FULLER'S

GROWING IN THE FULLER'S WAY

ANNUAL REPORT AND ACCOUNTS 2018

DEVELOPING OUR PEOPLE

CONSTANTLY SEEKING TO INSPIRE, DEVELOP AND SUPPORT

INVESTING IN OUR ESTATE

THE WYKEHAM ARMS IN WINCHESTER

THE SWAN AT HYDE PARK

ALWAYS EVOLVING

A NEW REBRAND FOR LONDON PRIDE

DARK STAR BREWING

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

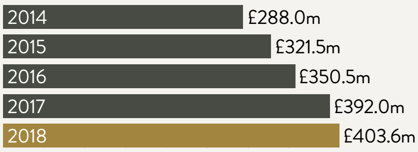
Our enduring London roots are symbolic of the spirit and imagination we bring to our business. We never stop exploring new ways to make things better, more interesting, more Fuller's.

Every year, we look to improve in all areas of the customer journey and this dedication has seen the business develop further.

Operational and Financial Highlights

- Adjusted profit before tax[1] up 1% to £43.2 million (2017: £42.9 million)
- Adjusted earnings per share[2] up 2% to 62.90p (2017: 61.39p)
- Revenue up 3% to £403.6 million (2017: £392.0 million)
- EBITDA[3] up 1% to £70.9 million (2017: £70.5 million)
- Total annual dividend up 4% to 19.55p (2017: 18.80p)
- Another good year for Managed Pubs and Hotels with like for like sales[6] growth of 2.9%, driven by good growth in accommodation and drinks
- Tenanted Inns like for like profits[5] up 3%, EBITDA per pub up 2%
- Total beer and cider volumes down 1%

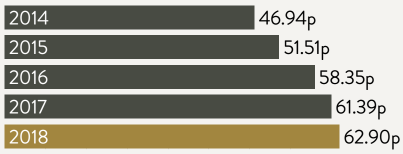
REVENUE (£m)



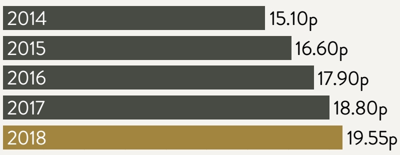
ADJUSTED PROFIT[1] (£m)

EBITDA[3] (£m)

ADJUSTED EARNINGS PER SHARE[2] (p)



TOTAL ANNUAL DIVIDEND PER SHARE (p)

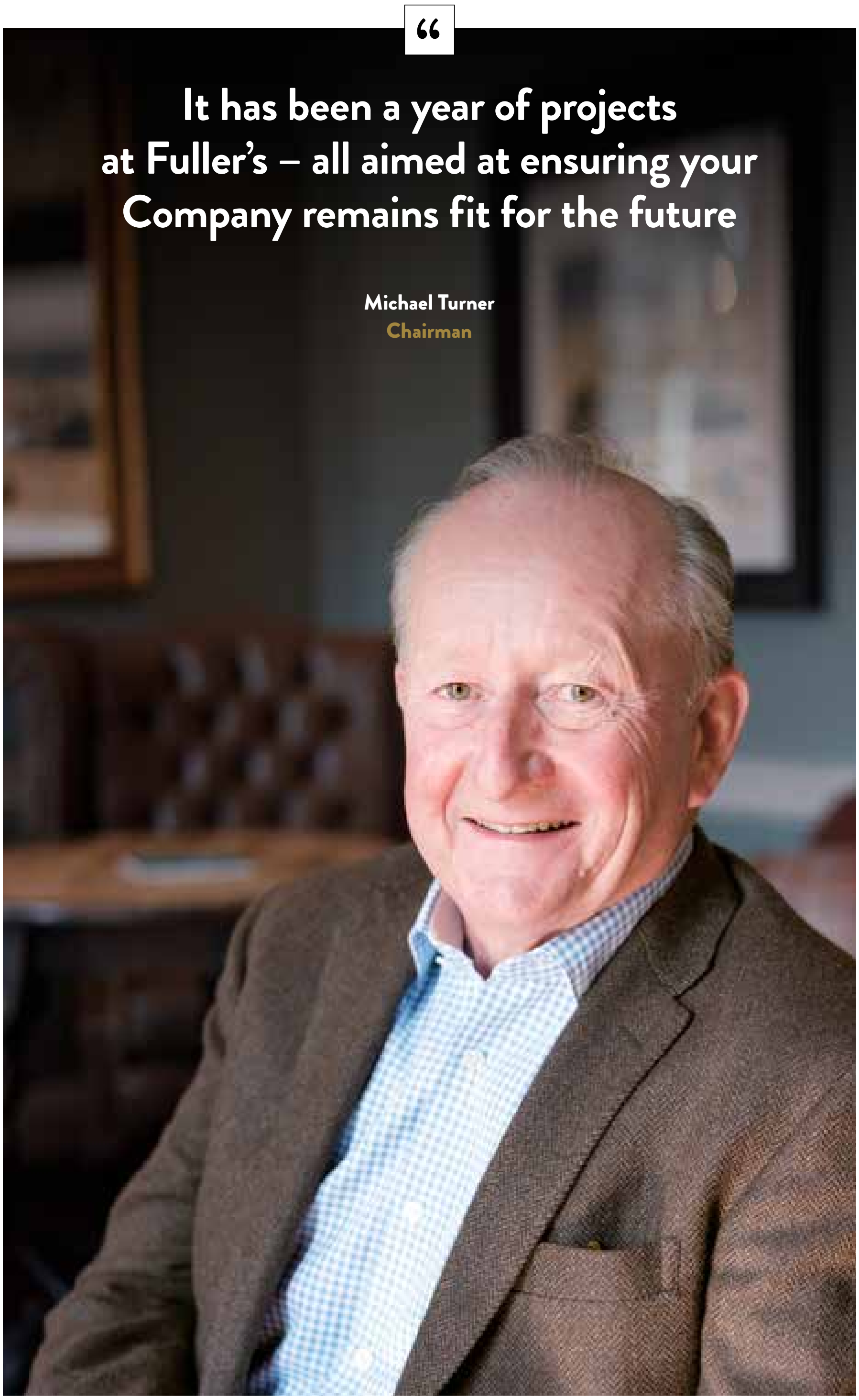


PRO FORMA NET DEBT TO EBITDA[4] (£m)

Financial Highlights	2017/18 52 weeks to 31 March 2018	2016/17 53 weeks to 1 April 2017	Change 53 week comparative	Change 52 week comparative
Revenue	**£403.6m**	£392.0m	+3%	+5%
EBITDA[3]	**£70.9m**	£70.5m	+1%	+2%
Adjusted profit[1]	**£43.2m**	£42.9m	+1%	+3%
Separately disclosed items	**£0.4m**	£(3.0)m	n/a	n/a
Statutory profit before tax	**£43.6m**	£39.9m	+9%	n/a
Adjusted earnings per share[2]	**62.90p**	61.39p	+2%	+4%
Total annual dividend	**19.55p**	18.80p	+4%	n/a

1 Adjusted profit is the profit before tax and separately disclosed items.
2 Calculated using adjusted profit after tax and the same weighted average number of shares as for the basic earnings per share and using a 40p ordinary share.
3 Earnings before separately disclosed items, interest, tax, depreciation and amortisation.
4 Earnings before separately disclosed items, interest, tax, depreciation and amortisation, adjusted as appropriate for acquisitions and disposals in the period.
5 Operating profit before separately disclosed items.
6 Like for like sales are for the 52 weeks ended 25 March 2017 and exclude The Stable.

A BALANCED BUSINESS LED BY A FIRST-CLASS TEAM



> "It has been a year of projects at Fuller's – all aimed at ensuring your Company remains fit for the future
>
> **Michael Turner**
> Chairman

Governance Highlights

- Full compliance with the applicable UK Corporate Governance Code
- Strong support from all shareholders for the resolutions presented at our AGM
- Continued focus on succession planning at all levels

READ MORE: 34

It is very pleasing to be reporting another year of growth for the Company. We grew total revenue by 5% to £403.6 million and our adjusted profit has increased by 3% to £43.2 million. It has been a year of projects at Fuller's – all aimed at ensuring your Company remains fit for the future.

Our adjusted earnings per share (EPS), a measure our shareholders watch with interest, has risen again, by 4% to 62.90p. Our total annual dividend has also risen by 4% to 19.55p, continuing seven decades of unbroken growth. Over the last five years these measures have risen by 49% and 43% respectively – delivering excellent returns for our many long-term shareholders.

This year's success has once again been driven by a strong performance in our Managed Pubs and Hotels, where like for like sales have risen by 2.9%. Our like for like accommodation sales have led the way, increasing by 5.2 % during the year. It is exciting to see this division start the new financial year with the acquisition of 10 great sites. These comprise four bars from We Are Bar Group, which have great potential, and Bel & The Dragon, made up of six well-appointed sites serving fine food and with boutique accommodation. All 10 will fit perfectly into our existing premium pub estate.

The Tenanted Inns division has had a good year, with a strong rise in profits and good progress on its strategic initiatives. More investment, an excellent team of Business Development Managers, additional take up of our new turnover agreement and good use of the learnings from our Managed Pubs are adding real value to our Tenants and we are seeing that come through in financial benefits for both parties.

It has been another tough year in the beer industry, but The Fuller's Beer Company has solid plans in place, evidenced in February 2018 by the acquisition of Dark Star Brewing – a wonderful brewer in Sussex with an established cask ale portfolio that will further broaden our consumer appeal. We have a first-rate brewing team, a new pilot brewery about to come on stream and excellent marketing – especially through digital and social media campaigns – to promote these beers to an ever wider range of consumers.

Dividend

The Board is pleased to announce a final dividend of 12.00p (2017: 11.55p) per 40p 'A' and 'C' ordinary share and 1.20p (2017: 1.155p) per 4p 'B' ordinary share. This will be paid on 26 July 2018 to shareholders on the share register as at 22 June 2018. The total dividend of 19.55p per 40p 'A' and 'C' ordinary share and 1.955p per 4p 'B' ordinary share represents a 4% increase on last year and will be covered more than 3.2 times by adjusted earnings per share.

Michael Turner

Michael Turner
Chairman

7 June 2018

49%

Increase in EPS over last five years

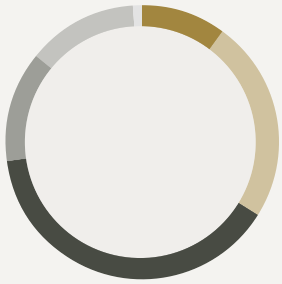
43%

Increase in the dividend over the last five years

Our three business segments are a great balance to each other and while we generate more profit from our pubs, the Brewery defines who we are and what we do.

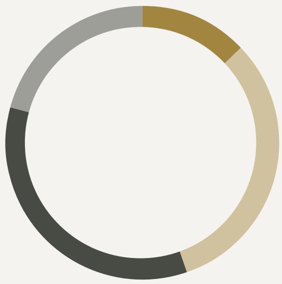
Starting at our Chiswick heart, our business now has many elements that work together in harmony – from Managed Pubs and Tenanted Inns through The Stable and Nectar to The Fuller's Beer Company and our latest addition to the Fuller's Family, Dark Star Brewing.

TOTAL BEER AND CIDER BARRELS BY CHANNEL



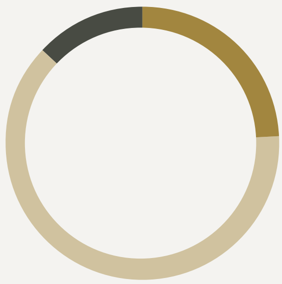
- Fuller's Tenanted Inns **10%**
- Fuller's Managed Pubs and Hotels **24%**
- Free On Trade **39%**
- Off Trade **13%**
- Exports **13%**
- Other **1%**

MANAGED AND TENANTED HOUSES



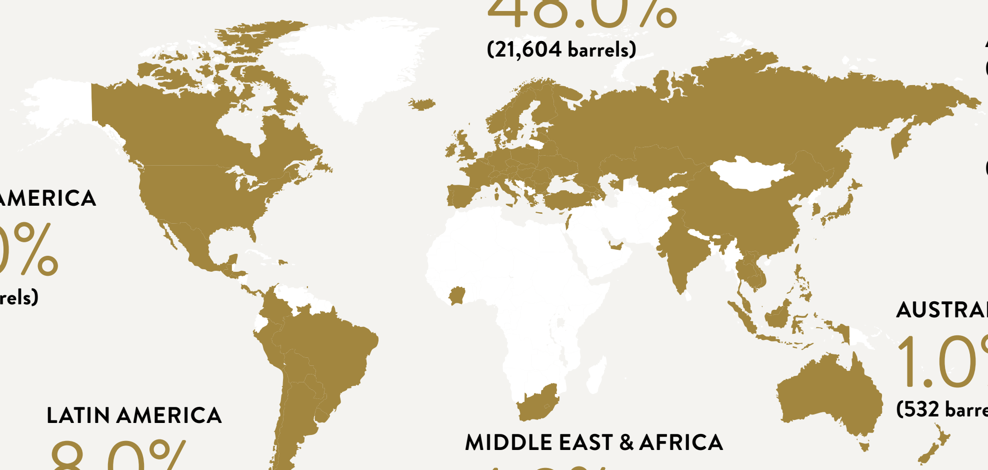
- Fuller's Tenanted Inns within M25 **49**
- Fuller's Managed Pubs and Hotels within M25 **121**
- Fuller's Tenanted Inns outside M25 **131**
- Fuller's Managed Pubs and Hotels outside M25 **78**

GROUP OPERATING PROFIT BY DIVISION (£m)



- Fuller's Tenanted Inns **12.9**
- Fuller's Managed Pubs and Hotels **33.4**
- Fuller's Beer Company **6.8**

OUR EXPORTS



EUROPE
48.0%
(21,604 barrels)

ASIA PACIFIC (INC. RUSSIA)
22.0%
(9,887 barrels)

NORTH AMERICA
17.0%
(7,425 barrels)

AUSTRALASIA
1.0%
(532 barrels)

LATIN AMERICA
8.0%
(3,659 barrels)

MIDDLE EAST & AFRICA
4.0%
(1,700 barrels)

TENANTED INNS

180

Tenanted Inns at the end of the year

It's been a good year for our Tenanted Inns with 13 pubs on our turnover agreement and a 3% rise in like for like profits

MANAGED PUBS AND HOTELS

199

Managed Pubs and Hotels at the year end

All three areas of our Managed Pubs business – drinks, food and accommodation – saw like for like sales growth during the year

FULLER'S BEER COMPANY

207,907

barrels of own beer and cider sold during the year

The Fuller's Beer Company ended the year with the acquisition of Dark Star Brewing – a fantastic craft, cask brewer with a great reputation for hop-forward beers

23

The Stable launched its Cidermaster programme and now has 23 Cidermasters across its 17 sites

781

We currently have 781 Beautiful Bedrooms across our estate with plans for another 100

2,850

The number of product lines held in the Nectar Warehouse

42%

Our online booking system enables pre-order and pre-payment for our customers and has resulted in a 42% rise in online bookings

14,300

Dark Star produces 14,300 barrels of beer each year at its brewery in Partridge Green, West Sussex

Home-grown talent

At the year end, we had 71 chef apprentices starting their careers with Fuller's. All are doing a full day per week at college and Chris Moat of The Old Customs House in Portsmouth was named Chef Apprentice of the Year.

HEAD CHEF TRAINING PROGRAMME

Motivating our Head Chefs

We have excellent in-kitchen chef training, which focuses on skills such as cooking, presentation and team work. This gives our chefs the ability to have a creative approach to their menu and to develop their own kitchen teams with classical skills to give our customers consistently great dishes.

90

Pupils currently in the Chef's Guild

GROWING OUR PUBS AND HOTELS

Our Managed Pubs and Hotels always have a pub, in the truest sense of the word, at their heart and this is reflected in our sales mix, which comprised 63% wet trade, 30% food and 7% accommodation.

GOING BEYOND

An experience that goes beyond just food and drink

We have a dedicated team of Service Coaches who focus on providing impeccable customer service in our pubs and training their colleagues to do the same. The Service Coaches lead by example and work closely with the training team to ensure the appropriate coaching and training solutions are implemented, ensuring engaging service within Fuller's Inns.

INVESTING IN OUR PUBS

We are proud of all our pubs – we understand their importance in communities, friendships and tradition. We'll continue to invest in them and ensure that they remain a hub for our customers. In the last financial year, part of this investment went in to some big refurbishments of pubs such as The Barrowboy & Banker at London Bridge and The Swan at Hyde Park.

“

When in the Balcony Bar in The Swan at Hyde Park, you feel as if you're sat right in the park itself

4,360

Watched *Shakespeare in the Garden* at a Fuller's pub last year

BEAUTIFUL BEDROOMS BY FULLER'S

Beautiful Bedrooms by Fuller's

Last financial year we launched the marketing campaign for our hotels and rooms #BeautifulBedrooms, where we showcased our wide and varied selection of stunning rooms. From countryside inns to boutique accommodation in Central London, each of our rooms holds its own individual charm.

5.2%

Growth in accommodation

OUR STRATEGY AND PROGRESS

1 A DISTINCTIVE CUSTOMER EXPERIENCE

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

Investing in:
- Broadening the appeal of our pubs and brands to new and existing customers
- Sourcing and producing the right range of authentic products to make our pubs distinctive
- Digital communications to provide a single view of our customers to share relevant, targeted marketing
- Exceptional levels of customer service
- Creating memorable experiences

Progress in FY 2018
- Like for like sales growth and a rise in Net Promoter Score
- Named *Managed Pub Company of the Year at* The Publican Awards
- Well-targeted email campaigns generating significant returns
- Implemented recipe, food stock and reporting package (FnB)
- Good progress on strategic review for Tenanted Inns with 13 Tenants on the new turnover agreement
- Disposed of 12 pubs that no longer matched our vision for Tenanted Inns

Priorities for FY 2019
- Use information from FnB Manager to keep menus fresh, relevant and agile
- Work with our design teams to keep pub schemes interesting and contemporary
- Continued investment in training and development
- Integrate newly acquired pubs and pipeline sites, investing where necessary
- Continued investment in our Tenanted Inns
- Open up Destination Chiswick and make it London's best visitor experience for beer, brewing and pubs

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

2 TARGETED ACQUISITIONS

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

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

Progress in FY 2018
- Seven transformational refurbishments in our Managed estate
- Invested in 11 Tenanted sites to reposition the business
- Acquired The Manor, Christchurch
- Three sites in the pipeline – The Signal Box in Euston Station, The Parcel Office in Liverpool Street Station and The Windjammer at Royal Dock, near City Airport

Priorities for FY 2019
- To seek further acquisitions that enhance our estate and increase our customer base
- To continue to integrate our new businesses – Dark Star and post year-end pub acquisitions

Market influence
- Availability of high quality sites and opportunities

STAYING CONNECTED

Improvements in our digital footprint

We've seen excellent growth in our social media channels during the year – across our brands, Fuller's Kitchen and our main Fuller's account. A day in the life of one of our pastry chefs got 48,000 views and our London Pride Christmas jumper activity reached over 950,000 people.

3 INVESTING AND IMPROVING PROCESSES

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

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

Progress in FY 2018
- Good progress on our new core IT (enterprise resource planning) system
- Launched communications and e-learning app to connect all 5,000 team members
- New automation on the cask racking and bottling lines
- New online booking system launched – increased online bookings by 42%

Priorities for FY 2019
- Migrate to new ERP system
- Improved e-learning for team members
- Pilot brewery goes live
- Start to review warehousing and logistics across all sites
- Build on new recipe, margin and stock system for Fuller's Inns

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

4 GROW REPUTATION

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

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

Progress in FY 2018
- New livery for London Pride – rolled out across 800 customers in one day
- London Pride regained position as No 1 cask ale in London
- Frontier sales grew 6%
- Sold 1.1 million pints at festivals and events during the year
- Volumes at Cornish Orchards rose by 34%
- Collaborated with six craft brewers to launch Fuller's & Friends, exclusively at Waitrose
- Good sales growth at Nectar

Priorities for FY 2019
- Continue to grow sales of London Pride
- Continue to innovate with flavour and styles
- Build on the Dark Star acquisition
- Widen access of Fuller's brands via Nectar
- Widen Nectar's customer base
- Continue to work with other craft brewers
- Continue to build Cornish Orchards distribution
- Capitalise on changes to sales structure

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

5 INVESTING IN OUR PEOPLE

Supporting all the above by recruiting, developing and investing in the best people

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

Progress in FY 2018
- Helped with process and payment for permanent residency of eligible employees
- Launched Fuse communications and e-learning app – 74% of team members signed up and over 7,000 pieces of content posted
- Our graduates won *The Times Graduate Challenge*
- Recruited 71 chef apprentices

Priorities for FY 2019
- Recruit a similar number of chef apprentices
- Identify and work with underrepresented labour sources e.g. homeless, third age
- Recruit the right people to join our team
- Work to build our reputation as the Employer of Choice

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

1.1m

The number of pints of beer or cider sold at festivals or events

IMPROVING BRAND AWARENESS

Cider partner of music and surf festival

Cornish Orchards was the main sponsor of 2017's Boardmasters Festival and the exclusive cider partner for the event. With two main bars and a separate sampling bar, there was a selection of refreshing ciders available during the day and warming Wassail mulled cider served at night.

GROWING OUR BRANDS

Keeping consumers interested and excited about our brands is key to ensuring their success and longevity. We pride ourselves on being relevant, modern and forward thinking while staying true to our heritage.

Nectar

The addition of a cold store at Nectar has further enhanced its portfolio, with the inclusion of cask ale as part of its range for the first time ever.

3,000

The number of casks and kegs the Nectar warehouse can hold

KEEPER'S MEADOW LAUNCH

Cornish Orchards

In the summer, Cornish Orchards launched Keeper's Meadow, a fruity, floral cider akin to a sparkling wine – named after a small orchard at the Cornish Orchards site in Duloe. Keeper's Meadow was well received as the perfect accompaniment to a summer's day.

+34%

Increase in volume at Cornish Orchards

F FOR FLAVOUR

#FforFlavour

Frontier's social media pages encouraged people to find flavour by offering a free pint of our award-winning craft lager. All consumers had to do was photograph the letter F found in day to day life and upload the picture with the hashtag #FforFlavour.

A FRESH TAKE ON GREAT TRADITION

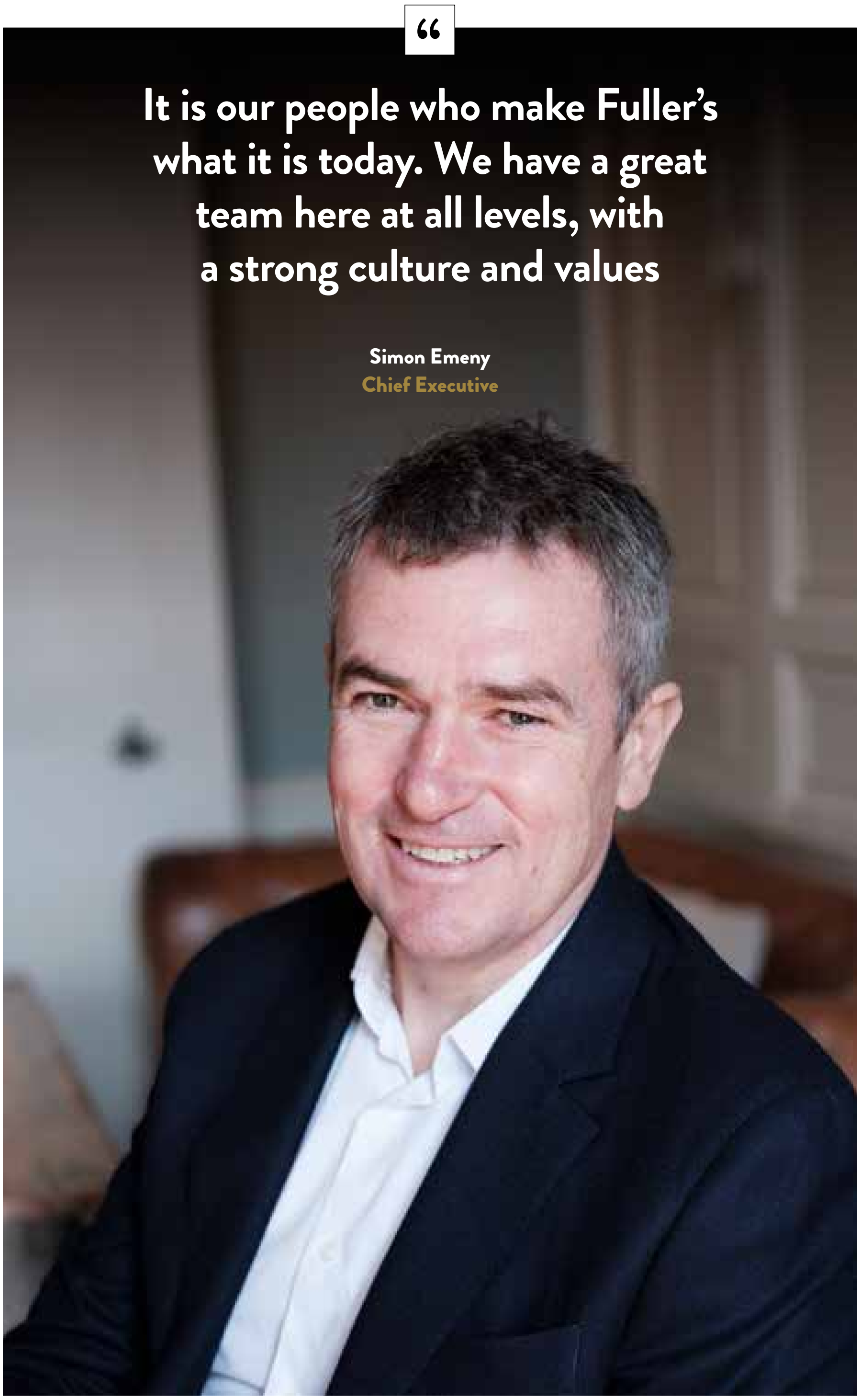
To ensure relevance for the future of London Pride, we gave our most popular beer a modern rebrand through a new pump clip, glassware and other assets. This helped London Pride reclaim the position as London's number one cask ale.

> **"As a popular brand that shares the name with the city it's brewed in, we're proud to sponsor one of London's most iconic sporting events – the London Marathon. We're delighted that this partnership has recently been renewed for a further 10 years**

800

Pump clips changed in a single day

A CLEAR, SHARED VISION AND A COMMITMENT TO THE CUSTOMER EXPERIENCE

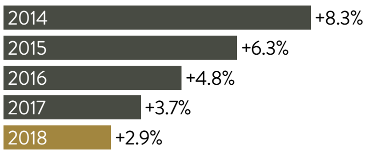


+3%

Adjusted profit[1] growth

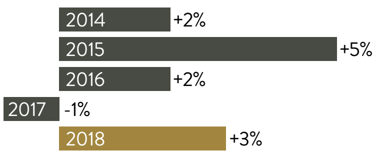
MANAGED LIKE FOR LIKE SALES (%)

+2.9%



TENANTED LIKE FOR LIKE PROFITS (%)

+3%



[1] Profit before tax and separately disclosed items, based on a 52 week vs 52 week basis.

DELIVERING OUR VISION

Focused on creating memorable experiences

In the past year, we saw a rise in our Net Promoter Score (an external customer survey measure) for the fifth year running. This is based on feedback from over 35,000 customers.

The year has seen another good performance with a solid set of results, particularly from Fuller's Inns. It has been a year of building for the future – with a number of internal projects coming to fruition. In February we were delighted to acquire Dark Star Brewing, a craft cask brewer in Sussex, and since the year end we have purchased an additional 10 excellent sites.

Our Managed Pubs and Hotels have again delivered like for like sales that are above the industry average and our Tenanted Inns are making real progress with a 3% increase in profits. Although we have seen a marginal drop in total beer and cider volumes, it has been a year of progress for The Fuller's Beer Company, which has a clear strategy to return to growth and exciting, achievable plans in place.

As ever, it is our people who make Fuller's what it is today. We have a great team here at all levels, with a strong culture and values. During the year, we have invested in a new digital learning and communications platform – Fuse. This app-based initiative allows us to connect all 5,000 team members together, share best practice, develop our online learning, and communicate quickly and simply. In the first five months, over 7,000 pieces of content have been posted and as a by-product of Fuse, we have moved payslips online – the equivalent of saving 21.5 trees each year.

During the year, we have had to absorb a number of cost pressures including a huge rise in business rates, the second year of the National Living Wage, the Apprenticeship Levy and imported inflation due to a weaker pound. Despite this, we have continued to grow profits and the impact has been mitigated to a margin dilution of 10 basis points. This was due to the efforts of the whole team across Fuller's and I thank them for their contribution to these results.

Fuller's Inns

£19.0m

Invested in existing Inns estate

£7.1m

Invested in new site developments and acquisitions

Fuller's Inns continues to contribute the majority of our revenue and profit and this year our Managed Pubs and Hotels contributed £271.2 million in revenue and £33.4 million in operating profit, with Tenanted Inns contributing £30.2 million in revenue and £12.9 million in operating profit.

Managed Pubs and Hotels

£33.4m

Operating profit

2.9%

Managed like for like sales growth

With like for like sales rising by 2.9% during the year, our Managed Pubs and Hotels have once again outperformed the market. Accommodation led the way with a rise in like for like sales of 5.2%, while the comparable metric for drinks rose 3.3% and food rose 1.5%. Our Managed Pubs and Hotels always have a pub, in the truest sense of the word, at their heart and this is reflected in our sales mix, which comprises 63% wet trade, 30% food and 7% accommodation.

Improving the Customer Journey

Our unparalleled focus on outstanding service is the key differentiator between us and our competitors and in the current economic climate, we believe that the best way to continue to grow is to offer an experience that cannot be replicated in a competitor venue or at home. We do that with an unfaltering commitment to well-invested pubs in stunning locations, interesting menu dishes freshly cooked by skilled chefs, a variety of exciting premium drinks and service from engaged and enthusiastic team members. All of this is supported by a passion for delivering memorable experiences –

OUR ANNUAL AWARD

The Griffin Trophy

The 2017 winner was The Old Customs House in Portsmouth. The pub, run by Marc Duvauchelle, won the top prize for its commitment to building the pub's reputation with exceptional standards throughout all areas of the business.

and one that keeps the customer returning – reflected in a rise in our Net Promoter Score (an external customer survey measure) for the fifth consecutive year on the back of feedback from over 35,000 customers.

During the year, we completed work on some key digital projects. One is our new online booking portal, which has led to a 42% rise in auto confirmed online bookings. It also facilitates pre-ordering and pre-payment and enabled us to invest in a centralised booking team that also takes overspill calls from the pubs, improving customer response times.

Two other digital initiatives went live during the year. The first was a software programme that allows people with a food allergy to quickly filter the online menu and find suitable dishes. The second was FnB Manager, a food stock and reporting system that gives our head chefs a framework to evolve menu content, monitor the performance of dishes and foods, reduce waste and follow consumer trends – providing the tools and agility to keep the menu fresh and relevant.

Keeping our Food Offer Fresh

Food continues to be a key driver for our customers with sales of £76.3 million during the year. Food quality and provenance are paramount at Fuller's and one of the core strands to our food offer is the quality of the suppliers we work with. We always prefer a long-term relationship with a supplier who has a similar culture and ethos to us.

For instance, our meat supplier, Owton's, is a sixth-generation family business that purchases whole carcasses and invests in a well-trained workforce of skilled butchers to deliver the specific cuts we require for our dishes. Our chefs visit our suppliers and farmers as part of their training and this commitment to a symbiotic relationship ensures our standards remain high and our kitchen teams engaged with the food they deliver.

Putting Our People First

As part of our commitment to continually developing our team, we launched a new in-kitchen training programme for our head chefs. By focusing on skills in a variety of areas including cooking, presentation and team work, the course helps chefs to develop their own kitchen teams in the art of classical kitchen skills and promotes the head chef's role as coach and mentor.

Against the competitive backdrop for talent, we are committed to recruiting the very best people and delivering the best training throughout our business. With Brexit on the horizon, this included supporting our EU and EEA team members through the bureaucratic process of permanent residency and covering costs for eligible team members with over one year's service.

We are also looking to the home market and were delighted to take on 71 chef apprentices. Each of these spends at least one day each week in college and we have already had one of these apprentices in the final of our Chef of the Year competition after just nine months in the kitchen. We will be recruiting a similar number next year and look forward to seeing this group progress their careers.

PATRICK'S JOURNEY

General Manager
Cornish Orchards

Where it all began

I joined Cornish Orchards in September 2014 from Marks & Spencer. A few months after joining I was brought into the management team to be responsible for a number of functions.

Where I am now

In August 2017, I was promoted to General Manager, responsible for the day to day running of Cornish Orchards. Sales have increased four-fold, we have a new warehouse and equipment, all brands have undergone a rebrand and the number of countries we export to has increased from six to 30.

“

We believe that the best way to continue to grow is to offer an experience that cannot be replicated in a competitor venue or at home

Innovative Consumer Marketing
Although we only made one acquisition during the year – The Manor near Christchurch – it came with a further 10 bedrooms. This year saw the first dedicated marketing campaign aimed at promoting our accommodation – *Beautiful Bedrooms by Fuller's*. At the year end, we had 724 bedrooms. We acquired another 57 with Bel & The Dragon and have identified opportunities for around a further 100 across the estate. We would like to encourage more customers to book direct through our website and a Book Direct campaign, which ran on digital platforms, brought in £30,000 of revenue in one day.

Many other successful marketing initiatives were also run during the year, including the second year of *My Dad's Pub* on Father's Day. The number of entries rose from 300 in 2016 to 2,000 and it was highly commended in the Webbys digital awards. *Shakespeare in the Garden* also included a secondary tour with a smaller cast, suitable for pubs with smaller gardens. Nearly 4,500 people came to see the show last summer.

The Fuller's Kitchen digital marketing campaign has also gained traction and further improvements in our online CRM activity have led to successful digital campaigns targeted at frequent visitors and lapsed customers. Through our eCRM activity, we can better identify and target valuable customers who are more likely to visit on receipt of a targeted email.

Investing in our Properties
During the year, we invested £16.0 million in our Managed Pubs and Hotels. This includes several large schemes in our pubs to broaden our customer appeal including The Barrowboy & Banker on London Bridge, The Wykeham Arms in Winchester, The Swan overlooking Hyde Park in Bayswater, The Red Lion in Barnes, The Swan in Staines, The Victoria in London W2, and The Great Northern Railway Tavern in Hornsey. We also have a development pipeline of three new sites that will open during 2019 – they are The Parcel Office at Liverpool Street Station, The Signal Box in Euston Station and The Windjammer on the River Thames at Royal Dock by London City Airport.

Since the year end, we have acquired 10 new sites – four bars in the City of London from We Are Bar Group and six beautiful country pubs from Bel & The Dragon. The four City bars include three Jamies sites – Fleet Place, Creechurch Street and London Bridge – and The Saint in Paternoster Square. We will be investing heavily in these sites and the total investment – both acquisition and redevelopment costs – for all four bars will be around £5.3 million.

The Bel & The Dragon sites comprise six pubs in affluent home counties locations in Cookham, Windsor, Reading, Kingsclere, Odiham and Churt, acquired for £18.5 million. They are well-managed, established, stunning pubs with delicious, fresh food, an interesting and premium drinks portfolio and 57 boutique bedrooms. With five freeholds, they are a perfect fit with our existing estate, have an engaged, well-trained team and will continue to run under the Bel & The Dragon name.

The Stable
The Stable has shown good progress in the very challenging casual dining market. The senior team is working well and delivering results and it has been focusing on its credentials as a cathedral to cider and gourmet pizza with the roll out of its Cidermasters programme, which improves product knowledge and builds on the team's passion for cider. Gabe Cook from TV's *Sunday Brunch* has been recruited as The Stable's official Cider Ambassador.

The team has also launched The Stable Cider Awards, engaging with its cider suppliers, and rolled out an app that allows customers to order at the table, thereby increasing spend per head and speeding up the payment process.

Tenanted Inns

£12.9m

Operating profit

+3%

Tenanted like for like profits

It has been a good year for our Tenanted Inns with like for like profits rising by 3% and the average EBITDA per pub rising by 2%. Total revenue reflects the impact of the sale of 12 pubs that no longer represented our tenanted vision, however the division still made a profit contribution of £12.9 million. At the year end, we had 13 Tenants on our new turnover agreement and an additional five have come on board since the year end.

During the year, 11 major schemes were completed in our Tenanted Inns and we now have a long-term plan of capital expenditure. We have increased the amount of capex in our Tenanted Inns by 43% this year and supported the Tenants' own investment through access to kitchen design and equipment in line with our managed houses. We transferred two pubs during the period into the Managed Pubs and Hotels division, The Mayfly near Stockbridge and The Windmill in Southwark, with one going the other way – The Jolly Farmer in Worplesdon.

Leveraging our Expertise

In tandem with the turnover agreement, we have helped our Tenants improve their menus and wine lists and are rolling out the Fuse communications platform to our Tenants too so they can easily access templates, tips and creative ideas.

During the year, we dedicated a member of the food team to working with Tenants on delivering value from our Managed Pubs' food suppliers, providing access to kitchen training programmes and improving food safety and compliance. This move has been very successful with 27 Tenants already buying at consistently better prices and, with an average saving of 10% on their food cost base, we expect to see more Tenants follow this route.

Recruiting the Right People

Our focus on recruiting entrepreneurial Tenants led to an overhaul of our recruitment website and brochure, and a look at new and different opportunities to entice small business owners to consider the merits of a pub. We continue to reduce the number of tenancies-at-will and this is currently running at just six. In addition, the number of pubs on substantive agreements has risen to 95% – up from 85% two years ago.

Winning Relationships

We have worked hard to continually improve our service, differentiate ourselves from the competition and work in genuine partnership with our Tenants. Following the recent disposals, our Business Development Managers ("BDM") are now focused on fewer pubs and the issues that really matter such as drinks range, margin management and marketing the pub. In the recent survey by publiKAM, an independent survey asking tenants about the support from their BDM, we saw a rise in our average scores and we outperform the market in all but one area (where we equal the industry score).

Inspiring stories always help to recruit new aspirational business people and we were delighted when Craig Johnston, the sous chef at The Royal Oak in Paley Street, the only Fuller's pub with a Michelin Star, won this year's MasterChef: The Professionals. In what can only be seen as testament to the fantastic training he received at the pub, he was promptly poached by the competition's judge, Marcus Wareing.

The Fuller's Beer Company

£6.8m

Operating profit

-1%

Total beer and cider volumes

It is an exciting time to be a fan of great beer with the continued explosion of the micro-brewery market and increased innovation from brewers both on a national and global level. While this is great for consumers, space on the bar is at a premium and our total beer and cider volumes were level. Revenue rose 5% driven largely by a strong performance from Nectar Imports, our boutique wholesaler.

The acquisitions of Cornish Orchards, Nectar Imports and Dark Star add further depth to our Beer Company and are part of our ongoing four pillar strategy to grow our position in this vibrant marketplace.

Brewing Efficiencies

A number of investments have been made in the Brewery during the year, including the installation of two new robots to further automate the cask racking line and a new palletiser and accumulation spiralators to the bottling line, considerably increasing its capacity and speed.

The main improvements to the efficiency of the Beer Company will come when our new ERP (enterprise resource planning) IT system goes live later this year. Improvements will come in stock

CREATING THE RIGHT ATMOSPHERE

Tea for two at The Wykeham Arms

A famous Winchester pub, that became part of the Fuller's Managed Estate with the Gales acquisition, has the recent addition of a tea room. The Saint George Tea Room offers a wide selection of teas from local business, Char of Winchester.

control, traceability and distribution. In the short to medium term we will also be taking a holistic approach to our warehousing and logistics and how we optimise our various sites – particularly Chiswick, Horndean and Nectar in Wiltshire.

Stronger Customer Relationships
The acquisition of Nectar has given us access to a wider customer base although we have been meticulous in ensuring we do not compromise the customer's choice in order to promote our own beer. It also allows us to offer Fuller's Inns a more dynamic and contemporary range of beers from one wholesaler, which reduces cost and complexity. The addition of a cold store at Nectar has further enhanced its portfolio with the inclusion of cask ale as part of its range for the first time.

The year has been a good one for Cornish Orchards with volumes rising 34% due both to increased rate of sale and new listings in both on and off trade accounts, including Mitchells & Butlers. We have also ensured that we can deliver points of difference to our customers – such as the Fuller's & Friends collaboration with six craft brewers to create a box set of six fantastic, unique beers exclusive to Waitrose and, again for Waitrose, London Pride Unfiltered in cans.

Heightened Consumer Engagement
The year has seen a number of outstanding digital marketing campaigns undertaken by The Fuller's Beer Company, as well as a freshening of the London Pride livery – which improved its "stand out" on the bar and led to us retaking the position of top selling cask ale in London.

We are proud to have celebrated our 12th year as the Official Beer of the London Marathon and our social campaign, #RunWithPride, which ran pre, during and post the event has had over one million impressions and delivered a 4:1 return on our investment. I am pleased to announce we have renewed our sponsorship for a further 10 years.

Frontier Lager has also had a busy year with *Frontier Find Flavour* sessions activated in Fuller's Inns managed and tenanted pubs, as well as a number of national account and free trade outlets. The brand also continued to deliver in the important events space, including a presence at Carfest and the BBC Proms. In total, over 1.1 million pints of beer and cider have been served at events and brand partnerships during the year.

A Rejuvenated Portfolio
Today's consumer demands more choice and bigger, bolder flavours. We have addressed this using our own beer and cider portfolios, a strong seasonal calendar, collaboration brews, our agency portfolio and, most recently, the acquisition of Dark Star for a consideration of £6.3 million. Dark Star, an excellent brewer of hop-forward beers, will unlock further opportunities on the bar.

Meanwhile, Cornish Orchards has rebranded its suite of ciders to reinforce its values of natural products from fresh, pressed apples and introduced Cornish Dry to the market, which is already gaining fans and generating sales.

Alongside this activity, we are opening up our brewery at Chiswick to a whole new tranche of drinkers. Our new pilot brewery – which will allow our brewers to experiment and create many more limited-edition brews – will be up and running in June and forms part of a project called *Destination Chiswick*. This initiative will heighten our visitor experience and encourage events at the Griffin Brewery – the first of which will be the inaugural London Brewers' Alliance beer festival later this month. We intend to capitalise on over 170 years of heritage and reinforce our position as the original London brewer.

Current Trading and Prospects

For the first nine weeks, like for like sales in our Managed Pubs and Hotels are up by 2.5%, like for like profits in our Tenanted Inns are up 2% and total beer and cider volumes in The Fuller's Beer Company are down by 3% against an exceptionally strong start last year. In addition, we have acquired 10 new sites.

We have spent much of the last financial year working internally, building systems and developing initiatives that underpin the business and create a framework for further growth in the future. The four sites we have acquired from We Are Bar Group are good, well-located additions to our City business and the six Bel & The Dragon sites are a perfect fit with our existing quality estate. They offer delicious, fresh food, an interesting and premium drinks portfolio and 57 bedrooms – all areas where we have expertise.

While we are still in a time of national and global uncertainty – and we do not underestimate the related wider market and economic issues that we will have to navigate over the months ahead – we believe we are in a strong position. We have an excellent team of motivated people both at management level and throughout the business, we have pubs that are well-invested and in strong, iconic locations, and we have a bold and proud portfolio of beer and cider brands. These assets are backed by a robust financial position and that puts us in a good place to continue to deliver for our shareholders, our customers and our employees.

Simon Emeny
Chief Executive

7 June 2018

Growing Tenanted Inns

Last year, we created an Executive Chef position for Tenanted Inns for the first time. We have also introduced Managed Inns suppliers to some of our Tenants. These initiatives have helped Tenants maintain quality and consistency on their menus.

13

Collaboration beers throughout the year

INVESTING IN OUR BREWERY

Improving efficiency

Two new members of the Operations Team at the brewery are robots Brendan and Richard. Named after two former Fuller's team members, Brendan Bray and Richard Keith, with a combined service of 82 years. The Brendan robot stacks and de-stacks while the Richard robot removes and replaces locator boards.

GROWING OUR PORTFOLIO

To stay relevant in an ever-evolving market, we must ensure that our portfolio, of both brands and pubs, continues to excite and captivate our customers.

COLLABORATIONS

Fuller's & Friends

We released a six pack of bottled beers – each beer a different style, brewed in Chiswick, but each a collaboration with a different UK brewery.

INVESTING IN OUR ESTATE

Strengthening our property portfolio

We recently added four sites to our portfolio of Managed Inns. These bars are all in the heart of the City and are a great fit with our existing sites and strategy. We also acquired Bel & The Dragon with six pubs located in the home counties. These are stunning pubs with fresh food, a premium drinks portfolio and 57 boutique bedrooms.

£23.8m

Acquisition and investment in our 10 new pubs

JOINING FORCES

5%

Growth in revenue at The Fuller's Beer Company

Dark Star joins forces with Fuller's

In February, we acquired the West Sussex based brewer, Dark Star. Like Fuller's, Dark Star has cask ale at its heart and it brews some great beers – many of which were already available in our pubs. The investment is a good geographical fit and there is potential to grow, so it's the perfect partner for us. We share a similar ethos and a commitment to brewing delicious, top quality beers and Fuller's can provide support – both financial and operational – to help Dark Star grow.

> "The partnership with Fuller's, another independent brewery with fantastic heritage and great beer at its very core, will allow us to take Dark Star to the next level

A STRONG BALANCE SHEET BACKED BY A PREDOMINANTLY FREEHOLD ESTATE

"The Group has a strong financial position as a cash generative business with a high quality mainly freehold asset base and a ratio of net debt to EBITDA of 2.9 times

James Douglas
Finance Director

Financial Highlights

+1%

Adjusted profit[1] increased by 1% (3% on a 52 vs 52 week basis)

+1%

EBITDA[2] increased by 1% (2% on a 52 vs 52 week basis) reflecting our continued investment in our estate

£201.9m

Period end net debt reduced to £201.9 million and the pro forma net debt to pro forma EBITDA ratio was 2.9 times

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

Financial Position and Performance

The results reported within the financial statements are for the 52 weeks ended 31 March 2018, compared to the 53 weeks ended 1 April 2017. All commentary is for the statutory periods, except for like for like information. A summary of the impact of the 53rd week in the prior period is detailed in the accompanying table with the additional 53rd week contributing £8.0 million of revenue and £0.8 million of adjusted profit[1].

The Group has a strong financial position as a cash-generative business with a high quality, mainly freehold asset base (over 88% by value) and a ratio of net debt to pro forma EBITDA[2] of 2.9 times (2017: 2.9 times).

We have grown revenue by 3% on the prior year, largely driven by good like for like trading within the Managed estate along with strong growth from Nectar. Our operating profits before separately disclosed items fell by 1% to £49.2 million (2017: £49.5 million). The £1.2 million fall in operating profit in The Fuller's Beer Company was partially offset by growth of £1.0 million in the Managed Pubs and Hotels division. EBITDA[2] increased by 1% to £70.9 million (2017: £70.5 million) reflecting our continued investment in our estate and leading to a depreciation and amortisation charge increase of 3% on the prior period.

Finance Costs

Net finance costs before separately disclosed items have decreased by £0.6 million to £6.0 million with half the decrease coming from lower cash loan costs and half from non-cash notional interest charges. With the average cash borrowings being broadly similar in both periods, the fall in costs was due to the average cost of gross borrowing decreasing to 2.8% (2017: 3.0%). We increased our £20 million short-term facility, which carries a bank margin 0.65% lower than that of the revolving credit facility, to £30 million during the year.

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

Separately Disclosed Items

The net gain on separately disclosed items of £0.4 million comprises, principally, £6.1 million of profits on the disposal of properties and a £1.2 million reversal of deemed remuneration on the future purchase of shares in The Stable, offset by £3.4 million of ERP replacement costs, £1.9 million of net impairment costs primarily in the Managed Pubs and Hotels division, and a net charge on our pension deficit of £1.0 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 20.4% (2017: 21.2%) on adjusted profits. The overall effective tax rate of 20.2% is due to the net gain on separately disclosed items being taxed at an effective tax rate of 0%.

During the year the significant tax revenues the Group generates for the Government grew by 5.8%. During the 52 weeks ended 31 March 2018, the total tax contribution of the Group to the UK Exchequer was £141.8 million (2017: £134.0 million) in taxes borne and taxes collected on behalf of colleagues, customers and suppliers.

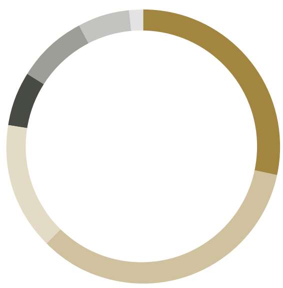
Pensions

The defined benefit pension scheme deficit has decreased by £5.4 million to £32.5 million (2017: £37.9 million). The present value of pension obligations decreased from £149.3 million to £142.0 million, driven by the RPI inflation assumption decreasing from 3.30% to 3.20%, and a £3.7 million fall due to the updating of the mortality assumptions. This was partly offset by a decrease in the fair value of scheme assets of £1.9 million from £111.4 million to £109.5 million. Deficit recovery payments of £2.0 million were made during the financial year.

Revenue	52 weeks 2017/18 £m	53 weeks 2016/17 £m	52 weeks 2016/17 £m	53 weeks YoY Var	52 weeks YoY Var
Managed Pubs and Hotels	271.2	261.3	255.9	4%	6%
Tenanted Inns	30.2	31.2	30.6	(3)%	(1)%
The Fuller's Beer Company	152.9	147.9	144.9	4%	6%
Less intercompany sales	(50.7)	(48.4)	(47.4)	5%	7%
Group revenue	403.6	392.0	384.0	3%	5%

Adjusted Profit	52 weeks 2017/18 £m	53 weeks 2016/17 £m	52 weeks 2016/17 £m	53 weeks YoY Var	52 weeks YoY Var
Managed Pubs and Hotels	33.4	32.4	31.8	3%	5%
Tenanted Inns	12.9	13.2	13.0	(2)%	(1)%
The Fuller's Beer Company	6.8	8.0	7.8	(15)%	(13)%
Central costs	(3.9)	(4.1)	(4.0)	(5)%	(3)%
Operating profit[3]	49.2	49.5	48.6	(1)%	1%
Finance costs	(6.0)	(6.6)	(6.5)	(9)%	(8)%
Adjusted profit[1]	43.2	42.9	42.1	1%	3%

TOTAL TAX CONTRIBUTION (£m)



- Excise duty **£40.3m**
- VAT **£48.5m**
- PAYE and Employees' NI **£21.2m**
- Corporation Tax **£9.0m**
- Business Rates **£11.8m**
- Employer's NI **£8.9m**
- Other taxes & Apprenticeship Levy **£2.1m**

Shareholders' Return
Adjusted earnings per share were 2% higher than last year at 62.90p (2017: 61.39p). The proposed final dividend of 12.00p per 40p 'A' ordinary share, together with the interim dividend of 7.55p per share already paid, makes a total of 19.55p and compares with a total dividend of 18.80p last year. The total dividend per share has grown by 4% and will be covered 3.22 times by adjusted earnings per share, compared with 3.27 times in the previous year. Shareholders' equity at 31 March 2018 was £334.9 million.

During the period 536,827 'A' ordinary 40p shares were purchased into treasury for a total of £5.3 million (2017: 341,415 'A' ordinary 40p shares for £3.5 million). In addition, 214,645 'B' ordinary 4p shares were purchased for £0.2 million by or on behalf of the Trustees of the Long Term Incentive Plan to cover future issuance (2017: 105,764 'B' ordinary 4p shares for £0.1 million). The average price paid was 993.4p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 958p. The highest price during the year was 1,096p, while the lowest was 896p. The Company's market capitalisation at 31 March 2018 was £527.1 million (2017: £551.3 million).

Cash Flow and Net Debt
The Group generated cash available for discretionary spend of £51.0 million (2017: £59.6 million) with the decrease largely due to a £4.4 million net working capital cash outflow in the year compared to a £3.7 million net working capital cash inflow last year. In line with our long-term investment strategy, we invested £41.6 million in capital expenditure (2017: £55.8 million).

We spent £28.2 million on continued investment in our existing business through pub refurbishment, new pub openings, investment in equipment at the Chiswick Brewery (including cask line automation, a new bottling line, and vehicles), increasing warehouse capacity at Cornish Orchards and Nectar, and investment in a new ERP system.

Cash flow	2018 £m	2017 £m
EBITDA	70.9	70.5
Interest	(5.7)	(5.9)
Tax	(9.0)	(9.2)
Other	(5.2)	4.2
Cash available for discretionary spend	51.0	59.6
Capital expenditure	(27.6)	(35.0)
Acquisitions	(10.6)	(20.8)
Acquisition costs paid and other separately disclosed items	(4.0)	(2.4)
Property disposals	10.8	4.4
Dividends and share transactions	(15.2)	(13.2)
Cash flow	4.4	(7.4)
Non-cash movement*	(0.2)	(0.2)
Net debt movement	4.2	(7.6)

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

We have also spent £4.3 million on the acquisition of two pubs that fit with our strategic goals – The Manor in Christchurch and Hercules Tavern in Lambeth – as well as acquiring the freehold to The Bishop on the Bridge in Winchester for £2.8 million. Furthermore, we purchased The Dark Star Brewing Company Limited for £6.3 million. Asset disposals from the sale of properties within the tenanted portfolio raised £10.1 million and generated a separately disclosed profit of £5.6 million, which we used to further invest in our estate as part of our property portfolio management.

Overall net debt has decreased by £4.2 million to £201.9 million largely due to the £10.7 million of net proceeds from the sale of properties within the Tenanted portfolio. Our pro form a net debt to EBITDA ratio has remained at 2.9 times, despite the decrease in overall net debt and our EBITDA[2] growth in the period. Our committed facilities, along with our very healthy balance sheet position, give us the flexibility to invest strategically in the future should opportunities arise.

Sources of Finance
The Group has £210.0 million of available long-term facilities, £126.7 million of which is available until August 2021, £33.3 million of which is available until August 2020 and £50 million of which is available until August 2019. An additional £30.0 million facility is available until August 2018. Our undrawn committed facilities at 31 March 2018 were £53.5 million, with a further £11.7 million of cash held on the Balance Sheet.

£90 million of our borrowings at 31 March 2018 were hedged; £60 million is swapped at a blended interest rate of 1.89% (excluding bank margin), £20 million is subject to a cap of 2.1% and £10 million is subject to a cap of 1.73%. The interest rate swap agreements in place will allow us to continue to hedge 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.

Sources of finance	2018 £m	2017 £m
Bank debt	**185.9**	193.7
Other debt	**27.7**	27.7
Cash	**(11.7)**	(15.3)
Total net debt	**201.9**	206.1
Available committed facilities	**53.5**	35.5
% net borrowings fixed/hedged	**58%**	57%
Net debt/EBITDA	**2.9x**	2.9x

Financial Risks and Treasury policies
The Group operates a centralised treasury function, which controls cash management and borrowings and the Group's financial risks. The objectives of the function are to manage the Group's financial risk, to secure cost effective funding for the Group's operations, and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability, and on the cash flows of the Group. The Group Treasury team monitors the overall level of financial gearing weekly, with our short and medium-term forecasts showing underlying levels of gearing which remain within our targets.

Transactions of a speculative nature are prohibited. The Group's treasury activities are governed by policies approved and monitored by the Board. The Group Treasury team consists of the Finance Director and the Group Financial Controller.

Going Concern Statement
In adopting the going concern basis for preparing the financial statements, the Board has considered the business activities as set out within the Strategic Report along with the principal risks and uncertainties as detailed on pages 25 to 27. Based on current financial projections and having considered the facilities available, the Board is confident that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board considers it appropriate for the Group to adopt the going concern basis in preparing its financial statements.

Viability Statement
The Directors have assessed the viability of the Group over the four-year period to March 2022, taking into consideration the Group's current position and the potential impact of the principal risks documented on pages 25 to 27 in the Strategic Report. Based on this assessment, the Board have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2022.

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

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

Key factors considered include:

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

James Douglas
Finance Director

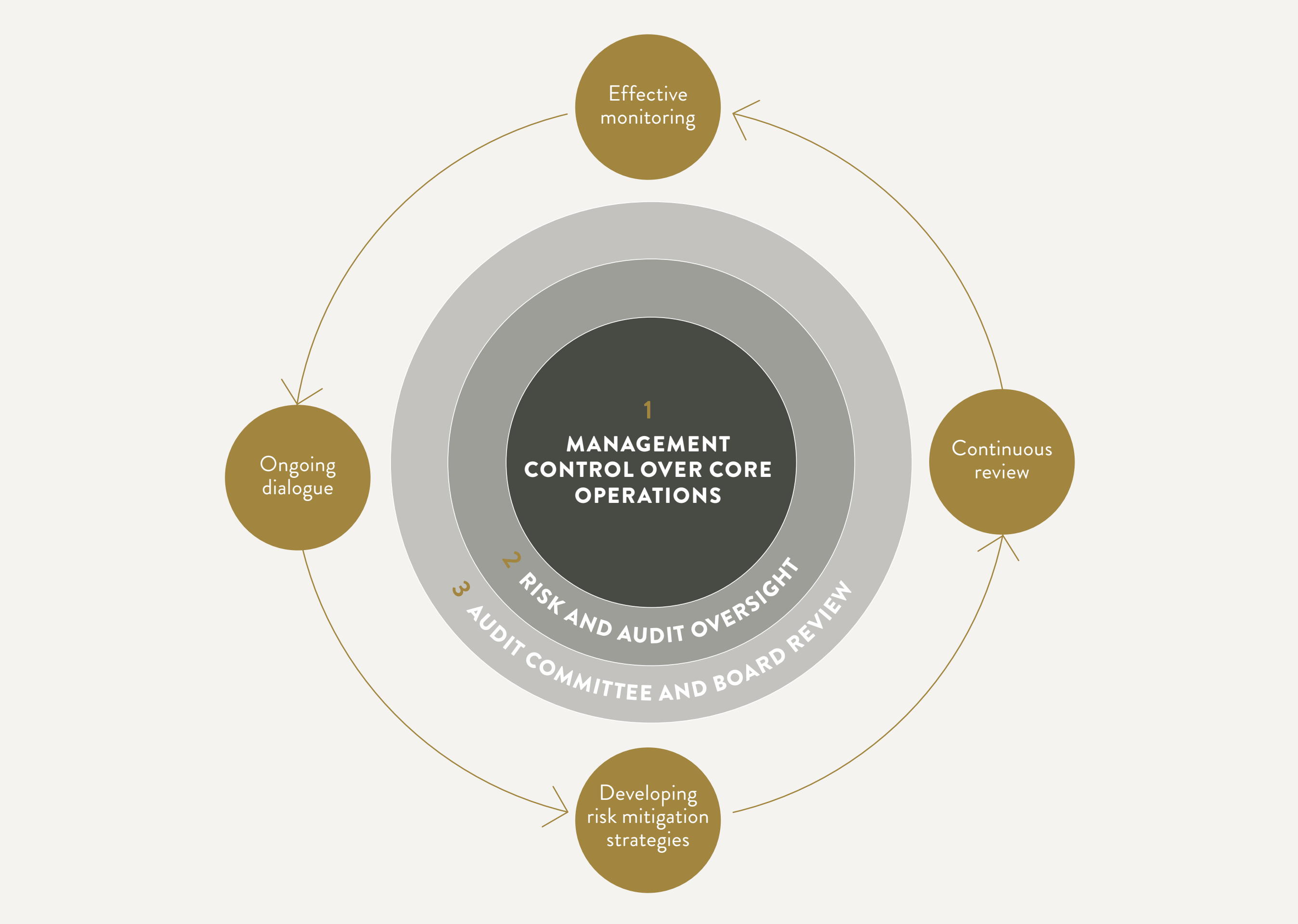
7 June 2018

ALIGNING RISK WITH CORPORATE STRATEGY

Risk Management Overview

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.

RISK GOVERNANCE AND INTERNAL CONTROL



External Risks

There are a number of external risks over which the Board has no direct control, which are discussed at Board and Audit Committee meetings to ensure that the business can respond effectively to changes in the external environment.

- A decline in the UK economy would reduce consumer disposable income and could see a reduction in revenues across the industry, or a polarisation between cost leaders and premium operators.
- The implications of Brexit are uncertain and will continue to be for the foreseeable future while exit terms are negotiated. The business model is dependent on being able to source skilled labour, much of which comes from the EU.
- The threat of terrorism in the UK has an impact on the way in which we operate and the safety of our customers and employees is of paramount importance. A prolonged terrorist campaign could ultimately reduce consumer spending habits.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk Trend

↑ Risk increasing — Risk unchanged ↓ Risk decreasing

REGULATORY AND COMPLIANCE RISKS

Description	Impact	Risk Mitigation and Monitoring	Change
Legislative Changes Fuller's operates in a highly regulated sector where government legislation impacts much of the way we do business and therefore the business model.	Any significant changes in policy could lead to a sudden change or the long-term decline of the business.	• We carefully monitor legislative developments and review sales trends and consumer habits to gauge their impact on our business. • We participate in industry initiatives aimed at the responsible promotion and retailing of alcohol.	↑
The annual stepped increases to the National Living Wage ("NLW") presents a challenge to the way in which staff costs are controlled.	Similar changes in future could reduce profitability, specifically in our Managed houses.	• We have taken steps to mitigate the impact of the NLW legislation through review of our staff hours and pricing strategies and we are in a unique competitive position as we already pay many of our employees above the NLW. We are also closely monitoring the potential wider wage inflation impact.	
Legislative changes to the sale of alcohol, such as minimum unit pricing, could reduce consumer spending habits.	The impact of such legislation is minimal. Our products are premium and already command a higher price point.	• We have diversified our offering to include soft drinks, coffee, food and accommodation to reduce our reliance on alcohol-based revenue.	
The Neighbourhood Planning Act came into effect in 2017 and applied limitations to the way in which pubs can be developed.	The restrictions imposed by the Act could have an adverse effect on any pubs marketed for disposal.	• We continue to maintain ongoing dialogue with Government and industry bodies and our Directors are members of key industry lobbying committees.	
The General Data Protection Regulation ("GDPR") came into effect on 25 May 2018.	GDPR will impact every part of the business that uses personal data and has the potential to impose significant fines if a breach of privacy occurs.	• We have carried out a detailed data gathering exercise to identify key risk exposures. • We have appointed a data protection officer to monitor compliance.	
Health and Safety The health and safety of the Group's employees and customers is a key concern to us. We are required to comply with health and safety legislation, including fire safety, food hygiene and allergens.	Operating a large number of houses and sites increases the complexity of ensuring the highest health and safety standards are adhered to.	• A Health and Safety Committee oversees the operation of the Group's health and safety policies and procedures, and regularly updates its policies and training programme to ensure all risks are identified and properly assessed and that relevant regulation is adhered to. • We report and investigate all accidents and near misses and have appointed dedicated safety champions throughout the business. • In our Managed Pubs and Hotels, we have automatic fire suppression systems in our kitchens to reduce fire risk. • All staff receive food hygiene and allergen awareness training as standard and regular kitchen audits/checks ensure they comply with the standards expected of them. Quality assurance checks on our core suppliers ensure hygiene standards have been adhered to before produce reaches our kitchens.	—

Risk Trend

↑ Risk increasing — Risk unchanged ↓ Risk decreasing

OPERATIONAL RISKS

Description	Impact	Risk Mitigation and Monitoring	Change
Business Continuity and Crisis management The Group's headquarters and main brewing facility are based at the Griffin Brewery site in Chiswick.	A disaster at our Chiswick site would seriously disrupt operations.	• 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 in the event of a major incident.	—
Our Managed houses represent a key revenue stream.	The impact of a major disaster affecting a number of pubs over a period of time could be significant.	• We have well-documented disaster recovery plans which are rehearsed regularly throughout the business to ensure that normalisation can occur as swiftly as possible after a serious incident and that any damage is contained.	
Information Technology The Group is increasingly reliant on its information systems to operate.	Trading would be affected by any significant or prolonged failure of these systems.	• To minimise this risk the IT function has a range of facilities and controls in place to ensure that in the event of an issue normal operation would be restored quickly. • These include a formal IT Recovery Plan, online replication of systems and data to a third-party recovery facility, and external support for hardware and software.	↑
Over the last year, the Group has invested heavily in upgrading its core IT systems and will go live under the new system at the end of 2018.	The success of this upgrade is critical to the ongoing profitability of the business. A significant failure could materially impact finance, distribution, resource planning and wider operations.	• The project has a Risk Management Committee that meets regularly to ensure issues are flagged early on and that mitigating controls are implemented. • Experienced staff and management consultants are engaged on the project.	
The data held by the Group is a key business asset and personal data protection is key.	Any significant loss of data could lead to a considerable interruption for the business and reputational damage, as well as fines under GDPR.	• The IT systems in place follow appropriate data protection guidelines to ensure the risk of both personal and Company data loss is minimal.	
Recruitment and Staff Retention The Group has a business model built upon recruiting and keeping the best people to support its strategy.	There is a risk that if a number of key employees were to leave at the same time it may risk the delivery of the Group's strategy.	• The Group performs detailed succession planning to ensure that key roles are considered to ensure appropriate cover is available. • The Group Remuneration Policy is set up to ensure the key members of our staff are appropriately remunerated to reduce the likelihood they are attracted to other competitor businesses.	↑
There is a risk that recruitment will become increasingly competitive and that staffing shortages within the hospitality industry could drive wage inflation, especially if restrictions to free movement of EU nationals are imposed as a result of Brexit.	If we cannot recruit the best people, we risk falling levels of quality which could impact our reputation.	• We have established a strategy which will ensure we continue to attract and retain highly trained, quality staff in all of our divisions and have invested in internal development as part of our Chefs Guild Scholarship programme.	
	If we become reliant on agency staff, profit margins are reduced.	• We have taken steps to ensure that we will be prepared for the impact of a potential reduction in qualified hospitality workers in the wake of Brexit and that we will remain the employer of choice.	

Risk Trend

↑ Risk increasing — Risk unchanged ↓ Risk decreasing

ECONOMIC AND MARKET RISKS

Description	Impact	Risk Mitigation and Monitoring	Risk Trend
Cost Inflation Market uncertainty and increasing demand leads to cost pressures in several areas, most significantly food and drink production, utilities and staff costs.	The weaker pound sterling gives risk to increasing food costs, particularly from the Eurozone and reduces profitability of both the Beer Company and Inns divisions. As demand for trained chefs increases and the pool of chefs from the EU decreases, this could lead to staff costs increasing or quality declining.	• The Group has a robust hedging policy to mitigate the currency risk. • Key suppliers undergo a rigorous procurement process to ensure that we get the best deal. • We seek to maintain good relations with suppliers. • Monthly reviews of Key Performance Indicators ("KPIs") indicate areas where costs could rise significantly. • Effective payroll scheduling reduces the number of hours worked, to offset increasing wages without sacrificing quality.	↑
Brands and Reputation Fuller's has a wide portfolio of brands and has established an excellent reputation in the market.	Principally, there is a risk that the Group's beer could become contaminated at source or outlet, which could damage the reputation of the brand and deter customers.	• The Group reduces product contamination risks to an acceptable level by ensuring that the business is operated to the highest standards by maintaining long-term relationships with suppliers and by significant investment in security, quality control and cleaning. • The Group has in place product recall procedures, which are regularly rehearsed, together with insurance coverage in the event of contamination. • The Group runs an active and continuous training programme covering all aspects of the pub operations and provides its pubs with on-site technical support.	—
Loss of Company Values or a Failure to Adhere to Them Fuller's is a company based on a strong set of values which are key to its success and future.	Should these be undermined or not adhered to, the Company's unique position and long-term future would be jeopardised.	• The Company has a unique culture due to its share structure and history which ensures that management are encouraged to take business decisions 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 The Group's success is attributable to its ability to anticipate and react to consumer demand.	The way in which the Group responds to market changes is critical to its ongoing strategy and has a direct impact on all operational activity.	• Management monitor and research consumer trends and run trials of new technologies, brands and products. • We gather consumer feedback through Net Promoter Score surveys, customer complaints and online and social media reviews. • We analyse retail pricing and market share data to ensure we are competitive but still premium. • The Executive Committee approves all significant new product development and acquisition decisions and therefore controls key changes to the Group.	—

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Against the competitive backdrop for talent, we are committed to recruiting the very best people and delivering the best training throughout our business

THE FULLER'S WAY

A strong culture and values

Our consistent vision and strategy are underpinned by the way we do things. At Fuller's, our values are:

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

GROWING OUR PEOPLE

Our structured career paths and commitment to recruiting, developing and retaining great people help us to ensure that we have the best team in the industry to continually grow.

FUSE

Fuse – connecting us all together

The launch of Fuse brings learning to life in an immediate way. Take a new beer launch for example: our Head Brewer, Georgina Young, can video her tasting notes and share them with all 5,000 team members before the first pint has even been sold.

5,000

Team members connected by Fuse

74%

Of our senior team were internal promotions

Bureaucracy busting

Since the 2016 referendum, we have helped team members with over 12 months' service with the paperwork and fees to gain permanent UK residency.

Promoting from within

When you find great people, you want them to grow with you – that's why at Fuller's we are very proud that so many of our new appointments are internal promotions – like Jane Jones, our Director of Marketing.

DEVELOPING OUR PEOPLE

DAVID'S STORY

Where it all began

I joined Fuller's on a temporary contract in October 2013 as an Operations Manager for the Quality Division. After six months I was offered a permanent contract and went on to oversee some large refurbishments in the New Forest and South West areas.

Where I am now

In June 2016 I was promoted to Operations Director of The Stable. As The Stable has grown, we have created new roles and opportunities with lots of these filled by internal people. We have also worked on many projects in this time, such as implementing an online booking system, creating our very own cider, Rapscallion, and offering cider tasting experiences in our restaurants. I'm also very proud that we have chosen Dorset Mind to be our charity partner and we have formed a Green Team, who look at improving our Corporate Social Responsibility strategy.

CORPORATE RESPONSIBILITY IS A KEY PART OF OUR CULTURE

With over 170 years of heritage, we are a company steeped in tradition – but that does not mean that we are stuck in the past. We are always looking forward, to see how we can improve our social responsibility strategy, through innovation and creative thinking.

In this report we are going to outline what steps we have taken in the past year in four key areas:

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

£16,000

The total value of brewery tours given as raffle prizes this year

£156,620

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

Charity and Community Support

We have two charity partners who we raise funds for on a day to day basis in our pubs – Shooting Star Chase and Seafarers UK.

Shooting Star Chase is a charity that helps improve the lives of children with life-limiting illnesses and their families. For every children's meal we sell in a Fuller's managed pub, 50p is donated to the charity. Plus, for every tasting board sold in one of our 16 Ale & Pie pubs, £1 is donated.

During the financial year we have raised £156,620 for Shooting Star Chase through these initiatives plus many other activities organised by pub teams and brewery staff. This included the second Fuller's and Shooting Star Chase Cycle Challenge, which saw over 40 people from the company cycle from Chiswick to Bath in one day – stopping off at four Fuller's pubs and the Fuller's family estate, Neston Park, along the way. The Cycle Challenge alone raised £56,000 and was so successful that we held it again in May 2018 – this time ending in Lyndhurst, Hampshire. The annual brewery Open Day raised just under £9,000 through drinks sales, face painting, garden games and other activities. The Red Lion, Barnes held its annual Great Sausage Roll Off, raising money through ticket sales for Shooting Star Chase and 13 colleagues each swam 44 miles in 44 hours to raise funds. Pubs have held family days, pub quizzes and sold items such as Mother's Day hampers all to raise funds for this worthy cause.

We raised the number of Managed Pubs to have the Pennies system from 15 to 83 last year. Pennies is an electronic charity box – with customers being offered the chance to round up their bill to the nearest pound when they pay using a chip and pin machine, with the amount rounded going to charity. Through Pennies, we raised an additional amount of just over £50,000 for Shooting Star Chase in the last financial year.

Seafarers UK, our other charity partner, helps people in the maritime community by providing vital support to seafarers in need and their families. This is a relationship that goes back for over a decade. We support Seafarers UK by donating £5 per barrel of Seafarers Ale sold and this year we donated £29,010 to the charity.

In December, for the second year running, we brewed Wise Men – a charity beer for Prostate Cancer UK. Fuller's donated 50p for every pint sold of Wise Men in its Managed Pubs and £10 for every firkin sold to our Tenants and free trade customers, the total raised was just over £11,000.

At the start of 2018, Fuller's acquired craft brewer Dark Star, based in Horsham in Sussex. Dark Star has its own foundation which raises funds for charities and community projects through brewery tour sales, collection tins and its annual beer and music event, Hopfest. As part of the acquisition, Fuller's donated £4,000 to the Dark Star Foundation taking its annual contribution to local Sussex community charities up to £20,000 for the last financial year.

The total donated, combining corporate donation and fundraising at house level, has brought us in line with our target of contributing the equivalent of 1% of our profit to charitable causes.

Responsible Retailing and Supplier Engagement

We are proud of the proactive relationships we have with our suppliers. We are heavily involved in ensuring that our suppliers provide us with ethical, sustainable items – both food and non-food. For example, we insist on seeing the audit reports from our meat suppliers, with the Environmental Health Officer reports, veterinary reports and the traceability of the meat – which includes information such as the breed of the animal and the date it was killed. We then pay for additional tests on some meat products to test for *E. coli*. This work and investment has paid off as we were unaffected by the recent incidents regarding other meat suppliers.

We also work very closely with our seafood partners to continuously audit our fish and seafood listings, which we measure against the Marine Conservation Society ratings.

We have committed to remove any species rated red – species that are overfished and vulnerable – from our kitchens. We are working hard to ensure that only sustainable or responsibly sourced seafood is served in our pubs. For example, the haddock in our popular tea and hop smoked haddock is Marine Stewardship Council certified and our pub classic, beer battered fish and chips, contains cod sourced from fisheries around Iceland which are certified by Iceland Responsible Fishing Management ("IRFM"). Our key seafood supplier, Direct Seafood, is a partner of the Global Sustainable Seafood Initiative.

CHARITY

Mind and The Stable

The Stable, our craft cider and gourmet pizza restaurant business, chose Dorset Mind as its charity partner in March 2017. Over the Christmas period, The Stable raised £3,000 by donating the money it would have spent on Christmas crackers and party hats for its large party bookings. Fuller's matched the money raised to make a total donation of £6,000 to Dorset Mind. Each of The Stable's 17 locations has paired up with a branch of Mind and aims to help make a difference to the ongoing mental health campaigns and support services.

We have taken other steps to ensure that our meat and animal products are responsibly sourced. Our chicken is all Red Tractor certified, our eggs are from free range chickens and most of the meat we use is sourced from the UK.

Our close relationships with our suppliers are part of our holistic approach to food. Part of the training programme for our chefs and our chef apprentices includes visits to our suppliers – not only to build these relationships, but to help our chefs understand where our produce comes from and to help our suppliers understand Fuller's and our values.

As healthy eating has become more prevalent and dietary choices such as veganism, vegetarianism and gluten free are more popular than ever, our menus have developed with these trends. This year saw the biggest spike in the number of people partaking in 'Veganuary' – adopting a vegan/vegetarian lifestyle in the month of January – and we embraced this by championing vegetarian and vegan dishes in our pubs during this month. However, we realise this is not just a month-long fad for some and therefore extended our selection year-round. There is certainly room for improvement on this – we are still working on developing the range and learning about trends within these diets.

As well as catering to dietary choices people make, we are very aware of those who have dietary restrictions that they did not choose. Allergen training is ongoing for our back and front of house teams, with refresher courses taking place regularly and we are developing our knowledge as much as we can. Part of this training includes always asking a customer if they have any allergies when they order food – this is a default question in all our Managed Pubs. We are in the process of rolling out a filtering system on our online menus where the customer can look at the online menu and filter out what they can't eat through an allergens checklist.

To help control portion sizes and in turn keep calorie content regulated, we have introduced a recipe management tool in the kitchens. We also make all of our sauces from scratch, rather than buying them pre-made, which keeps the salt content down.

People

The people in our business set us apart from everyone else. We pride ourselves on training our teams to ensure we get the best out of them and they get the most out of us to further their careers. We have continued to invest in our learning and development programmes, our in-house team continue to look after all face to face training and in the last year 7,920 days of this training took place.

We have launched a chef apprenticeship programme. Following two pilot programmes, we launched this in September last year. We have taken on our second cohort of apprentices. The programme is open to everyone, including current team members, and all ages are welcome. We have taken on 50-80 people every six months and the apprentices range from 16 year olds to those in their 40s and 50s. This is a quality programme working with three colleges in London, Hampshire and the New Forest. The apprenticeship is a Day Release model, meaning that the apprentices spend one day in the classroom and the other four days a week in the kitchen, learning on the job, with training and mentoring from our trainers and Executive Chefs.

One of our partner colleges, The University of West London, won the Professional Association for Catering Education ("PACE") Gold Award for Apprenticeships for the work they do on our apprenticeship programme.

FUNDRAISING

Roll out the barrel

Seven members of our Graduate Scheme raised money for Shooting Star Chase by rolling a full kilderkin of beer, weighing approximately 100kg, from The Tokenhouse in London's Moorgate to The Mawson Arms at the Brewery in Chiswick – a 10 mile journey.

Brexit is looming on the horizon. We have already helped 15% of eligible team members secure UK citizenship and paid for permanent residency. We will continue to do this for any eligible employee with over 12 months' service. However, in light of the recruitment issues that Brexit is already beginning to cause, we are working with sections of the community where we have not previously had a strong relationship e.g. ex-offenders and the third age.

Conscious of the pressures of modern day life, we have been working with the Licensed Trade Charity to make sure all our colleagues are aware that they have access to the charity's services. They offer a range of services and support relating to issues such as health, debt, housing and relationships. We make sure we communicate this on all platforms, from the back of house noticeboards to Fuse, our online internal communication tool.

We are also going to start training our managers in mental health awareness to identify people with stress and will offer support in ensuring people feel supported and can ask for help with any issues.

We offer counselling for any team members who have been exposed to trauma – we have some trained in-house staff as well as working with external counsellors. Last year one of our pubs, The Barrowboy & Banker, was unfortunately at the centre of the London Bridge terrorist attack. The team working at the pub that night went above and beyond, looking after customers and others who sought refuge in the pub. These team members were offered immediate and ongoing counselling to help them deal with this horrific incident.

As part of our benefits package for staff at the brewery, the distribution centre in Hordean in Hampshire and at Cornish Orchards we offer free health checks and flu jabs, plus a *Cycle to Work* scheme and discounted gym membership – to promote and encourage a healthy lifestyle for our team members. 55 people attended the health check and 65 people received a flu jab last year.

The Stable, meanwhile, is working with Dorset Mind to create bespoke training to become Mind Ambassadors. 10 people from across The Stable business are taking on this role. They are a network of volunteer, self-elected ambassadors – their main priority is to support people who are experiencing mental health problems and will be the first point of call if anyone needs assistance on how to get help. They are also pioneering to improve the mental wellbeing throughout the company and spread the word about the importance of positive mental health in the work place.

We published our Gender Pay Gap Report, which showed that women on Fuller, Smith and Turner (FST) contracts – those working in head office and pub general managers – had a median pay of 0.1% higher than men on FST contracts. However, women in Griffin Catering Services ("GCS") – those working in the retail business – had a median pay that is 4.2% lower than their male colleagues on GCS contracts. Although this is a smaller gap than the national average, we are continuing to work on closing this gap. To achieve this, we are committed to delivering initiatives to improve how we attract, engage and develop women as well as other underrepresented groups.

We have invested significantly in development opportunities for our people. We have launched a number of senior executive development programmes to prepare internal candidates for promotion to senior levels. Women comprised 65% of attendees, with most having now been promoted to new roles.

The Environment

In the past year, there has been a lot of attention focused on single use plastics and their detrimental effect on the environment – particularly our oceans. We have trialled a few alternatives to the black, non-recyclable plastic straws that were being used in our pubs. Initially we switched to two types of clear straws, which are recyclable, we also removed straws from the bar top and only offered them upon request and in children's drinks. We then trialled two alternatives, plant-based plastic ("PLA") straws, which are compostable, and a new paper straw – with the key objectives to review the customer experience, feedback and ease of disposal.

We discovered that the paper straws provided a visual statement and there was positive feedback from customers when they saw them, engaging in conversation with team members. The PLA straws, however, had no impact on the customers as they look like plastic. PLA decomposes quicker than standard plastic, however it needs to be disposed of with food waste and still takes some time to decompose. The benefit of PLA is that it is more sustainable than standard plastic as it is made from starch, typically corn. However, paper straws are much easier to dispose of than the PLA straws as they do not require food waste bins.

As a result of these trials, taking customer and team members' feedback in to consideration, we began rolling out the paper straws in all of our Managed Pubs from May 2018. The current stock of plastic straws will be used up and pubs will no longer be able to order them. This doesn't mean we will settle on this as the alternative – we will continue to source and improve the quality of paper straws and consider environmentally friendly alternatives as they come to market.

ENVIRONMENT

Refill in Fuller's Inns

During the last financial year, we teamed up with the Refill Campaign – started by Bristol based City to Sea in 2015. Refill is a national tap water campaign that aims to make refilling water bottles as convenient as possible, by introducing Refill stations. Refill stations can be any business and our pubs and The Stable's 17 locations will show on the Refill app, to notify passers-by that they can fill their water bottles with tap water for free. It's an incentive to reduce the number of plastic bottles used and subsequently thrown away.

We are still working on sourcing an alternative for the plastic drink stirrers that have been used in the pubs and hope to roll this out in the coming months.

Last year, our first heat recovery system was installed in the cellar of The Head of the River in Oxford. This system reuses the by-product of cellar cooling – hot air – to heat water, which is then used in the pub, in its toilets, kitchen and bar. This was successful in reducing energy use and we have now installed the system in two more sites – The Barrowboy & Banker, London Bridge and The Victoria, Paddington.

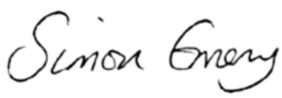
The Stable has introduced a Green Team – a small group of people from across the company, working on The Stable's corporate social responsibility strategy. They have joined the Plastic Free Pledge – working with suppliers to find alternatives to plastic packaging. They are working with companies such as Vegware to source 'green' pizza boxes, coffee cups etc.

There are a few other measures we have recently taken to help reduce our carbon footprint, these include:

- working with the Light Corporation to roll out LED lights in all of our managed estate, which use 10% of the energy the traditional tungsten lights previously used
- working with our line cleaning supplier to reduce the frequency of line cleaning, from weekly to fortnightly, which will reduce water usage and the amount of cleaning product that ends up in the drain
- collecting our plastic keystones and shives on our cask lines for recycling. We used to do this, stopped for a period, and have recently started doing it again
- payslips and training materials, such as handouts and leaflets, are now paperless. Team members can access these on the app or desktop version of Fuse. We have saved the printing of approximately 180,000 payslips a year.

This report has outlined many of the steps we've taken in improving our corporate social responsibility strategy, some of these initiatives have started in the past financial year and others have been ongoing historically. Either way, we are not going to settle on these as the definitive answers to social issues – we will strive to learn and develop in order to improve the strategies that we have in place and implement additional initiatives.

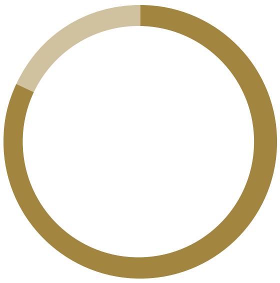
The Government has pledged to reduce our plastic waste as a nation in the future, but we are already starting work to reduce our own wastage – we are aware this is not something that can be solved overnight and will take time to change. This is not only the responsibility of companies, but the responsibility of individuals – a culture change is needed and we would like to be one of the companies at the head of this.



Simon Emeny
Chief Executive

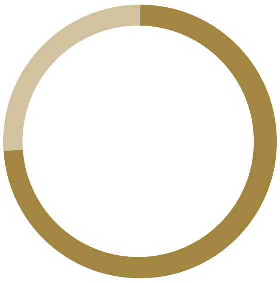
James Douglas
Finance Director

DIRECTORS[1]



Male	**9 (82%)**
Female	**2 (18%)**

SENIOR MANAGERS[1]



Male	**25 (74%)**
Female	**9 (26%)**

ALL EMPLOYEES[1]

Male	**2,876 (59%)**
Female	**2,029 (41%)**

[1] As at 31 March 2018.

Carbon reporting

Fuel type	52 weeks ended 31 March 2018 CO_2 tonnes	53 weeks ended 1 April 2017 CO_2 tonnes
Electricity and gas	25,670	26,021
Petrol and diesel	2,129	2,186
Total	27,799	28,207
CO_2 emissions per £100,000 of turnover	6.9	7.2

DRIVING OUR STRATEGY

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

Front: left to right

Peter Swinburn
Jonathon Swaine
Michael Turner
Simon Emeny

Back: left to right

John Dunsmore
Juliette Stacey
James Douglas
Séverine Béquin
Simon Dodd
Richard Fuller
Sir James Fuller Bt.

Michael Turner
Non-Executive Chairman
Chairman of the Nominations Committee

Aged 66. Joined in 1978. A Chartered Accountant with international experience. Initially ran the Wine Division as Wine Director. Appointed Marketing Director in 1988, Managing Director in 1992, Chief Executive in 2002 and Chairman in 2007. Chairman of the British Beer and Pub Association 2008-2010. Master of the Worshipful Company of Vintners 2011-2012.

Simon Emeny
Chief Executive

Aged 52. Joined in 1996 from Bass plc where he held a variety of senior operational and strategic planning roles. Appointed to the Board as Retail Director in May 1998, Managing Director, Fuller's Inns in July 2006, Group Managing Director in November 2010 and Chief Executive in July 2013. Non-Executive Director of The National Gallery Company Limited. Previously Senior Independent Director and chair of the Remuneration Committee of Dunelm Group plc. An economics graduate and alumnus of Harvard Business School.

James Douglas
Finance Director

Aged 52. 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.

Richard Fuller
Corporate Affairs Director

Aged 58. 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.

Simon Dodd
Managing Director of The Fuller's Beer Company

Aged 43. Appointed in 2016. Joined the Company in 2015 as Operations Director for Fuller's Inns – Premium City. Previously COO of The Orchid Group, and has held positions at nPower, The Yates Group, Mitchell & Butlers and Scottish & Newcastle. A retail marketing graduate.

Jonathon Swaine
Managing Director of Fuller's Inns

Aged 47. 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.

Séverine Béquin
Company Secretary

Aged 48. 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.

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

Aged 59. Appointed in 2009. Senior Independent Non-Executive Director. Non-Executive Deputy Chairman of Genius Foods Ltd., Senior Advisor to Inverleith LLP 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. Former CEO of The Hothouse Investment Club.

Sir James Fuller Bt
Non-Executive Director

Aged 47. 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.

Lynn Fordham
Independent Non-Executive Director

Ages 55. Appointed in 2011. Chief Executive of SVG Capital Managers Limited. Previous appointments include Chief Executive of SVG Capital plc, 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.

Peter Swinburn
Independent Non-Executive Director
Member of the Remuneration Committee
Member of the Audit Committee
Member of the Nominations Committee

Aged 65. Appointed in 2018. Non-Executive Director and Chair of the Compensation and Governance Committee of Express Inc (USA), a publicly listed company. Non-Executive Director of Driven Brands USA, a private company. Chairman of the Wales Millennium Centre. Former President and Chief Executive Officer of Molson Coors Brewing Company and former Non-Executive Director and member of the Audit Committee and Compensation Committee of Cabela's Inc (USA).

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

Aged 48. Appointed in 2018. Chief Executive of Mabey Holdings Limited. Previously Chief Financial Officer of Mabey Holdings Limited. Former Chief Operating Officer (UK and Europe) and Finance Director (Commercial UK) of Savills plc. A Geography graduate qualified as a Chartered Accountant with Ernst & Young.

The Directors present their report to shareholders together with the audited financial statements for the 52 weeks ended 31 March 2018.

Strategic Report
The statements and reviews on pages 6 to 33 comprise the Strategic Report which includes information about the Group's strategy and business model as well as providing an update on the business and financial performance during the year and indications of likely future developments, KPIs, principal risks and uncertainties and the Group's financial management and treasury policies.

Directors
A list of Directors who served during the financial year and comprise the Board of Directors as at the date of this report, together with biographical details, is given on page 35.

Alastair Kerr (68) who was appointed to the Board in 2011, resigned as a Director with effect from 24 January 2018.

On the recommendation of the Nominations Committee, Peter Swinburn and Juliette Stacey were appointed by the Board of Directors with effect from 21 March 2018. In accordance with the Articles of Association, their appointment will be subject to the approval of shareholders at the Annual General Meeting.

The term of office of Lynn Fordham expired on 18 January 2018 and it was extended by the Board so that Lynn Fordham could step down following the announcement of the results for the 2018 Financial Year on 8 June 2018. As Lynn Fordham will have resigned by the time of the Annual General Meeting, this prorogation of her term of office will not be subject to the approval of the shareholders at that time.

The term of office of John Dunsmore expired on 20 January 2018 and, on the recommendation of the Nominations Committee, this was extended by the Board for a further year to avoid having all the Independent Non-Executive Directors being replaced in the same year. The reappointment of John Dunsmore will be subject to the approval of shareholders at the Annual General Meeting.

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

Details of all Directors' interests as at the end of the financial year are set out in the Directors' Remuneration Report on page 47 to 61.

Dividends
The Company paid an interim dividend of 7.55p per 'A' and 'C' ordinary share of 40p each and 0.755p per 'B' ordinary share of 4p each on 2 January 2018. The Directors now recommend a final dividend of 12p per 'A' and 'C' ordinary share of 40p each and 1.2p per 'B' ordinary share of 4p each. This makes a total dividend for the financial year of 19.55p per 'A' and 'C' ordinary share of 40p each and 1.955p per 'B' ordinary shares of 4p each.

The total proposed final dividend on ordinary shares will be £6,602,552 which together with the 2018 interim dividend paid of £4,155,552 and the £120,000 of cumulative preference dividends paid will make total dividends of £10,878,104.

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 25 July 2017, the Company was given authority to purchase up to 4,839,091 '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 33,572,093 'A' ordinary shares, 89,052,625 'B' ordinary shares and 14,506,959 'C' ordinary shares.

During the year the Company purchased a total of 536,827 'A' ordinary shares at a total cost of £5,276,168.56 (exclusive of stamp duty). These share purchases represented 0.94% of the maximum issued ordinary shares and 1.60% of the Company's issued 'A' ordinary share capital.

80,302 'A' ordinary shares held in treasury, with a value of £759,630 were transferred to the Trustee of the Share Incentive Plan. 109,465 'A' ordinary shares held in treasury, with a value of £1,031,801, were transferred to the Trustee of the LTIP. 103,512 'A' ordinary shares held in treasury were allocated to participants of the Savings Related Share Option Scheme and the Executive Share Option Scheme on exercise of options, generating net cash proceeds of £763,002. As at 31 March 2018, a total of 1,507,378 'A' ordinary shares and a total of 4,558,009 'B' ordinary shares are held as treasury shares.

Employees
The Group gives a high priority to communication with all its employees and pensioners thus encouraging a common awareness of the financial and economic factors affecting the Group. Up until this year, this was largely facilitated via the Company's intranet and e-mail systems. In October 2017, the Group launched a communications application, FUSE, which enables communication with all employees of Fuller's, Griffin Catering Services, Cornish Orchards and The Stable. This will be extended to Nectar Imports and Dark Star Brewing Company employees, thereby making the application accessible by the whole Group. Twice a year, all Brewery-based employees are invited to a results presentation led by the Chief Executive. Fuller's Inns runs a "Connection Week" where one person from each pub is invited to a conference at which a number of messages are communicated. That employee returns to their pub and shares the

information with their colleagues. The Fuller's Beer Company also runs a "Connection Day". News is regularly communicated via both traditional notice boards and e-mail distributions as well as town-hall style meetings. The communications policy, which is in operation throughout the business, is designed to ensure the successful cascading of information. A structure of consultation committees at both Divisional and Corporate level is in place to facilitate a dialogue between the Group and representatives of all employees including union members. Taken together, these communications have allowed the Group to engage successfully with all our employees, wherever they are employed.

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

The Company continues to offer qualifying staff a Savings Related Share Option Scheme, a Share Incentive Plan ("SIP") and a variety of performance-related bonus arrangements, which serve to encourage staff interest in the Group's performance. Staff throughout the Group are given an '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 376,651 'A' ordinary shares on behalf of employees of the Company who are participants in its SIP. This represents 1.16% of the issued 'A' ordinary share capital (excluding shares held in treasury). In respect of the shares that have been allocated, Computershare Trustees Limited exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

Substantial Shareholdings

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

Percentage 'A' ordinary shares of 40p each

	As at 31 March 2018	As at 1 June 2018
BlackRock, Inc	**11.00**	11.84
Standard Life Aberdeen plc	**8.23**	7.22
Ameriprise Financial, Inc	**5.93**	5.93
Kames Capital and associated entities	**4.06**	3.82

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 31 March 2018 and at 1 June 2018
Sir J H F, Messrs A F and E F Fuller	16.26
J F Russell-Smith Charitable Trust	7.66
Mr A G F Fuller	5.72
A B Earle Charitable Trust	4.62
Dunarden Limited	3.60
Mr R D Inverarity	3.52
Mr G F Inverarity	3.48
Miss S M Turner	3.33
Mr M J Turner	3.32
Mr R H F Fuller	3.12
Mr T J M Turner	3.00

Percentage 'C' ordinary shares of 40p each

	As at 31 March 2018 and at 1 June 2018
Sir J H F, Messrs A F and E F Fuller	30.92
Mr T J M Turner	6.18
Mr H D Williams	6.03
Miss S M Turner	5.24
Mrs J M Fuller	4.28
Fuller Family Members Trust	3.99
Mrs D M St. C Turner	3.08

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 and are therefore governed by the relevant Companies Act requirements which state that the Articles may only be amended by special resolution.

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

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

In the event of a change of control the Company is obliged to notify its main bank Lenders of such. The Lenders shall not be obliged to fund any new borrowing requests and the facilities will lapse after 30 days from the change of control if terms on which they can continue have not been agreed. All borrowings including accrued interest will become repayable within 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 40 to 46. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by reference.

Corporate Social Responsibility
The Group's report on Corporate Social Responsibility is set out on pages 30 to 33. It contains information on greenhouse gas emissions and gender diversity.

By order of the Board

Séverine Béquin
Company Secretary

7 June 2018

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

Registered in England under number: 241882

DIRECTORS' STATEMENTS

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

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

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

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

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

Statement as to Preparation of Financial Statements
The Directors confirm, to the best of their knowledge:

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

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

Directors' Statement as to Disclosure of Information to Auditors
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 35. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

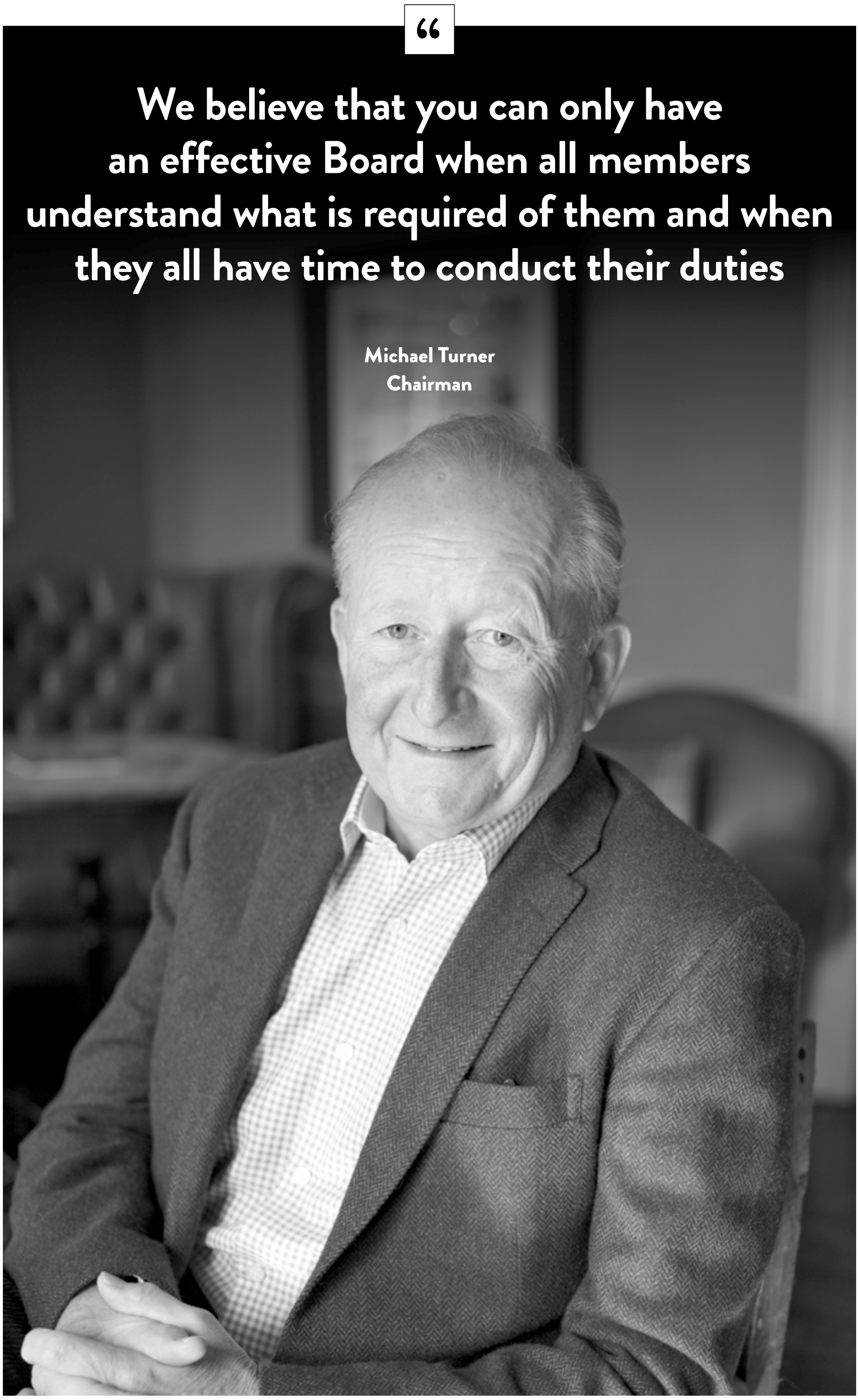
On behalf of the Board

Michael Turner
Chairman

7 June 2018

James Douglas
Finance Director

7 June 2018



I am pleased to confirm that I see it as the Chairman’s responsibility to lead the Board and ensure it is working effectively. This year we are able to report full compliance with the UK Corporate Governance Code (the “Code”) as revised in April 2016. The Board continues to focus on the key issue of succession planning which is a complex topic for a business that has very low turnover amongst its senior management and is still very much a family-controlled concern whilst also being a listed public company. However, succession plans continue to be discussed both at Executive Committee and Board level.

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

In terms of Board balance, I chair the Nominations Committee and am personally involved in all Board level recruitment. Therefore, I am able to ensure that we continue to have a good balance of skills, experience, independence and knowledge on our Board and our Board Committees. This year has seen the appointment of Peter Swinburn and Juliette Stacey as new Independent Non-Executive Directors following the departure of Alastair Kerr in January. Lynn Fordham is also stepping down in June following the approval of these Report and Accounts. In order to ensure a smooth transition, John Dunsmore, who completes his third three-year term in office at this year’s Annual General Meeting, has agreed to stay on until next year’s Annual General Meeting to avoid all the Independent Non-Executive Directors being replaced in the same year. Notwithstanding the fact that John Dunsmore will have served on the board for more than nine years, the Board continues to consider that he is independent. This additional one-year term will provide continuity for the Board.

I am satisfied that the Board continues to be comprised of the right individuals who have the skills required to run this type of business and to respond to the challenges presented by the continually changing environment in which we operate. The Board recognises the importance of all types of diversity for Board effectiveness. We continue to believe that appointments should be made on the basis of merit against the selection criteria for any particular role.

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

Finally I would like shareholders to understand that I am in charge of our annual Board evaluation. I am aware that larger PLCs are required to seek external assistance to effect this process but do not believe that this would be likely to add extra value as long as our own process is robust. I believe that we have that robustness and that the manner in which the evaluation is carried out encourages a healthy debate on things that could be improved.

Michael Turner
Chairman

7 June 2018

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 pages 6 to 33. The information relating to the share capital of the Company that is required by DTR 7.2.6R can be found within the Directors' Report, on pages 36 and 37.

The Board

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

How the Board Works
The Board governs through its executive management, and formally via its other clearly mandated Committees. Each standing Board Committee has specific written terms of reference which are reviewed by the Board annually and there is a formal list of Matters Reserved for the Board (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. Both the Board and the Executive Committee hold some of their formal meetings away from the Brewery within the Estate.

At Board meetings, the agendas cover projects, analysis of the market in which the Group operates and performance. Each of the Executive Directors and the Company Secretary also update the Board at each meeting on matters for which they are responsible. The Board is responsible for approving the annual budget and the annual and half-year results. At the beginning of some of the Board meetings, one or more Divisional Directors or Senior Managers are invited to join the meeting and inform the Board of developments in their area of the business. 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 one or more Senior Managers are 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 at Board and Committee Meetings
The table on page 42 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.

Attendance 2017/2018	Board	Executive	Audit	Remuneration	Nominations
Number of formal meetings	6	11	4	4	3
Director					
Michael Turner	6		*	*	3
Simon Emeny	6	11	*	*	*
James Douglas	5**	10**	*		
Richard Fuller	6	11			
Simon Dodd	6	11			
Jonathon Swaine	6	11			
Sir James Fuller	6				
John Dunsmore	6		4	4	3
Lynn Fordham	5**		3	4	3
Alastair Kerr (until his resignation on 24 January 2018)	5		4	4	
Peter Swinburn (from his appointment on 21 March 2018)	1				
Juliette Stacey (from her appointment on 21 March 2018)	1				

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

** Lynn Fordham was unable to attend the meeting due to an ongoing hostile takeover process. James Douglas was unable to attend following an accident.

Composition and Balance of the Board

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

During the period, Alastair Kerr resigned as a Director with effect from 24 January 2018 and Lynn Fordham will step down as a Director following the approval of these Annual Report and Accounts. On the recommendation of the Nominations Committee, Peter Swinburn and Juliette Stacey were appointed to the Board as Independent Non-Executive Directors with effect from 21 March 2018. New Directors undertake a tailored induction programme.

Following Lynn Fordham's departure, the Company will have five Non-Executive Directors, two of whom – Sir James Fuller and Michael Turner – are family members. This representation is very important in a company with a high proportion of family shareholders. The other three Non-Executive Directors, all of whom are deemed independent under the Code, are experienced business leaders and all of the Non-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 35. 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. Having been Senior Independent Director for seven years, John Dunsmore will step down on 1 July 2018 from this role. He will be replaced by Peter Swinburn who brings his extensive industry experience to the role. All of the Independent Non-Executive Directors are determined by the Board to be independent in character and judgement and there are no relationships or circumstances which could affect or appear to affect their judgement; all are appointed for specified terms. The details of the Non-Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 47 to 61 and are available for inspection at the Company's registered office.

Advice for the Board

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

Professional Development

All Directors attend training courses, industry forums and specialist briefings relevant to their role throughout the year. Occasionally, specialists such as the Company's actuary or corporate lawyer join a Board meeting to brief the Board on a particular topic. Both the Board and the Executive Committee visit Group pubs and hotels as part of the Board meeting programme. On these and on other occasions, Board meetings may be held in the Group's pubs, with the aim of keeping the Directors familiar with the Group's estate. Executive Directors are permitted to hold one other paid directorship, with the Board's consent, as the Board believes that experience of how other boards work enhances the Directors' contribution to Fuller's.

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 remarkably consistent with last year's scores. The results did provide some insight into areas that could be improved further and these were debated at a Board meeting and were the Chairman's focus in terms of follow up. The Audit and Remuneration Committees conduct similar assessments and their work is also commented upon in the evaluation conducted by the Chairman. The appraisal of the Executive Directors and the Company Secretary is conducted annually by the Chairman or Chief Executive and, as part of the appraisal process, individual training and development needs are discussed. The annual appraisal of the Non-Executive Directors is conducted by the Chairman, following consultation with the Executive team.

Board Re-election

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

Board Committees

The Nominations Committee

The Nominations Committee Chairman is Michael Turner and the other members during the period were John Dunsmore and Lynn Fordham. The Board appointed Peter Swinburn and Juliette Stacey as members of the Nominations Committee. It is responsible for nominating candidates for appointment as Directors, for approval by the Board although the full Board will also typically informally discuss Board appointments. The Committee met three times during the year to consider the appointment of new Non-Executive Directors and formalise the description of the roles of Chairman and Chief Executive as part of succession planning. The Board does not believe that setting percentage targets for the number of women on the Board is appropriate, given the key principle of appointing on merit. As and when Board vacancies arise and should the support of an executive search firm be required, the Board and the Nominations Committee will ensure that it only uses firms that have signed up to their industry's Voluntary Code of Conduct (prepared in response to Lord Davies' report). Further information on gender diversity across the business can be found in the Corporate and Social Responsibility Report on page 33.

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 during the period by Lynn Fordham, comprises a minimum of three Independent Non-Executive Directors and meets at least four times a year. The Board appointed Peter Swinburn and Juliette Stacey as members of the Audit Committee in March 2018. Juliette Stacey will take on the chairmanship of the Audit Committee with effect from 9 June 2018. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. In addition, the Chairman, the Chief Executive, the Finance Director and members of the finance team join the meetings on a regular basis as do the external Audit Partner and Audit Manager.

Key accounting judgement	How the issue was addressed
Separately Disclosed Items	The Audit Committee considered the nature of items classified as "separately disclosed items" in the financial statements. The Committee was satisfied that the items management proposed to show as separately disclosed items are not linked to the underlying trading of the Group. Separately disclosed items include: • Profit or loss on property disposals. • Transaction costs on site acquisitions both completed and aborted. • The Stable deemed remuneration in relation to the revaluation of the option to purchase the remaining share in The Stable Pizza & Cider Limited. • Impairment and reversal of impairment on properties. • Replacement of core IT systems costs. • Net movement on revaluation of financial instruments that do not meet the requirements for hedge accounting. • Net interest expense on the Group's defined benefit pension plan. In addition, the Committee reviewed these disclosures within the 2018 Annual Report and Accounts to ensure they clearly identified and reconciled to the relevant GAAP measure.
Impairment Testing of Intangible Assets and Property, Plant and Equipment	The Committee considered the proposed impairment of property assets for both the Half Year Report and the Annual Report. The Committee was satisfied with the approach presented by management and the judgements made for those properties at risk of impairment.
Pension Accounting	The pension liability is sensitive to the actuarial assumptions applied in measuring future cash outflows. The use of assumptions such as discount rate and inflation which have an impact on the valuation of the defined benefit pension scheme, was assessed by the Committee. The Committee was satisfied with the proposed accounting treatment and revised disclosures of the Group's defined benefit plan in the financial statements.
Subsidiary Share Purchase Options	The Committee considered the fair value of the liabilities recognised in the financial statements for the subsidiary share purchase options relating to the remaining shares in The Stable Pizza & Cider Limited and Nectar Imports Limited. The Committee was satisfied with the approach presented by management and the judgements made in the calculation of the potential option liabilities.
Acquisition Accounting	The Committee considered the fair values of the assets and liabilities recognised in the financial statements on the acquisition of The Dark Star Brewing Company Limited. The Committee was satisfied with the approach presented by management and the judgements made in the calculation of the fair values of the assets and liabilities, including the value of the acquired brand.

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

The Audit Committee's responsibilities are outlined in the Committee's terms of reference which were updated and approved by the Board in September 2017. These cover all those matters required by the Code. The terms of reference are available on the Company's website. The Committee has a meeting planner which sets out the key items to be covered at its regular meetings which include reviewing the financial statements and announcements, monitoring changes in accounting practices and policies and reviewing decisions with a significant element of judgement. In addition, the Audit Committee is responsible for ensuring that the Company's risk monitoring programme, internal audit processes and regulatory compliance are appropriate. At all meetings an update on risk management is presented. The Chairman of the Committee encourages debate and discussion of topical issues outside of the routine agenda items and ensures that such discussions are held at least twice a year. The Audit Committee has responsibility for the oversight of the external audit function. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board can be satisfied that information presented in the Annual Report is fair, balanced and understandable.

During its review of the Group's financial statements for the period to 31 March 2018, the Audit Committee has reviewed the key judgements applied in the preparation of the consolidated financial statements, including those communicated by the auditors during their reporting. These are described in the accounting policies detailed in note 1 of the financial statements. The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

The key issues and judgements considered by the Audit Committee are detailed in the accompanying table. The presentation of financial information within the Annual Report was also discussed given the financial statements are for the 52 weeks to 31 March 2018, compared to 53 weeks ended 1 April 2017.

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

Other items discussed in the year included the Company's risk management process, of selected individual risks from the risk register, the internal audit work completed during the year and progress on actions arising from both risk management and internal audits. The Group's tax strategy and tax risk management governance processes were also reviewed and approved in advance of review and approval by the Board. In addition, the Committee considered the implications for the Company of the forthcoming application of IFRS16 in relation to lease accounting.

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 31 March 2018 was the fifth of a five-year maximum term that the current Audit Partner has been in the role for the Company. A new Audit Partner from Grant Thornton has been appointed.

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

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

The Directors' statement on the Company's system of internal controls is set out on page 45.

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 2018 meeting, although there are no issues of concern with their performance to date.

The Group's auditors may from time to time provide non-audit services to the Company. In 2018, the fees paid to Grant Thornton UK LLP for audit services were £125,000 (including £30,000 for the audit of subsidiaries), for audit related services were £1,000, other assurance services of £15,000 and for non-audit related services were £1,515. 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 Financial Reporting Council's "Guidance on Risk Management, Internal Controls, and related financial and business reporting" . 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 25 and 27, 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 review by the Audit Committee and the Board, the Board has confirmed that it believes that the existing arrangements for internal audit remain appropriate. Management may from time to time augment the internal resource for these audits with specialist external resources. The Group carries out internal audits on financial areas according to a programme agreed between the Audit Committee and the Finance Director and with input from the other Executive Directors and the external auditors as appropriate. The audits are co-ordinated by an experienced senior member of the finance team and are undertaken by other members of the finance team; in each case the person undertaking the audit is independent of the area which is the subject of the audit. The internal audit reports, the management responses and the recommended actions are presented in summary form to the Audit Committee on a regular basis. There are also in place procedures to ensure recommended actions are implemented. During the year, audits were performed on the Fuller's Inns cash procedures and the processes surrounding the capitalisation of assets within The Fuller's Beer Company.

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

Relations with Shareholders

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

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

By order of the Board

Séverine Béquin
Company Secretary

7 June 2018

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

DIRECTORS' REMUNERATION REPORT

Statement of the Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the 52 weeks ended 31 March 2018.

The report follows last year's presentation in two separate sections. The first covers the Company's Remuneration Policy for all of its Board Directors (set out on pages 34 and 35) as approved by shareholders initially at the 2014 Annual General Meeting for a period of three years and reapproved at last year's Annual General Meeting for another three-year period. 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 is every year.

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

John Dunsmore
Chairman of the Remuneration Committee

7 June 2018

Report on Directors' Remuneration Policy

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

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

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

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

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

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

Executive Directors ("Executives")

Element	Purpose – how the element supports the short and long term strategic objectives of the Company	Operation
Base Salary	To recruit, retain and reward high calibre Executives to deliver the Company's strategy. The salary will reflect each role, the importance of that role to the business and the experience the individual brings to it.	The Committee sets the base salary and this is reviewed taking into account inflation, individual and corporate performance. From time to time, advisors are commissioned to obtain benchmarking data for companies in the sector and/or of a similar size, to check market positioning.
Benefits	To recruit and retain Executives by providing competitive benefits which also protect Executives and provide preventative care for them.	The Company offers Executives a range of benefits which include: • Car allowance • Paid holidays • Life assurance • Private medical insurance • Product allowance • A private account which allows the purchase of goods at cost price plus VAT • Subscriptions to professional bodies or other relevant organisations • Regular medical check-ups • Permanent health insurance.
Annual Bonus	To incentivise Executives to deliver performance in line with the Group strategy and to align their interests with those of shareholders.	Bonus targets are set annually in relation to the profit achieved by The Fuller's Beer Company, Fuller's Inns and the Group. The performance measures are weighted dependent on the responsibilities of each Executive and are designed to be stretching. The target for the bonus includes the cost of the bonus itself.
Share Options		
Executive Share Option Scheme ("ESOS")	To align the interests of Executives with those of shareholders.	A tax-advantaged executive share option scheme under which options may be granted to Executives periodically up to a maximum total value set by HM Revenue & Customs. Once options have vested, they must be exercised before the tenth anniversary of grant.
Senior Executive Share Scheme ("SESOS")		A non-tax-advantaged executive share option scheme under which options were granted to Executives but which has now expired.
Savings Related Share Option Scheme ("SAYE Scheme")		All employees of Fuller, Smith & Turner P.L.C. are eligible under this tax-advantaged scheme to receive options to subscribe for 40p 'A' ordinary shares at a discount of 20% on the prevailing market price at the time of the grant having entered into a three or five-year savings contract for the exercise price.
Share Incentive Plan ("SIP")		All employees of Fuller, Smith & Turner P.L.C. with at least 5 months' service as at 15 May each year are eligible under this tax-advantaged scheme to receive free 40p 'A' ordinary shares in June of that year. Shares are held by the SIP Trustees for a minimum of three years and a maximum of five years before being available to be passed to participants.

Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
Annual salary reviews take effect from 1 June in any year. The Committee expects to target salaries around the median to upper quartile of similar-sized businesses.	Not applicable.	Executive salaries were increased by between 1.03% and 11.11% in June 2017.
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 2018 for the financial year 2018/2019 subject to the bonus rules which include malus and clawback provisions.
Executives may be issued and hold share options up to the current maximum value set by HMRC of £30,000 at any one time.	ESOS options vest when growth in EPS adjusted principally to exclude separately disclosed items ("Adjusted EPS") exceeds growth in the retail price index by at least 9% over the three year performance period. The Committee is authorised to make appropriate amendments to Adjusted EPS.	No change. The current scheme approved by shareholders in 2008 expires this year and shareholders will be invited to approve a new scheme on substantially the same terms.
The maximum benefit granted to Executives under the SESOS was 20% of salary per annum.	SESOS options vest at 40% (minimum) when growth in Adjusted EPS exceeds growth in RPI by at least 9% over the three year performance period. Maximum vesting (100% of grant) occurs when growth in Adjusted EPS exceeds inflation by 21% over the three year period. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that options only become exercisable against the background of a sustained real increase in the financial performance of the Group.	No change. The last set of options granted under this scheme in 2013 vested in 2016.
Under the SAYE Scheme rules eligible employees may agree to save up to £500 per month over a period of three or five years and then purchase shares within six months of the end of the term.	None. There is no requirement for performance targets in SAYE schemes.	No change.
An equal number of shares are awarded to each eligible employee. The maximum value of the shares allowable under the Scheme is £3,000 in any one year.	None. There is no requirement for performance targets in SIPs.	The basis of the award was changed with effect from the 2018 award so that all eligible employees receive the same number of shares.

Executive Directors ("Executives") continued

Element	Purpose – how the element supports the short and long term strategic objectives of the Company	Operation
Long-Term Incentive Plan (LTIP)	To reward the efforts of Executives in line with the Company's objective of creating shareholder value and increasing EPS in the longer term.	The rules of the LTIP allow for discretionary annual awards of 'A' (listed), and 'B' and 'C' (unlisted) ordinary shares. Grants are calculated by reference to the middle market quotation at close the day before. In all cases shares will vest, subject to performance criteria being attained, within 72 days of the publication of results for the last financial year in the performance period. The Remuneration Committee determines whether the Adjusted EPS performance condition has been met using the EPS information which is published in the Group's Annual Report and Accounts. BDO LLP confirms the level of vesting of awards based on EPS calculations provided by the Group.
Pension	To provide Directors with long-term pension provisions on a competitive basis.	The Company operates a variety of pension benefits. Executives are either deferred members of the defined benefit Company pension plan – now closed to future accruals – or the Company's defined contribution stakeholder pension plan, or receive a salary supplement or a mixture of these. Further details are available on page 58 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 provisions enable the Committee not to pay bonuses or allow LTIP awards to vest where misconduct occurs during the relevant financial year or before a bonus is paid or an LTIP award vests. They also enable the Committee to recover bonuses or awards where it is discovered that the Company materially misstated its results for the last whole financial year or a material error was made in assessing the relevant performance conditions.

Non-Executive Directors

Basic and Additional Fees	To attract and retain high-calibre Non-Executive Directors by offering market competitive fee levels that recognise the time that the Non-Executive Directors commit to their various roles.	The fees paid to the Chairman are determined by the Remuneration Committee. The fees paid to the other Non-Executive Directors are determined by the Chairman and the Executive Committee. Fees may be paid for specific duties such as the fee paid to Sir James Fuller for his work in liaising with family shareholders. Non-Executive Directors do not participate in bonus schemes, share options or long term incentive plans. None of the Non-Executive Directors are members of any Group pension scheme, with the exception of Michael Turner, who is a pensioner of the Directors section of the defined benefit Company pension plan.
Benefits	To encourage Non-Executive Directors to keep up to date with the Company's product range and to reimburse expenses.	Non-Executive Directors receive a modest product allowance and are entitled to buy additional products at cost plus VAT. They are reimbursed for travel and other business related expenses. The Chairman, Michael Turner, also benefits from life insurance cover and private medical insurance.

Opportunity	Performance measures and reason for selection	Change in period and provisions for malus and clawback (if any)
The maximum value of shares for which an award may be made to an Executive in any financial year is 110% of salary and will vary depending on seniority. Actual vesting will depend on how well the Company performs against the LTIP's performance conditions.	To assess the awards, the average growth in Adjusted EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the start of the financial year in which the award is made. No vesting occurs if the Adjusted EPS growth fails to exceed the RPI by at least 9%. 40% of the award vests if the target is hit and there is a sliding scale above that point. For 100% of an award of shares to vest, growth in Adjusted EPS needs to exceed the growth in RPI by 24% or more over the period. The Committee feels that since underlying long-term freehold property growth is not being included in the calculation, 9% over inflation is a testing target, and one that merits a 40% vesting level. The Committee further believes that the 40% vesting threshold at 9% in excess of inflation is triggering vesting at a value that is still below that being employed by many other companies and that it is the value of the vest that should be considered and not the percentage. Please see the graph on page 54 for further details.	No change. The current scheme approved by shareholders in 2008 expires this year and shareholders will be invited to approve a new scheme on substantially the same terms.
Defined benefit Company pension plan Main section: Until closure, accrued at 1.7% of basic salary less lower earnings limit (up to a pensions cap) per year of service. Additional salary supplement of 17.5% paid over the earnings cap. This applied only to Simon Emeny. Defined benefit Company pension plan Directors' section: Richard Fuller withdrew from this scheme on 31 March 2015 and now receives a salary supplement of 17.5% of his salary for use in his retirement planning. Pension contributions: For the other Executives the Company will contribute a total of 17.5% of the Executive's salary to the defined contribution Company pension plan and/or their nominated pension scheme or pay a salary supplement for them to use as part of their retirement planning subject to the Executive making a net contribution of 8% themselves.	Not applicable.	No change.
The malus and clawback principles apply to bonuses paid from 2015 onwards and LTIP awards made from June 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 40 to 46.	The fees were reviewed in January 2018 as they had last been reviewed in January 2015. The basic fee increased by 9.8%. The fee for the role of Senior Independent Director increased by 11.1% bringing it in line with the fee for chairmanship of the Audit Committee.
Product allowances are reviewed from time to time but not typically increased every year.	Not applicable.	None.

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

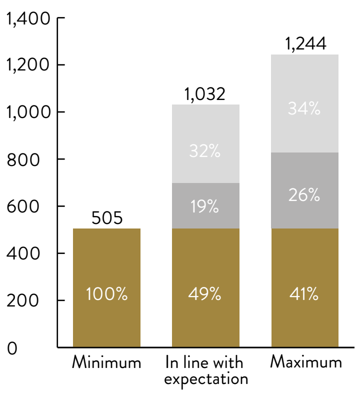
Consideration of Employee Views
The Committee does not formally consult directly with employees on executive pay or in drawing up the Remuneration Policy but does receive periodic updates from the People Director. Share ownership amongst the Company's employees is encouraged through the SAYE Scheme and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

Consideration of Shareholder Views
Shareholder views are sought when there is any significant change to Directors' remuneration. Should shareholders have any concerns about the Remuneration Policy, the Committee Chairman would endeavour to meet with them, as appropriate, to understand and respond to any issues they may have.

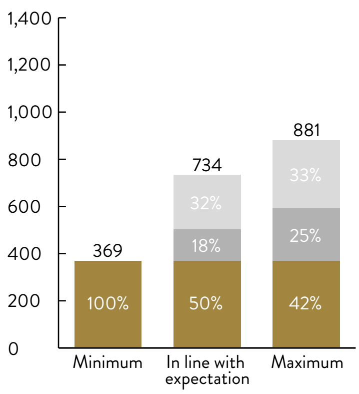
Discretion Employed by the Committee
The Committee will operate the annual bonus, the LTIP, the ESOS and SESOS in accordance with their applicable rules and in accordance with the Listing and Disclosure Rules where relevant. The Committee retains discretion, consistent with market practice, in a number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

Illustration of the Application of the Remuneration Policy
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The following charts demonstrate the key elements of the remuneration package for the Executives under the Remuneration Policy for the year ending 30 March 2019:

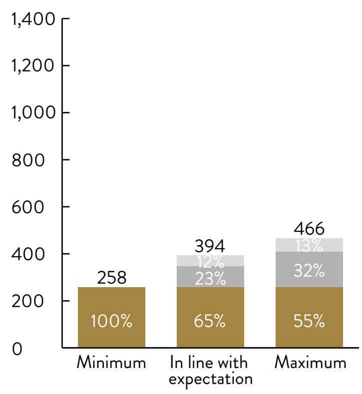
Chief Executive Officer
£000



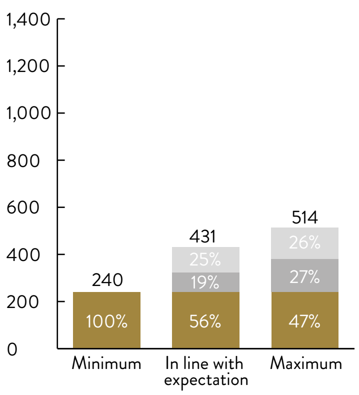
Finance Director
£000



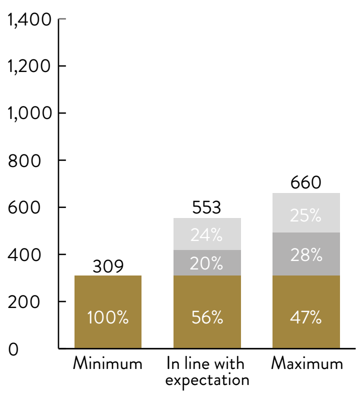
Managing Director – The Fuller's Beer Company
£000



Corporate Affairs Director
£000



Managing Director – Fuller's Inns
£000



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

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

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

Minimum performance – fixed remuneration only with no pay-out under the bonus scheme or LTIP/share options.
In line with expectation – this is based on what Executives could receive if bonuses pay out at 60% of the maximum bonus allowance (i.e. 45% of salary) for achieving target performance, LTIP pay-out at 80% of maximum vesting and pay-out under the ESOS at 100%.
Maximum – 100% of the bonus (i.e. 75% of salary) and 100% of LTIP and ESOS awards.

Recruitment and Promotion
The Company wishes to attract talented individuals to Executive positions either from the industry/market or from internal succession. It would not expect any new Director to receive salary or any other part of their remuneration package that is more than 50% higher than current maximum payments which could be received by the previous role holder. The various components of the package for a new Executive are those already on offer to existing Executives as set out in the table above and they are salary, benefits, bonuses, share schemes and pension. The approach to each component is as set out in the tables on pages 48 to 51, subject to existing rule constraints. Contracts would be offered on the basis that on early termination a payment equal to the salary due for the unexpired period of their notice would be made, payable in monthly instalments. For the period of their notice the Executive would be expected to seek alternative income, and if they are successful, that income would be notifiable to the Company and would be set off against the remaining instalments. The Company is only likely to offer a cash amount on recruitment, payment of which may be staggered, to reflect the value of benefits a new recruit may have received from a former employer. Relocation expenses and accommodation might be provided if necessary.

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

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

Service Contracts/Payments on Loss of Office
Executive Directors have rolling service contracts terminable on no more than one year's notice served by the Company or Director.

Jonathon Swaine and Simon Dodd are entitled on early termination of their contract to a payment equal to the salary due for the unexpired period of their notice. This is payable in monthly instalments and for the period of their notice they are expected to seek alternative income, and if successful, that income must be notified to the Company and will be set off against the remaining instalments.

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

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

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

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

Executive Directors	Date of contract	Notice period
Simon Emeny	13 January 1999	12 months
James Douglas	31 July 2007	12 months
Richard Fuller	8 December 2009	12 months
Jonathon Swaine	20 March 2012	12 months
Simon Dodd	1 August 2016	12 months
Non-Executive Directors	**Date of letter of appointment**	**Term expires**
Michael Turner	1 July 2013	June 2019
John Dunsmore*	15 November 2011	July 2019
Sir James Fuller	1 June 2010	May 2019
Peter Swinburn*	20 March 2018	March 2021
Juliette Stacey*	24 March 2018	March 2019

* 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 55 to 61 has been audited.

The Remuneration Committee
The Remuneration Committee consists entirely of Independent Non-Executive Directors and the members during the period were Alastair Kerr (Chairman), John Dunsmore and Lynn Fordham. On Alastair Kerr's departure, John Dunsmore was appointed Chairman of the Committee. Following their appointment to the Board of Directors, Peter Swinburn and Juliette Stacey were appointed as members of the Committee. The Chairman of the Company, Michael Turner, and the Chief Executive, Simon Emeny, are invited to attend the Committee meetings and to advise, where appropriate, on the remuneration and performance of the Executive Directors and related matters. The Committee is advised internally by the Company Secretary, Séverine Béquin, who also acts as Secretary to the Committee.

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

The Committee's Advisors
Xafinity Consulting Limited provides the Committee and the Company with advice on matters relating to pensions. BDO LLP provides the Committee and the Company with advice in connection with the Company's LTIP and share option schemes and other remuneration matters. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee. Xafinity Consulting Limited is authorised and regulated by the Financial Conduct Authority and its actuaries are also separately required to abide by Actuarial Profession Standards which include the requirement for them to provide objective and independent advice. BDO LLP abides by the Remuneration Consultants Code of Conduct, which requires it to provide objective and independent advice. Other advisors did not charge fees for services provided in respect of Directors' remuneration during the year.

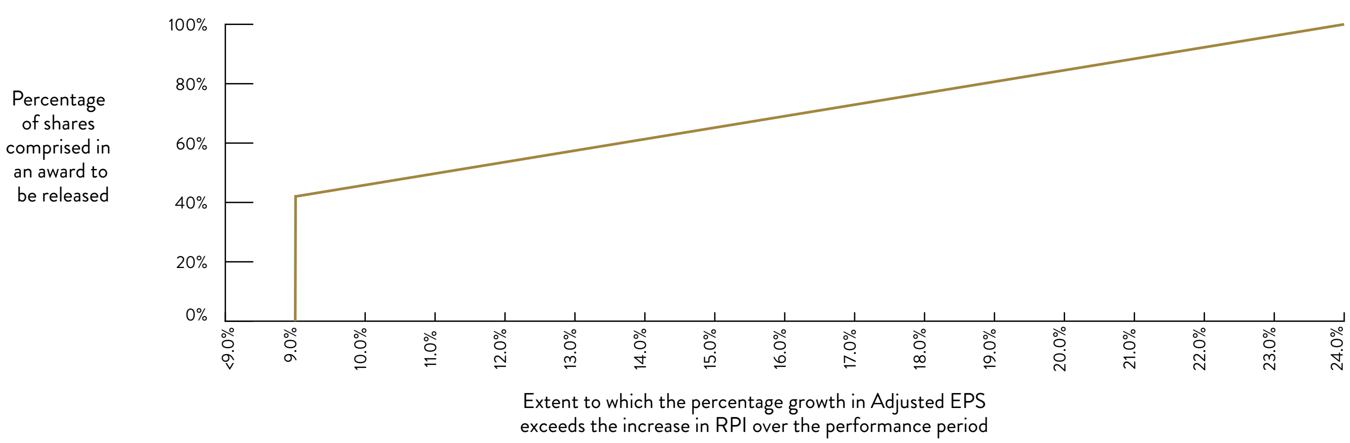
Statement of Implementation of Remuneration Policy in the Current Financial Year
The Executive Directors' salaries with effect from 1 June 2018 remain as they were:

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

The Non-Executive Directors' fees were reviewed in January 2018 and changes were effective from 1 February 2018.

The annual bonus for the financial year 2018/2019 will operate on the same basis as the previous financial year and will be consistent with the policy detailed in the Directors' Remuneration Policy above. As explained on page 49, the Company does not publish bonus targets since these are considered commercially sensitive. However, details of other performance measures which will operate are given on page 49 and details of the relative weightings of each are given on page 56.

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 2018/2019 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	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Michael Turner	250	250	25	25	–	–	–	–	–	–	275	275
Simon Emeny	428	419	25	25	157	133	404	446	75	74	1,089	1,097
James Douglas	295	291	23	23	73	75	276	319	52	51	719	759
Richard Fuller	184	181	23	23	69	59	134	155	32	32	442	450
Jonathon Swaine	243	237	23	23	87	78	166	177	43	42	562	557
Simon Dodd[4]	197	160	23	20	27	36	59	4	34	26	340	246
John Dunsmore	62	60	1	1	–	–	–	–	–	–	63	61
Sir James Fuller	47	46	1	1	–	–	–	–	–	–	48	47
Lynn Fordham	62	61	1	1	–	–	–	–	–	–	63	62
Alastair Kerr[5]	48	58	1	1	–	–	–	–	–	–	49	59
Peter Swinburn[6]	–	–	–	–	–	–	–	–	–	–	–	–
Juliette Stacey[7]	2	–	–	–	–	–	–	–	–	–	2	–

1 Taxable benefits include car allowances, product allowances and private medical insurance.
2 Bonus refers to the annual bonus scheme based on performance in the period under review and the value of free shares awarded under the SIP (£2,995).
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 Simon Dodd was appointed with effect from 1 August 2016. As such, his remuneration for the year ended 1 April 2017 includes salary for the period prior to this appointment when he was a Divisional Director and his bonus for the 2017 financial year is pro-rata from his date of appointment and includes an element relating to his employment as Divisional Director.
5 Alastair Kerr resigned as a Director with effect from 24 January 2018.
6 Peter Swinburn was appointed as a Director with effect from 21 March 2018 but opted not to receive any remuneration in the period to 31 March 2018.
7 Juliette Stacey was appointed as a Director with effect from 21 March 2018.

The following table shows how variable pay elements are linked to the performance of the Group in 2018:

		Target set				
	Performance measure	Minimum	Maximum	Value of award	Actual performance	Value of award
LTIP	EPS vs RPI	EPS exceeds RPI by +9%	EPS exceeds RPI by +24%	Percentage vest of original grant[1]: Minimum – 40% Maximum – 100%	13.81%	56% of maximum award

1 Maximum grant equates to 110% of salary.

Percentage Change in Remuneration of Chief Executive

The table below shows the percentage change in the remuneration of the Chief Executive compared to that of the average of all of the Group's employees taken as a whole between the financial years ended 1 April 2017 and 31 March 2018:

	Chief Executive	Employees
Change in annual salary	2.1%	2.0%
Change in taxable benefits	nil%	nil%
Change in annual bonus[1]	16%	(2.9%)

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, Nectar Imports employees and Dark Star 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 3% for all Directors. The median of increases paid to head office staff was 2%. This year, the Executive Directors have opted not to take any increase in their salary.

External Directorship Fees
The Board may give approval for Executives to have one Non-Executive role and to retain any related fees paid. Simon Emeny was the Senior Independent Non-Executive Director of Dunelm Group plc until 21 November 2017. He retained fees of £61,200 per annum in respect of that position. He was appointed a Non-Executive Director of The National Gallery Company Limited on 6 February 2018 for which he does not receive any remuneration.

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

	Group profit	The Fuller's Beer Company profit	Fuller's Inns profit	The Stable profit	ERP implementation
Simon Emeny	90%	–	–	–	10%
James Douglas	60%	–	–	20%	20%
Richard Fuller	90%	–	–	–	10%
Jonathon Swaine	30%	–	40%	20%	10%
Simon Dodd	30%	60%	–	–	10%

For the year under review, James Douglas earned a bonus of 24% of salary, Simon Emeny and Richard Fuller each earned a bonus of 36% of salary, Jonathon Swaine earned a bonus of 35% of salary and Simon Dodd earned a bonus of 12%.

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

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

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

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

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

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

In respect of the 52-week period ended 31 March 2018 the following LTIPs, share options and SIP awards were granted:

Director	Scheme	Number of 'A' shares	Number of 'B' shares	Exercise price per 'A' share	Exercise price per 'B' share	Face value at grant/award	Date of grant/award	Performance period ends	% of award/grant vesting at minimum threshold
Simon Emeny	LTIP	36,595	91,489	£10.34	£1.034	£472,992	26/06/17	26/06/20	40%
	SIP	275	–	£10.89		£2,995	19/06/17	n/a	n/a
Total		**36,870**	**91,489**			**£475,987**			
James Douglas	LTIP	25,106	62,765	£10.34	£1.034	£324,495	26/06/17	26/06/20	40%
	SIP	275	–	£10.89		£2,995	19/06/17	n/a	n/a
Total		**25,381**	**62,765**			**£327,490**			
Richard Fuller	LTIP	11,808	29,521	£10.34	£1.034	£152,619	26/06/17	26/06/20	40%
	SIP	275	–	£10.89		£2,995	19/06/17	n/a	n/a
Total		**12,083**	**29,521**			**£155,614**			
Jonathon Swaine	LTIP	15,574	38,936	£10.34	£1.034	£201,295	26/06/17	26/06/20	40%
	SIP	275	–	£10.89		£2,995	19/06/17	n/a	n/a
Total		**15,849**	**38,936**			**£204,290**			
Simon Dodd	LTIP	12,765	31,914	£10.34	£1.034	£164,989	26/06/17	26/06/20	40%
	SAYE	886	–	£8.12	–	£7,194	01/09/17	01/09/20	100%
	SIP	275	–	£10.89		£2,995	19/06/17	n/a	n/a
Total		**13,926**	**31,914**			**£175,178**			

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

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

Share Scheme Interests Outstanding at the Year End

Shares

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

- All shares they hold in the SIP
- All shares they acquire as a result of exercising SAYE options
- All shares that they acquire as a result of exercising options under the tax-advantaged ESOS net of the cost of those options
- At least 75% of any shares that they acquire as a result of exercising options under the non-tax-advantaged SESOS net of the cost of those options and the costs of settling related tax and National Insurance ("NI") thereon
- At least 75% of any post-tax and NI vested shares under the LTIP.

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

Directors' Shareholdings

Directors Share Interests	Beneficial interest at 31 March 2018	Non–beneficial interest at 31 March 2018	Beneficial interest at 1 April 2017	Non–beneficial interest at 1 April 2017
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	100,695	500	98,420	–
'B' ordinary 4p shares	1,009,343	–	911,989	–
'C' ordinary 40p shares	1,000	–	–	–
James Douglas				
'A' ordinary 40p shares	50,488	–	49,009	–
'B' ordinary 4p shares	374,146	–	310,312	–
'C' ordinary 40p shares	1,000	–	–	–
Richard Fuller				
'A' ordinary 40p shares	10,919	500,000	8,894	500,000
'B' ordinary 4p shares	3,100,680	10,935,015	3,122,462	10,935,015
'C' ordinary 40p shares	20,000		20,000	
2nd Preference £1 shares	303		303	
Jonathon Swaine				
'A' ordinary 40p shares	34,967	–	30,067	–
'B' ordinary 4p shares	161,886	–	127,690	–
'C' ordinary 40p shares	1,991	–	–	–
Simon Dodd				
'A' ordinary 40p shares	835	–	560	n/a
John Dunsmore				
'A' ordinary 40p shares	23,305	–	23,305	–
Sir James Fuller				
'A' ordinary 40p shares	88,942	–	88,942	–
'B' ordinary 4p shares	9,149,214	–	9,143,952	–
'C' ordinary 40p shares	2,702,003	–	2,702,003	–
Lynn Fordham				
'A' ordinary 40p shares	13,192	–	13,192	–
Alastair Kerr				
'A' ordinary 40p shares	3,941	–	3,941	–
Peter Swinburn				
'A' ordinary 40p shares	4,000	–	n/a	n/a
Juliette Stacey				
'A' ordinary 40p shares	1,250	–	n/a	n/a

There were no changes in the beneficial interests of any Director to 1 June 2018.

Director's Share Options

Director	Scheme	As at 1 April 2017	Exercised	Lapsed	Granted	As at 31 March 2018	Exercise price	Date of grant	Exercisable from	Expiry date	Price at exercise date
Simon Emeny	SESOS	5,190	–	–	–	5,190	£5.78	12/07/10	12/07/13	12/07/20	
	SESOS	515	–	–	–	515	£6.30	30/11/10	30/11/13	30/11/20	
	SESOS	6,398	–	–	–	6,398	£7.09	20/07/11	20/07/14	19/07/21	
	SESOS	9,446	–	–	–	9,446	£7.05	12/07/12	12/07/15	11/07/22	
	SESOS	4,945	–	–	–	4,945	£9.10	01/07/13	01/07/16	01/07/23	
	ESOS	3,296	–	–	–	3,296	£9.10	01/07/13	01/07/16	01/07/23	
	SAYE	497	–	–	–	497	£7.24	01/09/13	01/09/18	01/03/19	
	SAYE	3,410	–	–	–	3,410	£7.74	01/09/16	01/09/21	01/03/22	
Total		**33,697**				**33,697**					
James Douglas	SESOS	2,391	–	–	–	2,391	£4.05	15/07/08	15/07/11	15/07/18	
	SESOS	8,625	–	–	–	8,625	£4.80	16/07/09	16/07/12	16/07/19	
	SESOS	4,504	–	–	–	4,504	£5.78	12/07/10	12/07/13	12/07/20	
	SESOS	628	–	–	–	628	£6.30	30/11/10	30/11/13	30/11/20	
	SESOS	5,094	–	–	–	5,094	£7.09	20/07/11	20/07/14	19/07/21	
	SESOS	7,517	–	–	–	7,517	£7.05	12/07/12	12/07/15	11/07/22	
	SESOS	2,659	–	–	–	2,659	£9.10	01/07/13	01/07/16	01/07/23	
	ESOS	3,296	–	–	–	3,296	£9.10	01/07/13	01/07/16	30/06/23	
	SAYE	1,204	(1,204)	–	–	–	£7.47	01/09/14	01/09/17	01/03/18	£9.36
	SAYE	1,034	–	–	–	1,034	£8.70	01/09/15	01/09/18	01/03/19	
Total		**36,952**				**35,748**					
Richard Fuller	SESOS	2,592	–	–	–	2,592	£5.78	12/07/10	12/07/13	12/07/20	
	ESOS	869	–	–	–	869	£5.78	12/07/10	12/07/13	12/07/20	
	SESOS	3,229	–	–	–	3,229	£7.09	20/07/11	20/07/14	19/07/21	
	SESOS	4,765	–	–	–	4,765	£7.05	12/07/12	12/07/15	11/07/22	
	SESOS	3,747	–	–	–	3,747	£9.10	01/07/13	01/07/16	01/07/23	
	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	2,713	–	–	–	2,713	£7.74	01/09/16	01/09/21	01/03/22	
Total		**21,732**				**21,732**					
Jonathon Swaine	SESOS	709	–	–	–	709	£7.05	12/07/12	12/07/15	11/07/22	
	ESOS	4,255	–	–	–	4,255	£7.05	12/07/12	12/07/15	12/07/22	
	SESOS	3,901	–	–	–	3,901	£9.10	01/07/13	01/07/16	01/07/23	
	SAYE	2,325	–	–	–	2,325	£7.74	01/09/16	01/09/19	01/03/20	
Total		**11,190**				**11,190**					
Simon Dodd											
	ESOS	2,752	–	–	–	2,752	£10.90	29/06/15	29/06/18	29/06/25	
	SAYE	1,395	–	–		1,395	£7.74	01/09/16	01/09/19	01/03/20	
	SAYE	–	–	–	886	886	£8.12	01/09/17	01/09/20	01/03/21	
Total		**4,147**				**5,033**					
TOTAL		**107,718**				**107,400**					

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 1 April 2017	Awarded during the year	Vested during the year[1]	Lapsed during the year	Total held at 31 March 2018	Monetary value of vest £000[2]
Simon Emeny						
'A' ordinary 40p shares	104,337	36,595	(35,108)	–	**105,824**	379
'B' ordinary 4p shares	260,846	91,489	(87,772)	–	**264,563**	95
James Douglas						
'A' ordinary 40p shares	73,740	25,106	(25,533)	–	**73,313**	260
'B' ordinary 4p shares	184,353	62,765	(63,834)	–	**183,284**	65
Richard Fuller						
'A' ordinary 40p shares	34,356	11,808	(11,900)	–	**34,264**	122
'B' ordinary 4p shares	85,894	29,521	(29,751)	–	**85,664**	31
Jonathon Swaine						
'A' ordinary 40p shares	42,482	15,574	(13,678)	–	**44,378**	161
'B' ordinary 4p shares	106,207	38,936	(34,196)	–	**110,947**	40
Simon Dodd						
'A' ordinary 40p shares	12,721	12,765	–	–	**25,486**	–
'B' ordinary 4p shares	31,804	31,914	–	–	**63,718**	–

1 The release of the 'A' ordinary shares awarded under the LTIP which vested was satisfied as to 1,000 shares by the release of 'C' ordinary shares in the case of Simon Emeny, James Douglas and Jonathon Swaine.
2 The market price of 'A' ordinary shares on 28 July 2017 for the LTIP awards that vested and were released to participants was £10.35; the price of 'B' ordinary shares is assumed to be £1.035.

The performance conditions for the LTIP are set out in the tables on pages 54 and 55 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.

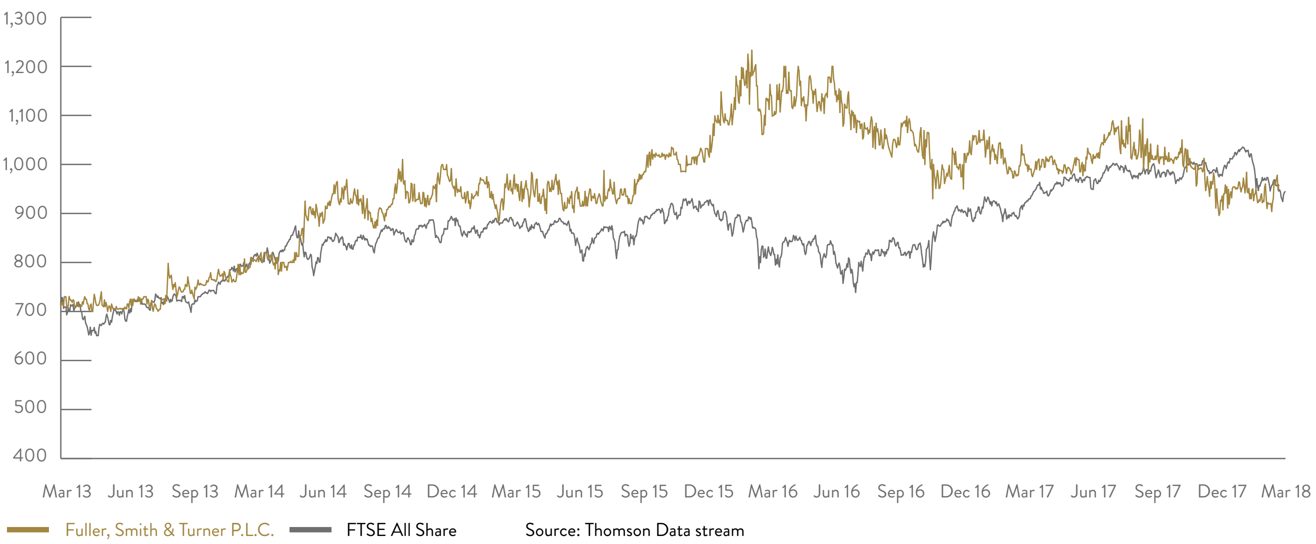
Nigel Atkinson, former Non-Executive Director, receives annual fees of £7,500 which are paid because Mr Atkinson continued to act for the Company as its ambassador in the Hampshire area, attending various events as the Company's representative. This arrangement ceased on 30 April 2018.

Payments for Loss of Office

There were no payments to Directors or former Directors for loss of office during the financial year.

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 All Share. The Company is a constituent of this Index and therefore it is an appropriate choice for this report.



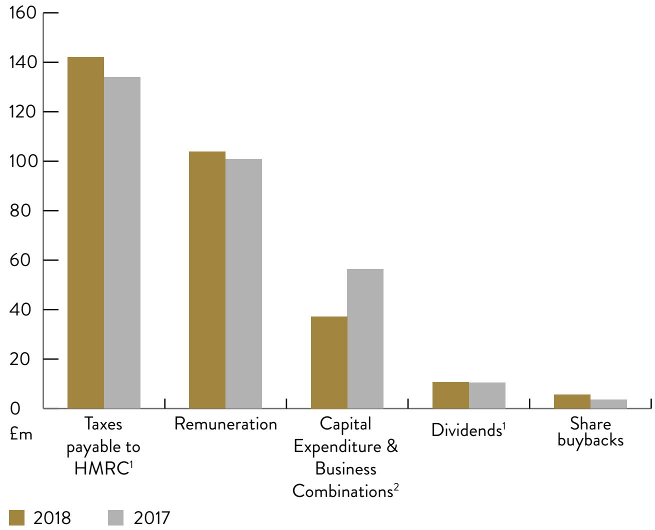
The table below shows the total remuneration figure for the Chief Executive over the last five financial years and the annual bonus and LTIP pay-out for each year as a percentage of the maximum available:

	2014[2]	2015	2016	2017	**2018**
Single figure total remuneration (£000)	977	1,244	1,418	1,097	**1,089**
Annual bonus[1]	77%	76%	85%	41%	**48%**
LTIP	64%	96%	100%	100%	**56%**

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



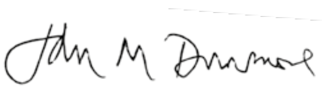
1 Taxes payable to HMRC is based upon tax incurred in the year and includes corporation tax, VAT, PAYE, NI, duty, stamp duty, non-domestic rates, property licences, environmental levies and machine game duty.
2 Capital expenditure (including business combinations) represents cash paid in the year.
3 Dividends represents the interim dividend for 2018, paid in the year and the final dividend for 2018 that has been proposed but not paid in the year.

Statement of Voting at the Last Annual General Meeting

At the Annual General Meeting held on 25 July 2017, 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	98,562,946	94.87%	5,324,292	5.13%	103,887,238	9,821

The Directors' Remuneration Report, encompassing pages 47 to 61, was approved by the Board and signed on its behalf.



John Dunsmore
Chairman of the Remuneration Committee

7 June 2018

INDEPENDENT AUDITOR'S REPORT

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

Our opinion on the financial statements is unmodified

We have audited the financial statements of Fuller, Smith & Turner P.L.C. (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 31 March 2018 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit and the parent company's profit for the 52 week period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report and accounts that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 24 of the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 23 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 23 of the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £2.1m, which represents approximately 5% of the Group's profit before taxation and separately disclosed items;
- Key audit matters were identified as assessment of impairment of property, plant and equipment and intangible assets, risk of fraud in revenue recognition and presentation of separately disclosed items; and
- A full audit scope has been performed in respect of all trading entities which comprise 100% of group revenue and profit, which is consistent with 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
Impairment of property, plant and equipment and intangible assets	
As more fully explained in notes 11, the Directors have chosen to make an annual impairment assessment for property, plant and equipment. The process for measuring and recognising impairment under International Accounting Standard (IAS) 36: 'Impairment of Assets' is complex and highly judgemental, particularly as each individual trading outlet is treated as a separate cash-generating unit for impairment purposes, and the valuation relies on forecasts of trading activity made by management as well as consideration of alternative use for each site. In addition, as required by IFRS, the Directors perform an annual impairment review of intangible assets as more fully explained in note 10. The impairment review of intangible assets is complex and judgemental, including what constitutes a cash generating unit (CGU) and the use of forecasts including the use of relevant discount rates. We therefore identified the assessment of impairment of property, plant and equipment and intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • reviewing the accounting policy for compliance with IFRS as adopted by the EU and that the application by the group is consistent with the stated policy; • an assessment of current trading and the market for pub transactions; • challenging the impairment models prepared by management that assess each trading property and each component of intangible assets; • testing of the integrity of data used in the models by agreeing a sample to source data; • a review of the key inputs within the calculations, as well as performing a completeness review of all operating units to ensure all appropriate sites and CGUs had been appropriately identified; • challenging management's impairment model, using industry data to consider the reasonableness of management's assumptions, in particular maintainable trading levels, growth and discount rates; and • testing the accuracy of management's forecasting through a comparison of budget to actual data and 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 intangible assets in note 10. The Audit Committee also identified impairment testing of intangible assets, property, plant and equipment as a significant issue in its report on page 43, where the Committee also describes how it addressed this issue. **Key observations** As a result of the audit procedures we performed and, after considering management's disclosures of the judgements applied by them, we have concluded that impairment has been appropriately assessed in accordance with the requirements of IAS 36.
Presentation of separately disclosed items	
As set out in the consolidated income statement and note 5, the financial statements included a net credit of £0.4m before tax in respect of Separately Disclosed Items. There is significant management judgement in the determination of these items, which are not defined by IFRSs as adopted by the EU, and reported upon as part of an alternative performance measure within the financial statements. Consistency of presentation is important for maintaining comparability between reported results for each period. We therefore identified the presentation of separately disclosed items as a significant risk , which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • testing the criteria used by management to determine classification as a separately disclosed item; • agreeing the classification was consistent with the group's stated accounting policy; • considering whether the classification was appropriate, and the presentation enhanced the clarity and understanding of financial statements for the reporting period; and • checking that the presentation was consistent with that presented in prior periods. The group's accounting policy on separately disclosed items is shown in note 1 to the financial statements and related disclosures are included in note 5. The Audit Committee identified separately disclosed items as a significant issue in its report on page 43, where the Committee also described the action that it has taken to address this issue. **Key observations** As a result of the audit procedures performed we have concluded that Separately Disclosed Items have been appropriately classified and disclosed on a consistent basis.

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
Risk of fraud in revenue recognition	
Under ISA (UK) 240 'The auditor's responsibilities relating to fraud in an audit of financial statements', there is a presumed risk of fraud in revenue recognition. 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, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • an evaluation of the revenue recognition policies for each of the Group's two principal revenue streams against the requirements of the Group's stated accounting policies and IAS 18: 'Revenue'; • for beer and liquor sales made by the Brewery we performed testing of certain key controls such as proof of delivery over invoicing and despatch, • testing the recovery of trade receivables to after date cash and checking the application of cut-off at the period end; and • for managed inns revenue we tested the key controls over the completeness and capture of sales from individual inns; • tested the receipt of cash collected at inns into Group bank accounts; and • 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. **Key observations** As a result of the audit procedures performed we have concluded that revenue has been recognised appropriately in accordance with IAS 18.

Our application of materiality

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

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£2.1m which is approximately 5% of profit before profit before taxation and Separately Disclosed Items. This benchmark is considered the most appropriate because it is one of the key performance indicators for the Board and its shareholders as well as being a crucial component of the earnings per share calculation and in calculating Directors' bonuses. Materiality for the current year is higher than the level that we determined for the 53 week ended 1 April 2017 to reflect the increase in reported activity and profit.	£2.1m which is approximately 5% of profit before profit before taxation and Separately Disclosed Items. This benchmark is considered the most appropriate because the majority of the group's revenue and profit is recorded in the parent. Materiality for the current year is higher than the level that we determined for the 53 week ended 1 April 2017 to reflect the increase in reported activity and profit.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality of £100,000 for certain areas such as Directors' remuneration and related party transactions, being the lowest reporting level of the financial statements.	We determined a lower level of specific materiality of £100,000 for certain areas such as Directors' remuneration and related party transactions, being the lowest reporting level of the financial statements.
Communication of misstatements to the audit committee	£100,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£100,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our group audit approach was based on a thorough understanding of the group's business and the environment it operates in and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Although the Group financial statements are a consolidation of the Parent Company and its trading subsidiaries, substantially all of the Group's profit before taxation arose in the Parent Company on which we performed a full scope audit. Full scope audit work was performed on other components at materiality levels commensurate with their size;
- recognition that the Group is organised into three principal operating divisions: Managed Pubs and Hotels, Tenanted Inns and The Fuller's Beer Company. 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.

This approach is consistent with that adopted for the 53 week period ended 1 April 2017.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

INDEPENDENT AUDITOR'S REPORT continued
to the Members of Fuller, Smith & Turner P.L.C.

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

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

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

The period of total uninterrupted engagement is 5 years, covering the years ending 31 March 2014 to 2018.

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

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

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

7 June 2018

GROUP INCOME STATEMENT
for the 52 weeks ended 31 March 2018

	Note	52 weeks ended 31 March 2018 Before separately disclosed items £m	52 weeks ended 31 March 2018 Separately disclosed items £m	52 weeks ended 31 March 2018 Total £m	53 weeks ended 1 April 2017 Before separately disclosed items £m	53 weeks ended 1 April 2017 Separately disclosed items £m	53 weeks ended 1 April 2017 Total £m
Revenue	3	403.6	–	403.6	392.0	–	392.0
Operating costs	4,5	(354.4)	(4.7)	(359.1)	(342.5)	(3.1)	(345.6)
Operating profit		49.2	(4.7)	44.5	49.5	(3.1)	46.4
Profit on disposal of properties	5	–	6.1	6.1	–	0.9	0.9
Finance costs	5,6	(6.0)	(1.0)	(7.0)	(6.6)	(0.8)	(7.4)
Profit before tax		43.2	0.4	43.6	42.9	(3.0)	39.9
Taxation	5,7	(8.8)	–	(8.8)	(9.1)	1.7	(7.4)
Profit for the year		34.4	0.4	34.8	33.8	(1.3)	32.5
Attributable to:							
Equity shareholders of the Parent Company		34.7	1.1	35.8	33.9	(1.2)	32.7
Non-controlling interest		(0.3)	(0.7)	(1.0)	(0.1)	(0.1)	(0.2)

Earnings per share per 40p 'A' and 'C' ordinary share		Pence		Pence	Pence		Pence
Basic	8			64.89			59.21
Diluted	8			64.49			58.54
Adjusted	8	62.90			61.39		
Diluted adjusted	8	62.51			60.69		
Earnings per share per 4p 'B' ordinary share							
Basic	8			6.49			5.92
Diluted	8			6.45			5.85
Adjusted	8	6.29			6.14		
Diluted adjusted	8	6.25			6.07		

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 31 March 2018

Group	Note	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Profit for the year		**34.8**	32.5
Items that may be reclassified to profit or loss			
Net gains on valuation of financial assets and liabilities	26	**1.5**	–
Tax related to items that may be reclassified to profit or loss		**(0.2)**	–
Items that will not be reclassified to profit or loss			
Net actuarial gains/(losses) on pension schemes	23	**4.4**	(14.6)
Tax related to items that will not be reclassified to profit or loss		**(0.8)**	2.1
Other comprehensive gains/(losses) for the year, net of tax		**4.9**	(12.5)
Total comprehensive income for the year, net of tax		**39.7**	20.0
Total comprehensive income attributable to:			
Equity shareholders of the Parent Company		**40.7**	20.2
Non-controlling interest	16	**(1.0)**	(0.2)
Company			
Profit for the year		**35.1**	33.0
Items that may be reclassified to profit or loss			
Net gains on valuation of financial assets and liabilities	26	**1.5**	–
Tax related to items that may be reclassified to profit or loss		**(0.2)**	–
Items that will not be reclassified to profit or loss			
Net actuarial gains/(losses) on pension schemes	23	**4.4**	(14.6)
Tax related to items that will not be reclassified to profit or loss		**(0.8)**	2.1
Other comprehensive gains/(losses) for the year, net of tax		**4.9**	(12.5)
Total comprehensive income for the year, net of tax		**40.0**	20.5

GROUP AND COMPANY BALANCE SHEETS

31 March 2018

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current assets					
Intangible assets	10	**45.4**	39.0	**6.1**	6.9
Property, plant and equipment	11	**564.1**	557.5	**551.8**	541.1
Investment properties	12	**4.6**	4.7	**4.6**	4.7
Other financial assets	13	**–**	0.1	**–**	0.1
Other non-current assets	14	**0.4**	0.4	**0.4**	0.4
Investments in subsidiaries	15	**–**	–	**105.5**	100.2
Deferred tax assets	7	**8.7**	10.4	**8.1**	9.5
Total non-current assets		**623.2**	612.1	**676.5**	662.9
Current assets					
Inventories	18	**13.5**	14.0	**11.6**	12.2
Trade and other receivables	19	**22.9**	21.6	**42.5**	42.3
Cash and short term deposits	22	**11.7**	15.3	**9.7**	12.8
Assets classified as held for sale	20	**2.1**	5.9	**2.1**	5.9
Total current assets		**50.2**	56.8	**65.9**	73.2
Current liabilities					
Trade and other payables	21	**(64.0)**	(68.6)	**(163.7)**	(167.8)
Current tax payable		**(4.0)**	(4.6)	**(3.1)**	(3.8)
Provisions	25	**(0.1)**	(0.5)	**(0.1)**	(0.5)
Borrowings	22	**(30.0)**	(20.0)	**(30.0)**	(20.0)
Other financial liabilities	13	**(3.7)**	–	**–**	–
Total current liabilities		**(101.8)**	(93.7)	**(196.9)**	(192.1)
Non-current liabilities					
Borrowings	22	**(183.6)**	(201.4)	**(183.4)**	(201.2)
Other financial liabilities	13	**(1.8)**	(8.5)	**(1.8)**	(3.2)
Retirement benefit obligations	23	**(32.5)**	(37.9)	**(32.5)**	(37.9)
Deferred tax liabilities	7	**(18.0)**	(16.8)	**(17.1)**	(16.5)
Provisions	25	**(0.6)**	(0.7)	**(0.6)**	(0.7)
Other non-current payables	21	**(0.2)**	(0.2)	**–**	–
Total non-current liabilities		**(236.7)**	(265.5)	**(235.4)**	(259.5)
Net assets		**334.9**	309.7	**310.1**	284.5
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	**(19.2)**	(16.7)	**(19.2)**	(16.7)
Hedging reserve	27	**(1.1)**	(2.6)	**(1.1)**	(2.6)
Retained earnings		**328.4**	301.4	**299.7**	273.1
Equity attributable to equity holders of the parent		**338.8**	312.8	**310.1**	284.5
Non-controlling interest	16	**(3.9)**	(3.1)	**–**	–
Total equity		**334.9**	309.7	**310.1**	284.5

Profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £35.1 million (2017: £33.0 million).

Approved by the Board and signed on 7 June 2018.

Michael Turner

M J Turner, FCA
Chairman

GROUP AND COMPANY STATEMENTS OF CHANGES IN EQUITY

for the 52 weeks ended 31 March 2018

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 26 March 2016	22.8	4.8	3.1	(15.8)	(2.6)	293.0	305.3	(4.4)	300.9
Profit for the year	–	–	–	–	–	32.7	32.7	(0.2)	32.5
Other comprehensive loss for the year	–	–	–	–	–	(12.5)	(12.5)	–	(12.5)
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**20.2**	**20.2**	**(0.2)**	**20.0**
Shares purchased to be held in ESOT or as treasury	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
Shares released from ESOT and treasury	–	–	–	2.7	–	(2.1)	0.6	–	0.6
Dividends (note 9)	–	–	–	–	–	(10.1)	(10.1)	–	(10.1)
Share-based payment charges	–	–	–	–	–	1.7	1.7	–	1.7
Tax credited directly to equity (note 7)	–	–	–	–	–	0.2	0.2	–	0.2
Adjustments arising from change in non-controlling interest (note 16)	–	–	–	–	–	(1.5)	(1.5)	1.5	–
Total transactions with owners	**–**	**–**	**–**	**(0.9)**	**–**	**(11.8)**	**(12.7)**	**1.5**	**(11.2)**
At 1 April 2017	**22.8**	**4.8**	**3.1**	**(16.7)**	**(2.6)**	**301.4**	**312.8**	**(3.1)**	**309.7**
Profit for the year	–	–	–	–	–	35.8	35.8	(1.0)	34.8
Other comprehensive income for the year	–	–	–	–	1.5	3.4	4.9	–	4.9
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**1.5**	**39.2**	**40.7**	**(1.0)**	**39.7**
Shares purchased to be held in ESOT or as treasury	–	–	–	(5.5)	–	–	(5.5)	–	(5.5)
Shares released from ESOT and treasury	–	–	–	3.0	–	(2.2)	0.8	–	0.8
Dividends (note 9)	–	–	–	–	–	(10.5)	(10.5)	–	(10.5)
Share-based payment charges	–	–	–	–	–	0.8	0.8	–	0.8
Tax debited directly to equity (note 7)	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Adjustments arising from change in non-controlling interest (note 16)	–	–	–	–	–	–	–	0.2	0.2
Total transactions with owners	**–**	**–**	**–**	**(2.5)**	**–**	**(12.2)**	**(14.7)**	**0.2**	**(14.5)**
At 31 March 2018	**22.8**	**4.8**	**3.1**	**(19.2)**	**(1.1)**	**328.4**	**338.8**	**(3.9)**	**334.9**

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 26 March 2016	22.8	4.8	3.1	(15.8)	(2.6)	262.9	275.2
Profit for the year	–	–	–	–	–	33.0	33.0
Other comprehensive loss for the year	–	–	–	–	–	(12.5)	(12.5)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**20.5**	**20.5**
Shares purchased to be held in ESOT or as treasury	–	–	–	(3.6)	–	–	(3.6)
Shares released from ESOT and treasury	–	–	–	2.7	–	(2.1)	0.6
Dividends (note 9)	–	–	–	–	–	(10.1)	(10.1)
Share-based payment charges	–	–	–	–	–	1.7	1.7
Tax credited directly to equity (note 7)	–	–	–	–	–	0.2	0.2
Total transactions with owners	**–**	**–**	**–**	**(0.9)**	**–**	**(10.3)**	**(11.2)**
At 1 April 2017	**22.8**	**4.8**	**3.1**	**(16.7)**	**(2.6)**	**273.1**	**284.5**
Profit for the year	–	–	–	–	–	35.1	35.1
Other comprehensive income for the year	–	–	–	–	1.5	3.4	4.9
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1.5**	**38.5**	**40.0**
Shares purchased to be held in ESOT or as treasury	–	–	–	(5.5)	–	–	(5.5)
Shares released from ESOT and treasury	–	–	–	3.0	–	(2.2)	0.8
Dividends (note 9)	–	–	–	–	–	(10.5)	(10.5)
Share-based payment charges	–	–	–	–	–	0.8	0.8
Tax credited directly to equity (note 7)	–	–	–	–	–	–	–
Total transactions with owners	**–**	**–**	**–**	**(2.5)**	**–**	**(11.9)**	**(14.4)**
At 31 March 2018	**22.8**	**4.8**	**3.1**	**(19.2)**	**(1.1)**	**299.7**	**310.1**

GROUP AND COMPANY CASH FLOW STATEMENTS

for the 52 weeks ended 31 March 2018

	Note	Group 52 weeks ended 31 March 2018 £m	Group 53 weeks ended 1 April 2017 £m	Company 52 weeks ended 31 March 2018 £m	Company 53 weeks ended 1 April 2017 £m
Profit before tax		**43.6**	39.9	**43.4**	37.8
Net finance costs before separately disclosed items		**6.0**	6.6	**8.1**	8.4
Separately disclosed items	5	**(0.4)**	3.0	**(2.7)**	4.3
Depreciation and amortisation	4	**21.7**	21.0	**19.4**	18.8
		70.9	70.5	**68.2**	69.3
Difference between pension charge and cash paid		**(2.0)**	(1.0)	**(2.0)**	(1.0)
Share-based payment charges		**0.8**	1.7	**0.8**	1.7
Change in trade and other receivables		**(0.9)**	(0.6)	**0.5**	(0.5)
Change in inventories		**0.7**	(1.6)	**0.6**	(1.3)
Change in trade and other payables		**(4.2)**	5.9	**(3.4)**	5.6
Cash impact of operating separately disclosed items	5	**(4.0)**	(2.4)	**(4.0)**	(2.1)
Cash generated from operations		**61.3**	72.5	**60.7**	71.7
Tax paid		**(9.0)**	(9.2)	**(8.2)**	(9.0)
Cash generated from operating activities		**52.3**	63.3	**52.5**	62.7
Cash flow from investing activities					
Business combinations	17	**(10.6)**	(20.8)	**(10.6)**	(20.8)
Purchase of property, plant and equipment		**(27.6)**	(35.0)	**(25.9)**	(28.8)
Sale of property, plant and equipment and investment property		**10.8**	4.4	**10.8**	4.4
Cash acquired on acquisition		**0.4**	–	**–**	–
Net cash outflow from investing activities		**(27.0)**	(51.4)	**(25.7)**	(45.2)
Cash flow from financing activities					
Purchase of own shares	27	**(5.5)**	(3.6)	**(5.5)**	(3.6)
Receipts on release of own shares to option schemes		**0.8**	0.6	**0.8**	0.6
Interest paid		**(5.6)**	(5.9)	**(5.5)**	(5.9)
Preference dividends paid	9	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Equity dividends paid	9	**(10.5)**	(10.1)	**(10.5)**	(10.1)
Drawdown of bank loans		**10.0**	16.5	**10.0**	16.5
Repayment of bank loans		**(18.0)**	–	**(18.0)**	–
Loans to subsidiary companies		**–**	–	**(1.1)**	(7.0)
Cost of refinancing		**–**	(0.1)	**–**	(0.1)
Cost of new derivative instruments		**–**	(0.1)	**–**	(0.1)
Net cash outflow from financing activities		**(28.9)**	(2.8)	**(29.9)**	(9.8)
Net movement in cash and cash equivalents		**(3.6)**	9.1	**(3.1)**	7.7
Cash and cash equivalents at the start of the year	22	**15.3**	6.2	**12.8**	5.1
Cash and cash equivalents at the end of the year	22	**11.7**	15.3	**9.7**	12.8

Cash and cash equivalents comprise cash and other short-term highly liquid investments with a maturity of three months or less.

There were no significant non-cash transactions during either period.

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of Financial Statements and Accounting Policies

Authorisation of Financial Statements

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the "Group") for the 52 weeks ended 31 March 2018 were authorised for issue by the Board of Directors on 7 June 2018 and the Balance Sheet was signed on the Board's behalf by M J Turner. Fuller, Smith & Turner P.L.C. is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary 'A' shares are traded on the London Stock Exchange.

Significant Accounting Policies

Basis of preparation

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and applied to the financial statements of the Group and the Company for the 52 weeks ended 31 March 2018, in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in the accounting policies below.

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

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

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

Significant accounting estimates and judgements

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

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Full details are supplied in note 10, together with an analysis of the key assumptions.

The Group reviews for impairment all property, plant and equipment at cash-generating unit level where there is any indication of impairment. This requires an estimation of the value in use and involves estimation of future cash flows and choosing a suitable discount rate. See note 11 , which describes the assumptions used together with an analysis of the key assumptions.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the Group's qualified actuary. The estimates used and the key assumptions are provided in note 23.

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

The assessment of fair values for the assets and liabilities recognised in the financial statements on the acquisition of a business, the valuation of additional consideration and the date that control is obtained require significant judgement and estimate. Management assess fair values, particularly for property, plant and equipment, with reference to current market prices. See note 17 for business combinations made in the year.

Judgement is used to determine those items that should be separately disclosed to allow a better understanding of the underlying trading performance of the Group. The judgement includes assessment of whether an item is of a nature that is not consistent with normal trading activities or of sufficient size or infrequency. See note 5.

Basis of consolidation

The Group financial statements consolidate the financial statements of Fuller, Smith & Turner P.L.C. and the entities it controls (its subsidiaries) drawn up for the 52 weeks ended 31 March 2018 (2017: 53 weeks ended 1 April 2017).

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to direct the relevant activities of the subsidiary which significantly affect the return of the subsidiary, so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

1. Authorisation of Financial Statements and Accounting Policies continued

Adoption of new standards and interpretations

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 2 April 2017:

• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
• Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows	1 January 2017
• Annual Improvements to IFRS 2014-2016 Cycle	1 January 2017
• Clarification of the Scope of the Disclosure Requirements in IFRS 12: Disclosure of Interests in Other Entities	1 January 2017

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

Intangible assets

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

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Goodwill

Business combinations are accounted for under IFRS 3 Business Combinations using the purchase method. Any excess of the consideration of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Balance Sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the Income Statement.

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

Any contingent 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 to write down the cost to the estimated residual value over the expected useful life of the asset as follows:

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

As required under IAS 16 Property, Plant and Equipment, expected useful lives and residual values are reviewed every year. Land is not depreciated.

Government grants

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

1. Authorisation of Financial Statements and Accounting Policies continued

Investment property

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

Impairment

Carrying values are reviewed for impairment if events indicate that the carrying value of the asset may not be recoverable. If such an indicator exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. An asset's recoverable amount is the greater of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses, and any reversal of such losses, are recognised in the Income Statement.

Leases

Group as a lessee

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

Group as a lessor

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

Assets held for sale

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 are recognised at their original invoiced amounts, less an allowance for any amounts that are not considered to be collectible. In determining whether an amount is not collectible, the Group considers its past experience of collecting payments, increases in the number of delayed payments past the average credit period, as well as changes in national or economic conditions that correlate with default on receivables. Increases to the allowance account are recognised in the Income Statement within operating costs. At the point a trade receivable is written off the ledger as uncollectible, the cost is charged against the allowance account and any subsequent recoveries of amounts previously written off are credited to the Income Statement.

Cash and short-term deposits

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

Derecognition

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

Financial liabilities

Trade and other payables

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

Bank loans, overdrafts and debentures

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

1. Authorisation of Financial Statements and Accounting Policies continued

Derecognition

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

Derivative financial instruments and hedging

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and cap contracts is determined by reference to market values for similar instruments. This represents a Level 2 fair value under the hierarchy in IFRS 13 Fair Value Measurement.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective. For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging an exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

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

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

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

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

Classification of shares as debt or equity

When shares are issued, any component that creates a financial liability of the Company or Group is presented as a liability in the Balance Sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the Income Statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

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

The Group's ordinary shares are classified as equity instruments. For the purposes of the disclosures given in note 26 , the Group considers its capital to comprise its ordinary share capital, share premium, capital redemption reserve, hedging reserve and accumulated retained earnings plus its preference shares which are classified as a financial liability in the Balance Sheet. There have been no changes to what the Group considers to be capital since the prior year.

Preference shares

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

1. Authorisation of Financial Statements and Accounting Policies continued

Revenue

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

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

Finance revenue

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

Borrowing costs

Borrowing costs are generally recognised as an expense when incurred. Interest expenses directly attributable to the acquisition or construction of an asset that takes a substantial period of time to get ready for use are capitalised as part of the cost of the assets being created. This is applied to development projects where the development is expected to last in excess of six months at the commencement of the project.

Separately disclosed items

The Group presents as separately disclosed items on the face of the Income Statement those material items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Share-based payments

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

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

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

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

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

Own shares

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

In addition to the purchase of shares by the various employee share ownership trusts for specific awards, the Group also from time to time acquires own shares to be held as treasury shares. These shares are occasionally but not exclusively used to satisfy awards under various share option schemes. Treasury shares are held at cost and shown as a deduction from total equity in the Balance Sheet.

Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of treasury shares.

1. Authorisation of Financial Statements and Accounting Policies continued

Taxation

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

Current tax

The current tax payable is based on taxable profit for the year using UK tax rates enacted or substantively enacted at the Balance Sheet date and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which they can be utilised.

Such deferred tax assets and liabilities are not recognised where the asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

Deferred tax is not recognised in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Current and deferred tax for the year

Current and deferred tax are recognised in the Income Statement except when they relate to items that are recognised in the Statement of Comprehensive Income or in equity, in which case the current and deferred tax are also recognised in the Statement of Comprehensive Income or directly in equity respectively.

Pensions and other post-employment benefits

Defined contribution schemes

Payments to defined contribution retirement benefit schemes are charged to the Income Statement as they fall due.

Defined benefit schemes

The Group operated a defined benefit pension plan for eligible employees where contributions were made into a separate fund administered by trustees. The Scheme closed to future accrual in January 2015.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method calculated by qualified actuaries. This attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the Income Statement on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss is recognised in the Income Statement during the period in which the settlement or curtailment occurs.

The Group determines the net interest charge on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net pension liability/(asset) at the beginning of the period. The net interest charge is recognised immediately as a separately disclosed finance cost/(income) in the Income Statement. Actuarial gains and losses are recognised in full in the Statement of Comprehensive Income in the period in which they occur.

The defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

1. Authorisation of Financial Statements and Accounting Policies continued

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated at the year end exchange rates and the resulting exchange differences are taken to the Income Statement, except where hedge accounting is applied.

Dividends

Dividends recommended by the Board but unpaid at the year end are not recognised in the financial statements until they are paid (in the case of the interim dividend) or approved by shareholders at the Annual General Meeting (in the case of the final dividend).

Financial guarantee contracts

Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company's investments in subsidiaries

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

New standards and interpretations issued but not yet applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date for periods starting on or after the date on which these financial statements start:

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 9 Financial Instruments (2014) (effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective 1 January 2018)
- Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards (effective 1 January 2018)
- Amendments to IAS 28: Investments in Associates and Joint Ventures (effective 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective 1 January 2019)
- IFRS 17 Insurance Contracts (effective 1 January 2021)

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 16 replaces IAS 17, Leases, and significantly revises the way that entities will account for leases. It will result in most leases being accounted for on-balance sheet recognising a new category of right-of-use asset and liability based on discounted future lease payments. The impact on the results of the Group are expected to be material, with the asset being depreciated over the shorter of the lease term or its useful life and the lease payment being apportioned between a finance charge and capital repayment. The Group is continuing to assess the potential impact on its financial statements.

The Directors expect that the adoption of the Standards and Interpretations listed below will not have a material impact on the financial statements of the Group in future periods:

- The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impact on the results of the Group are unlikely to be material, but may lead to existing economic hedging arrangements meeting the requirements for hedge accounting.
- IFRS 15, Revenue from Contracts with Customers, replaces existing revenue recognition guidance, including IAS 18, Revenue, IAS 11, Construction Contracts and IFRIC 13, Customer Loyalty Programmes, and establishes a comprehensive framework for determining whether, how much and when revenue is recognised by introducing a five step model. The impact on the results of the Group are unlikely to be material.

2. Segmental Analysis

Operating Segments

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

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

The Group's business is vertically integrated. The most important measure used to evaluate the performance of the business is adjusted profit, which is the profit before tax, adjusted for separately disclosed items. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit. More details of these segments are given in the Strategic Report on pages 6 to 33 of this report. Segment performance is evaluated based on operating profit before separately disclosed items and is measured consistently with the operating profit before separately disclosed items in the consolidated financial statements.

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

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

52 weeks ended 31 March 2018	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	271.2	30.2	152.9	–	454.3
Inter-segment sales	–	–	(50.7)	–	(50.7)
Revenue from third parties	271.2	30.2	102.2	–	403.6
Segment result	33.4	12.9	6.8	(3.9)	49.2
Operating separately disclosed items					(4.7)
Operating profit					44.5
Profit on disposal of properties					6.1
Net finance costs					(7.0)
Profit before tax					43.6
Other segment information					
Capital expenditure: property, plant and equipment	18.8	3.0	5.8	–	27.6
Business combinations (note 17)	1.5	2.8	6.3	–	10.6
Depreciation and amortisation	16.4	1.5	3.8	–	21.7
Impairment of property	(3.5)	–	–	–	(3.5)
Reversal of impairment on property	0.8	0.8	–	–	1.6

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

2. Segmental Analysis continued

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

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

Geographical Information

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

52 weeks ended 31 March 2018	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	**395.4**	**8.2**	**403.6**

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

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 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	**393.3**	382.0
Rental income	**10.3**	10.0
	403.6	392.0

4. Operating Costs

		52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Production costs and cost of goods used in retailing		**187.2**	149.1
Change in stocks of finished goods and beer in progress		**(0.7)**	1.6
Staff costs		**103.8**	100.8
Repairs and maintenance		**12.9**	12.3
Depreciation of property, plant and equipment		**20.9**	20.2
Amortisation of intangibles		**0.8**	0.8
Operating lease rentals	– minimum lease payments[1]	**9.5**	8.5
	– contingent rents[2]	**3.8**	3.9
Separately disclosed items (note 5)		**4.7**	3.1
Other		**16.2**	45.3
		359.1	345.6

1 Included within minimum lease payments are sub-lease payments of £0.6 million (2017: £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 31 March 2018 £m	53 weeks ended 1 April 2017 £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 £30,000 payable to the Group auditors for audits of subsidiary undertakings. Other assurance fees of £15,000 comprising a half year review, other audit related services of £1,000 comprising covenant reporting and non-audit services of £1,515 comprising iXBRL tagging were also incurred in the period.

b) Staff Costs[1]

	£m	£m
Wages and salaries[2]	96.0	92.1
Deemed remuneration on the future purchase of shares in The Stable	(1.2)	0.3
Social security costs	7.2	6.9
Pension benefits	1.8	1.6
	103.8	100.8

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	4,481	4,301
The Fuller's Beer Company	417	408
Central Services	15	13
	4,913	4,722

	Number	Number
The average monthly number of persons employed by the Company (including part-time staff) was as follows:		
Fuller's Inns	4,134	3,930
The Fuller's Beer Company	315	312
Central Services	15	13
	4,464	4,255

1 Includes Directors.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 47 to 61.

5. Separately Disclosed Items

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Amounts included in operating profit:		
Acquisition costs	(0.6)	(1.3)
Reorganisation costs	–	(1.5)
Deemed remuneration on the future purchase of shares in The Stable	1.2	(0.3)
Impairment of properties	(3.5)	–
Reversal of impairment on property	1.6	–
Replacement of core IT systems	(3.4)	–
Total separately disclosed items included in operating profit	(4.7)	(3.1)
Profit on disposal of properties	6.1	0.9
Separately disclosed finance costs:		
Finance charge on net pension liabilities	(1.0)	(0.8)
Total separately disclosed finance costs	(1.0)	(0.8)
Total separately disclosed items before tax	0.4	(3.0)
Separately disclosed tax:		
Change in corporation tax rate (note 7)	–	1.0
Profit on disposal of properties	(1.0)	–
Other items	1.0	0.7
Total separately disclosed tax	–	1.7
Total separately disclosed items	0.4	(1.3)

Acquisition costs of £0.6 million during the 52 weeks ended 31 March 2018 (2017: £1.3 million) relate to transaction costs on property and business acquisitions. In the 53 weeks ended 1 April 2017, the costs incurred related to site acquisitions both completed and aborted. See note 17.

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

Deemed remuneration on the future purchase of shares in The Stable relates to the remuneration element of the decrease in the estimated value of the option remaining on The Stable group of companies. The current estimate of the amount payable for the remaining 24% is £1.6 million, which is accrued at the Balance Sheet date.

The property impairment charge of £3.5 million during the 52 weeks ended 31 March 2018 relates to the write down of three licensed properties to their recoverable value. There were no property impairment charges during the 53 weeks ended 1 April 2017. The reversal of impairment on property credit of £1.6 million during the 52 weeks ended 31 March 2018 relates to the write back of previously impaired licensed properties to their recoverable value. There were no property impairment charges or reversal of impairment for the 53 weeks ended 1 April 2017.

The profit on disposal of properties of £6.1 million during the 52 weeks ended 31 March 2018 (2017: £0.9 million) relates to the disposal of twelve licensed properties (2017: six licensed properties) and two unlicensed properties (2017: nil).

The cash impact of operating separately disclosed items before tax for the 52 weeks ended 31 March 2018 was £4.0 million cash outflow (2017: £2.4 million cash outflow).

6. Finance Costs

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	5.9	6.2
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	6.0	6.3
Unwinding of discounts on provisions	–	0.3
Total finance costs before separately disclosed items	6.0	6.6
Finance charge on net pension liabilities (note 5)	1.0	0.8
Total finance costs	7.0	7.4

7. Taxation

Tax on Profit on Ordinary Activities

Group	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	8.3	9.6
Amounts under/(over) provided in previous years	0.1	(0.1)
Total current income tax	8.4	9.5
Deferred tax:		
Origination and reversal of temporary differences	0.4	(1.0)
Change in corporation tax rate (note 5)	–	(1.0)
Amounts over provided in previous years	–	(0.1)
Total deferred tax	0.4	(2.1)
Total tax charged in the Income Statement	8.8	7.4
Analysed as:		
Before separately disclosed items	8.8	9.1
Separately disclosed items	–	(1.7)
	8.8	7.4

Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is higher (2017: lower) than the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are reconciled below:

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Profit from continuing operations before taxation	43.6	39.9
Accounting profit multiplied by the UK standard rate of corporation tax of 19% (2017: 20%)	8.3	8.0
Items not deductible for tax purposes	0.5	0.5
Current and deferred tax under/(over) provided in previous years	0.1	(0.2)
Change in corporation tax rate	–	(1.0)
Other	(0.1)	0.1
Total tax charged in the Income Statement	8.8	7.4

7. Taxation continued

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

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Deferred tax depreciation	**(1.2)**	(1.5)
Rolled over capital gains	**1.0**	(0.6)
Retirement benefit obligations	**0.1**	–
Employee share schemes	**0.3**	0.1
Pub acquisition costs	**(0.1)**	(0.1)
Others	**0.3**	–
Deferred tax in the Income Statement	**0.4**	(2.1)

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

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Deferred tax:		
Change in corporation tax rate	–	0.3
Valuation gains on financial assets and liabilities	**0.2**	–
Net actuarial gains/(losses) on pension scheme	**0.8**	(2.4)
Total tax charged/(credited) in the Statement of Comprehensive Income	**1.0**	(2.1)

Tax Relating to Items Charged/(Credited) Directly to Equity

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Deferred tax:		
Increase/(Reduction) in deferred tax liability due to indexation	**0.3**	(0.1)
Share-based payments	**0.2**	–
Deferred tax depreciation	**(0.1)**	–
Current tax:		
Share-based payments	**(0.1)**	(0.1)
Total tax charged/(credited) to equity	**0.3**	(0.2)

During the prior period The Finance Act 2016 received Royal Assent. The main impact was the reduction of the UK corporation tax rate from 18% to 17% from 1 April 2020. The impact in the 53 weeks to 1 April 2017 was a credit to separately disclosed items in the Income Statement of £1.0 million, and a change to the Statement of Comprehensive Income of £0.3 million.

7. Taxation continued

Deferred Tax Provision

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

Group

Deferred Tax	Retirement benefit obligations £m	Tax losses carried forward £m	Employee share schemes £m	Financial (liabilities)/ assets £m	Accelerated tax depreciation £m	Rolled over capital gains £m	Other £m	Total £m
	Deferred tax asset/(liability)							
Balances at 26 March 2016	4.2	0.6	0.9	0.5	(10.3)	(8.7)	2.1	(10.7)
(Charge)/credit to income statement	–	–	(0.1)	–	1.5	0.6	0.1	2.1
(Charge)/credit to other comprehensive income	2.1	–	–	–	–	–	–	2.1
(Charge)/credit taken directly to equity	–	–	–	–	–	0.1	–	0.1
Balances at 1 April 2017	6.3	0.6	0.8	0.5	(8.8)	(8.0)	2.2	(6.4)
(Charge)/credit to income statement	(0.1)	–	(0.3)	–	1.2	(1.0)	(0.1)	(0.3)
(Charge)/credit to other comprehensive income	(0.8)	–	–	(0.2)	–	–	–	(1.0)
(Charge)/credit taken directly to equity	–	–	(0.2)	–	–	(0.3)	–	(0.5)
Fair value adjustment on acquisition	–	–	–	–	0.1	–	(1.2)	(1.1)
Balances at 31 March 2018	**5.4**	**0.6**	**0.3**	**0.3**	**(7.5)**	**(9.3)**	**0.9**	**(9.3)**

	2018 £m	2017 £m
Deferred tax assets	**8.7**	10.4
Deferred tax liabilities	**(18.0)**	(16.8)
	(9.3)	(6.4)

Company

Deferred Tax	Retirement benefit obligations £m	Tax losses carried forward £m	Employee share schemes £m	Financial (liabilities)/ assets £m	Accelerated tax depreciation £m	Rolled over capital gains £m	Other £m	Total £m
Balances at 26 March 2016	4.2	0.5	0.9	0.5	(9.9)	(8.7)	1.7	(10.8)
(Charge)/credit to income statement	–	(0.2)	(0.1)	–	1.4	0.6	(0.1)	1.6
(Charge)/credit to other comprehensive income	2.1	–	–	–	–	–	–	2.1
(Charge)/credit taken directly to equity	–	–	–	–	–	0.1	–	0.1
Balances at 1 April 2017	6.3	0.3	0.8	0.5	(8.5)	(8.0)	1.6	(7.0)
(Charge)/credit to income statement	(0.1)	–	(0.3)	–	0.7	(1.0)	0.2	(0.5)
(Charge)/credit to other comprehensive income	(0.8)	–	–	(0.2)	–	–	–	(1.0)
(Charge)/credit taken directly to equity	–	–	(0.2)	–	–	(0.3)	–	(0.5)
Balances at 31 March 2018	**5.4**	**0.3**	**0.3**	**0.3**	**(7.8)**	**(9.3)**	**1.8**	**(9.0)**

	2018 £m	2017 £m
Deferred tax assets	**8.1**	9.5
Deferred tax liabilities	**(17.1)**	(16.5)
	(9.0)	(7.0)

8. Earnings Per Share

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Profit attributable to equity shareholders	35.8	32.7
Separately disclosed items net of tax	(1.1)	1.2
Adjusted earnings attributable to equity shareholders	34.7	33.9

	Number	Number
Weighted average share capital	55,169,000	55,223,000
Dilutive outstanding options and share awards	344,000	636,000
Diluted weighted average share capital	55,513,000	55,859,000

40p 'A' and 'C' ordinary share	Pence	Pence
Basic earnings per share	64.89	59.21
Diluted earnings per share	64.49	58.54
Adjusted earnings per share	62.90	61.39
Diluted adjusted earnings per share	62.51	60.69

4p 'B' ordinary share	Pence	Pence
Basic earnings per share	6.49	5.92
Diluted earnings per share	6.45	5.85
Adjusted earnings per share	6.29	6.14
Diluted adjusted earnings per share	6.25	6.07

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 1,815,668 (2017: 1,760,953).

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

9. Dividends

	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2017: 11.55p (2016: 11.00p)	6.4	6.1
Interim dividend for 2018: 7.55p (2017: 7.25p)	4.1	4.0
Equity dividends paid	10.5	10.1
Dividends on cumulative preference shares (note 6)	0.1	0.1
Proposed for approval at the Annual General Meeting:		
Final dividend for 2018: 12.00p (2017: 11.55p)	6.6	6.4

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

10. Intangible Assets

	Group and Company					
	Group Goodwill £m	Group Brand £m	Lease assignment premiums £m	Distribution rights £m	Group Total £m	Company Total £m
Cost						
At 26 March 2016	32.7	–	9.6	1.2	43.5	10.8
Acquisitions (note 17)	–	–	–	–	–	–
At 1 April 2017	32.7	–	9.6	1.2	43.5	10.8
Acquisitions (note 17)	–	7.2	–	–	7.2	–
At 31 March 2018	**32.7**	**7.2**	**9.6**	**1.2**	**50.7**	**10.8**
Amortisation and impairment						
At 26 March 2016	0.6	–	2.6	0.5	3.7	3.1
Provided during the year	–	–	0.6	0.2	0.8	0.8
At 1 April 2017	0.6	–	3.2	0.7	4.5	3.9
Provided during the year	–	–	0.6	0.2	0.8	0.8
At 31 March 2018	**0.6**	**–**	**3.8**	**0.9**	**5.3**	**4.7**
Net book value at 31 March 2018	**32.1**	**7.2**	**5.8**	**0.3**	**45.4**	**6.1**
Net book value at 1 April 2017	32.1	–	6.4	0.5	39.0	6.9
Net book value at 26 March 2016	32.1	–	7.0	0.7	39.8	7.7

Brand

On 20 February 2018, the Company purchased 100% of the shares in The Dark Star Brewing Company Limited, a manufacturer of beer, for £5.3 million. The value of the acquired brand was calculated using the royalty replacement method. The key assumptions used in determining the value in use of the Dark Star brand are a pre-tax discount rate of 8.9% and a nominal growth rate of 2.5% in perpetuity based on an assessment of likely long-term growth. Management projected cash flows for the first four years and a terminal value on the assumption that cash flows will increase thereafter at the nominal growth rate in perpetuity. The acquired brand has an indefinite life and is not amortised. The acquired brand is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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 31 March 2018 (2017: six).

10. Intangible Assets continued

Distribution Rights

Distribution rights represent amounts paid to acquire the exclusive import and distribution rights to Sierra Nevada products within the UK. The amortisation is charged over the period of the rights in the Income Statement in the line item "Operating costs" (note 4).

Goodwill

Goodwill is allocated to cash-generating units as follows:	Managed £m	Tenanted £m	Beer Company £m	2018 £m	2017 £m
Gales estate	9.1	13.6	–	22.7	22.7
Jacomb Guinness estate	1.2	–	–	1.2	1.2
Cornish Orchards	–	–	2.6	2.6	2.6
The Stable Pizza & Cider Limited	3.7	–	–	3.7	3.7
Nectar Imports Limited	–	–	1.9	1.9	1.9
	14.0	13.6	4.5	32.1	32.1

Key assumptions used in value in use calculations:	2018	2017
Long-term growth rate – Managed	2.0%	0.5%
Long-term growth rate – Tenanted	2.0%	1.0%
Long-term growth rate – Cornish Orchards, The Stable Pizza & Cider Limited	2.0%	2.0%
Long-term growth rate – Nectar Imports Limited	2.0%	nil
Pre-tax discount rate – Freehold	5.3%	5.2%
Pre-tax discount rate – Leasehold	8.9%	10.2%
Pre-tax discount rate – Cornish Orchards	8.9%	8.2%
Pre-tax discount rate – The Stable Pizza & Cider Limited, Nectar Imports Limited	8.9%	10.2%

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, Jacomb Guinness estates, Cornish Orchards and The Stable Pizza & Cider Limited, cash flows beyond the budget period are extrapolated in perpetuity on the assumption that the growth rate does not exceed the average long-term growth rate for the relevant markets. For Nectar Imports Limited, cash flows beyond the modelling horizon are valued on a conservative market multiple basis. The pre-tax discount rate applied to cash flow projections is based on the Directors' assessment of the Group's weighted average cost of capital and current market conditions.

The calculation of value in use is most sensitive to the assumptions in respect of achievement of budgeted cash flows, growth rate and discount rate. The calculation of value in use is also dependent on the following assumptions: sales volume; gross margin in managed premises; barrelage and rent projections in tenanted premises; wage cost in managed premises; and capital expansion in Cornish Orchards and The Stable Pizza & Cider Limited. Gross margins are based on historical performance levels. 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 31 March 2018.

11. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 26 March 2016	496.9	38.8	140.5	676.2
Additions	13.3	2.8	19.8	35.9
Acquisitions (note 17)	16.4	–	0.2	16.6
Disposals	(3.4)	(1.2)	(6.3)	(10.9)
Transfers from investment property	0.5	–	–	0.5
Transfer to assets held for sale	(6.8)	–	(1.4)	(8.2)
At 1 April 2017	516.9	40.4	152.8	710.1
Additions	7.9	3.4	14.6	25.9
Acquisitions (note 17)	4.3	–	–	4.3
Disposals	(0.7)	(0.8)	(6.7)	(8.2)
At 31 March 2018	**528.4**	**43.0**	**160.7**	**732.1**
Depreciation and impairment				
At 26 March 2016	31.9	24.3	86.2	142.4
Provided during the year	4.0	2.2	14.0	20.2
Disposals	(0.6)	(1.2)	(5.9)	(7.7)
Transfer to assets held for sale	(1.2)	–	(1.1)	(2.3)
At 1 April 2017	34.1	25.3	93.2	152.6
Provided during the year	4.3	2.2	14.4	20.9
Disposals	(0.7)	(0.8)	(6.7)	(8.2)
Impairment loss net of reversals	2.7	–	–	2.7
At 31 March 2018	**40.4**	**26.7**	**100.9**	**168.0**
Net book value at 31 March 2018	**488.0**	**16.3**	**59.8**	**564.1**
Net book value at 1 April 2017	482.8	15.1	59.6	557.5
Net book value at 26 March 2016	465.0	14.5	54.3	533.8

11. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 26 March 2016	489.4	36.0	134.0	659.4
Additions	9.0	2.3	18.4	29.7
Acquisitions (note 17)	16.4	–	0.2	16.6
Disposals	(3.1)	(1.2)	(6.2)	(10.5)
Transfers from investment property	0.5	–	–	0.5
Transfer to assets held for sale	(6.8)	–	(1.4)	(8.2)
At 1 April 2017	505.4	37.1	145.0	687.5
Additions	7.3	3.2	13.7	24.2
Acquisitions (note 17)	4.3	–	–	4.3
Disposals	(0.7)	(0.7)	(6.7)	(8.1)
At 31 March 2018	**516.3**	**39.6**	**152.0**	**707.9**
Depreciation and impairment				
At 26 March 2016	31.0	23.5	83.7	138.2
Provided during the year	3.3	1.9	12.8	18.0
Disposals	(0.6)	(1.1)	(5.8)	(7.5)
Transfer to assets held for sale	(1.2)	–	(1.1)	(2.3)
At 1 April 2017	32.5	24.3	89.6	146.4
Provided during the year	3.7	1.9	13.0	18.6
Disposals	(0.7)	(0.7)	(6.7)	(8.1)
Impairment loss net of reversals	(0.8)	–	–	(0.8)
At 31 March 2018	**34.7**	**25.5**	**95.9**	**156.1**
Net book value at 31 March 2018	**481.6**	**14.1**	**56.1**	**551.8**
Net book value at 1 April 2017	472.9	12.8	55.4	541.1
Net book value at 26 March 2016	458.4	12.5	50.3	521.2

Group and Company

Interest capitalised

The amount of interest capitalised to date is £203,000 (2017: £203,000). The amount of interest capitalised in the year was £nil (2017: £nil).

11. Property, Plant and Equipment continued

Impairment

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

During the 52 weeks ended 31 March 2018, the Group recognised an impairment loss of £3.5 million (2017: £nil) 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 £0.8 million were recognised during the 52 weeks ended 31 March 2018 (2017: £nil).

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

Sensitivity to Changes in Assumptions

The value in use calculations are sensitive to the assumptions used. The Directors consider a movement of 1% in the discount rate and 0.5% in the growth rate to be reasonable with reference to current market yield curves and the current economic conditions. The impact is set out as follows:

Impact on impairment of asset at risk – increase/(decrease)	2018 £m	2017 £m
Increase discount rate by 1%	1.1	4.9
Decrease discount rate by 1%	(0.3)	(2.1)
Increase growth rate by 0.5%	(0.2)	(1.0)
Decrease growth rate by 0.5%	0.5	2.2

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost at 26 March 2016	5.5
Additions	0.6
Transfer to property, plant & equipment	(0.5)
At 1 April 2017	5.6
Additions	–
Disposals	(0.1)
Transfer to property, plant & equipment	–
At 31 March 2018	5.5
Depreciation and impairment	
At 26 March 2016 and 1 April 2017	0.9
Provided during the year	–
At 31 March 2018	0.9
Net book value at 31 March 2018	4.6
Net book value at 1 April 2017	4.7
Net book value at 26 March 2016	4.6
Fair value at 31 March 2018	14.4
Fair value at 1 April 2017	12.1
Fair value at 26 March 2016	11.2

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

12. Investment Properties continued

Impairment

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

During the 52 weeks ended 31 March 2018, the Group did not impair any investment properties (2017: £nil).

Investment Property Income

The properties are let on both landlord and tenant repairing leases. Amounts recognised in the profit for the financial year relating to rental income from investment properties are as follows:

Group and Company	2018 £m	2017 £m
Rental income	0.8	0.7
Direct operating expenses	(0.1)	(0.2)

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

13. Other Financial Assets and Liabilities

Group and Company	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Interest rate cap	–	0.1	–	0.1
Total financial assets within non-current assets	–	0.1	–	0.1
Subsidiary share purchase options	(3.7)	–	–	–
Total financial liabilities within current liabilities	(3.7)	–	–	–
Subsidiary share purchase options	–	(5.3)	–	–
Interest rate swaps	(1.8)	(3.2)	(1.8)	(3.2)
Foreign currency contracts	–	–	–	–
Total financial liabilities within non-current liabilities	(1.8)	(8.5)	(1.8)	(3.2)

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

Subsidiary share purchase options relate to the option to purchase the remaining shares in The Stable Pizza & Cider Limited and Nectar Imports Limited. The current estimate of the amount payable in respect of the remaining 24% of shares in The Stable Pizza & Cider Limited is £1.6 million (2017: £3.0 million for the 24% of shares remaining) which is included above. The current estimate of the amount payable in respect of the remaining 49% of shares in Nectar Imports Limited is £2.1 million (2017: £2.5 million) which is included above.

14. Other Non-Current Assets

Group and Company	2018 £m	2017 £m
Loans to customers due after one year	0.4	0.4

15. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net book value £m
At 1 April 2017	100.4	(0.2)	100.2
Additions	5.3	–	5.3
At 31 March 2018	105.7	(0.2)	105.5

On 20 February 2018, the Group purchased 100% of the shares in The Dark Star Brewing Company Limited for £5.3 million as detailed in note 17.

15. Investments in Subsidiaries continued

Subsidiary undertakings	Holding	Proportion held	Nature of business
Griffin Catering Services Limited	£1 ordinary shares	100% (indirect)	Managed houses service company
The Stable Pizza & Cider Limited	£0.01 ordinary shares	76%	Holding company
	£3.50 'B' ordinary shares	100%	
The Stable Bar & Restaurants Limited	£1 ordinary shares	76% (indirect)	Restaurant ownership and management
Cornish Orchards Limited	£1 ordinary shares	100%	Production of cider and soft drinks
Nectar Imports Limited	£1 ordinary shares	51%	Wholesale drinks distribution
G & M Leisure Limited	£1 ordinary shares	100%	Non-trading subsidiary
George Gale & Company Limited	£1 ordinary shares	100%	Non-trading subsidiary
	25p 'A' ordinary shares	100%	
	£10 preference shares	100%	
FST Trustees Limited	£1 ordinary shares	100%	Non-trading subsidiary
Fuller, Smith & Turner Estates Limited	£1 ordinary shares	100%	Non-trading subsidiary
Ringwoods Limited	£1 ordinary shares	100%	Non-trading subsidiary
Griffin Inns Limited	£1 ordinary shares	100%	Non-trading subsidiary
Jacomb Guinness Limited	£1 ordinary shares	100%	Non-trading subsidiary
45 Woodfield Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
Grand Canal Trading Limited	£1 ordinary shares	100% (indirect)	Non-trading subsidiary
The Dark Star Brewing Company Limited	£1 ordinary shares	100% (indirect)	Manufacturer of beer

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

16. Non-Controlling Interest

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

	£m
At 26 March 2016	(4.4)
Share of profit	(0.2)
Adjustments arising from change in non-controlling interest	1.5
At 1 April 2017	(3.1)
Share of profit	(1.0)
Adjustments arising from change in non-controlling interest	0.2
At 31 March 2018	**(3.9)**

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

17. Business Combinations

On 20 February 2018, the Company purchased 100% of the shares in The Dark Star Brewing Company Limited, a manufacturer of beer, for £6.3 million.

The Company has the option to acquire the remaining 49% of the shares in Nectar Imports Limited in 2018 and a liability of £2.1 million has been recognised at the balance sheet date, which reflects management's best estimate of the option value. Under the terms of the agreement the total consideration will not exceed £10 million (see note 13).

In the prior year, the Company purchased an additional 25% of the shares in The Stable Pizza & Cider Limited for £2.7 million, bringing the Company's interest in The Stable Pizza & Cider Limited to 76%. The Company has the option to acquire the remaining 24% of shares in 2018 and a liability of £1.6 million has been recognised at the balance sheet date, which reflects management's best estimate of the option value (see note 13).

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

17. Business Combinations continued

During the 52 weeks ended 31 March 2018, the Company has individually acquired two new pubs for £4.3 million, both of which have been treated as business combinations as they were operating as a business at the point the Company acquired them.

	2018	2018	2017
	The Dark Star Brewing Company Limited	Pubs and Restaurants	Pubs and Restaurants
Number of pubs/restaurants purchased	–	2	4
Provisional fair value	£m	£m	£m
Property, plant and equipment	–	4.3	16.6
Investment properties	–	–	–
Intangible assets	7.2	–	–
Current assets	0.6	–	–
Deferred tax	(1.1)	–	–
Cash/(net debt)	(0.1)	–	–
Deferred revenue, trade and other payables	(0.3)	–	–
Goodwill	–	–	–
Non-controlling interest	–	–	–
Consideration	6.3	4.3	16.6
Satisfied by:			
Purchase of equity	5.3	–	–
Repayment of shareholder loans	1.0	–	–
Purchase of property	–	4.3	16.6
Total	6.3	4.3	16.6

Costs associated with the acquisitions have been charged to separately disclosed items within operating costs in the Consolidated Income Statement for the 52 weeks ended 31 March 2018. These comprised primarily stamp duty, stamp duty land tax,legal and other property fees (see note 5).

The acquisitions have contributed the following operating profit to the Group in the 52 weeks ended 31 March 2018 from the date of acquisition:

	2018	2017
	Pubs and Restaurants £m	Pubs and Restaurants £m
Operating profit	–	0.4

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

18. Inventories

Group and Company	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Raw materials, beer and cider in progress	2.0	2.0	1.9	2.0
Beer, wines and spirits	7.3	7.7	5.7	6.2
Stock at retail outlets	4.2	4.3	4.0	4.0
	13.5	14.0	11.6	12.2

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

19. Trade and Other Receivables

Group and Company	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Trade receivables	**16.3**	14.3	**12.7**	11.6
Amounts due from subsidiary undertakings	**–**	–	**24.1**	23.9
Other receivables	**3.6**	3.7	**3.1**	3.5
Prepayments and accrued income	**3.0**	3.6	**2.6**	3.3
	22.9	21.6	**42.5**	42.3

Company amounts owed by subsidiary undertakings of £24.1 million (2017: £23.9 million) have no fixed repayment date. Interest is payable on the balance at the higher of either the Bank of England base rate plus 4% or 8%.

The trade receivables balance above is shown net of the provision for bad debts. As a general rule the Group provides fully against all trade receivables which are over six months overdue. In addition to this there are specific provisions against individual 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	2018 £m	2017 £m
Trade receivables provision at 1 April 2017	**1.5**	1.6
Increase in provision recognised in profit and loss	**–**	–
Amounts written off during the year	**(0.1)**	(0.1)
Trade receivables provision at 31 March 2018	**1.4**	1.5

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 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Current	**15.2**	15.2	**12.5**	13.0
Overdue up to 30 days	**0.9**	0.5	**0.3**	0.1
Overdue between 30 and 60 days	**0.4**	0.1	**0.2**	–
Overdue more than 60 days	**1.2**	–	**1.1**	–
Trade receivables before provision	**17.7**	15.8	**14.1**	13.1
Less provision	**(1.4)**	(1.5)	**(1.4)**	(1.5)
Trade receivables net of provision	**16.3**	14.3	**12.7**	11.6

Included in the Group's trade receivables balance are trade receivables with a carrying value of £nil (2017: £nil) which are overdue at the Balance Sheet date for which the Group has not provided as the Group considers these amounts to be recoverable.

In addition, there are loans to customers included in other receivables of £0.4 million (2017: £0.4 million) due within one year and £0.6 million (2017: £0.5 million) due in more than one year, against which there is a provision of £0.3 million (2017: £0.3 million).

20. Assets Classified as Held For Sale

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Property, plant and equipment	**2.1**	5.9	**2.1**	5.9
	2.1	5.9	**2.1**	5.9

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

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Assets held for sale at the start of the year	**5.9**	0.5	**5.9**	0.5
Assets disposed of during the year	**(4.6)**	(0.5)	**(4.6)**	(0.5)
Reversal of impairment on assets held for sale	**0.8**	–	**0.8**	–
Transfer from property, plant and equipment	–	5.9	–	5.9
Assets held for sale at the end of the year	**2.1**	5.9	**2.1**	5.9

At 31 March 2018 the Group identified four properties which meet the criteria of being assets classified as held for sale. These properties were reclassified from property, plant and equipment as the carrying amounts of the properties identified are to be recovered principally through sale transactions rather than through continuing use.

21. Trade and Other Payables

Due within one year:	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Trade payables	**27.8**	27.2	**23.1**	23.3
Amounts due to subsidiary undertakings	–	–	**106.9**	104.6
Other tax and social security	**10.3**	10.6	**9.6**	10.3
Other payables	**10.0**	11.8	**9.1**	11.6
Accruals	**15.9**	19.0	**15.0**	18.0
	64.0	68.6	**163.7**	167.8

Company amounts due to subsidiary undertakings of £106.9 million (2017: £104.6 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 payables balances due within one year are at nil rate of interest.

Due in more than one year:	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Deferred revenue	**0.2**	0.2	–	–

Included in other payables is £0.2 million (2017: £0.2 million) of deferred revenue which relates to government grants received for the purchase and construction of plant, property and equipment by Cornish Orchards Limited. There are no unfulfilled conditions and contingencies attached to these amounts.

22. Cash, Borrowings and Net Debt

Cash and Short-Term Deposits

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Cash at bank and in hand	**11.7**	15.3	**9.7**	12.8

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 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Bank loans	**185.9**	193.7	**185.9**	193.7
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	**213.6**	221.4	**213.4**	221.2
Analysed as:				
Borrowings within current liabilities	**30.0**	20.0	**30.0**	20.0
Borrowings within non-current liabilities	**183.6**	201.4	**183.4**	201.2
	213.6	221.4	**213.4**	221.2

All borrowings at both year ends are denominated in Sterling and where appropriate are stated net of issue costs. Further information on borrowings is given in note 26.

Bank Loans

Group and Company

£126.7 million of the Company's existing main bank facilities expire in August 2021. Of the remaining £83.3 million, £50.0 million expire in August 2019 and £33.3 million expire in August 2020.

At 31 March 2018, £53.5 million (2017: £35.5 million) of the total of £210.0 million (2017: £210.0 million) committed bank facility was available and undrawn.

In addition, the Company renewed and extended a short-term £30.0 million (2017: £20 million) bank facility with a one year fixed term expiring in August 2018 (2017: expiring in August 2017). At 31 March 2018 this facility was fully drawn.

The bank loans at 31 March 2018 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:	2018 £m	2017 £m
On demand or within one year	**30.0**	20.0
Current liabilities	**30.0**	20.0
In the first to second years inclusive	**50.0**	50.0
In the third to fifth year inclusive	**106.5**	124.5
Less: bank loan arrangement fees	**(0.6)**	(0.8)
Non-current liabilities	**155.9**	173.7

22. Cash, Borrowings and Net Debt continued

Debenture Stock

Group and Company

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

Debenture stock repayable after five years:	2018 £m	2017 £m
10.70% 1st Mortgage Debenture Stock 2023	**6.0**	6.0
6.875% Debenture Stock 2028 (first floating charge)	**20.0**	20.0
Less: discount on issue	**(0.1)**	(0.1)
Non–current liabilities	**25.9**	25.9

Preference Shares

The Company's preference shares are classified as debt. The shares are not redeemable and are included in borrowings within non-current liabilities. See note 24 for further details of the preference shares.

Analysis of Net Debt

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

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

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

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

The Company net debt is as above excluding "Other loans" of £0.2 million (2017: £0.2 million) and cash of £2.0 million (2017: £2.5 million) which are held by subsidiary companies. Company net debt as at 31 March 2018 was £203.7 million (2017: £208.4 million).

23. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one closed funded defined benefit pension scheme, the Fuller Smith & Turner Pension Plan (the "Scheme"). The plan 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.

The Group also operates three defined contribution stakeholder pension plans for its employees. The Fuller's Stakeholder Pension Plan was set up for new employees of the Parent Company after the closure of the Fuller, Smith & Turner Pension Plan to new entrants on 1 August 2005. The Griffin Stakeholder Pension Plan operates for those employees of a Group subsidiary. The Gales 2001 scheme was set up following the closure of the Gales defined benefit scheme in 2001.

The Group offers workplace pensions to all employees who are not members of the three defined contribution stakeholder pension plans. The Group offers these pensions through the National Employment Savings Trust ("NEST").

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

Group and Company	52 weeks ended 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Total amounts charged in respect of pensions in the period		
Charged to Income Statement:		
Defined benefit scheme – operating profit	–	0.3
Defined benefit scheme – net finance charge	1.0	0.8
Defined contribution schemes – total operating charge	1.7	1.2
	2.7	2. 3
(Credit) / charge to equity:		
Defined benefit schemes – net actuarial (gains) / losses	(4.4)	14.6
Total pension (credit) / charge	(1.7)	17.0

b) Defined Contribution Stakeholder Pension Plans – Group and Company

The total cost charged to income in respect of the defined contribution stakeholder schemes is shown above.

c) Defined Benefit Plans – Group and Company

The Scheme provides pensions and lump sums to members on retirement and to their dependants on death.

Trustees are appointed by both the Company and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and the Company. The Trustees are also responsible for the investment of the Scheme's assets.

The Company pays the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

Responsibility for making good any deficit on the Scheme lies with the Company and this introduces a number of risks for the Company. The major risks are:

- Interest and investment risk – The value of the Scheme's assets are subject to volatility in equity prices. The Scheme has diversified its investments to reduce the impact of volatility and variable interest return rates;
- Inflation risk – The defined benefit obligation is linked to inflation so higher rates would result in a higher defined benefit obligation; and
- Longevity risk – An increase over the assumptions applied will increase the defined benefit obligation.

The Company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal controls policies.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. Following the conclusion of the 2016 triennial valuation, the company agreed to increase the deficit funding payment from 1 January 2017 to £2 million per annum from £1.3 million per annum.

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

23. Pensions continued

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

Key assumptions

The key assumptions used in the 2018 valuation of the Scheme are set out below:

Mortality assumptions	2018 Years	2017 Years
Current pensioners (at 65) – males	**21.9**	22.2
Current pensioners (at 65) – females	**23.9**	24.3
Future pensioners (at 65) – males	**23.3**	24.0
Future pensioners (at 65) – females	**25.4**	26.2

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	2018	2017
Rate of increase in pensions in payment	**3.20%**	3.30%
Discount rate	**2.60%**	2.60%
Inflation assumption – RPI	**3.20%**	3.30%
Inflation assumption – CPI	**2.20%**	2.30%

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

Impact on Scheme liabilities – increase/(decrease)[1]	2018 £m	2017 £m
Increase rate of pensions in payment by 0.5%	**6.6**	7.2
Increase discount rate by 0.1%	**(2.5)**	(2.7)
Increase inflation assumption by 0.1%[2]	**1.9**	1.9
Increase in life expectancies by 1 year	**6.7**	6.8

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

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

23. Pensions continued

Assets in the Scheme	2018 £m	2017 £m
Corporate bonds	**21.9**	21.8
UK equities	**23.9**	20.5
Overseas equities	**24.8**	26.3
Alternatives	**34.3**	37.0
Property	–	–
Cash	**1.2**	2.3
Annuities	**3.4**	3.5
Total market value of assets	**109.5**	111.4

	2018 £m	2017 £m
Fair value of Scheme assets	**109.5**	111.4
Present value of Scheme liabilities	**(142.0)**	(149.3)
Deficit in the Scheme	**(32.5)**	(37.9)

Included within the total present value of Group and Company Scheme liabilities of £142.0 million (2017: £149.3 million) are liabilities of £2.4 million (2017: £2.6 million) which are entirely unfunded.

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit (deficit)	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Balance at beginning of the year	**(149.3)**	(119.5)	**111.4**	96.0	**(37.9)**	(23.5)
Included in profit and loss						
Current service cost	–	–	–	(0.3)	–	(0.3)
Net interest cost	**(3.8)**	(4.2)	**2.8**	3.4	**(1.0)**	(0.8)
	(3.8)	(4.2)	**2.8**	3.1	**(1.0)**	(1.1)
Included in Other Comprehensive Income						
Actuarial gains/(losses) relating to:						
Actual return less expected return on Scheme assets	–	–	**(0.9)**	15.5	**(0.9)**	15.5
Experience gains/(losses) arising on Scheme liabilities	**5.3**	(30.1)	–	–	**5.3**	(30.1)
	5.3	(30.1)	**(0.9)**	15.5	**4.4**	(14.6)
Other						
Employer contributions	–	–	–	–	–	–
Employer special contributions	–	–	**2.0**	1.3	**2.0**	1.3
Employee contributions	–	–	–	–	–	–
Benefits paid	**5.8**	4.5	**(5.8)**	(4.5)	–	–
	5.8	4.5	**(3.8)**	(3.2)	**2.0**	1.3
Balance at end of the year	**(142.0)**	(149.3)	**109.5**	111.4	**(32.5)**	(37.9)

The weighted average duration of the Scheme's liabilities at the end of the period is 18 years (2017: 20 years).

The total contributions to the Scheme in the next financial year are expected to be £2.0 million for the Group and the Company. These payments are to be made as part of a deficit recovery plan in place until March 2021 as agreed between the Trustees and the Group. No further payments are made as the Scheme is now closed to future accrual.

24. Preference Share Capital

Group and Company	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
Authorised, issued and fully paid share capital	Number 000s	Number 000s	Number 000s
Number authorised and in issue:			
At 26 March 2016, 1 April 2017 and 31 March 2018	**400**	**1,200**	**1,600**
Monetary amount:	£m	£m	£m
At 26 March 2016, 1 April 2017 and 31 March 2018	**0.4**	**1.2**	**1.6**

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

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

25. Provisions

Onerous Lease and Contingent Consideration

	Onerous lease		Contingent consideration		Total	
Group and Company	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Balance at beginning of the year	**0.8**	0.8	**0.4**	1.8	**1.2**	2.6
Arising during the year	–	–	–	–	–	–
Released during the year	**(0.1)**	(0.1)	–	–	**(0.1)**	(0.1)
Utilised	–	–	**(0.4)**	(1.5)	**(0.4)**	(1.5)
Unwinding of discount	–	0.1	–	0.1	–	0.2
Balance at end of the year	**0.7**	0.8	–	0.4	**0.7**	1.2
Analysed as:	£m	£m	£m	£m	£m	£m
Due within one year	**0.1**	0.1	–	0.4	**0.1**	0.5
Due in more than one year	**0.6**	0.7	–	–	**0.6**	0.7
	0.7	0.8	–	0.4	**0.7**	1.2

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

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

26. Financial Instruments

Details of the Group's Treasury function are included in the Financial Review's discussion of financial risks and treasury policies on page 25.

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 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £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	**(1.1)**	(2.6)	**(1.1)**	(2.6)
Retained earnings	**328.4**	301.4	**299.7**	273.1
Preference shares	**1.6**	1.6	**1.6**	1.6
	359.6	331.1	**330.9**	302.8

In managing its capital, the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth, distributions and the payment of preference dividends to its preference shareholders. The Group seeks to maintain a ratio of debt and equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets, investment requirements and comply with lending covenants. The Group bought back £5.5 million of shares in the 52 weeks ended 31 March 2018 (2017: £3.6 million), none of which related to purchases made by or on behalf of employee share ownership trusts (2017: £nil). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position every Board meeting.

26. Financial Instruments continued

b) Categories of Financial Assets and Liabilities

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

	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Non-current assets				
Derivative financial assets hedge accounted	–	0.1	–	0.1
Loans and other receivables in scope of IAS 39	0.4	0.4	0.4	0.4
Total non-current assets	0.4	0.5	0.4	0.5
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	16.3	14.3	36.8	35.5
Cash and short-term deposits	11.7	15.3	9.7	12.8
Total current assets	28.0	29.6	46.5	48.3
Total financial assets	28.4	30.1	46.9	48.8
Current liabilities				
Put and call option	3.7	–	–	–
Trade and other payables in scope of IAS 39	43.8	46.7	145.1	146.4
Loans	30.0	20.0	30.0	20.0
Total carried at amortised cost	73.8	66.7	175.1	166.4
Total current liabilities	77.5	66.7	175.1	166.4
Non-current liabilities				
Derivative financial liabilities hedge accounted	1.8	3.2	1.8	3.2
Put and call options	–	5.3	–	–
Carried at amortised cost:				
Other payables in scope of IAS 39	0.6	0.7	0.6	0.7
Loans and debenture stock	182.0	199.8	181.8	199.6
Preference shares	1.6	1.6	1.6	1.6
Total carried at amortised cost	184.2	202.1	184.0	201.9
Total non-current liabilities	186.0	210.6	185.8	205.1
Total financial liabilities	263.5	277.3	360.9	371.5

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 (2017: £25.9 million) are at fixed rates. The bank loans totalling £185.9 million (2017: £193.7 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 48% (2017: 47%) of the Group's bank loans and 55% (2017: 53%) 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 one month or three month LIBOR, in order to hedge the risk of variation in interest cash flows on its borrowings. At the balance sheet date £60 million of the Group and Company's borrowings (2017: £60 million) were hedged by interest rate swaps at a blended fixed rate of 1.89% (2017: 1.89%). Of the swaps active at 31 March 2018, £20 million expires in 2020, £20 million expires in 2021 and £20 million expires in 2022.

Interest rate caps

The Group has entered into interest rate cap agreements in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £30 million (2017: £30 million) of the Group and Company's borrowings were hedged by two interest caps at a blended rate of 1.98% (2017: 1.98%), £20.0 million of which expires in 2020 and £10.0 million in 2022.

The interest rate swaps and caps are expected to impact the Income Statement in line with the liquidity risk table shown in section (iv) below. The interest rate swap cash flow hedges and the interest rate caps cash flow hedges in effect at 31 March 2018 were assessed as being highly effective. No net unrealised gain or loss (2017: £nil) has been recorded in Other Comprehensive Income.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. Three month Sterling LIBOR rate during the 52 weeks ended 31 March 2018 ranged between 0.28% and 0.71%. The Directors consider 1.00% to be a reasonable possible increase in rates and 0.50% to be a reasonable possible decrease in rates, with reference to market yield curves and the current economic conditions.

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

Impact on post-tax profit and net equity – increase/(decrease)	Group 2018 £m	Group 2017 £m	Company* 2018 £m	Company* 2017 £m
Decrease interest rate by 0.5%	0.5	0.1	0.9	0.5
Increase interest rate by 1.0%	(0.9)	(1.1)	(1.8)	(1.9)

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

(ii) Foreign currency risk

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

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

At 31 March 2018 the Group and Company had open forward contracts to buy €2.5 million, with a Sterling equivalent of £2.2 million and a net loss of £nil when comparing contractual rates with the year end exchange rates. At 31 March 2018 the Group and Company had open forward contracts to buy $1.5 million, with a Sterling equivalent of £1.1 million and a net gain of £nil when comparing the contractual rates with the year end exchange rates. At 1 April 2017 the Group and Company had open forward contracts.

At 31 March 2018 the significant foreign currency assets or liabilities were the following:

	Cash deposits		Trade receivables		Trade payables	
Group and Company	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Euro assets/(liabilities)	–	–	–	–	(0.2)	(0.4)
US dollar assets/(liabilities)	0.5	–	0.6	–	(0.2)	(0.2)
Australian dollar assets	0.1	–	–	–	–	–

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 trade receivables collection targets, monitoring daily cash receipts and payments and setting rolling cash forecasts. Investments have cash payback periods applied as part of a tightly controlled investment appraisal process. The Group's rating with credit agencies is excellent.

The Group has a mixture of long and short-term borrowings and overdraft facilities: 13% (2017: 16%) of the Group's borrowings are repayable after more than five years, 73% (2017: 75%) within the first to fifth years and 14% (2017: 9%) within one year.

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2018 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 31 March 2018	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]	–	**1.4**	**33.1**	**168.7**	**33.7**	**236.9**
Preference shares[2]	–	–	**0.1**	**0.5**	**3.4**	**4.0**
Trade and other payables	**18.7**	**24.9**	**0.1**	**0.4**	**0.3**	**44.4**

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

Interest rate swaps and cap	–	**0.2**	**0.6**	**1.8**	–	**2.6**

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

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

Interest rate swaps and cap	–	0.2	0.7	3.0	0.1	4.0

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

26. Financial Instruments continued

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

Company at 31 March 2018	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]	106.9	–	–	–	–	106.9
Trade and other payables	11.9	26.3	0.1	0.4	0.3	39.0
Company at 1 April 2017						
Amounts due to subsidiary undertakings[3]	104.6	–	–	–	–	104.6
Trade and other payables	7.6	34.1	0.1	0.3	0.4	42.5

3 Amounts due to subsidiary undertakings have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate.

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £13.0 million (2017: £12.8 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 2018 £m	Book value 2017 £m	Fair value 2018 £m	Fair value 2017 £m	Fair value Level
Financial assets					
Cash	11.7	15.3	11.7	15.3	1
Trade and other receivables due within one year in scope of IAS 39	16.3	14.3	16.3	14.3	3
Loans and other receivables due in more than one year in scope of IAS 39	0.4	0.4	0.4	0.4	3
Interest rate swaps	–	–	–	–	2
Interest rate cap	–	0.1	–	0.1	2
Financial liabilities					
Trade and other payables in scope of IAS 39	(44.4)	(47.4)	(44.4)	(47.4)	3
Fixed rate borrowings	(26.1)	(26.1)	(32.7)	(26.5)	3
Floating rate borrowings	(185.9)	(193.7)	(185.9)	(193.7)	3
Preference shares	(1.6)	(1.6)	(2.0)	(2.0)	3
Interest rate swaps	(1.8)	(3.2)	(1.8)	(3.2)	2
Put and call option	(3.7)	(5.3)	(3.7)	(5.3)	3
Forward currency contract	–	–	–	–	2

26. Financial Instruments continued

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

Company	Book value 2018 £m	Book value 2017 £m	Fair value 2018 £m	Fair value 2017 £m	Fair value Level
Financial assets					
Trade and other receivables due within one year in scope of IAS 39	**36.8**	35.5	**36.8**	35.5	3
Financial liabilities					
Trade and other payables in scope of IAS 39	**(145.7)**	(147.1)	**(145.7)**	(147.1)	3
Fixed rate borrowings	**(25.9)**	(25.9)	**(32.5)**	(26.3)	3

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

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

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

27. Share Capital and Reserves

a) Share Capital

Authorised, issued and fully paid	'A' ordinary shares of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
Number in issue	Number 000s	Number 000s	Number 000s	Number 000s
At 26 March 2016	33,537	14,544	89,052	137,133
Share conversions	17	(17)	–	–
At 1 April 2017	33,554	14,527	89,052	137,133
Share conversions	18	(18)	–	–
At 31 March 2018	**33,572**	**14,509**	**89,052**	**137,133**
Proportion of total equity shares at 31 March 2018	**24.5%**	**10.6%**	**64.9%**	**100%**

Monetary amount	£m	£m	£m	£m
At 26 March 2016	13.4	5.8	3.6	22.8
Share conversions	–	–	–	–
At 1 April 2017	13.4	5.8	3.6	22.8
Share conversions	–	–	–	–
At 31 March 2018	**13.4**	**5.8**	**3.6**	**22.8**

Share capital represents the nominal value proceeds received on the issue of the Company's equity share capital, comprising 40p and 4p ordinary shares. The Company's preference shares are classified as non-current liabilities in accordance with IFRS (see note 24).

The ordinary shareholders are entitled to be paid a dividend out of any surplus profits and to participate in surplus assets on winding up in proportion to the nominal value of each class of share ('B' shares have one-tenth of the nominal value of 'A' and 'C' shares).

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

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

27. Share Capital and Reserves continued

b) Own Shares

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

	Treasury shares		LTIP ESOT			SIP ESOT	Total		
Number	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'C' ordinary 40p shares 000s	'A' ordinary 40p shares 000s	'A' ordinary 40p shares 000s	'B' ordinary 4p shares 000s	'C' ordinary 40p shares 000s
At 26 March 2016	1,131	4,558	–	487	10	84	1,215	5,045	10
Shares purchased	342	–	–	106	–	–	342	106	–
Shares transferred	(102)	–	102	–	–	–	–	–	–
Shares released	(108)	–	(102)	(255)	–	(80)	(290)	(255)	–
At 1 April 2017	1,263	4,558	–	338	10	4	1,267	4,896	10
Shares purchased	**537**	**–**	**–**	**215**	**–**	**–**	**537**	**215**	**–**
Shares transferred	**(190)**	**–**	**109**	**–**	**–**	**81**	**–**	**–**	**–**
Shares released	**(103)**	**–**	**(109)**	**(282)**	**(3)**	**(80)**	**(292)**	**(282)**	**(3)**
At 31 March 2018	**1,507**	**4,558**	**–**	**271**	**7**	**5**	**1,512**	**4,829**	**7**

Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 26 March 2016	10.1	4.6	–	0.3	0.1	0.7	10.8	4.9	0.1
Shares purchased	3.5	–	–	0.1	–	–	3.5	0.1	–
Shares transferred	(0.9)	–	0.9	–	–	–	–	–	–
Shares released	(0.9)	–	(0.9)	(0.2)	–	(0.7)	(2.5)	(0.2)	–
At 1 April 2017	11.8	4.6	–	0.2	0.1	–	11.8	4.8	0.1
Shares purchased	**5.3**	**–**	**–**	**0.2**	**–**	**–**	**5.3**	**0.2**	**–**
Shares transferred	**(1.8)**	**–**	**1.0**	**–**	**–**	**0.8**	**–**	**–**	**–**
Shares released	**(1.0)**	**–**	**(1.0)**	**(0.2)**	**–**	**(0.8)**	**(2.8)**	**(0.2)**	**–**
At 31 March 2018	**14.3**	**4.6**	**–**	**0.2**	**0.1**	**–**	**14.3**	**4.8**	**0.1**
Market value at 31 March 2018	**14.4**	**4.4**	**–**	**0.3**	**0.1**	**–**	**14.4**	**4.7**	**0.1**

c) Other Capital Reserves

Share Premium Account

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

Capital Redemption Reserve

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

Hedging Reserve

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

28. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 31 March 2018 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purposes of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the post-tax earnings per share excluding separately disclosed items as presented in the financial statements. However, the Remuneration Committee is authorised to make appropriate adjustments to Adjusted EPS as applied to these schemes.

Savings Related Share Option Scheme ("SAYE")

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

Senior Executive Share Option Scheme

This is an unapproved Executive Share Option Scheme. If growth in Adjusted EPS exceeds growth in the Retail Price Index ("RPI") by 9% over the performance period of the option, then 40% of the award will vest. Vesting levels are then on a sliding scale, with 100% vesting occurring if growth in Adjusted EPS exceeds growth in RPI by more than 21%. The performance period for grants under this scheme is three years. Options must be exercised within seven years of the end of the performance period.

Executive Share Option Scheme

This is an approved Executive Share Option Scheme. The options vest if growth in Adjusted EPS exceeds the growth in RPI by 9% or more, over the three year performance period of the option. The options must then be exercised within seven years after the end of the performance period.

LTIP

This plan awards free shares. Vesting is conditional on growth in Adjusted EPS exceeding growth in RPI by 9% or more over the three year initial performance period of the award. Vesting levels are on a sliding scale from 40% up to 100%, if growth in Adjusted EPS exceeds growth in RPI by 24% or more. An independent firm of advisors 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 sold within five years of the award).

Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 31 March 2018 is £0.8 million (2017: £3.2 million). The whole of that expense arises from equity-settled share-based payment transactions.

Market Value

The market value of the shares at 31 March 2018 was £9.58 (2017: £9.98).

Movements in the Year

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, each category of share instrument during the year.

28. Share Options and Share Schemes continued

a) SAYE

	2018 Number 000s	2018 WAEP	2017 Number 000s	2017 WAEP
Outstanding at the beginning of the year	548	£7.93	478	£6.43
Granted	148	£8.12	257	£7.74
Lapsed	(65)	£8.08	(110)	£8.22
Exercised	(92)	£7.18	(77)	£6.73
Outstanding at the end of the year	539	£8.09	548	£7.93
Exercisable at the end of the year	–		–	
Weighted average share price for options exercised in the year	£9.99		£10.23	
Weighted average contractual life remaining for share options outstanding at the year end	2 years		2.25 years	
Weighted average share price for options granted in the year	£10.52		£10.23	
Weighted average fair value of options granted during the year	£1.94		£1.77	
Range of exercise prices for options outstanding at the year end				
– from	£7.24		£5.63	
– to	£8.70		£8.70	

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

Exercisable at	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2018 000s	Number of 'A' ordinary shares under option 2017 000s
September 2017	5.63	–	18
September 2017	7.47	–	65
September 2018	7.24	19	21
September 2018	8.70	106	122
September 2019	7.74	134	162
September 2019	7.47	18	22
September 2020	8.70	51	59
September 2020	8.12	109	–
September 2021	7.74	72	79
September 2022	8.12	30	–
		539	548

28. Share Options and Share Schemes continued

b) Share Option Schemes

Senior Executive Share Option Scheme

	2018 Number 000s	2018 WAEP	2017 Number 000s	2017 WAEP
Outstanding at the beginning of the year	77	£6.94	83	£7.03
Granted	–	n/a	–	n/a
Lapsed	–	n/a	(6)	£8.59
Exercised	–	n/a	–	n/a
Outstanding at the end of the year	77	£7.16	77	£6.94
Exercisable at the end of the year	77	£6.90	77	£6.79
Weighted average share price for options exercised in the year	n/a		n/a	
Weighted average contractual life remaining for share options outstanding at the year end	3.48 years		4.48 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

	2018 Number 000s	2018 WAEP	2017 Number 000s	2017 WAEP
Outstanding at the beginning of the year	150	£8.73	167	£8.81
Granted	44	£10.34	22	£10.23
Lapsed	(13)	£10.04	(9)	£9.05
Exercised	(14)	£8.23	(30)	£7.43
Outstanding at the end of the year	167	£9.28	150	£8.73
Exercisable at the end of the year	74	£8.59	47	£9.10
Weighted average share price for options exercised in the year	£10.13		£10.21	
Weighted average contractual life remaining for share options outstanding at the year end	6.94 years		7.07 years	
Weighted average share price for options granted in the year	£10.78		£10.21	
Weighted average fair value of options granted during the year	£1.05		£0.75	
Range of exercise prices for options outstanding at the year end				
– from	£4.80		£4.05	
– to	£10.90		£10.23	

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 2018 000s	Number of 'A' ordinary shares under option 2017 000s	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2018 000s	Number of 'A' ordinary shares under option 2017 000s
2011 and 2018	4.05	2	2	4.05	–	2
2012 and 2019	4.80	9	9	4.80	3	3
2013 and 2020	5.78	12	12	5.78	6	6
2013 and 2020	6.30	1	1	–	–	–
2014 and 2021	7.09	15	15	7.09	2	4
2015 and 2022	7.05	22	22	7.05	11	13
2016 and 2023	9.10	16	16	9.10	21	25
2017 and 2024		–	–	9.65	33	46
2018 and 2025		–	–	10.90	27	29
2019 and 2026		–	–	10.23	22	22
2020 and 2027		–	–	10.34	42	
		77	77		167	150

c) LTIP

Shares	2018 'A' shares Number 000s	2018 'B' shares Number 000s	2017 'A' shares Number 000s	2017 'B' shares Number 000s
Outstanding at the beginning of the year	358	894	387	968
Granted	154	386	138	345
Lapsed	(7)	(19)	(65)	(164)
Vested	(111)	(277)	(102)	(255)
Outstanding at the end of the year	394	984	358	894

Weighted average share price for shares vested in the year	£10.19	£1.02	£9.76	£0.98
For shares outstanding at the year end, the weighted average contractual life remaining is	1.74 years	1.74 years	1.31 years	1.31 years
Weighted average share price for shares granted in the year	£10.78	£1.08	£9.93	£0.99
Weighted average fair value of shares granted during the year	£9.98	£1.00	£9.24	£0.92

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

	2018 Number 000s	2017 Number 000s
Outstanding at the beginning of the year	**268**	272
Granted	**80**	83
Lapsed	**(2)**	(2)
Released	**(85)**	(85)
Outstanding at the end of the year	**261**	268

Weighted average share price for shares released in the year	**£9.65**	£10.55
For shares outstanding at the year end, the weighted average contractual life remaining is	**2.80 years**	2.88 years
Weighted average share price for shares granted during the year	**£10.42**	£10.50
Weighted average fair value of shares granted during the year	**£10.42**	£10.00

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 31 March 2018 and 53 weeks ended 1 April 2017, except for exercise price and the weighted average share price for grants in the year, which are disclosed in sections a) to d) above.

	LTIP scheme		Save As You Earn scheme		Executive and Senior Executive option schemes	
Fair value inputs	2018	2017	2018	2017	2018	2017
Dividend yield (%)	**1.9%**	1.7%	**1.9%**	1.7%	**1.9%**	1.7%
Expected share price volatility (%)	**n/a**	n/a	**15.7 to 16.0%**	15.6 to 17.0%	**15.7%**	15.6%
Risk-free interest rate (%)	**0.2%**	0.2%	**0.4 to 0.6%**	0.2 to 0.4%	**0.3%**	0.3%
Expected life of option/award (years)	**3 years**	3 years	**3 to 5 years**	3 to 5 years	**4 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 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Within one year	**11.2**	10.0	**10.1**	9.0
Between one year and five years	**38.0**	29.4	**33.8**	25.9
After five years	**65.2**	69.2	**54.5**	60.3
	114.4	108.6	**98.4**	95.2

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

Operating leases where the Group is the lessor

The Group earns rental income from two sources. Licensed property included within property, plant and equipment is rented under agreements where lessees must also purchase goods from the Group. Additionally there are a smaller number of agreements in respect of investment properties where there is no requirement for the lessee to purchase goods.

Investment properties are let to third parties on leases that have remaining terms of between one and ten years.

At 31 March 2018 future minimum rentals receivable by the Group are as follows:

	Investment properties		Other property, plant & equipment	
Group	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Within one year	**0.5**	0.4	**5.2**	6.7
Between one year and five years	**1.6**	0.6	**4.2**	5.0
After five years	**0.1**	0.2	**5.1**	5.6
	2.2	1.2	**14.5**	17.3

	Investment properties		Other property, plant & equipment	
Company	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Within one year	**0.5**	0.4	**5.6**	7.0
Between one year and five years	**1.6**	0.6	**5.6**	5.9
After five years	**0.1**	0.2	**11.6**	8.2
	2.2	1.2	**22.8**	21.1

29. Guarantees and Commitments continued

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 31 March 2018 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.3 million (2017: £4.5 million).

b) Other Commitments

Group and Company	2018 £m	2017 £m
Capital commitments – authorised, contracted but not provided for	3.1	1.2

The Company has accepted various duty deferment bonds in connection with HMRC. The total outstanding commitment at 31 March 2018 was £720,000 (2017: £395,000) 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 £312,000 (2017: £480,000) 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 31 March 2018 £m	53 weeks ended 1 April 2017 £m
Short-term employee benefits	4.9	5.2
Post-employment benefits	0.4	0.7
Share-based payments	1.4	1.4
	6.7	7.3

Company Only

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

52 weeks ended 31 March 2018	Sales to related parties £m	Purchases from related parties £m	Interest due from related parties £m	Interest due to related parties £m	Amounts owed to related parties £m	Amounts owed by related parties £m
Subsidiaries	1.3	58.7	1.5	3.5	(106.9)	24.1

53 weeks ended 1 April 2017	Sales to related parties £m	Purchases from related parties £m	Interest due from related parties £m	Interest due to related parties £m	Amounts owed to related parties £m	Amounts owed by related parties £m
Subsidiaries	1.0	54.2	1.4	3.4	(104.6)	23.9

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

In addition, the Company received rental income from subsidiaries of £0.3 million during the year (2017: £0.3 million).

30. Related Party Transactions continued

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 2018 for the period ended 31 March 2018 under Section 479A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Griffin Catering Services Limited	01577632
Jacomb Guinness Limited	02934979
George Gale & Company Limited	00026330
45 Woodfield Limited	04279254
Cornish Orchards Limited	04871687
Grand Canal Trading Limited	04271734
The Dark Star Brewing Company Limited	03053142
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
FST Trustee Limited	03163480
Fuller, Smith & Turner Estates Limited	01831674

31. Post Balance Sheet Event

Following the period end, the Company acquired Bel & The Dragon for £18.5 million and four Managed leasehold properties for £3.5 million.

DIRECTORS AND ADVISORS
as at 7 June 2018

Directors
Michael Turner, FCA, Chairman*
Simon Emeny, Chief Executive
James Douglas, ACA
Richard Fuller
Jonathon Swaine
Simon Dodd
John Dunsmore*
Sir James Fuller, Bt*
Lynn Fordham, CA*
Peter Swinburn*
Juliette Stacey, ACA*

* Non-Executive.

President
Anthony Fuller, CBE
Chairman from 1982-2007, Anthony Fuller retired from the Board in 2010 after a long career with Fuller's and continues as President.

Secretary and Registered Office
Séverine Béquin
Griffin Brewery
Chiswick Lane South
London W4 2QB
Tel: 020 8996 2000
Registered Number 241882

Auditors
Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Stockbrokers
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 889 4096

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

SHAREHOLDER INFORMATION

2018 Diary

Friday, 22 June
Record Date

Friday, 29 June
Preference dividends paid

Tuesday, 24 July
Annual General Meeting
Hock Cellar, Griffin Brewery

Thursday, 26 July
Final dividend paid

Friday, 23 November
Half year results announcement

2019 Diary

January
Preference dividends paid
Interim dividend paid

June
Preliminary results announcement

Shareholder Privileges

Individual shareholders with at least 500 'A' or 'C' ordinary shares or 5,000 'B' ordinary shares are eligible to receive a shareholder 'Inndulgence' card entitling them to a 15% discount on food and drinks in Fuller's Managed Pubs and Hotels and when visiting the Brewery Store in Chiswick as well as a 10% discount on the best available rate in Fuller's hotels. Information is available from the Company Secretariat on 020 8996 2105 or at company.secretariat@fullers.co.uk.

Redesignation of 'C' Shares

'C' ordinary shares can be redesignated as 'A' ordinary shares within 30 days of the preliminary and half year announcements by sending in your certificates and a written instruction to redesignate prior or during the period to the Company's Registrars:

Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ

ShareGift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. If you have a small number of shares and would like to donate them to charity, details of the scheme can be found on the ShareGift website www.sharegift.org, or by contacting the Company Secretariat on 020 8996 2105.

GLOSSARY

Adjusted earnings per share ("EPS") – this is earnings per share, adjusted for separately disclosed items. The Directors believe that this measure provides useful information for shareholders as to the performance of the Group.

Adjusted profits – this is profit before tax and before separately disclosed items.

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

Drinks, food and accommodation like for like sales growth – this is measured on the same basis as "Managed Pubs and Hotels invested like for like sales growth".

EBITDA – this is the earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation, adjusted for separately disclosed items.

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

LTIP – Long Term Incentive Plan.

Managed Pubs and Hotels invested like for like sales growth – this is the sales growth calculated to exclude those pubs which have not been trading throughout the two years for the corresponding period in both years. The principal exclusions from this measure are: pubs purchased or sold in the last 12 months; sites which are closed; and pubs which are transferred to tenancy. The calculation excludes The Stable sites.

Market capitalisation – only the Company's 40p 'A' ordinary shares are listed. The Company calculates its market capitalisation as the total of all classes of ordinary shares; i.e. listed 40p 'A' ordinary shares, unlisted 4p 'B' ordinary shares and unlisted 40p 'C' ordinary shares plus all potentially awardable share options and LTIP awards less any shares held in treasury. For the purposes of the calculation of market capitalisation, a 4p 'B' ordinary share is treated as having 10% of the market value of a quoted 40p 'A' ordinary share and a 40p 'C' ordinary share is treated as having an equivalent value to a 40p 'A' ordinary share.

Net debt – this comprises cash, bank loans, other loans, debenture stock and preference shares.

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

SIP – Share Incentive Plan.

Tenanted like for like profit growth – this is the profits growth of Tenanted Inns calculated to exclude from both years those pubs which have not been trading throughout the two years. The principal exclusions from this measure are: pubs purchased or sold; pubs which have closed; and pubs transferred to or from our Managed business. Bad debt expense is included but head office costs are excluded.

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.

Income Statement	2018 £m	2017 £m	2016 £m	2015 £m	Restated* 2014 £m
Revenue	403.6	392.0	350.5	321.5	288.0
Operating profit before separately disclosed items	49.2	49.5	46.9	42.3	39.9
Net finance costs*	(6.0)	(6.6)	(6.0)	(5.9)	(5.8)
Adjusted profit*	43.2	42.9	40.9	36.4	34.1
Separately disclosed items*	0.4	(3.0)	(1.7)	(0.3)	(0.6)
Profit before tax*	43.6	39.9	39.2	36.1	33.5
Taxation*	(8.8)	(7.4)	(6.2)	(7.8)	(4.4)
Profit after tax*	34.8	32.5	33.0	28.3	29.1
Non-controlling interest	1.0	0.2	(0.2)	0.1	–
Profit attributable to equity shareholders of the Parent Company*	35.8	32.7	32.8	28.4	29.1
EBITDA	70.9	70.5	65.0	58.7	54.5

* Comparatives have been restated for changes to IAS 19.

Assets employed					
Non-current assets	623.2	612.1	586.9	524.2	481.3
Inventories	13.5	14.0	12.4	10.6	10.6
Trade and other receivables	22.9	21.6	21.0	17.7	18.3
Assets classified as held for sale	2.1	5.9	0.5	–	1.2
Cash and short-term deposits	11.7	15.3	6.2	5.1	4.1
	673.4	668.9	627.0	557.6	515.5
Current borrowings	(30.0)	(20.0)	(20.0)	(20.0)	–
Other current liabilities	(71.8)	(73.7)	(65.6)	(53.5)	(51.2)
	571.6	575.2	541.4	484.1	464.3
Non-current borrowings	(183.6)	(201.4)	(184.7)	(147.7)	(143.9)
Other non-current liabilities	(53.1)	(64.1)	(55.8)	(54.7)	(43.2)
Net assets	334.9	309.7	300.9	281.7	277.2

	2018	2017	2016	2015	2014
Per 40p 'A' ordinary share					
Adjusted earnings	62.90p	61.39p	58.35p	51.51p	46.94p
Basic earnings	64.89p	59.21p	59.25p	51.15p	52.14p
Dividends (interim and proposed final)	19.55p	18.80p	17.90p	16.60p	15.10p
Net assets	£6.07	£5.61	£5.45	£5.09	£4.98
Net debt (£ million)	(201.9)	(206.1)	(198.5)	(162.6)	(139.8)
Net debt/EBITDA[1]	2.9	2.9	3.0	2.7	2.5
Gross capital expenditure (£ million)	40.6	55.8	80.7	56.3	38.1
Average number of employees	4,913	4,722	4,479	4,058	3,610

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

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