




FULLER SMITH & TURNER P.L.C.

Report and Accounts 2011

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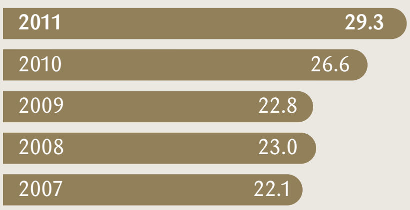
Corporate Progress

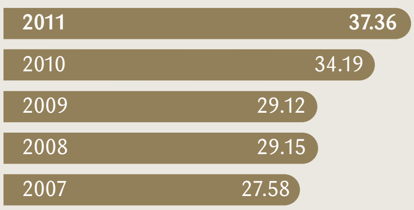
- Another very strong set of results
- Managed Pubs and Hotels profits[2] up 15% with like for like sales up 3.9%
- Tenanted Inns profits[2] level
- Total Beer volumes up 2%
- Net Debt to EBITDA[3] reduced to 1.9 times
- Since year end four pubs acquired and major brewery investment underway

ADJUSTED PROFIT[1] £ million



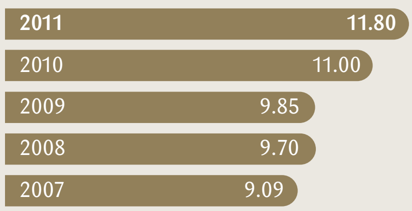
- Adjusted Profits up 10%

ADJUSTED EARNINGS PER SHARE[4] Pence



- Adjusted EPS up 9%

TOTAL DIVIDEND PER SHARE[5] Pence



- Total Dividend per Share up 7%

Financial Highlights

	53 weeks ended 2 April 2011 £ million	52 weeks ended 27 March 2010 £ million	Change 2011/2010
Revenue	241.9	227.7	+6%
Adjusted profit[1]	29.3	26.6	+10%
Profit before tax	31.0	26.8	+16%
EBITDA[2]	46.6	43.6	+7%
Adjusted earnings per share[3]	37.36p	34.19p	+9%
Basic earnings per share[4]	44.12p	34.37p	+28%
Total annual dividend per share[4]	11.80p	11.00p	+7%
Net debt[5]	88.5	107.7	
Pro forma net debt/EBITDA[6]	1.9 times	2.5 times	

[1] Adjusted profit is the profit before tax excluding exceptional items. The Directors believe that this measure provides useful information for shareholders as to the internal measures of the performance of the Group.
[2] Operating profit before exceptional items.
[3] Pre-exceptional earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation.
[4] Calculated using adjusted profits after tax and the same weighted average number of shares as for the basic earnings per share and using a 40p ordinary share.
[5] Calculated on a 40p ordinary share.
[6] Net debt comprises cash and short term deposits, bank overdraft, bank loans, debenture stock and preference shares.
[7] Pro forma net debt/EBITDA is adjusted as appropriate for the pubs acquired or disposed of in the period.

Chairman's Statement

Michael Turner

Whatever You Do, Take Pride

I am pleased to announce a very strong set of results for the financial year driven by an excellent performance in our Managed Pubs and Hotels. Our revenues grew by 6% to £241.9 million (2010: £227.7 million) and adjusted profit before tax (excluding exceptional items) increased by 10% to £29.3 million (2010: £26.6 million). Our adjusted earnings per share rose by 9% to 37.36p (2010: 34.19p).

Over the last five years our adjusted earnings per share have grown 71% while our full year dividend has grown 49%, demonstrating the Company's long term consistent out performance of the market. During this period the UK economy has endured the deepest trough since the Second World War and has still not recovered to its pre-recession level.

During the year our Managed Pubs and Hotels performed extremely well and like for like sales increased 3.9% driven by growth in accommodation, food and drinks sales and the resilient economy of London and the South East. The eleven iconic pubs purchased in 2009 had a strong trading year.

The damaging effects of duty rises can be seen in the performance of both the Tenanted Inns, where like for like profits were 1% lower, and Fuller's Beer Company, where Own Beer volumes were static for the 53 week period.

This year we were again delighted to be recognised as *The Publican's Regional Brewer of the Year*, an accolade we have been awarded three times in the last five years, as well as the title of *Managed Pub Company of the Year* for the third time in eight years. We continue to invest in our flagship brand, London Pride, which remains the UK's leading Premium Ale. London Pride grew its share of the UK ale market[1] in the period to become the number one Free Trade cask ale in the country[2]. However, it is in the Beer Company where the impact of stifling duty increases is most stark: our UK volumes fell 4% whereas Export volumes, where much lower foreign duties apply, grew 16%.

Despite taking the opportunity to increase our committed bank facilities, we reduced our net debt by £19.2 million to £88.5 million (2010: £107.7 million) as, unusually, we did not purchase any pubs during the year. However, since the year end we have agreed to acquire four pubs. Total capital expenditure last year was £12.0 million, and we invested across the existing pub estate with an emphasis on improving customer-facing areas. At the year end we had £34.5 million of undrawn committed funds through our new £100.0 million bank facility that runs until May 2015.

EBITDA increased by 7% to £46.6 million (2010: £43.6 million) and the ratio of net debt to EBITDA has now fallen to 1.9 times (2010: 2.5 times), which gives us great flexibility to invest in future opportunities.

DIVIDEND

The Board recommends a final dividend of 7.05p per 40p "A" and "C" ordinary share and 0.705p per 4p "B" ordinary share be paid on 3 August 2011 to shareholders on the share register as at 1 July 2011. This is an 8% increase on last year's final and second interim dividend taken together. The total dividend per share of 11.80p per 40p "A" and "C" ordinary share and 1.18p per 4p "B" ordinary share represents a 7% increase on last year and will be covered more than three times by adjusted earnings per share.

[1] *BBPA, March 2011.*
[2] *CGA, April 2011.*

QUALITY, SERVICE AND PRIDE

Fuller's has been established for more than 165 years and operates London's only traditional brewery in Chiswick where each year we brew more than 215,000 barrels of award winning ales, including the iconic London Pride.

We supply our own estate of 162 Managed Pubs and Hotels and 196 Tenanted Inns in the South of England, as well as free trade pubs, clubs and supermarkets in both the UK and overseas.


SEAFARERS ALE
SEAFARERS ALE


FULLERS


LONDON


PAST MASTERS

Chairman's Statement continued

PEOPLE

Since last year's Annual General Meeting Lynn Fordham has joined the Board as a Non-Executive Director. Nick MacAndrew, our Senior Independent Non-Executive Director and Chairman of the Audit Committee, retires at the forthcoming Annual General Meeting and I would like to thank Nick for his hugely important contribution to the Board over the last ten years. Lynn will follow him as Chairman of the Audit Committee and John Dunsmore will become the Senior Independent Non-Executive Director.

On 1 November 2010, Simon Emeny was promoted to the position of Group Managing Director, a position responsible for all of the operations of the Group. In March 2011, John Roberts resigned from the Board in order to pursue new opportunities. On behalf of my colleagues I would like to thank John for the contribution that he has made to Fuller's progress, particularly to the marketing of our beer brands during the past 15 years.

During the year Anthony Fuller retired from the Board after 47 years of service. His contribution to the Company can be best explained by the fact that profits have grown by 2,463% since he became Managing Director in 1978. His words of wisdom in the boardroom have been a source of inspiration for all of us. I am delighted that Anthony remains the President of the Company.

The quality of our staff is of the utmost importance to Fuller's – it is our staff who deliver the great experience our customers expect when they enter a Fuller's pub or drink a pint of Fuller's ale. We continue to fill the majority of managerial vacancies in both pubs and head office with internal candidates and last year, for the first time, we launched a Graduate Development Programme. This will help us further in building a long term succession plan for the business and over the coming years we expect to focus even more on staff development and progression at Fuller's.

We are extremely proud of the level of commitment that our staff have to Fuller's. This year we entered *The Sunday Times Best Companies* programme for the first time and were pleased to be noted as 'One to Watch' – a significant achievement for a first time entrant. We have a passionate and dedicated team at Fuller's and we reward them for their outstanding service, both financially and with opportunities to develop their careers with us. Our strong results are a testament to their drive and ambition, and I would like to take this opportunity to thank them for all their hard work over the past year.

CURRENT TRADING AND PROSPECTS

We have made a good start to the new financial year in what has been a very unusual first nine weeks of trading with a Royal Wedding, five bank holidays and generally very good weather. Like for like sales in our Managed Pubs and Hotels for the nine weeks to 4 June 2011 have grown by 6.8%. For the same period total beer volumes are 1% higher than last year, with continued weakness in the UK On Trade again offset by growth elsewhere, particularly Exports and the Off Trade.

We have a strong balance sheet and a track record of excellent cash generation which means we are well placed to invest in new opportunities as they arise. We have agreed four exciting pub acquisitions since the year end and including these purchases we currently expect to invest more than £31 million capital expenditure during the forthcoming year, of which £20 million will be spent on projects within the existing pub estate and the Brewery.

With wages in the UK running behind inflation, our customers' incomes are being squeezed and we will have to work hard in the current year and beyond to earn their custom. We believe, however, that as the consumer is forced to become ever more discerning, our high quality offer of leading beer brands and well invested, often historic, pubs will be increasingly attractive and position us well for growth. We have the financial strength to invest further in new opportunities and should benefit from the "London factor" as the calendar turns towards 2012.

Michael Turner
Chairman
10 June 2011

Group Managing Director's Review

Simon Emeny, *Group Managing Director*

FULLER'S INNS

We operate Managed Pubs and Hotels, where we control all aspects of the business, and Tenanted Inns, where we own the pub but it is run by a self-employed entrepreneur who sells our beers and operates under our brand. At the year end we had 162 Managed Pubs and 196 Tenanted Inns in the portfolio, eight fewer than at the start of the period as we disposed of a number of properties which no longer matched our criteria. Since the year end we have agreed to acquire a further three properties for the Managed Pubs and Hotels division and one Tenanted Inn.

Managed Pubs and Hotels

Revenues across our Managed Pubs and Hotels business increased by 7% from £137.9 million to £147.2 million. Like for like sales grew by 3.9% with the balance of sales growth coming from the impact of the 53rd week and the full year effect of pubs acquired in the previous year. Operating profits before exceptional items grew by 15% to £18.1 million (2010: £15.8 million) driven almost equally by sales growth and margin expansion, the latter improving from 11.5% to 12.3%. EBITDA grew by 12% to £26.6 million (2010: £23.7 million). The eleven pubs purchased in 2009 performed extremely well this year with sales up 20% under our ownership.

Four Pillars

The four pillars of our business – outstanding cask conditioned ales, delicious food, great wines, and engaging service – remain the cornerstone of our pub estate. Accommodation, food and drinks all showed strong like for like sales growth up 11.6%, 5.1% and 3.2% respectively.

Cask ale sales have continued to grow in our own estate, achieved partly by the introduction of new beers like Bengal Lancer and Spring Sprinter which add extra interest to our range and give customers further incentives to visit Fuller's Pubs. Our range of lagers and great wines, handpicked in order to tailor our retail offering to local markets, ensure our pubs remain the gold standard.

Food

Our focus on recruiting and developing skilled chefs to cook fresh food with locally sourced ingredients sets us apart from our competition. Excluding the twelve sites where we run franchised food operations, our food sales represented 29% of total sales in our Managed Pubs and Hotels (2010: 28%). The 5.1% like for like sales growth achieved last year was a direct result of increasing the number of covers as menu prices remained level. Despite our commitment to quality, we managed to hold food cost inflation to 2%, substantially less than UK inflation rate of 4.5%[3].

We see food as being an important growth lever. As such, an objective of each refurbishment in our estate is to maximise the potential of the food opportunity and over the past two years investment projects have seen an average increase of 32% in food sales. However, this is not done at the expense of our drinks sales.

Accommodation

Accommodation is of growing importance within our business. At the year end we had 486 bedrooms across 22 properties with many of our pub bedrooms trading under our successful 'boutique' room style which enables us to command a premium rate. Accommodation sales represented 7% of total sales in our Managed Pubs and Hotels (2010: 6%). Like for like sales grew 11.6% last year largely driven by an increase in occupancy of 9%.

Our major development in this part of the business was the refurbishment of the Wykeham Arms in Winchester where we upgraded the bedrooms during the summer and we achieved a 10% increase in room rate in the second half of the year.

This year the business will expand further. In April 2011 we acquired the freehold of the 41 bedroom White Swan Hotel, Stratford-upon-Avon, close to the recently reopened Royal

[3] *Office of National Statistics Consumer Price Index, March 2011.*

Ye Olde Mitre

Shaw's Bookseller

MANAGED PUBS AND HOTELS

We focus on operating well-presented premium pubs. Outstanding cask ale, great wines, delicious food and engaging service are the four pillars of our Managed Pubs and Hotels business.

Group Managing Director's Review continued

Shakespeare Theatre. This hotel will be extensively refurbished at the end of the year. This month we will open 27 boutique rooms at The Drayton Court in Ealing. This £2.6 million project will add a new dimension to an already very profitable and popular pub. The Drayton Court's location provides excellent access to Heathrow and Central London from the neighbouring train station.

Acquisition and Investment Strategy

Our focus continues to be on premium pubs and hotels as this is where Fuller's can add greatest value. Over the past five years our Managed Pubs and Hotels division has achieved the highest like for like sales growth in the sector and our consistent investment in the fabric of the pubs and desire for ceaseless improvement has helped us achieve these excellent results. These levels of investment will be increased in our estate this year as we embark on some exciting projects.

MANAGED PUBS AND HOTELS LIKE FOR LIKE SALES GROWTH %

2011	**3.9%**
2010	2.7%
2009	3.0%
2008	3.6%
2007	8.2%

GROUP CAPITAL EXPENDITURE £ million

	Organic capex	Pub acquisitions	Total
2011	**12.0**		**12.0**
2010	13.9	30.2	44.1
2009	14.0	10.2	24.2
2008	14.8	3.7	18.5
2007	10.9	10.8	21.7

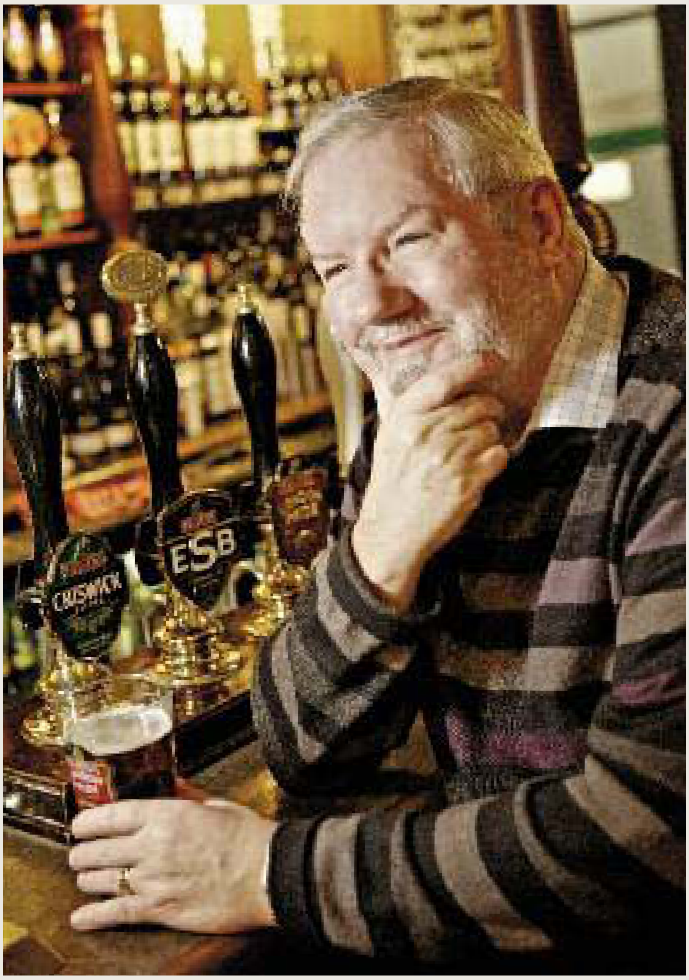
Future acquisitions will focus on acquiring sites that have not yet realised their full potential. These will be pubs and hotels that with investment and careful execution of Fuller's four pillars can enhance our estate and offer us a higher return than the redevelopment of pubs we already own.

Since the end of the year we have already acquired two sites that fit this description. In addition to the White Swan Hotel we have acquired the freehold of The Crown Inn, Bishop's Waltham which we will reopen later this year following an extensive refurbishment. Our future development spend on these sites will exceed the purchase price. We have also acquired the leasehold interest in The Cabbage Patch, the iconic Twickenham rugby pub, reinforcing our presence in this area.

We are planning significant projects in seven of our existing pubs this year and investment in new tools to aid all of our managers to improve the efficiency of their operations, for example, to enable better staff scheduling, which will lead to a further improvement in margins in this part of the business.

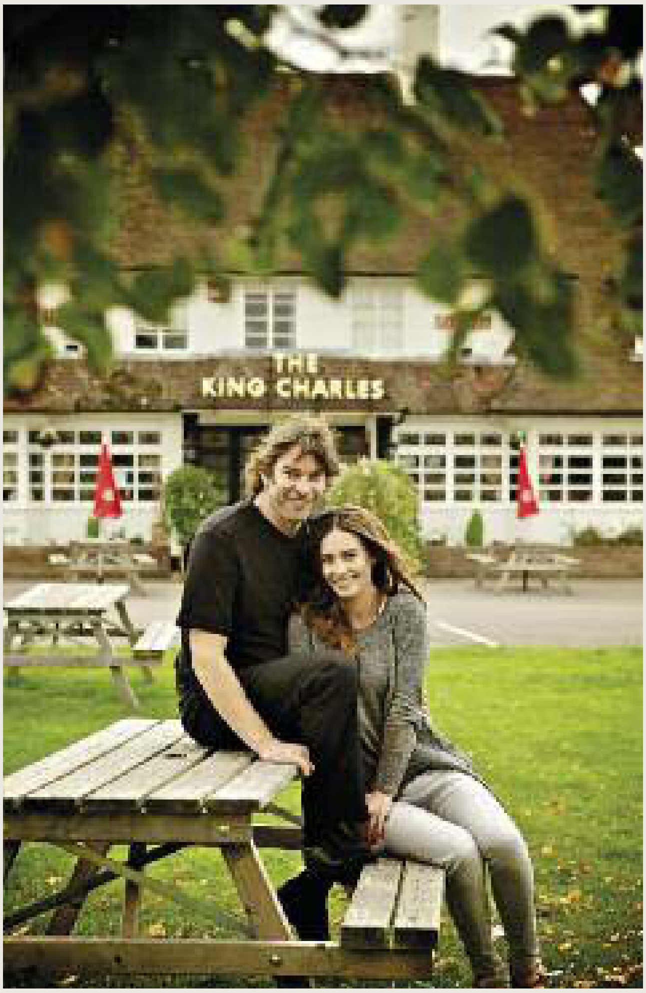
MANAGED PUBS AND HOTELS

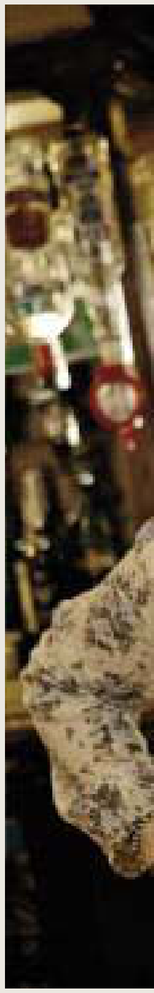
Accommodation, food and drinks all showed strong like for like sales growth up 11.6%, 5.1% and 3.2% respectively.

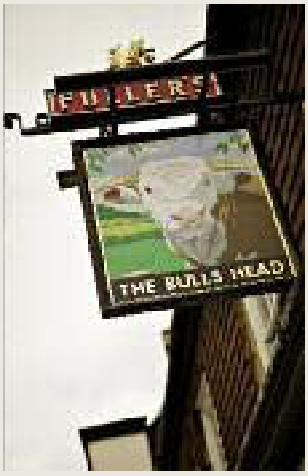

CHISWICK
ESB

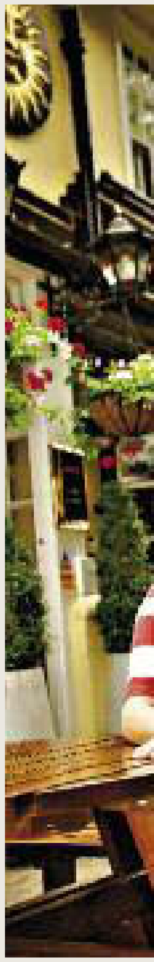
TENANTED INNS

The Fuller's Master Cellarman programme is a key initiative for both Fuller's and our tenants, ensuring that consumers receive their pint in perfect condition.









Tenanted Inns

Revenue in the Tenanted Inns business grew by 3% to £26.9 million (2010: £26.1 million), despite disposing of seven sites during the year. We increased wholesale drinks prices as we passed on higher levels of duty but, recognising the squeeze on our tenants of a weak economy with high inflation, we capped any RPI linked rent increases to 3%. However, our operating costs grew more quickly and consequently operating profits before exceptional items remained level at £9.9 million. Like for like profits were down 1%.

The Fuller's name adds value to all our pubs, but all of our pubs have to live up to it. Our customers expect the highest of standards when they enter a Fuller's establishment and as a result we ensure our investment and attention to detail make it impossible to differentiate between managed and tenanted outlets. This year the prestigious Griffin Trophy for Fuller's best pub was awarded to the Old House at Home, Romsey, a Tenanted Inn, which reflects the high standards we drive throughout our entire pub estate.

The Fuller's Master Cellarman programme is a key initiative for both Fuller's and our tenants, ensuring that consumers receive their pint in perfect condition. For those achieving the highest cellar standards we provide a free firkin of London Pride each month.

We firmly believe in working in partnership with our tenants, sharing both risk and reward. We offer them the tools and training they need to run a successful Fuller's pub. We provide a great brand, an unrivalled drinks portfolio, mystery shopper visits and training across key business areas and marketing. This year we have paid for membership of the British Institute of Innkeeping for all our tenants – the first pub company to do so.

71% of our tenants have received specialist training over the past year. One of the specialist courses we encourage is the Wine & Spirit Education Trust Foundation Certificate. Results from this are already clear with our wine sales to tenants growing by 9% last year. We have increased tenant retention, with every tenant appointed on a substantive agreement during the past 12 months remaining in place. We have reduced vacancies, with 87% of pubs let on substantive agreements and we have increased the average EBITDA per pub by 2.6%.

In the last year we have disposed of seven formerly-tenanted properties which no longer fitted our criteria. A further three remain on the market. Since the year end we have acquired the freehold of the famous Soho pub, The Coach & Horses, which was immortalised in the play "*Jeffrey Bernard is Unwell*". It is a welcome addition to the Tenanted Inns portfolio.

TENANTED INNS PROFITS £ million

2011	**9.9**
2010	9.9
2009	10.2
2008	10.2
2007	9.8

FULLER'S BEER COMPANY

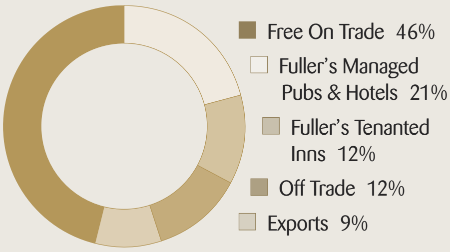
London Pride remains the UK's leading premium ale and this year became the number one free trade cask ale in the UK.

FULLER'S BEER BARRELS 000s

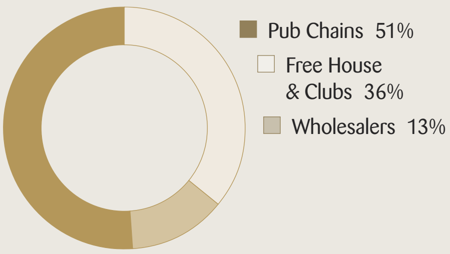
Year	Own beer brewed	Foreign beer distributed	Total
2011	215.5	110.8	326.3[1]
2010	220.0	104.7	324.7
2009	215.6	103.6	319.2
2008	216.4	109.6	326.0
2007	208.7	114.5	323.2

[1] 2011 barrelage figures are pro-rated to 52 weeks

TOTAL BEER BARRELS



FREE ON TRADE SECTOR BARRELS



FULLER'S BEER COMPANY

The Fuller's Beer Company put in a robust performance in what remains a difficult marketplace. For the 53 week period total beer volumes increased by 2%, which combined with higher duty rates led to a 6% increase in revenue to £104.1 million (2010: £97.9 million). However, operating profits fell by 1% to £8.8 million (2010: £8.9 million) as a result of higher costs driven by an increased proportion of packaged beer going to the Export and Off Trade markets and a £0.3 million increase in marketing costs.

On a comparable 52 week basis, Own Beer volumes were 2% lower than last year. We have again grown our share of the UK ale market despite volumes of Own Beer sold in the UK declining 4% as a consequence of the continued challenging climate in the Free On Trade market. Our volumes in the Off Trade continued to grow ahead of the market with a 6% increase, whilst a thirst for Fuller's beer abroad drove Export volumes up 16%. This now means that one in seven barrels of beer that Fuller's produces is exported to one of 62 countries around the world. Demand continues to be strong in developed markets such as the USA and Canada, but we are also excited to see increasing interest from a number of new countries that are enjoying rapid growth.

In order to support growth in the Off Trade and Export channels we are investing more than £4.5 million in new conditioning tanks at the Griffin Brewery in Chiswick. This will enable us to continue to meet the growing demand for bottled beers both at home and abroad. The tanks will be commissioned in October 2011.

London Pride remains the UK's leading premium ale and this year became the number one Free Trade cask ale by value in the UK. Again, we have grown share in the UK ale market. We have invested significantly in a new TV and poster advertising campaign for London Pride, starring James May as our brand ambassador. The campaign was designed to recruit new drinkers to the London Pride brand and has been well received by consumers.

Our seasonal ale programme was particularly successful last year, with new beers such as Front Row and Spring Sprinter adding interest to our well-established range. Publicans and consumers alike enjoy variety and beers with the Fuller's and Gales' brand signal quality. Bengal Lancer, which this year became a permanent fixture in our bottled beer portfolio, built volumes rapidly in supermarkets and is well placed for another year of further growth. ESB benefitted from strong export and supermarket sales while Seafarers grew 26%, becoming Fuller's second most popular cask ale in the UK behind London Pride. Organic Honey Dew also performed well, increasing volumes by 11%.

Last year saw the launch of Brewer's Reserve No 2 and the Past Masters series, a range of limited production run beers based on historic ales from the Fuller's old brewing books. Both Past Masters and Brewer's Reserve highlight Fuller's unique brewing credentials and heritage.

Simon Emeny
Group Managing Director
10 June 2011


FULLER'S
LONDON PRIDE
PREMIUM ALE
CHISWICK
ESB


FLORAL CITRUS
LONDON PRIDE
FRONT ROW


Top Beer.
FULLER'S
LONDON PRIDE
WHATEVER YOU DO, TAKE PRIDE.
For more of James go to facebook.com/londonpride

The Board of Directors as at 10 June 2011


Michael Turner[†]


Simon Emeny


James Douglas


Richard Fuller


Marie Gracie


Nick MacAndrew[*#†]


John Dunsmore[*#†]


Lynn Fordham[*#]


Nigel Atkinson[*#]


Sir James Fuller

[*] Member of the Remuneration Committee.

[#] Member of the Audit Committee.

[†] Member of the Nominations Committee.

Executive Directors

Michael Turner[†]
Chairman
Aged 59. Joined in 1978. A Chartered Accountant with international experience. Initially ran the Wine Division as Wine Director. Became 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. Chairman of the Nominations Committee.

Simon Emeny
Group Managing Director
Aged 45. 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 45. 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 51. 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.

Company Secretary

Marie Gracie
Aged 45. 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

Nick MacAndrew*#†
Aged 64. Appointed in September 2001. Senior Non Executive Director and Chairman of the Audit Committee. Director of Wates Group Limited and Jardine Lloyd Thompson Group plc, and until recently Chairman of F & C Asset Management plc. Formerly Chief Financial Officer of Schroders plc and Chairman of Save the Children. A Chartered Accountant.

John Dunsmore*#†
Aged 52. Appointed in January 2009. Chairman of the Remuneration Committee. 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*#
Aged 48. Appointed in January 2010. Chief Executive of SVG Capital. 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. A Graduate and Chartered Accountant.

Non Executive Directors

Nigel Atkinson*#
Aged 57. Appointed in April 2006. Formerly Managing Director of George Gale & Co. Ltd. Non Executive Chairman of Centurion Safety Products Limited, Non Executive Chairman of Premier Pubs Estates Ltd. and Non Executive Director of Global Charities Ltd. Vice Lord-Lieutenant of Hampshire since 2007. Master of the Worshipful Company of Brewers 2010-2011.

Sir James Fuller Bt.
Aged 40. Appointed on 1 June 2010. Served in The Life Guards 1991- 1998. Employed by the Company from 1998-2003, working in the tied and managed house estate and has since been running his own business.

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Financial Review

Financial Performance

The Chairman's Statement and Group Managing Director's Review on pages 2 to 13 covers a comprehensive review of the headline financial results for the year just ended.

Business Review

The key issues facing the Group are covered in the Chairman's Statement and Group Managing Director's Review. The key performance indicators (KPIs) which the Group uses to monitor its overall financial position can be summarised as follows:

	2011	2010
EBITDA	**£46.6 million**	£43.6 million
Net debt/EBITDA	**1.9 times**	2.5 times
Adjusted profits	**£29.3 million**	£26.6 million
Adjusted earnings per share increase	**9%**	17%
Managed Pubs and Hotels[1]		
Invested Managed Pubs and Hotels like for like sales growth[2]	**+3.9%**	+2.7%
Wet like for like sales growth	**+3.2%**	+2.0%
Food like for like sales growth	**+5.1%**	+5.7%
Accommodation like for like sales growth	**+11.6%**	level
Tenanted Inns		
Tenanted Inns like for like profits[3]	**-1%**	-1%
Like for like barrels sold[4]	**level**	-2%
Average EBITDA per pub	**+2.5%**	-1.6%
Fuller's Beer Company[4]		
Own Beer barrels sold	**-2%**	+2%
Foreign Beer barrels sold	**+6%**	+1%
Total Beer barrels sold	**level**	+2%

[1] *All like for like sales figures compare 53 weeks in 2011 to a 53 week comparative.*

[2] *We have revised the definition of the calculation of Invested Managed Pubs and Hotels like for like sales growth to include pubs from the anniversary of their acquisition rather than from the start of the financial year following the anniversary. We have not amended comparative information.*

[3] *Tenanted Inns like for like profits compare 52 weeks in 2011 to the 52 weeks comparative.*

[4] *All barrelage figures compare 52 weeks in 2011 to the 52 weeks comparative.*

Full definitions of these financial KPIs can be found in the Glossary, and a commentary on them can be found in the Chairman's Statement and Group Managing Director's Review.

The principal non-financial metrics monitored by senior management are:

Managed Pubs and Hotels

Mystery shopper programme; "traffic light" rating of pub stock and business audits; cellar inspections; level of customer complaints; utility indices; and health and safety incidents.

Tenanted Inns

Cellar inspections; Own Beer stocking; Tenant training; number of tenancies at will; retention of tenants; and number of tenants on cash with order.

Fuller's Beer Company

Production indices; utility indices; beer losses in production; packaging line efficiency; warehousing and logistics volumes; health and safety incidents; and beer quality.

Trading in a weak UK economy

Fuller's traded well through the recession and as the economy began to grow again in the second half of last year. The UK economy has remained weak, with no net growth in the second half of 2010/11, but the Group has continued to trade well. Our premium position has,

Financial Review
continued

we believe, attracted the cash conscious consumer who has become increasingly discerning. Our performance has been boosted by the contribution of the pubs purchased during 2009 at very attractive prices at the bottom of the property market. Under our ownership, these pubs have blossomed following the additional investment made post acquisition to match a premium offer to these premium locations and they have contributed substantially to profit growth both in the year of acquisition and in this reporting period.

Our Operating Results
We have grown revenues by 6% on the previous period with 2% of the increase attributable to a 53 week period compared to a 52 week comparative period. The majority of the residual growth is due to higher sales prices rather than selling increased volumes. Our operating profits before exceptional items grew by 7% to £34.1 million (2010: £32.0 million), with the largest contribution to growth coming from the Managed Pubs and Hotels division. EBITDA also increased by 7% to £46.6 million (2010: £43.6 million). We acquired no pubs during the period, but we benefitted from the maturity of the eleven Managed pubs and one Tenanted pub acquired during 2009, and we disposed of six Tenanted pubs which no longer met our criteria, sublet a Managed pub and entered into a land swap arrangement which led to the closure of another Tenanted pub.

Finance Costs
Net finance costs reduced to £4.8 million from £5.4 million as our finance charge on net pension liabilities fell from £0.9 million to £0.1 million. Net borrowings reduced from £107.7 million at the start of the year to £88.5 million at the year end but interest expense on these borrowings rose slightly from £4.3 million to £4.4 million as our new bank facility was more expensive than the one it replaced, which had been arranged prior to the financial crisis. Our blended cost of borrowings rose from 4.4% last year to 4.5% this year. We expect that with our planned capital investments this will rise to circa 5.1% next year.

Exceptional Profits
Net exceptional profits before tax were £1.7 million and comprised a profit on the disposal of properties of £2.7 million and insurance claim income of £0.4 million, both offset by property impairments of £1.4 million. After exceptional items, our profit before tax was therefore £31.0 million (2010: £26.8 million). We also benefitted from a non-cash exceptional deferred tax credit of £2.6 million relating to the reduction in the UK corporation tax rate from 28% to 26% which came into effect on 1 April 2011. The impact of these items was that our basic earnings per share were 44.12p (2010: 34.37p). Last year, exceptional profits before tax of £0.2 million comprised a profit on the disposal of properties of £1.1 million, a VAT rebate of £0.3 million, offset by net property impairments of £1.0 million, and a goodwill impairment charge of £0.2 million.

Tax
A full analysis of the tax charge for the year is set out in note 8 to the accounts. Tax has been provided for at an effective rate of 28.3% (2010: 28.2%) on adjusted profits. The Group's overall effective tax rate was boosted by the one-off effect of the reduction in UK corporation tax rates from 28% to 26% and was 20.0% (2010: 28.4%).

Capital Spending, Disposals and Asset Impairment
Our capital spending of £12.0 million was entirely organic and substantially lower than last year when we spent £44.1 million, including £30.2 million on nine new pub acquisitions. The largest capital investment made during the year was in the transformation of the upper floors of the Drayton Court, Ealing into 27 bedrooms. This project was ongoing at the year end and the rooms will open this coming summer. Assets disposals raised a total of £4.0 million and we recorded an exceptional gain on disposal of £2.7 million. During the year we conducted a comprehensive impairment review and have recorded a net impairment charge of £1.4 million in respect of our property assets.

Pensions
The accounting deficit for defined benefit pensions has decreased by £6.3 million to £6.4 million (2010: £12.7 million). The year on year reduction in the accounting deficit was driven by a further recovery in asset prices during the year with the value of scheme assets increasing from £71.1 million to £77.1 million.

The AA corporate bond yield changed from 5.60% to 5.55% and the assumption of long term inflation remained level at 3.5%. The calculated present value of the pension obligations has stayed broadly level at £83.5 million. During the year a triennial valuation was conducted and the Company has updated the mortality and other assumptions to be consistent with those used in the triennial valuation. Retiring male pensioners are now expected to live to an average age of 87 years (2010: 86 years). Following the conclusion of the triennial valuation, new funding arrangements have been agreed between the Company and the Trustees, resulting in a higher company contribution rate of 19.1% of applicable salaries (previously 17.2%) and a deficit recovery payment of £0.7 million per annum (previously £0.5 million) commencing from April 2011.

Financial Review
continued

Shareholders' Return

Adjusted earnings per share were 9% higher at 37.36p. The proposed final dividend of 7.05p per 40p 'A' ordinary share, together with the interim dividend of 4.75p per share already paid makes a total of 11.80p and compares with a total dividend of 11.00p last year. The total dividend per share has grown by 7% and will be covered 3.2 times by adjusted earnings per share, compared with 3.1 times in the previous year. Shareholders' equity at the year end was £236.2 million.

During the period 15,997 'A' ordinary 40p shares were repurchased into treasury for £0.1 million (2010: we did not buy back any shares for treasury). 180,485 'A' ordinary 40p shares and 21,933 'B' ordinary 4p shares were purchased for £1.2 million by or on behalf of the Trustees of the Share Incentive Plan and the LTIP Trustees to cover future issuance (2010: 169,000 for £0.8 million). The average price paid was 579p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 596p. The highest price during the year was 632p, while the lowest was 515p. The Company's market capitalisation at 2 April 2011 was £347.3 million.

Cash Flow

Cash generated from operating activities was £36.0 million (2010: £42.1 million). The £6.1 million reduction was largely due to enjoying less favourable working capital flows than in the previous year as a result of this being a 53 week accounting period. The Group paid our monthly suppliers 13 times during the year compared to 12 in the prior period, with creditor days falling from 43 to 30 and prepayments and accrued income rising. Our capital expenditure in the period at £12.0 million (2010: £44.1 million) was much lower than last year and the net cash outflow from investing activities, after income from disposals of £4.0 million (2010: £2.4 million), was £8.0 million (2010: £41.7 million). Net debt decreased by 18% from £107.7 million to £88.5 million. The ratio of net debt to EBITDA improved from 2.5 times to 1.9 times and this level allows us significant strategic and operational flexibility.

Financial Position – £100 Million Five Year Bank Facilities

In May 2010 the Group entered into a £100 million five year bank facility with Barclays, the Co-Operative Bank and Mediobanca. The primary purpose of these new facilities was to repay borrowings under existing bank facilities which matured in November 2010. The new facilities, whilst highly competitively priced in the current environment, were only drawn in November 2010 as the existing facilities which they replaced, arranged before the financial crisis, benefitted from a lower margin. The terms of the new facilities require no amortisation of the borrowings and will allow the Group to raise additional funds in the future to acquire new pubs without these new facilities needing to be either waived or amended. We have also taken the opportunity to hedge £60.0 million of these facilities. £40.0 million is swapped at a blended interest rate of 2.1% and £20.0 million is subject to a cap of 4.0%.

Financial Position – Other Sources of Funding

Additionally to bank loans the Group is financed by a mix of 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. Derivative instruments as detailed below are used to manage interest rate and foreign exchange risk. The Group does not trade in financial instruments.

The Group had £34.5 million of unused committed loan facilities at the year end with no repayment obligations for more than four years. The table below analyses available and undrawn borrowing facilities at the balance sheet date:

	Maturity Date	Total available £ million	Amount undrawn £ million
Uncommitted overdraft	2012	7.5	7.5
Committed bank facility	2015	100.0	34.5
Debenture stock	2023-2028	25.8	–
Preference shares	none	1.6	–
Total		**134.9**	**42.0**

The Group is able to operate with negative working capital – trade and other payables were £11.2 million greater than the aggregate of inventories and trade and other receivables at the year end (2010: £16.5 million greater).

Financial Review
continued

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.

Interest Rate Risk

It is Group policy to hedge the interest rate risk of at least 50% of our gross borrowings by either the underlying instrument being at a fixed rate, or by taking out interest products to fix or cap the interest rate. At the Balance Sheet date 95% of the Group's gross borrowings were at fixed or capped rates and the fixed rates ranged between 1.7% and 10.7%, with an average rate of 4.4% (excluding bank margin).

	Total drawn £ million	Amount hedged £ million	Hedged %
Committed bank facility	64.8	60.0	93%
Debenture stock	25.8	25.8	100%
Preference shares	1.6	1.6	100%
Total borrowings	92.2	87.4	95%

Foreign Exchange Risk

The Group has some foreign currency risk as it both imports wines denominated in Euro, US dollars and Australian dollars and exports beer in US dollars. There is some natural hedge of US dollars and the net currency risks may be covered by entering into forward foreign exchange contracts.

Risks and Uncertainties Facing the Group

We report in detail the risks and uncertainties facing the Group on pages 23 and 24 In summary we identify three different generic types of risk and uncertainty. Regulatory risks encompass the risks to our business of increased regulation of the sale of alcohol, health and safety in the workplace and pensions. Economic and market conditions include the risk to the business due to the strength or otherwise of the economy, cost pressures including the increase in the minimum wage, the risk of assigned leases reverting to the Group and changes in consumer trends. Operational risk includes damage to our property, brands or reputation and our reliance on information systems to operate efficiently on a daily basis.

Going Concern Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position have been set out in the Chairman's Statement and Group Managing Director's Review on pages 2 to 13 and in this Financial Review. 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 continue to be well placed going forward and have a £100 million bank facility that lasts until May 2015 of which more than £30 million is not drawn.

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

James Douglas
Finance Director

10 June 2011

Corporate Social Responsibility

Heritage

Brewing has taken place on our Griffin Brewery site in Chiswick, West London, since at least the 17th century and some of our pubs have been in the Company's ownership for over 150 years. Many of our pubs are even older than that: for example the Bear Inn is the oldest pub in Oxford and the famous Dove pub on the banks of the Thames dates back to the 17th century. Fuller's is acutely aware of the role that traditional pubs and real ale plays in British culture and we believe that our promotion and preservation of this is central to our appeal to our customers.

Our heritage plays a large part in how we brew and trade today. The last 30 years has seen most of the historic breweries of London closing, however within the last 10 years there has also been a renaissance of craft brewers in London. Fuller's is proud to be a part of this group of London brewers now known as the London Brewer's Alliance and we were pleased to host the inaugural meeting here at the Griffin Brewery.

Within the Griffin Brewery records store we have original brewing log books dating from the latter part of the 19th century. Our brewers still refer to and draw upon the knowledge, recorded in beautiful copperplate handwriting, contained within these books for inspiration in today's brews. This year saw the launch of our Past Masters series of special brews. These beers were brewed using, as close as we can achieve, the methods and materials available to the brewers of yesteryear to encapsulate the taste of the age.

Community

As a Company with a such a long history, Fuller's is an integral part of the communities in which it operates. We encourage our pubs to become the centre of their communities and the Brewery supports their work in sponsoring local events with donations and assistance with marketing and promotions. In the last financial year, through raffles, auctions and other fundraising activities, our pubs raised in excess of £115,000 for dozens of charitable causes, ranging from local hospices to the RNLI. Our free trade teams spread this support outside our tied estate by sponsoring many of the sporting and local interest clubs in their geographical areas, which extend beyond our traditional boundaries.

Locally to our Griffin Brewery, we support organisations such as Chiswick House and Gardens, the Chiswick Pier Trust and St Mary's Convent & Nursing Home. We sponsor the Christmas Lights on Chiswick High Road, the annual open-air opera at Chiswick House and a 10-mile running race along the river, the Thames Towpath Ten. We also make financial contributions to numerous national charities and each year we support the London Pride Walk and Fun Run for Cancer Research UK, which has been running annually since 1996. For every barrel of Gales Seafarers Ale sold we make a donation of £5 to Seafarers UK, which supports various maritime charities. In addition, Fuller's directly provides around £100,000 worth of products for use as prizes at numerous charity events, raising funds for a variety of causes from local schools to major national charities. This year we gave staff the opportunity to donate money to charities via payroll by introducing the Give As You Earn scheme.

Responsible Retailing

Fuller's Beer Company prides itself on the quality of beers that it brews, as numerous awards over many years testify. The brands are positioned at the top of the market and a premium price is charged, all the way through the supply chain to the end consumer.

This premium positioning is supported by appropriate advertising and promotional activity, typified by the long running "Whatever you do, take pride" campaign for London Pride, where the emphasis is on moderate consumption and taking your time in appreciation of a great beer that's worth savouring. Our strategy therefore remains one of quality rather than quantity.

Alcohol misuse and the attendant issues of underage drinking, poor health and other social problems are matters of legitimate concern in the UK today. We take these issues seriously and are committed to playing a leading role in responsible retailing to reduce their impact. We believe that a well managed pub, at the centre of its community, offering a relaxed and warm social safe environment catering for all ages is the best possible place to enjoy responsibly alcoholic drinks and food.

We are active members of the BBPA ("British Beer and Pub Association") and the BII ("British Institute of Innkeeping"), as well as supporting Drinkaware, the government sponsored trust which aims to promote responsible drinking and help reduce alcohol misuse and alcohol-related harm. Through our Chairman, Michael Turner's leadership and public profile, we seek to reinforce our belief that the pub is central to a community's social cohesion and plays a vital role in Britain's social life.

Corporate Social Responsibility
continued

We aim to tailor our pubs' offer to the needs of the communities they serve. This may involve local sourcing of food, encouraging families with children to visit us or encouraging our managers to contribute to local Pubwatch schemes. Our pub managers and staff operate the Challenge 21 proof of age scheme. This policy is audited through unannounced test purchases. Managers are also trained on conflict management so that staff are prepared to handle any difficult situations with professionalism and diligence.

People

The family ethos has remained strong as the Company has grown and is still very evident. Many employees stay with Fuller's for many years as demonstrated by the numerous recipients each year of our long service awards. Our most recent external accreditation was recognition as "One to Watch" in the 2011 "Sunday Times Best Companies" programme. In June 2010, we also received the JP Morgan Family Business award. These awards are made on the basis of business success, family governance and social responsibility and the award was recognition of our performance in these areas.

This year, we launched a graduate development programme with the aim of attracting the highest calibre of candidates. The strength of our employment proposition ensured we had a fantastic response and the first graduates will be joining us in September 2011. We have a dedicated training department, which helps our employees with mentoring and ongoing individual training needs and our Personnel team ensures that all members of staff have access to development opportunities.

We recognise and reward excellence throughout the business, whether through promotion or a number of internal awards. 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. This year we introduced discounts in the managed pubs for our pub staff and we offer an allowance for our brewery and head office staff. An annual open day is held at our Griffin Brewery which relies upon the support of our employees, in their own time, to run the various activities.

Environment

We are committed to a programme of continuous environmental improvement and to matching or exceeding the UK Government's carbon reduction targets. We want to make sure you never visit a Fuller's pub which is too cold, too hot or too dimly lit to be able to see your way around. However, we try to do everything we can to make sure we do this in the most environmentally sensitive way and without wasting any of the earth's scarce natural resources. We do this by engaging with our staff to focus on energy, water and waste:

Energy

- Our electricity consumption for the last year was below that of the previous year, despite growth in the business.
- We have undertaken a range of energy saving measures across our managed pubs and hotels. We have insulated every loft, installed low energy lighting and converted to low energy hand dryers in over 90% of the estate.
- Our new car policy actively encourages employees to select the greenest vehicles and has resulted in vehicle emissions which are averaging nearly 10% below the new car average for the UK.

Water

- Through a range of initiatives we have reduced water consumption at the Griffin Brewery by nearly 9% despite increasing production.
- We are trialling waterless urinal systems in our managed pubs, which will significantly reduce water consumption and reduce maintenance visits with their associated travel emissions.

Waste

- 57% of all waste generated in our managed estate is recycled – this includes all of our waste cooking oil, as well as glass and cardboard.
- We will roll out food waste recycling to all managed pubs during the next financial year. In the sites already converted to this, recycling has reached over 90%.
- At the Griffin Brewery we recycle glass, packaging waste, yeast, grain and waste paper.

Corporate Social Responsibility
continued

Suppliers

We seek and often have long term relationships with our suppliers. In this way, our suppliers get to understand our requirements and deliver us a better product and service. The trust built up allows us to resolve any issues more smoothly and the stability allows both parties to plan for the future with more certainty. We do nevertheless regularly tender contracts to ensure the terms and price are competitive, but we do so in a fair and transparent way. The values of a company are one of the criteria used to assess a potential supplier.

Over the last three years, we have developed strong partnerships with local food suppliers in the South of England through our support of umbrella organisations such as Hampshire Fare and the New Forest Marque. Our Local Sourcing Policy gives our suppliers security of trade and payment terms, whilst detailing our criteria for quality and provenance. In the last year, we purchased over £1.2 million of produce through the local supply chain, and look forward to growing our partnerships further.

With long-term agreements in place, the local suppliers we use are afforded a level of stability and security enabling them to develop their business further. This is particularly relevant for the supply of organic raw materials used in the brewing of Organic Honey Dew. A recent example of this is the forward contracts that we have put in place with John Walker for the supply of Organic First Gold hops grown on his farm in Hereford. All our tea and coffee is fair trade, organic and rainforest alliance certified.

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 various systems and processes in place to enable the Board to monitor and control the Group's management of risk. The Audit Committee regularly reviews the effectiveness of this process and seeks to ensure that management's response is adapted appropriately to the changing environment.

The following sets out what the Board considers to be the principal risks which affect the Group at present, although it is not intended to be a comprehensive analysis of all the risks that the business may face. In addition, the key financial risks to the Group are detailed in note 25c to the financial statements.

Regulatory Risks

Regulation of the Sale of Alcohol: Within our industry there is always the risk that the Government may change legislation in a manner that may adversely affect us. Notably, in the past 39 months UK alcohol excise duties have been increased by more than 38% and the duty escalator introduced by the previous Government, unless abandoned, will further raise alcohol duties annually at a rate of 2% above the rate of inflation. There is a risk that continued inflation busting duty increases may depress sales or further reduce margins in our industry. The new Coalition Government has announced a new bill which will ban the sale of alcohol below the level of duty plus VAT, however this legislation is unlikely to tackle below cost selling in the Off Trade.

Beer Tie: Whilst the European Union has renewed the block exemption with regard to the Beer Tie until 2022, the Beer Tie continues to be the subject of much debate and scrutiny in the UK. During the last year we have gained accreditation from the British Institute of Innkeeping for our Tenanted Code of Practice which we believe has further improved the transparency and openness of our Tied agreements. There is the risk that other authorities will interfere with the existing arrangements leading to the abolition of the Beer Tie. This would necessitate a change in our business model, with higher property rents and lower prices for the supply of drinks being charged.

Health and Safety: The health and safety of the Group's employees and customers is a key concern to us. We report and investigate both accidents and near misses. In order to reduce the risk of kitchen fires in our Managed Pubs and Hotels we have automatic fire suppression systems in every kitchen. A Health and Safety Committee is in place in order to oversee the operation of the Group's numerous health and safety policies and procedures, and to regularly update its training programme to ensure that all risks are identified and properly assessed and that relevant regulation is adhered to.

Pensions: The Group operates several pension schemes including a defined benefit pension scheme and management continue to closely monitor developments in relation to pension scheme funding. Although the defined benefit scheme is now closed to new entrants, there remains a significant pension liability on the Balance Sheet. There is therefore a risk to the Group that a change in legislation could impact cash flow by setting a minimum funding level that is above the Group's current contributions or by requiring higher contributions by a change to the basis of calculating the scheme deficit. The Group has a programme in place to reduce the deficit and made an additional contribution of £0.5 million in the 53 weeks ended 2 April 2011. Following the recent triennial valuation of the defined benefit scheme the Group has agreed with the trustees to make further annual additional contributions of £0.7 million in order to reduce the deficit further.

Economic and Market Conditions

Strength of the Economy: We are exposed to the overall strength of the UK economy and its influence on consumer spending. The Group constantly invests in its key brands and ensures it takes advantage of the opportunities presented to encourage customers into its pubs. The weak economic recovery is being affected by high inflation, rises in unemployment, and real terms pay reductions. During the coming year the nation will feel the impact of Government spending cuts and already announced tax rises. Interest rates are also forecast to rise. Combined, these factors are likely to reduce total UK consumer spending in the short term. Nonetheless, the outlook is better than the deep recession the UK has just endured and the Company traded well through that difficult period.

The Group maintains a high quality of operation and product in order to maintain its competitive position. However, the Group's pubs compete for consumers with a wide variety of other branded and non-branded pubs and restaurants as well as off-licences, supermarkets and other leisure outlets. We constantly review the position of our pubs in the market and consider that our differentiators and brands put the Group in the best possible position for the current marketplace.

Risks and Uncertainties
continued

Assigned Leases: The Group has in the past assigned a number of property leases to third parties. The Group no longer operates these properties and does not account for the rents due under the leases. There is a risk that, in the event of default on the rental payments by an assignee, the landlord would seek to recover the unpaid rents from the Group. The Group monitors the credit worthiness of the assignees, but ultimately the risk we face is a result of the third parties' performance, itself largely influenced by the economy.

Supply Chain Failure: Whilst we brew our own beer in Chiswick, our production process and our pubs rely on a number of third parties to provide continuity of supply. The quality and availability of these supplies are integral to our ability to operate. Suppliers are carefully selected and we maintain close relationships with them. Our fresh food is delivered by a number of suppliers which avoids concentration in a sole supply arrangement. However, the weak economic climate increases the risk of a supplier failure, and therefore we continually review contingency plans in the event of a failure in supply. Brewing is an energy intensive process and we rely upon continuity of supply to Chiswick, although we maintain several days of gasoil on site as a backup.

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), but such measures can do no more than delay cost increases should they be sustained.

Consumer Trends: In the UK, consumption of alcohol continues to be the subject of considerable social and political attention. Increasing public concern over alcohol related social problems, including underage drinking and health consequences associated with the misuse of alcohol, has contributed to declining sales of beer in the UK. The Group takes these issues seriously and continues to support the industry's campaigns on these issues and to market its products as premium beverages to be drunk in moderation in a social environment. More generally, 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.

Operational Risks

Griffin Brewery Site: The Group's head quarters and sole brewing facility are based at the Griffin Brewery site in Chiswick. A disaster at this site would seriously disrupt operations. We take various measures to mitigate the impact of such an event. For example we store recipes and yeast off-site and have a variety of formal and informal arrangements in place to use alternative facilities, but such measures cannot fully replicate the Chiswick operations.

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. As an example, there was an isolated issue at the Group's bottle manufacturer which caused the Group to issue a product recall on a small number of batches during December 2010. This incident was handled efficiently in accordance with our product recall plan, demonstrating the strength of our mitigation processes. 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, together with insurance coverage for product contamination. In addition, the Group runs an active and continuous training programme covering all aspects of the pub operations and provides its pubs with on-site technical support.

New Competitors: The entry of new competitors into our markets, a change in the level of marketing undertaken by them or in their pricing policies, consolidation of competitors and/or the introduction of new competing products or brands could have a material adverse effect on our market share, sales volumes, revenue and profits. We have an ongoing programme of brand investment to maintain and enhance the market position of our products.

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 policies in place to ensure that in the event of an issue normal trading would be restored quickly, incorporating a formal Disaster Recovery Plan, a system of back-ups and external support for hardware and software.

Directors' Report

The Directors present their annual report together with the audited financial statements for the 53 weeks ended 2 April 2011. The narrative pages throughout the report constitute the Company's management report as required under the FSA's rules.

A) BUSINESS ACTIVITIES AND DEVELOPMENT

The Chairman's Statement and Group Managing Director's Review on pages 2 to 13 and the Financial Review on pages 16 to 19 include information about the Group's principal activities, the business and financial performance during the year and indications of likely future developments and collectively provide a business review.

Dividends

The Company paid an interim dividend of 4.75 pence on the 40p 'A' and 'C' ordinary shares and 0.475 pence on the 4p 'B' ordinary shares on 4 January 2011. The Directors now recommend a final dividend of 7.05 pence on the 40p 'A' and 'C' ordinary shares and 0.705 pence on the 4p 'B' ordinary shares. This makes a total of 11.80 pence on the 40p 'A' and 'C' ordinary shares and 1.18 pence on the 4p 'B' ordinary shares for the year.

The total proposed final dividend on ordinary shares will be £3,972,000 which together with the 2011 interim dividend paid of £2,676,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £6,648,000.

Market Value of Land and Buildings

On 27 March 1999 the freehold properties, with the exception of unlicensed premises and the Brewery buildings, were partially revalued on an open market "for existing use" basis, based on a one fifth representative sample, by a firm of professional valuers. From 1999 onwards, assets have been retained at the values at 27 March 1999, and have not been revalued further.

Since 1999 the Directors have had a series of informal and sample valuations and are confident that the market value of the Group's estate is significantly higher than that recorded as book value.

B) DIRECTORS

A list of current serving Directors and their biographies is given on pages 14 and 15. Tim Turner and Anthony Fuller retired from the Board on 31 March 2010 and 23 July 2010 respectively. Sir James Fuller was appointed to the Board on 1 June 2010 and Lynn Fordham was appointed to the Board on 18 January 2011. John Roberts resigned from the Board on 1 March 2011.

Lynn Fordham offers herself for election. Simon Emeny and James Douglas retire by rotation at the Annual General Meeting and offer themselves for re-election. Simon Emeny and James Douglas have rolling service contracts of 12 months duration. Lynn Fordham does not have a service contract but has been invited to stay on the Board until January 2012.

Directors' Interests

Details of Directors' interests in the share capital of the Company up to 31 May 2011 are given below. Details of Directors' share options and allocations under the Long Term Incentive Plan ("LTIP") up to 31 May 2011 are given in the Directors' Remuneration Report on pages 37 to 47.

The Remuneration Committee put share retention guidelines in place for Executive Directors some years ago and these state that all Executives should, within 10 years of joining the Company, hold shares worth at least their annual salary. James Douglas, having joined the Company in 2007 is on track to meet this target well before 2017 and all other Directors maintain shareholdings over the required limit.

Directors' Report
continued

Directors' Shareholdings	Changes by 31 May 2011 Beneficial	Changes by 31 May 2011 Non Beneficial	2 April 2011 (or leaving date) Beneficial	2 April 2011 (or leaving date) Non Beneficial	27 March 2010 (or appointment date) Beneficial	27 March 2010 (or appointment date) Non Beneficial
Michael Turner						
'A' ordinary 40p	–	–	**365,897**	**139,880**	374,556	139,880
'B' ordinary 4p	–	–	**4,652,329**	**3,490,974**	4,587,489	3,490,974
'C' ordinary 40p	–	–	**1,016,570**	**750,517**	1,016,570	750,517
2nd preference £1	–	–	**22,993**	**40,192**	22,993	40,192
Simon Emeny						
'A' ordinary 40p	–	–	**70,592**	**–**	47,555	–
'B' ordinary 4p	–	–	**508,454**	**–**	458,156	–
James Douglas						
'A' ordinary 40p	–	–	**7,579**	**–**	2,680	–
'B' ordinary 4p	–	–	**13,440**	**–**	–	–
Richard Fuller						
'A' ordinary 40p	–	–	**13,474**	**500,000**	13,606	–
'B' ordinary 4p	–	–	**3,390,403**	**10,935,015**	3,363,356	–
'C' ordinary 40p	–	–	**25,000**	**–**	25,000	–
2nd preference £1	–	–	**303**	**–**	303	–
Tim Turner[1]						
'A' ordinary 40p	–	–	**287,928**	**139,880**	287,928	139,880
'B' ordinary 4p	–	–	**4,572,928**	**3,490,974**	4,572,928	3,490,974
'C' ordinary 40p	–	–	**1,272,052**	**750,517**	1,272,052	750,517
2nd preference £1	–	–	**22,916**	**40,192**	22,916	40,192
John Roberts[2]						
'A' ordinary 40p	–	–	**62,764**	**–**	54,790	–
'B' ordinary 4p	–	–	**328,293**	**–**	285,218	–
Anthony Fuller[3]						
'A' ordinary 40p	–	–	**65,897**	**–**	65,897	–
'B' ordinary 4p	–	–	**5,096,572**	**9,653,476**	5,096,572	9,653,476
'C' ordinary 40p	–	–	**1,436,000**	**1,252,359**	1,436,000	1,252,359
1st preference £1	–	–	**9,679**	**4,839**	9,679	4,839
2nd preference £1	–	–	**94**	**–**	94	–
Nick MacAndrew						
'A' ordinary 40p	–	–	**25,000**	**–**	25,000	–
Nigel Atkinson						
'A' ordinary 40p	–	–	**2,750**	**–**	4,575	–
John Dunsmore						
'A' ordinary 40p	–	–	**2,328**	**–**	2,324	–
Sir James Fuller[4]						
'A' ordinary 40p	–	–	**88,942**	**–**	88,942	–
'B' ordinary 4p	–	–	**9,143,952**	**–**	9,086,306	–
'C' ordinary 40p	–	–	**2,674,605**	**–**	2,674,605	–
Lynn Fordham[5]						
'A' ordinary 40p	–	–	**3,152**	**–**	3,152	–

[1] *Tim Turner retired on 31 March 2010.*
[2] *John Roberts resigned as a Director on 1 March 2011.*
[3] *Anthony Fuller retired on 23 July 2010, although he remains President of the Company.*
[4] *Sir James Fuller was appointed on 1 June 2010.*
[5] *Lynn Fordham was appointed on 18 January 2011.*

Directors' Report
continued

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; the Environment; and Suppliers are discussed in detail in the separate Corporate Social Responsibility Statement on pages 20 to 22.

Employees
The Directors continue to attach a high priority to maintaining communications with all employees, thus encouraging a common awareness of the financial and economic factors affecting the Group. Regular newsletters are generated for Beer Company and Fullers Inns employees and ad hoc news is regularly communicated via 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 both at Divisional and Corporate level is in place to facilitate a dialogue between the Group and representatives of all employees including union members. The Company has in the last year taken a number of practical steps in order to ensure it is communicating effectively. As part of its first "Sunday Times Best Companies" programme application (from which it was accredited as a "One to Watch") an engagement survey was conducted and the Executive have committed to review the results and implement appropriate related recommendations. Additionally the Company now conducts regular focus groups amongst its employees, which have provided a powerful means of communication.

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 opportunity policy which is designed to ensure that all employees are treated equally in terms of training, career development and promotion etc. 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 has continued to strengthen its commitment to health and safety issues both at the Brewery and in the retail estate. A "Safety First" approach has been launched in the Inns business, which is designed to provide a more effective and engaged approach to health and safety with the Company's employees, and will be supported by an on line health and safety portal, which will allow more effective monitoring and compliance.

The Company continues to offer qualifying staff a Savings Related Share Option Scheme and a Share Incentive Plan, which serve to encourage staff interest in the Group's performance.

Political and Charitable Donations
The Company does not make political donations. The Company makes donations to charities in order to support the communities that it operates in and the charitable activities of its staff and other stakeholders. Cash contributions made by the Group for charitable purposes amounted to £72,000 (2010: £76,000). These figures exclude goods supplied by the Brewery as gifts to charitable organisations and fund raising undertaken by the Group's staff members, Managed pubs and Tenanted pubs, as described in the Corporate Social Responsibility Statement on page 20.

Supplier Payment Policy
The Group informs and agrees with its suppliers in advance its payment practice. The Group pays UK trade suppliers at the month end following the month of invoice. Overseas suppliers (mostly of wine) are paid between two and three months after the month of invoice,

Directors' Report
continued

depending on delivery times from the country of origin. The average amount of credit taken from suppliers as at 2 April 2011 for the Group and Company was 30 days (27 March 2010: 43 days).

D) KEY PERFORMANCE INDICATORS ("KPIs")

Details of the Group's KPIs can be found in the Financial Review on page 16. In addition a definition of the key terms used is included in the Glossary on page 100.

E) FINANCIAL MANAGEMENT AND TREASURY POLICIES

The Group Treasury and Financial Management policies are discussed in the Financial Review on page 19. The main risks associated with the Group's financial assets and liabilities are set out in note 25 to the financial statements.

F) RISKS AND UNCERTAINTIES

Details of the principal risks and uncertainties that the Group is exposed to can be found in the Risks and Uncertainties statement on pages 23 and 24.

G) SHARE INTERESTS

At 31 May 2011 the following disclosable interests of shareholders (other than Directors) had been notified to the Company:

Name	% 'A' ordinary shares of 40p each	Name	% 'B' ordinary shares of 4p each	Name	% 'C' ordinary shares of 40p each
Aberdeen Asset Management PLC and its subsidiaries	8.02	Sir J H F, Messrs A F and E F Fuller	16.26	Sir J H F, Messrs A F and E F Fuller	30.61
Black Rock Inc	6.75	J F Russell-Smith Charitable Trust	7.66	Mr T J M Turner	6.12
AEGON Asset Management UK plc and associated entities	5.23	Mr A G F Fuller	5.72	Mr H D Williams	5.97
Legal & General Group Plc and associated entities	3.67	A B Earle Charitable Trust	4.62	Mrs J C Turner	5.07
		Mrs S B Stuart	4.59	Mrs J Fuller	4.24
		Dunarden Limited	3.60	Fuller Family Members Trust	3.96
		Mr R D Inverarity	3.52	Miss S M Turner	3.33
		Mr G F Inverarity	3.48		
		Mr H D Williams	3.22		

H) SHAREHOLDER MATTERS

Annual General Meeting

Details of this year's Annual General Meeting will be included in the circular to shareholders dated 29 June 2011, at the back of which is the Notice of Meeting.

Purchase of Own Shares

At the Annual General Meeting of the Company held on 23 July 2010, the Company was given authority to purchase up to 4,907,094 '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 £13,369,642 40p 'A' ordinary share capital.

During the year the Company purchased a total of 104,482 40p A' ordinary shares at a total cost of £594,467. Of these, 88,485 shares, with a value of £494,593, were immediately transferred to the Company's Long Term Incentive Plan ('LTIP') Trustee. These share purchases therefore represented 0.18% of the maximum issued ordinary share capital (0.31% of the Company's issued 'A' ordinary share capital). Taking into account all the buybacks since December 2001, 15.75% of the Company's issued ordinary share capital (26.86% of the Company's issued 'A' ordinary share capital) has now been purchased.

Directors' Report
continued

In addition the Company employee share ownership trusts purchased a total of 92,000 40p 'A' ordinary shares at a total cost of £548,243 for the SIP and 219,334 4p 'B' ordinary shares at a total cost of £133,482 for the LTIP.

During the year 143,498 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 £492,436. The remaining 571,782 40p 'A' ordinary shares at 31 May 2011 are currently held as treasury shares.

I) SHARE CAPITAL AND ARTICLES

Information on the Company's capital structure and related restrictions is given in note 25 to the financial statements. Details of significant shareholdings are given in Section G) above.

Computershare Trustees Limited holds 1.38% 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.

Sanne Trust Company Limited holds 0.33% of the issued share capital of 40p 'A' ordinary shares and 0.59% of the issued share capital of 4p 'B' ordinary shares in trust on behalf of participants in the Company's LTIP within the LTIP Trust and exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

The current Articles of Association state that the Board may appoint Directors and that at the subsequent Annual General Meeting, shareholders may elect any such Director. Alternatively the Company may directly appoint a Director. The Articles also contain the power for the Company to remove any Director by special resolution and appoint someone in his place by ordinary resolution. There are various other circumstances under the Articles which would mean that the office of a Director would be vacated including if he resigns, becomes of unsound mind or bankrupt.

At every Annual General Meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or any multiple of three, then the number nearest to but not exceeding one-third shall retire from office but, if there is only one Director who is subject to retirement by rotation, he shall retire. In addition, if any Director has at the start of the Annual General Meeting been in office for more than three years since his last appointment or re-appointment he shall retire at that Annual General Meeting.

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

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

In the event of a change of control the Company is obliged to notify its main bank Lenders of such. The Lenders shall not be obliged to fund any new borrowing requests and the facilities will lapse after 30 days from the change of control if terms on which they can continue have not been agreed. All borrowings including accrued interest will become repayable within 10 days of such a lapse.

By Order of the Board

Marie Gracie, FCIS
Company Secretary

10 June 2011

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

Registered number: 241882

Directors' Statements

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual 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; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 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.

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 Directors' 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 14 and 15.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 14. 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	**James Douglas**
Chairman	Finance Director
10 June 2011	10 June 2011

Corporate Governance Report

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 June 2008 Revised Combined Code on Corporate Governance ("the Code"), which is available at www.frc.org.uk.

The Company has complied with the requirements of section 1 of the Code, as applicable to a smaller quoted company, throughout the financial year with one exception. The Company has three independent Non Executive Directors on its Remuneration and Audit Committees but shareholders will note that Nigel Atkinson, who is not an independent Non Executive Director, also sits on those Committees and in this respect the Company may be considered not to comply with the independence requirement for both of these Committees. Having considered this matter carefully, the Board is satisfied that the deliberations of both Committees remain independent. Shareholders should note that Nigel Atkinson, although not defined as being independent under the Code, has never worked for the Company as a full time employee, being the former Managing Director of Gales, which the Company acquired in 2005. He is valued for his independent character and judgement.

The information that is required by DTR 7.2.6, information relating to the share capital of the Company, can be found within the Directors' Report, sections H and I on pages 28 and 29.

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. The Board feels that, as suggested in the new UK Corporate Governance Code, the Non Executive Directors have a particularly constructive role in challenging and helping the Executive team to develop strategy.

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 Nomination 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 strategy, analysis of the market in which the Group operates and performance. Each of the Executive Directors and the Company Secretary 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 for a detailed update on the economy and the Group's competitors. This year the Non Executive Directors held one to one meetings with members of the senior management team covering functions such as purchasing, personnel, marketing, export, technical services, property and off trade sales and visited relevant parts of the Brewery with them. These served to better inform the Non Executive Directors of the operations of the Company and to provide the Executive Directors with valuable feedback, which also emanates from other trade visits which the Non Executives regularly undertake.

At the Executive Committee meetings the focus is on the detail of the performance of the Group, and the Finance Director leads a review of the Group's management accounts. Each Executive Director and the Company Secretary update their colleagues on the key issues facing their part of the business and there is a good level of consultation and debate at these meetings on the sometimes complex issues facing the business.

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. Members of the management team regularly join these Executive Committee meetings and 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 the construction of the annual budget, before these are debated at Board level.

As well as the dialogue within the Board room, 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 Group Managing Director from time to time. These meetings allow for the review of issues that have been facing the business between Board meetings, the continuation of dialogue on strategic issues, the discussion of Board appointments when appropriate, and the provision of support to the Chairman and Group Managing Director in their roles.

Attendance at Board and Committee Meetings

The table below gives details of attendance at Board and Committee meetings during the year.

Board and Committee Meeting Attendance for 2010/11	Committee Memberships	Board Meetings	Executive Committee Meetings	Nominations Committee	Audit Committee	Remuneration Committee
Total Number of Formal Meetings		7	11	2	4	4
Executive Directors						
Michael Turner	Nom	7/7	11/11	2/2		
Simon Emeny[1]		6/7	9/11			
James Douglas		6/7	11/11			
Richard Fuller		7/7	11/11			
John Roberts[2]		6/6	9/10			
Non-Executive Directors						
Anthony Fuller[3]		2/2				
Nick MacAndrew	Aud, Rem, Nom	7/7		2/2	4/4	4/4
Nigel Atkinson	Aud, Rem	7/7			4/4	4/4
John Dunsmore	Aud, Rem, Nom	7/7		2/2	4/4	4/4
Sir James Fuller[4]		7/7				
Lynn Fordham[5]	Aud, Rem	1/2			1/1	1/1

[1] Missed meetings whilst away at Harvard.
[2] Resigned on 1 March 2011.
[3] Retired 23 July 2010.
[4] Appointed to the Board on 1 June 2010.
[5] Appointed to the Board on 18 January 2011, and had prior commitment for March meeting before joining the Company.

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.

Corporate Governance Report
continued

Composition and Balance of the Board
The Board is chaired by Michael Turner who is responsible for leading it and ensuring its effectiveness and openness, and for ensuring that communications with shareholders are effective. The Chairman does not have any commitments which constrain his ability to fulfil his role. His responsibilities are set out in a job description which has been approved by the Board. In November 2010, Simon Emeny was appointed Group Managing Director and in this role he is responsible for all operational aspects of the business, for both the Beer Company and Fullers Inns.

Recent changes to the Board are detailed in the Directors' report. John Dunsmore will take over as Senior Independent Director and Lynn Fordham will take over as Chairman of the Audit Committee when Nick MacAndrew retires at the forthcoming AGM. An appointment to the role of Managing Director of the Beer Company will be made in due course. New Directors undertake tailored induction programmes.

The Company benefits from the advice of five 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 four Non Executive Directors, three 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 a well balanced one that 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 14 and 15. Nick MacAndrew is the Senior Independent Director and an excellent source of 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. As mentioned above, Nick retires at the forthcoming AGM after nearly ten years of very valued service to the Board. 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 37 to 47 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 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.

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. The Chairman consolidates the responses and reports back to the Board, highlighting significant improvements and deteriorations in any particular area by comparing results with previous year's outputs and agreeing actions to tackle any areas requiring improvement. Unattributed comments of significance are shared with all. This year the results showed an improvement to already high scores in all areas of the Board's work and the Chairman has followed up relevant action points arising. The Audit and Remuneration Committees conduct similar assessments and their work is also commented upon in the evaluation conducted by the Chairman. The Senior Non Executive Director 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 by the Chairman and, as part of the appraisal process, individual training and development needs are discussed. The appraisal of the Non Executive Directors is conducted by the Chairman, following consultation with the Executive team.

Corporate Governance Report
continued

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 consists of Nick MacAndrew, John Dunsmore and Michael Turner, who is Chairman. It is responsible for nominating candidates for appointment as Directors, for approval by the Board. The Committee met twice during the year to consider the appointment of new Non Executive Directors. As reported last year, the first meeting was to consider the appointment of a new Non Executive Director to replace Anthony Fuller, who retired from the Board in July 2010. The Committee's task was to identify a new Director who would represent the interest of family shareholders as Anthony Fuller had done. Sir James Fuller, the Company's largest family shareholder, was approached and agreed to join the Board as a Non Executive Director. It was not regarded as necessary to use an external search consultancy or to advertise this post, given the specific nature of the appointment. The second meeting was to appoint a new Non Executive Director with experience of audit and accountancy matters who could take over from Nick MacAndrew as Chair of the Audit Committee when he retires. External search agency Spencer Stuart were retained to help the Company make an appointment and the Committee met to recommend to the Board the nomination of Lynn Fordham.

The Remuneration Committee

Information about the Remuneration Committee and remuneration policy is given in the Directors' Remuneration Report.

The Audit Committee

The Audit Committee of the Board is chaired by Nick MacAndrew, FCA who was formerly chief financial officer of Schroders plc and who also chairs the Audit Committees of Jardine Lloyd Thomson Group plc and Wates Group Limited, so bringing recent and relevant financial experience to the Committee. The other Committee members are Nigel Atkinson, John Dunsmore and Lynn Fordham. Lynn Fordham will take over as Chairman of the Committee in July and is Chief Executive of SVG Capital and a Chartered Accountant who also brings current and relevant financial experience to the Committee. The Chairman, the Finance Director and members of the finance team usually join the meetings as do the external Audit Partner and Audit Manager. The Chairman of the Audit Committee encourages comprehensive debate and close scrutiny of management's and auditors' reports by Committee members. The Chairman of the Audit Committee 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 terms of reference include all those matters required by the Code. The Committee has a meeting planner which sets out the basic items to be covered at its regular meetings. At the June meeting the Committee reviews the preliminary announcement and the report and accounts. In September the key items are a review of all aspects of the performance of the external auditors, including the chance to assess whether they continue to show the required level of independence and agreeing the scope for the next external audit and the audit plan and related fees. A report on internal audit is received, and one on whistle-blowing, and the Committee reviews its own effectiveness. At the November meeting the focus is on reviewing the half year report. At the January meeting the key items are risk management, internal audit and a review of new developments in accounting and auditing. This year the Committee also looked at the Company's relationship with its key suppliers, the product recall process and the plans for compliance with the Bribery Act which included the updating and reissuing of the Company's Gifts and Hospitality policy. The Chairman of the Committee also encourages debate and discussion of topical issues outside of the routine agenda items.

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 were reissued in November in order to maintain a good awareness of the whistle-blowing arrangements throughout the Company.

D) ACCOUNTABILITY

Auditors

The Committee is happy for the Board to recommend to shareholders that Ernst & Young be re-elected, having reviewed their performance and not found any issues of concern.

The Group's auditors continue to provide services in relation to routine tax compliance but the amount expended is not significant and not at such a level that auditor objectivity and independence are compromised. The Committee imposes an upper limit on the amount that the finance team can spend with the auditors for non audit items and it is Group policy to seek third party quotations if the auditors are offered the opportunity to provide any other significant non-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; and
- compliance with applicable laws and regulations.

Management within the Finance Department are responsible for ensuring 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. During the year, the Board approved a two year plan of risk improvement projects with the objective of reducing significant risks on the register. Steering committees are established in each division to implement the recommendations.

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

Key elements of the system of internal control designed to address significant risks and uncertainties as documented on pages 23 and 24 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;

Corporate Governance Report
continued

- 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; and
- maintenance of an ISO 9001 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. The Group carries out internal audits on financial areas according to a programme agreed between the Audit Committee and the Finance Director and with, as appropriate, input from the other Executive Directors and the external auditors. 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. Among the areas audited in the financial year were the procedures and controls over electronic banking and taking on short-term tenants.

In addition, the Group employs a team of retail business auditors who do not have a direct report into the Audit Committee but 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 Chief Accountant.

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 Chairman, Group Managing Director and Finance Director in the days following their presentation to the City on the preliminary and half year results. This year the Chairman of the Remuneration Committee also contacted the Company's largest shareholders to consult with them about proposed changes to the remuneration of some of the Directors, following an independent remuneration review. 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 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 AGM to communicate, in particular, with private investors, and the Chairman routinely makes a detailed presentation to shareholders updating them on the Company's performance and progress. The Public Relations team also attend the AGM and provide further information to shareholders about the Company through photo boards featuring pub and product information. The Board is keen to encourage institutional investors to attend the meeting as well, in line with the duties set out in the Stewardship Code for institutional shareholders published in July 2010, especially if they have concerns over any issues being voted upon at the AGM, so that they can meet all the Directors and discuss them in person, and particularly if they have declined an invitation for an individual meeting. The Chairman arranges for the Chairman of the Company's Board Committees to answer relevant questions at the meeting and for all Directors to be present.

By Order of the Board

Marie Gracie, FCIS
Company Secretary

10 June 2011

Griffin Brewery
Chiswick Lane South
Chiswick, London W4 2QB

Directors' Remuneration Report

The principal purpose of this report for the 53 weeks ended 2 April 2011 is to inform shareholders of the Group's policy on Directors' Remuneration, as recommended by the Remuneration Committee. The report has been approved and adopted by the Board and has been prepared in accordance with the requirements of the Companies Act 2006, Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules and the Code. The information contained in the tables on pages 39 and 43 to 46 and in the description of non-cash emoluments in section B) and in the information about options and the LTIP outlined in sections E) and F), is subject to audit.

An ordinary resolution will be put to shareholders at the AGM on 29 July 2011 inviting them to consider and approve this report.

Remuneration Committee

The Remuneration Committee members are currently John Dunsmore (Chairman), Nick MacAndrew, Nigel Atkinson and Lynn Fordham. Members of the Committee have no personal financial interest in the Company, other than as shareholders and Directors. Details of the payments made to Non Executive Directors are set out on page 47.

The Committee is provided with independent advice from external consultants. Xafinity Consulting Limited provided the Committee and the Company with advice on matters relating to pensions. BDO LLP provided the Committee and the Company with advice in connection with the Company's LTIP and share option schemes. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee. The Committee commissioned PricewaterhouseCoopers to conduct an independent remuneration review and initial recommendations were delivered to the Committee in May 2010. The recommendations that came out of the review were discussed with key shareholders during the summer of 2010. Changes were subsequently made to the packages of the Executive Directors as a result of those recommendations. There were no changes made to the existing share incentive schemes following the review. The Committee believe that the existing schemes remain appropriate to the Company's current circumstances and prospects.

The Chairman of the Company, Michael Turner, may be invited to attend Committee meetings and advise, as appropriate, on the remuneration and performance of the other Executive Directors and related matters. The Committee is advised internally by the Company Secretary, Marie Gracie who also acts as Secretary to the Committee.

Remuneration Policy

It is the policy of the Remuneration Committee to provide competitive packages for the Executive Directors, which reflect the Group's performance against financial objectives, reward above average performance and which are designed to attract, retain and motivate high calibre executives. The Committee seeks to structure total benefit packages which align the interests of shareholders and Executive Directors. To this end, the Committee believes that it is appropriate to have a significant proportion of Executive Directors' packages made up of performance related elements and this is reflected in the use made of the Company's bonus scheme, LTIP and share option schemes. In addition, Executive Directors' packages include pension benefits, as discussed in section D) below. When setting the remuneration of Executive Directors, the Committee takes account of the Group's performance on environmental, social and governance matters. The Committee does not believe that the existing incentive structure raises any environmental, governmental or social risks by inadvertently motivating irresponsible behaviour.

The Committee have also considered, as suggested by the New UK Corporate Governance Code, whether in the event of misstatement or misconduct that there should be claw back provisions in directors' contracts. The Committee concluded that the package for Executive Directors contains a sufficient balance of short term and longer term incentives, and therefore it was not felt necessary to change the existing incentives in this respect.

Directors' Remuneration Report
continued

As mentioned above, the Committee commissioned a review of the total remuneration package of the Executive team during the last financial year. A key focus of the review was comparative salary positioning, particularly following some changes in responsibilities, but PricewaterhouseCoopers were also asked to comment briefly on other aspects of the total remuneration package. The Committee's aim remains to ensure that the Executive team are rewarded where long term growth and success are achieved.

Risk in relation to Remuneration

The Committee believes that the Company's remuneration policy is consistent with risk management, in that existing remuneration structures do not entice 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.

The various elements of executive remuneration and underlying policy are as follows:

A) SERVICE CONTRACTS

The Company's policy on the duration of Directors' contracts is that Executive Directors should have rolling service contracts terminable on no more than one year's notice served by the Company or Director. The Company's policy on early termination of contracts is that each Executive Director is entitled to a payment equal to salary and the value of all benefits for the unexpired period of his notice, without any reduction for mitigation. Service contracts reflect this policy and the Remuneration Committee believes that such payments are set at a fair level and that therefore a mitigation clause is unnecessary.

Service Contract Table

	Date of contract	Notice period
Michael Turner	1 June 1997	12 months
Simon Emeny	13 January 1999	12 months
James Douglas	31 July 2007	12 months
Richard Fuller	8 December 2009	12 months

Non Executive Directors' Arrangements

	Date of letter of appointment	Term expires
Nick MacAndrew	5 September 2001	July 2011
Nigel Atkinson	10 April 2006	July 2012
John Dunsmore	21 January 2009	January 2012
Sir James Fuller	1 June 2010	May 2013
Lynn Fordham	25 January 2011	January 2012

Directors' Remuneration Report
continued

B) DIRECTORS' EMOLUMENTS AND OTHER PAYMENTS TO CURRENT AND FORMER DIRECTORS

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

	Basic salary £000	Car allowance £000	Fees & Consultancy[7] £000	Benefits in kind £000	Bonus £000	Payments to past Directors £000	**Total 2011 £000**	**Defined contribution pension 2011 £000**	Total 2010 £000	Defined contribution pension 2010 £000
Michael Turner	368	20	–	3	199	–	**590**	**–**	487	–
Simon Emeny	275	17	–	6	167	–	**465**	**27**	375	20
James Douglas	243	18	–	3	131	–	**395**	**37**	330	36
Richard Fuller[1]	148	–	–	23	52	–	**223**	**–**	77	–
Tim Turner[2]	–	–	–	–	–	–	**–**	**–**	275	–
John Roberts[3]	186	17	–	3	–	350	**556**	**13**	313	13
Anthony Fuller[4]	–	–	14	1	–	15	**30**	**–**	42	–
Nick MacAndrew	–	–	59	1	–	–	**60**	**–**	56	–
Nigel Atkinson	–	–	44	3	–	–	**47**	**–**	46	–
John Dunsmore	–	–	49	–	–	–	**49**	**–**	45	–
Sir James Fuller[5]	–	–	33	1	–	–	**34**	**–**	–	–
Lynn Fordham[6]	–	–	11	–	–	–	**11**	**–**	–	–
Total	**1,220**	**72**	**210**	**44**	**549**	**365**	**2,460**	**77**	2,046	69

[1] *Richard Fuller was appointed on 8 December 2009 and so served only four months in 2010.*
[2] *Tim Turner retired on 31 March 2010.*
[3] *John Roberts resigned as a Director on 1 March 2011.*
[4] *Anthony Fuller retired on 23 July 2010, although he remains President of the Company.*
[5] *Sir James Fuller was appointed on 1 June 2010.*
[6] *Lynn Fordham was appointed on 18 January 2011.*
[7] *Within fees and consultancy, Anthony Fuller received consultancy fees of £4,000 for the period up to his retirement on 23 July 2010 and Sir James Fuller received consultancy fees of £4,000 for the period from 1 June 2010 in relation to their family shareholder liaison roles.*

John Roberts resigned from the Board on 1 March 2011. The Company and Mr Roberts agreed that it was mutually beneficial that Mr Roberts should not have to serve his one year notice period. The Company agreed to pay Mr Roberts the sum of £349,705, which represented one year's salary and benefits, and a proportion of his accrued bonus and LTIP entitlements for the period up to 1 March 2011.

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.

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 the Directors' pay review was influenced by the information provided to the Committee by PricewaterhouseCoopers. Simon Emeny's salary was increased to reflect the increased level of responsibility in his new role. Michael Turner and James Douglas' salaries were increased because PWC's review indicated that their salaries were well below the median for a range of comparable companies. A car allowance is paid to Directors (other than Richard Fuller) to allow them to purchase and maintain cars at their own expense – this is a non-pensionable amount. These Directors are also reimbursed for business related mileage. Richard Fuller has a company car and that and his fuel, which is paid for by the Company, are taxable benefits. Other non-cash benefits to Executive Directors include private healthcare and product allowances. These benefits are also extended to some other employees.

Simon Emeny is a Non Executive Director of Dunelm plc. He retains fees of £30,000 per annum in respect of this position.

The Committee are kept appraised of the pay reviews awarded to employees and any changes in their terms and conditions, so that these can be taken into account when determining Directors' remuneration for the relevant financial year.

Directors' Remuneration Report
continued

C) BONUSES

Executive Directors and senior management participate in the Company's performance related bonus scheme by invitation. All payments under the scheme are discretionary and non-pensionable. The scheme includes a proviso that where bonuses are due to be paid in a year in which profits have declined to a specified degree, the Committee will assess the performance of the Group relative to a peer group of companies which they have selected. They will only authorise payments where the Group has performed better than the average of this peer group and where the Committee also believes the Group's performance represents outperformance.

Richard Fuller earns a bonus in part by achieving a profit target for the Beer Company and in part where the Group achieves a growth target in pre-tax pre-exceptional earnings per share. Prior to his promotion to Group Managing Director, Simon Emeny received a bonus in part based on profits of Fuller's Inns and in part based on the Group target. Thereafter, as for the other Board members, his bonus was based just on the Group target.

The target for the bonus, which is set in March each year for the following year, includes the cost of the bonus itself. The 2010/2011 scheme for Executive Directors provided a bonus opportunity of a maximum of 75% of base salary. This has been increased from 50% albeit that the PricewaterhouseCoopers review revealed that the normal bonus level for comparable board level positions was 100% of salary. The Committee reviewed the bonus scale for the extended bonus scheme carefully to ensure that the increased amount available was subject to a suitably stretching target.

In respect of that new target, Michael Turner and James Douglas each earned a bonus of 52.5% of salary, Simon Emeny earned a bonus of 51.4% of salary and Richard Fuller earned a bonus of 34.6% of salary.

D) PENSIONS

Michael Turner is a deferred member of the defined benefit Company pension plan, under the Directors' section. Richard Fuller is a member of the defined benefit Company pension plan, under the Directors' section, on a non-contributory basis.

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 was paid by the Company to his nominated pension provider.

James Douglas is a member of the defined contribution Company pension plan. In addition to the contribution that James Douglas makes to the Scheme, the Company makes a contribution of 17.5% of his salary to the Scheme.

In accordance with the requirements of the Listing Rules, Directors' pension entitlements under defined benefit plans are shown below. The Companies Act 2006 requires the disclosure of similar information but in a different format and not adjusting for inflation, while the Listing Rules requirement makes allowance for inflation.

The following tables provide the information required on both bases. The additional notes are to help shareholders understand the difference between the two. Michael Turner withdrew from the Directors' section of the defined benefit Company pension plan sponsored by the Company on 5 April 2006. Immediately before he left the plan the Company augmented his accrued entitlement so that he will receive his promised pension at age 60 presuming he remains with the Company until then. The value of this augmentation is taken into account in the figures in the table below. The Company made a lump sum payment of £620,000 into the plan on 3 April 2006 in order to fund the augmentation for Michael Turner and former Director Tim Turner. If Michael Turner leaves the Company before he is 60, he will be obliged to repay the value of the augmentation relating to the period from his date of leaving up to his 60th birthday.

Directors' Remuneration Report
continued

Listing Rules Requirement

	Increase in accrued pension (allowing for inflation)[1] £	Total accrued pension at end of period[2] £	Transfer value of increase (net of member contributions)[3] £
Michael Turner	32,910	251,429	1,017,642
Simon Emeny	1,296	17,160	17,160
Richard Fuller	3,752	76,591	85,492
Tim Turner[4]	n/a	n/a	n/a
John Roberts[5]	1,121	16,985	23,495

[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 – this is what the Director is entitled to receive as an annual pension based on service to date.
[3] Transfer value of increase (net of member contributions) – this is the transfer value of the accrued pension at the end of the year less the transfer value of the accrued pension at the start of the year adjusted for inflation calculated by reference to transfer value factors at the year end. The transfer values are calculated using the basis in force at the end of the year. Therefore there is no distortion caused by changes in monetary conditions or changes to the transfer basis.
[4] Tim Turner reached retirement age on 8 December 2009 and thereafter was drawing his pension and so accrued no further benefits. He retired from the Company on 31 March 2010.
[5] John Roberts resigned as a Director on 1 March 2011, therefore the table above shows movements up to 1 March 2011.

The above table is intended to show the real increase in accrued pension and the real increase in transfer value during the year. These figures therefore exclude the impact of inflation during the year.

Companies Act 2006 Requirement

The table below is intended to show the actual increase in accrued pension during the year and the actual increase in transfer value during the year. These figures are not adjusted for inflation during the year.

	Increase in accrued pension[1] £	Total accrued pension at end of period[2] £	Transfer value at start of period[3] £	Transfer value at end of period[4] £	Transfer value equivalent of increase (net of member contributions)[5] £
Michael Turner	44,000	251,429	4,360,850	5,815,093	1,454,243
Simon Emeny	2,101	17,160	103,044	140,146	37,102
Richard Fuller	7,449	76,591	633,129	879,017	245,888
Tim Turner[6]	n/a	n/a	2,735,573	n/a	n/a
John Roberts[7]	1,926	16,985	156,332	207,183	50,851

[1] Increase in accrued pension – this is the accrued pension at the year end less the accrued pension at the start of the year (as disclosed last year), without adjustment for inflation.
[2] Total accrued pension at end of year – this is the same figure as the Listing Rules requirement.
[3] Transfer value at start of year – this is the transfer value of the accrued pension at the start of the year (as disclosed last year).
[4] Transfer value of end of year – this is the transfer value of the accrued pension at the end of the year.
[5] Transfer value equivalent of increase (net of member contributions) – this is the difference between the two transfer values less any member contributions in the year. Unlike the Listing Rules requirement, this shows the difference between the transfer value as published last year and the transfer value at the year end. The transfer value this year end will reflect pensionable salary increases since last year, the addition of another year's accrual of benefit and market movements in equities and gilts over the year to which transfer values are referenced.
[6] Tim Turner reached retirement age on 8 December 2009 and thereafter was drawing his pension and so accrued no further benefits. He retired from the Company on 31 March 2010.
[7] John Roberts resigned as Director on 1 March 2011, therefore the table above shows movements up to 1 March 2011.

E) SHARE OPTION SCHEMES AND SIP

The Company encourages Executive Directors, senior management and qualifying employees to acquire and hold Fuller's shares, and believes that equity-based reward programmes align the interests of Directors, and employees in general, with those of shareholders.

i) Executive and Senior Executive Share Option Schemes

The Company has an HMRC approved Executive Share Option Scheme (the "Approved Scheme") which incorporates performance targets and restrictions. Under this scheme, senior executives and other staff may be issued share options up to the HMRC maximum value of £30,000 at any one time. For options to vest, growth in earnings per share adjusted principally to exclude exceptional items ("Normalised EPS") must exceed growth in the Retail Price Index ("RPI") by at least nine per cent over the three year vesting period. Once the options have vested they must be exercised within the following seven years. 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 Company also has a Senior Executive Share Option Scheme (the "Senior Scheme"). The maximum benefit granted under the Senior Scheme equates to 20% of salary per annum subject to the discretion of the Remuneration Committee. Currently the only participants in the Senior Scheme are Executive Directors. For options to vest under the Senior Scheme, growth in Normalised EPS must exceed growth in RPI by at least nine per cent over a three year period. If this is achieved 40% of the award will vest. If Normalised EPS exceeds RPI by more than 21%, 100% of the award will vest. 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 the options only become exercisable against the background of a sustained real increase in the financial performance of the Group. Once the options have vested they must be exercised within the following seven years.

For both the Approved Scheme and the Senior Scheme the assessment as to whether the performance conditions have been met is relatively straightforward in that the Remuneration Committee determines this using the earnings per share information which is published in the Group's Annual Report and Accounts. However, the level of vesting is confirmed by BDO LLP, based on earnings per share calculations provided by the Group.

ii) Savings Related Share Option Scheme (the "SAYE Scheme")

The Company also operates an SAYE Scheme, which is available to all Company employees 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. 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. The aim of the SAYE Scheme is to encourage share ownership at all levels of the Company. Performance conditions are not applied to the SAYE Scheme.

iii) Share Incentive Plan ("SIP")

All Company employees with not less than five months service in November in any year are eligible to receive free 40p 'A' ordinary shares in December of that year through an HMRC approved SIP. The shares are held by the Trustees of the scheme for a minimum of three years and a maximum of five years before being passed on to participants. The amount of shares awarded is based on length of service and base salary. The maximum value of the shares allowable under the SIP to any individual in any one year is £3,000. Performance conditions are not applied to the SIP.

Details of all options granted to Executive Directors are given in the table on pages 43 to 44 and details of all options granted are in note 27.

Directors’ Remuneration Report
continued

Directors’ Share Options

	At 27 March 2010 or date of appointment	Exercised	Lapsed	Granted	At 2 April 2011 or leaving date	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Type	Cost of options under SAYE schemes £	Price at exercise date £	Notional gain on exercise £
Michael Turner	14,150	–	–	–	**14,150**	2.12	25/6/03	25/6/06	24/6/13	A	–	–	–
	11,660	–	–	–	**11,660**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	3,375	(3,375)	–	–	**–**	2.93	1/9/05	1/9/10	1/3/11	S	9,889	5.55	8,843
	10,040	–	–	–	**10,040**	4.98	18/7/06	18/7/09	18/7/16	U	–	–	–
	7,985	–	(2,396)	–	**5,589**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	15,308	–	–	–	**15,308**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	1,966	–	–	–	**1,966**	3.31	1/9/08	1/9/13	1/3/14	S	6,507	–	–
	12,916	–	–	–	**12,916**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	–	–	–	11,245	**11,245**	5.78	12/7/10	12/7/13	12/7/20	U	–	–	–
	–	–	–	1,997	**1,997**	4.64	1/9/10	1/9/15	1/3/16	S	9266	–	–
	–	–	–	1,746	**1,746**	6.30	30/11/10	30/11/13	30/11/20	U	–	–	–
	77,400	(3,375)	(2,396)	14,988	**86,617**								
Simon Emeny	9,100	–	–	–	**9,100**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	4,277	(4,277)	–	–	**–**	2.93	1/9/05	1/9/10	1/3/11	S	12,532	5.70	11,847
	6,022	–	–	–	**6,022**	4.98	18/7/06	18/7/09	17/7/16	A	–	–	–
	2,007	–	–	–	**2,007**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	6,122	–	(1,837)	–	**4,285**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	11,753	–	–	–	**11,753**	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	–	–
	9,916	–	–	–	**9,916**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	–	–	–	8,650	**8,650**	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	**859**	6.30	30/11/10	30/11/13	30/11/20	U	–	–	–
	50,377	(4,277)	(1,837)	12,039	**56,302**								
James Douglas	7,407	–	–	–	**7,407**	4.05	15/7/08	15/7/11	15/7/18	A	–	–	–
	2,814	–	–	–	**2,814**	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	**7,508**	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	–	–
	–	–	–	1,047	**1,047**	6.30	30/11/10	30/11/13	30/11/20	U	–	–	–
	18,846	–	–	10,494	**29,340**								
Richard Fuller	9,532	–	–	–	**9,532**	2.62	5/7/04	5/7/07	5/7/14	A	–	–	–
	1,125	(1,125)	–	–	**–**	2.93	1/9/05	1/9/10	1/3/11	S	3,296	5.700	3,116
	820	–	–	–	**820**	3.92	1/9/06	1/9/11	1/3/12	S	3,214	–	–
	1,966	–	–	–	**1,966**	3.31	1/9/08	1/9/13	1/3/14	S	6,507	–	–
	801	–	–	–	**801**	3.88	1/9/09	1/9/14	1/3/15	S	3,108	–	–
	–	–	–	4,321	**4,321**	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	–	–
	14,244	(1,125)	–	5,855	**18,974**								
Total[1]	**160,867**	**(8,777)**	**(4,233)**	**43,376**	**191,233**								

[1] *Total share options of current Directors.*

Directors' Remuneration Report
continued

Directors' Share Options continued

	At 27 March 2010 or date of appointment	Exercised	Lapsed	Granted	At 2 April 2011 or leaving date	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Type	Cost of options under SAYE schemes £	Price at exercise date £	Notional gain on exercise £
Tim Turner[2]	5,823	–	–	–	**5,823**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	4,257	–	(1,277)	–	**2,980**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	7,407	–	–	–	**7,407**	4.05	15/7/08	15/7/11	15/7/18	A	–	–	–
	987	–	(395)	–	**592**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	1,135	–	(365)	–	**770**	3.31	1/9/08	1/9/13	1/3/14	S	3,757	–	–
	7,083	–	(4,725)	–	**2,358**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	1,403	–	(900)	–	**503**	3.88	1/9/09	1/9/12	1/3/13	S	5,444	–	–
	28,095	–	(7,662)	–	**20,433**								
John Roberts[3]	8,173	–	–	–	**8,173**	3.67	19/7/05	19/7/08	18/7/15	A	–	–	–
	7,228	–	–	–	**7,228**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	5,057	–	(1,517)	–	**3,540**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	9,654	–	(9,654)	–	**–**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	2,950	–	(2,950)	–	**–**	3.31	1/9/08	1/9/13	1/3/14	S	9,765	–	–
	8,145	–	(8,145)	–	**–**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	1,603	–	(1,603)	–	**–**	3.88	1/9/09	1/9/12	1/3/13	S	6,220	–	–
	–	–	(6,920)	6,920	**–**	5.78	12/7/10	12/7/13	12/7/20	U	–	–	–
	42,810	–	(30,789)	6,920	**18,941**								
Total[4]	**231,772**	**(8,777)**	**(42,684)**	**50,296**	**230,607**								

[2] Tim Turner retired on 31 March 2010. [3] John Roberts resigned as a Member of the Board on 1 March 2011. [4] Total share options of current Directors plus total share options on the date they ceased to be a Director for Tim Turner and John Roberts who were no longer Directors at 2 April 2011.

Directors' Options Analysed by Exercise Price (£)

Exercise Price (£)	At 2 April 2011*	At 27 March 2010
2.12	**14,150**	14,150
2.62	**9,532**	9,532
2.93	**–**	8,777
3.67	**20,760**	28,933
3.92	**820**	820
4.98	**18,069**	31,120
7.51	**9,874**	23,421
3.31	**5,112**	9,197
4.05	**37,282**	55,330
4.80	**31,457**	46,685
3.88	**801**	3,807
5.78	**32,593**	–
4.64	**7,131**	–
6.30	**3,652**	–
Total	**191,233**	231,772

**The number of options at 2 April 2011 excludes 20,433 in respect of Tim Turner and 18,941 in respect of John Roberts, who were no longer Directors at the year end.*
The market price of the shares at 2 April 2011 was £5.96 and the range during the year was from £5.15 to £6.32.

Directors' Remuneration Report
continued

F) Long Term Incentive Plan ("LTIP")

The aim of the LTIP is to align the efforts of Directors and senior managers with the Company's objective of creating shareholder value and increasing earnings per share in the longer term. The performance conditions for the LTIP were chosen accordingly and all subsisting LTIP awards have a performance condition wholly based on growth in earnings per share adjusted principally to exclude exceptional items ("Normalised EPS"). The Normalised EPS based measure ensures that awards only become exercisable against a background of a sustained real increase in the financial performance of the Group. The Remuneration Committee have reviewed this scheme and the other incentive schemes in light of the new UK Corporate Governance Code and at present do not feel it is appropriate to introduce any non financial metrics into any of the schemes.

To assess the awards, the average growth in Normalised EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the date of grant. No vest occurs if the Normalised EPS growth fails to exceed the RPI by at least 9% over the period (for LTIP grants made up to July 2008 this was 6%). 40% of the award vests if the target is hit, and there is a sliding scale above that point (sliding scale from 25% for grants made up to 2008). Some institutional shareholders believe that this is too high a percentage for the first point of vest, but the Remuneration Committee believe that it is fair given that the hurdle rate has been raised, that grants can never exceed more than 100% of salary under the scheme (which is modest compared to many other schemes) and that in some years, there is unlikely to be a vest at all. For a 100% award of shares to be made, growth in Normalised EPS would need to exceed the growth in RPI by 24% or more over the period (21% for grants made up to 2008). The Remuneration Committee determines whether the Normalised EPS performance condition has been met using the earnings per share information which is published in the Group's Annual Report and Accounts. BDO LLP confirm the level of vesting of awards based on earnings per share calculations provided by the Group.

Under the LTIP, the rules allow for discretionary annual awards of 'A' (listed) and 'B' (unlisted) ordinary shares up to a value representing 100% of a participant's salary in any one year (80% for grants made up to 2008). The rules do however allow for the substitution of 'A' shares for 'B' shares if the LTIP Trustee holds insufficient 'B' shares to satisfy awards as they vest. For awards made up to and including 2006, where shares vest, participants were invited to re-deposit half of their shares for a further three year period. The Company then made a matched share award up to the number of shares deposited. Both the deposited shares and the matched shares award are released to the participants in full after the second three year period, providing the participant is still employed by the Company. The practice of offering matching awards was discontinued after the award made in July 2006. Details of the awards made during the year to Directors are given in the following tables.

In all cases the LTIP grants were calculated by reference to the middle market quotation as at the following dates:

Date	'A' ordinary shares £	'B' ordinary shares £
4 July 2004	2.62	0.26
18 July 2005	3.67	0.37
17 July 2006	4.98	0.50
16 July 2007	7.51	0.75
28 November 2007	6.30	0.63
14 July 2008	4.05	0.41
15 July 2009	4.80	0.48
12 July 2010	5.78	0.58
30 November 2010	6.30	0.63

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.

Directors' Remuneration Report
continued

Directors' LTIP Movements in the Year

		Total held at 27 March 2010	Granted during year	Original awards vested	Matching awards vested	Lapsed during year	Total held at 2 April 2011 (or leaving date)	Monetary value of vest* £'000
Michael Turner	'A' ordinary 40p	137,449	51,966	(13,417)	(12,517)	(5,750)	157,731	146
	'B' ordinary 4p	343,639	129,916	(33,545)	(31,297)	(14,377)	394,336	36
Simon Emeny	'A' ordinary 40p	106,103	38,041	(10,287)	(9,830)	(4,408)	119,619	113
	'B' ordinary 4p	265,268	95,102	(25,718)	(24,580)	(11,022)	299,050	28
James Douglas	'A' ordinary 40p	66,713	34,224	(5,376)	–	(2,304)	93,257	33
	'B' ordinary 4p	166,783	85,562	(13,440)	–	(5,760)	233,145	8
Richard Fuller	'A' ordinary 40p	37,263	20,761	(3,857)	(4,350)	(1,653)	48,164	46
	'B' ordinary 4p	93,167	51,903	(9,644)	(10,877)	(4,133)	120,416	12
Tim Turner[1]	'A' ordinary 40p	76,555	–	–	–	(35,006)	41,549	–
	'B' ordinary 4p	191,394	–	–	–	(87,513)	103,881	–
John Roberts[2]	'A' ordinary 40p	88,945	27,681	(8,498)	(8,732)	(99,396)	–	97
	'B' ordinary 4p	222,368	69,204	(21,245)	(21,830)	(248,497)	–	24

** The market price of 'A' shares on 19 July 2010 for the Original LTIP 10 awards vested and Matching awards vested was £5.62. Thus we assume a "market" price for 'B' shares of £0.562. The market price of 'A' shares on 30 November 2010 for the Original LTIP 10a award vested (James Douglas only) was £6.19. Thus we assume a 'market' price for 'B' shares of £0.619.*

[1] Tim Turner retired on 31 March 2010.
[2] John Roberts resigned as a Director on 1 March 2011.

The table above excludes vested shares that have been redeposited with the LTIP Trust in order to obtain the matching grant and both the opening and vested figures include those awards converted to restricted awards on 12 March 2010.

Directors' LTIP Grants Held at 2 April 2011

Grant		LTIP 8	LTIP 9	LTIP 11	LTIP 12	LTIP 13	
Grant date		19 July 05	18 July 06	15 July 08	16 July 09	12 July 10/ 30 Nov 10	
Start of performance period		April 05	April 06	April 08	April 09	April 10	Total at
End of performance period		March 08	March 09	March 11	March 12	March 13	2 April
Matching period end		18 July 11	17 July 12	n/a	n/a	n/a	2011
Michael Turner	'A' ordinary 40p	9,328	8,031	36,740	51,666	51,966	157,731
	'B' ordinary 4p	23,323	20,080	91,851	129,166	129,916	394,336
Simon Emeny	'A' ordinary 40p	7,280	6,425	28,207	39,666	38,041	119,619
	'B' ordinary 4p	18,201	16,063	70,518	99,166	95,102	299,050
James Douglas	'A' ordinary 40p	–	–	24,533	34,500	34,224	93,257
	'B' ordinary 4p	–	–	61,333	86,250	85,562	233,145
Richard Fuller	'A' ordinary 40p	3,268	2,650	10,577	10,908	20,761	48,164
	'B' ordinary 4p	8,173	6,626	26,444	27,270	51,903	120,416

Directors' Remuneration Report
continued

G) REMUNERATION POLICY FOR NON EXECUTIVE DIRECTORS

The remuneration of the Non Executive Directors is determined by the Executive Committee. The policy is to ensure in all cases that the fees paid are not out of line with the market and go some way towards rewarding the Non Executives for the time they commit to their various roles. Accordingly 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 or being a member of the Audit and Remuneration Committees. Sir James Fuller receives a consultancy fee for his work in liaising with family shareholders. It is the Company's policy that Non Executive Directors should 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 Nigel Atkinson, who is a deferred member of the Gales section of the defined benefit Company pension plan, accrued when he was Managing Director of Gales.

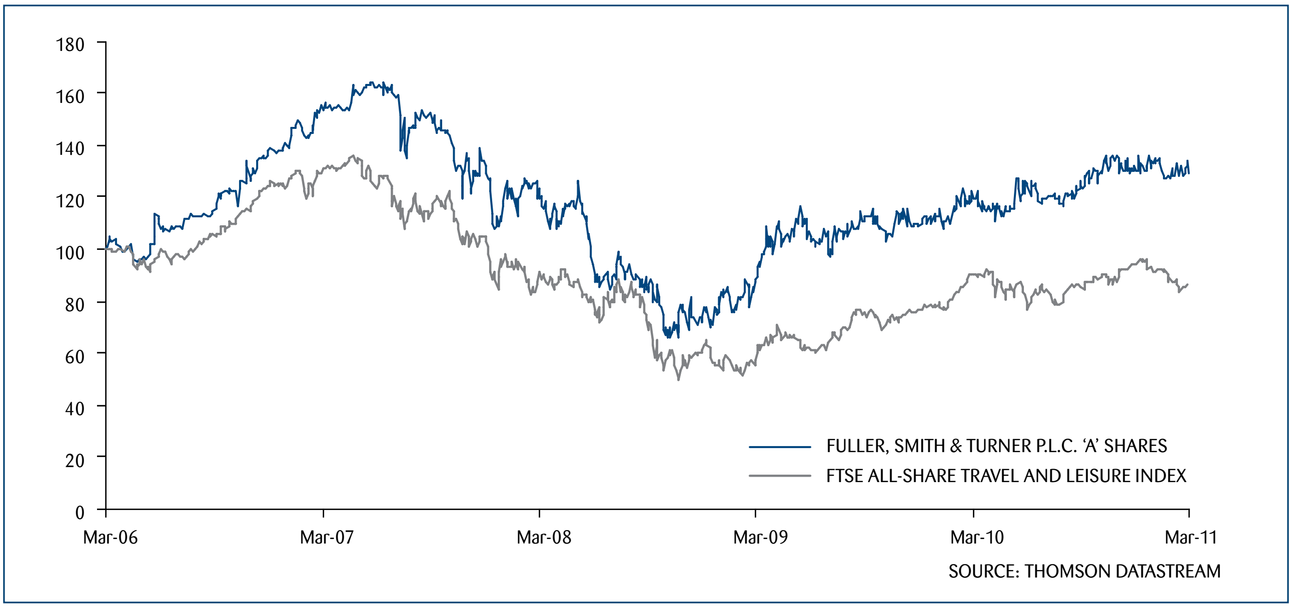
Non Executive Directors receive a product allowance and are reimbursed for travel and other business related expenses. Nigel Atkinson also benefits from private healthcare.

None of the Non Executive Directors have service contracts and their appointments are reviewed at between one and three yearly intervals. They are renewable as shown on page 38.

H) PERFORMANCE GRAPH

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

Total Shareholder Return



On behalf of the Board

John Dunsmore
Chairman, Remuneration Committee

10 June 2011

Independent Auditors' 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 53 weeks ended 2 April 2011 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 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 30, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 April 2011 and of the Group's profit for the 53 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on pages 31 to 36 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
We have nothing to report in respect of the following:

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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 19, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Les Clifford (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

10 June 2011

Group Income Statement
for the 53 weeks ended 2 April 2011

	Note	53 weeks ended 2 April 2011 Before exceptional items £m	Exceptional items £m	Total £m	52 weeks ended 27 March 2010 Before exceptional items £m	Exceptional items £m	Total £m
Revenue	3	**241.9**	**–**	**241.9**	227.7	–	227.7
Operating costs	4, 5	**(207.8)**	**(1.0)**	**(208.8)**	(195.7)	(0.9)	(196.6)
Operating profit		**34.1**	**(1.0)**	**33.1**	32.0	(0.9)	31.1
Profit on disposal of properties	5	**–**	**2.7**	**2.7**	–	1.1	1.1
Finance revenue	6	**0.1**	**–**	**0.1**	–	–	–
Finance costs	7	**(4.9)**	**–**	**(4.9)**	(5.4)	–	(5.4)
Profit before tax		**29.3**	**1.7**	**31.0**	26.6	0.2	26.8
Taxation	5, 8	**(8.3)**	**2.1**	**(6.2)**	(7.5)	(0.1)	(7.6)
Profit for the year attributable to equity shareholders of the Parent Company		**21.0**	**3.8**	**24.8**	19.1	0.1	19.2

Earnings per share per 40p 'A' and 'C' ordinary share		2011 Pence	2011 Pence	2010 Pence	2010 Pence
Basic	9		**44.12**		34.37
Diluted	9		**43.30**		33.82
Adjusted	9	**37.36**		34.19	
Diluted adjusted	9	**36.67**		33.64	

Earnings per share per 4p 'B' ordinary share		2011 Pence	2011 Pence	2010 Pence	2010 Pence
Basic	9		**4.41**		3.44
Diluted	9		**4.33**		3.38
Adjusted	9	**3.74**		3.42	
Diluted adjusted	9	**3.67**		3.36	

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

Group and Company Statements of Comprehensive Income
for the 53 weeks ended 2 April 2011

Group	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Profit for the year	**24.8**	19.2
Net gains on valuation of financial assets and liabilities (note 25)	**1.8**	0.9
Net actuarial gains/(losses) on pension scheme (note 22)	**6.0**	(4.5)
Tax on components of other comprehensive income (note 8)	**(2.4)**	1.1
Other comprehensive income/(loss) for the year, net of tax	**5.4**	(2.5)
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company	**30.2**	16.7

Company	£m	£m
Profit for the year	**22.7**	17.4
Net gains on valuation of financial assets and liabilities	**1.5**	0.8
Net actuarial gains/(losses) on pension scheme (note 22)	**6.0**	(4.5)
Tax on components of other comprehensive income	**(2.3)**	1.1
Other comprehensive income/(loss) for the year, net of tax	**5.2**	(2.6)
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company	**27.9**	14.8

Balance Sheets

2 April 2011

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Non-current assets					
Goodwill	11	**23.9**	23.9	**–**	–
Property, plant and equipment	12	**342.8**	348.2	**342.8**	348.2
Investment properties	13	**10.0**	9.3	**4.7**	4.0
Derivative financial assets	14	**1.5**	–	**1.5**	–
Other non-current assets	15	**0.4**	0.4	**0.4**	0.4
Investments in subsidiaries	16	**–**	–	**91.8**	91.8
Deferred tax assets	24	**4.1**	6.1	**3.7**	5.7
Total non-current assets		**382.7**	387.9	**444.9**	450.1
Current assets					
Inventories	17	**8.8**	7.6	**8.8**	7.6
Trade and other receivables	18	**18.8**	15.6	**18.8**	15.6
Cash and short term deposits	21	**3.7**	1.1	**3.7**	1.1
Total current assets		**31.3**	24.3	**31.3**	24.3
Assets classified as held for sale	19	**0.2**	0.6	**0.2**	0.6
Current liabilities					
Borrowings	21	**–**	81.4	**–**	71.4
Derivative financial liabilities	14	**–**	0.6	**–**	0.3
Trade and other payables	20	**38.8**	39.7	**121.9**	130.8
Current tax payable		**4.5**	3.8	**4.5**	3.8
Provisions	24	**0.3**	0.4	**0.3**	0.4
Total current liabilities		**43.6**	125.9	**126.7**	206.7
Non-current liabilities					
Borrowings	21	**92.2**	27.4	**92.2**	27.4
Retirement benefit obligations	22	**6.4**	12.7	**6.4**	12.7
Deferred tax liabilities	24	**33.7**	37.5	**32.2**	36.0
Provisions	24	**2.1**	2.1	**2.1**	2.1
Total non-current liabilities		**134.4**	79.7	**132.9**	78.2
Net assets		**236.2**	207.2	**216.8**	190.1
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	**(3.1)**	(4.0)	**(3.1)**	(4.0)
Hedging reserve	26	**0.9**	(0.4)	**0.9**	(0.2)
Retained earnings		**207.7**	180.9	**188.3**	163.6
Total shareholders' equity		**236.2**	207.2	**216.8**	190.1

Approved by the Board and signed on 10 June 2011.

M J Turner, FCA
Chairman

Group and Company Statements of Changes in Equity

for the 53 weeks ended 2 April 2011

Group	Share capital (note 26) £m	Share premium account £m	Capital redemption reserve £m	Own shares (note 26) £m	Hedging reserve £m	Retained earnings £m	Total £m
At 28 March 2009	22.8	4.8	3.1	(5.9)	(1.1)	173.3	197.0
Profit for the year	–	–	–	–	–	19.2	19.2
Other comprehensive income/(loss) for the year	–	–	–	–	0.7	(3.2)	(2.5)
Total comprehensive income for the year	–	–	–	–	0.7	16.0	16.7
Shares purchased to be held in ESOT or as treasury	–	–	–	(0.8)	–	–	(0.8)
Shares released from ESOT and treasury	–	–	–	2.7	–	(1.9)	0.8
Dividends (note 10)	–	–	–	–	–	(9.4)	(9.4)
Share-based payment charges	–	–	–	–	–	2.1	2.1
Tax credited directly to equity (note 8)	–	–	–	–	–	0.8	0.8
At 27 March 2010	22.8	4.8	3.1	(4.0)	(0.4)	180.9	207.2
Profit for the year	**–**	**–**	**–**	**–**	**–**	**24.8**	**24.8**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**1.3**	**4.1**	**5.4**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1.3**	**28.9**	**30.2**
Shares purchased to be held in ESOT or as treasury	**–**	**–**	**–**	**(1.3)**	**–**	**–**	**(1.3)**
Shares released from ESOT and treasury	**–**	**–**	**–**	**2.2**	**–**	**(1.7)**	**0.5**
Dividends (note 10)	**–**	**–**	**–**	**–**	**–**	**(3.3)**	**(3.3)**
Share-based payment charges	**–**	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Tax credited directly to equity (note 8)	**–**	**–**	**–**	**–**	**–**	**1.1**	**1.1**
At 2 April 2011	**22.8**	**4.8**	**3.1**	**(3.1)**	**0.9**	**207.7**	**236.2**

Company	£m	£m	£m	£m	£m	£m	£m
At 28 March 2009	22.8	4.8	3.1	(5.9)	(0.8)	157.8	181.8
Profit for the year	–	–	–	–	–	17.4	17.4
Other comprehensive income/(loss) for the year	–	–	–	–	0.6	(3.2)	(2.6)
Total comprehensive income for the year	–	–	–	–	0.6	14.2	14.8
Shares purchased to be held in ESOT or as treasury	–	–	–	(0.8)	–	–	(0.8)
Shares released from ESOT and treasury	–	–	–	2.7	–	(1.9)	0.8
Dividends (note 10)	–	–	–	–	–	(9.4)	(9.4)
Share-based payment charges	–	–	–	–	–	2.1	2.1
Tax credited directly to equity	–	–	–	–	–	0.8	0.8
At 27 March 2010	22.8	4.8	3.1	(4.0)	(0.2)	163.6	190.1
Profit for the year	**–**	**–**	**–**	**–**	**–**	**22.7**	**22.7**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**1.1**	**4.1**	**5.2**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1.1**	**26.8**	**27.9**
Shares purchased to be held in ESOT or as treasury	**–**	**–**	**–**	**(1.3)**	**–**	**–**	**(1.3)**
Shares released from ESOT and treasury	**–**	**–**	**–**	**2.2**	**–**	**(1.7)**	**0.5**
Dividends (note 10)	**–**	**–**	**–**	**–**	**–**	**(3.3)**	**(3.3)**
Share-based payment charges	**–**	**–**	**–**	**–**	**–**	**1.8**	**1.8**
Tax credited directly to equity	**–**	**–**	**–**	**–**	**–**	**1.1**	**1.1**
At 2 April 2011	**22.8**	**4.8**	**3.1**	**(3.1)**	**0.9**	**188.3**	**216.8**

Group and Company Cash Flow Statements
for the 53 weeks ended 2 April 2011

	Note	Group 53 weeks ended 2 April 2011 £m	Group 52 weeks ended 27 March 2010 £m	Company 53 weeks ended 2 April 2011 £m	Company 52 weeks ended 27 March 2010 £m
Profit before tax		**31.0**	26.8	**28.2**	24.2
Net finance costs		**4.8**	5.4	**7.7**	8.0
Exceptional items	5	**(1.7)**	(0.2)	**(1.7)**	(0.4)
Depreciation	4	**12.4**	11.5	**12.4**	11.5
Loss on disposal of property, plant and equipment		**0.1**	0.1	**0.1**	0.1
		46.6	43.6	**46.7**	43.4
Difference between pension charge and cash paid		**(0.4)**	(1.1)	**(0.4)**	(1.1)
Share-based payment charges	27	**1.8**	2.1	**1.8**	2.1
Change in trade and other receivables		**(2.5)**	0.6	**(2.5)**	0.6
Change in inventories		**(1.2)**	(1.5)	**(1.2)**	(1.5)
Change in trade and other payables		**(0.1)**	5.0	**(0.2)**	5.2
Cash impact of operating exceptional items	5	**0.4**	0.4	**0.4**	0.4
Cash generated from operations		**44.6**	49.1	**44.6**	49.1
Tax paid		**(8.6)**	(7.0)	**(8.6)**	(7.0)
Cash generated from operating activities		**36.0**	42.1	**36.0**	42.1
Cash flow from investing activities					
Purchase of property, plant and equipment		**(12.0)**	(44.1)	**(12.0)**	(44.1)
Sale of property, plant and equipment		**4.0**	2.4	**4.0**	2.4
Interest received		**–**	–	**–**	–
Net cash outflow from investing activities		**(8.0)**	(41.7)	**(8.0)**	(41.7)
Cash flow from financing activities					
Purchase of own shares	26	**(1.3)**	(0.8)	**(1.3)**	(0.8)
Receipts on release of own shares to option schemes		**0.5**	0.8	**0.5**	0.8
Interest paid		**(4.1)**	(4.4)	**(4.1)**	(4.4)
Preference dividends paid	10	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Equity dividends paid	10	**(3.3)**	(9.4)	**(3.3)**	(9.4)
Drawdown of bank loans	21	**65.5**	22.5	**65.5**	22.5
Repayment of bank loans	21	**(80.2)**	(7.5)	**(80.2)**	(7.5)
Repayment of debenture stock and loan notes	21	**(1.2)**	(1.3)	**(1.2)**	(1.3)
Cost of refinancing and associated hedging		**(1.2)**	–	**(1.2)**	–
Net cash outflow from financing activities		**(25.4)**	(0.2)	**(25.4)**	(0.2)
Net movement in cash and cash equivalents		**2.6**	0.2	**2.6**	0.2
Cash and cash equivalents at the start of the year	21	**1.1**	0.9	**1.1**	0.9
Cash and cash equivalents at the end of the year	21	**3.7**	1.1	**3.7**	1.1

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 53 weeks ended 2 April 2011 were authorised for issue by the Board of Directors on 10 June 2011 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 53 weeks ended 2 April 2011, 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 £22.7 million (2010: £17.4 million). There was no dividend from subsidiary companies during the current year (2010: £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 53 weeks ended 2 April 2011.

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.

Adoption of New Standards and Interpretations:

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 28 March 2010:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended) including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39 effective 1 July 2009
- IAS 32 Classification of Rights Issues (amendment) effective 1 February 2010
- IAS 39 Eligible Hedged Items (amendment) effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009)

These new standards have not had an impact on the accounting policies, financial position or performance of the Group, except as detailed below:

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended)

The revised IFRS 3 introduces significant changes to the accounting for business combinations occurring after the effective date. The changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent remeasurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

1. Authorisation of Financial Statements and Accounting Policies continued

The amended IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor gains or losses.

This change in accounting policy will be applied prospectively and had no impact on current year results or information.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Fuller, Smith & Turner P.L.C. and the entities it controls (its subsidiaries) drawn up for the 53 weeks ended 2 April 2011 (2010: 52 weeks ended 27 March 2010).

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.

Goodwill

Business combinations on or after 28 March 2004 are accounted for under IFRS 3 using the purchase method. No goodwill has arisen from acquisitions made prior to 28 March 2004. 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 20 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.

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.

Notes to the Financial Statements
continued

1. Authorisation of Financial Statements and Accounting Policies continued

Impairment

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

Leases

Group as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Income Statement on a straight-line basis over the lease term. Premiums paid or payable on acquiring a new lease which are considered to be in consideration for a reduction in rent are spread on a straight-line basis over the term of the lease. Such premiums are classified in the Balance Sheet as current or non-current prepayments. Contingent rents are dependent on turnover levels and are expensed as incurred.

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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

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

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

Notes to the Financial Statements
continued

1. Authorisation of Financial Statements and Accounting Policies continued

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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

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

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

Foreign Currencies

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

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

Pensions and Other Post-Employment Benefits

Defined contribution schemes

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

Defined benefit scheme

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 recognised in the Income Statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year.

The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the Income Statement as other finance income or expense. 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.

Notes to the Financial Statements
continued

1. Authorisation of Financial Statements and Accounting Policies continued

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 and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Share-Based Payments

The Group has an employee Share Incentive Plan, that awards shares to employees based on the reported profits of the Group for the year, and a Long Term Incentive Plan 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.

The Group has taken advantage of the transitional provisions of IFRS 1 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

Own Shares

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

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

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

Notes to the Financial Statements
continued

1. Authorisation of Financial Statements and Accounting Policies continued

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 contract 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. Distributions received are recognised in the Income Statement. The cost of the investment held is subject to annual impairment review.

New Standards and Interpretations Issued But Not Yet Applied

At the reporting date, the IASB and IFRIC had 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 have not early adopted these standards and do not anticipate that the adoption of any of these standards and interpretations, wherever relevant to Fuller's, 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:

International Accounting Standards	Effective date
• IFRS 9 Financial Instruments	1 January 2013
• IAS 24 Related Party Disclosures (revised)	1 January 2011
International Financial Reporting Interpretations Committee	
• IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)	1 January 2011
• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
• Improvements to IFRSs (issued May 2010)	1 July 2010/1 January 2011

Significant Accounting Estimates and Judgements

The measurement and impairment of goodwill, plant, property and equipment and investment properties, the measurement of defined benefit pension obligations, and the provision for taxation have all required significant estimations and assumptions.

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 11, 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 12, 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 8 and 24.

Notes to the Financial Statements
continued

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
- Fuller's Beer Company, which comprises the brewing and distribution of beer, wines and spirits.

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 Chairman's Statement and Group Managing Director's Review on pages 2 to 13 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.

53 weeks ended 2 April 2011	Managed Pubs and Hotels £m	Tenanted Inns £m	Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	147.2	26.9	104.1	–	278.2
Inter-segment sales	–	–	(36.3)	–	(36.3)
Revenue from third parties	147.2	26.9	67.8	–	241.9
Segment result	18.1	9.9	8.8	(2.7)	34.1
Operating exceptional items					(1.0)
Operating profit					33.1
Profit on disposal of properties					2.7
Net finance costs					(4.8)
Profit before tax					31.0
Other segment information					
Capital expenditure:					
Property, plant and equipment	7.6	1.4	3.0	–	12.0
Depreciation	8.4	1.6	2.4	–	12.4
Impairment losses on property	0.9	0.5	–	–	1.4

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

Notes to the Financial Statements
continued

2. Segmental Analysis continued

52 weeks ended 27 March 2010	Managed Pubs and Hotels £m	Tenanted Inns £m	Fuller's Beer Company £m	Unallocated[1] £m	Total
Revenue					
Segment revenue	137.9	26.1	97.9	–	261.9
Inter-segment sales	–	–	(34.2)	–	(34.2)
Revenue from third parties	137.9	26.1	63.7	–	227.7
Segment result	15.8	9.9	8.9	(2.6)	32.0
Operating exceptional items					(0.9)
Operating profit					31.1
Profit on disposal of properties					1.1
Net finance costs					(5.4)
Profit before tax					26.8
Other segment information					
Capital expenditure:					
Property, plant and equipment	37.3	2.9	3.9	–	44.1
Depreciation	7.8	1.6	2.1	–	11.5
Impairment losses on property	1.3	0.7	–	–	2.0
Reversal of impairment losses on property	(1.0)	–	–	–	(1.0)
Impairment losses on goodwill	0.2	–	–	–	0.2

[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:

53 weeks ended 2 April 2011	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	**237.1**	**4.8**	**241.9**

52 weeks ended 27 March 2010	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	223.8	3.9	227.7

Sales to external customers disclosed in geographical information are based on the geographical location of its customers.

All of the Group's assets, liabilities and capital expenditure relate to the UK only (2011 and 2010).

FULLER'S INDEPENDENT FAMILY BREWERS ESTD 1845

Notes to the Financial Statements
continued

3. Revenue

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	**234.2**	220.0
Rental income	**7.7**	7.7
	241.9	227.7

4. Operating Costs

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Production costs and cost of goods used in retailing	**80.6**	74.7
Change in stocks of finished goods and beer in progress	**1.2**	1.5
Staff costs	**60.3**	58.0
Repairs to properties	**6.7**	5.7
Depreciation of property, plant and equipment	**12.4**	11.5
Operating lease rentals – minimum lease payments[1]	**5.7**	5.6
– contingent rents[2]	**1.1**	1.1
Exceptional items (note 5)	**1.0**	0.9
Other	**39.8**	37.6
	208.8	196.6

[1] *Included within minimum lease payments are sublease payments of £0.6 million (2010: £0.5 million).* [2] *Contingent rents are dependent on turnover levels.*

Details of income and direct expenses relating to rental income from investment properties are shown in note 13.

a) Auditors' Remuneration

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Fee payable to Company's auditors:		
Statutory audit fees of Group financial statements	**0.1**	0.1
	0.1	0.1

Total non-audit fees, relating to tax and covenants review, did not exceed £50,000 for either year.

b) Staff Costs*

	£m	£m
Wages and salaries**	**54.4**	52.8
Social security costs	**4.0**	4.0
Pension benefits	**1.9**	1.2
	60.3	58.0

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

c) Average Number of Employees*

The average monthly number of persons employed by the Group (including part-time staff) was as follows:	Number	Number
Fuller's Inns	**3,061**	2,958
Fuller's Beer Company	**288**	291
Central Services	**14**	14
	3,363	3,263

**Includes Directors.*

4. Operating Costs continued

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 37, 39 and 47. Three Directors had benefits accruing under defined benefit pension schemes at the end of the year (2010: four). One Director had benefits accruing under the Company's defined contribution scheme at the end of the year (2010: one).

5. Exceptional Items

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Amounts included in operating profit:		
Insurance claim	0.4	–
Impairment of properties	(1.4)	(2.0)
Reversal of impairment	–	1.0
Impairment of goodwill	–	(0.2)
VAT repayment	–	0.3
Total exceptional items included in operating profit	(1.0)	(0.9)
Profit on disposal of properties	2.7	1.1
Total exceptional items before tax	1.7	0.2
Exceptional tax:		
Change in corporation tax rate (see note 8)	2.6	–
Profit on disposal of properties	(0.8)	(0.3)
Operating expenses	0.3	0.2
Total exceptional tax	2.1	(0.1)
Total exceptional items	3.8	0.1

The insurance claim income of £0.4 million during the 53 weeks ended 2 April 2011 relates to the gain made on the disposal of a property destroyed by fire in the previous year, that was covered by an insurance claim, the proceeds of which were received during the year.

The property impairment charge of £1.4 million during the 53 weeks ended 2 April 2011 (2010: £2.0 million) represents a £1.3 million (2010: £2.0 million) write down of licensed properties to their recoverable value and a £0.1 million write down of investment properties to their recoverable value. The reversal of impairment credit of £1.0 million during the 52 weeks ended 27 March 2010 relates to the write back of previously impaired licensed properties to their recoverable value. See notes 12 and 13.

The goodwill impairment charge of £0.2 million during the 52 weeks ended 27 March 2010 relates to the write down of goodwill in relation to the Jacomb Guinness cash-generating unit where the total asset values exceeded their value in use (note 11).

The VAT repayment income of £0.3 million during the 52 weeks ended 27 March 2010 relates to the reclaim of VAT overpaid in previous years.

The profit on disposal of properties of £2.7 million during the 53 weeks ended 2 April 2011 (2010: £1.1 million) relates to the disposal of ten licensed and unlicensed properties (2010: five).

The cash impact of exceptional items before tax for the 53 weeks ended 2 April 2011 was £0.4 million cash inflow (2010: £0.4 million cash inflow).

Notes to the Financial Statements
continued

6. Finance Revenue

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Interest receivable from:		
Cash and cash equivalents	0.1	–
	0.1	–

7. Finance Costs

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	4.4	4.3
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	4.5	4.4
Finance charge on net pension liabilities	0.1	0.9
Unwinding of discounts on provisions	0.3	0.1
	4.9	5.4

8. Taxation

a) Tax on Profit on Ordinary Activities

Group	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	9.5	8.1
Amounts over provided in previous years	(0.1)	(1.0)
Total current income tax	9.4	7.1
Deferred tax:		
Origination and reversal of temporary differences	(0.6)	(0.4)
Change in corporation tax rate (note 5)	(2.6)	–
Amounts under provided in previous years	–	0.9
Total deferred tax	(3.2)	0.5
Total tax charged in the Income Statement	6.2	7.6
Tax relating to items charged/credited to the Statement of Comprehensive Income		
Deferred tax:		
Change in corporation tax rate	0.3	–
Net gains on valuation of financial assets and liabilities	0.5	0.2
Net actuarial gains/(losses) on pension scheme	1.6	(1.3)
Tax charge/(credit) included in the Statement of Comprehensive Income	2.4	(1.1)

Notes to the Financial Statements
continued

8. Taxation continued

a) Tax on Profit on Ordinary Activities continued

Tax relating to items charged directly to equity	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Deferred tax:		
Reduction in deferred tax liability due to indexation	(0.8)	(0.5)
Share-based payments	(0.2)	(0.1)
Current tax:		
Share-based payments	(0.1)	(0.2)
Tax credit included in the Statement of Changes in Equity	(1.1)	(0.8)

Deferred tax in the Income Statement		
(Decelerated)/accelerated tax depreciation	(2.8)	0.4
(Rolled over)/charged capital gains	(0.6)	–
Retirement benefit obligations	–	0.1
Tax losses carried forward	0.2	0.2
Employee share schemes	(0.1)	(0.1)
Others	0.1	(0.1)
	(3.2)	0.5

During the period the Finance Act 2010 and in connection with Finance Act 2011, a resolution under PCTA 1968, have both been "substantively enacted". The main impact is that the rate of UK corporation tax will reduce from 28% to 26% from 1 April 2011. To the extent that this rate change will affect the amount of future cash tax payments to be made by the Group, this will reduce the size of both the Group's balance sheet deferred tax liability and deferred tax asset. The impact in the 53 weeks ended 2 April 2011 is an exceptional credit to the income statement of £2.6 million, and a charge to the Statement of Comprehensive Income of £0.3 million.

Further reductions have been proposed, to reduce the rate to 25%, 24% and 23% on 1 April 2012, 2013 and 2014 respectively, however these changes have not yet been substantively enacted and the financial effects will only be recorded in future periods as legislation is introduced.

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 the UK of 28% (2010: 28%). The differences are reconciled below:

Group	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Profit from continuing operations before taxation	31.0	26.8
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2010: 28%)	8.7	7.5
Items not deductible for tax purposes	0.2	0.2
Current and deferred tax overprovided in previous years	(0.1)	(0.1)
Change in Corporation Tax rate	(2.6)	–
Total tax charged in the Income Statement	6.2	7.6

Notes to the Financial Statements
continued

9. Earnings Per Share

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Profit attributable to equity shareholders	**24.8**	19.2
Exceptional items net of tax	**(3.8)**	(0.1)
Adjusted earnings attributable to equity shareholders	**21.0**	19.1
	Number	Number
Weighted average share capital	**56,208,000**	55,858,000
Dilutive outstanding options and share awards	**1,062,000**	914,000
Diluted weighted average share capital	**57,270,000**	56,772,000

40p 'A' and 'C' ordinary share	**Pence**	Pence
Basic earnings per share	**44.12**	34.37
Diluted earnings per share	**43.30**	33.82
Adjusted earnings per share	**37.36**	34.19
Diluted adjusted earnings per share	**36.67**	33.64

4p 'B' ordinary share	**Pence**	Pence
Basic earnings per share	**4.41**	3.44
Diluted earnings per share	**4.33**	3.38
Adjusted earnings per share	**3.74**	3.42
Diluted adjusted earnings per share	**3.67**	3.36

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 775,935 (2010: 1,125,936).

Diluted earnings per share 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.

10. Dividends

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2010*: 1.15p (2009: 7.00p)	**0.6**	3.9
First interim dividend for 2011: 4.75p (2010: 4.50p)	**2.7**	2.5
Second interim dividend for 2010*: 5.35p	**–**	3.0
Equity dividends paid	**3.3**	9.4
Dividends on cumulative preference shares (note 7)	**0.1**	0.1

**The second interim dividend for the 52 weeks ended 27 March 2010 was paid on 5 March 2010. There was no second interim dividend for the 53 weeks ended 2 April 2011. The final dividend proposed for approval at the AGM in each year takes into account the level of interim dividends already paid during the year.*

Notes to the Financial Statements
continued

10. Dividends continued

	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Proposed for approval at the AGM:		
Final dividend 2011: 7.05p (2010: 1.15p)	**4.0**	0.6

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

11. Goodwill

Group	Cost £m	Provision £m	Net book value £m
At 28 March 2009	24.5	(0.4)	24.1
Impairment loss	–	(0.2)	(0.2)
At 27 March 2010 and at 2 April 2011	**24.5**	**(0.6)**	**23.9**

Goodwill is allocated to cash generating units as follows:	2011 £m	2010 £m
Gales estate	**22.7**	22.7
Jacomb Guinness estate	**1.2**	1.2
	23.9	23.9

Of the £22.7 million of goodwill relating to the Gales estate, £9.1 million relates to the 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 Hotels division.

Key assumptions used in value in use calculations:		
Long term growth rate	**3.0%**	3.0%
Pre-tax discount rate	**7.9%**	8.9%

Goodwill acquired through business combinations has been allocated for impairment testing on an estate 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. Cash flows beyond the budget period are extrapolated up to 5 years with a terminal value then calculated on the assumption that the growth rate does not exceed the average long term growth rate for the relevant markets. The pre-tax discount rate applied to cash flow projections is based upon 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 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; and wage cost in managed premises. Gross margins are based on historical performance levels. It has been assumed that any increase in excise duty will be reflected in an increase in sales price and hence will have no effect on cash margins.

All of the key assumptions above have their assigned values based on management knowledge and historical information.

Impairment

An impairment charge of £0.2 million was recognised during the 52 weeks ended 27 March 2010 in respect of the write down of the goodwill in relation to the Jacomb Guinness cash-generating unit where the total asset values exceeded their value in use.

Notes to the Financial Statements
continued

11. Goodwill continued

Sensitivity to Changes in Assumptions

The Jacomb Guinness cash-generating unit's value in use calculations are sensitive to the assumptions used as follows:

Impact on assets at risk of impairment – increase/(decrease)	At 2 April 2011 £m	At 27 March 2010 £m
Increase discount rate by 1%	**1.7**	1.1
Decrease discount rate by 1%	**(2.5)**	(1.5)
Increase growth rate by 0.5%	**(1.1)**	(0.7)
Decrease growth rate by 0.5%	**0.9**	0.6

There is no impairment to the Gales cash-generating unit at 2 April 2011 and applying the same changes in assumptions there would be no risk of impairment (2010: no risk).

12. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 28 March 2009	294.2	27.1	82.5	403.8
Additions	35.2	1.8	7.9	44.9
Disposals	(1.6)	(0.5)	(1.2)	(3.3)
Transfer to assets held for sale/investment properties	(1.7)	–	–	(1.7)
At 27 March 2010	326.1	28.4	89.2	443.7
Additions	2.2	1.5	7.5	11.2
Disposals	(2.4)	(1.3)	(2.0)	(5.7)
Transfer to assets held for sale/investment properties	(1.2)	–	(0.1)	(1.3)
At 2 April 2011	**324.7**	**28.6**	**94.6**	**447.9**
Depreciation and impairment				
At 28 March 2009	18.8	16.5	49.8	85.1
Provided during the year	1.8	1.5	8.2	11.5
Impairment loss net of reversals	1.0	–	–	1.0
Disposals	(0.7)	(0.5)	(0.8)	(2.0)
Transfer to assets held for sale	(0.1)	–	–	(0.1)
At 27 March 2010	20.8	17.5	57.2	95.5
Provided during the year	2.0	1.6	8.8	12.4
Impairment loss net of reversals	1.3	–	–	1.3
Disposals	(1.0)	(1.2)	(1.6)	(3.8)
Transfer to assets held for sale/investment properties	(0.3)	–	–	(0.3)
At 2 April 2011	**22.8**	**17.9**	**64.4**	**105.1**
Net book value at 2 April 2011	**301.9**	**10.7**	**30.2**	**342.8**
Net book value at 27 March 2010	305.3	10.9	32.0	348.2
Net book value at 28 March 2009	275.4	10.6	32.7	318.7

12. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 28 March 2009	292.9	27.0	81.0	400.9
Additions	35.2	1.8	7.9	44.9
Disposals	(1.6)	(0.5)	(1.2)	(3.3)
Transfer to assets held for sale	(0.5)	–	–	(0.5)
At 27 March 2010	326.0	28.3	87.7	442.0
Additions	2.2	1.5	7.5	11.2
Disposals	(2.4)	(1.3)	(2.0)	(5.7)
Transfer to assets held for sale/investment properties	(1.2)	–	(0.1)	(1.3)
At 2 April 2011	**324.6**	**28.5**	**93.1**	**446.2**
Depreciation and impairment				
At 28 March 2009	18.7	16.5	48.2	83.4
Provided during the year	1.8	1.5	8.2	11.5
Impairment loss net of reversals	1.0	–	–	1.0
Disposals	(0.7)	(0.5)	(0.8)	(2.0)
Transfer to assets held for sale	(0.1)	–	–	(0.1)
At 27 March 2010	20.7	17.5	55.6	93.8
Provided during the year	2.0	1.6	8.8	12.4
Impairment loss net of reversals	1.3	–	–	1.3
Disposals	(1.0)	(1.2)	(1.6)	(3.8)
Transfer to assets held for sale/investment properties	(0.3)	–	–	(0.3)
At 2 April 2011	**22.7**	**17.9**	**62.8**	**103.4**
Net book value at 2 April 2011	**301.9**	**10.6**	**30.3**	**342.8**
Net book value at 27 March 2010	305.3	10.8	32.1	348.2
Net book value at 28 March 2009	274.2	10.5	32.8	317.5

Group and Company

Interest Capitalised

The amount of interest capitalised during the 53 weeks ended 2 April 2011 was £nil (2010: £36,000), bringing the total amount of capitalised interest to date to £100,000 (2010: £100,000).

Assets under construction

Included in the cost of property, plant and equipment at 2 April 2011 was an amount of £1.8 million (2010: £nil) relating to two property developments in the course of construction.

Impairment

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

During the 53 weeks ended 2 April 2011, the Group recognised an impairment loss of £1.3 million (2010: £2.0 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 high individual asset prices in the market at the point of acquisition based on anticipated higher growth rates than are now expected and 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 £1.0 million were recognised during the 52 weeks ended 27 March 2010.

12. Property, Plant and Equipment continued

The key assumptions used in the value in use calculations are those detailed in note 11 except that the pre-tax discount rate used for leasehold properties was 10.5% (2010: 11.3%).

Sensitivity to Changes in Assumptions

The value in use calculations are sensitive to the assumptions used as follows:

Impact on assets at risk of impairment – increase/(decrease)	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Increase discount rate by 1%	**0.5**	2.5
Decrease discount rate by 1%	**(0.2)**	(1.6)
Increase growth rate by 0.5%	**(0.1)**	(0.9)
Decrease growth rate by 0.5%	**0.1**	1.2

13. Investment Properties

	Group Freehold & leasehold properties £m	Company Freehold & leasehold properties £m
Cost		
At 28 March 2009	9.3	5.2
Disposals	(0.3)	(0.3)
Transfer from property, plant & equipment	1.2	–
Transfer to assets held for sale	(0.2)	(0.2)
At 27 March 2010	10.0	4.7
Transfer from property, plant & equipment	1.1	1.1
At 2 April 2011	**11.1**	**5.8**
Depreciation and impairment		
At 28 March 2009	0.8	0.8
Disposals	(0.1)	(0.1)
Provided during the year	–	–
At 27 March 2010	0.7	0.7
Provided during the year	–	–
Impairment loss	0.1	0.1
Transfer from property, plant & equipment	0.3	0.3
At 2 April 2011	**1.1**	**1.1**
Net book value at 2 April 2011	**10.0**	**4.7**
Net book value at 27 March 2010	9.3	4.0
Net book value at 29 March 2009	8.5	4.4
Fair value at 2 April 2011	**14.2**	**8.9**
Fair value at 27 March 2010	14.7	9.4
Fair value at 28 March 2009	13.4	7.7

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

Notes to the Financial Statements
continued

13. Investment Properties continued

Impairment

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

During the 53 weeks ended 2 April 2011, the Group suffered an impairment loss of £0.1 million in respect of the write down of investment properties where their asset values exceeded their fair value less costs to sell.

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 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Rental income	**0.4**	0.4	**0.4**	0.4
Direct operating expenses	**(0.1)**	(0.1)	**(0.1)**	(0.1)

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

14. Derivative Financial Instruments

	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Interest rate swap	**1.2**	–	**1.2**	–
Interest rate cap	**0.3**	–	**0.3**	–
Total financial assets within non-current assets	**1.5**	–	**1.5**	–
Interest rate swap	**–**	0.6	**–**	0.3
Total financial liabilities within current liabilities	**–**	0.6	**–**	0.3

Details of the interest rate swaps and cap are provided in note 25.

15. Other Non-Current Assets

Group and Company	**2011 £m**	2010 £m
Loans to customers due after one year	**0.3**	0.3
Non-current portion of lease premiums	**0.1**	0.1
	0.4	0.4

16. Investments in Subsidiaries

Company	**Cost £m**	**Provision £m**	**Net book value £m**
At 28 March 2009, 27 March 2010 and 2 April 2011	**92.0**	**(0.2)**	**91.8**

Principal subsidiary undertakings	**Holding**	**Proportion held**	**Nature of business**
Griffin Catering Services Limited	£1 ordinary shares	100% (indirect)	Managed houses service company
George Gale & Co. Limited	£1 ordinary shares	100%	Property holding company
	25p 'A' ordinary shares	100%	
	£10 preference shares	100%	

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

Notes to the Financial Statements
continued

17. Inventories

Group and Company	2011 £m	2010 £m
Raw materials, beer in progress	**1.5**	1.3
Beer, wines and spirits	**5.7**	4.4
Stock at retail outlets	**1.6**	1.9
	8.8	7.6

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

18. Trade and Other Receivables

Group and Company	2011 £m	2010 £m
Trade receivables	**13.8**	12.3
Other receivables	**1.5**	1.6
Prepayments and accrued income	**3.5**	1.7
	18.8	15.6

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	2011 £m	2010 £m
Trade receivables provision at 27 March 2010	**1.3**	1.0
Increase in provision recognised in profit and loss	**0.2**	0.5
Amounts written off during the year	**(0.2)**	(0.2)
Trade receivables provision at 2 April 2011	**1.3**	1.3

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	2011 £m	2010 £m
Current	**14.6**	12.8
Overdue up to 30 days	**0.1**	0.2
Overdue between 30 and 60 days	**–**	0.1
Overdue more than 60 days	**0.4**	0.5
Less provision	**(1.3)**	(1.3)
Trade receivables net of provision	**13.8**	12.3

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.1 million (2010: £0.1 million) which are overdue at the Balance Sheet date for which the Group has not provided as the Group considers these amounts to be recoverable.

In addition, there are loans to customers included in other receivables of £0.3 million (2010: £0.2 million) due within one year and £0.4 million (2010: £0.5 million) due in more than one year, against which there is a provision of £0.3 million (2010: £0.3 million).

Notes to the Financial Statements
continued

19. Assets Classified as Held for Sale

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Investment property	–	0.2	–	0.2
Property, plant and equipment	0.2	0.4	0.2	0.4
	0.2	0.6	0.2	0.6

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

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
At 27 March 2010	0.6	–	0.6	–
Assets disposed during the year	(0.6)	–	(0.6)	–
Moved to assets held for sale during the year	0.2	0.6	0.2	0.6
At 2 April 2011	0.2	0.6	0.2	0.6

At 2 April 2011 one property (2010: three) was transfered to assets held for sale, as they were in advanced stages of the sales process and have subsequently completed since the Balance Sheet date. All of these disposals resulted in a profit on sale.

20. Trade and Other Payables

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Due within one year:				
Trade payables	11.4	14.6	11.4	14.6
Amounts due to subsidiary undertakings	–	–	83.1	91.1
Other tax and social security	10.3	8.9	10.3	8.9
Other payables	6.7	5.2	6.7	5.2
Accruals	10.4	11.0	10.4	11.0
	38.8	39.7	121.9	130.8

Amounts due to subsidiary undertakings included in Company trade and other payables of £83.1 million (2010: £91.1 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 are due within one year and are at nil rate of interest.

21. Cash, Borrowings and Net Debt

Cash and Short Term Deposits

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Cash at bank and in hand	3.7	1.1	3.7	1.1

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash at bank and in hand, as above. Cash at bank earns interest at floating rates.

Borrowings	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Bank loans	64.8	80.2	64.8	70.2
Debenture stock	25.8	27.0	25.8	27.0
Preference shares	1.6	1.6	1.6	1.6
Total borrowings	92.2	108.8	92.2	98.8
Analysed as:				
Borrowings within current liabilities	–	81.4	–	71.4
Borrowings within non-current liabilities	92.2	27.4	92.2	27.4
	92.2	108.8	92.2	98.8

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.

Bank Loans

On 11 May 2010 the Company entered into a new £100 million bank facility to replace its existing facilities. The new facility was drawn down and the existing facility repaid in November 2010. The new facility has a five year term expiring in May 2015 and has no amortisation requirements. At 2 April 2011, £34.5 million (2010: £5.0 million) of this committed loan facility was available and undrawn.

The bank loans at 2 April 2011 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.

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
The bank loans are repayable as follows:				
On demand or within one year	–	80.2	–	70.2
Current liabilities	–	80.2	–	70.2
In the third to fifth years inclusive	65.5	–	65.5	–
Less: bank loan arrangement fee	(0.7)	–	(0.7)	–
Non-current liabilities	64.8	–	64.8	–

Notes to the Financial Statements
continued

21. Cash, Borrowings and Net Debt continued

Debenture Stock

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

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Debenture stock repayable within one year:				
11.50% 1st Mortgage Debenture Stock 2010	–	1.2	–	1.2
Current liabilities	–	1.2	–	1.2
Debenture stock repayable after five years:				
10.70% 1st Mortgage Debenture Stock 2023	**6.0**	6.0	**6.0**	6.0
6.875% Debenture Stock 2028 (1st floating charge)	**19.9**	19.9	**19.9**	19.9
Less: 2028 debenture issue costs	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Non-current liabilities	**25.8**	25.8	**25.8**	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 27 March 2010 £m	Cash flows £m	Non-cash[1] £m	At 2 April 2011 £m
Cash and cash equivalents				
Cash and short term deposits	1.1	**2.6**	–	**3.7**
	1.1	**2.6**	–	**3.7**
Debt				
Bank loans	(80.2)	**15.5**	**(0.1)**	**(64.8)**
Debenture stock	(27.0)	**1.2**	–	**(25.8)**
Preference shares	(1.6)	–	–	**(1.6)**
	(108.8)	**16.7**	**(0.1)**	**(92.2)**
Net debt	(107.7)	**19.3**	**(0.1)**	**(88.5)**

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

Group	At 28 March 2009 £m	Cash flows £m	Non-cash £m	At 27 March 2010 £m
Cash and cash equivalents				
Cash and short term deposits	0.9	0.2	–	1.1
	0.9	0.2	–	1.1
Debt due within one year				
Bank loans	(65.2)	(15.0)	–	(80.2)
Debenture stock	(27.0)	–	–	(27.0)
Loan notes	(1.3)	1.3	–	–
Preference shares	(1.6)	–	–	(1.6)
	(95.1)	(13.7)	–	(108.8)
Net debt	(94.2)	(13.5)	–	(107.7)

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 plan is Defined Benefit in nature, with assets held in separate professionally managed, trustee-administered funds. The pension cost relating to the position of the plan is assessed with the advice of an independent actuary. The plan is closed to new entrants.

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 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.

Total amounts charged in respect of pensions in the period	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Charged to income statement:		
Defined benefit scheme – operating profit before exceptional items	**1.6**	1.0
Defined benefit scheme – net finance charge	**0.1**	0.9
Defined contribution schemes – total operating charge	**0.3**	0.2
	2.0	2.1
Credit/charge to equity:		
Defined benefit scheme – net actuarial (gains)/losses	**(6.0)**	4.5
Total pension (credit)/charge	**(4.0)**	6.6

The total contributions to the defined benefit plans in the next financial year are expected to be £2.3 million for the Group and the Company.

b) Defined Contribution Stakeholder Pension Plans – Group and Company

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

c) Defined Benefit Plan – Group and Company

The defined benefit plan was actuarially assessed as at 2 April 2011, using the projected unit credit method.

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

Key Assumptions

The mortality assumptions used in the 2011 valuation of the plan are set out below:

	2011 Years	2010 Years
Current pensioners (at 65) – males	**21.0**	20.4
Current pensioners (at 65) – females	**23.5**	23.4
Future pensioners (at 65) – males	**22.0**	21.3
Future pensioners (at 65) – females	**24.4**	24.2

The assumptions for future pensioners are based on the average current age of the active population, which is 52 years for male members of the scheme (2010: 52) and 46 years for female members (2010: 51).

22. Pensions continued

Key financial assumptions used in the valuation of the scheme	At 2 April 2011	At 27 March 2010
Rate of increase in salaries	4.00%	4.00%
Rate of increase in pensions in payment	3.50%	3.50%
Discount rate	5.55%	5.60%
Inflation assumption – RPI	3.50%	3.50%
Inflation assumption – CPI	3.00%	n/a

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

Impact on scheme liabilities – increase/(decrease)	2011 £m	2010 £m
Increase rate of salaries by 0.5%	1.3	2.0
Increase rate of pensions in payment by 0.5%	3.5	3.6
Increase discount rate by 1.0%	(12.0)	(14.1)
Increase inflation assumption by 0.5%	1.2	7.2

Assets in the scheme and the expected rate of return	Value at 2 April 2011 £m	Long term rate of return expected at 2 April 2011 %	Value at 27 March 2010 £m	Long term rate of return expected at 27 March 2010 %
Bonds – Government	2.9	4.18%	–	4.50%
Bonds – Corporate	17.6	5.55%	18.9	5.60%
Equities	51.9	7.00%	47.3	7.00%
Property	1.3	7.00%	1.0	7.00%
Cash	2.4	2.00%	2.9	2.00%
Annuities	1.0	5.55%	1.0	5.60%
Total market value of assets	77.1	6.39%	71.1	6.40%

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of plan assets	77.1	71.1	52.1	61.2	52.3
Present value of scheme liabilities	(83.5)	(83.8)	(60.5)	(66.6)	(68.3)
Deficit in the scheme	(6.4)	(12.7)	(8.4)	(5.4)	(16.0)

Included within the total present value of Group and Company scheme liabilities of £83.5 million (2010: £83.8 million) are liabilities of £3.3 million (2010: £3.1 million) which are entirely unfunded.

Notes to the Financial Statements
continued

22. Pensions continued

Group and Company	2011 £m	2010 £m
Analysis of the amount charged to operating profit		
Current service cost of defined benefit scheme	**1.6**	1.0
Total operating charge	**1.6**	1.0
Analysis of the amount charged to other finance expense		
Expected return on pension scheme assets	**(4.6)**	(3.1)
Interest on pension scheme liabilities	**4.7**	4.0
Net charge	**0.1**	0.9
Movements in the fair value of scheme assets during the year		
Fair value at beginning of the year	**71.1**	52.1
Expected return on scheme assets	**4.6**	3.1
Actuarial gains	**1.7**	15.5
Employer contributions	**1.5**	1.6
Employer special contributions	**0.5**	0.5
Employee contributions	**0.5**	0.6
Benefits paid	**(2.8)**	(2.3)
Fair value at the end of the year	**77.1**	71.1
Movements in the present value of defined benefit obligations during the year		
Present value of obligation at beginning of the year	**(83.8)**	(60.5)
Service cost	**(1.6)**	(1.0)
Interest cost	**(4.7)**	(4.0)
Employee contributions	**(0.5)**	(0.6)
Benefits paid	**2.8**	2.3
Actuarial gains/(losses)	**4.3**	(20.0)
Present value of obligation at the end of the year	**(83.5)**	(83.8)
The analysis of the actuarial gains/(losses) in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**1.7**	15.5
Experience (losses)/gains arising on the scheme liabilities	**(1.3)**	0.2
Changes in assumptions underlying the present value of the scheme liabilities	**5.6**	(20.2)
Actuarial gains/(losses)	**6.0**	(4.5)

Notes to the Financial Statements
continued

22. Pensions continued

History of Experience Gains and Losses

A five year history is presented below:

Group	2011	2010	2009	2008	2007
Difference between actual and expected returns on assets (£ million)	**1.7**	15.5	(13.7)	(4.0)	0.5
% of scheme assets	**2.2%**	21.8%	(26.2%)	(6.5%)	1.0%
Experience (losses)/gains on liabilities (£ million)	**(1.3)**	0.2	0.3	0.5	(1.0)
% of scheme liabilities	**(1.5%)**	0.2%	0.6%	0.8%	(1.5%)
Total actuarial gains/(losses) (£ million)	**6.0**	(4.5)	(3.5)	4.3	2.6
% of scheme liabilities	**7.2%**	(5.4%)	(5.7%)	6.5%	3.8%

The cumulative amount of actuarial gains recognised since 28 March 2004 in the Group Statement of Comprehensive Income is £1.1 million (2010: losses of £4.9 million).

Company	2011	2010	2009	2008	2007
Difference between actual and expected returns on assets (£ million)	**1.7**	15.5	(13.7)	(4.0)	0.5
% of scheme assets	**2.2%**	21.5%	(26.2%)	(6.5%)	1.0%
Experience (losses)/gains on liabilities (£ million)	**(1.3)**	0.2	0.3	0.5	(0.7)
% of scheme liabilities	**(1.5%)**	0.2%	0.6%	0.8%	(1.0%)
Total actuarial gains/(losses) (£ million)	**6.0**	(4.5)	(3.5)	4.3	2.0
% of scheme liabilities	**7.2%**	(5.4%)	(5.7%)	6.5%	2.9%

The cumulative amount of actuarial losses recognised since 28 March 2004 in the Company Statement of Comprehensive Income is £1.2 million (2010: losses of £7.2 million).

The expected return on assets is the product of the weighted average rate of return on assets and the fair value of scheme assets at the start of the year, adjusted for expected contributions less benefits paid.

Notes to the Financial Statements
continued

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 000s	Number 000s	Number 000s
Number authorised and in issue:			
At 28 March 2009, 27 March 2010 and 2 April 2011	**400**	**1,200**	**1,600**
Monetary amount:	£m	£m	£m
At 28 March 2009, 27 March 2010 and 2 April 2011	**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

Group and Company	2011 £m	2010 £m
a) Onerous lease provision		
At 27 March 2010	**2.5**	2.8
Arising during the year	**0.2**	0.4
Released during the year	**(0.2)**	(0.4)
Utilised	**(0.4)**	(0.4)
Unwinding of discount	**0.3**	0.1
At 2 April 2011	**2.4**	2.5
Analysed as:		
Due within one year	**0.3**	0.4
Due in more than one year	**2.1**	2.1
	2.4	2.5

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 or the losses expected to be incurred by the Group.

Notes to the Financial Statements
continued

24. Provisions continued

b) Deferred Tax Provision

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

Group	Asset 2011 £m	Liability 2011 £m	Net 2011 £m	Asset 2010 £m	Liability 2010 £m	Net 2010 £m
Deferred tax						
Retirement benefit obligations	**1.7**	**–**	**1.7**	3.6	–	3.6
Tax losses carried forward	**0.7**	**–**	**0.7**	0.9	–	0.9
Employee share schemes	**1.3**	**–**	**1.3**	1.0	–	1.0
Financial liabilities/(assets)	**–**	**(0.4)**	**(0.4)**	0.2	–	0.2
Accelerated tax depreciation	**–**	**(21.3)**	**(21.3)**	–	(24.1)	(24.1)
Rolled over capital gains	**–**	**(12.0)**	**(12.0)**	–	(13.4)	(13.4)
Others	**0.4**	**–**	**0.4**	0.4	–	0.4
	4.1	**(33.7)**	**(29.6)**	6.1	(37.5)	(31.4)

Company	Asset 2011 £m	Liability 2011 £m	Net 2011 £m	Asset 2010 £m	Liability 2010 £m	Net 2010 £m
Deferred tax						
Retirement benefit obligations	**1.7**	**–**	**1.7**	3.6	–	3.6
Tax losses carried forward	**0.3**	**–**	**0.3**	0.6	–	0.6
Employee share schemes	**1.3**	**–**	**1.3**	1.0	–	1.0
Financial liabilities/(assets)	**–**	**(0.4)**	**(0.4)**	0.1	–	0.1
Accelerated tax depreciation	**–**	**(19.8)**	**(19.8)**	–	(22.6)	(22.6)
Rolled over capital gains	**–**	**(12.0)**	**(12.0)**	–	(13.4)	(13.4)
Others	**0.4**	**–**	**0.4**	0.4	–	0.4
	3.7	**(32.2)**	**(28.5)**	5.7	(36.0)	(30.3)

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 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £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	**0.9**	(0.4)	**0.9**	(0.2)
Retained earnings	**207.7**	180.9	**188.3**	163.6
Preference shares	**1.6**	1.6	**1.6**	1.6
	240.9	212.8	**221.5**	195.7

Notes to the Financial Statements
continued

25. Financial Instruments continued

a) Capital Management – Group and Company continued

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 £1.3 million shares in the 53 weeks ended 2 April 2011 (2010: £0.8 million), of which £1.2 million related to purchases made by or on behalf of employee share ownership trusts (2010: £0.8 million). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position every Board meeting.

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 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Non-current assets				
Derivative financial assets hedge accounted	**1.2**	–	**1.2**	–
Derivative financial assets at fair value through profit or loss	**0.3**	–	**0.3**	–
Loans and other receivables in scope of IAS 39	**0.3**	0.3	**0.3**	0.3
Total non-current assets	**1.8**	0.3	**1.8**	0.3
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	**14.0**	12.5	**14.0**	12.5
Cash and short term deposits	**3.7**	1.1	**3.7**	1.1
Total current assets	**17.7**	13.6	**17.7**	13.6
Total financial assets	**19.5**	13.9	**19.5**	13.9
Current liabilities				
Derivative financial liabilities hedge accounted	**–**	0.6	**–**	0.3
Carried at amortised cost:				
Trade and other payables in scope of IAS 39	**22.1**	26.0	**105.2**	117.1
Loans and borrowings	**–**	81.4	**–**	71.4
Total carried at amortised cost	**22.1**	107.4	**105.2**	188.5
Total current liabilities	**22.1**	108.0	**105.2**	188.8
Non-current liabilities				
Carried at amortised cost:				
Other payables in scope of IAS 39	**2.1**	2.1	**2.1**	2.1
Loans and borrowings	**90.6**	25.8	**90.6**	25.8
Preference shares	**1.6**	1.6	**1.6**	1.6
Total carried at amortised cost	**94.3**	29.5	**94.3**	29.5
Total non-current liabilities	**94.3**	29.5	**94.3**	29.5
Total financial liabilities	**116.4**	137.5	**199.5**	218.3

25. Financial Instruments continued

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 £25.8 million (2010: £27.0 million) are at fixed rates. The bank loans totalling £64.8 million, net of arrangement fees, for the Group and Company (2010: £80.2 million Group and £70.2 million Company) are at floating rates. At the year end, after taking account of interest rate swaps and caps, 95% (2010: 38%) of the Group's bank loans and 95% (2010: 54%) of gross borrowings and 93% (2010: 29%) of the Company's bank loans and 95% (2010: 50%) of gross borrowings were at fixed or capped rates.

Interest Rate Swap – Group and Company

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 £40.0 million of the Group's borrowings (2010: £23.0 million Group and £13.0 million Company) were hedged by an interest rate swap at a blended fixed rate of 2.13% (2010: 4.88% Group and 4.87% Company). The swaps held at 2 April 2011 expire in 2015.

Interest Rate Cap – Group and Company

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 (2010: £7.5 million) of the Group and Company's borrowings were hedged by an interest rate cap at a fixed rate of 4.00% (2010: 4.89%). The cap held at 2 April 2011 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 cashflow hedges were assessed as being highly effective at 2 April 2011 and a net unrealised gain of £1.8 million (2010: net unrealised gain of £0.9 million) has been recorded in Other Comprehensive Income. The interest rate cap cashflow hedge entered into on 20 May 2010 was de-designated for hedge accounting purposes during the 53 weeks ended 2 April 2011 as it was no longer expected to be highly effective and a small net unrealised loss of less than £0.1 million has been recorded in the Income Statement as an "exceptional item".

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. 3 month Sterling LIBOR rate during the 53 weeks ended 2 April 2011 ranged between 0.65% and 0.82%. The Directors consider 2% 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 2011 £m**	Group 2010 £m	**Company* 2011 £m**	Company* 2010 £m
Decrease interest rate by 0.5%	**0.1**	0.2	**0.4**	0.5
Increase interest rate by 2.0%	**(0.4)**	(0.8)	**(1.6)**	(2.1)

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

Notes to the Financial Statements
continued

25. Financial Instruments continued

(ii) Foreign Currency Risk

The Group buys and sells goods and services denominated in non-sterling currencies principally the 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 2 April 2011 the Group and Company had forward contracts open to sell US$0.3 million and to buy €2.2 million (2010: sell US$0.8 million, buy €2.3 million and buy AUS$0.1 million). These have a Sterling equivalent of £0.2 million and £1.9 million respectively (2010: £0.5 million, £2.0 million and £nil respectively) and a net gain of £0.1 million (2010: loss of £nil) when comparing the contractual rates with the year-end exchange rates.

At 2 April 2011 the only significant foreign currency assets or liabilities were the following:

Group and Company	Cash deposits 2011 £m	Cash deposits 2010 £m	Trade receivables 2011 £m	Trade receivables 2010 £m	Trade payables 2011 £m	Trade payables 2010 £m
Euro assets/(liabilities)	**0.6**	0.3	**–**	–	**(0.3)**	(0.6)
US dollar assets/(liabilities)	**0.1**	(0.1)	**0.3**	0.3	**(0.1)**	(0.1)
Australian dollar assets	**0.1**	–	**–**	–	**–**	–

(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 and derivative transactions are only permitted for short periods 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 has a mixture of long and short term borrowings and overdraft facilities. 30% (2010: 25%) of the Group's borrowings are repayable over five years, and 70% (2010: nil %) between three and five years. On 12 May 2010 the Group entered into a new five year £100 million bank facility, as described in note 21.

Notes to the Financial Statements
continued

25. Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities at 2 April 2011 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 2 April 2011	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]	–	1.0	3.0	80.2	47.0	131.2
Preference shares[3]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	3.5	18.4	0.2	1.3	2.3	25.7
[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*	*0.5*	*2.1*	*–*	*2.8*

Group at 27 March 2010	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]	–	4.5	79.7	8.1	49.0	141.3
Preference shares[3]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	6.8	18.9	0.3	1.4	2.3	29.7
[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*	*0.4*	*–*	*–*	*0.6*

Company at 2 April 2011	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]	–	1.0	3.0	80.2	47.0	131.2
Amounts due to subsidiary undertakings[2]	83.1	–	–	–	–	83.1
Preference shares[3]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	3.5	18.4	0.2	1.3	2.3	25.7
[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*	*0.5*	*2.1*	*–*	*2.8*

Company at 27 March 2010	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]	–	4.5	69.6	8.1	49.0	131.2
Amounts due to subsidiary undertakings[2]	91.1	–	–	–	–	91.1
Preference shares[3]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	6.8	18.9	0.3	1.4	2.3	29.7
[1] Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	*–*	*0.1*	*0.2*	*–*	*–*	*0.3*

[2] 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.
[3] 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.

25. Financial Instruments continued

Security – Group and Company

The 10.7% debentures 2023 and the 11.5% debentures 2010 (until their repayment in October 2010) are secured on property, plant and equipment with a net book value of £12.9 million (2010: £16.3 million). The 6.875% debentures 2028 are secured by a floating charge over the assets of the Company.

Covenants – Group and Company

The Group and Company are subject to a number of covenants in relation to their borrowing facilities which, if contravened, would result in its loans becoming immediately repayable. These covenants *inter alia* specify maximum net debt to earnings before interest, tax, depreciation and amortisation, and minimum earnings before interest, tax, depreciation and amortisation to interest.

d) Fair Value

Fair Values of Financial Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all the financial instruments that are carried in the financial statements:

Group	Book value 2011 £m	Book value 2010 £m	Fair value 2011 £m	Fair value 2010 £m
Financial assets				
Cash	**3.7**	1.1	**3.7**	1.1
Trade and other receivables due within one year in scope of IAS 39	**14.0**	12.5	**14.0**	12.5
Loans and other receivables due in more than one year in scope of IAS 39	**0.3**	0.3	**0.3**	0.3
Interest rate swap	**1.2**	–	**1.2**	–
Interest rate cap	**0.3**	–	**0.3**	–
Financial liabilities				
Trade and other payables in scope of IAS 39	**(24.2)**	(28.1)	**(24.2)**	(28.1)
Fixed rate borrowings	**(25.8)**	(27.0)	**(28.4)**	(29.1)
Floating rate borrowings	**(64.8)**	(80.2)	**(64.8)**	(80.2)
Preference shares	**(1.6)**	(1.6)	**(1.8)**	(1.8)
Interest rate swap	**–**	(0.6)	**–**	(0.6)

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

Company	Book value 2011 £m	Book value 2010 £m	Fair value 2011 £m	Fair value 2010 £m
Financial liabilities				
Trade and other payables in scope of IAS 39	**(107.3)**	(119.2)	**(107.3)**	(119.2)
Floating rate borrowings	**(64.8)**	(70.2)	**(64.8)**	(70.2)
Interest rate swap	**–**	(0.3)	**–**	(0.3)

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. Derivative fair values are obtained from quoted market prices in active markets and are classed as Level 2 fair values for both years. The Group distinguishes Level 2 fair values as being: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, but where these are not derived directly from quoted prices in active markets.

Notes to the Financial Statements
continued

26. Share Capital and Reserves

a) Share Capital

	'A' ordinary shares of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
Issued and fully paid: Number in issue	Number 000s	Number 000s	Number 000s	Number 000s
At 28 March 2009	33,406	14,675	89,052	137,133
Share conversions	18	(18)	–	–
At 27 March 2010 and 2 April 2011	**33,424**	**14,657**	**89,052**	**137,133**
Proportion of total equity shares at 2 April 2011	**24.4%**	**10.7%**	**64.9%**	**100%**
Issued and fully paid: Monetary amount	£m	£m	£m	£m
At 28 March 2009	13.3	5.9	3.6	22.8
Share conversions	–	–	–	–
At 27 March 2010 and 2 April 2011	**13.3**	**5.9**	**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).

During the 52 weeks ended 27 March 2010, 18,787 40p 'C' ordinary shares were converted to 40p 'A' ordinary shares at a ratio of 1:1.

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 provisons 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.

Notes to the Financial Statements
continued

26. Share Capital and Reserves continued

b) Own Shares

Own shares relates 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.

Number	Treasury shares 'A' ordinary 40p shares 000s	LTIP ESOT 'A' ordinary 40p shares 000s	LTIP ESOT 'B' ordinary 4p shares 000s	SIP ESOT 'A' ordinary 40p shares 000s	Total 'A' ordinary 40p shares 000s	Total 'B' ordinary 4p shares 000s
At 28 March 2009	1,212	–	926	1	1,213	926
Shares purchased	–	76	–	93	169	–
Shares transferred	(196)	196	–	–	–	–
Shares released	(306)	(153)	(383)	(93)	(552)	(383)
At 27 March 2010	710	119	543	1	830	543
Shares purchased	104	–	219	92	196	219
Shares transferred	(88)	88	–	–	–	–
Shares released	(143)	(172)	(431)	(91)	(406)	(431)
At 2 April 2011	**583**	**35**	**331**	**2**	**620**	**331**

Monetary amount	£m	£m	£m	£m	£m	£m
At 28 March 2009	5.6	–	0.3	–	5.6	0.3
Shares purchased	–	0.4	–	0.4	0.8	–
Shares transferred	(0.9)	0.9	–	–	–	–
Shares released	(1.4)	(0.8)	(0.1)	(0.4)	(2.6)	(0.1)
At 27 March 2010	3.3	0.5	0.2	–	3.8	0.2
Shares purchased	0.6	–	0.1	0.6	1.2	0.1
Shares transferred	(0.5)	0.5	–	–	–	–
Shares released	(0.7)	(0.8)	(0.1)	(0.6)	(2.1)	(0.1)
At 2 April 2011	**2.7**	**0.2**	**0.2**	**–**	**2.9**	**0.2**
Market value at 2 April 2011	**3.5**	**0.2**	**2.0**	**–**	**3.7**	**2.0**

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 buyback 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.

Notes to the Financial Statements
continued

27. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 2 April 2011 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company.

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 grant. 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 Earnings Per Share adjusted principally to exclude exceptional items ("Normalised 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 Normalised 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 Normalised EPS exceeding growth in RPI by 9% (grants before 2009: 6%) 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 Normalised 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. For grants up to and including that made in 2006, participants can choose to redeposit their shares for a further three year period. If participants choose to redeposit, then the Company will match the redeposited shares at a ratio of 1:1 at the end of the matching period, providing none of the redeposited shares have been sold and the participant remains employed by the Company.

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).

Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 53 weeks ended 2 April 2011 is £1.8 million (2010: £2.1 million). The whole of that expense arises from equity settled share-based payment transactions.

Notes to the Financial Statements
continued

27. Share Options and Share Schemes continued

Movements in the Year

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, each category of share instrument during the year. The significance of options granted before 7 November 2002 is that they have been excluded from the IFRS 2 share-based payment charge on the basis of their date of grant. There are no outstanding option/share awards granted before 7 November 2002, except for those detailed in the Executive Approved Scheme, at b) below.

Market Value

The market value of the shares at 2 April 2011 was £5.96 (2010: £5.44).

a) SAYE

	2011 Number 000s	2011 WAEP	2010 Number 000s	2010 WAEP
Outstanding at beginning of the year	**596**	**£3.75**	609	£3.48
Granted	**151**	**£4.64**	182	£3.88
Lapsed	**(68)**	**£4.82**	(41)	£3.89
Exercised	**(63)**	**£3.00**	(154)	£2.78
Outstanding at end of the year	**616**	**£3.93**	596	£3.75
Exercisable at end of the year	**–**	**n/a**	–	n/a
Weighted average share price for options exercised in the year	**£5.60**		£4.95	
Weighted average contractual life remaining for share options outstanding at the year end	**2.49 years**		2.78 years	
Weighted average share price for options granted in the year	**£5.39**		£5.08	
Weighted average fair value of options granted during the year	**£0.92**		£1.23	
Range of exercise prices for options outstanding at the year end – from	**£3.31**		£2.93	
– to	**£6.04**		£6.04	

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 2011 000s	Number of 'A' ordinary shares under option 2010 000s
September 2010	2.93	**–**	57
September 2010	6.04	**–**	26
September 2011	3.92	**53**	54
September 2011	3.31	**126**	134
September 2012	6.04	**24**	30
September 2012	3.88	**93**	101
September 2013	3.31	**110**	120
September 2013	4.64	**73**	–
September 2014	3.88	**64**	74
September 2015	4.64	**73**	–
		616	596

Notes to the Financial Statements
continued

27. Share Options and Share Schemes continued

b) Share Option Schemes

Senior Executive Share Option Scheme	2011 Number 000s	2011 WAEP	2010 Number 000s	2010 WAEP
Outstanding at beginning of the year	156	£4.89	183	£3.98
Granted	42	£5.82	47	£4.80
Lapsed	(39)	£5.46	–	n/a
Exercised	(9)	£4.87	(74)	£2.55
Outstanding at end of the year	150	£5.00	156	£4.89
Exercisable at end of the year	53	£5.11	46	£4.39
Weighted average share price for options exercised in the year	£5.55		£5.08	
Weighted average contractual life remaining for share options outstanding at the year end	7.22 years		7.74 years	
Weighted average share price for options granted in the year	£5.80		£4.75	
Weighted average fair value of options granted during the year	£0.84		£0.79	
Range of exercise prices for options outstanding at the year end – from	£3.67		£3.67	
– to	£7.51		£7.51	

Executive Share Option Scheme	2011 Number 000s	2011 WAEP	2010 Number 000s	2010 WAEP
Outstanding at beginning of the year	294	£4.47	359	£4.07
Granted	35	£5.78	31	£4.80
Lapsed	(10)	£5.98	(17)	£5.37
Exercised	(71)	£3.63	(79)	£2.67
Outstanding at end of the year	248	£4.84	294	£4.47
Exercisable at end of the year	113	£5.09	142	£3.64
Number of options in the opening balance that were granted before 7 November 2002	12		42	
Number of options in the closing balance that were granted before 7 November 2002	1		12	
Weighted average share price for options exercised in the year	£5.88		£5.28	
Weighted average contractual life remaining for share options outstanding at the year end	6.57 years		6.65 years	
Weighted average share price for options granted in the year	£5.75		£4.75	
Weighted average fair value of options granted during the year	£0.63		£0.60	
Range of exercise prices for options outstanding at the year end – from	£2.08		£2.08	
– to	£7.51		£7.51	

Notes to the Financial Statements
continued

27. Share Options and Share Schemes continued

Outstanding options which are capable of being exercised between three and ten years from date of issue (five and ten years in the case of the 2008 to 2013 scheme noted below) and their exercise prices are shown in the table below:

Exercisable between	Senior Executive Scheme Exercise price 40p shares £	Number of 'A' ordinary shares under option 2011 000s	Number of 'A' ordinary shares under option 2010 000s	Executive Approved Scheme Exercise price 40p shares £	Number of 'A' ordinary shares under option 2011 000s	Number of 'A' ordinary shares under option 2010 000s
2004 and 2011	–	–	–	2.09	–	6
2005 and 2012	–	–	–	2.08	1	6
2008 and 2013	–	–	–	2.12	14	14
2007 and 2014	–	–	–	2.62	13	15
2008 and 2015	3.67	21	21	3.67	16	54
2008 and 2015	–	–	–	3.68	–	8
2009 and 2016	4.98	19	25	4.98	27	39
2010 and 2017	7.51	13	23	7.51	42	46
2011 and 2018	4.05	30	40	4.05	75	75
2012 and 2019	4.80	31	47	4.80	25	31
2013 and 2020	5.78	32	–	5.78	35	–
2013 and 2020	6.30	4	–	–	–	–
		150	156		248	294

c) LTIP

Shares	2011 'A' shares Number 000s	2011 'B' shares Number 000s	2010 'A' shares Number 000s	2010 'B' shares Number 000s
Outstanding at beginning of the year	819	2,049	680	1,700
Granted including matching awards	273	682	305	764
Lapsed	(179)	(448)	(13)	(33)
Vested	(172)	(431)	(153)	(382)
Outstanding at end of the year	741	1,852	819	2,049

In addition to the above, there are shares held by the LTIP Trust in respect of vested shares redeposited for matching, as follows:

Redeposited shares at end of the year	74	184	165	412

Weighted average share price for shares vested in the year	£5.65	£0.56	£4.75	£0.48
For shares outstanding at the year end, the weighted average contractual life remaining is	1.32 years	1.32 years	1.52 years	1.52 years
Weighted average share price for shares granted in the year	£5.68	£0.57	£4.75	£0.48
Weighted average fair value of shares granted in the year	£5.35	£0.54	£4.43	£0.44

During the 52 weeks ended 27 March 2010, 50% of the performance awards granted in 2007 (LTIP 10 and LTIP 10a) and all of the matched awards granted in 2007 (LTIP 7) held by certain employees were changed from conditional share awards to restricted share awards, on the same terms and vesting conditions. This was accounted for as a modification of the existing award and had no effect on the tables above.

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

27. Share Options and Share Schemes continued

d) SIP

Shares	2011 Number 000s	2010 Number 000s
Outstanding at beginning of the year	360	373
Granted	92	95
Lapsed	(1)	(1)
Released	(106)	(107)
Outstanding at end of the year	345	360

Weighted average share price for shares released in the year	£6.03	£5.17
For shares outstanding at the year end, the weighted average contractual life remaining is	3.06 years	3.02 years
Weighted average share price of shares granted in the year	£6.00	£5.19
Weighted average fair value of shares granted in the year	£6.00	£5.19

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

e) Fair Value of Grants

(i) Equity-Settled Options and LTIPs

The fair value of equity-settled share options and LTIPs granted is estimated as at the date of grant taking into account the terms and conditions upon which the awards were granted. The following tables list the inputs to the model used for the 53 weeks ended 2 April 2011 and 52 weeks ended 27 March 2010, except for the weighted average share price for grants in the year, which are disclosed in sections a) to d) above.

Fair value inputs	LTIP Scheme 2011	LTIP Scheme 2010	Save As You Earn Scheme 2011	Save As You Earn Scheme 2010	Executive and Senior Executive Option Schemes 2011	Executive and Senior Executive Option Schemes 2010
Dividend yield (%)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Expected share price volatility (%)	n/a	n/a	17%	17%	17%	17%
Risk-free interest rate (%)	1.2 to 1.4%	2.3%	1.2 to 1.9%	2.0 to 2.7%	1.8 to 2.5%	2.7 to 3.3%
Expected life of option/award (years)	3 years	3 years	3 to 5 years	3 to 5 years	4 to 6 years	4 to 6 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.

Notes to the Financial Statements
continued

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	2011 £m	2010 £m
Within one year	**6.0**	5.8
Between one year and five years	**22.0**	22.5
After five years	**38.5**	43.4
	66.5	71.7

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 one and 13 years.

At 2 April 2011 future minimum rentals receivable by the Group are as follows:

	Investment properties		Property, plant and equipment	
Group and Company	2011 £m	2010 £m	2011 £m	2010 £m
Within one year	**0.2**	0.2	**6.3**	6.6
Between one year and five years	**0.6**	0.6	**12.9**	15.0
After five years	**0.4**	0.5	**6.4**	7.0
	1.2	1.3	**25.6**	28.6

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. 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 2 April 2011 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.3 million (2010: £5.0 million).

b) Other Commitments

Group and Company	2011 £m	2010 £m
Capital commitments – authorised, contracted but not provided for	**1.3**	0.6

The Company has accepted various duty deferment bonds in connection with HM Revenue and Customs. The total outstanding commitment at 2 April 2011 was £370,000 (2010: £370,000) for the Group and Company.

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 £191,000 (2010: £140,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

Compensation of Key Management Personnel (including Directors)	53 weeks ended 2 April 2011 £m	52 weeks ended 27 March 2010 £m
Short-term employee benefits	3.6	3.7
Termination benefits	0.3	–
Post-employment benefits	0.4	0.3
Share-based payments	1.2	1.6
	5.5	5.6

Company Only

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

53 weeks ended 2 April 2011	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
Subsidiaries	–	33.1	3.5	(83.1)

52 weeks ended 27 March 2010	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
Subsidiaries	–	30.7	3.1	(91.1)

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.

Directors and Advisers
as at 10 June 2011

Directors
Michael Turner, FCA, *Chairman*
Simon Emeny, *Group Managing Director*[1]
James Douglas, ACA
Richard Fuller
Nick MacAndrew, FCA*
Nigel Atkinson*
John Dunsmore*
Sir James Fuller*[2]
Lynn Fordham, CA*[3]

**Non Executive.*
[1] As from 1 November 2010.
[2] Appointed to the Board on 1 June 2010.
[3] Appointed to the Board on 18 January 2011.

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
Ernst & Young LLP
1 More London Place
London SE1 2AF

Stockbrokers
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

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

Tel: 0870 702 0101

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

Shareholders' Information

2011 Diary

Friday, 1 July
Record Date

Friday, 1 July
Preference dividends paid

11 a.m. Friday, 29 July
Annual General Meeting
Hock Cellar, Griffin Brewery

Wednesday, 3 August
Final dividend paid

Friday, 25 November
Half year results announcement

2012 Diary

January
Preference dividends paid
Interim dividend paid

June
Preliminary results announcement

Shareholder Privileges

Shareholders owning 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. For details contact Company Secretariat on 020 8996 2105. These shareholders are also offered a discount card entitling them to certain discounts in Fuller's Hotels.

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, whose address can be found on page 98.

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

- **Accommodation sales as a percentage of Managed Pubs and Hotels revenue** – this is the proportion of revenue from Managed Pubs and Hotels that arises from the letting of bedrooms.
- **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 volumes** – this is the volume of beer 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.
- **Food sales as a percentage of Managed Pubs and Hotels revenue** – this is the proportion of revenue from Managed Pubs and Hotels that arises from sales of food, with the revenue figure adjusted so as to exclude sites where the food operations are franchised out.
- **Foreign Beer** – this is sales made by the Company of beer produced by other brewers, the majority of which is lager.
- **Invested Managed Pubs and Hotels 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.
- **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, loan notes, debenture stock and preference shares.
- **Own Beer** – this is sales of own brand beer brewed by the Company in Chiswick.
- **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	2011 £m	2010 £m	2009 £m	2008[1] £m	2007[1] £m
Revenue[1]	**241.9**	227.7	210.0	203.1	199.2
Operating profit before exceptional items	**34.1**	32.0	29.0	29.4	29.8
Net finance costs	**(4.8)**	(5.4)	(6.2)	(6.4)	(7.7)
Adjusted profit	**29.3**	26.6	22.8	23.0	22.1
Exceptional items	**1.7**	0.2	(8.4)	0.8	20.1
Profit before tax	**31.0**	26.8	14.4	23.8	42.2
Taxation	**(6.2)**	(7.6)	(5.5)	(4.7)	(13.1)
Profit attributable to equity shareholders of the Parent Company	**24.8**	19.2	8.9	19.1	29.1
EBITDA	**46.6**	43.6	40.2	40.5	40.7
Assets employed					
Non-current assets	**382.7**	387.9	356.9	350.6	345.9
Inventories	**8.8**	7.6	6.1	5.8	5.4
Trade and other receivables	**18.8**	15.6	16.0	15.7	15.0
Assets classified as held for sale	**0.2**	0.6	–	1.8	6.5
Cash and short term deposits	**3.7**	1.1	0.9	3.9	8.9
	414.2	412.8	379.9	377.8	381.7
Current borrowings	**–**	(81.4)	(8.8)	(8.1)	(7.8)
Other current liabilities	**(43.6)**	(44.5)	(37.9)	(34.3)	(36.6)
	370.6	286.9	333.2	335.4	337.3
Non-current borrowings	**(92.2)**	(27.4)	(86.3)	(91.3)	(97.6)
Other non-current liabilities	**(42.2)**	(52.3)	(49.9)	(46.4)	(57.0)
Net assets	**236.2**	207.2	197.0	197.7	182.7

	2011	2010	2009	2008	2007
Per 40p 'A' ordinary share					
Adjusted earnings	**37.36p**	34.19p	29.12p	29.15p	27.58p
Basic earnings	**44.12p**	34.37p	16.00p	34.33p	52.14p
Dividends (interim and proposed final)	**11.80p**	11.00p	9.85p	9.70p	9.09p
Net assets	**£4.19**	£3.68	£3.54	£3.55	£3.32
Net debt (£ million)	**(88.5)**	(107.7)	(94.2)	(95.5)	(96.5)
Net debt/EBITDA	**1.9**	2.5	2.3	2.4	2.4
Gross capital expenditure (£ million)	**12.0**	44.1	24.2	18.5	21.7
Average number of employees	**3,363**	3,263	2,923	3,067	3,097

[1] Revenue for the 52 weeks ended 29 March 2008 and all prior years above has been restated to include all excise Duty in revenue and costs as a result of the change in accounting policy for the 52 weeks ended 28 March 2009.

Per share measures for periods prior to 2008 have been restated for the effects of the five for two share split as if the share split had occurred on the first day of these periods.

Five Years' Progress

Income Statement	2011 £m	2010 £m	2009 £m	2008[1] £m	2007[1] £m
Revenue[1]	241.9	227.7	210.0	203.1	199.2
Operating profit before exceptional items	34.1	32.0	29.0	29.4	29.8
Net finance costs	(4.8)	(5.4)	(6.2)	(6.4)	(7.7)
Adjusted profit	29.3	26.6	22.8	23.0	22.1
Exceptional items	1.7	0.2	(8.4)	0.8	20.1
Profit before tax	31.0	26.8	14.4	23.8	42.2
Taxation	(6.2)	(7.6)	(5.5)	(4.7)	(13.1)
Profit attributable to equity shareholders of the Parent Company	24.8	19.2	8.9	19.1	29.1
EBITDA	46.6	43.6	40.2	40.5	40.7
Assets employed					
Non-current assets	382.7	387.9	356.9	350.6	345.9
Inventories	8.8	7.6	6.1	5.8	5.4
Trade and other receivables	18.8	15.6	16.0	15.7	15.0
Assets classified as held for sale	0.2	0.6	–	1.8	6.5
Cash and short term deposits	3.7	1.1	0.9	3.9	8.9
	414.2	412.8	379.9	377.8	381.7
Current borrowings	–	(81.4)	(8.8)	(8.1)	(7.8)
Other current liabilities	(43.6)	(44.5)	(37.9)	(34.3)	(36.6)
	370.6	286.9	333.2	335.4	337.3
Non-current borrowings	(92.2)	(27.4)	(86.3)	(91.3)	(97.6)
Other non-current liabilities	(42.2)	(52.3)	(49.9)	(46.4)	(57.0)
Net assets	236.2	207.2	197.0	197.7	182.7

	2011	2010	2009	2008	2007
Per 40p 'A' ordinary share					
Adjusted earnings	37.36p	34.19p	29.12p	29.15p	27.58p
Basic earnings	44.12p	34.37p	16.00p	34.33p	52.14p
Dividends (interim and proposed final)	11.80p	11.00p	9.85p	9.70p	9.09p
Net assets	£4.19	£3.68	£3.54	£3.55	£3.32
Net debt (£ million)	(88.5)	(107.7)	(94.2)	(95.5)	(96.5)
Net debt/EBITDA	1.9	2.5	2.3	2.4	2.4
Gross capital expenditure (£ million)	12.0	44.1	24.2	18.5	21.7
Average number of employees	3,363	3,263	2,923	3,067	3,097

[1] *Revenue for the 52 weeks ended 29 March 2008 and all prior years above has been restated to include all excise Duty in revenue and costs as a result of the change in accounting policy for the 52 weeks ended 28 March 2009.*

Per share measures for periods prior to 2008 have been restated for the effects of the five for two share split as if the share split had occurred on the first day of these periods.

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