decisions and therefore controls key changes to the Group. Developments in products offered by competitors are monitored closely to enable the Group to react quickly to changes in the market. There is a customer complaints system to track and monitor the perception of our products and houses in the marketplace to ensure we are meeting our premium position.

Risk	Mitigation and Monitoring
Griffin Brewery Site	
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 which would impact on the profitability of the Company.	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.
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 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.
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 fines.	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 Disaster 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 at an acceptable level.
Loss of Key Management and Staff	
The Group has a number of key staff who are critical to its success and therefore there is a risk that if a number of these individuals were to leave at the same time it may risk the delivery of the Group's strategy.	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 the key members of staff are appropriately remunerated to reduce the likelihood they are attracted to other competitor businesses.
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. Disruptive and short term third parties cannot easily gain significant holdings and influence.
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 and online and social media reviews. We analyse retail pricing and market share data to ensure we are competitive but still premium.
The United Kingdom's Exit from the European Union	
The business is exposed to the risk that the UK might exit the EU after the referendum on 23 June 2016. This is considered to be a significant risk to the viability of the business and the potential impact has therefore been modelled by the Directors.	Fuller's has strong relationships with EU customers and suppliers which could be customised in the event of an exit from the EU. Fuller's existing training and development programme would enable the Group to produce and attract quality employees from a reduced market workforce. The extensive scenario planning and analysis performed as part of our business viability exercise enables the impact of an exit from the EU to be mitigated.

Fuller's is a business built on respect, with quality at its heart and a high standard of integrity throughout the various parts of the Company.

Our culture has always been strong and our four key values are:

- Always doing things the right way
- Being part of the family
- Celebrating individuality
- Always looking beyond.

The first three of these values have particular relevance with regard to our Corporate Social Responsibility. We work hard to create long term mutually beneficial relationships with key suppliers, look at the traceability and standards in our food chain, ensure that we reward, recognise and encourage our team members, respect the individuality of our pubs and support the communities in which we operate.

Charity and Community Support

This year has seen renewed focus on the charities we support and how we do that to maximise the benefit to the charity. We have two main charities that are beneficiaries of our day to day activities – Shooting Star Chase and Seafarers.

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 sold in Fuller's managed pubs, we now donate 50p – generating a total donation for the last financial year of just under £50,000.

As well as donating through the children's meals, many of our pubs raise money for Shooting Star Chase in other ways too. This year, this has included raising money at the annual Red Lion Barnes Sausage Roll Off and further funds were generated by two operations managers who had a competition to sell the most breakfasts in their pubs, with the loser being ice bucketed in aid of Shooting Star Chase.

In the coming year, we are aiming to double our donation to this fantastic charity – starting with a 100 mile bike ride, which took place in May this year.

The relationship with the Seafarers charity benefited this year from a new, stylish pump clip and bespoke glassware for this valuable brand. Seafarers receives £5 per barrel, which resulted in a donation for the full financial year of just under £30,000.

Outside of these key charities, we continue to support a number of other local and national charities. Our relationship with Cancer Research UK continues – with this year's Hammer Cancer Walk raising over £21,000 to add to more than £1 million that has already been donated to this worthwhile cause over the last 20 years. To build on this further, we have decided to combine this year's walk with our annual Pride & Passion Open Day in September. Last year, the Open Day raised over £4,500 for the Mulberry Centre – a local cancer charity.

Our managed and tenanted pubs also raise over £70,000 for local charities each year and on a corporate level, we donated just over £63,000 to a wide range of charities both in response to specific requests and by matching funds raised by team members across the Company.

Our support for the communities in which we operate goes beyond just donating money to charities. We also support numerous community events with donations of beer, soft drinks and raffle prizes. This happens throughout our business – at Cornish Orchards in Duloe, Cornwall, at Horndean in Hampshire where our southern distribution hub is based, at Chiswick around The Griffin Brewery and throughout our pub estate.

St Nicholas Church in Chiswick, our next door neighbour, is in need of some expensive restoration work. We decided to show our support by launching St Nick's, a seasonal beer with a percentage of sales going to the St Nicholas' fund. It sold quite well – not quite raising the roof, but raising over £13,000 for this worthwhile cause. It's nice to be neighbourly.

FROM FORWARD THINKING... TO RESPONSIBLE DRINKING

We do like to make sure that our drinks range offers something for everyone – and the Cornish Orchards' soft drinks range is proving popular. There's a wide range of flavours from fruity cranberry and raspberry to a refreshing elderflower and they are even on sale at the Eden Project in Cornwall. In addition, some of our pubs are making their own flavoured water – often with cucumber – available on the bar for customers to help themselves. It's the little things that make the difference.

We've just opened a pop up Frontier bar at Wembley – and it's already proved very popular with the fans. As well as our delicious craft lager, thirsty spectators can also get their hands on London Pride, Cornish Orchards and Sierra Nevada – so the best line up is no longer on the pitch.

We continue to support the Surrey County Cricket League and the Head of the River IVs through sponsorship and by hosting their annual awards. We sponsored the Thames Towpath Ten, a ten mile race starting in Chiswick, for the eleventh consecutive year and we continued to supply the Hospital of St Cross almshouse, where we provide beer for sale to visitors, generating valuable funds for this charity.

Responsible Retailing and Supplier Engagement

Alcohol, and its role in society, continues to come under the spotlight and we meet this challenge by taking responsibility for the products we produce and the way we sell them. It is our firm belief that the pub is the home of responsible retailing and we actively avoid discounting alcoholic drinks.

In addition, we continue to build our Brewer Street Coffee business and improve our soft drinks offer both through our own Cornish Orchards' range and through an interesting range of third party soft drinks. All our pubs provide complimentary tap water on request and many of our pubs now have water dispensers on the front of the bar so guests can help themselves.

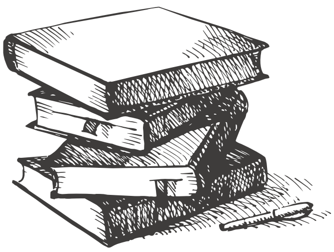
We strive to be part of the debate going forward and are active members of the British Beer and Pub Association (BBPA) and the British Institute of Innkeeping (BII). Fuller's is also a supporter of Drinkaware – the government sponsored trust that aims to promote responsible drinking and help reduce alcohol misuse and alcohol related harm. All our marketing activity includes a sensible drinking message and, at house level, we invest in relevant training for all team members.

Team members are also very well versed with regard to allergen labelling and the impact of allergens, and we continue to work with a third party environmental health consultancy to deal with any food issues. We also undertake regular market research with our customers and this has highlighted a potential area of improvement for us with regard to increasing the number of vegetarian, lower fat and lower calorie dishes on our menus.

It's been a busy year for The Stable with new sites opening up from Plymouth to Birmingham. Each site has a local focus though, through the produce used and the names of the pizzas. It's important to keep a bit of the brand's native Dorset in each one though – and so the Flagon Wagon does just that – distributing Dorset cider wherever it goes.

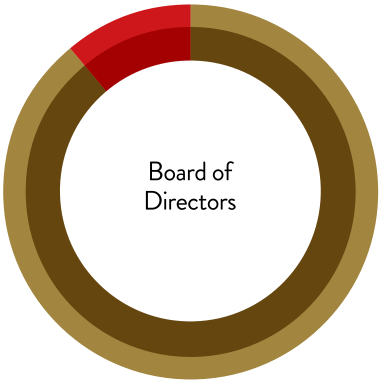
FROM A BUSY YEAR... TO A FULL-BLOWN CAREER

Sometimes it's hard to find time for training, but last year, our team members undertook the equivalent of 14,000 training days. We have 14 different development programmes and are very proud of the number of internal promotions we have made during the last year – around 70% of appointments were filled in this way.



FROM LOCAL NEEDS... TO GOOD DEEDS

Supporting the local community and raising money for charities are important parts of life at Fuller's. We sponsored the Thames Towpath Ten again this year – for the eleventh year running. We also took the opportunity to boost our fundraising for Shooting Star Chase at the annual Red Lion Sausage Roll Off, with all the chefs making additional pastry treats to sell for charity.



Male **9** (89%)
Female **1** (11%)

Male **39** (58%)
Female **28** (42%)

Male **2,886** (56%)
Female **2,279** (44%)

Long term relationships with our suppliers are a key part of our business culture and we work hard to forward buy items such as malt and hops to give our suppliers the confidence to invest. We have the same philosophy when it comes to our food suppliers – preferring to work with a small number of key suppliers in genuine partnership.

Our focus on fresh ingredients, combined with these strong supplier relationships, keeps our menu seasonal and relevant and where possible we use British suppliers – often supplementing menus with small, very local suppliers in certain pubs.

We consider the human rights, health and safety and other ethical measures of our suppliers when making our buying decisions. All suppliers are required to provide us with a copy of their Corporate Social Responsibility policy and we look to work with suppliers that have similar values to our own.

People

Each year we continue to invest further in our workforce and this year has seen a record number of training days. In addition, we took the decision to move early to the National Living Wage for all team members, regardless of age, who were participating in a training programme.

Home grown talent is very important to Fuller's. One in 12 of our team members is undertaking one of our 13 development programmes. For a company of around 4,000 employees, this is a very wide range of tailored initiatives. We now have a complete development journey for every employee from shop floor to Senior Manager or Director and our Chef's Guild Scholarship programme offers a three stage plan for our kitchen teams.

Across all parts of the business, we are committed to offering all employees a personal development plan to help them build their career within Fuller's and our pledge to promote internally is being upheld – benefiting not just the individual concerned, but also improving morale and ambition among other employees.

We continue to invest in apprenticeships and graduate programmes and the retention rates of those on these programmes is very high. Within The Fuller's Beer Company we are working on our Project 2020 to ensure that we have the team in place that we need to continue to grow this part of the business, and we encourage and facilitate the movement of employees not just upwards in their career paths, but also between departments and divisions to expose them to new opportunities.

As well as financial remuneration, we focus heavily on benefits that encourage employees to value the overall success of the Company such as the Save As You Earn scheme and our Share Incentive Plan. Employees also benefit from a staff discount and, in many cases, free private health care and a range of other benefits. Anecdotally, we believe our labour turnover remains lower than the industry average and we have reduced our Head Chef turnover by 25-30%. We are proud of the fact that so many team members have had such a long tenure with Fuller's.

Carbon reporting

Fuel type	52 weeks ended 26 March 2016 CO_2 tonnes	52 weeks ended 28 March 2015 CO_2 tonnes
Electricity and gas	**27,300**	29,504
Petrol and diesel	**1,296**	1,189
Total	**28,596**	30,693
CO_2 emissions per £100,000 of turnover	**8.2**	9.6

Figures exclude the impact of the Company's 51% stake in Nectar Imports Limited, which was acquired on 31 December 2015.

Environment

Like many businesses, we are committed to reducing our energy consumption and running our affairs in the most efficient way with respect to the environment. Weekly consumption reports, new technologies and an open mind to new ideas help us to achieve this. During the last financial year, gas usage in the Brewery has reduced by 10% and the installation of solar panels on the Brewery roof has also helped to reduce our electricity consumption from the grid.

We have now rolled out LED lighting in many of our pubs and this has resulted in a saving, as well as a labour benefit due to the reduced frequency that the bulbs need to be changed. We have conducted a record number of refurbishment schemes in our estate with each one offering an opportunity to review and improve the energy use levels through the introduction of waterless urinals, LED lighting and food waste recycling bins where space allows.

Reducing energy is an ongoing process and we continue to work with our ESOS (Energy Savings Opportunity Scheme) consultants to fulfil our ESOS commitment and identify further opportunities to make energy savings and reduce our carbon footprint.

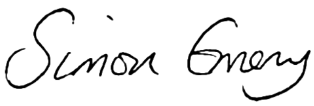
Heritage

As the last of London's traditional family brewers, we take great pride in and care of our heritage and those of the neighbourhoods we operate in.

This year has seen us make a sizeable commitment to the local church – which is in need of a substantial amount of money to make necessary repairs. St Nicholas' Church in Chiswick was rebuilt by Henry Smith in the late 1800s and, over Christmas, we launched a St Nick's Ale, sales of which generated over £13,000 for the restoration fund. In recognition of this work, Fuller's received the coveted St Mellitus commemoration medal from The Rt Revd and Rt Hon Richard Chartres KCVO DD FSA, the Bishop of London.

As ever, we have ensured that all our refurbishments are sympathetic to the local area and we maintain the fabric and façades of the many buildings in our estate with historic significance. We are incredibly lucky to have some very famous old pubs in our estate and we take our responsibility to protect these for future generations very seriously.

The Strategic Report, encompassing pages 4 to 30, was approved by the Board and signed on its behalf on 9 June 2016:

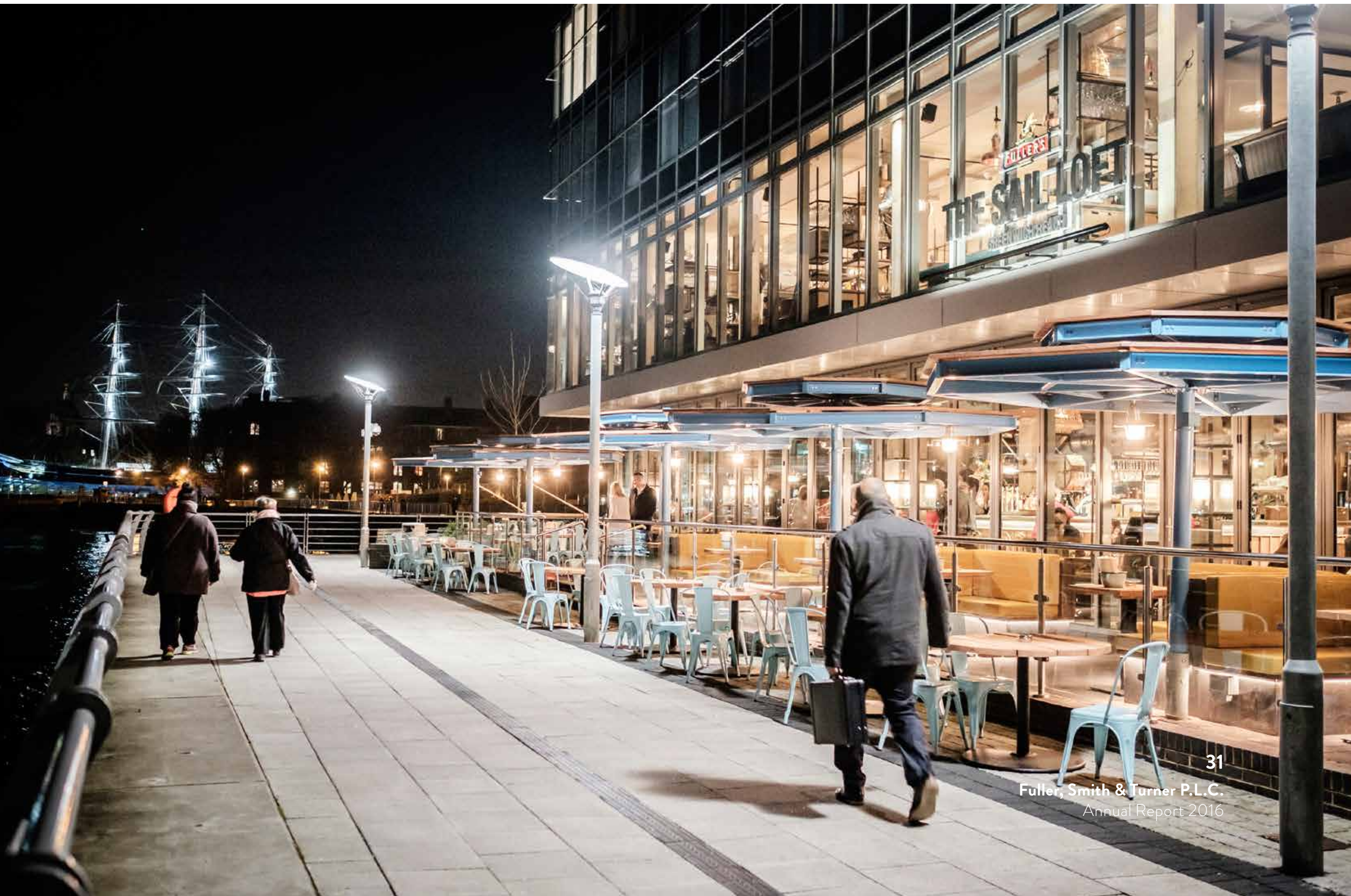


Simon Emeny
Chief Executive

James Douglas
Finance Director

FROM OUR CHISWICK HEART... TO A FRESH NEW START

It was in the mid-1600s that beer was first brewed in Chiswick and it's over 170 years since the formation of the Fuller, Smith & Turner partnership, so it's a great contrast to have such a heritage – yet be in a position to always look to the future. Take The Sail Loft, for instance. This is the third time in the last two years that we've used the knowledge of centuries to create a brand new, beautiful riverside pub.



1 Michael Turner
2 Simon Emeny
3 James Douglas
4 Richard Fuller
5 Ian Bray
6 Jonathon Swaine
7 Séverine Garnham
8 John Dunsmore
9 Lynn Fordham
10 Alastair Kerr
11 Sir James Fuller Bt.

1 Michael Turner
Non-Executive Chairman
Chairman of the Nominations Committee
Aged 64. 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.

2 Simon Emeny
Chief Executive
Aged 50. 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.

3 James Douglas
Finance Director
Aged 50. 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.

4 Richard Fuller
Corporate Affairs Director
Aged 56. 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.

5 Ian Bray
Managing Director of The Fuller's Beer Company
Aged 52. Appointed in 2011. Previously European Marketing Director of Bunge S.A., a Switzerland-based global foods and agricultural business. Has held FMCG marketing and senior management roles at both international and domestic level, working with companies such as Wrigley, Müller and SmithKline Beecham. A Business Studies graduate. Resigned on 31 May 2016.

6 Jonathon Swaine
Managing Director of Fuller's Inns
Aged 45. Appointed to the Board in 2012. Joined the Company in 2005 and appointed as Operations Director for Fuller's Inns in 2007. Has previously held positions at Carlton Communications and Molson Coors. An Arts graduate with a Master's degree in Marketing and alumnus of Columbia Business School.

7 Séverine Garnham
Company Secretary
Aged 46. 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.

8 John Dunsmore
Senior Independent Non-Executive Director
Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nominations Committee
Aged 57. 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.

9 Lynn Fordham
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Remuneration Committee
Member of the Nominations Committee
Aged 53. 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 10 years at Mobil Oil in a number of financial and operational roles, predominantly internationally. An accountancy graduate and Chartered Accountant.

10 Alastair Kerr
Independent Non-Executive Director
Chairman of the Remuneration Committee
Member of the Audit Committee
Aged 66. Appointed in 2011. Non-Executive Director and Chairman of the Remuneration Committee at Havelock Europa PLC, Non-Executive Director of Fenwick Ltd. and Steamer Trading Ltd., Chairman of J. Murphy and Sons Ltd, MPC Group Pty Ltd (Australia) and Drilton 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 Senior Independent Director and Chairman of the Remuneration Committee of Alliance Trust PLC.

11 Sir James Fuller Bt.
Non-Executive Director
Aged 45. 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.

The Directors present their report to shareholders together with the audited financial statements for the 52 weeks ended 26 March 2016.

Strategic Report

The statements and reviews on pages 6 to 30 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 all Directors who served during the financial year, together with biographical details, is given on page 33.

Ian Bray resigned as a Director with effect from 31 May 2016.

Alastair Kerr, whose term of office expired on 1 August, was re-appointed by the Board of Directors at its meeting on 16 July 2015. James Fuller whose term of office expired on 31 May 2016 and Michael Turner whose term of office will expire on 30 June 2016 were reappointed by the Board of Directors at its meeting on 8 June 2016. In accordance with the Articles of Association, their reappointment will be subject to the approval of shareholders at the Annual General Meeting.

Simon Emeny and James Douglas retire by rotation at the Annual General Meeting and offer themselves for re-election. Both 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 page 56.

Dividends

The Company paid an interim dividend of 6.90p per 'A' and 'C' ordinary share of 40p each and 0.690p per 'B' ordinary share of 4p each on 4 January 2016. The Directors now recommend a final dividend of 11.00p per 'A' and 'C' ordinary share of 40p each and 1.10p per 'B' ordinary share of 4p each. This makes a total dividend for the financial year of 17.90p per 'A' and 'C' ordinary share of 40p each and 1.79p per 'B' ordinary shares of 4p each.

The total proposed final dividend on ordinary shares will be £6,078,000 which together with the 2016 interim dividend paid of £3,824,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £10,022,000.

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 23 July 2015, the Company was given authority to purchase up to 4,853,271 'A' ordinary shares to be held as treasury shares to be used in connection with, among other purposes, the Long Term Incentive Plan ("LTIP") and/or other share option schemes. This authority will expire at the Annual General Meeting and shareholders will be asked to give a similar authority to purchase shares up to 15% of the 'A' ordinary capital at that date.

The Company's maximum issued ordinary share capital during the year was £22,793,726 comprising 33,537,179 40p 'A' ordinary shares, 89,052,625 4p 'B' ordinary shares and 14,541,873 40p 'C' ordinary shares.

During the year the Company purchased a total of 274,000 40p 'A' ordinary shares at a total cost of £3,144,446.98 (exclusive of stamp duty). These share purchases represented 0.19% of the maximum issued ordinary shares and 0.82% of the Company's issued 'A' ordinary share capital.

164,587 40p 'A' ordinary shares held in treasury, with a value of £1,351,794.80, were transferred to the Trustee of the LTIP. 140,667 40p 'A' ordinary shares held in treasury were allocated to participants of the Savings Related Share Option Scheme, the Executive Share Option Scheme and the Senior Executive Share Option Scheme on exercise of options, generating net cash proceeds of £800,413.98. A total of 1,132,285 40p 'A' ordinary shares at 26 March 2016 are held as treasury shares.

At the Annual General Meeting held on 23 July 2015, the Company was also given authority to purchase 1,000,000 4p 'B' ordinary shares at a total cost of £1,148,800.00 (exclusive of stamp duty). These are held as treasury shares. They represent 0.72% of the maximum issued ordinary shares and 1.12% of the Company's issued 'B' ordinary share capital. A total of 4,558,009 4p 'B' ordinary shares at 26 March 2016 are held as treasury shares.

The Company employee share ownership trusts purchased a total of 80,000 40p 'A' ordinary shares at a total cost of £872,662.60 (exclusive of stamp duty) for the Share Incentive Plan ("SIP") and 185,887 4p 'B' ordinary shares at a total cost of £203,158.69 (exclusive of stamp duty) for the LTIP.

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. Regular newsletters are also generated for both The Fuller's Beer Company and Fuller's Inns employees and ad hoc news is regularly communicated via both traditional notice boards and e-mail distributions. The communications policy, which is in operation throughout the business, is designed to ensure the successful cascading of information. A structure of consultation committees at both Divisional and Corporate level is in place to facilitate a dialogue between the Group and representatives of all employees including union members. Taken together, these communications have allowed the Group to engage successfully with all our employees, wherever they are employed.

The Group's recruitment policy is designed to ensure that all applications for employment, including those made by disabled persons, are given full and fair consideration, in light of the applicants' particular aptitudes and abilities. The Group also has an equal opportunities policy which is designed to ensure that all employees are treated equally in terms of training, career development and promotion. Where employees develop a disability during their employment by the Group, every effort is made to continue their employment and arrange for appropriate training, career development and promotion as far as is reasonably practicable. Development and training of our employees at all levels has always been a priority at Fuller's.

The Company continues to offer qualifying staff a Savings Related Share Option Scheme, a Share Incentive Plan 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 84,596 40p 'A' ordinary shares on behalf of employees of the Company who are participants in its SIP. This represents 0.25% of the issued 'A' ordinary share capital. 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 26 March 2016 and at 3 June 2016
BlackRock, Inc	10.55
Aberdeen Asset Management PLC and its subsidiaries	9.70
Ameriprise Financial, Inc	5.93
Kames Capital and associated entities	4.06
Dunarden Limited	3.05

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

Percentage 'B' ordinary shares of 4p each

	As at 26 March 2016 and at 3 June 2016
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
Mr M J Turner	3.50
Miss S M Turner	3.49
Mr R H F Fuller	3.40

Percentage 'C' ordinary shares of 40p each

	As at 26 March 2016 and at 3 June 2016
Sir J H F, Messrs A F and E F Fuller	**30.85**
Mr T J M Turner	**6.16**
Mr H D Williams	**6.01**
Miss S M Turner	**5.17**
Mrs J Fuller	**4.27**
Fuller Family Members Trust	**3.99**
Mrs D M St. C Turner	**3.07**

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 entitled "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.

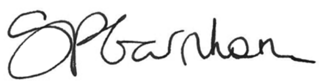
Corporate Governance

The Group's report on Corporate Governance is set out on pages 38 to 44. 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 24 to 30. It contains information on greenhouse gas emissions and gender diversity.

By order of the Board



Séverine Garnham
Company Secretary

9 June 2016

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

Registered in England under number: 241882

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Annual Report, the Remuneration Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRSs") 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 IFRSs 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 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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 IFRSs, 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 IFRSs 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 page 33.

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 33. 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

Michael Turner
Chairman

9 June 2016

James Douglas

James Douglas
Finance Director

9 June 2016

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"). There are several key issues that I wanted 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 rest of the business, succession plans are in place at departmental level and are reviewed regularly by the relevant Directors in conjunction with their Executive colleagues and their personnel advisors. Furthermore, all department plans are compiled into a Company succession plan which provides effective review of cross-departmental promotion and opportunities.

In terms of Board balance, I chair the Nominations Committee and am personally involved in all Board level recruitment so 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 process. I am aware that larger PLCs are required to seek external assistance with this process but do not believe that such a process 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 process encourages a healthy debate on things that could be improved.

Michael Turner
Chairman

9 June 2016

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 4 to 31. The information relating to the share capital of the Company that is required by DTR 7.2.6R can be found within the Directors' Report, on pages 35 and 36.

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. 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 2015/2016	Board	Executive	Audit	Remuneration
Number of formal meetings	6	11	4	6
Director				
Michael Turner	6		*	*
Simon Emeny	6	11	*	*
James Douglas	6	11	*	
Richard Fuller	6	11		
Ian Bray	6	11		
Jonathon Swaine	6	11		
Sir James Fuller	5			
John Dunsmore	6		4	6
Lynn Fordham	6		4	6
Alastair Kerr	6		4	6

* 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

There were no changes to the composition of the Board in the period. 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.

Currently the Company has four Non-Executive Directors, one of whom (Sir James Fuller) is a family member. This representation is very important in a company with a high proportion of family shareholders. The other three Non-Executive Directors, all of whom are deemed independent under the Code, are experienced business leaders and all of the Non-Executives bring a wide range of skills and experiences to the Board. The Directors consider that the Board is well-balanced as it has the right number of members for the size of the Group and the Directors agree that no one individual dominates discussions and that each makes a full and positive contribution. The Directors' biographies are on page 33. 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 45 to 61 and are available for inspection at the Company's registered office.

Advice for the Board

There is in place a procedure 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 higher than last year's scores. The results did provide some insight into areas that could still 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 did not meet during the year as no appointments were made. The Board has recently reviewed the Company's equal opportunities policy which requires that all who work for the Company have appropriate regard for diversity in their decision making. The Board also discussed Lord Davies' recommendations, but 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 29.

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 year to 26 March 2016, the Audit Committee considered the following significant issues, including those communicated by the auditors during their reporting:

Significant Issue	How the issue was addressed
Impairment testing	The Committee considered the proposed impairment of property assets for both the Half Year Report and the Annual Report. The Committee was satisfied with the approach presented by management and the judgements made for those properties at risk of impairment.
Pension accounting	The Committee considered the accounting for the Group's defined benefit plan including the impact on the Group's accounting policies following the implementation of IAS 19 (revised) Employee Benefits in the year. The Committee was satisfied with the proposed accounting treatment and revised disclosures in the financial statements.
Exceptional items	The Committee considered the nature of items classified as "Exceptional" in the financial statements. The Committee was satisfied that the items management proposed to show as exceptional are not linked to the underlying trading of the Group. Exceptional items continue to include: – Profit or loss on property disposals – Business acquisition costs expensed – Changes to onerous leases provisions – Net charge on property impairment – 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. It was also agreed to show The Stable deemed remuneration as exceptional as this is not associated with the Group's underlying trading.
Acquisitions	The Committee considered separately the proposed accounting for the acquisitions of a majority interest in Nectar Imports Limited and G&M Leisure Limited. In both cases, the Committee received papers detailing the proposed accounting and judgements made. The Committee was satisfied with the approaches taken. The Committee considered the accounting for The Stable Pizza & Cider Limited put and call option liability, both regarding the updated provision for the Half Year Report and the Annual Report and the treatment of the corresponding expense in the Income Statement. The Committee was satisfied with the proposed accounting treatment.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Other items discussed in the year included the accounting for taxation, discussion of the Company's risk management process, consideration of selected individual risks from the risk register, discussion of the internal audit work completed during the year and progress on actions arising from both risk management and internal audits.

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 26 March 2016 was the third 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 whistle blowing 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 43.

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 2016 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. The fees paid to Grant Thornton UK LLP for audit services were £103,000, for audit related services were £16,000 and for non-audit related services were £4,000. 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 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 22 and 23, 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 900 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 banking procedures in managed houses, cash reconciliations and free trade equipment as well as a number of reviews on other internal processes.

In addition, the Group employs a team of retail business auditors who monitor the controls in place in the Managed Pub estate, 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 also keen to encourage institutional investors to attend the meeting, in line with the duties set out in the Stewardship Code for institutional shareholders 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

Séverine Garnham
Company Secretary

9 June 2016

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

Statement of the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the 52 weeks ended 26 March 2016.

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 32 and 33) 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 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 G. Kerr

Alastair Kerr
Chairman of the Remuneration Committee

9 June 2016

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.

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.

Here 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. in November each year are eligible under this tax-advantaged scheme to receive free 40p 'A' ordinary shares in December 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.

Opportunity	Performance measures and reason for selection	Change in year 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 0% and 10% in June 2015.
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 2016 for the financial year 2016/2017 subject to the revised bonus rules approved the previous year including 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 exceptional 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.	No change.
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.	A resolution for the adoption of a new SAYE Scheme was approved at the Annual General Meeting on 23 July 2015.
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.	No change.

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 Reports 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 55 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 year 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 53 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 2014 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.	The Company's defined benefit pension plan closed to future accruals from January 2015. Simon Emeny was the only Executive still in this scheme and was offered a salary supplement of 17.5% of salary in line with other Executives not in that scheme.
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 38 to 44.	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.

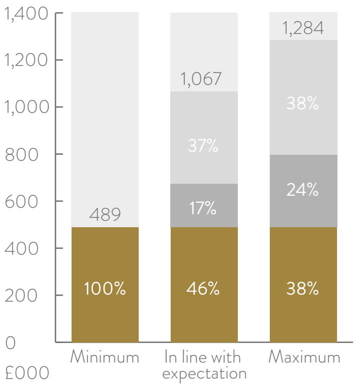
Discretion Employed by the Committee

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.

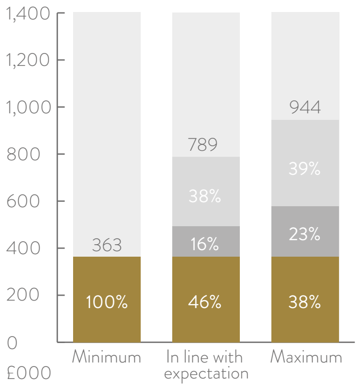
Illustration of the Application of the Remuneration Policy

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 ended 26 March 2016:

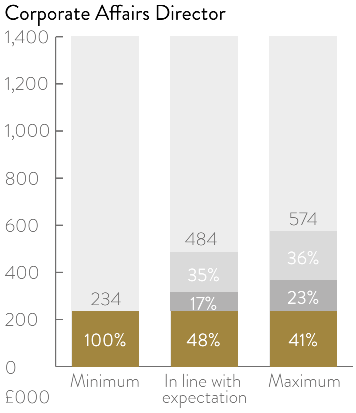
Chief Executive Officer



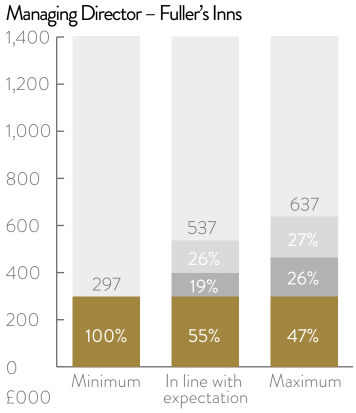
Finance Director



Corporate Affairs Director



Managing Director – Fuller's Inns



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, pay-out under the ESOS at 100% and pay-out under the SESOS at 90%.

Maximum – 100% of the bonus (i.e. 75% of salary) and 100% of LTIP awards and Executive and Senior are realised.

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 46 to 49, 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 is entitled on early termination of his contract to a payment equal to the salary due for the unexpired period of his notice. This is payable in monthly instalments and for the period of their notice he is 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

Non-Executive Directors	Date of letter of appointment or re-appointment	Term expires
Michael Turner	1 July 2013	June 2019*
John Dunsmore	15 November 2011	January 2018
Sir James Fuller	1 June 2010	May 2019*
Lynn Fordham	15 November 2011	January 2018
Alastair Kerr	1 August 2015	August 2018

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

Annual Remuneration Implementation Report

The information on pages 53 to 60 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 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

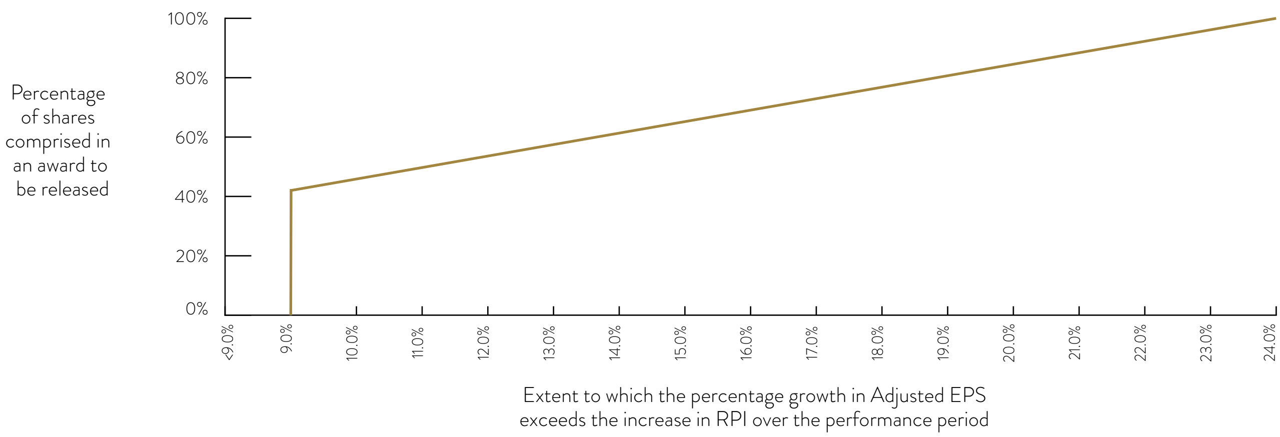
The Executive Directors' salaries with effect from 1 June 2016 are:

Simon Emeny – £420,000
James Douglas – £292,000
Richard Fuller – £181,500
Jonathon Swaine – £240,000

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

The annual bonus for the financial year 2016/2017 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 47 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 47 and details of the relative weightings of each are given on page 55.

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 2016/2017 are subject to the following performance condition:



Single Total Figure of Remuneration Table

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

	Salary/Fees		Taxable benefits[1]		Annual bonus[2]		LTIP/ Options[3]		Pensions		Total	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Michael Turner	**250**	250	**24**	25	**–**	–	**–**	–	**–**	–	**274**	275
Simon Emeny	**406**	383	**24**	25	**263**	223	**653**	512	**71**	101	**1,417**	1,244
James Douglas	**285**	279	**22**	22	**188**	163	**504**	407	**50**	49	**1,049**	920
Richard Fuller	**177**	173	**22**	22	**116**	81	**325**	201	**30**	30	**674**	507
Ian Bray[4]	**211**	210	**22**	22	**3**	97	**–**	209	**38**	37	**268**	575
Jonathon Swaine	**217**	196	**22**	22	**134**	121	**330**	238	**39**	34	**738**	611
John Dunsmore	**60**	58	**1**	–	**–**	–	**–**	–	**–**	–	**61**	58
Sir James Fuller	**46**	45	**1**	1	**–**	–	**–**	–	**–**	–	**47**	46
Lynn Fordham	**61**	59	**1**	–	**–**	–	**–**	–	**–**	–	**62**	59
Alastair Kerr	**58**	56	**1**	1	**–**	–	**–**	–	**–**	–	**59**	57

1 Taxable benefits include car allowances, product allowances and health cover.
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 resigned with effect from 31 May 2016. As such no annual bonus or LTIP/options are due for the year. Instead a payment of £160,000 was due.

The following table shows how variable pay elements are linked to the performance of the Group in 2016:

	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: Minimum – 40% Maximum – 100%	33.3%	100% of maximum award
Senior Executive Share Options	EPS vs RPI	EPS exceeds RPI by +9%	EPS exceeds RPI by +21%	Percentage vest of original grant[1]: Minimum – 40% Maximum – 100%	33.3%	100% of maximum award

1 Maximum grant equates to 20% 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 28 March 2015 and 26 March 2016:

	Chief Executive	**Employees**
Change in annual salary	**6%**	**2.5%**
Change in taxable benefits	**1%**	**nil%**
Change in annual bonus[1]	**7%**	**3.5%**

1 The "Change in annual bonus" reflects the increase or decrease in the percentage of annual salary paid out as bonus and excludes the value of free shares awarded under the SIP. The employee comparator group excludes pub staff, The Stable employees 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 £50,000 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	Cornish Orchards profit	Fuller's Inns profit	The Stable profit
Simon Emeny	100%	–	–	–	–
James Douglas	80%	–	–	–	20%
Richard Fuller	100%	–	–	–	–
Ian Bray	40%	40%	20%	–	–
Jonathon Swaine	40%	–	–	40%	20%

For the year under review, James Douglas earned a bonus of 65% of salary, Simon Emeny and Richard Fuller each earned a bonus of 64% of salary and Jonathon Swaine earned a bonus of 60% of salary. Ian Bray resigned from the Company with effect from 31 May 2016 and was not entitled to any bonus.

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, as from January 2015, and James Douglas 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 Jonathon Swaine's nominated pension scheme. He is also required to make a contribution of 8%. The Company made a contribution of 17.5% of salary to Ian Bray's nominated pension scheme. He was also required to make a contribution of 8%.

Scheme Interests Awarded During the Financial Year[1,2]

In respect of the 52 week period ended 26 March 2016 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	33,100	82,752	£10.90	£1.09	£450,990	29/06/15	29/06/18	50%
	SAYE	3,034		£8.70		£26,396	01/09/15	01/09/20	100%
	SIP	260	–	£11.535	–	£2,999	02/12/15	n/a	n/a
Total		**36,394**	**82,752**			**£480,385**			
James Douglas	LTIP	23,089	57,724	£10.90	£1.09	£314,589	29/06/15	29/06/18	50%
	SAYE	1,034	–	£8.70	–	£8,996	01/09/15	01/09/18	100%
	SIP	260	–	£6.20	–	£3,000	02/12/15	n/a	n/a
Total		**24,383**	**57,724**			**£326,585**			
Richard Fuller	LTIP	10,747	26,869	£10.90	£1.09	£146,430	29/06/15	29/06/18	50%
	SAYE	689	–	£8.70	–	£5,994	01/09/15	01/09/20	100%
	SIP	260	–	£11.535	–	£2,999	02/12/15	n/a	n/a
Total		**11,696**	**26,869**			**£155,423**			
Ian Bray[3]	LTIP	12,776	31,940	£10.90	£1.09	£174,073	29/06/15	29/06/18	50%
	SAYE	1,034	–	£8.70	–	£8,996	01/09/15	01/09/18	100%
	SIP	260	–	£11.535	–	£2,999	02/12/15	n/a	n/a
Total		**14,070**	**31,940**			**£186,068**			
Jonathon Swaine	LTIP	13,321	33,302	£10.90	£1.09	£181,498	29/06/15	29/06/18	50%
	SAYE	3,848		£8.70		£33,478	01/09/15	01/09/20	100%
	SIP	260	–	£11.535	–	£2,999	02/12/15	n/a	n/a
Total		**17,429**	**33,302**			**£217,975**			

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 Executives may be awarded up to 20% of their salary through the tax-advantaged ESOS and – until its expiry – the non-tax-advantaged SESOS. Under the former scheme only options worth £30,000 may be held at any time.
3 On his resignation with effect from 31 May 2016, all of Ian Bray's options and LTIP awards lapsed.

Share Scheme Interests Outstanding at the Year End

Shares

The Company has Share Ownership Guidelines for Directors which state that Executives should hold shares worth at least 100% of their salary. Accordingly, until their guideline is met, Executives are required to retain:

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 Ian Bray who had joined the Company in 2011.

Directors' Shareholdings

Directors Share Interests	**Beneficial interest at 26 March 2016**	**Non-beneficial interest at 26 March 2016**	Beneficial interest at 28 March 2015	Non-beneficial interest at 28 March 2015
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	**93,974**	–	98,730	–
'B' ordinary 4p shares	**829,572**	–	738,883	–
James Douglas				
'A' ordinary 40p shares	**45,095**	–	48,449	–
'B' ordinary 4p shares	**250,752**	–	178,583	–
Richard Fuller				
'A' ordinary 40p shares	**1,193**	**500,000**	8,106	500,000
'B' ordinary 4p shares	**3,194,358**	**10,935,015**	3,253,744	10,935,015
'C' ordinary 40p shares	**25,000**	–	25,000	–
2nd Preference £1 shares	**303**	–	303	–
Ian Bray				
'A' ordinary 40p shares	**8,057**	–	2,266	–
'B' ordinary 4p shares	**41,463**	–	–	–
Jonathon Swaine				
'A' ordinary 40p shares	**21,227**	–	18,827	–
'B' ordinary 4p shares	**98,432**	–	62,688	–
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	**13,098**	–	13,098	–
Alastair Kerr				
'A' ordinary 40p shares	**3,941**	–	3,941	–

There were no changes in the beneficial interests of any Director to 3 June 2016.

Director's Share Options

Director	Scheme	As at 28 March 2015	Exercised	Lapsed	Granted	As at 26 March 2016	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	
	SAYE	2,530	(2,530)	–	–	–	£4.64	01/09/10	01/09/15	01/03/16	£10.63
	SESOS	515	–	–	–	515	£6.30	30/11/10	30/11/13	30/11/20	
	SESOS	6,397	–	–	–	6,397	£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	
	ESOS	3,296	–	–	–	3,296	£9.10	01/07/13	01/07/16	01/07/23	
	SESOS	4.945	–	–	–	4,945	£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	3,034	£8.70	01/09/15	01/09/20	01/03/21	
Total		**32,816**	**(2,530)**	**–**	**3,034**	**33,320**					
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		**35,918**	**–**	**–**	**1,034**	**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	
	SAYE	665	(665)	–	–	–	£4.64	01/09/10	01/09/15	01/03/16	£10.63
	SESOS	3,228	–	–	–	3,228	£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	
	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	689	£8.70	01/09/15	01/09/20	01/03/21	
Total		**20,246**	**(665)**	**–**	**689**	**20,270**					
Ian Bray*	SESOS	1,503	–	–	–	1,503	£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	4,549	–	–	–	4,549	£9.10	01/07/13	01/07/16	01/07/23	
	SAYE	497	–	–	–	497	£7.24	01/09/13	01/09/16	01/03/17	
	SAYE	722	–	–	–	722	£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		**11,526**	**–**	**–**	**1,034**	**12,560**					

* On his resignation with effect from 31 May 2016, all of Ian Bray's outstanding options and share schemes lapsed.

Director	Scheme	As at 28 March 2015	Exercised	Lapsed	Granted	As at 26 March 2016	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	3,848	£8.70	01/09/15	01/09/20	01/03/21	
Total		**8,865**	**–**	**–**	**3,848**	**12,713**					
TOTAL		**109,371**	**(3,195)**	**–**	**9,639**	**115,815**					

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 28 March 2015	Awarded during the year	Vested during the year	Lapsed during the year	**Total held at 26 March 2016**	Monetary value of vest £000[1]
Simon Emeny						
'A' ordinary 40p shares	105,862	33,100	(36,275)	(1,512)	**101,175**	420
'B' ordinary 4p shares	264,657	82,752	(90,689)	(3,779)	**252,941**	105
James Douglas						
'A' ordinary 40p shares	79,427	23,089	(28,867)	(1,203)	**72,446**	335
'B' ordinary 4p shares	198,571	57,724	(72,169)	(3,008)	**181,118**	84
Richard Fuller						
'A' ordinary 40p shares	37,438	10,747	(13,725)	(572)	**33,888**	159
'B' ordinary 4p shares	93,599	26,869	(34,314)	(1,430)	**84,724**	40
Ian Bray[2]						
'A' ordinary 40p shares	45,355	12,776	(16,584)	(692)	**40,855**	192
'B' ordinary 4p shares	113,388	31,940	(41,463)	(1,728)	**102,137**	48
Jonathon Swaine						
'A' ordinary 40p shares	40,274	13,321	(14,297)	(596)	**38,702**	166
'B' ordinary 4p shares	100,688	33,302	(35,744)	(1,490)	**96,756**	41

1 The market price of 'A' ordinary shares on 31 July 2015 for the LTIP awards that vested and were released to participants was £11.59; the price of 'B' ordinary shares is assumed to be £1.16.
2 On his resignation with effect from 31 May 2016, all of Ian Bray's outstanding LTIP awards lapsed.

The performance conditions for the LTIP are set out in the tables on pages 53 and 54 of this report.

Payments to Past Directors

Anthony Fuller, former Chairman and now President, receives an annual royalty of £15,000 which is paid in recognition of the fact that Mr Fuller has given the Company ongoing exclusive permission to use his name and signature on any Company product.

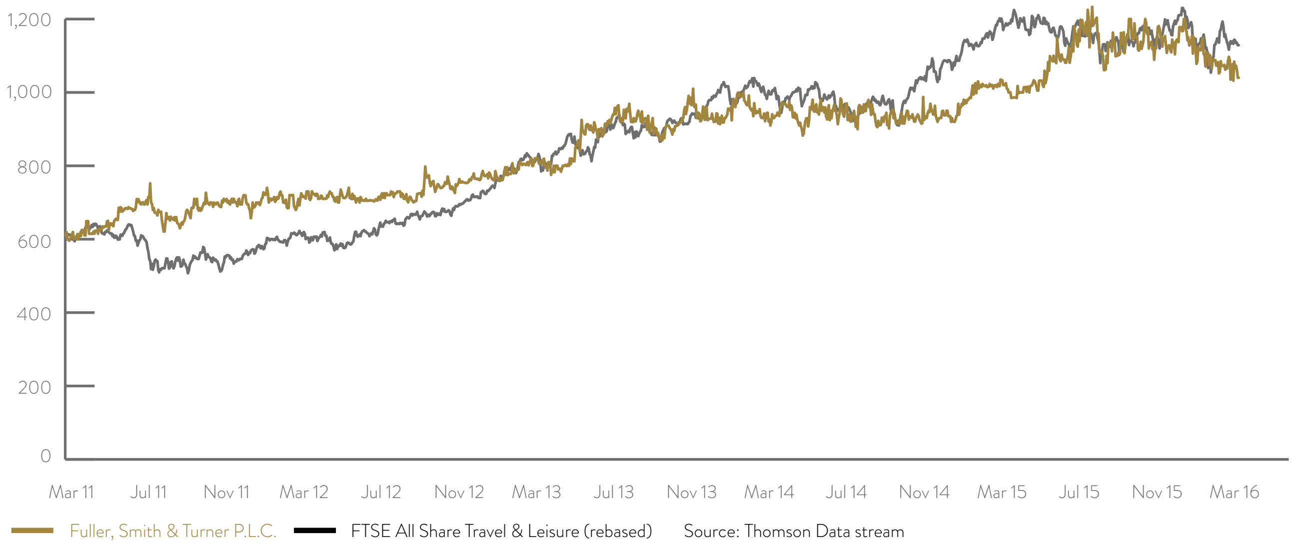
Nigel Atkinson, former Non-Executive Director, receives annual fees of £7,500 which are paid because Mr Atkinson continues to act for the Company as our ambassador in the Hampshire area, attending various events as the Company's representative.

Payments for Loss of Office

There were no payments to Directors or former Directors for loss of office during the financial year. Ian Bray resigned as a Director with effect from 31 May 2016 and will receive payment equivalent to one year's salary payable in monthly instalments in accordance with the remuneration policy. He is not entitled to receive any bonus payment or LTIP/options for the year ended 26 March 2016 and instead is due to receive 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.



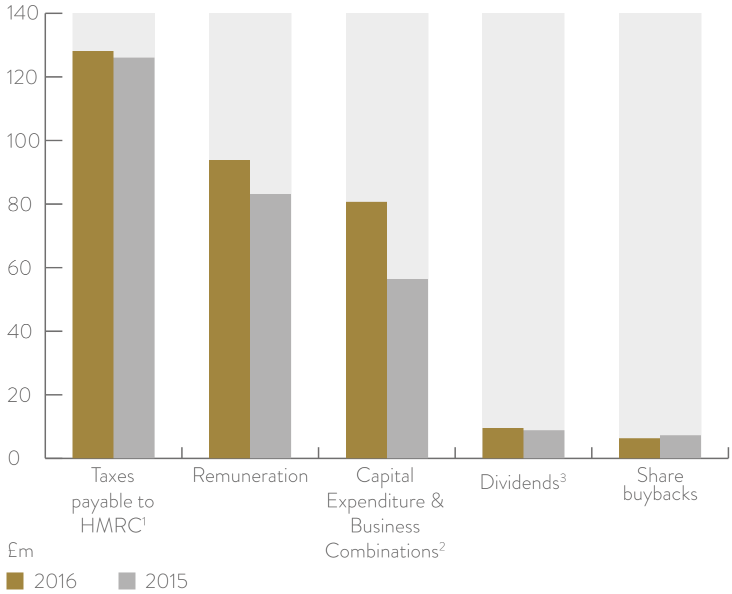
The table below shows the total remuneration figure for the Chief Executive over the last five financial years and the annual bonus and LTIP pay-out for each year as a percentage of the maximum available:

	2012	2013	2014[2]	2015	**2016**
Single figure total remuneration	944	911	977	1,244	**1,418**
Annual bonus[1]	56%	41%	77%	76%	**85%**
LTIP	92%	56%	64%	96%	**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. It has increased due to increased VAT and duty payments resulting from the continued growth of the Group. This measure has been selected as it reflects a significant outflow for the Group.

[2] Capital expenditure (including business combinations) represents cash paid, is consistent with the numbers disclosed in the financial statements and has increased due to the purchase of five pubs and three freeholds of existing businesses in the year. This measure has been selected as it reflects a significant outflow for the Group.

[3] Dividends represents the interim dividend for 2016 paid in the year and the final dividend for 2016 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 23 July 2015, 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	101,930,831	99.53%	480,413	0.47%	102,411,244	2,016,472

The Directors' Remuneration Report, encompassing pages 45 to 61, was approved by the Board and signed on its behalf.

Alastair Kerr
Chairman of the Remuneration Committee

9 June 2016

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 26 March 2016 and of the Group's profit for the 52 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 52 week period ended 26 March 2016 comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and 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 exceptional items;
- We performed full scope audit procedures over 96% of the Group's profit before taxation which arose in the Parent Company, and targeted procedures for subsidiary operations; and
- Key audit risks identified were assessment of impairment of property, plant and equipment and goodwill, risk of fraud in revenue recognition and accounting for acquisitions.

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:
Assessment of impairment of property, plant and equipment and goodwill	
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 goodwill as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: - 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; - 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 growth and discount rates; - 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 42, 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), 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 year end; – 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.
Accounting for acquisitions	
As a significant business combination in the prior period, there is a requirement to recognise the acquisition of The Stable Pizza & Cider Ltd in line with IFRS 3 (Revised) 'Business Combinations'. The risk is that an inappropriate valuation and accounting treatment may be applied due to the nature of the acquisition and specifically the terms of the put and call options. In addition to the acquisition of The Stable Pizza & Cider Ltd in the prior period, the Group made other acquisitions in the current period which are subject to management estimate of the valuation of assets acquired and consideration payable including additional put and call options. We therefore considered accounting for acquisitions as a significant risk requiring special audit consideration.	Our audit work included, but was not restricted to: – an evaluation of the acquisition accounting papers provided by management against the requirements of IFRS 3 (Revised) 'Business Combinations' and a review of the Share Purchase Agreements and other relevant signed documentation relating to the acquisitions; – in addition, we assessed the recognition and valuation of the contingent consideration including the put and call options against the requirements of IFRS 3 (Revised) 'Business Combinations' and IAS 32 'Financial Instruments Presentation'. The Group's disclosures of Business Combinations is included in note 17. The Audit Committee also identified acquisitions, including the acquisition of a majority interest in Nectar Imports Ltd and G&M Leisure Ltd and the basis for The Stable Pizza & Cider Ltd put and call liability, as a significant issue in its report on page 42, where the Committee also describes 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 exceptional items. This benchmark is considered the most appropriate because it is one of the key performance indicators for the Board and its shareholders as well as being a crucial component of the earnings per share calculation and in calculating Directors' bonuses.

Materiality for the current year is higher than the level we determined for the 52 week period ended 28 March 2015 reflecting the Group's increased activity and profit before taxation and exceptional items.

We used a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% 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 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, over 96% 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. Managed Pubs and Hotels represent one revenue stream and Tenanted Inns and The Fuller's Beer Company are reported as another stream. 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.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

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 20, in relation to going concern and longer-term viability; and
- 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 37, 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

9 June 2016

Group Income Statement
for the 52 weeks ended 26 March 2016

		52 weeks ended 26 March 2016			52 weeks ended 28 March 2015		
	Note	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	3	**350.5**	–	**350.5**	321.5	–	321.5
Operating costs	4,5	**(303.6)**	**(3.9)**	**(307.5)**	(279.2)	(1.5)	(280.7)
Operating profit		**46.9**	**(3.9)**	**43.0**	42.3	(1.5)	40.8
Profit on disposal of properties	5	–	**2.9**	**2.9**	–	0.8	0.8
Pension fund curtailment gain	5	–	–	–	–	1.2	1.2
Finance costs	5,6	**(6.0)**	**(0.7)**	**(6.7)**	(5.9)	(0.8)	(6.7)
Profit before tax		**40.9**	**(1.7)**	**39.2**	36.4	(0.3)	36.1
Taxation	5,7	**(8.4)**	**2.2**	**(6.2)**	(7.9)	0.1	(7.8)
Profit for the year		**32.5**	**0.5**	**33.0**	28.5	(0.2)	28.3
Attributable to:							
Equity shareholders of the Parent Company		**32.3**	**0.5**	**32.8**	28.6	(0.2)	28.4
Non-controlling interests		**0.2**	–	**0.2**	(0.1)	–	(0.1)
Earnings per share per 40p 'A' and 'C' ordinary share		Pence		Pence	Pence		Pence
Basic	8			**59.25**			51.15
Diluted	8			**58.45**			50.42
Adjusted	8	**58.35**			51.51		
Diluted adjusted	8	**57.56**			50.78		
Earnings per share per 4p 'B' ordinary share							
Basic	8			**5.93**			5.12
Diluted	8			**5.85**			5.04
Adjusted	8	**5.84**			5.15		
Diluted adjusted	8	**5.76**			5.08		

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 52 weeks ended 26 March 2016

Group	Note	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Profit for the year		**33.0**	28.3
Items that may be reclassified to profit or loss			
Net losses on valuation of financial assets and liabilities	26	**(0.3)**	(3.0)
Tax related to items that may be reclassified to profit or loss		**0.1**	0.6
Items that will not be reclassified to profit or loss			
Net actuarial gains/(losses) on pension schemes	23	**0.7**	(8.3)
Tax related to items that will not be reclassified to profit or loss		**(0.8)**	1.7
Other comprehensive loss for the year, net of tax		**(0.3)**	(9.0)
Total comprehensive income for the year, net of tax		**32.7**	19.3
Total comprehensive income attributable to:			
Equity shareholders of the Parent Company		**32.5**	19.4
Non-controlling interest		**0.2**	(0.1)
Company			
Profit for the year		**31.3**	27.0
Items that may be reclassified to profit or loss			
Net losses on valuation of financial assets and liabilities	26	**(0.3)**	(3.0)
Tax related to items that may be reclassified to profit or loss		**0.1**	0.6
Items that will not be reclassified to profit or loss			
Net actuarial gains/(losses) on pension schemes	23	**0.7**	(8.3)
Tax related to items that will not be reclassified to profit or loss		**(0.8)**	1.7
Other comprehensive loss for the year, net of tax		**(0.3)**	(9.0)
Total comprehensive income for the year, net of tax		**31.0**	18.0

Group and Company Balance Sheets
26 March 2016

	Note	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Non-current assets					
Intangible assets	10	**39.8**	38.7	**7.7**	8.5
Property, plant and equipment	11	**533.8**	471.9	**521.2**	466.7
Investment properties	12	**4.6**	4.6	**4.6**	4.6
Other financial assets	13	**0.1**	0.3	**0.1**	0.3
Other non-current assets	14	**0.3**	0.3	**0.3**	0.3
Investments in subsidiaries	15	**–**	–	**99.6**	94.8
Deferred tax assets	25	**8.3**	8.4	**7.8**	8.2
Total non-current assets		**586.9**	524.2	**641.3**	583.4
Current assets					
Inventories	18	**12.4**	10.6	**10.9**	10.6
Trade and other receivables	19	**21.0**	17.7	**32.2**	26.4
Cash and short term deposits	22	**6.2**	5.1	**5.1**	4.8
Total current assets		**39.6**	33.4	**48.2**	41.8
Assets classified as held for sale	20	**0.5**	–	**0.5**	–
Current liabilities					
Trade and other payables	21	**60.8**	49.2	**158.1**	145.9
Current tax payable		**4.4**	3.9	**4.3**	3.9
Provisions	25	**0.4**	0.4	**0.4**	0.4
Borrowings	22	**20.0**	20.0	**20.0**	20.0
Total current liabilities		**85.6**	73.5	**182.8**	170.2
Non-current liabilities					
Borrowings	22	**184.7**	147.7	**184.5**	147.5
Other financial liabilities	13	**10.7**	6.1	**3.2**	3.1
Retirement benefit obligations	23	**23.5**	24.4	**23.5**	24.4
Deferred tax liabilities	25	**19.0**	21.3	**18.6**	21.3
Provisions	25	**2.2**	2.5	**2.2**	2.5
Other non-current payables	21	**0.4**	0.4	**–**	–
Total non-current liabilities		**240.5**	202.4	**232.0**	198.8
Net assets		**300.9**	281.7	**275.2**	256.2
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	**(15.8)**	(13.5)	**(15.8)**	(13.5)
Hedging reserve	27	**(2.6)**	(2.4)	**(2.6)**	(2.4)
Retained earnings		**293.0**	270.0	**262.9**	241.4
Equity attributable to equity holders of the parent		**305.3**	284.8	**275.2**	256.2
Non-controlling interest		**(4.4)**	(3.1)	**–**	–
Total equity		**300.9**	281.7	**275.2**	256.2

Approved by the Board and signed on 9 June 2016.

M J Turner, FCA
Chairman

Group and Company Statements of Changes in Equity
for the 52 weeks ended 26 March 2016

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 29 March 2014	22.8	4.8	3.1	(9.7)	–	256.2	277.2	–	277.2
Profit for the year	–	–	–	–	–	28.4	28.4	(0.1)	28.3
Other comprehensive loss for the year	–	–	–	–	(2.4)	(6.6)	(9.0)	–	(9.0)
Total comprehensive (loss)/ income for the year	**–**	**–**	**–**	**–**	**(2.4)**	**21.8**	**19.4**	**(0.1)**	**19.3**
Shares purchased to be held in ESOT or as treasury	–	–	–	(7.1)	–	–	(7.1)	–	(7.1)
Shares released from ESOT and treasury	–	–	–	3.3	–	(2.3)	1.0	–	1.0
Dividends (note 9)	–	–	–	–	–	(8.7)	(8.7)	–	(8.7)
Share-based payment charges	–	–	–	–	–	2.6	2.6	–	2.6
Tax credited directly to equity (note 7)	–	–	–	–	–	0.4	0.4	–	0.4
Adjustments arising from change in non-controlling interest (note 16)	–	–	–	–	–	–	–	(3.0)	(3.0)
Total transactions with owners	**–**	**–**	**–**	**(3.8)**	**–**	**(8.0)**	**(11.8)**	**(3.0)**	**(14.8)**
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**

Group and Company Statements of Changes in Equity continued
for the 52 weeks ended 26 March 2016

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 29 March 2014	22.8	4.8	3.1	(9.7)	–	229.0	250.0
Profit for the year	–	–	–	–	–	27.0	27.0
Other comprehensive loss for the year	–	–	–	–	(2.4)	(6.6)	(9.0)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(2.4)**	**20.4**	**18.0**
Shares purchased to be held in ESOT or as treasury	–	–	–	(7.1)	–	–	(7.1)
Shares released from ESOT and treasury	–	–	–	3.3	–	(2.3)	1.0
Dividends (note 9)	–	–	–	–	–	(8.7)	(8.7)
Share-based payment charges	–	–	–	–	–	2.6	2.6
Tax credited directly to equity	–	–	–	–	–	0.4	0.4
Total transactions with owners	**–**	**–**	**–**	**(3.8)**	**–**	**(8.0)**	**(11.8)**
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 (loss)/income 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	–	–	–	–	–	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**

Group and Company Cash Flow Statements
for the 52 weeks ended 26 March 2016

	Note	**Group 52 weeks ended 26 March 2016 £m**	Group 52 weeks ended 28 March 2015 £m	**Company 52 weeks ended 26 March 2016 £m**	Company 52 weeks ended 28 March 2015 £m
Profit before tax		**39.2**	36.1	**37.5**	34.2
Net finance costs before exceptional items		**6.0**	5.9	**8.5**	8.8
Exceptional items	5	**1.7**	0.3	**(0.6)**	0.3
Depreciation and amortisation	4	**18.1**	16.4	**16.9**	15.8
		65.0	58.7	**62.3**	59.1
Difference between pension charge and cash paid		**(1.0)**	(0.7)	**(1.0)**	(0.7)
Share-based payment charges		**2.6**	2.6	**2.6**	2.6
Change in trade and other receivables		**(0.3)**	(0.6)	**(0.6)**	(0.4)
Change in inventories		**(0.3)**	–	**(0.3)**	–
Change in trade and other payables		**3.7**	1.7	**4.8**	0.9
Cash impact of operating exceptional items	5	**(1.1)**	(1.7)	**(0.9)**	(1.7)
Cash generated from operations		**68.6**	60.0	**66.9**	59.8
Tax paid		**(8.5)**	(8.3)	**(8.5)**	(8.3)
Cash generated from operating activities		**60.1**	51.7	**58.4**	51.5
Cash flow from investing activities					
Business combinations	17	**(14.7)**	(25.2)	**(13.8)**	(21.6)
Purchase of property, plant and equipment		**(66.0)**	(31.1)	**(59.2)**	(28.2)
Cash/(overdraft) acquired on acquisition		**0.9**	(0.1)	**–**	–
Sale of property, plant and equipment		**5.1**	3.3	**5.1**	3.3
Net cash outflow from investing activities		**(74.7)**	(53.1)	**(67.9)**	(46.5)
Cash flow from financing activities					
Purchase of own shares	27	**(6.2)**	(7.1)	**(6.2)**	(7.1)
Receipts on release of own shares to option schemes		**0.8**	1.0	**0.8**	1.0
Interest paid		**(5.3)**	(5.2)	**(5.3)**	(5.2)
Preference dividends paid	9	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Equity dividends paid	9	**(9.5)**	(8.7)	**(9.5)**	(8.7)
Drawdown of bank loans		**36.4**	24.5	**36.4**	24.5
Repayment of other loans		**(0.2)**	(0.5)	**–**	–
Loans to subsidiary companies		**–**	–	**(6.1)**	(7.2)
Cost of refinancing		**(0.2)**	(1.1)	**(0.2)**	(1.1)
Cost of new derivative instruments		**–**	(0.4)	**–**	(0.4)
Net cash inflow/(outflow) from financing activities		**15.7**	2.4	**9.8**	(4.3)
Net movement in cash and cash equivalents		**1.1**	1.0	**0.3**	0.7
Cash and cash equivalents at the start of the year	22	**5.1**	4.1	**4.8**	4.1
Cash and cash equivalents at the end of the year	22	**6.2**	5.1	**5.1**	4.8

1. Authorisation of Financial Statements and Accounting Policies

Authorisation of Financial Statements and Statement of Compliance with IFRSs

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the "Group") for the 52 weeks ended 26 March 2016 were authorised for issue by the Board of Directors on 9 June 2016 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.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and applied to the financial statements of the Group and the Company for the 52 weeks ended 26 March 2016, 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.

Profit Attributable to Members of the Parent Company

As permitted by Section 408 of the Companies Act 2006 a separate Income Statement for the Parent Company has not been prepared. The profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £31.3 million (2015: £27.0 million). There was no dividend from subsidiary companies during the current year (2015: £nil).

Significant Accounting Policies

Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 26 March 2016.

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.

The Directors have considered a number of cash flow scenarios and have determined that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future.

Revision to Transfer Prices and Central Cost Allocation

The Group's policy is to set transfer prices between segments at an arm's length basis, similar to transactions with third parties. In line with best practice, the transfer price is regularly reviewed and revised as required. The latest revision to the transfer price was applied on 29 March 2015. In addition, the allocation basis of costs related to shared services was revised. To aid comparability with the current results, we have included additional disclosures to present the comparative segmental information based on the revised basis. The revised information is included in note 2 to these statements.

Adoption of New Standards and Interpretations:

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 29 March 2015:

– Annual improvements to IFRS 2010-2012 cycle	1 January 2015
– Annual improvements to IFRS 2011-2013 cycle	1 February 2015
– Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 February 2015

The Directors do not believe the adoption of these new standards and interpretations has had any significant impact on the amounts reported in the financial statements.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Fuller, Smith & Turner P.L.C. and the entities it controls (its subsidiaries) drawn up for the 52 weeks ended 26 March 2016 (2015: 52 weeks ended 28 March 2015).

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. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

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 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.

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

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.

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

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 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.

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.

Operating Profit

Operating profit is revenue less operating costs. Revenue is as detailed above and as shown in note 3. Operating costs are all costs excluding finance costs, costs associated with the disposal of properties and the tax charge.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

Taxation

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.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise tax is recognised in the Statement of Comprehensive Income or the Income Statement, as applicable.

Deferred tax is provided on all 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 except where the 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.

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 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 except where the deferred tax asset 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 assets and liabilities are measured on an undiscounted basis 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.

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.

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 an exceptional 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.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

Exceptional Items

The Group presents as exceptional 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.

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

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. The Directors do not anticipate that the adoption of any of these standards and interpretations, wherever relevant to the Group, will have a significant impact on the Group's results or assets and liabilities in the period of initial application and are not expected to require significant additional disclosure, except as noted below.

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (IASB effective date 1 January 2016) (Endorsed)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016) (Endorsed)
- Annual improvements to IFRS 2012-2014 cycle (effective 1 January 2016) (Endorsed)
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective 1 January 2016) (Endorsed)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016) (Endorsed)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016) (Endorsed)
- Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective 1 January 2016)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)

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:

- IFRS 9 will impact both the measurement and disclosure of financial instruments
- IFRS 16 will have a material impact on the reported assets, liabilities and Income Statement of the Group. However, there will be no impact on the underlying cash flow of the business

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Significant Accounting Estimates and Judgements

The judgements, estimates and assumptions which are considered to be significant 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 notes 7 and 25.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

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;
– 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.

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 exceptional 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 Review on pages 8 to 31 of this report. Segment performance is evaluated based on operating profit before exceptional items and is measured consistently with the operating profit before exceptional items in the consolidated financial statements.

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

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

52 weeks ended 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 exceptional 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.

Changes to Transfer Pricing

As set out in note 1, in the current period the Group changed the transfer price and central cost allocation basis applied between the segments. To aid year on year comparability, the table below sets out the revised segmental information for the 52 weeks ended 28 March 2015 on the new basis:

2. Segmental Analysis continued

52 weeks ended 28 March 2015 (revised)	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	213.8	31.4	120.9	–	366.1
Inter-segment sales	–	–	(44.6)	–	(44.6)
Revenue from third parties	213.8	31.4	76.3	–	321.5
Segment result	26.3	13.4	7.6	(5.0)	42.3
Operating exceptional items					(1.5)
Operating profit					40.8
Profit on disposal of properties					0.8
Pension fund curtailment gain					1.2
Net finance costs					(6.7)
Profit before tax					36.1
Other segment information					
Capital expenditure: Property, plant and equipment	24.6	2.1	4.4	–	31.1
Business combinations (note 17)	22.7	2.5	–	–	25.2
Depreciation and amortisation	11.5	1.6	3.3	–	16.4
Impairment of property	0.4	0.3	–	–	0.7
Reversal of impairment on property	(0.6)	(0.1)	–	–	(0.7)

52 weeks ended 28 March 2015 (as previously stated)	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	213.8	31.4	122.9	–	368.1
Inter-segment sales	–	–	(46.6)	–	(46.6)
Revenue from third parties	213.8	31.4	76.3	–	321.5
Segment result	25.0	12.6	8.7	(4.0)	42.3
Operating exceptional items					(1.5)
Operating profit					40.8
Profit on disposal of properties					0.8
Pension fund curtailment gain					1.2
Net finance costs					(6.7)
Profit before tax					36.1
Other segment information					
Capital expenditure: Property, plant and equipment	24.6	2.1	4.4	–	31.1
Business combinations (note 17)	22.7	2.5	–	–	25.2
Depreciation and amortisation	11.5	1.6	3.3	–	16.4
Impairment of property	0.4	0.3	–	–	0.7
Reversal of impairment on property	(0.6)	(0.1)	–	–	(0.7)

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

2. Segmental Analysis continued

Geographical Information

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

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**

52 weeks ended 28 March 2015	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	313.4	8.1	321.5

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

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	**341.0**	311.9
Rental income	**9.5**	9.6
	350.5	321.5

4. Operating Costs

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Production costs and cost of goods used in retailing	**117.6**	105.7
Change in stocks of finished goods and beer in progress	**1.8**	–
Staff costs	**91.5**	83.0
Repairs and maintenance	**11.5**	9.8
Depreciation of property, plant and equipment	**17.3**	15.5
Amortisation of intangibles	**0.8**	0.9
Operating lease rentals – minimum lease payments[1]	**7.8**	7.8
– contingent rents[2]	**3.5**	2.7
Exceptional items (note 5)	**3.9**	1.5
Other	**51.8**	53.8
	307.5	280.7

1 Included within minimum lease payments are sublease payments of £0.5 million (2015: £0.6 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

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £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 £36,000 payable to the Group auditors for audits of subsidiary undertakings. Other audit related services, comprising a half year review and iXBRL tagging, of £19,000 were incurred in the year.

b) Staff Costs[1]

	£m	£m
Wages and salaries[2]	**84.2**	75.6
Deemed remuneration on the future purchase of shares in The Stable	**2.2**	–
Social security costs	**5.9**	5.4
Pension benefits	**1.4**	2.0
	93.7	83.0

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	**4,114**	3,717
The Fuller's Beer Company	**352**	328
Central Services	**13**	13
	4,479	4,058

1 Includes Directors.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 45 to 61.

5. Exceptional Items

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Amounts included in operating profit:		
Acquisition costs	**(1.1)**	(1.2)
Impairment of properties	**(1.4)**	(0.7)
Reversal of impairment on property	**0.6**	0.7
Onerous lease provision release/(charge) (note 25)	**0.2**	(0.3)
Deemed remuneration on the future purchase of shares in The Stable	**(2.2)**	–
Total exceptional items included in operating profit	**(3.9)**	(1.5)
Profit on disposal of properties	**2.9**	0.8
Pension fund curtailment gain	**–**	1.2
Exceptional finance costs:		
Finance charge on net pension liabilities	**(0.8)**	(0.8)
Movement in fair value of financial instruments	**0.1**	–
Total exceptional finance costs	**(0.7)**	(0.8)
Total exceptional items before tax	**(1.7)**	(0.3)
Exceptional tax:		
Change in corporation tax rate (note 7)	**1.9**	–
Profit on disposal of properties	**(0.5)**	(0.2)
Pension fund curtailment gain	**–**	(0.2)
Other items	**0.8**	0.5
Total exceptional tax	**2.2**	0.1
Total exceptional items	**0.5**	(0.2)

Acquisition costs of £1.1 million during the 52 weeks ended 26 March 2016 (2015: £1.2 million) related to transaction costs on pub and business acquisitions which qualify as business combinations (see note 17).

The property impairment charge of £1.4 million during the 52 weeks ended 26 March 2016 (2015: £0.7 million) relates to the 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 (2015: £0.7 million) relates to the write back of previously impaired licensed properties to their recoverable value.

The onerous lease provision release of £0.2 million during the 52 weeks ended 26 March 2016 (2015: charge of £0.3 million) relates to the change in circumstances of one previously onerous leasehold property.

Deemed remuneration on the future purchase of shares in The Stable of £2.2 million for the 52 weeks ended 26 March 2016 relates to the remuneration element of the increase in estimated value of the option on the remaining 49% of The Stable group of companies. See note 13.

The profit on disposal of properties of £2.9 million during the 52 weeks ended 26 March 2016 (2015: £0.8 million) relates to the disposal of five licensed properties (2015: four licensed and unlicensed properties).

The pension fund curtailment gain of £1.2 million for the 52 weeks ended 28 March 2015 related to the closure in January 2015 of the defined benefit pension scheme to future accrual.

The cash impact of operating exceptional items before tax for the 52 weeks ended 26 March 2016 was a £1.1 million cash outflow (2015: £1.7 million cash outflow).

6. Finance Costs

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	**5.7**	5.6
Financial liabilities at amortised cost – preference shares	**0.1**	0.1
Total interest expense for financial liabilities	**5.8**	5.7
Unwinding of discounts on provisions	**0.2**	0.2
Total finance costs before exceptional items	**6.0**	5.9
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	**6.7**	6.7

7. Taxation

a) Tax on Profit on Ordinary Activities

Group	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	**9.3**	8.6
Total current income tax	**9.3**	8.6
Deferred tax:		
Origination and reversal of temporary differences	**(1.2)**	(0.8)
Change in corporation tax rate (note 5)	**(1.9)**	–
Total deferred tax	**(3.1)**	(0.8)
Total tax charged in the Income Statement	**6.2**	7.8

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Tax relating to items charged/credited to the Statement of Comprehensive Income		
Deferred tax:		
Change in corporation tax rate	**0.6**	–
Net gains on valuation of financial assets and liabilities	**–**	(0.6)
Net actuarial gains/losses on pension scheme	**0.1**	(1.7)
Tax charge/(credit) included in the Statement of Comprehensive Income	**0.7**	(2.3)

7. Taxation continued

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Tax relating to items charged/credited directly to equity		
Deferred tax:		
Reduction in deferred tax liability due to indexation	–	(0.3)
Share-based payments	0.1	0.1
Current tax:		
Share-based payments	(0.4)	(0.2)
Tax credit included in the Statement of Changes in Equity	(0.3)	(0.4)

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Deferred tax in the Income Statement		
Decelerated tax depreciation	(2.3)	(0.8)
Rolled over capital gains	(0.1)	–
Retirement benefit obligations	(0.1)	0.1
Tax losses carried forward	(0.1)	–
Employee share schemes	–	(0.1)
Others	(0.5)	–
	(3.1)	(0.8)

During the period the Finance Act 2015 received Royal Assent. The main impact was the reduction of the UK corporation tax from 20% to 19% from 1 April 2017 and the reduction from 19% to 18% 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 52 weeks to 26 March 2016 was an exceptional credit to the Income Statement of £1.9 million, and a charge to the Statement of Comprehensive Income of £0.6 million. A further reduction in rate from 1 April 2020 to 17% has been announced but has not yet been substantively enacted.

b) 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 UK of 20% (2015: 21%). The differences are reconciled below:

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Profit from continuing operations before taxation	39.2	36.1
Accounting profit multiplied by the UK standard rate of corporation tax of 20% (2015: 21%)	7.8	7.6
Items not deductible for tax purposes	0.5	0.1
Current and deferred tax overprovided in previous years	–	–
Change in corporation tax rate	(1.9)	–
Other	(0.2)	0.1
Total tax charged in the Income Statement	6.2	7.8

8. Earnings Per Share

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Profit attributable to equity shareholders	**32.8**	28.4
Exceptional items net of tax	**(0.5)**	0.2
Adjusted earnings attributable to equity shareholders	**32.3**	28.6

	Number	Number
Weighted average share capital	**55,356,000**	55,521,000
Dilutive outstanding options and share awards	**764,000**	804,000
Diluted weighted average share capital	**56,120,000**	56,325,000

40p 'A' and 'C' ordinary share	Pence	Pence
Basic earnings per share	**59.25**	51.15
Diluted earnings per share	**58.45**	50.42
Adjusted earnings per share	**58.35**	51.51
Diluted adjusted earnings per share	**57.56**	50.78

4p 'B' ordinary share	Pence	Pence
Basic earnings per share	**5.93**	5.12
Diluted earnings per share	**5.85**	5.04
Adjusted earnings per share	**5.84**	5.15
Diluted adjusted earnings per share	**5.76**	5.08

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 1,628,444 (2015: 1,463,761).

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 exceptional items and on the same weighted average ordinary share capital as for the basic and diluted earnings per share. An adjusted earnings per share measure has been included as the Directors consider that this measure better reflects the underlying earnings of the Group.

9. Dividends

	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2015: 10.20p (2014: 9.30p)	**5.6**	5.2
Interim dividend for 2016: 6.90p (2015: 6.40p)	**3.9**	3.5
Equity dividends paid	**9.5**	8.7
Dividends on cumulative preference shares (note 6)	**0.1**	0.1
Proposed for approval at the Annual General Meeting:		
Final dividend for 2016: 11.00p (2015: 10.20p)	**6.1**	5.6

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

10. Intangible Assets

	Group Goodwill £m	Group and Company Lease assignment premiums £m	Distribution rights £m	Group Total £m	Company Total £m
Cost					
At 29 March 2014	27.1	8.1	1.2	36.4	9.3
Acquisitions (note 17)	3.7	1.5	–	5.2	1.5
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**
Amortisation and impairment					
At 29 March 2014	0.6	1.4	–	2.0	1.4
Provided during the year	–	0.6	0.3	0.9	0.9
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**
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
Net book value at 29 March 2014	26.5	6.7	1.2	34.4	7.9

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 26 March 2016 (2015: five).

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 in the Income Statement in the line item "Operating costs" (note 4).

Goodwill

Goodwill is allocated to cash-generating units as follows:	Managed £m	Tenanted £m	Beer Company £m	**2016 £m**	2015 £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**	–
	14.0	13.6	4.5	**32.1**	30.2

10. Intangible Assets continued

Key assumptions used in value in use calculations:	**2016**	2015
Long term growth rate – Managed	**0.5%**	1.0%
Long term growth rate – Tenanted	**1.0%**	1.0%
Long term growth rate – Cornish Orchards, Stable Pizza & Cider, Nectar Imports	**2.0%**	2.0%
Pre-tax discount rate – Freehold	**5.9%**	6.0%
Pre-tax discount rate – Leasehold	**8.3%**	8.1%
Pre-tax discount rate – Cornish Orchards	**7.9%**	10.3%
Pre-tax discount rate – Stable Pizza & Cider, Nectar Imports	**8.3%**	17.4%

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 and The Stable Pizza & Cider the cash flows beyond the budget period are based on a five year plan that was approved by senior management and reflect the long term growth of the business following the significant investment and expansion strategy currently in place for the business. 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. 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 26 March 2016.

11. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 29 March 2014	409.1	35.8	120.5	565.4
Additions	11.2	2.7	18.6	32.5
Acquisitions (note 17)	19.7	–	1.8	21.5
Disposals	(1.2)	(0.7)	(12.2)	(14.1)
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**
Depreciation and impairment				
At 29 March 2014	26.4	22.6	81.6	130.6
Provided during the year	2.8	2.0	10.7	15.5
Disposals	(0.3)	(0.6)	(11.8)	(12.7)
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**
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
Net book value at 29 March 2014	382.7	13.2	38.9	434.8

11. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 29 March 2014	408.6	34.2	119.0	561.8
Additions	10.8	2.1	16.7	29.6
Acquisitions (note 17)	19.7	–	0.4	20.1
Disposals	(1.2)	(0.6)	(12.2)	(14.0)
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**

Depreciation and impairment				
At 29 March 2014	26.2	22.5	80.0	128.7
Provided during the year	2.6	1.8	10.5	14.9
Disposals	(0.3)	(0.6)	(11.9)	(12.8)
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 reversal	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**

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
Net book value at 29 March 2014	382.4	11.7	39.0	433.1

Group and Company

Interest Capitalised

The amount of interest capitalised to date is £203,000 (2015: £194,000). The amount of interest capitalised in the year was £9,000 (2015: £30,000) at a rate of 2%.

Assets Under Construction

Included in the cost of property, plant and equipment at 28 March 2015 are amounts of £0.4 million relating to one property development in the course of construction.

Impairment

The Group considers each trading outlet to be a cash-generating unit ("CGU") and each CGU is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

During the 52 weeks ended 26 March 2016, the Group recognised an impairment loss of £1.4 million (2015: £0.7 million) in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use. The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated. Following an improvement in trading performance and an increase in the amounts of estimated future cash flows of certain previously impaired sites, reversals of £0.6 million were recognised during the 52 weeks ended 26 March 2016 (2015: £0.7 million).

The key assumptions used in the value in use calculations are those detailed in note 10.

11. Property, Plant and Equipment continued

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)	2016 £m	2015 £m
Increase discount rate by 1%	1.9	1.4
Decrease discount rate by 1%	(1.3)	(0.6)
Increase growth rate by 0.5%	(0.7)	(1.5)
Decrease growth rate by 0.5%	0.6	0.6

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost	
At 29 March 2014, 28 March 2015 and 26 March 2016	**5.5**
Depreciation and impairment	
At 29 March 2014	0.8
Provided during the year	0.1
At 28 March 2015 and 26 March 2016	**0.9**
Net book value at 26 March 2016	**4.6**
Net book value at 28 March 2015	4.6
Net book value at 29 March 2014	4.7
Fair value at 26 March 2016	**11.2**
Fair value at 28 March 2015	10.9
Fair value at 29 March 2014	10.7

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

Impairment

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

During the 52 weeks ended 26 March 2016 the Group did not impair any investment properties (2015: £nil).

12. Investment Properties continued

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	2016 £m	2015 £m
Rental income	0.6	0.5
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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Interest rate swaps	0.1	0.3	0.1	0.3
Total financial assets within non-current assets	0.1	0.3	0.1	0.3
Subsidiary share purchase options	(7.5)	(3.0)	–	–
Interest rate swaps	(3.2)	(2.9)	(3.2)	(2.9)
Foreign currency contracts	–	(0.2)		(0.2)
Total financial liabilities within non-current liabilities	(10.7)	(6.1)	(3.2)	(3.1)

Details of the interest rate swaps and caps are provided in note 26 C(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 49% of shares in The Stable Pizza & Cider Limited is £8.0 million (2015: £3.0 million) of which £5.2 million (2015: £3.0 million) 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 £2.3 million (2015: nil) which is included above.

14. Other Non-Current Assets

Group and Company	2016 £m	2015 £m
Loans to customers due after one year	0.3	0.3

15. Investments in Subsidiaries

	Cost £m	Provision £m	Net book value £m
Company			
At 29 March 2014 and 28 March 2015	95.0	(0.2)	94.8
Additions	4.8	–	4.8
At 26 March 2016	99.8	(0.2)	99.6

15. Investments in Subsidiaries continued

Principal subsidiary undertakings	Holding	Proportion held	Nature of business
Griffin Catering Services Limited	£1 ordinary shares	100% (indirect)	Managed houses service company
The Stable Pizza & Cider Limited	£0.01 ordinary shares	51%	Holding company
	£3.50 'B' ordinary shares	100%	
The Stable Bar & Restaurants Limited	£1 ordinary shares	51% (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%	Public houses and bars
George Gale & Co. Limited	£1 ordinary shares	100%	Non-trading subsidiary
	25p 'A' ordinary shares	100%	
	£10 preference shares	100%	
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.

16. Non-Controlling Interest

Set out below are the movements in the minority interest for The Stable Pizza & Cider Limited group 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)**

The adjustments relate to the initial recognition of Nectar Imports Limited and the accompanying put and call option, which vests fully in three years.

17. Business Combinations

During the 52 weeks ended 26 March 2016 the Company has individually acquired four new pubs and five new restaurants for a combined consideration of £9.9 million, all of which have been treated as business combinations as they were operating as a business at the point the Company acquired them.

On 31 December 2015 the Company purchased a 51% holding in Nectar Imports Limited which is a wholesale drinks distributor. The business was purchased as it complements the Group's current business whilst diversifying the business and increasing our routes to market.

On 15 March 2016 the Company purchased 100% of G&M Leisure Limited, which operates The Lord Northbrook pub in Lee, South East London.

In the prior year the Company purchased a 51% holding in The Stable Pizza & Cider Limited which is a casual dinning restaurant specialising in pizzas and cider.

17. Business Combinations continued

	2016			2015	
	Nectar Imports Limited	G&M Leisure Limited	Pubs and Restaurants	Stable Pizza & Cider Limited	Pubs
Number of pubs/restaurants purchased		1	9		7
Provisional fair value	£m	£m	£m	£m	£m
Property, plant and equipment	0.6	3.1	9.9	1.4	20.1
Intangible assets	–	–	–	–	1.5
Current assets	4.6	–	–	0.3	–
Cash/(net debt)	0.7	(0.7)	–	(0.6)	–
Deferred revenue, trade and other payables	(4.3)	(0.3)	–	(1.2)	–
Goodwill	1.9	–	–	3.7	–
Non-controlling interest	(0.8)	–	–	–	–
Consideration	2.7	2.1	9.9	3.6	21.6
Satisfied by:					
Cash	2.7	2.1	9.9	3.6	21.6
Total	2.7	2.1	9.9	3.6	21.6

Goodwill recognised on the acquisition of Nectar Imports Limited reflects the future growth of the company. Additional contingent consideration of £2.3 million has been recognised as a Balance Sheet liability and reflects management's best estimate of the likely amount to be paid out for the remaining 49% of the business (note 13). Under the terms of the agreement the total consideration will not exceed £10 million.

Costs associated with the acquisitions of £1.1 million have been charged to operating exceptional items in the Consolidated Income Statement for the 52 weeks ended 26 March 2016 . These comprised primarily stamp duty, legal and other property fees (note 5).

No changes have been made to the provisional fair value of The Stable Pizza & Cider assets acquired in the previous year.

The acquisitions have contributed the following operating profit to the Group in the 52 weeks ended 26 March 2016 from the date of acquisition:

	2016			2015	
	Nectar Imports Limited £m	G&M Leisure Limited £m	Pubs and Restaurants £m	Stable Pizza & Cider Limited £m	Pubs £m
Operating profit/(loss)	0.1	–	0.4	(0.4)	0.8

It is not practical to identify the related cash flows, revenue and profit on an annualised basis as the months for which the businesses have been owned are not representative of the annualised figures. The pre-acquisition trading results are not indicative of the trading expected going forwards following the significant redevelopment of the pubs 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. on acquisition and as such will have no trading going forwards.

18. Inventories

Group and Company	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Raw materials, beer and cider in progress	**1.6**	1.7	**1.6**	1.7
Beer, wines and spirits	**7.3**	5.7	**5.8**	5.7
Stock at retail outlets	**3.5**	3.2	**3.5**	3.2
	12.4	10.6	**10.9**	10.6

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

19. Trade and Other Receivables

Group and Company	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Trade receivables	**14.9**	12.6	**12.2**	12.5
Amounts due from subsidiary undertakings	**–**	–	**14.2**	9.0
Other receivables	**2.0**	1.6	**1.8**	1.6
Prepayments and accrued income	**4.1**	3.5	**4.0**	3.3
	21.0	17.7	**32.2**	26.4

Company amounts owed by subsidiary undertakings of £14.2 million (2015: £9.0 million) have no fixed repayment date. Interest is payable on the balance at the higher of 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	2016 £m	2015 £m
Trade receivables provision at 28 March 2015	**1.4**	1.5
Increase in provision recognised in profit and loss	**0.3**	0.1
Amounts written off during the year	**(0.1)**	(0.2)
Trade receivables provision at 26 March 2016	**1.6**	1.4

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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Current	**15.5**	13.4	**13.5**	13.3
Overdue up to 30 days	**0.8**	0.2	**0.3**	0.2
Overdue between 30 and 60 days	**0.1**	0.1	**–**	0.1
Overdue more than 60 days	**0.1**	0.3	**–**	0.3
Trade receivables before provision	**16.5**	14.0	**13.8**	13.9
Less provision	**(1.6)**	(1.4)	**(1.6)**	(1.4)
Trade receivables net of provision	**14.9**	12.6	**12.2**	12.5

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.1 million (2015: £0.3 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 £0.3 million (2015: £0.3 million) due within one year and £0.5 million (2015: £0.4 million) due in more than one year, against which there is a provision of £0.3 million (2015: £0.3 million).

20. Assets Classified as Held For Sale

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Property, plant and equipment	**0.5**	1.2	**0.5**	1.2
	0.5	1.2	**0.5**	1.2

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

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Assets held for sale at the start of the year	**–**	1.2	**–**	1.2
Assets disposed during the year	**–**	(1.2)	**–**	(1.2)
Transfer from property, plant and equipment	**0.5**	–	**0.5**	–
Assets held for sale at the end of the year	**0.5**	–	**0.5**	–

At 26 March 2016, one property was transferred to assets held for sale, as it was in the advanced stages of the sales process and has since completed. The property shown above resulted in a profit on sale.

21. Trade and Other Payables

Due within one year:	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Trade payables	**21.4**	19.4	**17.8**	18.9
Amounts due to subsidiary undertakings	**–**	–	**102.2**	97.6
Other tax and social security	**9.3**	9.1	**9.1**	9.1
Other payables	**11.4**	9.2	**11.3**	9.1
Accruals	**18.7**	11.5	**17.7**	11.2
	60.8	49.2	**158.1**	145.9

Company amounts due to subsidiary undertakings of £102.2 million (2015: £97.6 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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Deferred revenue	**0.4**	0.4	**–**	–

Deferred revenue 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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Cash at bank and in hand	**6.2**	5.1	**5.1**	4.8

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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Bank loans	**177.0**	140.0	**177.0**	140.0
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	**204.7**	167.7	**204.5**	167.5
Analysed as:				
Borrowings within current liabilities	**20.0**	20.0	**20.0**	20.0
Borrowings within non-current liabilities	**184.7**	147.7	**184.5**	147.5
	204.7	167.7	**204.5**	167.5

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 August 2015 the Company extended £130.0 million of its existing main bank facilities by one year, so they now expire in August 2020. The remaining £50.0 million expire in August 2019.

On 27 January 2016 the Company entered into a new £30.0 million bank facility with a four year fixed term expiring in August 2020. At 26 March 2016 the facility was fully drawn. At 26 March 2016, £52.0 million (2015: £59.0 million) of the total of £210.0 million (2015: £180.0 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 2016. At 26 March 2016 this facility was fully drawn.

The bank loans at 26 March 2016 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:	2016 £m	2015 £m
On demand or within one year	20.0	20.0
Current liabilities	**20.0**	20.0
In the third to fifth year inclusive	158.0	121.0
Less: bank loan arrangement fees	(1.0)	(1.0)
Non-current liabilities	**157.0**	120.0

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:	2016 £m	2015 £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 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	(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.

Group	At 29 March 2014 £m	Cash flows £m	Non-cash[1] £m	At 28 March 2015 £m
Cash and cash equivalents				
Cash and short term deposits	4.1	1.0	–	5.1
	4.1	1.0	–	5.1
Debt				
Bank loans	(116.2)	(23.4)	(0.4)	(140.0)
Other loans	(0.2)	0.5	(0.5)	(0.2)
Debenture stock	(25.9)	–	–	(25.9)
Preference shares	(1.6)	–	–	(1.6)
	(143.9)	(22.9)	(0.9)	(167.7)
Net debt	(139.8)	(21.9)	(0.9)	(162.6)

[1] Non-cash movements relate to the amortisation of arrangement fees and the acquisition of The Stable Pizza & Cider Limited.

The Company net debt is as above excluding "Other loans" of £0.2 million (2015: £0.2 million) and cash of £1.1 million (2015: £0.3 million) which are held by subsidiary companies. Company net debt as at 26 March 2016 was £199.4 million (2015: £162.7 million).

23. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one closed funded defined benefit pension scheme, the Fuller Smith & Turner Pension Plan (the "Scheme"). The plan is defined benefit in nature, with assets held in separate professionally managed, Trustee-administered funds. The Scheme is an HM Revenue & Customs registered pension plan and subject to standard United Kingdom pension and tax law. On 1 January 2015 the plan was closed to future accrual resulting in a curtailment gain of £1.2 million in the 52 weeks ended 28 March 2015.

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	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Total amounts charged in respect of pensions in the period		
Charged to Income Statement:		
Defined benefit scheme – operating profit	0.2	1.2
Defined benefit scheme – exceptional items	–	(1.2)
Defined benefit scheme – net finance charge	0.8	0.8
Defined contribution schemes – total operating charge	1.2	0.8
	2.2	1.6
Charge/(credit) to equity:		
Defined benefit schemes – net actuarial losses	(0.7)	8.3
Total pension charge	1.5	9.9

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.
- 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. The next actuarial valuation is due to be carried out as at 30 July 2016. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence.

23. Pensions continued

A formal actuarial valuation was carried out as at 30 July 2013. The results of that valuation have been projected to 26 March 2016 by a qualified independent actuary. 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 2016 valuation of the Scheme are set out below:

Mortality assumptions	2016 Years	2015 Years
Current pensioners (at 65) – males	22.2	22.2
Current pensioners (at 65) – females	24.4	24.4
Future pensioners (at 65) – males	23.6	23.5
Future pensioners (at 65) – females	25.9	25.9

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

Key financial assumptions used in the valuation of the Scheme	2016	2015
Rate of increase in salaries	n/a	2.50%
Rate of increase in pensions in payment	3.05%	3.00%
Discount rate	3.55%	3.25%
Inflation assumption – RPI	3.05%	3.00%
Inflation assumption – CPI	2.05%	2.00%

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

Impact on Scheme liabilities – increase/(decrease) [1]	2016 £m	2015 £m
Increase rate of salaries by 0.5%	n/a[2]	n/a[2]
Increase rate of pensions in payment by 0.5%	5.5	6.4
Increase discount rate by 1.0%	(18.0)	(20.0)
Increase inflation assumption by 0.5%	3.3[3]	3.8[3]
Increase life expectancies by 1 year	4.9	5.3

1 The above 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.

2 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.

3 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	2016 £m	2015 £m
Corporate bonds	19.3	20.7
UK equities	40.7	37.0
Overseas equities	20.4	13.2
Absolute return fund	12.0	29.5
Property	1.0	0.9
Cash	1.4	0.9
Annuities	1.2	1.3
Total market value of assets	**96.0**	103.5

	2016 £m	2015 £m
Fair value of Scheme assets	96.0	103.5
Present value of Scheme liabilities	(119.5)	(127.9)
Deficit in the Scheme	**(23.5)**	(24.4)

Included within the total present value of Group and Company Scheme liabilities of £119.5 million (2015: £127.9 million) are liabilities of £2.8 million (2015: £3.1 million) which are entirely unfunded.

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit (deficit)	
	2016 £m	2015 £m	2016 £m	2015 £m	2016 £m	2015 £m
Balance at beginning of the year	(127.9)	(110.8)	103.5	93.6	(24.4)	(17.2)
Included in profit and loss						
Current service cost	–	(1.1)	(0.2)	–	(0.2)	(1.1)
Curtailment gain	–	1.2	–	–		1.2
Net interest cost	(4.2)	(4.9)	3.4	4.1	(0.8)	(0.8)
	(4.2)	(4.8)	3.2	4.1	(1.0)	(0.7)
Included in Other Comprehensive Income						
Actuarial gains/(losses) relating to:						
Actual return less expected return on Scheme assets	–	–	(6.8)	8.0	(6.8)	8.0
Experience gains/(losses) arising on Scheme liabilities	7.5	(16.3)	–	–	7.5	(16.3)
	7.5	(16.3)	(6.8)	8.0	0.7	(8.3)
Other						
Employer contributions	0.2	–	–	1.0	0.2	1.0
Employer special contributions	–	–	1.0	0.8	1.0	0.8
Employee contributions	–	(0.3)	–	0.3	–	–
Benefits paid	4.9	4.3	(4.9)	(4.3)	–	–
	5.1	4.0	(3.9)	(2.2)	1.2	1.8
Balance at end of the year	(119.5)	(127.9)	96.0	103.5	(23.5)	(24.4)

The weighted average duration of the Scheme's liabilities at the end of the period is 20 years (2015: 20 years).

The total contributions to the Scheme in the next financial year are expected to be £1.1 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.

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 29 March 2014, 28 March 2015 and 26 March 2016	**400**	**1,200**	**1,600**
Monetary amount:	£m	£m	£m
At 29 March 2014, 28 March 2015 and 26 March 2016	**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

a) Onerous Lease and Contingent Consideration

	Onerous lease		Contingent consideration		Total	
Group and Company	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Balance at beginning of the year	**1.1**	1.7	**1.8**	1.7	**2.9**	3.4
Arising during the year	**–**	0.3	**–**	–	**–**	0.3
Released during the year	**(0.1)**	–	**(0.1)**	–	**(0.2)**	–
Utilised	**(0.3)**	(1.0)	**–**	–	**(0.3)**	(1.0)
Unwinding of discount	**0.1**	0.1	**0.1**	0.1	**0.2**	0.2
Balance at end of the year	**0.8**	1.1	**1.8**	1.8	**2.6**	2.9
Analysed as:	**£m**	£m	**£m**	£m	**£m**	£m
Due within one year	**0.1**	0.2	**0.3**	0.2	**0.4**	0.4
Due in more than one year	**0.7**	0.9	**1.5**	1.6	**2.2**	2.5
	0.8	1.1	**1.8**	1.8	**2.6**	2.9

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.

25. Provisions continued

b) Deferred Tax Provision

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

Group	Asset 2016 £m	Liability 2016 £m	Net 2016 £m	Asset 2015 £m	Liability 2015 £m	Net 2015 £m
Deferred tax						
Retirement benefit obligations	**4.2**	–	**4.2**	4.9	–	4.9
Tax losses carried forward	**0.6**	–	**0.6**	0.4	–	0.4
Employee share schemes	**0.9**	–	**0.9**	1.0	–	1.0
Financial liabilities and assets	**0.5**	–	**0.5**	0.6	–	0.6
Accelerated tax depreciation	–	**(10.3)**	**(10.3)**	–	(12.4)	(12.4)
Rolled over capital gains	–	**(8.7)**	**(8.7)**	–	(8.9)	(8.9)
Others	**2.1**	–	**2.1**	1.5	–	1.5
	8.3	**(19.0)**	**(10.7)**	8.4	(21.3)	(12.9)

The deferred tax included in the Company Balance Sheet is the same as the Group with the following exceptions:

Company	Asset 2016 £m	Liability 2016 £m	Net 2016 £m	Asset 2015 £m	Liability 2015 £m	Net 2015 £m
Deferred tax						
Tax losses carried forward	**0.5**	–	**0.5**	0.2	–	0.2
Accelerated tax depreciation	–	**(9.9)**	**(9.9)**	–	(12.4)	(12.4)
Others	**1.7**	–	**1.7**	1.5	–	1.5
Total deferred tax asset/(liability)	**7.8**	**(18.6)**	**(10.8)**	8.2	(21.3)	(13.1)

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 20.

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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £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)**	(2.4)	**(2.6)**	(2.4)
Retained earnings	**293.0**	270.0	**262.9**	241.4
Preference shares	**1.6**	1.6	**1.6**	1.6
	322.7	299.9	**292.6**	271.3

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 £6.2 million of shares in the 52 weeks ended 26 March 2016 (2015: £7.1 million), of which £1.6 million related to purchases made by or on behalf of employee share ownership trusts (2015: £0.9 million). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position at every Board meeting.

26. Financial Instruments continued

b) Categories of Financial Assets and Liabilities

The Group's financial assets and liabilities as recognised at the Balance Sheet date may also be categorised as follows:

	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Non-current assets				
Derivative financial assets hedge accounted	**0.1**	0.3	**0.1**	0.3
Loans and other receivables in scope of IAS 39	**0.3**	0.3	**0.3**	0.3
Total non-current assets	**0.4**	0.6	**0.4**	0.6
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	**14.9**	12.8	**26.4**	21.5
Cash and short term deposits	**6.2**	5.1	**5.1**	4.8
Total current assets	**21.1**	17.9	**31.5**	26.3
Total financial assets	**21.5**	18.5	**31.9**	26.9
Current liabilities				
Trade and other payables in scope of IAS 39	**40.5**	31.3	**138.1**	128.0
Loans	**20.0**	20.0	**20.0**	20.0
Total carried at amortised cost	**60.5**	51.3	**158.1**	148.0
Total current liabilities	**60.5**	51.3	**158.1**	148.0
Non-current liabilities				
Derivative financial liabilities hedge accounted	**3.2**	3.1	**3.2**	3.1
Put and call options	**7.5**	3.0	**–**	–
Carried at amortised cost:				
Other payables in scope of IAS 39	**2.2**	0.9	**2.2**	0.9
Loans and debenture stock	**183.1**	146.1	**182.9**	145.9
Preference shares	**1.6**	1.6	**1.6**	1.6
Total carried at amortised cost	**186.9**	148.6	**186.7**	148.4
Total non-current liabilities	**197.6**	154.7	**189.9**	151.5
Total financial liabilities	**258.1**	206.0	**348.0**	299.5

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 (2015: £25.9 million) are at fixed rates. The bank loans totalling £177.0 million (2015: £140.0 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 48% (2015: 75%) of the Group's bank loans and 55% (2015: 79%) 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 £65.0 million of the Group's and Company's borrowings (2015: £65.0 million) were hedged by interest rate swaps at a blended fixed rate of 1.94% (2015: 1.75%). Of the swaps active at 26 March 2016 £25.0 million expire in 2017, £20.0 million expire in 2020 and £20 million expire in 2022. Additionally, the Group has entered into interest rate swap arrangements with forward start dates. In February 2016 the Group entered into an interest rate swap agreement to hedge the risk of interest rate variation on a further £20.0 million of the Group's borrowings at a rate of 0.82%, commencing in April 2016 and expiring in 2020.

Interest rate cap

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 £20.0 million (2015: £20.0 million) of the Group's and Company's borrowings were hedged by an interest rate cap at a fixed rate of 2.1% (2015: 4.0%), which commenced in 2015 and expires in 2020.

The interest rate swaps and cap 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 cap cash flow hedge in effect at 26 March 2016 were assessed as being highly effective at 26 March 2016 and a net unrealised loss of £0.3 million (2014: £3.0 million gain) has been recorded in Other Comprehensive Income. The interest rate cap cash flow hedge in effect at 28 March 2015 was not designated as a cash flow hedge for hedge accounting purposes and no net unrealised gain/loss was recorded in the Income Statement for the 52 weeks ended 28 March 2015.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. The 3 month Sterling LIBOR rate during the 52 weeks ended 26 March 2016 ranged between 0.57% and 0.59%. The Directors consider 1.0% to be a reasonable possible increase in rates and 0.5% 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 2016 £m**	Group 2015 £m	**Company* 2016 £m**	Company* 2015 £m
Decrease interest rate by 0.5%	**0.4**	0.3	**0.9**	0.7
Increase interest rate by 1.0%	**(0.9)**	(0.6)	**(1.7)**	(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 20. 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 26 March 2016 the Group and Company had no open forward contracts. At 28 March 2015 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 28 March 2015 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 26 March 2016 the only significant foreign currency assets or liabilities were the following:

	Cash deposits		Trade receivables		Trade payables	
Group and Company	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Euro assets/(liabilities)	**1.1**	1.1	**–**	–	**(0.7)**	(0.7)
US dollar assets/(liabilities)	**0.2**	0.2	**0.4**	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. 13% (2015: 16%) of the Group's borrowings are repayable after more than five years, 77% (2015: 84%) within the third to fifth years and 10% (2015: nil) within one year. The tables below summarise the maturity profile of the Group's financial liabilities at 26 March 2016 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 26 March 2016	**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]	**–**	**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.

Group at 28 March 2015						
Interest bearing loans and borrowings[1]	–	1.2	3.6	133.2	42.7	180.7
Preference shares[2]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	10.9	18.4	0.1	0.5	0.7	30.6

[1] Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:

Interest rate swaps and cap	–	0.2	0.6	2.4	1.7	4.9

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

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

Company at 26 March 2016	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]	102.2	–	–	–	–	102.2
Trade and other payables	7.1	29.0	0.1	1.8	0.4	38.4

Company at 28 March 2015						
Amounts due to subsidiary undertakings[3]	97.6	–	–	–	–	97.6
Trade and other payables	10.2	18.4	0.1	0.5	0.7	29.9

[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.

26. Financial Instruments continued

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £12.7 million (2015: £12.5 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 2016 £m	Book value 2015 £m	Fair value 2016 £m	Fair value 2015 £m	Fair value Level
Financial assets					
Cash	**6.2**	5.2	**6.2**	5.2	1
Trade and other receivables due within one year in scope of IAS 39	**14.9**	12.7	**14.9**	12.7	3
Loans and other receivables due in more than one year in scope of IAS 39	**0.3**	0.3	**0.3**	0.3	3
Interest rate swaps	**–**	–	**–**	–	2
Interest rate cap	**0.1**	0.3	**0.1**	0.3	2
Financial liabilities					
Trade and other payables in scope of IAS 39	**(42.7)**	(32.4)	**(42.7)**	(32.4)	3
Fixed rate borrowings	**(26.1)**	(26.1)	**(32.5)**	(31.0)	3
Floating rate borrowings	**(177.0)**	(140.0)	**(177.0)**	(140.0)	3
Preference shares	**(1.6)**	(1.6)	**(1.8)**	(1.8)	3
Interest rate swaps	**(3.2)**	(2.9)	**(3.2)**	(2.9)	2
Put and call option	**(7.5)**	(3.0)	**(7.5)**	(3.0)	3
Forward currency contract	**–**	(0.2)	**–**	(0.2)	2

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

Company	Book value 2016 £m	Book value 2015 £m	Fair value 2016 £m	Fair value 2015 £m	Fair value Level
Financial liabilities					
Trade and other payables in scope of IAS 39	**(140.3)**	(129.4)	**(140.3)**	(129.4)	3
Fixed rate borrowings	**(25.9)**	(25.9)	**(32.3)**	(30.8)	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 29 March 2014	33,488	14,593	89,052	137,133
Share conversions	31	(31)	–	–
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**
Proportion of total equity shares at 26 March 2016	**24.5%**	**10.6%**	**64.9%**	**100%**

Monetary amount	£m	£m	£m	£m
At 29 March 2014	13.4	5.8	3.6	22.8
Share conversions	–	–	–	–
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 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 Long Term Incentive Plan ("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 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 29 March 2014	1,171	–	–	691	10	–	1,171	691	10
Shares purchased	292	3,558	–	248	–	73	365	3,806	–
Shares transferred	(110)	–	110	–	–	–	–	–	–
Shares released	(190)	–	(110)	(266)	–	(72)	(372)	(266)	–
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**
Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 29 March 2014	9.1	–	–	0.5	0.1	–	9.1	0.5	0.1
Shares purchased	2.8	3.4	–	0.2	–	0.7	3.5	3.6	–
Shares transferred	(0.9)	–	0.9	–	–	–	–	–	–
Shares released	(1.5)	–	(0.9)	(0.2)	–	(0.7)	(3.1)	(0.2)	–
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**
Market value at 26 March 2016	**11.5**	**4.6**	**–**	**0.5**	**0.1**	**0.9**	**12.4**	**5.1**	**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 26 March 2016 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 exceptional 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 verifies the vesting level each year. The initial vesting period is three years. After this time the shares may be passed to the plan participants, as long as vesting conditions are met.

SIP

This plan awards free shares. 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 within five years of the award).

Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 26 March 2016 is £2.6 million (2015: £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 26 March 2016 was £10.40 (2015: £10.20).

28. Share Options and Share Schemes continued

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.

A) SAYE

	2016 Number 000s	2016 WAEP	2015 Number 000s	2015 WAEP
Outstanding at the beginning of the year	**348**	**£6.43**	394	£5.63
Granted	**270**	**£8.70**	110	£7.47
Lapsed	**(30)**	**£7.43**	(29)	£6.03
Exercised	**(110)**	**£4.89**	(127)	£4.89
Outstanding at the end of the year	**478**	**£6.43**	348	£6.43
Exercisable at the end of the year	**–**	**n/a**	–	n/a
Weighted average share price for options exercised in the year	**£10.80**		£9.52	
Weighted average contractual life remaining for share options outstanding at the year end	**2.37 years**		4.02 years	
Weighted average share price for options granted in the year	**£11.23**		£9.32	
Weighted average fair value of options granted during the year	**£2.13**		£2.01	
Range of exercise prices for options outstanding at the year end				
– from	**£5.47**		£4.64	
– to	**£8.70**		£7.47	

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 2016 000s	Number of 'A' ordinary shares under option 2015 000s
September 2015	4.64	**–**	52
September 2015	5.63	**–**	58
September 2016	5.47	**24**	25
September 2016	7.24	**51**	59
September 2017	5.63	**19**	20
September 2017	7.47	**73**	80
September 2018	7.24	**26**	28
September 2018	8.70	**169**	–
September 2019	7.47	**23**	26
September 2020	8.70	**93**	–
		478	348

28. Share Options and Share Schemes continued

B) Share Option Schemes

Senior Executive Share Option Scheme

	2016 Number 000s	2016 WAEP	2015 Number 000s	2015 WAEP
Outstanding at the beginning of the year	83	£9.14	115	£6.56
Lapsed	–	n/a	(6)	£6.46
Exercised	–	n/a	(26)	£4.92
Outstanding at the end of the year	83	£7.03	83	£9.14
Exercisable at the end of the year	63	£6.38	39	£5.97
Weighted average share price for options exercised in the year	n/a		£9.80	
Weighted average contractual life remaining for share options outstanding at the year end	5.61 years		6.61 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

	2016 Number 000s	2016 WAEP	2015 Number 000s	2015 WAEP
Outstanding at the beginning of the year	169	£6.73	162	£7.39
Granted	34	£10.90	54	£9.10
Lapsed	(5)	£9.65	(12)	£9.10
Exercised	(31)	£6.58	(35)	£9.88
Outstanding at the end of the year	167	£8.81	169	£6.73
Exercisable at the end of the year	55	£6.62	45	£6.23
Weighted average share price for options exercised in the year	£11.22		£9.52	
Weighted average contractual life remaining for share options outstanding at the year end	7.14 years		7.45 years	
Weighted average share price for options granted in the year	£10.90		£9.65	
Weighted average fair value of options granted during the year	£1.11		£1.15	
Range of exercise prices for options outstanding at the year end				
– from	£4.05		£4.05	
– to	£10.90		£9.10	

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 2016 000s**	Number of 'A' ordinary shares under option 2015 000s	Exercise price 40p shares £	**Number of 'A' ordinary shares under option 2016 000s**	Number of 'A' ordinary shares under option 2015 000s
2009 and 2016	4.98	**–**	–	4.98	**–**	3
2010 and 2017	–	**–**	–	7.51	**7**	7
2011 and 2018	4.05	**2**	2	4.05	**4**	4
2012 and 2019	4.80	**9**	9	4.80	**3**	3
2013 and 2020	5.78	**12**	12	5.78	**6**	12
2013 and 2020	6.30	**1**	1	–	**–**	–
2014 and 2021	7.09	**15**	15	7.09	**13**	15
2015 and 2022	7.05	**24**	24	7.05	**21**	38
2016 and 2023	9.10	**20**	20	9.10	**32**	33
2017 and 2024	–	**–**	–	9.65	**47**	54
2018 and 2025	–	**–**	–	10.90	**34**	–
Total		**83**	83		**167**	169

C) LTIP

Shares	**2016 'A' shares Number 000s**	**2016 'B' shares Number 000s**	2015 'A' shares Number 000s	2015 'B' shares Number 000s
Outstanding at the beginning of the year	**435**	**1,088**	478	1,195
Granted	**136**	**339**	147	367
Lapsed	**(19)**	**(48)**	(80)	(199)
Vested	**(165)**	**(411)**	(110)	(275)
Outstanding at the end of the year	**387**	**968**	435	1,088
Weighted average share price for shares vested in the year	**£9.49**	**£0.95**	£9.53	£0.95
For shares outstanding at the year end, the weighted average contractual life remaining is	**1.31 years**	**1.31 years**	1.22 years	1.22 years
Weighted average share price for shares granted in the year	**£10.90**	**£1.09**	£9.25	£0.92
Weighted average fair value of shares granted during the year	**£10.17**	**£1.02**	£8.74	£0.87

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

	2016 Number 000s	2015 Number 000s
Outstanding at the beginning of the year	297	322
Granted	64	74
Lapsed	(1)	(2)
Released	(87)	(97)
Outstanding at the end of the year	**273**	**297**

Weighted average share price for shares released in the year	£11.00	£9.36
For shares outstanding at the year end, the weighted average contractual life remaining is	2.86 years	2.86 years
Weighted average share price for shares granted during the year	£11.54	£9.50
Weighted average fair value of shares granted during the year	£11.30	£9.59

Outstanding SIP shares represent shares allocated and held by the SIP Trustees on behalf of employees, which remain in the trust for between three and five years. All SIPs have a vesting price of £nil. SIP shares receive dividends once allocated.

E) Fair Value of Grants

(i) Equity-Settled Options and LTIPs

The fair value of equity-settled share options granted is estimated as at the date of grant, taking into account the terms and conditions upon which the awards were granted. The following table lists the inputs to the model used for the 52 weeks ended 26 March 2016 and 52 weeks ended 28 March 2015, except for exercise price and the weighted average share price for grants in the year, which are disclosed in sections a) to e) above.

	LTIP scheme		Save As You Earn scheme		Executive and Senior Executive option schemes	
Fair value inputs	2016	2015	2016	2015	2016	2015
Dividend yield (%)	1.6%	1.7%	1.6%	1.7%	1.6%	1.7%
Expected share price volatility (%)	n/a	n/a	15 to 17.4%	19%	16%	19%
Risk-free interest rate (%)	1.0%	1.4%	1.01 to 1.51%	1.4 to 2.0%	1.3%	1.7%
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 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Within one year	**9.4**	11.2	**7.4**	10.9
Between one year and five years	**30.1**	26.9	**26.1**	25.7
After five years	**57.8**	59.6	**51.7**	54.0
	97.3	97.7	**85.2**	90.6

Commercial 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 26 March 2016 future minimum rentals receivable by the Group are as follows:

	Investment properties		Other property, plant & equipment	
Group	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Within one year	**0.4**	0.3	**7.6**	7.5
Between one year and five years	**0.7**	0.7	**16.3**	15.1
After five years	**0.2**	0.3	**11.1**	10.9
	1.3	1.3	**35.0**	33.5

	Investment properties		Other property, plant & equipment	
Company	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Within one year	**0.4**	0.3	**7.8**	7.6
Between one year and five years	**0.7**	0.7	**17.1**	15.4
After five years	**0.2**	0.3	**12.9**	11.4
	1.3	1.3	**37.8**	34.4

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 26 March 2016 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £8.3 million (2015: £7.1 million).

b) Other Commitments

Group and Company	**2016 £m**	2015 £m
Capital commitments – authorised, contracted but not provided for	**1.7**	2.3

The Company has accepted various duty deferment bonds in connection with HMRC. The total outstanding commitment at 26 March 2016 was £720,000 (2015: £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 £284,000 (2015: £200,000) 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)	52 weeks ended 26 March 2016 £m	52 weeks ended 28 March 2015 £m
Short term employee benefits	5.2	4.9
Post-employment benefits	0.4	0.4
Share-based payments	2.7	2.4
	8.3	7.7

Company Only

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

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

52 weeks ended 28 March 2015	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	–	44.8	0.3	3.2	(97.5)	9.0

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 £0.1 million during the year (2015: £nil).

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 26 March 2016 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
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

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%.

Directors and Advisors
as at 9 June 2016

Directors
Michael Turner, FCA, Chairman*
Simon Emeny, Chief Executive
James Douglas, ACA
Richard Fuller
Jonathon Swaine
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
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Griffin Brewery
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Tel: 020 8996 2105
Registered Number 241882

Auditors
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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: 0870 889 4096
Please note you can now advise Computershare of changes to your address or set up a dividend mandate online at www.computershare.com/investor/uk

2016 Diary

Friday, 24 June
Record Date

Friday, 1 July
Preference dividends paid

Thursday, 21 July
Annual General Meeting
Hock Cellar, Griffin Brewery

Monday, 25 July
Final dividend paid

Friday, 18 November
Half year results announcement

2017 Diary

January
Preference dividends paid
Interim dividend paid

June
Preliminary results announcement

Shareholder Privileges

Individual shareholders with at least 500 'A' or 'C' ordinary shares or 5,000 'B' ordinary shares are eligible to receive a shareholder indulgence card entitling them to a 15% discount on food and drinks in Fuller's Managed Pubs and Hotels and 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 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 exceptional items. The Directors believe that this measure provides useful information for shareholders as to the internal measures of the performance of the Group.
- **Adjusted profits** – this is profit before tax, adjusted for exceptional 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 exceptional 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.
- **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	2016 £m	2015 £m	2014 £m	Restated* 2013 £m	Restated* 2012 £m
Revenue	350.5	321.5	288.0	271.5	253.0
Operating profit before exceptional items	46.9	42.3	39.9	37.0	34.9
Net finance costs*	(6.0)	(5.9)	(5.8)	(5.9)	(4.9)
Adjusted profit*	40.9	36.4	34.1	31.1	30.0
Exceptional items*	(1.7)	(0.3)	(0.6)	2.6	(1.9)
Profit before tax*	39.2	36.1	33.5	33.7	28.1
Taxation*	(6.2)	(7.8)	(4.4)	(5.6)	(4.9)
Profit after tax*	33.0	28.3	29.1	28.1	23.2
Non-controlling interest	(0.2)	0.1	–	–	–
Profit attributable to equity shareholders of the Parent Company*	32.8	28.4	29.1	28.1	23.2
EBITDA	65.0	58.7	54.5	51.2	47.8

* Comparatives have been restated for changes to IAS 19.

Assets employed	2016	2015	2014	2013	2012
Non-current assets	586.9	524.2	481.3	455.6	444.1
Inventories	12.4	10.6	10.6	10.1	10.5
Trade and other receivables	21.0	17.7	18.3	18.3	18.3
Assets classified as held for sale	0.5	–	1.2	0.6	5.3
Cash and short term deposits	6.2	5.1	4.1	4.3	3.9
	627.0	557.6	515.5	488.9	482.1
Current borrowings	(20.0)	(20.0)	–	–	–
Other current liabilities	(65.6)	(53.5)	(51.2)	(45.7)	(51.6)
	541.4	484.1	464.3	443.2	430.5
Non-current borrowings	(184.7)	(147.7)	(143.9)	(139.9)	(142.1)
Other non-current liabilities	(55.8)	(54.7)	(43.2)	(43.9)	(53.1)
Net assets	300.9	281.7	277.2	259.4	235.3

Per 40p 'A' ordinary share	2016	2015	2014	2013	2012
Adjusted earnings	58.35p	51.51p	46.94p	42.18p	39.47p
Basic earnings	59.25p	51.15p	52.14p	50.43p	41.24p
Dividends (interim and proposed final)	17.90p	16.60p	15.10p	13.70p	12.65p
Net assets	£5.45	£5.09	£4.98	£4.65	£4.22
Net debt (£ million)	(198.5)	(162.6)	(139.8)	(135.6)	(138.2)
Net debt/EBITDA[1]	3.0	2.7	2.5	2.6	2.7
Gross capital expenditure (£ million)	80.7	56.3	38.1	31.1	76.3
Average number of employees	4,479	4,058	3,610	3,477	3,392

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

Design, consultancy and production by Luminous
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