Quality, Service and Pride
Every hour, every day

Fuller Smith & Turner P.L.C.
Annual Report 2014

Fuller, Smith & Turner P.L.C.

Operating from the historic Griffin Brewery site in Chiswick since 1845, Fuller's is an independent family brewer and premium pub company with beer brands including the award-winning London Pride and ESB.

Fuller's has an estate of 386 pubs and hotels, split between managed and tenanted houses, including 168 sited within the M25.

06.00 Griffin Brewery
Leaving early

Work starts early at the Brewery with the first drays being loaded from 5am each morning. Last year, the 33 vehicles in our branded fleet covered over 500,000 miles.

Financial Highlights

This year we brewed 209,000 barrels of award-winning ale at the Griffin Brewery, beside the Thames in Chiswick. From here we supply our estate, which comprises 180 Managed Pubs and Hotels and 206 Tenanted Inns, as well as pubs, clubs and supermarkets across the UK and overseas.

Managed Pubs and Hotels like for like sales up 8.3% and profits up 16%.

Tenanted Inns like for like profits up 2% and average EBITDA per pub up 1%.

The Fuller's Beer Company total sales up 2% and total beer and cider volumes up 1%.

Revenue	Adjusted profit[1,2]	EBITDA
£288.0m	**£34.1m**	**£54.5m**
+6%	+10%	+6%

Adjusted earnings per share[2]	Total dividend per share	Pro forma net debt to EBITDA[3]
46.94p	**15.10p**	**2.5 times**
+11%	+10%	

[1] Adjusted profit before tax excluding exceptionals. The Directors believe that this measure provides useful information for shareholders as to the internal measures of the performance of the Group.
[2] Comparatives for 2013 and 2012 have been restated for the change in IAS 19 – see note 1 to the financial statements.
[3] Pro forma net debt to EBITDA is adjusted as appropriate for the pubs acquired or disposed in the period.

"We continue to deliver industry leading results with like for like sales in our Managed Pubs and Hotels rising by 8.3%, led by a superb performance in both food sales and accommodation."

I am delighted to present a very strong set of results for the Group and I would like to congratulate all those involved in delivering these numbers. Our Managed Pubs and Hotels division has had an excellent year and across the business we are reaping the rewards of some great acquisitions and a well-invested estate underpinned by a premium brand portfolio, delicious fresh food and exceptional people.

Group revenues rose by 6% to £288.0 million (2013: £271.5 million), which resulted in adjusted profit before tax (excluding exceptional items) growing by 10% to £34.1 million (2013: £31.1 million[4]). Our adjusted earnings per share, our favoured measure for shareholders, rose 11% to 46.94p (2013: 42.18p[4]).

We continue to deliver industry leading results with like for like sales in our Managed Pubs and Hotels rising by 8.3%, led by a superb performance in both food sales and accommodation – two areas that have seen increased focus over recent years. Operating profits for this division rose by 16% with strong margins.

In our Tenanted Division, revenue has also risen. We have invested for the future in our Tenanted estate and this increase in repairs has led to a 1% rise in profits[5] from a 2% rise in revenue. On a like for like basis, we were pleased to see profits rise by 2%.

The Fuller's Beer Company has had a very interesting year with the launch of Frontier, a craft lager, in May 2013 and the purchase of Cornish Orchards, a traditional cider maker, in June last year. The year has been rounded off with the acquisition of the UK distribution rights to US craft beer Sierra Nevada. These elements widen our range, providing a solid basis for future growth, and give the Beer Company an outstanding range of premium brands to offer to our pubs and free trade customers.

Dividend

The Board recommends that a final dividend of 9.30p per 40p 'A' and 'C' ordinary share and 0.93p per 4p 'B' ordinary share be paid on 28 July 2014 to shareholders on the share register as at 27 June 2014. This is an increase of 11% on last year's final dividend. The total dividend per share of 15.10p per 40p 'A' and 'C' ordinary share and 1.51p per 4p 'B' ordinary share represents a 10% increase on last year and will be covered more than three times by adjusted earnings per share.

Michael Turner
Chairman

5 June 2014

Made of London

Phase two of the Made of London campaign included 500 poster sites around the Capital, viewed by over eight million Londoners.

[4] 2013 adjusted profit and adjusted earnings per share are restated to exclude pension scheme finance costs/income from adjusted profit. See note 1 to the financial statements for details.
[5] Operating profit before exceptional items.

Transport Hubs

Fuller's opened the doors on its first transport hub site, The Mad Bishop and Bear at Paddington Station, in 1999. The Tap on the Line is located right on the Platform at Kew Gardens station, we have The Doric Arch at Euston, The Wellington at Waterloo and The Grand Central in Brighton. Our most successful train station venture is The Parcel Yard at King's Cross, which is next to platform 9 - and the Harry Potter store complete with disappearing luggage trolley. It might have a famous neighbour, but the real attraction is The Parcel Yard's two floors dedicated to serving hungry and thirsty travellers throughout the day.

The Parcel Yard sells more cask ale than any other pub in our estate and the demand for space, due to its popularity, has resulted in the opening this year of an additional four function rooms, all stylishly designed for those who want to eat, drink or socialise without comprising on quality. The Parcel Yard really is a great Fuller's pub and we like to think it has changed the train station pub forever.

This success has also encouraged us to look further afield and we have just opened our first airport site with London's Pride at The Queen's Terminal - Heathrow Terminal 2. There's more on that to follow...

08.30 Tap on the Line
Breakfast on the Move

It's time for Eggs Benedict or a quick coffee before grabbing the train or plane – and at The Tap on the Line, you can actually watch the trains at Kew Gardens station come and go with a ringside seat.

Strategic Report
At a Glance

Group operating profit by division[1]

	£m
Fuller's Managed Pubs and Hotels	22.5
Fuller's Tenanted Inns	12.3
Fuller's Beer Company	8.5

[1] Excludes central costs.

Managed and Tenanted houses

Managed pubs within M25	111
Tenanted pubs within M25	58
Tenanted pubs outside M25	148
Managed pubs outside M25	69

Total beer barrels by channel

Fuller's Tenanted Inns	12.4%
Fuller's Managed Pubs and Hotels	22.6%
Free On Trade	39.2%
Off Trade	11.7%
Exports	14.1%

Managed Pubs and Hotels

Managed Pubs and Hotels are operated by Fuller's employees and include 180 pubs and hotels. Our acquisitions are carefully targeted towards prime locations in market towns with our target demographics, high footfall locations in transport hubs and iconic pubs in our home city of London.

Our estate is primarily in the South and South East of the UK and includes 111 pubs within the M25. We focus on freshly prepared seasonal food and an aspirational premium drinks range, delivered with exceptional service and in a stylish and comfortable environment. We also have 622 boutique bedrooms across our 12 hotels and 14 pubs with rooms.

180

Managed Pubs and Hotels

Tenanted Inns

The Tenanted Inns division has 206 pubs, where the individual pubs are run by self-employed entrepreneurs, who work in partnership with us, selling our beer and operating under the Fuller's brand.

We offer our tenants a high level of support, including a variety of tools and services to help them grow their businesses. This includes a bespoke website, a property compliance package, free WiFi and subsidised training for their staff.

206

Tenanted Inns

The Fuller's Beer Company

As London's longest standing brewer, we continually bring new products to market whilst proudly brewing the UK's No.1 premium ale, London Pride. We proactively develop our portfolio of beers, providing variety and interest for consumers, producing a different seasonal ale every month. This year we acquired Cornish Orchards, a craft cider producer in Cornwall, to expand our range of premium authentic drinks.

We directly deliver our own beer and cider, as well as other drinks products to our pubs and our free trade customers in the South East. Our customers value the high quality service we provide.

No. 1

Premium ale in the UK

The Fuller's Vision

"We will create and operate the most stylish pubs and hotels whilst brewing Britain's most coveted premium brands for discerning customers both at home and abroad."

Distinctive Pub and Hotel experience

Investing in:

- Our people
- Our retail offer
- Behind the scenes
- Customer experience
- Customer feedback

Progress in FY 2014

- *Only at Fuller's* continues to provide unique beer and food collaborations.
- Like for like (LFL) food sales up 10.4% driven by our freshly) prepared seasonal offer.
- Accommodation LFL sales up 10.4% building on previous strong Olympic year.
- Increased investment in our people, which is fundamental to great service for our customers.

Priorities for FY 2015

- Continue to invest through the business cycle helping to drive LFL sales growth and gross margins.
- Invest in the upgrade of remaining bedrooms to our boutique standard.
- Launch of new approach to recruitment including an updated Fuller's portal.

Market influence

- Current consumer trends include a focus on provenance of food, healthier options and good value.

Targeted acquisitions and developments

Target acquisitions and developments in:

- High footfall transport hubs
- Iconic London pubs
- Affluent market towns

Progress in FY 2014

- Three new pubs purchased for a total of £7.6 million.
- Development of two new sites: Cams Mill on Fareham estuary opened November 2013 and London's Pride, Heathrow Terminal 2, developed during the year and opened 4 June 2014.
- £10.6 million spent on significant redevelopment of 28 houses.

Priorities for FY 2015

- Development of One over the Ait, Kew Bridge, The Tideway, Fulham Reach and The Sail Loft, Greenwich.
- Development of 15 new rooms at The Mad Hatter, SE1.
- Further refurbishments and repositionings of existing properties.

Market influence

- London and the South East continue to outperform the rest of the UK market.

Premium brand portfolio

Focusing on:

- Well invested equipment and processes
- Skilled brewers
- Constant innovation
- Putting flavour first

Progress in FY 2014

- Cornish Orchards acquired in June 2013 and successfully integrated.
- Launch of new wave craft lager, Frontier, in June 2013.
- Made of London advertising campaign emphasising our London heritage.
- Sierra Nevada added to Fuller's agency portfolio of world class beers.

Priorities for FY 2015

- 10 new conditioning tanks being added in spring 2014 to increase capacity by 25,000 barrels per year.
- Further investment in Cornish Orchards to increase production capacity and widen distribution.
- Focus on opening new markets via Westside Drinks, targeting stylish bars and restaurants.

Market influence

- Consumers increasingly want more interesting choices and are prepared to pay a premium for quality craft products.

The Strategic Report, encompassing pages 6 to 29, was approved by the Board and signed on its behalf on 5 June 2014:

Simon Emeny
Chief Executive

James Douglas
Finance Director

Bedroom Business

There are now 622 bedrooms across Fuller's Managed pubs and Hotels estate and we are delighted that like for like sales have risen by 10.4% this year. This figure is especially pleasing as it follows a prior year that included the Olympics.

We pride ourselves on creating boutique bedrooms that offer something extra special and quirky. We avoid any identikit furniture and we always aim to ensure the great service our customers expect in a Fuller's pub runs right through the customer experience.

We also strive to add interesting design touches - where possible with a relevance to the local area too. For instance, at The Pilot in Greenwich, our rooms all have a clock on the door as a nod to the Greenwich Meridian and the time showing denotes the room number.

If you are looking for an overnight stay that is comfortable, clean, stylish and that comes with a great pint, an excellent breakfast and a fantastic choice of wines - then look no further. We are here and ready to serve.

Chief Executive's Review

Approaching the end of my first full year as Chief Executive, I am pleased to report that Fuller's has had another very strong year. As a company, we know our strength is in operating at the premium end of the market and we have a clear vision of where we are going and how we will get there. This provides a focus for the team while encouraging individuality, innovation and flexibility to flourish.

Frontier

Frontier is our new wave craft lager, launched in May 2013 and now available in over 230 locations across the UK.

Our vision is to create and operate the most stylish pubs and hotels whilst brewing Britain's most coveted premium brands for discerning customers both at home and abroad. To deliver this vision, we will continue to focus on three key drivers for growth:

- Providing a distinctive pub and hotel experience
- Identifying targeted acquisitions and developments
- Further developing our premium brand portfolio.

One area that is of particular note during the last year is the commitment we have put behind specific training programmes right across the business. From wine training in Fuller's Inns to sales training in the Beer Company, more of our people have benefited from greater investment in their personal development. We will never rest on our laurels and in order to build on the great results of this year, we remain committed to ensuring our people are equipped with the best skills to deliver outstanding beer and delicious food in wonderful pubs with great service. This is how we will stay ahead of our competitors.

Our strong culture is at the heart of everything we do. Whether it's the brewer, a drayman, a cellar services technician, an accountant or anyone at head office, or a manager, tenant or barmaid - everyone at Fuller's is focused on delivering exemplary service to our customers. Our people are responsible for the success of this business and I'd like to personally thank them all for their enthusiasm and dedication.

Distinctive Pub and Hotel Experience

Fuller's Inns has had an excellent year with like for like sales in the Managed business rising by 8.3% and Tenanted like for like profits rising by 2%. At the year end, our estate comprised 384 pubs of which 207 are Tenanted pubs run by entrepreneurial licensees and 177 are in our Managed Pubs and Hotels division. Having a balanced business operating both Managed and Tenanted houses allows us the flexibility of moving sites between the two and this year has seen seven pubs move between the two divisions.

Managed Pubs and Hotels

	2014	2013
Invested LFL sales	+8.3%	+2.1%
Wet LFL sales	+7.5%	+0.9%
Food LFL sales	+10.4%	+3.9%
Accommodation LFL sales	+10.4%	+8.2%
Revenue	£186.0m	£170.1m
Operating profit	£22.5m	£19.4m
EBITDA	£32.5m	£29.0m

Our Managed Pubs and Hotels division has enjoyed another stellar year with strong like for like sales growth from all areas of the business - notably food and accommodation. Total like for like sales were up by 8.3%.

Total revenues increased 9% from £170.1 million to £186.0 million and our operating margin expanded from 11.4% to 12.1%, driven by improved gross margins achieved on food and drink and a lower payroll percentage. This increase was partly offset by higher investment, resulting in a 16% increase in profits[6] to £22.5 million (2013: £19.4 million).

Our food sales, driven by a continued focus on food that is fresh, locally sourced where possible and prepared by trained chefs on site, have risen by 10.4% on a like for like basis. Accommodation has had a great year too with like for like sales across our 622 boutique bedrooms also rising by 10.4% - a figure that is particularly impressive following a year that benefited from the Olympic Games in our London heartland. We have improved the customer journey on our online booking system and this is reaping rewards with initial results showing a 60% increase in bookings coming through this medium.

Food continues to rise in importance throughout the Fuller's estate and this has led us to increase our focus on food marketing and improve the training programmes and career structure we have in place. As well as the chef-led kitchen teams in the pubs, we have a team of nine Executive Chefs

Christmas in May

The Mill at Elstead had to close on the day before Christmas Eve last year due to flooding. Having to call all those customers who had pre-booked their Christmas lunch was not an easy task for managers Jeff and Georgia Watts.

To make up for it, The Mill celebrated Christmas in May – and all disappointed customers came along for a full Christmas dinner complete with fake snow and Santa Claus.

under the stewardship of our Head of Food. This year has seen our chef development programme extended to include more junior team members, with the aim of producing home-grown Executive Chefs for the future.

The programme comprises a three level Chef Scholarship and 65 of the 850 kitchen staff in our managed estate have already participated, including a number of food assistants who are just starting their careers in the food arena. We have just completed a full year of the first two levels of this initiative, while the second full year is coming to a close for those sous chefs looking to take up a role as head chef.

The food team also continues to work on products that are available *Only at Fuller's* and our London Porter Smoked Salmon is still our best-selling starter while Vintage Ale Sticky Toffee Pudding is our most popular dessert. Recent innovations include a Cornish Orchards cider pork sausage.

As well as new courses for our chefs, the rest of the 3,200 employees in our Managed Pubs and Hotels team have benefited too with almost 10,000 days invested on pub staff training during the year – which works out at around 400 training hours per pub. Much of this development has been targeted at the customer experience and we now have around 50 Service Coaches in the estate. The impact of these coaches cannot be underestimated and they have a pride in their job that enthuses the wider team around them.

During the year, we held our third annual Connection Week event, which this year provided a launch pad for our Five Golden Rules of Engaging Service. Connection Week brings one team member from every Managed pub together for a day of interactive learning activities that they then go back and share with their colleagues. This year the focus was on our new service passports, which attendees use as a vehicle to disseminate the Five Golden Rules to the rest of the team in their own pub.

Finally, we are also refreshing our approach to recruitment with an updated online portal and a more effective means of ensuring our managers only interview the best applicants. We intend to start with the best recruits, develop team members through first class training and motivate them emotionally and financially. The result is a structured career path and a pipeline of great future managers to support the Company's growth.

It's fine for a company to claim that it offers a distinctive pub and hotel experience, but only our customers can decide if we are succeeding. Social

Managed like for like sales

+8.3%

[6] Operating profit before exceptional items.

Tenanted like for like profits

+2%

media allows companies to gauge their performance in a very public way but the sheer volume of feedback can be difficult to monitor. We have invested in a new system that consolidates online reviews and allows our pubs to access that feedback in a simple format. The system also enables our pubs to easily see how they are faring and quickly address any issues that arise.

Tenanted Inns

	2014	2013
LFL profits	+2%	+1%
LFL barrels sold	−2%	−5%
Av. EBITDA per pub	+1%	+9%
Revenue	£31.3m	£30.8m
Operating profit	£12.3m	£12.2m
EBITDA	£13.9m	£13.8m

It's been a good year for our Tenanted division too – with revenue increasing by 2% to £31.3 million (2013: £30.8 million), profits[7] rising by 1% to £12.3 million (2013: £12.2 million) and average EBITDA per pub growing by 1%. As we continue to focus on the premium end of the estate we have sold four pubs, while three pubs have been transferred to the Managed Pubs division and four have moved in the opposite direction. In addition, we have invested more on renovations with 24 internal schemes, 21 external schemes and 30 signage schemes across our tenanted pubs.

We have continued to focus on providing an even better service to our Tenants. We hold regular meetings with them, including an annual forum, and are always seeking to act on their feedback to help develop their businesses. One example is the provision of a high quality extranet to improve the flow of information, which we delivered this year. The response has been very positive and we were delighted when our commitment to our Tenants was recognised in the 2014 him! survey, in which Fuller's came out as the top Tenanted pub company as voted for by Tenants.

Further success came at The Publican Awards where Fuller's took the coveted title of Tenanted Pub Company of the Year. However, we are determined to improve further and the new financial year has already seen the launch of a new training service with a range of online courses being offered to Tenants for just £5 each.

Finally, we are delighted that 80% of our Tenanted estate is now signed up to the Fuller's Service Agreement. This is an initiative that gives Tenants a guaranteed level of regular property maintenance and compliance with the ever increasing burden of legislation, at group purchasing prices.

Targeted Acquisitions And Developments

This year has seen some great additions to the Fuller's estate for both the Managed and Tenanted divisions. In July 2013, we added The White Hart, Southwark to our Tenanted estate while November saw the addition of two new managed pubs, The Distiller's in Hammersmith and the opening of Cams Mill, a large development on the Fareham estuary. In March, we were delighted to acquire The Albannach – an iconic site on London's Trafalgar Square – and in April we started the new financial year with the announcement of two new riverside sites in Fulham and Greenwich and the purchase in May of The Windmill in Portishead, near Bristol. All four of these latter additions will operate within our Managed Pubs division.

The coming financial year will see us reaping the rewards of much of this investment. London's Pride – our pub at The Queen's Terminal, Heathrow (Terminal 2), opened on 4 June 2014 and we are looking forward to building on our transport hub expertise from The Parcel Yard at King's Cross. London's Pride includes a number of new features such as a section for Grab and Go food to be eaten on the plane and we will be retailing travel and food books within the pub. With an investment cost of £1.7 million, the pub has 200 covers and will be serving contemporary pub food, which has been designed with the modern traveller in mind. The design takes airport pubs to a whole new level and much is made within the pub of Fuller's heritage and the site's close proximity (8.3 miles) to the Brewery.

Following on from the very successful conversion of The Red Lion on Whitehall to our Ale & Pie format, we will be carrying out a similar project on The Albannach in Trafalgar Square, which will be unveiled as The Admiralty in October. With more than a nod to its location and the presence of Admiral Nelson, the pub will benefit from the high footfall in this area, offering a winning combination of great beer and delicious pies to tourists and locals alike.

Finally, three new riverside pubs will be opening on the Thames in the new financial year. One over the Ait by Kew Bridge will open in the autumn of 2014, closely followed by the site at Fulham Reach, overlooking the Harrods Depository and providing great views of life on the river. The Sail Loft at Greenwich – part of the new Capital Quay Development – will open in spring 2015. We also purchased The Windmill at Portishead in May 2014 – a popular dining pub with panoramic views across the Severn Estuary to Wales.

We have invested a total of £38.1 million on capital expenditure during the year – which represents a rise of 29% against last year. We have taken the opportunity to bring forward investment on refurbishments while sales have been strong and this is particularly true in the second half of the year, which has seen 16 major schemes, making a total of 28 for the year.

Several of the projects undertaken during the year have included upgrading the accommodation and, in some cases, adding additional bedrooms. In the coming year we are looking to undertake a large project at The Mad Hatter, close to Blackfriars Bridge, which will add an additional 15 bedrooms. We pride ourselves on offering a better experience and our added design touches ensure we stand out from the bland, standardised offerings that characterise parts of the British hotel scene.

All of our refurbishments aim to promote the key drivers in our estate and we will continue to focus

London Porter

It's been a great year for London Porter – picking up awards for the beer in keg and cask. Keg London Porter took the award for Overall Keg Champion of the Competition at the Society of Independent Brewers awards, while the cask version was the overall winner of the London & South East CAMRA Champion Beer of Britain award.

on improved kitchens and dining areas, exquisite bedrooms and comfortable areas for drinkers to relax in. We will also continue to combine this with innovative and interesting features such as the mural by a local street artist in the cellar bar of The Boater in Bath.

The Fuller's Beer Company

The Fuller's Beer Company	2014	2013
Own beer and cider barrels sold	-1%	-1%
Foreign barrels sold	+3%	+3%
Total barrels sold	+1%	level
Revenue	£115.8m	£113.6m
Operating profit	£8.5m	£8.7m
EBITDA	£11.5m	£11.7m

It's been a year of change for the Fuller's Beer Company, with foundation blocks being laid for the future. Total beer and cider volumes were 1% higher than last year with exports showing the strongest growth. Several new initiatives have come into play during the period including the acquisition of Cornish Orchards, the launch of Frontier, the purchase of the UK distribution rights to Sierra Nevada and the launch of Westside Drinks – a separate sales force with a remit to target the style end of the licensed retail market. In addition, we celebrated a cut in beer duty thanks to the Chancellor's Budget in March 2014.

Revenue for the Beer Company increased 2% to £115.8 million (2013: £113.6 million) while operating profit before exceptional items reduced 2% to £8.5 million (2013: £8.7 million) following additional marketing spend and significant improvements to the Brewery.

Premium Brand Portfolio

Our brands continued to pick up awards during the year with London Porter winning the overall prize for Best Keg Beer at the SIBA (Society of Independent Brewers) awards and the cask version taking the overall title for the London & South East CAMRA Champion Beer of Britain competition. In the same awards, 1845 took the gold medal in the Real Ale in a Bottle category.

London Pride continues to be our best-selling brand and the second phase of the Made of London campaign ran during the last financial year. Over 500 posters appeared on sites across the Capital, which were viewed by over eight million adults. The supporting digital campaign had over seven million impressions and reached 1.7 million unique users.

By using posters and press, the ads have a longer dwell time which allows us to get over a relatively complex message about London Pride's credentials and phase three has just started, which will build on this further. The new phase is more interactive, with social media acting as a call to action for drinkers to share their stories of London Pride. The London Pride Facebook page alone now has over 38,000 fans.

On 4 June 2013, we purchased Cornish Orchards for £3.8 million. Cornish Orchards produces a range of premium award-winning ciders using freshly pressed apples as well as a range of interesting and delicious soft drinks. We have already invested in six new tanks – which have increased capacity by 60% to cope with the growing demand for its products. These craft ciders and soft drinks are produced by a team that is passionate about quality. They perfectly

Export map

Barrelage	100%
Asia pacific	17.1%
Africa	0.3%
North America	24.2%
South America	5.9%
Europe	49.5%
Middle East	3.0%

Exports

You can buy Fuller's beers in around 70 countries across the globe. Our biggest market is now Sweden, where they love the wide range of styles and flavours Fuller's beers provide.

[7] Operating profit before exceptional items.

"The combination of a high quality estate, premium brands and a healthy balance sheet puts us in an excellent position going forward."

Beer Company total beer and cider barrels

334,100 Brls
+1%

Capital expenditure

£38.1m
+23%

complement our existing portfolio while the company itself is a great cultural fit with Fuller's.

Frontier, our new craft lager launched in May 2013, continues to grow and the brand is proving popular at various London events such as Street Feast and Ribstock. In addition, Frontier is now available in over 230 locations – the majority of which are not our own pubs – and in bottle in over 600 Tesco stores. The agreement with Sierra Nevada, which sees Fuller's take responsibility for the distribution of this great American craft beer across the UK, and the addition of Cornish Orchards have opened more doors for Westside Drinks and gives the team a fantastic range of brands to sell to high end bars, restaurants and festivals.

Our export business continues to grow with Sweden now our largest export market, followed by the USA, Canada, Russia and Finland. In total, Fuller's is now present in 68 countries and one in five pints brewed heads overseas. London Pride still accounts for the lion's share, with 44% of total export volume – but our wide portfolio has proved to be a real asset in foreign markets and our fastest growing export brands last year were Organic Honey Dew and India Pale Ale.

As an integral part of our premium brand portfolio, we continue to source, import and sell a wide range of interesting wines. By focusing on brands that are not so readily available in the off trade, we can offer a point of difference to our pubs and free trade customers.

Finally, we continue to expand both at the Griffin Brewery in Chiswick and at Cornish Orchards in Duloe. In Cornwall, we are further increasing production capacity in preparation for this autumn's apple harvest while this spring we added 10 new tanks to accommodate increased keg volumes at the Brewery in Chiswick due to sales of Frontier and the growth in exports.

Final Salary Pension Scheme

We closed our final salary pension scheme to new members in August 2005. The Company has recently finished a period of consultation with the Trustees and Members of that scheme, with the expectation that the scheme will close to future accrual with effect from 1 January 2015. As there are still matters to be concluded on the scheme closure between the Company and the Trustees, we cannot yet quantify the financial impact of this action.

Current Trading And Prospects

We've had a very good start to the new financial year, with like for like sales in our Managed Pubs and Hotels rising by 8.0% in the nine weeks to 31 May 2014. Like for like profits in the Tenanted estate have risen by 4% and total volumes in the Beer Company are up by 10%.

Two new pubs have opened during the first nine weeks of the year – The Windmill, a freehold site in Portishead, and London's Pride at Heathrow Terminal 2. In addition, we have three freehold riverside sites that will open during the next year at Kew, Fulham and Greenwich.

The Fuller's Beer Company strategy, launched last year, is already starting to deliver with both Frontier and Cornish Orchards achieving exciting growth and extra capacity coming on stream in Chiswick and Cornwall during the coming months.

We are looking forward with anticipation and excitement to the forthcoming year. Investment is taking place in all areas of the Company and we continue to be pleased with the impact that it is having on the business. The combination of a high quality estate, premium brands and a healthy balance sheet puts us in an excellent position going forward.

Simon Emeny
Chief Executive

5 June 2014

Simon Emeny

Only at Fuller's

Food is more important than it has ever been and we are delighted to see our like for like food sales rise by 10.4% during the year.

Our team of nine Executive Chefs focus on using fresh, seasonal produce and creating dishes that are available such as our London Porter Smoked Salmon, Golden Pride Sourdough Bread and Vintage Ale Sticky Toffee Pudding. We have started to use Cornish Orchards cider too - with the arrival of a Cornish Orchards cider pork sausage.

We have just expanded our chef development scheme too - so we are offering great training to our kitchen teams at all levels. We like to provide genuine career progression and hopefully today's kitchen porter is tomorrow's head chef.

Food is key to our business and our growth and it just gets better and better.

13.00 The Parcel Yard

Fresh food – skilled chefs

Head chef Rachid Messaoudi and his team at The Parcel Yard satisfy up to 400 diners every day. No mean feat – especially as many of them have trains to catch, so the food has to be cooked to perfection in a timely fashion.

Financial Review

Our Operating Results
We have grown revenue by 6% on the prior year with the majority of the growth driven by strong like for like trading within the Managed estate, supplemented by the effect of acquisitions across the Group and price rises. Our operating profits before exceptional items grew by 8% to £39.9 million (2013: £37.0 million), with the largest contribution to growth coming from the Managed Pubs and Hotels division. EBITDA increased by 6% to £54.5 million (2013: £51.2 million).

Finance Costs
Net finance costs before exceptional items decreased marginally from £5.9 million to £5.8 million. Despite our debt level rising moderately at the year end our average net debt level reduced from £135.4 million to £133.4 million. We continued to experience low interest rates on our variable debt and this, along with the capitalisation of interest costs on the construction of Cams Mill and London's Pride, resulted in a decline in our interest expense in the year.

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

Our blended cost of borrowings remained constant at 4.0% due to the consistency in our borrowing levels and flat interest rates on the variable rate portion of our debt. We expect this blended rate of interest to increase marginally to 4.3% in the coming year as interest rates begin to rise and we continue to pay down our cheaper variable rate borrowing.

Exceptional Items
Net exceptional costs before tax of £0.6 million comprised £1.9 million profit on property disposals, £0.9 million onerous lease provision releases offset by £1.1m of acquisition costs expensed, £1.2 million reorganisation costs, property impairment charges net of reversals of £0.5 million and a net interest charge on our pension deficit of £0.6 million. The reorganisation costs comprise redundancy costs relating to employee restructuring, centred around the brewery sales force and supply chain team, together with legal and consulting costs for the closure of the final salary pension scheme to future accrual. This restructuring is anticipated to save £0.5 million per annum.

After exceptional items, profit before tax was therefore £33.5 million (2013: £33.7 million). We further benefited from an exceptional deferred tax credit of £3.4 million, primarily relating to the reduction in the UK corporation tax rate from 23% to 21% from 1 April 2014 and then to 20% from 1 April 2015. The total impact of these items meant that basic earnings per share were greater than the adjusted figure at 52.14p (2013: 50.43p).

Tax
A full analysis of the tax charge for the year is set out in note 7 to the accounts. Tax has been provided for at an effective rate of 23.2% (2013: 24.4%) on adjusted profits. The Group's overall effective tax rate of 13.1% was boosted by the exceptional deferred tax credit (2013: 16.6%).

Pensions
The deficit on the defined benefit pension scheme increased by £4.2 million to £17.2 million (2013: £13.0 million). This was driven principally by an increase in the calculated present value of pension obligations from £101.9 million to £110.8 million, driven by the assumed discount rate applied to the long term liability decreasing from 4.6% to 4.45%, an increase to the cash commutation factor and more prudent mortality assumptions being adopted. This was partly offset by a greater than expected return on the plans assets, resulting in an increase in the fair value from £88.9 million to £93.6 million. Deficit recovery payments of £0.7 million were made during the year. These payments will be reviewed as part of the finalisation of the triennial valuation based on July 2013.

The scheme was closed to new members in August 2005 and it is expected that the scheme will close to future accrual from 1 January 2015.

Shareholders' Return
Adjusted earnings per share were 11% higher than last year at 46.94p (2013: 42.18p). The proposed final dividend of 9.30p per 40p 'A' ordinary share, together with the interim dividend of 5.80p per share already paid makes a total of 15.10p and compares with a total dividend of 13.70p last year. The total dividend per share has grown by 10% and will be covered 3.1 times by adjusted earnings per share, compared with 3.1 times in the previous year. Shareholders' equity at the year end was £277.2 million.

During the period 445,819 'A' ordinary 40p shares were repurchased into treasury for £4.2 million (2013: 411,393 for £2.9 million). In addition 69,000 'A' ordinary 40p shares, 414,854 'B' ordinary 4p shares and 5,000 'C' ordinary 40p shares were purchased for £1.1 million by or on behalf of the Trustees of the Share Incentive Plan and the LTIP Trustees to cover future issuance (2013: 86,500 'A' shares, 696,752 'B' shares and 4,935 'C' shares for £1.1 million). The average price paid was 940p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 910p. The highest price during the year was 1010p, while the lowest was 776p. The Company's market capitalisation at 29 March 2014 was £507.9 million (2013: £457.4 million).

"Our operating profits before exceptional items grew by 8%. EBITDA increased by 6%, so that the pro-forma net debt ratio reduced to 2.5 times."

Cash Flow

Cash Flow	2014 £m	2013 £m
EBITDA	54.5	51.2
Interest	(5.3)	(5.4)
Tax	(8.0)	(8.1)
Working capital and other	4.9	(2.4)
Cash available for discretionary spend	46.1	35.3
Capex on estate	(16.4)	(12.7)
Acquisitions*	(17.6)	(11.4)
Pub development	(4.1)	(5.5)
Acquisition costs and other exceptionals paid	(2.1)	(1.5)
Property disposals	2.6	9.5
Dividends	(11.8)	(10.6)
Cash flow	(3.3)	3.1
Non-cash movement	(0.9)	(0.5)
Net debt movement	(4.2)	2.6

* Includes acquired debt on acquisition of Cornish Orchards Limited and conversion of leasehold property to freehold.

Cash available for discretionary spend was £46.1 million (2013: £35.3 million). The increase was largely due to increased EBITDA and positive movements in working capital, mainly due to the timing of payments around the year end. Group net debt increased from £135.6 million at the start of the year to £139.8m as a result of acquisitions and the continued investment in our existing estate.

Our capital spending increased to £38.1 million (2013: £29.6 million) and included the acquisition of Cornish Orchards (including £0.5m of assumed debts), three new pubs (exclusive of acquisition fees and stamp duty) - The Distillers, Hammersmith; The White Hart, Southwark; and The Albannach, Trafalgar Square, purchasing the freehold of The Lamb & Flag, Covent Garden and developing two new pubs. We continued to invest in the redevelopment of our existing estate; most notably, The White Buck, Burley and The Pilot, Greenwich where our investment doubled the number of rooms available in each as well as refurbishing the existing rooms. Approximately £4.1 million was invested in the two new pubs, Cams Mill, Fareham which opened in the second half of the year and London's Pride, our airside pub in the new Heathrow Terminal 2 building which opened on 4 June 2014.

Asset disposals raised a total of £2.6 million and we recorded an exceptional gain on disposal of £1.9 million which was largely attributable to the sale of four licensed properties.

EBITDA increased by 6% to £54.5 million (2013: £51.2 million). This offset our increased capital spend so that the pro-forma net debt ratio reduced to 2.5 times (2013: 2.6 times). This level of debt allows us continued flexibility to invest in future opportunities as they arise.

Sources of Finance

Sources of Finance	2014 £m	2013 £m
Bank debt	116.2	112.5
Other debt	27.7	27.4
Cash	(4.1)	(4.3)
Total net debt	139.8	135.6
Available committed facilities	33.5	37.0
% total borrowings fixed or hedged	78%	80%
Net Debt/EBITDA	2.5x	2.6x

Our total committed bank facilities remained at £150.0 million at the year end of which £116.5 million (2013 £113.0 million) was drawn and £33.5 million was available (2013: £37.0 million). We maintained our level of hedged bank borrowings at £85.0 million of which £65.0 million is swapped at a blended interest rate of 1.8% (excluding bank margins) and £20.0 million is subject to a cap of 4.0%.

In July 2013 we entered into a further interest rate swap agreement for £20.0 million at 2.55% from 2015 until 2020. The interest rate swap agreements in place will allow us to continue to borrow a portion of our bank debt at a fixed interest rate until 2022.

The Group's financing is a mix of bank debt, debentures, cumulative preference shares, overdraft, cash and short term deposits as disclosed in notes 21, 23 and 25. Other financial assets and liabilities such as trade receivables and payables arise through the Group's operating activities. The Group does not trade in financial instruments.

The Group is able to operate with negative working capital - trade and other payables were £17.2 million greater than the aggregate of inventories and trade and other receivables at the year end (2013: £12.5 million greater).

Financial Risks and Treasury Policies

The Group Treasury Team consists of the Finance Director and the Group Financial Controller. The objectives of the Treasury Team are to manage the Group's financial risk; to secure cost effective funding for the Group's operations; and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group Treasury Team monitors the overall level of financial gearing weekly, with our short and medium term forecasts showing underlying levels of gearing which remain within our targets.

Going Concern Statement

The financial position of the Group including the various sources of finance available and its cash flows have been described herein. In addition, note 25 of the financial statements includes detailed disclosure on the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Group is vertically integrated, is diversified across a wide range of sales channels and is strongly cash generative. We have performed well throughout the recent economic cycles. Our financial position is strong as we have always borrowed prudently. We have over £30 million of undrawn bank facilities in place at the year end which is considered more than sufficient to meet cash flow requirements over the coming 12 months. Our current £150 million bank facilities expire within the next 12 months, in May 2015, in which time the Group will have undergone a process to secure new lines of finance for the coming years. Our current expectations are that the Group will have no difficulty in continuing to borrow at this consistent level at similar margins.

On the basis of current financial projections and having considered the facilities available and our expectation around refinancing the Directors are confident that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

James Douglas

James Douglas
Finance Director

5 June 2014

Meanwhile, 8.3 miles away...
London's Pride, our new pub at The Queen's Terminal, or London Heathrow Terminal 2 as it is better known, is Fuller's first airside pub. It's been two years in the making, but we are delighted with the result and even more pleased with the reaction from all those who see it.

The pub is divided into a number of different areas over its 5,000 square feet and can hold 200 people. As well as enjoying a wide ranging menu, customers can relax with a drink, recharge their laptops, download their e-mails and even buy a book while they wait for their flight to depart.

The open kitchen will give customers an opportunity to watch the chefs prepare delicious, fresh food. There is a section for "Grab and Fly" that sells food to take away.

We truly are the local brewer to Heathrow - a fact we made the most of on April Fool's Day when many people, including well-known industry figures, fell for our tale that the beer would be delivered by a new pipeline built under the M4.

14.30 London's Pride
Come Fly with Us

Looking for a last taste of London before boarding a plane for foreign climes? Stop off at our new airside pub in Terminal 2 for a great pint and some delicious food.

Principal Risks and Uncertainties

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

The following sets out what the Board considers to be the principal risks affecting the Group at present. In addition, the key financial risks to the Group are detailed in note 25c to the financial statements.

Risk	Mitigation and Monitoring
Regulation of the Sale of Alcohol	
Within our industry there is always the risk that the Government may change legislation in a manner that would adversely affect us. For example significant rises in duty, proposals for minimum pricing and greater restriction on minimum age are potential measures aimed at reducing consumption by increasing the cost and reducing the availability of alcoholic drinks. This creates the risk of reduced demand fuelling reduced profitability of our beers and pubs.	We carefully monitor legislative developments and review sales trends and consumer habits to gauge the impact on our business. We participate in industry initiatives aimed at the responsible promotion and retailing of alcohol. We have diversified our offering to include soft drinks, coffee, food and accommodation to reduce our reliance on alcohol-based revenue.
Beer Tie	
Following a consultation in 2013, the Government has, in the past few days, announced plans that will give publicans new rights under a statutory code of practice for the industry. In addition an independent adjudicator will be appointed to enforce this new code including the powers to arbitrate disputes, investigate non-compliance and issue fines or sanctions accordingly. The slightly more onerous requirements within the new code will only apply to companies with over 500 leased and tenanted pubs; however, there remains the risk that this threshold may be reduced in the future or the proposals are changed before the legislation is implemented. Enforced changes to our tied arrangements by the Government would necessitate changes to our business model, with higher property rents and lower prices for the supply of drinks being charged.	Fuller's operates an internal code of practice that already incorporates the key provisions of the proposed mandatory code. We aim to ensure transparency and openness in our Tied agreements. We also provide marketing, training and promotional support to help tenants run profitable and long term businesses. We continue to monitor ongoing dialogue between the Government and industry bodies. Our Directors are members of key industry bodies and committees.
Health and Safety	
The health and safety of the Group's employees and customers is a key concern to us. We are required to comply with health and safety legislation, including fire safety and food hygiene. Operating a large number of pubs, hotels and sites increases the complexity of ensuring the highest health and safety standards are adhered to at all times.	A Health and Safety Committee oversees the operation of the Group's health and safety policies and procedures, and regularly updates its policies and training programme to ensure all risks are identified and properly assessed and that relevant regulation is adhered to. We report and investigate all accidents and near misses. In our Managed Pubs and Hotels we have automatic fire suppression systems in most of our kitchens to reduce fire risk. All staff receive food hygiene training as standard and regular kitchen audits/checks ensure they comply with the standards expected from them. Quality assurance checks on our core suppliers ensure hygiene standards have been adhered to before produce even reaches our kitchens.
Pensions	
The Group operates several pension schemes. Although the defined benefit scheme is now closed to new entrants, there remains a significant pension liability of £17.2 million on the Balance Sheet. A change in market conditions could materially change the size of the deficit that would then impact on the levels of funding required. Legislative changes could impact cash flow by setting a minimum funding level that is above the Group's current contributions.	We hold regular dialogue with the Trustees and Members of the Scheme regarding the deficit recovery plan. As part of this the Group made an additional contribution of £0.7 million in the year ended 29 March 2014. The Company is currently in discussion with the Trustees and Members with the expectation the Scheme will close to future accrual with effect from 1 January 2015.

Risk	Mitigation and Monitoring
Strength of the Economy	
We are exposed to the overall strength of the UK economy and its influence on consumer spending. A weak economic recovery, high inflation, unemployment or pay reductions would be likely to reduce total UK consumer spending in the short term and lead to lower growth rates.	The Group constantly invests in its key brands and ensures it takes advantage of the opportunities presented to encourage customers into its pubs. The Group maintains a high quality of both operations and products in order to maintain its competitive position. We constantly review the position of our pubs and brands in the market to ensure that the Group is in the best possible position for the current marketplace.
Supply Chain Failure	
The quality and availability of supplies are integral to our ability to operate. Our brewery and our pubs rely on a number of third parties to ensure both the continuity and a consistent quality of these supplies.	We maintain close relationships with all our suppliers and where appropriate put in place long term supply contracts. Dual supply is maintained for the majority of essential products. Suppliers are carefully selected with significant consideration given to the source and quality of the produce. We monitor the credit worthiness of all our suppliers as well as continually review contingency plans in the event of a failure in supply.
Cost Increases	
Utilities and agricultural produce such as hops, malt and barley, as well as food produce are significant inputs for the Group and have been subject to considerable price increases in recent years. Further input cost increases could impact the Group's profitability.	Management has in place arrangements with some of its key suppliers to secure supply and prices for the medium term (thereby also enabling the business to plan effectively). An Energy Policy Committee is in place to manage utility purchasing.
Consumer Trends	
Social trends and spending patterns are more dynamic than in the past. In the current economic climate it is more likely that some consumer demand will shift as customers become more selective about their outgoings. A shift in consumer demand that resulted in Fuller's Inns having an uncompetitive retail offering would, almost inevitably, have a negative impact on trade and the profitability of the Company.	We proactively seek customer feedback through our Net Promoter Score programme as well as benchmarking our pricing against our competitors. Management frequently carries out research amongst its customer groups to ensure it reacts to changing consumer preferences. Accommodation and food sales are an area of focus and are an increasing proportion of total sales, providing diversification protection against shifting consumer behaviour.

Risk	Mitigation and Monitoring
Griffin Brewery Site	
The Group's headquarters and sole brewing facility are based at the Griffin Brewery site in Chiswick. A disaster at this site would seriously disrupt operations which would impact on the profitability of the Company.	We take various measures to mitigate the impact of such an event. We continually monitor fire safety and invest in capital projects to reduce the risk of failure. We store recipes and yeast off-site and have informal arrangements in place to use alternative facilities.
Brands and Reputation	
Fuller's has a wide portfolio of brands and has established an excellent reputation in the market. Principally, there is a risk that the Group's beer could become contaminated at source or outlet, which could damage the reputation of the brand and deter customers.	The Group reduces product contamination risks to an acceptable level by ensuring that the business is operated to the highest standards by maintaining long term relationships with suppliers and by significant investment in security, quality control and cleansing. The Group has in place product recall procedures together with insurance coverage in the event of contamination. In addition, the Group runs an active and continuous training programme covering all aspects of the pub operations and provides its pubs with onsite technical support.
Information Technology	
The Group is increasingly reliant on its information systems to operate on a daily basis and trading would be affected by any significant or prolonged failure of these systems.	To minimise this risk the IT function has a range of facilities and controls in place to ensure that in the event of an issue normal operation would be restored quickly. These include a formal Disaster Recovery Plan, online replication of systems and data to a third party recovery facility and external support for hardware and software.

Cornwall Calling

On 4 June 2013, we completed the acquisition of a craft cider company – Cornish Orchards. It's a perfect fit with Fuller's both in terms of the premium nature of Cornish Orchards' products and the culture of the company. Managing Director Andy Atkinson has stayed on to run the business and Fuller's has provided capital to help fund its expansion and contacts to widen the distribution.

As well as ciders, Cornish Orchards produces a fantastic range of soft drinks which are already proving popular in many of our own pubs.

It's a great addition to the Fuller's family and we know there will be great things to come in the future. We have already increased capacity by 60% with the addition of six new tanks and there will be further investment in the coming months ready for this autumn's apple harvest.

The Cornish Orchards site is in Duloe, just outside Looe, in the heart of the Cornish countryside.

16.15 Cornish Orchards
Apple Blossom

Andy Atkinson is a man who knows his apple trees and quality is at the heart of this fantastic craft cider business.

Corporate Social Responsibility

Heritage

As the oldest brewer in London, Fuller's takes its heritage very seriously – it has even taken centre stage in our latest London Pride advertising campaign. Brewing has taken place on our site in Chiswick since the days of Oliver Cromwell and the Griffin Brewery still provides the beating heart of the Company. Fuller's even plays host to Britain's oldest wisteria – still growing today on the side of the Brewery with its amazing April flowers.

We have the same duty of care to our pubs – some of which have been in Fuller's hands for over 150 years. Recent refurbishments have taken both the history and location into consideration as can be seen, for example, at The Red Lion on Whitehall. The pub overlooks the Cenotaph and has been restored to former glories with a 1920s style restaurant and an opulent cellar bar in the style of a Mayfair gentleman's club. We will be looking to bring elements of our heritage to our latest riverside pubs too, in Greenwich, Fulham and Kew, despite all three being contemporary, new build properties. We believe in creating stunning venues for the public to socialise in a comfortable and safe environment.

Our brewers still refer to the brewing books of years gone by to find inspiration for new and exciting brews that have more than a nod to the past, including the acclaimed Past Masters series. We also borrow from the heritage of others and later in the year we will be brewing our fifth Brewer's Reserve – a fantastic beer aged in barrels from the Scottish whisky distiller, Glenmorangie.

Community

The local pub is the heart of the community and at Fuller's we strive to maintain this important role. Our pubs raise thousands of pounds for charities across all trading areas. We support local activities such as carnivals, school fetes and other fundraisers and we continue to encourage our tenants and managers to build further links within their neighbourhoods. During the recent flooding, The Swan Hotel at Staines provided complimentary hot drinks to displaced local residents and even played host to the local doctor while the surgery was submerged.

In total, across the Company and our pubs and hotels, we have raised around £200,000 in the year for charities as diverse as medical charities, historic buildings and alcohol charities. We have continued our support for the Seafarers Charity – which benefits from a £5 per barrel donation from each barrel of Seafarers Ale that is sold. This is just one of the charitable links that we still maintain from our purchase of the Gales Brewery some eight years ago. For the same reason, we make a regular donation of beer to the Hospital of St Cross, an almshouse just outside Winchester that is believed to be England's oldest charitable institution.

As well as financial support for charities, Fuller's also continues to provide support to a number of long running sports events and initiatives including the Surrey County Cricket League and the Head of the River Fours. Both of these sponsorships have run for around 25 years. Fuller's also continues to get involved with local running events such as the Thames Towpath Ten and the London Pride Walk for Cancer Research UK, which has raised well over £1 million in its 18 year history. This walk, which starts and finishes at the Brewery, is one of the most popular events in the Chiswick calendar and regular walkers include Griffin, one of Fuller's Shire horses.

In January 2014, Fuller's made a donation of £33,620 to Shooting Star CHASE – a children's hospice charity that cares for over 600 families living in West London, Surrey and West Sussex. This money represented 30p per children's meal sold in 75 of our Managed pubs plus £12,000 from fundraising events and competitions in the participating pubs. The menu, which was specially created for the purpose, is being continued in the Fuller's Managed estate and comes with word games and colouring, which are set to Key Stage 2 educational criteria.

Going Soft

As well as cider, Cornish Orchards produces a fantastic range of premium soft drinks including three types of apple juice.

Shooting for the Stars

This year, Fuller's made a donation of £33,620 to Shooting Star CHASE – a children's hospice charity caring for over 600 families.

Gender Diversity
as at 29 March 2014

	Board of Directors		Senior Managers		All Employees
Male	9	Male	40	Male	2,062
Female	1	Female	18	Female	1,548

Responsible Retailing

Fuller's has always believed that a well-run pub, offering a relaxed and safe environment, is crucial to fulfilling the pub's role in the community and in the wider social fabric of the country. We avoid heavily discounted drinks promotions, preferring to focus on offering a wide range of drinks, fantastic, home-cooked fresh food and exceptional service. The purchase of Cornish Orchards has also added a great range of soft drinks, including fresh-pressed apple juice, to the Fuller's portfolio.

Our brewers take great pride in the beers that they brew - and this is reflected in the way they are sold. With bespoke glassware wherever possible, stylish advertising that takes time to read and promotional activity with an emphasis on modest consumption, our strategy remains firmly focused on quality and not quantity.

We take our role as a retailer of alcohol seriously and we are active members of the British Beer and Pub Association (BBPA) and the British Institute of Innkeeping (BII). Fuller's is also a supporter of Drinkaware, the government sponsored trust that aims to promote responsible drinking and help reduce alcohol misuse and alcohol related harm.

Across the Company, we have invested heavily in training and our bar staff training includes details of initiatives such as the Challenge 21 scheme to prevent underage drinking and, of course, how to politely refuse those who have had too much to drink. These measures are audited through unannounced test purchases.

As we improve the quality and range of our food, therefore growing sales, the purchase of alcohol is increasingly becoming an accompaniment to a meal rather than the primary reason for the customer to visit.

People

The Fuller's family ethos remains strong and is still very evident throughout the business. Many employees stay with Fuller's for much of their working life, as demonstrated every year by the numerous recipients of our long service awards.

To meet our strategic aims, we require a highly motivated and talented workforce, who are fully engaged and share our passion for quality and customer service. The training and development of our people is paramount. We launched our Graduate Programmes in 2011 and these have gone from strength to strength. Increasingly, Fuller's is being viewed as a place for talented graduates to develop into the leaders of the future and our 2014 programmes attracted over 1,000 applications. In addition, our mentor programme has increased in size and scope, utilising the skills and experience of our Senior Managers to support the development of future leaders.

Pubs with Personality

We like to give our managers the freedom to stamp their own personality on their pubs - and using witty blackboards is just one of the ways they show this.

Fuller's other development programmes support a career journey from apprenticeship to general management. In 2013 we launched our Five Star impact programme, which aims to turn our supervisors into assistant managers, while our general manager development programme continues to allow the best assistant managers to become new leaders for our pub estate. We have replicated this approach with our chef teams, by introducing three chef scholarships which will develop talented chefs from commis chef to head chef positions, the result being a complete approach to home-grown talent and structured career paths. The number who have completed or are in a development programme is now in the hundreds and we intend to grow this further.

This year also saw the launch of our service training programme, the Service Passport, which is based on our Five Golden Rules of Engaging Service. We now have an impressive 85% of our pub teams completing this training within their first 12 weeks of employment. The programme has been underpinned by the development of the Service Coach network, which is currently a group of 50 of our front line team members with responsibility for championing service at house level.

The last 12 months really has seen our training schedule step up a gear. We now have 160 people trained to the Wine and Spirit Education Trust level one, ensuring that each pub has a team member who can confidently and knowledgeably recommend wine to our customer. For the Beer Company and our central team, Fuller's has also raised the training bar with significant investment in a programme for the sales team and a new extended training calendar now in place for managers throughout the head office and brewery function.

We value loyalty very highly and offer a range of benefits to encourage employees to take a stake in the Company's long term success, such as the Save As You Earn Scheme and Share Incentive Plan. We also endeavour to recognise great efforts with the launch of the 100 Club, a select group of team members in our pubs and hotels who have exceeded our customer service expectations, and the implementation of Caught in the Act scratch cards to provide an instant award to team members who are exhibiting one of our Five Golden Rules of Engaging Service.

Finally, no mention of our people would be complete without reference to Dolly. Dolly has worked as a barmaid in The Red Lion, Wendover, for 76 years. This year we celebrated her 100th birthday in style. Dolly still manages three shifts per week proving that Fuller's really is an age positive employer.

Carbon reporting

Fuel type	52 weeks ended 29 March 2014 CO_2 tonnes
Electricity and gas	27,493
Petrol and diesel	1,126
Total	**28,619**
CO_2 emissions per £100,000 of turnover	9.9

The greenhouse gas intensity ratio for each year is calculated by dividing our total CO_2 emissions (in metric tonnes) by our annual turnover (in £100,000s). Our total CO_2 emissions are derived from the electricity and gas consumption of both our Managed pub estate and the Griffin Brewery plus emissions from all company vehicles, including company cars. The emissions related to electricity and gas are those submitted via our Carbon Reduction Commitment (CRC) obligations and the Brewery's Climate Change Agreement (CCA). Vehicle emissions are calculated from the data gathered by our fuelcard supplier.

Environment

Despite the terrible flooding which affected so many parts of the country, the last financial year proved to be significantly warmer than the previous year. This had a positive impact on our gas consumption due to lower heating but a slightly negative impact on electricity consumption due to an increased demand for air conditioning. Energy consumption is a key area for Fuller's and, working with a specialist carbon management company, in the year we ran a trial programme to reduce energy consumption across 15 pubs. By providing weekly consumption reports, guidance on energy saving, reward incentives, a competitive element and operational visibility we reduced electricity consumption by 8% compared to the rest of the estate in a three month period.

Following extensive trials, we have commenced a roll-out of LED lighting for front-of-house areas. As well as demonstrating significant energy and carbon savings, managers will spend less time changing lamps and we will be able to ensure more consistent lighting. In addition, Fuller's has tested an intelligent kitchen extract control system and achieved a significant electricity saving. This system is now being installed as standard for both new builds and kitchen refurbishments and we may look to proactively install it more widely. In the same vein, we trialled intelligent boiler controls in two of our hotels. This system monitors the temperature of water returning to the boiler and only allows the system to fire if the decline in temperature warrants it. These initial trials have demonstrated a 14% saving of gas and the trial will be rolled out further from May 2014.

By monitoring the electricity consumption of our refrigeration and HVAC (heating, ventilation and air conditioning) systems in seven trial houses, we have been able to immediately identify incorrectly set or failing devices. As well as suggesting electricity savings of around 20%, we are also able to monitor fridge/freezer temperatures in real-time to ensure food safety. Due to its success, we aim to extend this trial in May. In addition to the above, we continue to convert houses to waterless urinals whenever toilet areas are refurbished and food waste recycling has been implemented in every house where there is space for additional bins.

Finally, we have also tackled the issue of outdoor heaters by implementing a new policy to eliminate uncontrolled, gas umbrella units. Instead, all new outdoor heaters must be controlled by either passive infrared (PIR) sensors in dining areas or customer controlled timers in our smoking areas.

Within the Brewery, we have reduced the amount of effluent produced. Two of our graduates have been working on a project looking at the way we clean vessels in the Brewery. As a result of their work, the amount of water used and, therefore,

Helping Hand

During the flooding earlier this year, The Swan at Staines even played host to a GP's surgery while their own premises was drying out. We strive to ensure our pubs remain at the heart of the community.

Marathon Miles

We are now in the seventh year of our sponsorship deal as the Official Beer of the Virgin Money London Marathon and were delighted to see Ed Balls mention that he only wanted to beat the London Pride bottle.

effluent produced has been reduced by over 5,000 hectolitres per annum, providing an environmental and financial benefit. The new process is also shorter, which means less downtime for the vessel, hence improving productivity.

Fuller's is also beginning to see the results of the greener car policy implemented in 2009. Since that time, the amount of fuel used has reduced by 13% across company cars and fleet delivery vehicles. As well as the positive impact on the environment, this is also good news for our cost base.

Suppliers

It is no longer enough to examine the social impact of our own business - we have to consider that of our suppliers too and we execute our responsibility by ensuring the products we source are sustainable and, where possible, local.

We look to build long term relationships. It is our belief that this stability allows our suppliers to sensibly invest in and protect their businesses. For example, we have forward contracts with our hop and barley farmers both to secure our own supply and to give the farmers the confidence to invest in the future. In addition, we consider the human rights, health and safety and other ethical policies of our suppliers when making our buying decisions. All suppliers are required to provide us with a copy of their Corporate Social Responsibility policy and we look for those with similar values to our own.

Wherever possible, our menus will reflect the seasonality of local produce and we try to buy British. All our chips are from British farmers and our fresh meat is sourced from within the UK through trusted butchers with a fully traceable supply chain. Our eggs meet Lion Quality standards and again all come from British farms and we only buy fish from fishmongers who are accredited with the Marine Stewardship Council.

We continue to source only Fair Trade coffee and we support UK food initiatives such as the New Forest Marque and Hampshire Fare.

On a more global note, we signed a distribution agreement with Sierra Nevada in Chico, California this year. To ensure that we reduce our impact on the environment and maximise our supply chain, we are importing Sierra Nevada beer in the same kegs that are used to deliver Fuller's beer to our US customers, hence ensuring we avoid transporting empty kegs.

Bath Time

We have completed the refurbishments of our three Bath pubs this year - and despite all being a short walk from each other, they clearly target different premium audiences.

The Crystal Palace is warm and welcoming, with a fantastic outside space, great food and a real cosy pub feel, while The Huntsman has the beautiful Elder Room dining area upstairs, overlooking the river.

At The Boater, you'll find probably the best beer garden in Bath, as well as four floors with very different feels and the quirkiest gents' toilets in the South West. From the top floor dining room to a cellar bar that's made for those late night secret trysts, it really does offer something for everyone. And its location right next door to Bath Rugby Club will ensure it proves popular with props and hookers - of the rugby kind!

The move into Bath is a logical progression along the M4 - especially as we have long had a foothold in Bristol. It's definitely our kind of place - a thriving cathedral city with a great demographic.

20.00 The Huntsman

Settled in for the night

While food and accommodation have grown in importance, we never forget our drinkers and there's no better place to sample Fuller's great range of drinks than in a Fuller's pub.

Michael Turner
Non-Executive Chairman

Committees

Chairman of the Nominations Committee.

Aged 62. 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.

Executive Directors

Simon Emeny
Chief Executive

Aged 48. Joined in 1996 from Bass plc where he held a variety of senior operational and strategic planning roles. Appointed a Director in May 1998. Non-Executive Director of Dunelm Group plc. An Economics graduate and alumni of Harvard Business School.

James Douglas
Finance Director

Aged 48. 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 Masters degree in Economics.

Richard Fuller
Sales and Personnel Director

Aged 54. Joined the Company in 1984. Appointed a Divisional Director with responsibility for Sales in 1992, and additionally for Personnel in 2005. Appointed to the Board in December 2009. Also responsible for Public Relations. A GMP Graduate of Harvard Business School..

Ian Bray
Managing Director of The Fuller's Beer Company

Aged 50. Appointed in 2011. Previously European Marketing Director of Bunge S.A., a Switzerland-based global foods and agricultural business. Has held FMCG marketing and senior management roles at both international and domestic level, working with companies such as Wrigley, Müller and SmithKline Beecham. A Business Studies graduate.

Jonathon Swaine
Managing Director of Fuller's Inns

Aged 43. 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 Masters degree in Marketing and an alumni of Columbia Business School.

Company Secretary

Marie Gracie

Aged 48. Appointed in 1998 after an offshore appointment. Formerly Company Secretary of Argos PLC. A Chartered Secretary and Arts graduate. Secretary of The Chiswick House and Gardens Trust.

Independent Non-Executive Directors

John Dunsmore
Senior Independent Non-Executive Director

Committees

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

Aged 55. Appointed in 2009. Senior Non-Executive Director. Deputy Chairman of Genius Foods Ltd., Founder and CEO of The Hothouse Investment Club and Chairman Designate of Chapel Down Group plc. 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.

Lynn Fordham

Committees

Chairman of the Audit Committee.
Member of the Remuneration Committee.
Member of the Nominations Committee.

Aged 51. Appointed in 2011. Chief Executive of SVG Capital and Aberdeen SVG Ltd. Previous appointments include CFO SVG Capital, Deputy CFO at BAA plc, Director of Audit and Risk at Boots Group plc and Finance Director of ED & F Man Sugar. In addition, she spent 10 years at Mobil Oil in a number of financial and operational roles, predominantly internationally. An accountancy graduate and Chartered Accountant.

Alastair Kerr

Committees

Chairman of the Remuneration Committee.
Member of the Audit Committee.

Aged 64. Appointed in 2011. Non-Executive Director of high street clothing retailer White Stuff Ltd, Non-Executive Director and Chairman of the Remuneration Committee at Havelock Europa PLC, Senior Independent Director and Chairman of the Remuneration Committee at Alliance Trust PLC, Chairman of private holding company Drilton Ltd and Arran Aromatics Ltd. He is also a Public Member of Network Rail. He has previously held senior roles at Mothercare and Kwik-Fit, and was Managing Director of Europe, Middle East and Africa for The Body Shop and Managing Director Europe for Virgin.

Non-Executive Director

Sir James Fuller Bt.

Aged 43. 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.

Directors' Report

The Directors present their Annual Report together with the audited financial statements for the 52 weeks ended 29 March 2014. The narrative pages throughout the report constitute the Company's management report as required under the FCA's rules.

A) Business activities and development

The Chairman's Statement and Strategic Report on pages 3 to 29 include 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.

Dividends

The Company paid an interim dividend of 5.80 pence on the 40p 'A' and 'C' ordinary shares and 0.580 pence p on the 4p 'B' ordinary shares on 2 January 2014. The Directors now recommend a final dividend of 9.30 pence on the 40p 'A' and 'C' ordinary shares and 0.930p on the 4p 'B' ordinary shares. This makes a total of 15.10 pence on the 40p 'A' and 'C' ordinary shares and 1.510 pence on the 4p 'B' ordinary shares for the year.

The total proposed final dividend on ordinary shares will be £5,183,000 which together with the 2014 interim dividend paid of £3,251,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £8,554,000.

B) Directors

A list of current serving Directors and their biographies is given on pages 32 and 33. Michael Turner, James Douglas and Ian Bray retire by rotation at the Annual General Meeting and offer themselves for re-election. James Douglas and Ian Bray are Executive Directors and have a rolling service contract of 12 months' duration. Michael Turner is Non-Executive Chairman and does not have a service contract but has been invited to stay on the Board until June 2016.

Directors' Interests

Details of Directors' interests in the share capital of the Company, along with details of Directors' share options and allocations under the Long Term Incentive Plan ("LTIP") are given in the Directors' Remuneration Report on pages 55 to 59.

This year the Remuneration Committee revised the share retention guidelines in place for Executive Directors. Full details of the new guidelines and how far Executives are meeting these guidelines can be found in the Directors' Remuneration Report on page 55.

Related Party Transactions

Details of related party transactions involving Directors are given in note 29 to the financial statements.

Indemnity Provisions

The Company's 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 insurance cover for Trustees of the Company's defined benefit pension scheme. James Douglas is a Trustee of the Scheme.

C) Corporate responsibility

The Group's activities during the year in the areas of Heritage, Community, Responsible Retailing, People (including gender diversification), the Environment, Carbon Reporting (including the new disclosure requirements on greenhouse gas emissions) and Suppliers are discussed in detail in the separate Corporate Social Responsibility Statement on pages 26 to 29.

Employees

The Group continues to attach a high priority to further improving its communications with all employees and pensioners thus encouraging a common awareness of the financial and economic factors affecting the Group. Increasingly, the Company's intranet and e-mail systems facilitate this, and we will continue to search for ways to exploit these media to best effect. Twice a year all Brewery-based employees are invited to a results presentation led by the Chief Executive. Once a year the Company also runs 'Connection Week' where one person from each pub is invited to a conference at which a number of messages are communicated. That employee returns to their pub and shares the information with their colleagues over the remainder of the week. Regular newsletters are also generated for both The Fuller's Beer Company and Fuller's Inns employees and ad hoc news is regularly communicated via both traditional notice boards and e-mail distributions. The communications policy, which is in operation throughout the business, is designed to ensure the successful cascading of information. A structure of Consultation Committees at both Divisional and Corporate level is in place to facilitate a dialogue between the Group and representatives of all employees including union members. Taken together, these communications have allowed the Group to engage successfully with all our employees, wherever they are employed.

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

The Company continues to offer qualifying staff a Savings Related Share Option Scheme, a Share Incentive Plan and a variety of performance related bonus arrangements, which serve to encourage staff interest in the Group's performance. Staff throughout the Group are given an 'Indulgence' card allowing them to benefit from a staff discount scheme in the Group's pubs.

Political Donations

The Group does not make political donations.

D) Share interests

The following disclosable interests of shareholders (other than Directors) have been notified to the Company:

Name	% 'A' ordinary shares of 40p each As at 29 March 2014	As at 28 May 2014
BlackRock, Inc	10.04	10.16
Aberdeen Asset Management PLC and its subsidiaries	6.84	8.51
Ameriprise Financial, Inc	5.78	5.78
Kames Capital and associated entities	3.78	3.82
Dunarden Limited	3.03	3.03

	% 'B' ordinary shares of 4p each As at 29 March 2014 and 28 May 2014
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
The estate of Mrs S B Stuart	4.00
Dunarden Limited	3.60
Mr R D Inverarity	3.52
Mr G F Inverarity	3.48
Mr H D Williams	3.22
Miss S M Turner	3.22
Mr T J M Turner	3.00

	% 'C' ordinary shares of 40p each As at 29 March 2014 and 28 May 2014
Sir J H F, Messrs A F and E F Fuller	30.74
Mr T J M Turner	6.14
Mr H D Williams	5.99
Miss S M Turner	5.15
Mrs J Fuller	4.26
Fuller Family Members Trust	3.98

E) Shareholder matters

Special Business at this Year's Annual General Meeting

Details of the items requiring explanation at this year's Annual General Meeting are included in the circular to shareholders dated 26 June 2014, at the back of which is the Notice of Meeting.

Purchase of Own Shares

At the Annual General Meeting of the Company held on 25 July 2013, the Company was given authority to purchase up to 4,832,713 'A' ordinary shares. 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, which included £13,395,104 40p 'A' ordinary share capital.

During the year the Company purchased a total of 445,819 40p 'A' ordinary shares at a total cost of £4,213,658 (exclusive of stamp duty). Of these, 166,751 shares, with a value of £1,137,212 were transferred to the Company's Long Term Incentive Plan ("LTIP") Trustee. These share purchases represented 0.78% of the maximum issued ordinary share capital and 1.33% of the Company's issued 'A' ordinary share capital.

In addition the Company employee share ownership trusts purchased a total of 69,000 40p 'A' ordinary shares at a total cost of £632,882 for the SIP and 414,854 4p 'B' ordinary shares at a total cost of £365,121 and 5,000 'C' ordinary shares at a total cost of £40,000 for the LTIP.

During the year 314,325 of the 40p 'A' shares held by the Company as treasury shares were reissued in connection with the Savings Related Share Option Scheme, the Executive Share Option Scheme and the Senior Executive Share Option Scheme, generating net cash proceeds of £1,406,859. A total of 1,167,205 40p 'A' ordinary shares at 28 May 2014 are currently held as treasury shares.

Proposed Off Market Purchase

At the Annual General Meeting to be held on 24 July 2014, the Company will seek shareholder authority for the Company to purchase 3,558,009 4p 'B' Shares from James Kendrick Morgan and Fiona MacDonald Hewitt, the executors of the estate of Mrs Sylvia Bridget Stuart, by way of an off market purchase.

F) Share capital and articles

Information on the Company's capital structure and related restrictions is given in note 26 to the financial statements. Details of significant shareholdings are given in Section D above.

Computershare Trustees Limited holds 1.28% of the issued share capital of 40p 'A' ordinary shares on behalf of employees of the Company who are participants in its Share Incentive Plan. 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.

The current Articles of Association (the "Articles") 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.

Directors' Report continued

The Articles do not contain any specific provisions about amendments to the Articles which are therefore governed by the relevant Companies Act requirements which state that the Articles may only be amended by Special Resolution.

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

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

In the event of a change of control the Company is obliged to notify its main bank Lenders of such. The Lenders shall not be obliged to fund any new borrowing requests and the facilities will lapse after 30 days from the change of control if terms on which they can continue have not been agreed. All borrowings including accrued interest will become repayable within ten days of such a lapse.

By order of the Board

Marie Gracie, FCIS
Company Secretary

5 June 2014

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

Registered number: 241882

Directors' Statement

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they fairly present the financial position, financial performance and cash flows of the Company and of the Group for the financial year. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Directors' Remuneration Report comply with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules 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 laws and regulations. The Directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Group and Company's performance, business model and strategy and is fair, balanced and understandable.

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, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Group and Company taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Fuller, Smith & Turner P.L.C. are listed on pages 32 and 33.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 32 and 33. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

On behalf of the Board

Michael Turner
Chairman

5 June 2014

James Douglas
Finance Director

5 June 2014

Corporate Governance Report

Michael Turner
Chairman

"I am pleased to confirm that I see it as the Chairman's responsibility to lead the Board and make sure it is working effectively. This year we are able to report full compliance with the UK Corporate Governance Code (the "Code"). There are several key issues that I wanted to comment on. One of these is the issue of succession planning. This is a complex topic for a business that has very low turnover amongst its senior management and is still very much a family controlled concern whilst also being a listed public company. However, succession plans continue to be discussed both at Executive Committee and Board level. Throughout the rest of the business, succession plans are in place at departmental level and are reviewed regularly by the relevant Directors in conjunction with their Executive colleagues and their personnel advisors. Furthermore, all department plans are compiled into a Company succession plan which provides effective review of cross-departmental promotion and opportunities.

In terms of Board balance, I chair the Nominations Committee and am personally involved in all Board level recruitment so I am able to ensure that we continue to have a good balance of skills, experience, independence and knowledge on our Board and our Board Committees. I am satisfied that our Board is comprised of the right individuals who have the skills required to run this type of business and to respond to the challenges presented by the continually changing environment in which we operate. The Board recognises the importance of all types of diversity for Board effectiveness and has recently reviewed the Company's equal opportunities policy. We continue to believe that appointments should be made on the basis of merit against the selection criteria for any particular role.

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

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

A) Introduction and compliance

The Board of Directors is committed to the highest standards of corporate governance and believes that such standards are critical to overall business integrity and performance. This report explains how the Company applies the principles of the Code which shareholders can find on the Financial Reporting Council's website at www.frc.org.uk.

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

The information that is required by Code provision C.1.2 on the business model and the strategy for delivering the Company's objectives can be found in the Strategic Report on page 6 to 29. 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, sections E and F on pages 35 and 36.

B) 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 control, governance and risk management and ensuring that the appropriate resources are in place to deliver these and fulfil the Company's obligations to its stakeholders.

How the Board Works
The Board governs through its executive management, and formally via its other clearly mandated Committees. Each standing Board Committee has specific written terms of reference which are reviewed by the Board annually and there is a formal list of Matters Reserved for the Board (which is also reviewed annually). This distinguishes between matters reserved for the Board and Executive Committee decisions.
The terms of reference of the Audit, Remuneration and Nominations Committees are available on the Company's website. All Committee Chairmen report orally on the proceedings of their Committees at the next meeting of the Board, and the minutes of the meetings of all Board Committees (with some exceptions on remuneration matters) are provided to Board members. The Chairman ensures that the Executive Directors provide accurate and timely information for Board meetings which is then open to debate and challenge by all. Meetings enjoy open dialogue and constructive challenge on all issues is encouraged. With a good information flow

between and prior to Board meetings, decisions are made in a timely manner after appropriate questions are dealt with. The Board has adopted a procedure, in accordance with the Company's Articles, to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company.

Board Meetings

The Board meets formally at least six times a year with papers circulated a week in advance and the agenda and papers for these meetings are subject to the scrutiny of the Chairman and the Company Secretary. However the Board regularly considers matters on an ad hoc basis between scheduled meetings. The Executive Committee meets formally at least eleven times a year and also meets informally most weeks. There is thus a regular flow of information at Board and Executive Committee level.

At Board meetings the agendas cover projects, analysis of the market in which the Group operates and performance. Each of the Executive Directors and the Company Secretary also update the Board at each meeting on matters for which they are responsible. The Board is responsible for approving the annual budget and the annual and half year results. The Board also meets away from the Griffin Brewery every year for an in-depth review of corporate strategy, and other agenda items might include an update on the economy and a review of the Group's competitors. The Non-Executive Directors from time to time meet with members of the senior management team at the Brewery and also spend days out in the trade with individual members of that team. This helps to keep the Non-Executive Directors up to date with the operations of the Group and also provides the Executive Directors with valuable feedback about the Company's people and its operations.

The Executive Committee is chaired by Simon Emeny and its meetings focus on the detail of the Group's performance. The Finance Director leads a review of the Group's management accounts and presents updates on treasury and credit control. Each Executive Director and the Company Secretary update their colleagues on the key issues facing their part of the business. There is a good level of consultation and debate at these meetings. The list of Matters Reserved for the Board sets out which matters need Board approval and which decisions can be made at Executive Committee level. Most significant business decisions are made by the Board, but matters such as health and safety policy and approving major contracts are taken at Executive Committee level. At the beginning of most Executive Committee meetings a Senior Manager is invited to join the meeting and talk to the Committee about the issues in their department. Three times a year, all of the divisional directors and financial controllers join together with the Executive Committee to conduct a detailed review of the half year and full year accounts, and to construct the annual budget, before these are debated at Board level.

As well as the dialogue within the boardroom, the Non-Executive Directors meet privately, under the leadership of the Senior Independent Director, without the Executive Directors present. They also meet with the Chairman and the Chief Executive on a regular basis. These meetings allow for the review of issues faced by the business, the continuation of dialogue on strategic issues, the discussion of Board appointments when appropriate, succession planning, and the provision of support to the Chairman and the Chief Executive in their roles.

Board and Committee Meeting Attendance 2013/2014		**Main Board Meetings**	**Executive Board Meetings**	**Audit Committee**	**Remuneration Committee**
Total number of formal meetings		5	11	4	4
	Committee Memberships	**Main Board Meetings**	**Executive Committee Meetings**	**Audit Committee**	**Remuneration Committee**
Michael Turner, Chairman	Nominations	5	3*	**	**
Executive Directors					
Simon Emeny		5	11	**	**
James Douglas		5	11	**	–
Richard Fuller		5	11	–	–
Ian Bray		4	11	–	–
Jonathon Swaine		5	11	–	–
Non-Executive Directors					
John Dunsmore	Audit, Remuneration, Nominations	5	–	3	3
Sir James Fuller		5	–	–	–
Lynn Fordham	Audit, Remuneration, Nominations	4	–	4	4
Alastair Kerr	Audit, Remuneration	5	–	4	4

*Michael Turner attended the three meetings that were held before he became Non-Executive Chairman. After July 2013 he no longer attended Executive Committee meetings.
**These Directors are not members of the Committees but are invited to be in attendance at meetings.

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

The Board believes that all of its members have sufficient time to discharge their duties effectively. All Directors are required to seek permission before accepting any external appointments, therefore Board members are kept fully aware of their colleagues' other commitments.

Composition and Balance of the Board
On 1 July 2013, Simon Emeny became Chief Executive and Michael Turner continued as Chairman but in a Non-Executive capacity. Apart from this, there were no changes to 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.

Currently the Company has four Non-Executive Directors, one of whom (Sir James Fuller) is a family member. This representation is very important in a Company with a high proportion of family shareholders. The other three Non-Executive Directors, all of whom are deemed independent under the Code, are experienced business leaders and all of the Non-Executives bring a wide range of skills and experiences to the Board. The Directors consider that the Board is well-balanced as it has the right number of members for the size of the Group and the Directors agree that no one individual dominates discussions and that each makes a full and positive contribution. The Directors' biographies are on pages 32 and 33. John Dunsmore is the Senior Independent Director and an industry expert who brings knowledge, support and advice to the Chairman and all the other Board members; he is in regular dialogue with all Board members outside of Board meetings and co-ordinates the views of the Non-Executive Directors as and when required. All of the Independent Non-Executive Directors are determined by the Board to be independent in character and judgement and there are no relationships or circumstances which could affect or appear to affect their judgement; all are appointed for specified terms. The details of the Non-Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 44 to 61 and are available for inspection at the Company's registered office.

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

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

Board Evaluation
The Chairman conducts an annual evaluation of the Board, where all Board members are asked to rate the Board's work across a number of different topics, with constructive criticism encouraged, via the medium of a questionnaire. The questionnaire includes questions on the balance of skills, experience, independence and knowledge, diversity (including gender diversity), how the Board works as a unit and other factors relevant to its effectiveness. Where necessary the Chairman seeks clarification on the responses given; he then consolidates the responses and reports back to the Board, highlighting significant improvements and deteriorations in any particular area by comparing results with previous years' outputs and agreeing actions to tackle any areas requiring improvement. Unattributed comments of significance are shared with all. This year the results were fractionally lower than last year's very high scores, although most scores for individual questions were above the scorings for last year. The results did provide some insight into areas that could still be improved further and these were debated at a Board meeting and were the Chairman's focus in terms of follow up. The Audit and Remuneration Committees conduct similar assessments and their work is also commented upon in the evaluation conducted by the Chairman. This year both the Audit and Remuneration Committees updated their questionnaires to make them more comprehensive and more consistent with each other. The Senior Non-Executive Director annually appraises the Chairman's performance, having first consulted with the other Non-Executive Directors and also the Executive team. The appraisal of the other Executive Directors and the Company Secretary is conducted annually by the Chairman or Chief Executive and, as part of the appraisal process, individual training and development needs are discussed. The annual appraisal of the Non-Executive Directors is conducted by the Chairman, following consultation with the Executive team.

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

C) Board Committees

The Nominations Committee
The Nominations Committee Chairman is Michael Turner and the other members are John Dunsmore and Lynn Fordham. It is responsible for nominating candidates for appointment as Directors, for approval by the Board although the full Board will also typically informally discuss Board appointments. The Committee did not meet during the year as no appointments were made. The Board has recently reviewed the Company's equal opportunities policy which requires that all who work for the Company have appropriate regard for diversity in their decision making. The Board also discussed Lord Davies' recommendations, but does not believe that setting percentage targets for the number of women on the Board is appropriate, given the key principle of appointing on merit. As and when board vacancies arise and should the support of an executive search firm be required, the Board and the Nominations Committee will ensure that it only uses firms that have signed up to their industry's Voluntary Code of Conduct (prepared in response to Lord Davies' report). Further information on gender diversity across the business can be found in the Corporate and Social Responsibility Report on page 27.

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

The Audit Committee

Lynn Fordham
Chairman of the Audit Committee

The Audit Committee of the Board, chaired by Lynn Fordham, comprises the three Independent Non-Executive Directors and meets at least four times a year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. In addition, the Chairman, the Chief Executive, the Finance Director and members of the finance team join the meetings on a regular basis as do the external Audit Partner and Audit Manager.

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

The Audit Committee's responsibilities are outlined in the Committee's terms of reference and cover all those matters required by the Code. The Committee has a meeting planner which sets out the key items to be covered at its regular meetings which include reviewing the financial statements and announcements, monitoring changes in accounting practices and policies and reviewing decisions with a significant element of judgement. In addition, the Audit Committee is responsible for ensuring that the Company's risk monitoring programme, internal audit processes and regulatory compliance are appropriate. At all meetings an update on risk management is presented. The Chairman of the Committee encourages debate and discussion of topical issues outside of the routine agenda items and ensures that such discussions are held at least twice a year.

The Audit Committee has responsibility for the oversight of the external audit function. At the request of the Board, the Audit Committee provides confirmation to the Board as to how it has discharged its responsibilities so that the Board can be satisfied that information presented in the Annual Report is fair, balanced and understandable.

During its review of the Group's financial statements for the year to 29 March 2014, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant Issue	How the issue was addressed
Impairment testing	The Committee considered the proposed impairment of property assets for both the Half Year Report and the Annual Report. The Committee was satisfied with the approach presented by management and the judgements made for those properties at risk of impairment.
Pension accounting	The Committee considered the accounting for the Group's defined benefit plan including the impact on the Group's accounting policies following the implementation of IAS 19 (revised) Employee Benefits in the year. The Committee was satisfied with the proposed accounting treatment and revised disclosures in the financial statements.
Exceptional items	The Committee considered the nature of items classified as 'Exceptional' in the financial statements. The Committee was satisfied that the items management proposed to show as exceptional are not linked to the underlying trading of the Group. Exceptional items continue to include: • Profit or loss on property disposals • Business acquisition costs expensed • Changes to onerous leases provisions • Net charge on property impairment • Net movement on revaluation of financial instruments that do not meet the requirements for hedge accounting. It was also decided to show the one-off reorganisational costs incurred in the year and the net interest expense on the Group's defined benefit pension plan as exceptional as neither is associated with the Group's underlying trading.

Significant Issue	How the issue was addressed
Acquisition of Cornish Orchards and Sierra Nevada	The Committee considered separately the proposed accounting for the acquisitions of Cornish Orchards Limited and the business of importing and distributing Sierra Nevada products in the United Kingdom. In both cases, the Committee received papers detailing the proposed accounting and judgements made. The Committee was satisfied with the approaches taken.
Leases – *in particular impairment* and onerous leases	The Committee considered the proposed accounting for onerous lease commitments based on the individual circumstances of a number of properties. In all cases, the Committee was satisfied with the proposed accounting treatment.
Going concern	The Committee is satisfied that the Directors have considered a number of possible cash flow scenarios and have determined that the Group has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. The Committee acknowledges that the Group's banking facilities expire in a period less than 12 months from the date of the financial statements. Having made sufficient enquiries of management and the Finance Director, the Committee is satisfied that the Group will have no difficulty in continuing to borrow at levels that will allow the Group to continue in operational existence for the foreseeable future.

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

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

The Audit Committee has a primary responsibility for making recommendations to the Board on the re-appointment and removal of external auditors. During the year, the Company put the role of the auditors to tender and following an additional meeting of the Committee in July, at which tenders from three firms for audit services were received, the decision to appoint Grant Thornton UK LLP was made. The Company's year ended 29 March 2014 is therefore the first of a five year maximum term that the current Audit Partner has been in the role for the Company.

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

The Committee also reviewed its own effectiveness during the year.

The Directors' statement on the Company's system of internal controls is set out on page 37.

D) 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 outlined above. Their effectiveness will be formally reviewed by the Committee at the September 2014 meeting, although there are no issues of concern with their performance to date.

The Group's auditors may from time to time provide non-audit services to the Company. The fees paid to Grant Thornton UK LLP for audit services were £88,000, for audit related services were £16,000 and for non-audit related services were £4,000. The Committee imposes an upper limit of £50,000 per annum on the amount that the finance team can spend with the auditors for non-audit items without specific approval from the Committee. It is Group policy to seek quotations from multiple providers for significant non-audit services and only to appoint the provider (which could then be the auditors) that offers the best combination of price and expertise. The non-audit services were provided in the year by a team independent of those providing audit services.

Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal control and management of risks and reviewing its effectiveness. The system is designed to provide reasonable but not absolute assurance of:

- The mitigation of risks which might cause the failure of business objectives
- No material misstatements or losses
- The safeguarding of assets against unauthorised use or disposition
- The maintenance of proper accounting records and the reliability of financial information used within the business or for publication
- Compliance with applicable laws and regulations.

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

Management within the Finance Department are responsible for the appropriate maintenance of financial records and processes that ensure that all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the review of the Audit Committee.

The Board has reviewed the effectiveness of the Group's system of internal control which has also been discussed in detail by the Audit Committee, including taking account of material developments since the year end. The review covers all material controls including financial and operational controls, compliance and risk management systems. Where weaknesses are identified, actions to address them are agreed.

The Board has procedures in place necessary to follow the Turnbull Guidance ("Internal Control: Guidance for Directors on the Combined Code") for the full financial year. The Financial and Risk Analyst co-ordinates this process by leading regular risk assessment workshops in which new risks are identified and added to the risk register, and existing risks re-evaluated by the risk owners. Regular meetings, chaired by the Executive Directors, are held in addition to the workshops in order to assess the effectiveness of the controls that are in place, identify new risks and review existing risk mitigation plans.

Key elements of the system of internal control designed to address significant risks and uncertainties, as documented on pages 22 and 23, include:

- Clearly defined levels of responsibility and delegation throughout the Group, together with well-structured reporting lines up to the Board
- The preparation of comprehensive annual budgets for each division, including commentary on key business opportunities and risks, approved by the Executive Directors and further reviewed by the Board on a consolidated basis
- An Executive Committee review of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year
- A detailed investment approval process requiring Board authorisation for all major projects
- Detailed post-implementation appraisals of major capital expenditure projects
- Regular reporting of legal and accounting developments to the Board
- Regular review of the Group's risk register and discussion of significant risks by the Board and Audit Committee, which among other things takes account of the significance of environmental, social and governance matters to the business
- Monitoring of accident statistics and the results of health and safety audits
- Maintenance of an ISO 900 certified quality control system.

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

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

E) Relations with shareholders

The Company has an ongoing programme of individual meetings with institutional shareholders, allowing the Company 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 copies of feedback reports from the City presentations and meetings with shareholders, thus keeping them in touch with shareholder opinion.

The Board supports the use of the Annual General Meeting to communicate, in particular, with private investors, and the Chairman and Chief Executive make a detailed presentation to shareholders updating them on the Company's performance and progress. The Public Relations team also attends the Annual General Meeting and provides further information to shareholders about the Company through photo boards featuring pub and product information. The Board is also keen to encourage institutional investors to attend the meeting. In line with the duties set out in the Stewardship Code for institutional shareholders published in July 2010. Should they have concerns over any issues being voted upon at the Annual General Meeting, they can then meet all the Directors and discuss them in person, particularly, if they have declined an invitation for an individual meeting. The Chairman arranges for the Chairman of each of the Company's Board Committees to answer relevant questions at the meeting and encourages all Directors to be present.

By order of the Board

Marie Gracie

Marie Gracie, FCIS
Company Secretary

5 June 2014

Griffin Brewery
Chiswick Lane South
Chiswick, 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 29 March 2014, in a new format which reflects the new regulations governing Directors' remuneration.

The report is in two separate sections – the first part covers the Company's Remuneration Policy for all of its Main Board Directors (set out on pages 32 and 33) and is designed to explain to shareholders how that policy supports the Company's strategy. This will be put to shareholders for approval in a binding vote at the Annual General Meeting on 24 July 2014. Subject to your approval, the policy will be effective immediately after the meeting on 24 July 2014. Companies are being asked to set their policy for several years and we shall ask you to approve it for a period of three years, on the understanding that, should there be any market or regulatory changes that suggest the policy should be updated, we will ask shareholders to approve suitable revisions to the policy within that period.

If it transpires that commitments have been made which are consistent with the Remuneration Policy that was in force before the passing of any new Remuneration Policy, they may still be honoured and the Committee will retain the right to authorise emergency payments which may fall outside of the approved Remuneration Policy in exceptional circumstances. The Committee envisages that it would be very rare for such circumstances to arise but that it could be disproportionate to have to seek shareholder approval for a revised policy in such circumstances, although any such payments would of course be disclosed to shareholders in the following Remuneration Report.

You will see that our policy continues to be consistent with the policy we operated during the previous financial year and the only major decisions on Directors' remuneration made were the pay awards granted in June 2013. However, there is a change to Directors' remuneration that was not made during the last financial year but will affect future remuneration, which is that we have introduced malus and clawback provisions to both the bonus scheme and future grants made under the Long Term Incentive Plan ("LTIP"). Shareholders may recall that in last year's remuneration report we did advise that this was under consideration. These changes have been made in the context of current best practice.

The second part of the report shows you the detail of how the policy has been applied in the last financial year. That part of the report will be subject to your approval in the same way as it was last year.

There have not been any significant changes to remuneration during the financial year and therefore we have not engaged with shareholders, but if you would like to make any comments on this new report, I will be happy to hear them. I hope that you find the new style report clear and comprehensive and that it helps demonstrate how what the Executive Directors earn is very much linked to the Company's performance, and that you are able to support the resolutions on remuneration in the Notice of Meeting.

Alastair Kerr
Chairman of the Remuneration Committee

5 June 2014

Report on Directors' Remuneration Policy

This policy has been prepared in compliance with Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. If this Remuneration Policy is approved by the Company's shareholders at the AGM on 24 July 2014, the Company intends to make all future payments to its Directors consistent with this policy for three years from the end of the AGM unless amended by the shareholders at an intervening general meeting.

The Company's Remuneration Policy is designed to support its 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 a high calibre Executive Director team to deliver this. 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 an LTIP.

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 driving annual bonus payouts and the focus is very much based on a long term remuneration model, delivering value through the Company's various share plans.

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

Directors' Remuneration Report continued

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 insurance • Private healthcare • 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**	To align the interests of Executives with those of shareholders.	An HMRC-approved Executive Share Option Scheme (the "Approved Scheme") under which options may be granted periodically up to the HMRC limit. Once options have vested they must be exercised before the tenth anniversary of grant.
Senior Executive Share Scheme		A Senior Executive Share Option Scheme (the "Senior Scheme") under which options are no longer granted.
SAYE Scheme		The Save as You Earn Share Option Scheme ("SAYE") is available to all employees of Fuller, Smith & Turner P.L.C. with at least one year's service. Under the SAYE Scheme, options are granted over the Company's 40p 'A' ordinary shares at a discount of 20% on the prevailing market price at the time of the grant.
SIP		All employees of Fuller, Smith & Turner P.L.C. who have completed five months of service in November (in any year) are eligible to receive free 40p 'A' ordinary shares in December of that year through an HMRC-approved Share Incentive Plan ("SIP"). Shares are held by the Trustees of the Scheme for a minimum of three years and a maximum of five years before being available to be passed to participants.

Opportunity	Performance measures and reason for selection	Change in year and provisions for malus and clawback (if any)
Annual salary reviews take effect from 1 June in any year. The Committee expects to target salaries around the median to upper quartile of similar-sized businesses.	Not applicable.	Executive salaries were increased by between 0% and 2.26% in June 2013. Simon Emeny's salary was increased to £375,000 in July 2013 to reflect his promotion to Chief Executive. Michael Turner's salary was £400,000 until he became Non-Executive Chairman in July 2013 when his fees were set at £250,000 per annum.
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.	Car allowances were adjusted in line with inflation in January 2014. The cost of insurance products varies due to external insurance cost variations.
The maximum payout under the bonus scheme is 75% of salary. No payout 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 for 2014 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 April 2014 for the financial year 2014/2015. New bonus rules were then introduced which incorporate malus and clawback provisions.
Directors may be issued share options up to the HMRC maximum value of £30,000 at any one time.	Approved Scheme options vest when growth in EPS adjusted principally to exclude exceptional items ("Adjusted EPS") exceeds growth in RPI by at least 9% over the three year performance period. The Remuneration Committee is authorised to make appropriate amendments to Adjusted EPS.	No change.
The maximum benefit granted under the Senior Scheme was 20% of salary per annum.	Senior Scheme options vest at 40% (minimum) when growth in Adjusted EPS exceeds growth in RPI by at least 9% over the three year performance period. Maximum vesting (100% of grant) occurs when growth in Adjusted EPS exceeds inflation by 21% over the three year period. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that options only become exercisable against the background of a sustained real increase in the financial performance of the Group.	The Senior Scheme expired in 2013 and has not been renewed although a final grant was made in July 2013. The plan is no longer used as the Committee wished to simplify the Executives' remuneration package.
Under the SAYE Scheme rules eligible employees may agree to save up to £250 per month over a period of three or five years and then purchase shares within six months of the end of the term.	None. There is no requirement for performance targets in SAYE schemes.	No change.
Shares are awarded based on length of service and base salary. The maximum value of the shares allowable under the Scheme is £3,000 in any one year.	None. There is no requirement for performance targets in SIPs.	No change.

Element	Purpose – how the element supports the short and long term strategic objectives of the Company	Operation
LTIP	To reward the efforts of Executives in line with the Company's objective of creating shareholder value and increasing EPS in the longer term.	The rules of the LTIP allow for discretionary annual awards of 'A' (listed), and 'B' and 'C' (unlisted) ordinary shares. Grants are calculated by reference to the middle market quotation at close the day before. In all cases shares will vest, subject to performance criteria being attained, within 72 days of the publication of results for the last financial year in the performance period. The Remuneration Committee determines whether the Adjusted EPS performance condition has been met using the EPS information which is published in the Group's Annual Reports and Accounts. BDO LLP confirms the level of vesting of awards based on EPS calculations provided by the Group.
Pension	To provide Directors with long term pension provisions on a competitive basis.	The Company operates a variety of pension benefits. Executives are either members of the defined benefit Company pension plan, or a defined contribution Company pension plan, or receive a pension supplement or a mixture of these. Further details are available on page 54 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 have been introduced into the bonus scheme and will apply to the LTIP awards made this year. They will enable the Committee not to pay bonuses or allow LTIP awards to vest where misconduct occurs during the relevant financial year or before a bonus is paid or an LTIP award vests. They will also enable the Committee to recover bonuses or awards where it is discovered that the Company materially misstated its results for the last whole financial year or a material error was made in assessing the relevant performance conditions.
Non-Executive Directors		
Basic and Additional Fees	To attract and retain high calibre Non-Executive Directors by offering market competitive fee levels that recognise the time that the Non-Executive Directors commit to their various roles.	The fees paid to the Chairman are determined by the Remuneration Committee. The fees paid to the other Non-Executive Directors are determined by the Chairman and the Executive Committee. Fees may be paid for specific duties such as the fee paid to Sir James Fuller for his work in liaising with family shareholders. Non-Executive Directors do not participate in bonus schemes, share options or long term incentive plans. None of the Non-Executive Directors are members of any Group pension scheme, with the exception of Michael Turner, who is a pensioner of the Directors section of the defined benefit company pension plan.
Benefits	To encourage Non-Executive Directors to keep up to date with the Company's product range and to reimburse expenses.	Non-Executive Directors receive a modest product allowance and are entitled to buy additional products at cost plus VAT. They are reimbursed for travel and other business related expenses. The Chairman Michael Turner also benefits from life insurance cover and private medical insurance.

Opportunity	Performance measures and reason for selection	Change in year and provisions for malus and clawback (if any)
The maximum value of shares for which an award may be made to an Executive in any financial year is 110% of salary and will vary depending on seniority. Actual vestings 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 grant 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. The Committee further believes that the 40% vesting threshold at 9% in excess of inflation is triggering vestings 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 52 for further details.	Shareholders approved a change to the maximum annual award in the LTIP last year to reflect the fact that in future there will be no further grants under the Senior Executive Share Option Scheme. This year's LTIP awards grants to Executives will be made subject to malus and clawback provisions.
Defined benefit Company pension plan Main section: Accrues 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 applies only to Simon Emeny. Defined benefit Company pension plan Directors' section: Accrued at 1.79% of basic salary plus £12,000 for Richard Fuller only. Note that Richard Fuller withdrew from this scheme on 31 March 2014 and thereafter he will receive a salary supplement of 17.5% of his salary for use in his retirement planning. Pension contributions: For the other Executives the Company will contribute a total of 17.5% of the Executive's salary to the defined contribution Company pension plan and/or their nominated pension scheme or pay a salary supplement for them to use as part of their retirement planning subject to the Executive making a net contribution of 8% themselves.	Not applicable.	The Company has recently finished a period of consultation with the Trustees and Members of the Company's defined benefit pension plan with the effect that it is expected that the plan will close to future accrual from January 2015. Simon Emeny is the only Executive still in this scheme and will be offered a pension contribution of 17.5% of salary in line with other Executives not in that scheme.
The malus and clawback principles apply to the bonuses that may be paid from 2015 onwards and option grants made from 2014 onwards.	Not applicable.	These are new arrangements.
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.	There are no specific measures set but appraisals are carried out as explained in the Corporate Governance report on pages 38 to 43.	None. 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.
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 Personnel Director. Share ownership amongst the Company's employees is encouraged through the SAYE Scheme and SIPs. These 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. For example, shareholders were consulted last year about the proposed remuneration for the Chairman and the Chief Executive when their roles changed. Should shareholders have any concerns about 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 Senior Scheme and the Approved Scheme, in accordance with their applicable rules and in accordance with the Listing 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/ payouts, 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 payouts when there has been a change in accounting policy, making adjustments required when dealing with a change of control or restructuring of the Group, determination of the treatment of leavers and adjustments required in certain circumstances such as rights issues and corporate restructuring events. Any use of the above discretions would, where relevant, be explained in the annual Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Illustration of the Application of the Remuneration Policy
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The following charts demonstrate the key elements of the remuneration package for the Executives under the Remuneration Policy for the year ended March 2015:

Chief Executive

Finance Director

Sales and Personnel Director

Managing Director – The Fuller's Beer Company

Managing Director – Fuller's Inns

[1] 'Fixed' includes salary, benefits and pension.
[2] 'Bonus' includes Executive Bonus scheme.
[3] 'LTIP/Options' includes LTIP, the Approved Scheme and the Senior Scheme.

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

Minimum performance – fixed remuneration only with no payout 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 payout at 80% of maximum vesting, payout under the Approved Scheme at 100% and payout under the Senior Scheme at 90%.

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

Recruitment and Promotion

The Company wishes to attract talented individuals to Executive positions either from the industry/market or from internal succession. It would not expect any new Director to receive salary or any other part of their remuneration package that is more than 50% higher than current maximum payments which could be received by the previous role holder. The various components of the package for a new Executive are those already on offer to existing Executives as set out in the table above and they are salary, benefits, bonuses, share options, LTIP and pension. The approach to each component is as set out in the tables on pages 46 to 49, subject to existing rule constraints. Contracts would be offered on the basis that on early termination a payment equal to the salary due for the unexpired period of their notice would be made, payable in monthly instalments. For the period of their notice the Executive would be expected to seek alternative income, and if they are successful, that income would be notifiable to the Company and would be set off against the remaining instalments. The Company is only likely to offer a cash amount on recruitment, payment of which may be staggered, to reflect the value of benefits a new recruit may have received from a former employer. Relocation expenses and accommodation might be provided if necessary.

In respect of Non-Executives 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.

Ian Bray and Jonathon Swaine are entitled on early termination of their contracts 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 these Executives are expected to seek alternative income, and if they are 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 PIID value or cost to the Company. Pension benefits would be valued on a transfer value basis to be calculated and confirmed by the Company's pension advisors.

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

The rules of the bonus scheme and LTIP and other share option schemes set out what happens to awards if a participant ceases to be employed before the end of a bonus year or performance period. Generally, any outstanding share awards will lapse on such cessation, except in certain circumstances when a Director might be deemed a "good leaver" which could include on redundancy or retirement (these are examples and are not intended to be a definitive list). In determining whether an Executive Director should be treated as a good leaver and the extent to which bonuses, awards and share options vest or become exercisable, and/or a pro-rated bonus is due, the Committee will take into account the circumstances of an individual's departure and his 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
Ian Bray	12 December 2011	12 months
Jonathon Swaine	20 March 2012	12 months

Non-Executive Directors	Date of letter of appointment or re-appointment	Term expires
Michael Turner	1 July 2013	June 2016
John Dunsmore	15 November 2011	January 2015
Sir James Fuller	1 June 2010	May 2016
Lynn Fordham	15 November 2011	January 2015
Alastair Kerr	19 July 2011	August 2015

Directors' Remuneration Report continued

Annual Remuneration Implementation Report

The information on pages 53 to 59 has been audited.

The Remuneration Committee

The Remuneration Committee consists entirely of Independent Non-Executive Directors and the members are currently Alastair Kerr (Chairman), John Dunsmore and Lynn Fordham. The Chairman of the Company, Michael Turner, and the Chief Executive, Simon Emeny, are invited to attend the Committee meetings and advise, where appropriate, on the remuneration and performance of the Executive Directors and related matters. The Committee is advised internally by the Company Secretary, Marie Gracie, who also acts as Secretary to the Committee.

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

The Committee's Advisors

Xafinity Consulting Limited provides the Committee and the Company with advice on matters relating to pensions. BDO LLP provides the Committee and the Company with advice in connection with the Company's LTIP and share option schemes and other remuneration matters. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee. In 2013, the Committee selected New Bridge Street as additional advisors on remuneration matters. None of these advisors have any other connection with the Company. 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 it to provide objective and independent advice. Both BDO and New Bridge Street abide by the Remuneration Consultants Code of Conduct, which requires them to provide objective and independent advice. New Bridge Street charged fees of £5,000 during the year and the fees were charged on the basis on time spent preparing reports and giving advice to the Committee. 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 were increased on 1 June 2014 to:

Simon Emeny - £385,000

James Douglas - £280,000

Richard Fuller - £174,000

Ian Bray - £211,000

Jonathon Swaine - £200,000

The Non-Executive Directors' fees are due to be reviewed during the financial year 2014/15 and any changes will be effective from 1 January 2015.

The annual bonus for the financial year 2014/2015 will operate on the same basis as the previous financial year save that it now includes malus and clawback provisions, and will be consistent with the policy detailed in the Directors' Remuneration Policy above. As explained on page 47 the Company does not publish bonus targets since these are considered commercially sensitive. However, details of other performance measures which will operate are given on page 47 and details of the relative weightings of each are given on page 54.

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 2014/2015 are subject to the following performance condition:

LTIP Awards

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[4]		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Michael Turner[5]	**288**	399	**24**	25	**61**	128	**363**	359	**–**	–	**736**	911
Simon Emeny[6]	**365**	332	**22**	22	**213**	107	**288**	264	**89**	94	**977**	819
James Douglas	**270**	264	**22**	22	**159**	86	**233**	238	**47**	46	**731**	656
Richard Fuller	**170**	167	**21**	22	**74**	35	**122**	144	**50**	61	**437**	429
Ian Bray	**206**	204	**21**	20	**89**	41	**–**	–	**35**	35	**351**	300
Jonathon Swaine	**177**	175	**21**	22	**103**	55	**47**	49	**31**	33	**379**	334
John Dunsmore	**57**	53	**–**	–	**–**	–	**–**	–	**–**	–	**57**	53
Sir James Fuller	**44**	41	**1**	1	**–**	–	**–**	–	**–**	–	**45**	42
Lynn Fordham	**58**	54	**1**	1	**–**	–	**–**	–	**–**	–	**59**	55
Alastair Kerr	**55**	51	**1**	1	**–**	–	**–**	–	**–**	–	**56**	52
Nigel Atkinson[7]	**–**	20	**–**	3	**–**	–	**–**	–	**–**	–	**–**	23

[1] Taxable benefits includes car allowances, product allowances and health cover.
[2] Bonus refers to the annual bonus scheme based on performance in the period under review and the value of free shares awarded under the SIP (£3,000).
[3] *LTIP/Options includes the value transferred to Directors from the LTIP, the Approved Scheme, the Senior Scheme and the SAYE Scheme. 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] Pensions includes benefit transferred on defined contribution and defined benefit schemes. Refer to "Total Pension Entitlement" section below for detail on individual Directors' pension entitlements. Benefit transferred on defined pension entitlement is equivalent to the increase in accrued pension as at 29 March 2014 (excluding an increase for inflation) multiplied by 20.
[5] Michael Turner became Non-Executive Chairman on 1 July 2013. Michael Turner reached retirement age on 12 June 2011 and thereafter was drawing his pension and so accrues no further benefit.
[6] Simon Emeny became Chief Executive on 1 July 2013.
[7] Nigel Atkinson ceased to be a Non-Executive Director of the Company on 18 July 2012.

The following table shows how variable pay elements are linked to the performance of the Group in 2014:

		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%	% vest of original grant[1]: Minimum – 40% Maximum – 100%	15%	64% of maximum award
Senior Executive Share Options	EPS vs RPI	EPS exceeds RPI by + 9%	EPS exceeds RPI by +21%	% vest of original grant[2]: Minimum – 40% Maximum – 100%	15%	70% of maximum award

[1] Maximum grant equates to 100% of salary with the exception of Jonathon Swaine who received 55% of salary as he was not an Executive Director at grant date.
[2] Maximum grant equates to 20% of salary.

Percentage Change in Remuneration of Chief Executive

The table below shows the percentage change in the remuneration of the Chief Executive compared to that of the average of all of the Group's employees taken as a whole between the financial years ended 30 March 2013 and 29 March 2014:

	Chief Executive	Employees
Change in annual salary[1]	0.0%	2.5%
Change in taxable benefits	0.0%	0.0%
Change in annual bonus[2]	84.0%	53.3%

[1] In July 2014, Simon Emeny's basic salary increased to £375,000 which related in entirety to his promotion to Chief Executive.
[2] 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 hourly paid pub staff who receive bonus incentives through tips via a tronc system as opposed to 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. This was in line with the median of increases paid to head office staff.

External Directorship Fees

The Board may give approval for Executives to have one Non-Executive role and to retain any related fees paid. Simon Emeny is a Non-Executive Director of Dunelm Group plc. He retains fees of £40,000 per annum in respect of this position.

Bonus

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

	Group profit	Fuller's Beer Company profit	Fuller's Inns profit
Michael Turner*	100%	–	–
Simon Emeny	100%	–	–
James Douglas	100%	–	–
Richard Fuller	60%	40%	–
Ian Bray	60%	40%	–
Jonathon Swaine	60%	–	40%

For the year under review, Michael Turner*, Simon Emeny and James Douglas each earned a bonus of 58% of salary, Ian Bray and Richard Fuller each earned a bonus of 42% of salary and Jonathon Swaine earned a bonus of 56% of salary.

*For the period up to 30 June 2013.

Total Pension Entitlements

Michael Turner is a pensioner of the defined benefit Company pension plan, under the Directors' section.

Richard Fuller was a member of the defined benefit Company pension plan, under the Directors' section, on a non-contributory basis until 31 March 2014 when he withdrew from the plan. He is now a deferred member of the plan and is in receipt of a 17.5% salary supplement in lieu of membership of the plan. Richard Fuller has confirmed that he will use his supplement as part of his retirement planning.

Simon Emeny is a member of the defined benefit Company pension plan, under the Main section on a non-contributory basis. In addition, a salary supplement of 17.5% of the excess of his base salary over the earnings cap is paid to him for use as part of his retirement planning. Simon Emeny will be affected by the closure of the defined benefit Company pension plan to future accrual from January 2015 and it is expected that he will be offered a 17.5% salary supplement in lieu of membership of the plan from January 2015, which he will be expected to use as part of his retirement planning.

The details of pensions accruing under the defined benefit scheme as at 29 March 2014 were :

	Increase in accrued pension (allowing for inflation)[1] £	Total accrued pension at end of year[2] £	Normal retirement date	Additional pension accrued upon early retirement £
Simon Emeny	2,497	26,767	62	–
Richard Fuller	2,524	96,081	62	–

[1] Increase in accrued pension (allowing for inflation) – this is the accrued pension at the year end less the accrued pension at the start of the year adjusted for inflation over the year.
[2] Total accrued pension at end of year or retirement age date if earlier – this is what the Director is entitled to receive as an annual pension based on service to date.

James Douglas is paid a contribution of 17.5% of his salary by the Company which he is required to use as part of his overall retirement planning. He is also required to contribute 8% of his net salary to his pension or another investment vehicle.

The Company makes a contribution of 17.5% of salary to Ian Bray and Jonathon Swaine's nominated pension schemes. They are also required to make contributions of 8% themselves.

Scheme Interests Awarded During the Financial Year

In respect of the 52 week period ended 29 March 2014 the following LTIPs,Share Options and SIP awards were granted:

		Number of shares		Exercise/Grant price					
Director	Type of award	A shares	B shares	A shares	B shares	Face value at grant £[1]	Date of grant	End of Performance period	% of award vesting at minimum threshold
S Emeny	LTIP	32,967	82,417	£9.10	£0.91	374,999	01/07/2013	31/03/2016	40%
	Senior Executive share options	4,945	-	£9.10		45,000	01/07/2013	31/03/2016	40%
	Executive share options[2]	3,296	-	£9.10		29,994	12/07/2013	31/03/2016	100%
	SAYE	497	-	£9.05		4,498	01/09/2013	01/09/2018	n/a
	SIP	310	-	£9.67		2,998	01/12/2013	n/a	n/a
Total		**42,015**	**82,417**			**457,489**			
J Douglas	LTIP	23,824	59,560	£9.10	£0.91	270,998	01/07/2013	31/03/2016	40%
	Senior Executive share options	2,659	-	£9.10		24,197	01/07/2013	31/03/2016	40%
	Executive share options[2]	3,296	-	£9.10		29,994	12/07/2013	31/03/2016	100%
	SIP	310	-	£9.67		2,998	01/12/2013	n/a	n/a
Total		**30,089**	**59,560**			**328,187**			
R H F Fuller	LTIP	11,241	28,104	£9.10	£0.91	127,868	01/07/2013	31/03/2016	40%
	Senior Executive share options	3,747	-	£9.10		34,098	01/07/2013	31/03/2016	40%
	SAYE	828	-	£9.05		7,493	01/09/2013	01/09/2018	n/a
	SIP	310	-	£9.67		2,998	01/12/2013	n/a	n/a
Total		**16,126**	**28,104**			**172,457**			
I Bray	LTIP	13,648	34,120	£9.10	£0.91	155,246	01/07/2013	31/03/2016	40%
	Senior Executive share options	4,549	-	£9.10		41,396	01/07/2013	31/03/2016	40%
	SAYE	497	-	£9.05		4,498	01/09/2013	01/09/2016	n/a
	SIP	310	-	£9.67		2,998	01/12/2013	n/a	n/a
Total		**19,004**	**34,120**			**204,138**			
J Swaine	LTIP	11,703	29,258	£9.10	£0.91	133,122	01/07/2013	31/03/2016	40%
	Senior Executive share options	3,901	-	£9.10		35,499	01/07/2013	31/03/2016	40%
	SIP	310	-	£9.67		2,998	01/12/2013	n/a	n/a
Total		**15,914**	**29,258**			**171,619**			

[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 20% discount.
[2] Executives may be awarded up to 20% of their salary through the approved Executive and unapproved Senior Executive share option schemes. Under the former scheme only options worth £30,000 may be held at any time. When Executives hold options at this maximum level they will receive the full allocation under the Senior Executive share option scheme.

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 Executives are required to retain:

a) All shares they hold in the SIP

b) All shares they acquire as a result of exercising SAYE options

c) All shares that they acquire as a result of exercising options under the Approved Scheme net of the cost of those options

d) At least 75% of any shares that they acquire as a result of exercising options under the Senior Scheme net of the cost of those options and the costs of settling related tax and NI thereon

e) At least 75% of any post-tax and NI vested shares under the LTIP until their guideline is met.

All of the Executive Directors' shareholdings already meet the guideline with the exception of Ian Bray who joined the Company in 2011.

Directors' Shareholdings

	Changes by 28 May 2014		At 29 March 2014		At 30 March 2013 (or appointment date)	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Michael Turner						
'A' ordinary 40p	–	–	271,378	–	251,158	–
'B' ordinary 4p	–	–	2,988,394	–	2,775,750	–
'C' ordinary 40p	–	–	624,260	–	624,260	–
2nd preference £1	–	–	71	–	71	–
Simon Emeny						
'A' ordinary 40p	–	–	95,421	–	93,931	–
'B' ordinary 4p	–	–	677,208	–	623,951	–
James Douglas						
'A' ordinary 40p	–	–	40,501	–	40,191	–
'B' ordinary 4p	–	–	132,005	–	84,090	–
Richard Fuller						
'A' ordinary 40p	–	–	6,996	500,000	7,720	500,000
'B' ordinary 4p	–	–	3,351,606	10,935,015	3,322,540	10,935,015
'C' ordinary 40p	–	–	25,000	–	25,000	–
2nd preference £1	–	–	303	–	303	–
Ian Bray						
'A' ordinary 40p	–	–	1,957	–	1,647	–
'B' ordinary 4p	–	–	–	–	–	–
Jonathon Swaine						
'A' ordinary 40p	–	–	14,934	–	12,753	–
'B' ordinary 4p	–	–	52,461	–	41,804	–
John Dunsmore						
'A' ordinary 40p	–	–	23,305	–	2,328	–
'B' ordinary 4p	–	–	–	–	–	–
Sir James Fuller						
'A' ordinary 40p	–	–	88,942	–	88,942	–
'B' ordinary 4p	–	–	9,143,952	–	9,143,952	–
'C' ordinary 40p	–	–	2,702,003	–	2,691,313	–
Lynn Fordham						
'A' ordinary 40p	–	–	3,182	–	3,182	–
'B' ordinary 4p	–	–	–	–	–	–
Alastair Kerr						
'A' ordinary 40p	–	–	3,941	–	2,941	–
'B' ordinary 4p	–	–	–	–	–	–

Director's Share Options

	As at 30 March 2013	Exercised	Lapsed	Issued	As at 29 March 2014	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Type	Cost of options under SAYE Schemes £	Price at exercise date £
Michael Turner	11,660	(11,660)	–	–	–	3.67	19/7/05	19/7/08	18/7/15	U	–	8.70
	10,040	(10,040)	–	–	–	4.98	18/7/06	18/7/09	18/7/16	U	–	8.70
	5,589	(5,589)	–	–	–	7.51	18/7/07	18/7/10	17/7/17	U	–	8.70
	13,011	(13,011)	–	–	–	4.05	15/7/08	15/7/11	15/7/18	U	–	8.70
	1,966	(1,966)	–	–	–	3.31	1/9/08	1/9/13	1/3/14	S	6,507	9.03
	12,916	(12,916)	–	–	–	4.80	16/7/09	16/7/12	16/7/19	U	–	8.70
	11,245	(6,747)	(4,498)	–	–	5.78	12/7/10	12/7/13	12/7/20	U	–	9.64
	1,997	(1,325)	(672)	–	–	4.64	1/9/10	1/9/15	1/3/16	S	6,148	9.57
	1,746	(1,047)	(699)	–	–	6.30	30/11/10	30/11/13	30/11/20	U	–	9.64
	11,029	(4,538)	(6,491)	–	–	7.09	20/7/11	20/7/14	19/7/21	U	–	9.64
	11,347	(3,071)	(8,276)	–	–	7.05	12/7/12	12/7/15	11/7/22	U	–	9.64
	92,546	**(71,910)**	**(20,636)**	–	–							
Simon Emeny	9,100	(9,100)	–	–	–	3.67	19/7/05	19/7/08	18/7/15	U	–	9.75
	2,007	–	–	–	**2,007**	4.98	18/7/06	18/7/09	17/7/16	U	–	–
	4,285	–	–	–	**4,285**	7.51	18/7/07	18/7/10	17/7/17	U	–	–
	9,990	–	–	–	**9,990**	4.05	15/7/08	15/7/11	15/7/18	U	–	–
	1,180	(1,180)	–	–	–	3.31	1/9/08	1/9/13	1/3/14	S	3,906	9.44
	9,916	–	–	–	**9,916**	4.80	16/7/09	16/7/12	16/7/19	U	–	–
	8,650	–	(3,460)	–	**5,190**	5.78	12/7/10	12/7/13	12/7/20	U	–	–
	2,530	–	–	–	**2,530**	4.64	1/9/10	1/9/15	1/3/16	S	11,739	–
	859	–	(344)	–	515	6.30	30/11/10	30/11/13	30/11/20	U	–	–
	9,139	–	–	–	**9,139**	7.09	20/7/11	20/7/14	19/7/21	U	–	–
	9,446	–	–	–	**9,446**	7.05	12/7/12	12/7/15	11/7/22	U	–	–
	–	–	–	3,296	**3,296**	9.10	1/7/13	1/7/16	30/6/23	A	–	–
	–	–	–	4,945	**4,945**	9.10	1/7/13	1/7/16	30/6/23	U	–	–
	–	–	–	497	**497**	7.24	1/9/13	1/9/18	1/3/19	S	3,598	–
	67,102	**(10,280)**	**(3,804)**	**8,738**	**61,756**							
James Douglas	2,391	–	–	–	**2,391**	4.05	15/7/08	15/7/11	15/7/18	U	–	–
	8,625	–	–	–	**8,625**	4.80	16/7/09	16/7/12	16/7/19	U	–	–
	7,508	–	(3,004)	–	**4,504**	5.78	12/7/10	12/7/13	12/7/20	U	–	–
	1,939	(1,939)	–	–	–	4.64	1/9/10	1/9/13	1/3/14	S	8,997	9.31
	1,047	–	(419)	–	**628**	6.30	30/11/10	30/11/13	30/11/20	U	–	–
	7,277	–	–	–	**7,277**	7.09	20/7/11	20/7/14	19/7/21	U	–	–
	7,517	–	–	–	**7,517**	7.05	12/7/12	12/7/15	11/7/22	U	–	–
	–	–	–	3,296	**3,296**	9.10	1/7/13	1/7/16	30/6/23	A	–	–
	–	–	–	2,659	**2,659**	9.10	1/7/13	1/7/16	30/6/23	U	–	–
	36,304	**(1,939)**	**(3,423)**	**5,955**	**36,897**							

A: Approved Scheme options
U: Senior Scheme options
S: SAYE options

Vested but unexercised options

Directors' Remuneration Report continued

	As at 30 March 2013	Exercised	Lapsed	Issued	As at 29 March 2014	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Type	Cost of options under SAYE Schemes £	Price at exercise date £
Richard Fuller	9,532	(9,532)	–	–	–	2.62	5/7/04	5/7/07	5/7/14	A	–	8.70
	1,966	(1,966)	–	–	–	3.31	1/9/08	1/9/13	1/3/14	S	6,507	9.44
	801	–	–	–	**801**	3.88	1/9/09	1/9/14	1/3/15	S	3,108	–
	4,321	–	(1,729)	–	**2,592**	5.78	12/7/10	12/7/13	12/7/20	U	–	–
	869	–	–	–	**869**	5.78	12/7/10	12/7/13	12/7/20	A	–	–
	665	–	–	–	**665**	4.64	1/9/10	1/9/15	1/3/16	S	3,086	–
	4,612	–	–	–	**4,612**	7.09	20/7/11	20/7/14	19/7/21	U	–	–
	563	–	–	–	**563**	5.47	1/9/11	1/9/14	1/3/15	S	3,080	–
	4,765	–	–	–	**4,765**	7.05	12/7/12	12/7/15	11/7/22	U	–	–
	–	–	–	3,747	**3,747**	9.10	1/7/13	1/7/16	30/6/23	U	–	–
	–	–	–	828	**828**	7.24	1/9/13	1/9/18	1/3/19	S	5,995	–
	28,094	**(11,498)**	**(1,729)**	**4,575**	**19,442**							
Ian Bray	1,503	–	–	–	**1,503**	7.05	12/7/12	12/7/15	11/7/22	U	–	–
	4,255	–	–	–	**4,255**	7.05	12/7/12	12/7/15	11/7/22	A	–	–
	–	–	–	4,549	**4,549**	9.10	1/7/13	1/7/16	30/6/23	U	–	–
	–	–	–	497	**497**	7.24	1/9/13	1/9/18	1/3/19	S	3,598	–
	5,758	**–**	**–**	**5,046**	**10,804**							
Jonathon Swaine	1,649	–	–	–	**1,649**	5.47	1/9/11	1/9/14	1/3/15	S	9,020	–
	709	–	–	–	**709**	7.05	12/7/12	12/7/15	11/7/22	U	–	–
	4,255	–	–	–	**4,255**	7.05	12/7/12	12/7/15	11/7/22	A	–	–
	–	–	–	3,901	**3,901**	9.10	1/7/13	1/7/16	30/6/23	U	–	–
	6,613	–	–	3,901	**10,514**							
Total	**236,417**	**(95,627)**	**(29,592)**	**28,215**	**139,413**							

A: Approved Scheme options
U: Senior Scheme options
S: SAYE options

Vested but unexercised options

Directors' Long Term Incentive Plan Allocations

	Total held at 30 March 2013	Granted during year	Awards vested	Lapsed during year	Total held at 29 March 2014	Monetary value of vest £000*
Michael Turner						
'A' ordinary 40p	141,474	–	(57,606)	(83,868)	–	530
'B' ordinary 4p	353,687	–	(144,016)	(209,671)	–	132
Simon Emeny						
'A' ordinary 40p	112,386	32,967	(21,303)	(16,738)	107,312	197
'B' ordinary 4p	280,966	82,417	(53,257)	(41,845)	268,281	49
James Douglas						
'A' ordinary 40p	93,405	23,824	(19,165)	(15,059)	83,005	178
'B' ordinary 4p	233,517	59,560	(47,915)	(37,647)	207,515	45
Richard Fuller						
'A' ordinary 40p	48,894	11,241	(11,626)	(9,135)	39,374	107
'B' ordinary 4p	122,237	28,104	(29,066)	(22,837)	98,438	27
Ian Bray						
'A' ordinary 40p	17,276	13,648	–	–	30,924	–
'B' ordinary 4p	43,191	34,120	–	–	77,311	–
Jonathon Swaine						
'A' ordinary 40p	28,897	11,703	(4,263)	(3,349)	32,988	39
'B' ordinary 4p	72,245	29,258	(10,657)	(8,374)	82,472	10

*The market price of 'A' shares on 8 August 2013 for the LTIP 13 awards vest, and all of Michael Turner's special exercises, was £9.20, the price of 'B' shares is assumed to be £0.92. The market price of 'A' shares on 26 November 2013 for the LITP 13A awards vest was £9.80, the price of 'B' shares is assumed to be £0.98.

The performance conditions for the LTIP are set out in the tables on pages 52 and 53 of this report.

Payments to Past Directors

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

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

Payments for Loss of Office

There were no payments to Directors or former Directors for loss of office.

Directors' Remuneration Report continued

Performance Graph and Table

The graph below shows a comparison of the Total Shareholder Return ("TSR") for the Company's listed 'A' ordinary shares for the last 10 financial years against the TSR for the companies in the FTSE Travel & Leisure Index. The Company is a constituent of this Index and therefore it is an appropriate choice for this report.

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

	2010	2011[2]	2012	2013	**2014[3]**
Single figure total remuneration	564	1,518	944	1,088	**977**
Annual bonus[1]	100%	70%	56%	41%	**77%**
LTIP	70%	85%	92%	56%	**64%**

[1] Annual bonus as a percentage of the maximum available.

[2] The single total remuneration figure includes an increase in the accrued benefit under the defined benefit Company pension plan to the value of £44,000, equating to a benefit of £880,000. Michael Turner did not receive such an increase in the other years disclosed. Excluding this pension benefit reduces the single total figure to £638,000 for the year.

[3] Simon Emeny was appointed as Group Chief Executive in July 2013. The single total figure comprises of the remuneration received by Simon Emeny in the financial year, hence includes remuneration for the three months prior to this promotion.

Relative Importance of Spend on Pay

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

[1] Taxes payable to HMRC is based upon tax incurred in the year and includes corporation tax, VAT, PAYE, NI, duty, stamp duty, non-domestic rates, property licences, environmental levies and machine game duty. It has increased due to increased VAT and duty payments resulting from the continued growth of the Group. This measure has been selected as it reflects a significant outflow for the Group.
[2] Capital expenditure (including business combinations) represents cash paid, is consistent with the numbers disclosed in the financial statements and has increased due to the conversion of The Lamb & Flag from leasehold to freehold in the year. This measure has been selected as it reflects a significant outflow for the Group.
[3] Dividends represents the interim dividend for 2014 paid in the year and the final dividend for 2014 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 2013, 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	105,565,356	98.31%	1,814,051	1.69%	107,379,407	1,150,823

On behalf of the Board

Alastair Kerr
Chairman, Remuneration Committee

5 June 2014

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

We have audited the financial statements of Fuller, Smith & Turner P.L.C. for the 52 weeks ended 29 March 2014, 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 the related notes 1 to 30. The financial reporting framework that has been applied in the preparation of the Group and Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Auditor commentary

An overview of the scope of our audit

The Group is currently organised into three principal operating divisions: Managed Pubs and Hotels, Tenanted Inns and The Fuller's Beer Company. Although the Group financial statements are a consolidation of ten subsidiaries, over 99% of the Group's revenue and profit before taxation arise in the Parent Company. We also perform a full scope audit of one subsidiary, Grand Canal Trading Limited, with the other subsidiaries subject to analytical procedures. Our audit approach was based on a thorough understanding of the Group's business and was risk-based.

As this is an initial audit engagement, our audit process commenced with a series of meetings and site visits to build our knowledge of the business, together with a review of the predecessor auditor's working papers, to obtain evidence over opening balances. We subsequently performed an interim visit at the Group's head office in Chiswick in November 2013, including a review the Group's internal control environment and the key IT systems. This review culminated in the issuance of our half-yearly report on 22 November 2013. Using the knowledge of the business we have obtained, we performed a risk assessment in December 2013, taking into account some additional risk areas as this is the first year we have undertaken the audit. Based on this risk assessment, we planned a primarily substantive audit approach, although we have continued to build our knowledge of the control environment throughout the audit, with a view to placing greater reliance on the operating effectiveness of the internal control environment in the future. We undertook 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.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

For the Group audit, we established materiality for the Group financial statements as a whole to be £1.6 million, which is 5% of a forecast of the year's profit before taxation. As the profit before taxation for the year is not substantially different from the forecast, we have not revised our assessment of materiality. For the financial information of the individual subsidiary undertaking, we set our materiality based on a proportion of Group materiality appropriate to the relative scale of the business.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be £80,000. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Assessment of impairment of property, plant and equipment and goodwill

As more fully explained in note 11, the Directors are required to make an impairment assessment for property, plant and equipment when there is an indication that an asset may be impaired and for goodwill annually. The process for measuring and recognising impairment under IAS 36, Impairment of Assets, is complex and highly judgemental, particularly as each individual trading outlet is treated as a separate cash-generating unit for impairment purposes. We therefore identified the valuation of property, plant and equipment and goodwill as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, an evaluation of the methodology and assumptions used by the Directors to perform the impairment assessment, in particular those relating to the forecasted growth and discount rates for each cash-generating unit, and the allocation of goodwill to groups of cash-generating units. We compared the methodologies applied and the assumptions used to our expectations and emerging market activity. We used our valuations specialists, to challenge the key assumptions used by management.

The Group's accounting policy on impairment is included in note 1, with further disclosure given in respect of property, plant and equipment in note 11 and goodwill in note 10.

Measurement of the defined benefit pension liability

The Group has a significant defined benefit pension scheme, which has a deficit of £17 million at the year end. The pension scheme is accounted for in accordance with IAS 19, Employee Benefits. The process for the measurement of the pension liability is complex and highly judgemental, which is subject to complex actuarial assumptions. Therefore we identified the measurement of the liability as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, reviewing the appropriateness of the IAS 19 valuation methodology; agreeing underlying data sent to actuaries and agreeing asset values to underlying investment manager statements. We also involved our actuarial specialists to independently challenge management's assumptions.

The Group's pension assumptions are set out in detail, together with related IAS 19 disclosures, in note 22.

Going concern

Under ISA 570 (UK & Ireland), we are required to assess whether the Group's intended use of the going concern assumption extends for the foreseeable future, being at least twelve months from the reporting date. As disclosed in the Group's going concern statement on page 19 we note that the Group's current £150 million bank facilities expire in May 2015. As the refinancing needs to take place within the period used by management in their going concern assessment, we have assessed going concern as a risk requiring particular audit consideration.

Our audit work included, but was not restricted to, a review of the Group's short term cash flow forecasts for the period up to the date of refinancing, and longer term forecasts that assume a successful refinancing process in May 2015, to determine whether the Group has sufficient cash to meet its liabilities as they fall due for the foreseeable future. We have reviewed relevant correspondence and challenged management's assertions to evaluate the status of their refinancing process. We have reviewed the Board's disclosures to ensure that they provide appropriate disclosure of the expected refinancing process.

The Group's going concern disclosures are given in note 1.

Exceptional items

The classification of exceptional items is determined by the Group's accounting policy, which states that because of the nature and/or expected infrequency of the events giving rise to them, exceptional items 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. The process for recognising exceptional items under IAS 1, Presentation of financial statements, is judgemental. The classification of exceptional items has been assessed as a risk that requires particular audit consideration.

Our audit work included, but was not restricted to, a review of whether significant unusual or significant non-recurring transactions throughout the Group have been measured, presented and disclosed in accordance with the Group's accounting policy and IAS 1. We challenged management on both the classification of significant exceptional items and the adequacy of the related disclosures.

The Group's exceptional item disclosures are provided in note 5.

The risk of fraud in revenue recognition

Under ISAs (UK and Ireland), there is a presumed risk of fraud in revenue recognition. As the Group records a substantial proportion of sales in cash and through point of sale transactions, we identified fraud in revenue recognition as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, an evaluation of the revenue recognition policies for each of the Group's three operating segments in accordance with the Group's stated accounting policies and IAS 18, Revenue. For each segment, we tested a sample of revenue transactions to assess whether the Group's revenue recognition policy was being applied consistently in each case. This was supported by further substantive tests of detail in respect of trade receivables, through a combination of third party confirmations, testing of subsequent receipts or proof of delivery.

The group's accounting policy on revenue recognition is included in note 1, with disclosure of revenues in note 3.

Management override of financial control

Under ISAs (UK & Ireland), for all of our audits we are required to consider the risk of management override of financial controls. Due both to the unpredictable nature of this risk, and this being an initial audit engagement, we have assessed it as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements. This included tests of journal entries using computer assisted analytical techniques, and in particular an assessment of both unusual transactions and an analysis of the initiators of journal entries. Our work also included the evaluation of judgements and assumptions in management's estimates, assessing the extent of estimation uncertainty using sensitivity analysis, and tests of significant transactions outside the normal course of business.

In particular, we assessed each of the critical judgements and estimates as set out in the Group's accounting policies in note 1, with a particular focus on the assessment of impairment of property, plant and equipment and goodwill, as set out above.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 29 March 2014 and for the Group's profit for the period then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

Other reporting responsibilities

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that were communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules are required to review:

- the Directors' statement, set out on page 19, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the Corporate Governance Code specified for our review.

Grant Thornton UK LLP

Charles Hutton-Potts
Charles Hutton-Potts (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
London
5 June 2014

Group Income Statement
for the 52 weeks ended 29 March 2014

	Note	52 weeks ended 29 March 2014 Before exceptional items £m	Exceptional items £m	Total £m	Restated* 52 weeks ended 30 March 2013 Before exceptional items £m	Exceptional items £m	Total £m
Revenue	3	288.0	–	288.0	271.5	–	271.5
Operating costs	4,5	(248.1)	(1.9)	(250.0)	(234.5)	(1.5)	(236.0)
Operating profit		39.9	(1.9)	38.0	37.0	(1.5)	35.5
Profit on disposal of properties	5	–	1.9	1.9	–	5.0	5.0
Finance costs*	5,6	(5.8)	(0.6)	(6.4)	(5.9)	(0.9)	(6.8)
Profit before tax*		34.1	(0.6)	33.5	31.1	2.6	33.7
Taxation*	5,7	(7.9)	3.5	(4.4)	(7.6)	2.0	(5.6)
Profit for the year attributable to equity shareholders of the Parent Company*		26.2	2.9	29.1	23.5	4.6	28.1
Earnings per share per 40p 'A' and 'C' ordinary share*		Pence		Pence	Pence		Pence
Basic	8			52.14			50.43
Diluted	8			51.39			49.95
Adjusted	8	46.94			42.18		
Diluted adjusted	8	46.27			41.78		
Earnings per share per 4p 'B' ordinary share*							
Basic	8			5.21			5.04
Diluted	8			5.14			5.00
Adjusted	8	4.69			4.22		
Diluted adjusted	8	4.63			4.18		

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

*Comparatives have been restated for changes to IAS 19, see note 1.

Group and Company Statements of Comprehensive Income
for the 52 weeks ended 29 March 2014

Group	Note	52 weeks ended 29 March 2014 £m	52 weeks ended 30 March 2013 £m
Profit for the year*		29.1	28.1
Items that may be reclassified to profit or loss			
Net gains/(losses) on valuation of financial assets and liabilities	25	2.4	(0.9)
Tax related to items that may be reclassified to profit or loss		(0.6)	0.2
Items that will not be reclassified to profit or loss			
Net actuarial (losses)/gains on pension schemes*	22	(4.1)	6.5
Tax related to items that will not be reclassified to profit or loss*		0.4	(1.7)
Other comprehensive (loss)/income for the year, net of tax*		(1.9)	4.1
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company		27.2	32.2
Company	Notes	£m	£m
Profit for the year*		26.4	25.2
Items that may be reclassified to profit or loss			
Net gains/(losses) on valuation of financial assets and liabilities	25	2.4	(0.9)
Tax related to items that may be reclassified to profit or loss		(0.6)	0.2
Items that will not be reclassified to profit or loss			
Net actuarial (losses)/gains on pension schemes*	22	(4.1)	6.5
Tax related to items that will not be reclassified to profit or loss*		0.4	(1.7)
Other comprehensive (loss)/income for the year, net of tax*		(1.9)	4.1
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company		24.5	29.3

*Comparatives have been restated for changes to IAS 19, see note 1.

Group and Company Balance Sheets
29 March 2014

	Note	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Non-current assets					
Intangible assets	10	**34.4**	30.1	**7.9**	6.2
Property, plant and equipment	11	**434.8**	414.8	**433.1**	414.8
Investment properties	12	**4.7**	4.2	**4.7**	4.2
Derivative financial assets	13	**0.8**	–	**0.8**	–
Other non-current assets	14	**0.4**	0.4	**0.4**	0.4
Investments in subsidiaries	15	**–**	–	**94.8**	91.8
Deferred tax assets	24	**6.2**	6.1	**6.1**	6.0
Total non-current assets		**481.3**	455.6	**547.8**	523.4
Current assets					
Inventories	17	**10.6**	10.1	**10.6**	10.1
Trade and other receivables	18	**18.3**	18.3	**18.3**	18.3
Cash and short term deposits	21	**4.1**	4.3	**4.1**	4.3
Total current assets		**33.0**	32.7	**33.0**	32.7
Assets classified as held for sale	19	**1.2**	0.6	**1.2**	0.6
Current liabilities					
Trade and other payables	20	**46.1**	40.9	**140.4**	133.2
Current tax payable		**3.9**	3.8	**3.9**	3.8
Provisions	24	**1.2**	1.0	**1.2**	1.0
Total current liabilities		**51.2**	45.7	**145.5**	138.0
Non-current liabilities					
Borrowings	21	**143.9**	139.9	**143.7**	139.9
Derivative financial liabilities	13	**0.8**	2.4	**0.8**	2.4
Retirement benefit obligations	22	**17.2**	13.0	**17.2**	13.0
Deferred tax liabilities	24	**22.6**	26.7	**22.6**	26.7
Provisions	24	**2.2**	1.8	**2.2**	1.8
Other non-current payables	20	**0.4**	–	**–**	–
Total non-current liabilities		**187.1**	183.8	**186.5**	183.8
Net assets		**277.2**	259.4	**250.0**	234.9
Capital and reserves					
Share capital	26	**22.8**	22.8	**22.8**	22.8
Share premium account	26	**4.8**	4.8	**4.8**	4.8
Capital redemption reserve	26	**3.1**	3.1	**3.1**	3.1
Own shares	26	**(9.7)**	(8.7)	**(9.7)**	(8.7)
Hedging reserve	26	**–**	(1.8)	**–**	(1.8)
Retained earnings		**256.2**	239.2	**229.0**	214.7
Total shareholders' equity		**277.2**	259.4	**250.0**	234.9

Approved by the Board and signed on 5 June 2014.

M J Turner, FCA
Chairman

Group and Company Statements of Changes in Equity
for the 52 weeks ended 29 March 2014

Group	Share capital (note 26) £m	Share premium account £m	Capital redemption reserve £m	Own shares (note 26) £m	Hedging reserve £m	Restated* Retained earnings £m	Restated* Total £m
At 31 March 2012	22.8	4.8	3.1	(8.3)	(1.1)	214.0	235.3
Profit for the year*	–	–	–	–	–	28.1	28.1
Other comprehensive income/(loss) for the year*	–	–	–	–	(0.7)	4.8	4.1
Total comprehensive income/(loss) for the year	–	–	–	–	(0.7)	32.9	32.2
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.0)	–	–	(4.0)
Shares released from ESOT and treasury	–	–	–	3.6	–	(3.1)	0.5
Dividends (note 9)	–	–	–	–	–	(7.2)	(7.2)
Share-based payment charges	–	–	–	–	–	1.9	1.9
Tax credited directly to equity (note 7)	–	–	–	–	–	0.7	0.7
Total transactions with owners	–	–	–	(0.4)	–	(7.7)	(8.1)
At 30 March 2013	22.8	4.8	3.1	(8.7)	(1.8)	239.2	259.4
Profit for the year	–	–	–	–	–	29.1	29.1
Other comprehensive (loss)/income for the year	–	–	–	–	1.8	(3.7)	(1.9)
Total comprehensive income for the year	–	–	–	–	1.8	25.4	27.2
Shares purchased to be held in ESOT or as treasury	–	–	–	(5.3)	–	–	(5.3)
Shares released from ESOT and treasury	–	–	–	4.3	–	(2.9)	1.4
Dividends (note 9)	–	–	–	–	–	(7.9)	(7.9)
Share-based payment charges	–	–	–	–	–	1.8	1.8
Tax credited directly to equity (note 7)	–	–	–	–	–	0.6	0.6
Total transactions with owners	–	–	–	(1.0)	–	(8.4)	(9.4)
At 29 March 2014	22.8	4.8	3.1	(9.7)	–	256.2	277.2

Company	£m	£m	£m	£m	£m	£m	£m
At 31 March 2012	22.8	4.8	3.1	(8.3)	(1.1)	192.4	213.7
Profit for the year*	–	–	–	–	–	25.2	25.2
Other comprehensive income/(loss) for the year*	–	–	–	–	(0.7)	4.8	4.1
Total comprehensive income/(loss) for the year	–	–	–	–	(0.7)	30.0	29.3
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.0)	–	–	(4.0)
Shares released from ESOT and treasury	–	–	–	3.6	–	(3.1)	0.5
Dividends (note 9)	–	–	–	–	–	(7.2)	(7.2)
Share-based payment charges	–	–	–	–	–	1.9	1.9
Tax credited directly to equity	–	–	–	–	–	0.7	0.7
Total transactions with owners	–	–	–	(0.4)	–	(7.7)	(8.1)
At 30 March 2013	22.8	4.8	3.1	(8.7)	(1.8)	214.7	234.9
Profit for the year	–	–	–	–	–	26.4	26.4
Other comprehensive (loss)/income for the year	–	–	–	–	1.8	(3.7)	(1.9)
Total comprehensive income for the year	–	–	–	–	1.8	22.7	24.5
Shares purchased to be held in ESOT or as treasury	–	–	–	(5.3)	–	–	(5.3)
Shares released from ESOT and treasury	–	–	–	4.3	–	(2.9)	1.4
Dividends (note 9)	–	–	–	–	–	(7.9)	(7.9)
Share-based payment charges	–	–	–	–	–	1.8	1.8
Tax credited directly to equity	–	–	–	–	–	0.6	0.6
Total transactions with owners	–	–	–	(1.0)	–	(8.4)	(9.4)
At 29 March 2014	22.8	4.8	3.1	(9.7)	–	229.0	250.0

*Comparatives have been restated for changes to IAS 19, see note 1.

Group and Company Cash Flow Statements
for the 52 weeks ended 29 March 2014

	Note	Group 52 weeks ended 29 March 2014 £m	Restated* Group 52 weeks ended 30 March 2013 £m	Company 52 weeks ended 29 March 2014 £m	Restated* Company 52 weeks ended 30 March 2013 £m
Profit before tax*		33.5	33.7	30.0	31.1
Net finance costs before exceptional items*		5.8	5.9	9.0	9.0
Exceptional items*	5	0.6	(2.6)	0.6	(3.1)
Depreciation and amortisation	4	14.7	14.2	14.5	14.2
Gain on disposal of property, plant and equipment		(0.1)	–	(0.1)	–
		54.5	51.2	54.0	51.2
Difference between pension charge and cash paid		(0.5)	(0.5)	(0.5)	(0.5)
Share-based payment charges		1.8	1.9	1.8	1.9
Change in trade and other receivables		1.0	(0.2)	1.0	(0.2)
Change in inventories		(0.1)	0.4	(0.1)	0.4
Change in trade and other payables		2.8	(4.0)	2.8	(4.0)
Cash impact of operating exceptional items	5	(2.1)	(1.5)	(2.1)	(1.5)
Cash generated from operations		57.4	47.3	56.9	47.3
Tax paid		(8.0)	(8.1)	(8.0)	(8.1)
Cash generated from operating activities		49.4	39.2	48.9	39.2
Cash flow from investing activities					
Business combinations	16	(9.6)	(11.4)	(9.6)	(11.4)
Purchase of property, plant and equipment		(28.5)	(18.2)	(28.1)	(18.2)
Overdraft acquired on acquisition		(0.1)	–	–	–
Sale of property, plant and equipment		2.6	9.5	2.6	9.5
Net cash outflow from investing activities		(35.6)	(20.1)	(35.1)	(20.1)
Cash flow from financing activities					
Purchase of own shares	26	(5.3)	(4.0)	(5.3)	(4.0)
Receipts on release of own shares to option schemes		1.4	0.6	1.4	0.6
Interest paid		(5.2)	(5.3)	(5.2)	(5.3)
Preference dividends paid	9	(0.1)	(0.1)	(0.1)	(0.1)
Equity dividends paid	9	(7.9)	(7.2)	(7.9)	(7.2)
Drawdown of bank loans		3.4	–	3.4	–
Repayment of bank loans		–	(2.5)	–	(2.5)
Repayment of other loans		(0.3)	–	(0.3)	–
Cost of refinancing		–	(0.2)	–	(0.2)
Net cash outflow from financing activities		(14.0)	(18.7)	(14.0)	(18.7)
Net movement in cash and cash equivalents		(0.2)	0.4	(0.2)	0.4
Cash and cash equivalents at the start of the year	21	4.3	3.9	4.3	3.9
Cash and cash equivalents at the end of the year	21	4.1	4.3	4.1	4.3

*Comparatives have been restated for changes to IAS 19, see note 1.

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

Notes to the Financial Statements

1. Authorisation of Financial Statements and Accounting Policies

Authorisation of Financial Statements and Statement of Compliance with IFRSs

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the "Group") for the 52 weeks ended 29 March 2014 were authorised for issue by the Board of Directors on 5 June 2014 and the Balance Sheet was signed on the Board's behalf by M J Turner. Fuller, Smith & Turner P.L.C. is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary 'A' shares are traded on the London Stock Exchange.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and applied to the financial statements of the Group and the Company for the 52 weeks ended 29 March 2014, in accordance with the provisions of the Companies Act 2006.

The principal accounting policies adopted by the Group and by the Company are set out in the accounting policies below.

Profit Attributable to Members of the Parent Company

As permitted by Section 408 of the Companies Act 2006 a separate Income Statement for the Parent Company has not been prepared. The profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £26.4 million (2013: £25.2 million). There was no dividend from subsidiary companies during the current year (2013: £nil).

Significant Accounting Policies

Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 29 March 2014.

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

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

The Group's banking facilities expire in a period less than 12 months from the date of the financial statements. Having made sufficient enquiries the Directors are satisfied that the Group will have no difficulty in refinancing and continuing to borrow at levels that will allow the Group to continue in operational existence for the foreseeable future. Accordingly, the Directors consider that it is appropriate to continued to adopt the going concern basis of accounting in preparing the financial statements.

Adoption of New Standards and Interpretations:

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 31 March 2013:

• IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income	1 July 2012
• IAS 19 Employment Benefits (Amended)	1 January 2013
• IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
• IAS 28 Investment in Associates and Joint Ventures (as revised in 2011)	1 January 2013
• IFRS 1 Government Loans - Amendments to IFRS 1	1 January 2013
• IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013
• Improvements to IFRS 2009-2011 cycle	1 January 2013

IAS 19: Employee benefits (amended)

The recognition of finance costs/revenue relating to the defined benefit pension scheme has changed due to the adoption of IAS 19 Employee Benefits (Amended) for the financial year ended 29 March 2014. The standard requires the Group to replace interest costs on defined benefit obligations and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability.

The standard requires the new method to be applied retrospectively to previous periods and so the Income Statement for the 52 weeks ended 30 March 2013 has been restated to reflect this change. For the 52 weeks ended 30 March 2013 this has resulted in a net reduction in profit before tax of £1.5 million, from finance income of £0.6 million to a charge of £0.9 million. The corresponding adjustments have been made to taxation resulting in total tax reducing from £5.9 million to £5.6 million for the 52 weeks ended 30 March 2013. In the period there has been a corresponding increase to actuarial gains recognised on the defined benefit pension scheme and tax thereon, recognised through the Group Statement of Comprehensive Income. There is no net impact to either the retirement benefit obligations recognised in the Balance Sheet or to Shareholders' Equity.

As a consequence of the above change in accounting policy the Directors have reviewed the treatment of finance costs on net pension liabilities and have elected to present finance costs on net pension liabilities as an exceptional item as it does not relate to the underlying trading of the Group and therefore should not be considered in adjusted profit.

IAS 1: Presentation of financial statements - presentation of items of other comprehensive income

A change to the accounting standard requires the Statement of Comprehensive Income to be split between "items that may be reclassified to the profit or loss" and "items that will not be reclassified to the profit or loss". This presentational change has been applied to the current and prior periods.

The remaining new standards have not had a significant impact on the accounting policies, financial position or performance of the Group.

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

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 29 March 2014 (2013: 52 weeks ended 30 March 2013).

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 govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from them, are eliminated.

Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Payments made to acquire operating leases from third parties are classified as intangible assets and amortised over the expected life of the lease and recognised in the Income Statement.

Goodwill

Business combinations are accounted for under IFRS 3 using the purchase method. Any excess of the cost 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.

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

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

Property, Plant and Equipment

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

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

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

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the Balance Sheet and transferred to the Income Statement on a systematic basis over the useful economic life of the related assets.

Investment Property

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

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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.

Incentives received or receivable to enter into an operating lease are spread on a straight-line basis over the lease term.

Assets Held for Sale
Assets are classified as held for sale when the carrying amount will be recovered principally through a sale transaction rather than continuing use. To be classified as such management need to have initiated a sales plan as at the Balance Sheet date and must expect the sale to qualify for recognition as a completed sale within one year. Assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell. No depreciation is charged whilst assets are classified as held for sale.

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

Financial Instruments

Financial assets

Trade and other receivables
Trade receivables and loans to customers do not carry any interest and are recognised at their original invoiced amounts, less an allowance for any amounts that are not considered to be collectible. Increases to the allowance account are recognised in the Income Statement within operating costs. At the point a trade receivable is written off the ledger as uncollectible, the cost is charged against the allowance account and any subsequent recoveries of amounts previously written off are credited to the Income Statement.

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

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

Financial liabilities

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

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

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

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap and cap contracts are determined by reference to market values for similar instruments. This represents a Level 2 fair value under the hierarchy in IFRS 7.

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 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.

1. Authorisation of Financial Statements and Accounting Policies continued

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

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

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 25, the Group considers its capital to comprise its ordinary share capital, share premium, capital redemption reserve, hedging reserve and accumulated retained earnings plus its preference shares which are classified as a financial liability in the Balance Sheet. There have been no changes to what the Group considers to be capital since the prior year.

Preference Shares

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

Revenue

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

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

Operating Profit

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

Finance Revenue

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

Borrowing Costs

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

Taxation

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

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

Deferred tax is provided on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except where the liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which they can be utilised except where the deferred tax asset arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each Balance Sheet date.

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

Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities are translated at the year end exchange rates and the resulting exchange differences are taken to the Income Statement, except where hedge accounting is applied.

1. Authorisation of Financial Statements and Accounting Policies continued

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 operates a defined benefit pension plan for eligible employees where contributions are made into a separate fund administered by Trustees.

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 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 at the beginning of the period. The net interest charge is recognised immediately as an exceptional finance cost 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.

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

As a consequence of the change in the pension accounting policy following the adoption of IAS 19 (Amended) the Directors have reviewed the treatment of finance costs on net pension liabilities and have elected to present finance costs on net pension liabilities as an exceptional item as it does not relate to the underlying trading of the Group and therefore should not be considered in adjusted profit.

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 which 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 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.

1. Authorisation of Financial Statements and Accounting Policies continued

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 revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of treasury shares.

Dividends

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

Financial Guarantee Contracts

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

The Company's Investments in Subsidiaries

The Company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

New Standards and Interpretations Issued But Not Yet Applied

The IASB and IFRIC have issued the following standards and interpretations with an effective date for periods starting on or after the date on which these financial statements start. The Directors do not anticipate that the adoption of any of these standards and interpretations, wherever relevant to the Group, will have a significant impact on the Group's results or assets and liabilities in the period of initial application and are not expected to require significant additional disclosure:

• IFRS 9 *Financial Instruments: Classification and Measurement*	1 January 2015
• IFRS 10 Consolidated Financial Statements	1 January 2014
• IFRS 10, IFRS 12 and IAS 27 Investments Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014*
• IFRS 11 Joint Arrangements	1 January 2014
• IFRS 12 Disclosure of Involvement with Other Entities	1 January 2014
• IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
• IAS 36 (amendments) Recoverable Amount Disclosure for Non-financial Assets	1 January 2014
• IAS 39 (amendments) Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
• IFRIC Interpretation 21 Levies	1 January 2014
• Improvements to IFRS 2010 – 2013 cycles	1 July 2014

*Latest date of adoption.

Significant Accounting Estimates and Judgements

The judgements, estimates and assumptions which are considered to be significant are as follows:

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

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

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the Group's qualified actuary. The estimates used and the key assumptions are provided in note 22.

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment. See notes 7 and 24.

The assessment of fair values for the assets and liabilities recognised in the financial statements on the acquisition of a business requires significant judgement. Management assesses fair values, particularly for property, plant and equipment, with reference to current market prices. See note 16 for business combinations made in the year.

2. Segmental Analysis

Operating Segments

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

- Managed Pubs and Hotels, which comprises managed pubs and managed hotels;
- 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.

The Group's business is vertically integrated. The most important measure used to evaluate the performance of the business is adjusted profit, which is the profit before tax, adjusted for exceptional items. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit. More details of these segments are given in the Strategic Review on pages 6 to 29 of this report. Segment performance is evaluated based on operating profit before exceptional items and is measured consistently with the operating profit before exceptional items in the consolidated financial statements.

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

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

52 weeks ended 29 March 2014	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	186.0	31.3	115.8	–	333.1
Inter-segment sales	–	–	(45.1)	–	(45.1)
Revenue from third parties	186.0	31.3	70.7	–	288.0
Segment result	22.5	12.3	8.5	(3.4)	39.9
Operating exceptional items					(1.9)
Operating profit					38.0
Profit on disposal of properties					1.9
Net finance costs					(6.4)
Profit before tax					33.5
Other segment information					
Capital expenditure: Property, plant and equipment	25.4	1.6	1.5	–	28.5
Business combinations	4.9	2.2	4.2	–	11.3
Depreciation and amortisation	10.0	1.7	3.0	–	14.7
Impairment of property	0.9	0.9	–	–	1.8
Reversal of impairment on property	(0.3)	(1.0)	–	–	(1.3)

[1]Unallocated expenses represent primarily the salary and cost of central management.

Notes to the Financial Statements continued

2. Segmental Analysis continued

52 weeks ended 30 March 2013	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Restated* Total £m
Revenue					
Segment revenue	170.1	30.8	113.6	–	314.5
Inter-segment sales	–	–	(43.0)	–	(43.0)
Revenue from third parties	170.1	30.8	70.6	–	271.5
Segment result	19.4	12.2	8.7	(3.3)	37.0
Operating exceptional items					(1.5)
Operating profit					35.5
Profit on disposal of properties					5.0
Net finance costs*					(6.8)
Profit before tax*					33.7
Other segment information					
Capital expenditure: Property, plant and equipment	14.1	2.2	1.9	–	18.2
Business combinations	7.5	3.9	–	–	11.4
Depreciation and amortisation	9.6	1.6	3.0	–	14.2
Impairment of property	0.7	1.1	–	–	1.8
Reversal of impairment on property	(0.8)	–	–	–	(0.8)

*Comparatives have been restated for changes to IAS 19, see note 1.
[1] Unallocated expenses represent primarily the salary and costs of central management.

Geographical Information

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

52 weeks ended 29 March 2014	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	280.2	7.8	288.0

52 weeks ended 30 March 2013	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	265.0	6.5	271.5

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

3. Revenue

	52 weeks ended 29 March 2014 £m	52 weeks ended 30 March 2013 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	278.4	262.1
Rental income	9.6	9.4
	288.0	271.5

4. Operating Costs

	52 weeks ended 29 March 2014 £m	52 weeks ended 30 March 2013 £m
Production costs and cost of goods used in retailing	97.5	95.7
Change in stocks of finished goods and beer in progress	0.5	(0.4)
Staff costs	72.9	67.3
Repairs and maintenance	9.2	7.5
Depreciation of property, plant and equipment	14.1	13.7
Amortisation of intangibles	0.6	0.5
Operating lease rentals – minimum lease payments[1]	7.5	7.2
– contingent rents[2]	1.8	1.5
Exceptional items (note 5)	1.9	1.5
Other	44.0	41.5
	250.0	236.0

[1] Included within minimum lease payments are sublease payments of £0.6 million (2013: £0.7 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.

a) Auditors' Remuneration	52 weeks ended 29 March 2014 £m	52 weeks ended 30 March 2013 £m
Fees payable to Company's auditors:		
– Statutory audit fees of Group financial statements	0.1	0.1
	0.1	0.1

Other audit related services of £16,000 comprising of a half year review were incurred in the year.

b) Staff Costs*	£m	£m
Wages and salaries**	66.2	60.6
Social security costs	4.9	4.8
Pension benefits	1.8	1.9
	72.9	67.3

*Includes Directors.
**Includes share-based payment expense.

c) Average Number of Employees*	Number	Number
The average monthly number of persons employed by the Group (including part-time staff) was as follows:		
Fuller's Inns	3,269	3,166
The Fuller's Beer Company	328	297
Central Services	13	14
	3,610	3,477

*Includes Directors.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 44 to 61.

Notes to the Financial Statements continued

5. Exceptional Items

	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Amounts included in operating profit:		
Acquisition costs	(1.1)	(0.5)
Impairment of properties	(1.8)	(1.8)
Reversal of impairment on property	1.3	0.8
Onerous lease provision release (note 24)	0.9	–
Reorganisation costs	(1.2)	–
Total exceptional items included in operating profit	(1.9)	(1.5)
Profit on disposal of properties	1.9	5.0
Exceptional finance costs:		
Finance charge on net pension liabilities* (note 22)	(0.6)	(0.9)
Total exceptional finance costs	(0.6)	(0.9)
Total exceptional items before tax	(0.6)	2.6
Exceptional tax:		
Change in corporation tax rate (note 7)	3.4	1.2
Profit on disposal of properties	(0.3)	(0.1)
Other items*	0.4	0.9
Total exceptional tax*	3.5	2.0
Total exceptional items*	2.9	4.6

*Comparatives have been restated for changes to IAS 19. As per note 1 the finance income/charge on net pension liabilities is now treated as exceptional. This has also been restated from income of £0.6 million to a charge of £0.9 million for the 52 weeks ended 30 March 2013. In line with the change in status to exceptional the associated tax adjustment has resulted in a change in exceptional tax credit from £1.8 million to £2.0 million.

Acquisition costs of £1.1 million during the 52 weeks ended 29 March 2014 (2013: £0.5 million) related to transaction costs on pub and business acquisitions which qualify as business combinations (see note 16).

The property impairment charge of £1.8 million during the 52 weeks ended 29 March 2014 (2013: £1.8 million) represents the write down of licensed properties to their recoverable value. The reversal of impairment credit of £1.3 million during the 52 weeks ended 29 March 2014 (2013: £0.8 million) relates to the write back of previously impaired licensed properties to their recoverable value.

The onerous lease provision release of £0.9 million during the 52 weeks ended 29 March 2014 was recognised due to the change in circumstances of two previously onerous leasehold properties.

The reorganisation costs of £1.2 million for the 52 weeks ended 29 March 2014 were principally incurred within The Fuller's Beer Company and relate to staff and the proposed closure of the defined benefit pension scheme to future accrual.

The cash impact of operating exceptional items before tax for the 52 weeks ended 29 March 2014 was a £2.1 million cash outflow (2013: £1.5 million outflow).

6. Finance Costs

	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	5.4	5.5
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	5.5	5.6
Unwinding of discounts on provisions	0.3	0.3
Total finance costs before exceptional items	5.8	5.9
Finance charge on net pension liabilities* (note 5)	0.6	0.9
	6.4	6.8

*Comparatives have been restated for changes to IAS 19. Finance income/charge on net pension liabilities has been restated from income of £0.6 million to a charge of £0.9 million for the 52 weeks ended 30 March 2013.

7. Taxation

a) Tax on Profit on Ordinary Activities

Group	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	8.8	8.6
Amounts over provided in previous years	(0.3)	(0.2)
Total current income tax	8.5	8.4
Deferred tax:		
Origination and reversal of temporary differences*	(0.8)	(1.6)
Change in corporation tax rate (note 5)	(3.4)	(1.2)
Amounts underprovided in previous years	0.1	–
*Total deferred tax**	(4.1)	(2.8)
Total tax charged in the Income Statement*	4.4	5.6

*Comparatives have been restated for changes to IAS 19. The deferred tax relating to the pension scheme finance charge/income has been restated with the effect of reducing the total tax charged in the Income Statement from £5.9 million to £5.6 million for the 52 weeks ended 30 March 2013.

	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Tax relating to items charged/(credited) to the Statement of Comprehensive Income		
Deferred tax:		
Change in corporation tax rate	0.6	0.3
Net gains/(losses) on valuation of financial assets and liabilities	0.4	(0.2)
Net actuarial (losses)/gains on pension scheme*	(0.8)	1.4
Tax charge included in the Statement of Comprehensive Income*	0.2	1.5

*Comparatives have been restated for changes to IAS 19. The deferred tax relating to net actuarial gains on pension scheme has been restated from £1.1 million to £1.4 million for the 52 weeks ended 30 March 2013.

7. Taxation continued

	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Tax relating to items charged/credited directly to equity		
Deferred tax:		
Reduction in deferred tax liability due to indexation	(0.3)	(0.5)
Share-based payments	0.1	0.1
Current tax:		
Share-based payments	(0.4)	(0.3)
Tax credit included in the Statement of Changes in Equity	(0.6)	(0.7)

Deferred tax in the Income Statement		
Decelerated tax depreciation	(2.9)	(3.3)
Rolled over capital gains	(1.0)	0.4
Retirement benefit obligations*	0.1	(0.1)
Tax losses carried forward	-	0.1
Employee share schemes	(0.1)	0.2
Others	(0.2)	(0.1)
	(4.1)	(2.8)

*Comparatives have been restated for changes to IAS 19. The deferred tax relating to retirement benefit obligations has been restated from a charge of £0.2 million to a credit of £0.1 million for the 52 weeks ended 30 March 2013.

During the period the Finance Act 2013 has received Royal Assent. The main impact is that the rate of UK corporation tax has reduced from 23% to 21% from 1 April 2014 and will reduce from 21% to 20% from 1 April 2015. To the extent that this rate change will affect the amount of future cash tax payments to be made by the Group, this will reduce the size of both the Group's Balance Sheet deferred tax liability and deferred tax asset. The impact in the 52 weeks to 29 March 2014 is an exceptional credit to the Income Statement of £3.4 million, and a charge to the Statement of Comprehensive Income of £0.6 million. The impact of previous rate changes in the 52 weeks ended 30 March 2013 was an exceptional credit to the Income Statement of £1.2 million, and a charge to the Statement of Comprehensive Income of £0.3 million.

b) Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is lower than the standard rate of corporation tax in UK of 23% (2013: 24%). The differences are reconciled below:

	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Profit from continuing operations before taxation*	33.5	33.7
Accounting profit multiplied by the UK standard rate of corporation tax of 23% (2013: 24%)*	7.7	8.1
Items not deductible for tax purposes	0.1	0.1
Current and deferred tax overprovided in previous years	(0.2)	(0.2)
Change in corporation tax rate	(3.4)	(1.2)
Other*	0.2	(1.2)
Total tax charged in the Income Statement*	4.4	5.6

*Comparatives have been restated for changes to IAS 19.

8. Earnings Per Share

	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Profit attributable to equity shareholders*	29.1	28.1
Exceptional items net of tax*	(2.9)	(4.6)
*Adjusted earnings attributable to equity shareholders**	26.2	23.5

	Number	Number
Weighted average share capital	55,815,000	55,717,000
Dilutive outstanding options and share awards	812,000	534,000
Diluted weighted average share capital	56,627,000	56,251,000

40p 'A' and 'C' ordinary share*	Pence	Pence
Basic earnings per share	52.14	50.43
Diluted earnings per share	51.39	49.95
Adjusted earnings per share	46.94	42.18
Diluted adjusted earnings per share	46.27	41.78

4p 'B' ordinary share*	Pence	Pence
Basic earnings per share	5.21	5.04
Diluted earnings per share	5.14	5.00
Adjusted earnings per share	4.69	4.22
Diluted adjusted earnings per share	4.63	4.18

*Comparatives have been restated for changes to IAS 19. The profit attributable to shareholders has been restated from £29.3 million to £28.1 million for the 52 weeks ended 30 March 2013. The exceptional items net of tax have been restated from £5.3 million to £4.6 million for 52 weeks ended 30 March 2013. The adjusted earnings attributable to equity shareholders has been restated from £24.0 million to £23.5 million for the 52 weeks ended 30 March 2013. This has changed the earnings per shares figures for all categories, previously stated figures have been set out in the table below.

40p 'A' and 'C' ordinary share*	*Before restatement Pence*
Basic earnings per share	*52.59*
Diluted earnings per share	*52.09*
Adjusted earnings per share	*43.07*
Diluted adjusted earnings per share	*42.67*

4p 'B' ordinary share*	*Pence*
Basic earnings per share	*5.26*
Diluted earnings per share	*5.21*
Adjusted earnings per share	*4.31*
Diluted adjusted earnings per share	*4.27*

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 1,170,610 (2013: 1,267,808).

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

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

Notes to the Financial Statements continued

9. Dividends

	52 weeks ended 29 March 2014 £m	52 weeks ended 30 March 2013 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2013: 8.35p (2012: 7.60p)	4.7	4.2
Interim dividend for 2014: 5.80p (2013: 5.35p)	3.2	3.0
Equity dividends paid	7.9	7.2
Dividends on cumulative preference shares (note 6)	0.1	0.1
Proposed for approval at the AGM:		
Final dividend for 2014 9.30p (2013: 8.35p)	5.2	4.7

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

10. Intangible Assets

	Group Goodwill £m	Group and Company Lease assignment premiums £m	Group and Company Distribution rights £m	Group Total £m	Company Total £m
Cost					
At 31 March 2012	24.5	7.0	–	31.5	7.0
At 30 March 2013	24.5	7.0	–	31.5	7.0
Acquisitions (note 16)	2.6	1.1	1.2	4.9	2.3
At 29 March 2014	27.1	8.1	1.2	36.4	9.3
Amortisation and impairment					
At 31 March 2012	0.6	0.3	–	0.9	0.3
Provided during the year	–	0.5	–	0.5	0.5
At 30 March 2013	0.6	0.8	–	1.4	0.8
Provided during the year	–	0.6	–	0.6	0.6
At 29 March 2014	0.6	1.4	–	2.0	1.4
Net book value at 29 March 2014	26.5	6.7	1.2	34.4	7.9
Net book value at 30 March 2013	23.9	6.2	–	30.1	6.2
Net book value at 31 March 2012	23.9	6.7	–	30.6	6.7

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10. Intangible Assets continued

Lease assignment premiums

Amounts paid to acquire leasehold property ("lease assignment premiums") are amortised on a straight-line basis over the remaining useful life of the lease. The amortisation is charged in the Income Statement in the line item "Operating costs" (note 4).

There are four pubs on which we carry lease assignment premiums at 29 March 2014 (2013: three).

Distribution rights

Amounts paid to acquire the exclusive import and distributions rights to Sierra Nevada products within the UK. Details of the amounts paid are included in note 16. The amortisation is charged in the Income Statement in the line item "Operating costs" (note 4).

Goodwill

Goodwill is allocated to cash generating units as follows:	2014 £m	2013 £m
Gales estate	22.7	22.7
Jacomb Guinness estate	1.2	1.2
Cornish Orchards	2.6	-
	26.5	23.9

Of the £22.7 million of goodwill relating to the Gales estate, £9.1 million relates to Managed Pubs and Hotels division and £13.6 million relates to the Tenanted Inns division. All of the Jacomb Guinness goodwill relates to the Managed Pubs and Hotel division. All of the Cornish Orchards goodwill relates to The Fuller's Beer Company.

Key assumptions used in value in use calculations:		
Long term growth rate – Managed	2.0%	2.5%
Long term growth rate – Tenanted	1.5%	1.5%
Long term growth rate – Cornish Orchards	2.0%	n/a
Pre-tax discount rate – Freehold	7.0%	7.2%
Pre-tax discount rate – Leasehold	9.6%	9.7%
Pre-tax discount rate – Cornish Orchards	10.3%	n/a

Goodwill acquired through business combinations has been allocated for impairment testing on an estate and divisional cash-generating unit level. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Recoverable amount is based on a calculation of value in use based upon the budget for the forthcoming financial year approved by senior management. For the Gales and Jacomb Guinness estate cash flows beyond the budget period are extrapolated in perpetuity on the assumption that the growth rate does not exceed the average long term growth rate for the relevant markets. For Cornish Orchards the cash flows beyond the budget period are based on a 5 year plan that was approved by senior management and reflect the long term growth of the business following the significant investment and expansion strategy currently in place for the business. The pre-tax discount rate applied to cash flow projections is based on the Directors' assessment of the Group's weighted average cost of capital and current market conditions.

The calculation of value in use is most sensitive to the assumptions in respect of achievement of budgeted cash flows, growth rate and discount rate. The calculation of value in use is also dependent upon the following assumptions: sales volume; gross margin in managed premises; barrelage and rent projections in tenanted premises; wage cost in managed premises; and capital expansion in Cornish Orchards. Gross margins are based on historical performance levels. All of these assumptions 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 the Jacomb Guinness, Gales or Cornish Orchards cash-generating units at 29 March 2014.

11. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 31 March 2012	374.9	32.7	104.2	511.8
Additions	4.9	1.0	11.7	17.6
Acquisitions (note 16)	10.8	–	0.6	11.4
Disposals	(0.2)	(0.2)	(3.1)	(3.5)
Transfer to/from investment properties	0.4	–	–	0.4
At 30 March 2013	390.8	33.5	113.4	537.7
Additions	15.5	1.5	12.9	29.9
Acquisitions (note 16)	5.9	1.1	–	7.0
Disposals	(1.7)	(0.3)	(5.6)	(7.6)
Transfer to assets held for sale	(1.4)	–	(0.2)	(1.6)
At 29 March 2014	**409.1**	**35.8**	**120.5**	**565.4**
Depreciation and impairment				
At 31 March 2012	21.5	19.1	70.7	111.3
Provided during the year	2.2	2.0	9.5	13.7
Impairment loss net of reversals	1.0	–	–	1.0
Disposals	–	(0.2)	(2.9)	(3.1)
At 30 March 2013	24.7	20.9	77.3	122.9
Provided during the year	2.5	2.0	9.6	14.1
Impairment loss net of reversals	0.5	–	–	0.5
Transfer to assets held for sale	(0.3)	–	(0.1)	(0.4)
Disposals	(1.0)	(0.3)	(5.2)	(6.5)
At 29 March 2014	**26.4**	**22.6**	**81.6**	**130.6**
Net book value at 29 March 2014	**382.7**	**13.2**	**38.9**	**434.8**
Net book value at 30 March 2013	366.1	12.6	36.1	414.8
Net book value at 31 March 2012	353.4	13.6	33.5	400.5

11. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 31 March 2012	374.8	32.6	102.7	510.1
Additions	4.9	1.0	11.7	17.6
Acquisitions (note 16)	10.8	–	0.6	11.4
Disposals	(0.2)	(0.2)	(3.1)	(3.5)
Transfer to/from investment properties	0.4	–	–	0.4
At 30 March 2013	390.7	33.4	111.9	536.0
Additions	15.5	1.1	12.9	29.5
Acquisitions (note 16)	5.5	–	–	5.5
Disposals	(1.7)	(0.3)	(5.6)	(7.6)
Transfer to assets held for sale	(1.4)	–	(0.2)	(1.6)
At 29 March 2014	**408.6**	**34.2**	**119.0**	**561.8**
Depreciation and impairment				
At 31 March 2012	21.4	19.1	69.1	109.6
Provided during the year	2.2	2.0	9.5	13.7
Impairment loss net of reversals	1.0	–	–	1.0
Disposals	–	(0.2)	(2.9)	(3.1)
At 30 March 2013	24.6	20.9	75.7	121.2
Provided during the year	2.4	1.9	9.6	13.9
Impairment loss net of reversals	0.5	–	–	0.5
Transfer to assets held for sale	(0.3)	–	(0.1)	(0.4)
Disposals	(1.0)	(0.3)	(5.2)	(6.5)
At 29 March 2014	**26.2**	**22.5**	**80.0**	**128.7**
Net book value at 29 March 2014	**382.4**	**11.7**	**39.0**	**433.1**
Net book value at 30 March 2013	366.1	12.5	36.2	414.8
Net book value at 31 March 2012	353.4	13.5	33.6	400.5

Group and Company

Interest capitalised

The amount of interest capitalised to date is £164,000 (2013: £100,000). The amount of interest capitalised in the year was £64,000 (2013: nil) at a rate of 2%.

Assets under construction

Included in the cost of property, plant and equipment at 29 March 2014 are amounts of £1.7 million (2013: £0.4 million) relating to three (2013: three) property developments in the course of construction.

11. Property, Plant and Equipment continued

Impairment

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

During the 52 weeks ended 29 March 2014, the Group recognised an impairment loss of £1.8 million (2013: £1.8 million) in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use. The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated. Following an improvement in trading performance and an increase in the amounts of estimated future cash flows of certain previously impaired sites, reversals of £1.3 million were recognised during the 52 weeks ended 29 March 2014 (2013: £0.8 million).

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

Sensitivity to Changes in Assumptions

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

Impact on impairment of asset at risk – increase/(decrease)	2014 £m	2013 £m
Increase discount rate by 1%	1.5	1.6
Decrease discount rate by 1%	(0.6)	(0.8)
Increase growth rate by 0.5%	(0.6)	(0.4)
Decrease growth rate by 0.5%	0.4	0.5

12. Investment Properties

	Group and Company Freehold and leasehold properties £m
Cost	
At 31 March 2012	6.0
Additions	1.0
Disposals	(1.0)
Transfer to/from property, plant and equipment	(0.4)
Transfer to assets held for sale	(0.6)
At 30 March 2013	5.0
Acquisitions (note 16)	0.5
At 29 March 2014	**5.5**
Depreciation and impairment	
At 31 March 2012	1.1
Disposals	(0.3)
At 30 March 2013	0.8
At 29 March 2014	**0.8**
Net book value at 29 March 2014	**4.7**
Net book value at 30 March 2013	4.2
Net book value at 31 March 2012	4.9
Fair value at 29 March 2014	**10.7**
Fair value at 30 March 2013	8.2
Fair value at 31 March 2012	8.4

12. Investment Properties continued

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

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 29 March 2014, the Group did not impair any investment properties (2013: £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	2014 £m	2013 £m
Rental income	0.5	0.4
Direct operating expenses	(0.3)	(0.1)

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

13. Derivative Financial Instruments

Group and Company	2014 £m	2013 £m
Interest rate swaps	0.8	–
Total financial assets within non-current assets	0.8	–
Interest rate swaps	(0.8)	(2.4)
Total financial liabilities within non-current liabilities	(0.8)	(2.4)

Details of the interest rate swaps and cap are provided in note 25c(i).

14. Other Non-Current Assets

Group and Company	2014 £m	2013 £m
Loans to customers due after one year	0.4	0.3
Non-current portion of leasehold property prepayments	–	0.1
	0.4	0.4

15. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net Book Value £m
At 31 March 2012 and 30 March 2013	92.0	(0.2)	91.8
Additions	3.0	–	3.0
At 29 March 2014	95.0	(0.2)	94.8

Principal subsidiary undertakings	Holding	Proportion held	Nature of Business
Griffin Catering Services Limited	*£1 Ordinary shares*	*100% (indirect)*	*Managed houses service company*
Cornish Orchards Limited	£1 Ordinary shares	100%	Production of cider and soft drinks
George Gale & Co. Limited	£1 Ordinary shares	100%	Non-trading subsidiary
	25p 'A' Ordinary shares	100%	
	£10 Preference shares	100%	
Jacomb Guinness Limited	£1 Ordinary shares	100%	Non-trading subsidiary
45 Woodfield Limited	£1 Ordinary shares	100% (indirect)	Non-trading subsidiary
Grand Canal Trading Limited	£1 Ordinary shares	100% (indirect)	Non-trading subsidiary

The above companies are registered and operate in England and Wales.

16. Business Combinations

During the 52 weeks ended 29 March 2014 the Company has individually acquired 3 new pubs for a combined consideration of £7.1 million, all of which have been treated as business combinations as they were operating as a business at the point the Company acquired them.

On 3 June 2013 the Company acquired 100% of the share capital of Cornish Orchards Limited, a manufacturer of alcoholic and non-alcoholic beverages, for consideration of £3.0 million. On 5 February 2014 the Company acquired the business of importing and distributing Sierra Nevada products into the UK for consideration of £1.2 million.

The acquisitions were made as part of the Group's continuing strategy to expand the managed and tenanted portfolio via selective quality acquisitions and to strengthen and diversify the Group's premium drinks portfolio.

	2014			2013
	Cornish Orchards	Sierra Nevada distribution rights	Pubs	Pubs
Number of pubs purchased			3	4
Provisional fair value	£m	£m	£m	£m
Property, plant and equipment	1.5	–	5.5	11.4
Investment properties	–	–	0.5	–
Intangible assets	–	1.2	1.1	–
Stock	0.4	–	–	–
Trade receivables	0.3	–	–	–
Net debt	(0.5)	–	–	–
Deferred revenue, trade and other payables	(1.3)	–	–	–
Goodwill	2.6	–	–	–
Consideration	3.0	1.2	7.1	11.4
Satisfied by:				
Cash	2.1	0.4	7.1	11.4
Contingent consideration	0.9	0.8	–	–
Total	3.0	1.2	7.1	11.4

Goodwill recognised on acquisition of Cornish Orchards Limited reflects the future growth of the company.

Contingent consideration is payable to the former owners of Cornish Orchards Limited in June 2016 dependent upon the business achieving production targets. The contingent consideration ranges from nil to £1.2 million.

16. Business Combinations continued

Contingent consideration is payable to the company that formerly held the import and distribution rights to Sierra Nevada products, annually until February 2017 based on the business achieving annual profit targets. Total contingent consideration ranges from nil to £1.5 million.

Costs associated with the acquisitions of £1.1 million have been charged to operating exceptional items in the consolidated Income Statement for the 52 weeks ended 29 March 2014 (2013: £0.5 million). These comprised primarily stamp duty, legal and other property fees (see note 5).

The acquisitions have contributed the following operating profit to the Group in the 52 weeks ended 29 March 2014 from the date of acquisition:

	2014			2013
	Cornish Orchards	Sierra Nevada distribution rights	Pubs	Pubs
Operating profit	0.1	–	0.1	0.3

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

17. Inventories

Group and Company	2014 £m	2013 £m
Raw materials, beer and cider in progress	1.5	1.3
Beer, cider, wines and spirits	6.4	6.3
Stock at retail outlets	2.7	2.5
	10.6	10.1

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

18. Trade and Other Receivables

Group and Company	2014 £m	2013 £m
Trade receivables	12.6	13.7
Other receivables	1.3	1.1
Prepayments and accrued income	4.4	3.5
	18.3	18.3

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

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

Group and Company	2014 £m	2013 £m
Trade receivables provision at 30 March 2013	1.4	1.3
Increase in provision recognised in profit and loss	0.1	0.2
Amounts written off during the year	–	(0.1)
Trade receivables provision at 29 March 2014	1.5	1.4

18. Trade and Other Receivables continued

The provision for trade receivables is recorded in the accounts separately from the gross receivable. The contractual ageing of the trade receivables balance is as follows:

Group and Company	2014 £m	2013 £m
Current	13.2	14.5
Overdue up to 30 days	0.2	0.1
Overdue between 30 and 60 days	0.1	–
Overdue more than 60 days	0.6	0.5
Trade receivables before provision	**14.1**	**15.1**
Less provision	(1.5)	(1.4)
Trade receivables net of provision	**12.6**	**13.7**

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.3 million (2013: £0.2 million) which are overdue at the Balance Sheet date for which the Group has not provided as the Group considers these amounts to be recoverable.

In addition, there are loans to customers included in other receivables of £0.3 million (2013: £0.3 million) due within one year and £0.6 million (2013: £0.5 million) due in more than one year, against which there is a provision of £0.3 million (2013: £0.3 million).

19. Assets Classified as Held For Sale

	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Investment property	–	0.6	–	0.6
Property, plant and equipment	1.2	–	1.2	–
	1.2	0.6	1.2	0.6

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

	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Assets held for sale at the start of the year	0.6	5.3	0.6	–
Assets disposed during the year	(0.6)	(5.3)	(0.6)	–
Transfer from Investment property	–	0.6	–	0.6
Transfer from property, plant and equipment	1.2	–	1.2	–
Assets held for sale at the end of the year	**1.2**	**0.6**	**1.2**	**0.6**

At 29 March 2014 one property was transferred to assets held for sale, as it was in the advanced stages of the sales process and has since completed. The property shown above resulted in a profit on sale.

20. Trade and Other Payables

Due within one year:	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Trade payables	18.0	15.7	18.0	15.7
Amounts due to subsidiary undertakings	–	–	94.5	92.3
Other tax and social security	8.4	8.3	8.4	8.3
Other payables	8.2	6.7	8.2	6.7
Accruals	11.5	10.2	11.3	10.2
	46.1	40.9	140.4	133.2

Company amounts due to subsidiary undertakings of £94.5 million (2013: £92.3 million) have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate. All other significant trade and other receivables and trade and other payables balances are due within one year and are at nil rate of interest.

Due in more than one year:	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Deferred revenue	0.4	–	–	–

Deferred revenue relates to government grants received for the purchase and construction of plant, property and equipment by Cornish Orchards Limited. There are no unfulfilled conditions and contingencies attached to these amounts.

21. Cash, Borrowings and Net Debt

Cash and Short Term Deposits

Group and Company

	2014 £m	2013 £m
Cash at bank and in hand	4.1	4.3

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 and Company	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Bank loans	116.2	112.5	116.2	112.5
Other loans	0.2	–	–	–
Debenture stock	25.9	25.8	25.9	25.8
Preference shares	1.6	1.6	1.6	1.6
Total borrowings	143.9	139.9	143.7	139.9

Analysed as:				
Borrowings within non-current liabilities	143.9	139.9	143.7	139.9

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 25.

21. Cash, Borrowings and Net Debt continued

Bank Loans

Group and Company

During the 52 weeks ended 29 March 2014 the Company reorganised its loan facilities to replace one lender with two new banks both taking 50% of the existing position. These actions resulted in no change to the amount committed or the terms of the loan facilities.

At 29 March 2014, £33.5 million (2013: £37.0 million) of the total £150 million committed bank loan facilities was available and undrawn.

The bank loans at 29 March 2014 are unsecured, and are repayable as shown in the table below. Interest is payable at LIBOR plus a margin, which varies dependant 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 25.

The bank loans are repayable as follows:	2014 £m	2013 £m
In the first to second years inclusive	116.5	–
In the third to fifth year inclusive	–	113.0
Less: bank loan arrangement fees	(0.3)	(0.5)
Non-current liabilities	116.2	112.5

Debenture Stock

Group and Company

Debenture stock repayable after five years:	2014 £m	2013 £m
10.70% 1st Mortgage Debenture Stock 2023	6.0	6.0
6.875% Debenture Stock 2028 (1st floating charge)	20.0	20.0
Less: discount on issue	(0.1)	(0.1)
Less: 2028 debenture issue costs	–	(0.1)
Non-current liabilities	25.9	25.8

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 23 for further details of the preference shares.

Analysis of Net Debt

Group	At 30 March 2013 £m	Cash flows £m	Non-cash[1] £m	At 29 March 2014 £m
Cash and cash equivalents				
Cash and short term deposits	4.3	(0.2)	–	4.1
	4.3	(0.2)	–	4.1
Debt				
Bank loans	(112.5)	(3.4)	(0.3)	(116.2)
Other loans	–	0.3	(0.5)	(0.2)
Debenture stock	(25.8)	–	(0.1)	(25.9)
Preference shares	(1.6)	–	–	(1.6)
	(139.9)	(3.1)	(0.9)	(143.9)
Net debt	(135.6)	(3.3)	(0.9)	(139.8)

[1] Non-cash movements relate to the amortisation of arrangement fees, arrangement fees accrued and the acquisition of Cornish Orchards Limited during the year.

The Company net debt is as above excluding 'Other loans' which are held by a subsidiary company. Company net debt as at 29 March 2014 was £139.6 million.

21. Cash, Borrowings and Net Debt continued

Group	At 31 March 2012 £m	Cash flows £m	Non-cash[1] £m	At 30 March 2013 £m
Cash and cash equivalents				
Cash and short term deposits	3.9	0.4	–	4.3
	3.9	0.4	–	4.3
Debt				
Bank loans	(114.7)	2.7	(0.5)	(112.5)
Debenture stock	(25.8)	–	–	(25.8)
Preference shares	(1.6)	–	–	(1.6)
	(142.1)	2.7	(0.5)	(139.9)
Net debt	(138.2)	3.1	(0.5)	(135.6)

[1]Non-cash movements relate to the amortisation of arrangement fees and arrangement fees accrued.

22. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one funded defined benefit pension scheme, the Fuller Smith & Turner Pension Plan ("The Scheme"). The Scheme is defined benefit in nature, with assets held in separate professionally managed, Trustee-administered funds. The Scheme is a HM Revenue & Customs registered pension plan and subject to standard United Kingdom pension and tax law. The Scheme is closed to new entrants and the Company has recently finished a period of consultation with Trustees and Members of the Scheme with the expectation that the Scheme will close to future accrual with effect from 1 January 2015. As there are still matters to be concluded on the Scheme closure between the Company and the Trustees we cannot yet quantify the financial impact of this action.

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

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

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

Group and Company	52 weeks ended 29 March 2014 £m	Restated* 52 weeks ended 30 March 2013 £m
Total amounts charged in respect of pensions in the period		
Charged to Income Statement:		
Defined benefit scheme – operating profit	1.5	1.6
Defined benefit scheme – net finance charge*	0.6	0.9
Defined contribution schemes – total operating charge	0.3	0.3
	2.4	2.8
Charge/(credit) to equity:		
Defined benefit schemes – net actuarial losses/(gains)*	4.1	(6.5)
Total pension charge/(credit)	6.5	(3.7)

*Restatement for changes to IAS 19. As per note 1 the finance income/charge on net pension liabilities is now treated as exceptional and has been restated from income of £0.6 million to a charge of £0.9 million for the 52 weeks ended 30 March 2013. In addition the net actuarial gain at 30 March 2013 has been restated from £5.0 million to £6.5 million.

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.

22. Pensions continued

c) Defined Benefit Plan – Group and Company

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

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

Currently active members of the Scheme pay contributions at an average rate of 7% of pensionable salary and the Company pays the balance of the costs as determined by regular actuarial valuations. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

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

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

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

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out on 30 July 2016. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence.

A formal actuarial valuation was carried out as at 30 July 2013. The preliminary results of that valuation have been projected to 29 March 2014 by a qualified independent actuary. The figures in the following disclosures were measured using the Projected Unit Method.

The Scheme has not invested in any of the Group's own financial instruments nor in properties or other assets in use by the Group.

Key assumptions

The key assumptions used in the 2014 valuation of the Scheme are set out below:

Mortality assumptions	2014 Years	2013 Years
Current pensioners (at 65) – males	22.1	21.0
Current pensioners (at 65) – females	24.3	23.5
Future pensioners (at 65) – males	23.5	22.0
Future pensioners (at 65) – females	25.8	24.4

The assumptions for future pensioners are based on the average current age of the active population, which is 54 years for male members of the Scheme (2013: 54) and 48 years for female members (2013: 48).

Key financial assumptions used in the valuation of the Scheme	At 29 March 2014	At 30 March 2013
Rate of increase in salaries	3.10%	3.80%
Rate of increase in pensions in payment	3.30%	3.30%
Discount rate	4.45%	4.60%
Inflation assumption – RPI	3.30%	3.30%
Inflation assumption – CPI	2.60%	2.60%

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

Impact on Scheme liabilities – increase/(decrease)	2014 £m	2013 £m
Increase rate of salaries by 0.5%	1.6	2.0
Increase rate of pensions in payment by 0.5%	5.2	4.2
Increase discount rate by 1.0%	(16.5)	(15.2)
Increase inflation assumption by 0.5%	1.5	1.3
Increase life expectancies by 1 year	3.9	3.7

22. Pensions continued

Assets in the Scheme	29 March 2014 £m	30 March 2013 £m
Corporate Bonds	17.8	18.1
UK equities	34.3	30.3
Overseas equities	11.1	10.4
Absolute return fund	27.9	27.7
Property	0.7	0.6
Cash	0.6	0.6
Annuities	1.2	1.2
Total market value of assets	93.6	88.9

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan	29 March 2014 £m	30 March 2013 £m
Fair value of Scheme assets	93.6	88.9
Present value of Scheme liabilities	(110.8)	(101.9)
Deficit in the Scheme	(17.2)	(13.0)

Included within the total present value of Group and Company Scheme liabilities of £110.8 million (2013: £101.9 million) are liabilities of £2.9 million (2013: £3.1 million) which are entirely unfunded.

	Defined benefit obligation		Fair value of Scheme assets		Net defined benefit (deficit)	
	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Balance at beginning of the year	(101.9)	(98.2)	88.9	79.1	(13.0)	(19.1)
Included in profit and loss						
Current service cost	(1.5)	(1.6)	–	–	(1.5)	(1.6)
Net interest cost*	(4.7)	(4.5)	4.1	3.6	(0.6)	(0.9)
	(6.2)	(6.1)	4.1	3.6	(2.1)	(2.5)
Included in Other Comprehensive Income						
Actuarial gains/(losses)* relating to:						
Actual return less expected return on Scheme assets	–	–	1.9	6.9	1.9	6.9
Experience gains arising on Scheme liabilities	0.5	0.6	–	–	0.5	0.6
Losses arising on changes in demographic assumptions	(6.5)	(1.0)	–	–	(6.5)	(1.0)
	(6.0)	(0.4)	1.9	6.9	(4.1)	6.5
Other						
Employer contributions	–	–	1.3	1.4	1.3	1.4
Employer special contributions	–	–	0.7	0.7	0.7	0.7
Employee contributions	(0.4)	(0.4)	0.4	0.4	–	–
Benefits paid	3.7	3.2	(3.7)	(3.2)	–	–
	3.3	2.8	(1.3)	(0.7)	2.0	2.1
Balance at end of the year	(110.8)	(101.9)	93.6	88.9	(17.2)	(13.0)

*Comparatives have been restated for changes to IAS 19, see note 1.

The weighted average duration of the Scheme's liabilities at the end of the period is 20 years (2013: 20 years).

The total contributions to the Scheme in the next financial year are expected to be £1.9 million for the Group and the Company assuming the Scheme closes to future accrual from 1 January 2015. Of this £0.7m represents annual payments to be made as part of a deficit recovery plan in place until March 2021 as agreed between the Trustees and the Group.

23. Preference Share Capital

Group and Company	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
Authorised, issued and fully paid share capital	Number 000's	Number 000's	Number 000's
Number authorised and in issue:			
At 31 March 2012, 30 March 2013 and 29 March 2014	400	1,200	1,600
Monetary amount:	£m	£m	£m
At 31 March 2012, 30 March 2013 and 29 March 2014	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 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.

24. Provisions

A) Onerous lease and contingent consideration

	Onerous Lease		Contingent Consideration		Total	
Group and Company	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
At 30 March 2013	2.8	3.0	–	–	2.8	3.0
Arising during the year	–	0.4	1.7	–	1.7	0.4
Released during the year	(0.9)	(0.4)	–	–	(0.9)	(0.4)
Utilised	(0.4)	(0.5)	–	–	(0.4)	(0.5)
Unwinding of discount	0.2	0.3	–	–	0.2	0.3
At 29 March 2014	1.7	2.8	1.7	–	3.4	2.8
Analysed as:	£m	£m	£m	£m	£m	£m
Due within one year	0.9	1.0	0.3	–	1.2	1.0
Due in more than one year	0.8	1.8	1.4	–	2.2	1.8
	1.7	2.8	1.7	–	3.4	2.8

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 as described in note 16.

24. Provisions continued

B) Deferred tax provision
The deferred tax included in the Balance Sheet is as follows:

Group	Asset 2014 £m	Liability 2014 £m	Net 2014 £m	Asset 2013 £m	Liability 2013 £m	Net 2013 £m
Deferred tax						
Retirement benefit obligations	3.4	–	3.4	3.0	–	3.0
Tax losses carried forward	0.6	–	0.6	0.6	–	0.6
Employee share schemes	0.8	–	0.8	0.9	–	0.9
Financial assets/(liabilities)	0.1	(0.2)	(0.1)	0.5	(0.1)	0.4
Accelerated tax depreciation	–	(13.2)	(13.2)	–	(16.1)	(16.1)
Rolled over capital gains	–	(9.2)	(9.2)	–	(10.5)	(10.5)
Others	1.3	–	1.3	1.1	–	1.1
	6.2	(22.6)	(16.4)	6.1	(26.7)	(20.6)

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

Company	Asset 2014 £m	Liability 2014 £m	Net 2014 £m	Asset 2013 £m	Liability 2013 £m	Net 2013 £m
Deferred tax						
Tax losses carried forward	0.5	–	0.5	0.5	–	0.5
Total Deferred tax asset/(Liability)	6.1	(22.6)	(16.5)	6.0	(26.7)	(20.7)

25. 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 19.

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 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £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	–	(1.8)	–	(1.8)
Retained earnings	256.2	239.2	229.0	214.7
Preference shares	1.6	1.6	1.6	1.6
	288.5	269.7	261.3	245.2

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 £5.3 million of shares in the 52 weeks ended 29 March 2014 (2013: £4.0 million), of which £1.1 million related to purchases made by or on behalf of employee share ownership trusts (2013: £1.1 million). As a minimum, the board reviews the Group's dividend policy twice yearly and reviews the treasury position every Board meeting.

25. 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 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Non-current assets				
Derivative financial assets hedge accounted	0.8	–	0.8	–
Loans and other receivables in scope of IAS 39	0.4	0.3	0.4	0.3
Total non-current assets	1.2	0.3	1.2	0.3
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	12.8	13.9	12.8	13.9
Cash and short term deposits	4.1	4.3	4.1	4.3
Total current assets	16.9	18.2	16.9	18.2
Total financial assets	18.1	18.5	18.1	18.5
Current liabilities				
Trade and other payables in scope of IAS 39	30.7	26.9	125.0	119.2
Total carried at amortised cost	30.7	26.9	125.0	119.2
Total current liabilities	30.7	26.9	125.0	119.2
Non-current liabilities				
Derivative financial liabilities hedge accounted	0.8	2.4	0.8	2.4
Carried at amortised cost:				
Other payables in scope of IAS 39	0.8	1.8	0.8	1.8
Loans and debenture stock	142.3	138.3	142.1	138.3
Preference shares	1.6	1.6	1.6	1.6
Total carried at amortised cost	144.7	141.7	144.5	141.7
Total non-current liabilities	145.5	144.1	145.3	144.1
Total financial liabilities	176.2	171.0	270.3	263.3

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 us 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 (2013: £25.8 million) are at fixed rates. The bank loans totalling £116.2 million (2013: £112.5 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 73% (2013: 76%) of the Group's bank loans and 78% (2013: 80%) of gross borrowings were at fixed or capped rates.

Interest rate swaps

The Group has entered into interest rate swap agreements, where the Group pays a fixed rate and receives 1 month or 3 month LIBOR, in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £65.0 million of the Group and Company's borrowings (2013: £65.0 million) were hedged by interest rate swaps at a blended fixed rate of 1.75% (2013: 1.75%). Of the swaps active at 29 March 2014 £40.0 million expire in 2015 and £25.0 million expire in 2017. Additionally, the Group has entered into interest rate swap arrangements with forward start dates. In December 2012 the Group entered into an interest rate swap agreement to hedge the risk of interest rate variation on £20.0 million of the Group's borrowings at a rate of 2.25%, commencing in 2015 and expiring in 2022. In July 2013 the Group entered into an interest rate swap agreement to hedge the risk of interest rate variation on a further £20.0 million of the Group's borrowings at a rate of 2.55%, commencing in 2015 and expiring in 2020.

25. Financial Instruments continued

Interest rate cap

The Group has entered into interest rate cap agreements in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £20.0 million (2013: £20.0 million) of the Group and Company's borrowings were hedged by an interest rate cap at a fixed rate of 4.00% (2013: 4.00%). The cap expires in 2015.

The interest rate swaps and cap are expected to impact the Income Statement in line with the liquidity risk table shown in section (iv) below. The interest rate swap cash flow hedges were assessed as being highly effective at 29 March 2014 and a net unrealised gain of £2.4 million (2013: £0.9 million loss) has been recorded in Other Comprehensive Income. The interest rate cap cash flow hedge is not designated as a cash flow hedge for hedge accounting purposes and no net unrealised gain/loss (2013: nil) was recorded in the Income Statement.

Sensitivity

The Group borrows in Sterling at market rates. 3 month Sterling LIBOR rate during the 52 weeks ended 29 March 2014 ranged between 0.46% and 0.57%. The Directors consider 1% to be a reasonable possible increase in rates and 0.5% to be a reasonable possible decrease in rates, with reference to market yield curves and the current economic conditions.

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

Impact on post-tax profit and net equity – increase/(decrease)	Group 2014 £m	Group 2013 £m	Company* 2014 £m	Company* 2013 £m
Decrease interest rate by 0.5%	0.2	0.2	0.6	0.5
Increase interest rate by 1.0%	(0.4)	(0.4)	(1.1)	(1.0)

*The Company has substantial interest bearing payables due to subsidiary companies (note 20).

(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 19. 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 29 March 2014 the Group and Company had open forward contracts to buy €3.7 million (2013: buy €2.6 million). These have a Sterling equivalent of £3.1 million (2013: £2.1 million) and a net gain of nil (2013: nil) when comparing the contractual rates with the year end exchange rates.

At 29 March 2014 the only significant foreign currency assets or liabilities were the following:

	Cash deposits		Trade receivables		Trade payables	
Group and Company	2014 £m	2013 £m	2014 £m	2013 £m	2014 £m	2013 £m
Euro assets/(liabilities)	0.2	0.1	–	–	(0.4)	(0.2)
US dollar assets/(liabilities)	0.4	0.2	0.5	0.4	(0.1)	(0.2)

(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 18.

(iv) Liquidity Risk

The Group minimises liquidity risk by managing cash generation, applying debtor collection targets, monitoring daily cash receipts and payments and setting rolling cash forecasts. Investments have cash payback periods applied as part of a tightly controlled investment appraisal process. The Group's rating with credit agencies is excellent.

The Group has a mixture of long and short term borrowings and overdraft facilities. 19% (2013: 20%) of the Group's borrowings are repayable after more than five years, 81% (2013: nil) within the second to third years and nil (2013: 80%) within the third to fifth years.

Notes to the Financial Statements continued

25. Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities at 29 March 2014 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 29 March 2014	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings[1]	–	1.3	3.7	128.4	42.7	176.1
Preference shares[2]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	12.6	18.0	0.1	0.5	0.8	32.0

[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	3.3	1.8	5.9

Group at 30 March 2013						
Interest bearing loans and borrowings[1]	–	1.3	4.0	128.0	43.0	176.3
Preference shares[2]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	7.9	18.2	0.4	1.3	2.4	30.2

[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	–	0.3	0.9	1.9	–	3.1

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

Company at 29 March 2014	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]	94.5	–	–	–	–	94.5

Company at 30 March 2013						
Amounts due to subsidiary undertakings[3]	92.3	–	–	–	–	92.3

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

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £12.5 million (2013: £12.6 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.

25. Financial Instruments continued

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 2014 £m	Book value 2013 £m	Fair value 2014 £m	Fair value 2013 £m	Fair value level
Financial assets					
Cash	4.1	4.3	4.1	4.3	1
Trade and other receivables due within one year in scope of IAS 39	12.8	13.9	12.8	13.9	3
Loans and other receivables due in more than one year in scope of IAS 39	0.4	0.3	0.4	0.3	3
Interest rate swaps	0.8	–	0.8	–	2
Interest rate cap	–	–	–	–	2
Financial liabilities					
Trade and other payables in scope of IAS 39	(31.5)	(28.7)	(31.5)	(28.7)	3
Fixed rate borrowings	(26.1)	(25.8)	(31.0)	(29.3)	3
Floating rate borrowings	(116.2)	(112.5)	(116.2)	(112.5)	3
Preference shares	(1.6)	(1.6)	(1.8)	(1.8)	3
Interest rate swaps	(0.8)	(2.4)	(0.8)	(2.4)	2

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

Company	Book value 2014 £m	Book value 2013 £m	Fair value 2014 £m	Fair value 2013 £m	Fair value level
Financial liabilities					
Trade and other payables in scope of IAS 39	(125.8)	(121.0)	(125.8)	(121.0)	3

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

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. Level 3 fair values are valuation techniques for which all inputs which have a significant effect on the recorded fair value are not observable. Derivative fair values are obtained from quoted market prices in active markets. The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of preference shares have been calculated using the market interest rates. The fair values of cash, trade and other receivables, loans and other receivables and trade and other payables are equivalent to their carrying value.

26. 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 31 March 2012 and 30 March 2013	33,424	14,657	89,052	137,133
Share conversions	64	(64)	–	–
At 29 March 2014	33,488	14,593	89,052	137,133
Proportion of total equity shares at 29 March 2014	24.5%	10.6%	64.9%	100%

Monetary amount	£m	£m	£m	£m
At 31 March 2012 and 30 March 2013	13.3	5.9	3.6	22.8
Share conversions	0.1	(0.1)	–	–
At 29 March 2014	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 23).

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.

26. 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	'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 31 March 2012	1,199	–	571	–	2	1,201	571	–
Shares purchased	411	–	697	5	87	498	697	5
Shares transferred	(260)	260	–	–	–	–	–	–
Shares released	(144)	(260)	(575)	–	(87)	(491)	(575)	–
At 30 March 2013	1,206	–	693	5	2	1,208	693	5
Shares purchased	446	–	415	5	69	515	415	5
Shares transferred	(167)	167	–	–	–	–	–	–
Shares released	(314)	(167)	(417)	–	(71)	(552)	(417)	–
At 29 March 2014	1,171	–	691	10	–	1,171	691	10

Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m
At 31 March 2012	8.0	–	0.3	–	–	8.0	0.3	–
Shares purchased	2.9	–	0.5	–	0.6	3.5	0.5	–
Shares transferred	(1.7)	1.7	–	–	–	–	–	–
Shares released	(1.0)	(1.7)	(0.3)	–	(0.6)	(3.3)	(0.3)	–
At 30 March 2013	8.2	–	0.5	–	–	8.2	0.5	–
Shares purchased	4.2	–	0.4	0.1	0.6	4.8	0.4	0.1
Shares transferred	(1.1)	1.1	–	–	–	–	–	–
Shares released	(2.2)	(1.1)	(0.4)	–	(0.6)	(3.9)	(0.4)	–
At 29 March 2014	9.1	–	0.5	0.1	–	9.1	0.5	0.1
Market value at 29 March 2014	10.7	–	0.6	0.1	–	10.7	0.6	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.

27. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 29 March 2014 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purposes of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the post-tax earnings per share excluding exceptional items as presented in the financial statements. However, the Remuneration Committee are 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 Normalised 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 3 year initial performance period of the award. Vesting levels are on a sliding scale from 40% up to 100% (grants before 2009: 25% to 100%), if growth in Adjusted EPS exceeds growth in RPI by 24% (grants before 2009: 21%) or more. An independent firm of advisors verify the vesting level each year. The initial vesting period is three years. After this time the shares may be passed to the plan participants, as long as vesting conditions are met.

SIP

This plan awards free shares. The number of shares awarded, up to a maximum value of £3,000 per person per year, is based on length of service and salary. The life of each plan is five years, after which shares are released to participants. There are no performance conditions as in almost all circumstances participants can retain the shares awarded (although there may be tax consequences if 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 29 March 2014 is £1.8 million (2013: £1.9 million). The whole of that expense arises from equity settled share-based payment transactions.

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.

Market value

The market value of the shares at 29 March 2014 was £9.10 (2013: £8.20).

A) SAYE

	2014 Number 000s	2014 WAEP	2013 Number 000s	2013 WAEP
Outstanding at the beginning of the year	498	£4.69	543	£4.45
Granted	102	£7.24	102	£5.63
Lapsed	(46)	£5.24	(35)	£5.03
Exercised	(163)	£3.97	(112)	£4.35
Outstanding at the end of the year	391	£5.63	498	£4.69
Exercisable at the end of the year	–	n/a	–	n/a
Weighted average share price for options exercised in the year	£9.46		£7.18	
Weighted average contractual life remaining for share options outstanding at the year end	2.54 years		2.14 years	
Weighted average share price for options granted in the year	£9.43		£7.23	
Weighted average fair value of options granted during the year	£1.97		£1.74	
Range of exercise prices for options outstanding at the year end				
– from	£3.88		£3.31	
– to	£7.24		£5.63	

27. Share Options and Share Schemes continued

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 2014 000's	Number of 'A' ordinary shares under option 2013 000's
September 2013	3.31	–	96
September 2013	4.64	–	64
September 2014	3.88	48	57
September 2014	5.47	78	90
September 2015	4.64	58	65
September 2015	5.63	63	71
September 2016	5.47	27	31
September 2016	7.24	66	–
September 2017	5.63	22	24
September 2018	7.24	32	–
		394	498

B) Share Option Schemes

Senior Executive Share Option Scheme

	2014 Number 000s	2014 WAEP	2013 Number 000s	2013 WAEP
Outstanding at the beginning of the year	202	£5.67	167	£5.38
Granted	20	£9.10	35	£7.05
Lapsed	(29)	£6.46	–	–
Exercised	(78)	£4.92	–	–
Outstanding at the end of the year	115	£6.56	202	£5.67
Exercisable at the end of the year	51	£5.12	100	£4.66
Weighted average share price for options exercised in the year	£9.17		n/a	
Weighted average contractual life remaining for share options outstanding at the year end	6.71 years		6.50 years	
Weighted average share price for options granted in the year	£8.98		£7.06	
Weighted average fair value of options granted during the year	£1.07		£1.25	
Range of exercise prices for options outstanding at the year end				
– from	£4.05		£3.67	
– to	£9.10		£7.51	

27. Share Options and Share Schemes continued

Executive Share Option Scheme

	2014 Number 000s	2014 WAEP	2013 Number 000s	2013 WAEP
Outstanding at the beginning of the year	185	£5.58	185	£5.56
Granted	44	£9.10	42	£7.05
Lapsed	–	–	(10)	£7.37
Exercised	(67)	£4.98	(32)	£3.04
Outstanding at the end of the year	162	£7.39	185	£5.58
Exercisable at the end of the year	37	£6.02	72	£5.47
Weighted average share price for options exercised in the year	£9.18		£7.38	
Weighted average contractual life remaining for share options outstanding at the year end	7.50 years		7.80 years	
Weighted average share price for options granted in the year	£8.98		£7.06	
Weighted average fair value of options granted during the year	£0.92		£1.12	
Range of exercise prices for options outstanding at the year end				
– from	£4.05		£2.62	
– to	£9.10		£7.51	

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 Scheme			Executive Approved Scheme		
Exercisable in/between	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2014 000s	Number of 'A' ordinary shares under option 2013 000s	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2014 000s	Number of 'A' ordinary shares under option 2013 000s
2007 and 2014	–	–	–	2.62	–	10
2008 and 2015	3.67	–	21	3.67	–	–
2009 and 2016	4.98	2	12	4.98	3	6
2010 and 2017	7.51	4	10	7.51	12	29
2011 and 2018	4.05	12	25	4.05	4	14
2012 and 2019	4.80	19	31	4.80	3	14
2013 and 2020	5.78	12	32	5.78	15	35
2013 and 2020	6.30	1	4	–	–	–
2014 and 2021	7.09	21	32	7.09	39	35
2015 and 2022	7.05	24	35	7.05	42	42
2016 and 2023	9.10	20	–	9.10	44	–
		115	202		162	185

27. Share Options and Share Schemes continued

C) LTIP

Shares	2014 'A' shares Number 000s	2014 'B' shares Number 000s	2013 'A' shares Number 000s	2013 'B' shares Number 000s
Outstanding at the beginning of the year	694	1,733	718	1,795
Granted	155	388	249	622
Lapsed	(204)	(509)	(19)	(48)
Vested	(167)	(417)	(260)	(575)
A shares issued in lieu of B shares	–	–	6	(61)
Outstanding at the end of the year	478	1,195	694	1,733

Weighted average share price for shares vested in the year	£9.23	£0.92	£7.06	£0.71
For shares outstanding at the year end, the weighted average contractual life remaining is	1.28 years	1.28 years	1.32 years	1.32 years
Weighted average share price for shares granted in the year	£8.98	£0.94	£7.05	£0.71
Weighted average fair value of shares granted during the year	£8.38	£0.84	£6.62	£0.66

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

D) SIP

	2014 Number 000's	2013 Number 000's
Outstanding at the beginning of the year	369	355
Granted	71	88
Lapsed	(1)	(1)
Released	(117)	(73)
Outstanding at the end of the year	322	369

Weighted average share price for shares released in the year	£9.31	£7.40
For shares outstanding at the year end, the weighted average contractual life remaining is	2.85 years	2.83 years
Weighted average share price for shares granted during the year	£9.60	£7.54
Weighted average fair value of shares granted during the year	£9.17	£7.54

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 an vesting price of £nil. SIP shares receive dividends once allocated.

27. Share Options and Share Schemes continued

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 29 March 2014 and 52 weeks ended 30 March 2013, except exercise price and for 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	2014	2013	2014	2013	2014	2013
Dividend yield (%)	1.6%	1.8%	1.6%	1.8%	1.6%	1.8%
Expected share price volatility (%)	n/a	n/a	17%	25%	17%	25%
Risk-free interest rate (%)	0.7%	0.3%	0.9 to 1.6%	0.2 to 0.6%	1.1 to 1.4%	0.5 to 0.7%
Expected life of option/award (years)	3 years	3 years	3 to 5 years	3 to 5 years	4 to 5 years	4 to 5 years
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes

The expected life of the options/shares is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of fair value.

(ii) SIPs Granted

The fair value of SIPs is the share price at the date of allocation. The 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.

28. 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 and Company	2014 £m	2013 £m
Within one year	8.0	8.2
Between one year and five years	26.2	25.3
After five years	39.8	39.5
	74.0	73.0

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

Operating leases where the Group is the lessor

The Group earns rental income from two sources. Licenced 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 1 and 10 years.

At 29 March 2014 future minimum rentals receivable by the Group are as follows:

	Investment properties		Other property, plant & equipment	
Group and Company	2014 £m	2013 £m	2014 £m	2013 £m
Within one year	0.4	0.4	7.7	7.8
Between one year and five years	0.7	0.5	16.7	17.9
After five years	0.4	0.2	8.8	11.7
	1.5	1.1	33.2	37.4

The Group'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 29 March 2014 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.2 million (2013: £5.6 million).

b) Other Commitments

Group and Company	2014 £m	2013 £m
Capital commitments – authorised, contracted but not provided for	3.9	2.0

The Company has accepted various duty deferment bonds in connection with HM Revenue & Customs. The total outstanding commitment at 29 March 2014 was £720,000 (2013: £720,000) for the Group and Company.

Notes to the Financial Statements continued

29. 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 £170,000 (2013: £145,000) 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 29 March 2014 £m	52 weeks ended 30 March 2013 £m
Short term employee benefits	4.9	4.0
Post-employment benefits	0.5	0.4
Share-based payments	1.5	1.2
	6.9	5.6

Company Only

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

52 weeks ended 29 March 2014	Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Amounts owed to related parties £m
Subsidiaries	–	42.9	3.2	(94.5)

52 weeks ended 30 March 2013	Sales to related parties £m	Purchases from related parties £m	Interest paid to related parties £m	Amounts owed to related parties £m
Subsidiaries	–	40.0	3.1	(92.3)

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.

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 2014 for the period ending 29 March 2014 under section 479A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Griffin Catering Services Ltd	01577632
Jacomb Guinness Ltd	02934979
George Gale & Co. Ltd	00026330
45 Woodfield Ltd	04279254
Cornish Orchards Ltd	04871687

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 Ltd	00495934
Ringwoods Ltd	00178536
F.S.T Trustee Ltd	03163480
Fuller, Smith & Turner Estate Ltd	01831674

30. Post balance sheet events

Since 29 March 2014 the Group has exchanged on the purchase of two new licensed property sites and completed on the purchase of one further site; the total value of these transactions is expected to be £9.5 million.

Directors and Advisers
as at 5 June 2014

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

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

Secretary and Registered Office
Marie Gracie, FCIS
Griffin Brewery
Chiswick Lane South
Chiswick
London W4 2QB
Tel: 020 8996 2105
Registered Number 241882

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

Stockbrokers
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Registrars
Computershare Investor Services PLC
The Pavilions, Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 889 4096
Please note you can now advise
Computershare of changes to your address
or set up a dividend mandate online at
www.computershare.com/investor/uk

Shareholder Information

2014 Diary

Friday, 27 June
Record Date

Tuesday, 1 July
Preference dividends paid

11 a.m. Thursday, 24 July
Annual General Meeting
Hock Cellar, Griffin Brewery

Monday, 28 July
Final dividend paid

Friday, 21 November
Half year results announcement

2015 Diary

January
Preference dividends paid
Interim dividend paid

June
Preliminary results announcement

Shareholder Privileges

Shareholders holding more than 250 'A' or 'C' shares or 2,500 'B' shares can buy beer, wine and spirits from the Brewery Store in Chiswick at preferential prices. These shareholders are also entitled to certain discounts in Fuller's Hotels. For details contact Company Secretariat on 020 8996 2105.

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** - this is earnings per share, adjusted for exceptional items. The Directors believe that this measure provides useful information for shareholders as to the internal measures of the performance of the Group.
- **Adjusted profits** - this is profit before tax, adjusted for exceptional items.
- **Beer and cider volumes** - this is the volume of beer and cider sold, in number of barrels; a brewing term representing 288 pints.
- **EBITDA** - this is the earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation, adjusted for exceptional items.
- **Foreign Beer** - this is sales made by the Company of beer produced by other brewers, the majority of which is lager.
- **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 twelve months; sites which are closed; and pubs which are transferred to tenancy.
- **Wet, 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".
- **Like for like barrels sold** - this is measured on the same basis as "Tenanted like for like profit growth".
- **LTIP** - Long Term Incentive Plan.
- **Market capitalisation** - only the Company's 40p 'A' ordinary shares are listed. The Company calculates its market capitalisation as the sum total of all classes of ordinary shares; i.e. listed 40p 'A' ordinary shares, unlisted 4p 'B' ordinary shares and unlisted 40p 'C' ordinary shares plus all potentially awardable share options and LTIP awards less any shares held in treasury. For the purposes of the calculation of market capitalisation a 4p 'B' ordinary share is treated as having 10% of the market value of a quoted 40p 'A' ordinary share and a 40p 'C' ordinary share is treated as having an equivalent value to a 40p 'A' ordinary share.
- **Net debt** - this comprises cash, bank loans, other loans, debenture stock and preference shares.
- **Own beer and cider** - this is sales of own brand beer and cider brewed by the Company in Chiswick and Cornwall.
- **SIP** - Share Incentive Plan.
- **Tenanted like for like profit growth** - this is the profits growth of Tenanted Inns calculated to exclude from both years those pubs which have not been trading throughout the two years. The principal exclusions from this measure are: pubs purchased or sold; pubs which have closed; and pubs transferred to or from our Managed business. Bad debt expense is included but head office costs are excluded.
- **Total annual dividend** - the total annual dividend for a financial year comprises interim dividends paid during the financial year and the final dividend proposed for approval by shareholders at the Annual General Meeting after the completion of the financial year.

Five Years' Progress

Income Statement	2014 £m	Restated* 2013 £m	Restated* 2012 £m	Restated* 2011 £m	Restated* 2010 £m
Revenue	288.0	271.5	253.0	241.9	227.7
Operating profit before exceptional items	39.9	37.0	34.9	34.1	32.0
Net finance costs*	(5.8)	(5.9)	(4.9)	(4.7)	(4.5)
Adjusted profit*	34.1	31.1	30.0	29.4	27.5
Exceptional items*	(0.6)	2.6	(1.9)	1.0	(0.4)
Profit before tax*	33.5	33.7	28.1	30.4	27.1
Taxation*	(4.4)	(5.6)	(4.9)	(6.0)	(7.7)
Profit attributable to equity shareholders of the Parent Company*	29.1	28.1	23.2	24.4	19.4
EBITDA	54.5	51.2	47.8	46.6	43.6

Assets employed					
Non-current assets	481.3	455.6	444.1	382.7	387.9
Inventories	10.6	10.1	10.5	8.8	7.6
Trade and other receivables	18.3	18.3	18.3	18.8	15.6
Assets classified as held for sale	1.2	0.6	5.3	0.2	0.6
Cash and short term deposits	4.1	4.3	3.9	3.7	1.1
	515.5	488.9	482.1	414.2	412.8
Current borrowings	–	–	–	–	(81.4)
Other current liabilities	(51.2)	(45.7)	(51.6)	(43.6)	(44.5)
	464.3	443.2	430.5	370.6	286.9
Non-current borrowings	(143.9)	(139.9)	(142.1)	(92.2)	(27.4)
Other non-current liabilities	(43.2)	(43.9)	(53.1)	(42.2)	(52.3)
Net assets	277.2	259.4	235.3	236.2	207.2

	2014	2013	2012	2011	2010
Per 40p 'A' ordinary share					
Adjusted earnings	46.94p	42.18p	39.47p	37.54p	35.27p
Basic earnings	52.14p	50.43p	41.24p	43.41p	34.73p
Dividends (interim and proposed final)	15.10p	13.70p	12.65p	11.80p	11.00p
Net assets	£4.98	£4.65	£4.22	£4.19	£3.68
Net debt (£ million)	(139.8)	(135.6)	(138.2)	(88.5)	(107.7)
Net debt/EBITDA[1]	2.5	2.6	2.7	1.9	2.5
Gross capital expenditure (£ million)	38.1	31.1	76.3	12.0	44.1
Average number of employees	3,610	3,477	3,392	3,363	3,263

*Comparatives have been restated for changes to IAS 19, see note 1.

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

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