**STRICTLY EMBARGOED**
**UNTIL 7AM FRIDAY 10 JUNE 2011**

# FULLER, SMITH & TURNER P.L.C.

## Financial results for the 53 weeks ended 2 April 2011

### Financial Performance

- Revenue up 6% to £241.9 million (2010: £227.7 million)
- Adjusted profit before tax[1] up 10% to £29.3 million (2010: £26.6 million)
- Profit before tax up 16% to £31.0 million (2010: £26.8 million)
- EBITDA[2] of £46.6 million (2010: £43.6 million)
- Adjusted earnings per share[3] up 9% to 37.36p (2010: 34.19p)
- Basic earnings per share[4] up 28% to 44.12p (2010: 34.37p)
- Final dividend[4] increased by 8% to 7.05p (2010: 6.50p[5])

### Corporate Progress

- Another very strong set of results
- Managed Pubs and Hotels profits[6] up 15% with like for like sales up 3.9%
- Tenanted Inns profits[6] level
- Total Beer volumes up 2%
- Net Debt to EBITDA reduced to 1.9 times
- Since year end four pubs acquired and major brewery investment underway

"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% 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.

---

[1] Adjusted profit measures exclude 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] Pre-exceptional earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation
[3] 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
[4] Calculated on a 40p ordinary share
[5] 2010 comparative comprises both final and second interim dividend
[6] Operating profit before exceptional items

“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.

“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.

Ends

For further information please contact:

Fuller, Smith & Turner P.L.C.

| | |
|---|---|
| Press Office: | 0208 996 2198/ 2048 / 2175 |
| | 07789 396197 |
| | Email: pr@fullers.co.uk |

Merlin

| | |
|---|---|
| Toby Bates | 07876 161314 |
| Paul Downes | 07900 244888 |


*Copies of this statement, the Preliminary Announcement and results presentation will be available on the Company’s website, www.fullers.co.uk The presentation will be available from 12.00 pm on 10 June 2011*

**FULLER, SMITH & TURNER P.L.C.**

**FINANCIAL RESULTS FOR THE 53 WEEKS ENDED 2 APRIL 2011**

**CHAIRMAN'S STATEMENT**

***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[7] in the period to become the number one Free Trade cask ale in the country[8]. 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.

---

[7] BBPA, March 2011
[8] CGA, April 2011

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).

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.

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%).

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.

**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.

**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%[9].

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.

[9] Office of National Statistics Consumer Price Index, March 2011

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 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.

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.

***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.

**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.

**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.

The next Interim Management Statement will be issued on 29 July 2011.

Michael Turner
Chairman
10 June 2011

**FULLER, SMITH & TURNER P.L.C.**
**FINANCIAL HIGHLIGHTS**
**FOR THE 53 WEEKS ENDED 2 APRIL 2011**

| | ***53 weeks ended 2 April 2011 £m*** | *52 weeks ended 27 March 2010 £m* | ***Change*** |
|---|---|---|---|
| **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. *Pre-exceptional earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation.*
3. *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.*
4. *Calculated on a 40p ordinary share.*
5. *Net debt comprises cash and short term deposits, bank loans, debenture stock and preference shares.*
6. *Pro forma net debt/EBITDA is adjusted as appropriate for the pubs acquired or disposed of in the period.*

**FULLER, SMITH & TURNER P.L.C.**
**CONDENSED GROUP INCOME STATEMENT**
**FOR THE 53 WEEKS ENDED 2 APRIL 2011**

| | | ***53 weeks ended 2 April 2011*** | | |
|---|---|---|---|---|
| | ***Note*** | ***Before exceptional items £m*** | ***Exceptional items £m*** | ***Total £m*** |
| **Revenue** | **2** | **241.9** | **-** | **241.9** |
| Operating costs | **3** | **(207.8)** | **(1.0)** | **(208.8)** |
| **Operating profit** | | **34.1** | **(1.0)** | **33.1** |
| Profit on disposal of properties | **3** | **-** | **2.7** | **2.7** |
| Finance revenue | **4** | **0.1** | **-** | **0.1** |
| Finance costs | **4** | **(4.9)** | **-** | **(4.9)** |
| **Profit before tax** | | **29.3** | **1.7** | **31.0** |
| Taxation | **3,5** | **(8.3)** | **2.1** | **(6.2)** |
| **Profit for the year attributable to equity shareholders of the Parent Company** | | **21.0** | **3.8** | **24.8** |

| | | *52 weeks ended 27 March 2010* | | |
|---|---|---|---|---|
| | ***Note*** | *Before exceptional items £m* | *Exceptional items £m* | *Total £m* |
| **Revenue** | **2** | 227.7 | - | 227.7 |
| Operating costs | **3** | (195.7) | (0.9) | (196.6) |
| **Operating profit** | | 32.0 | (0.9) | 31.1 |
| Profit on disposal of properties | **3** | - | 1.1 | 1.1 |
| Finance revenue | **4** | - | - | - |
| Finance costs | **4** | (5.4) | - | (5.4) |
| **Profit before tax** | | 26.6 | 0.2 | 26.8 |
| Taxation | **3,5** | (7.5) | (0.1) | (7.6) |
| **Profit for the year attributable to equity shareholders of the Parent Company** | | 19.1 | 0.1 | 19.2 |

**FULLER, SMITH & TURNER P.L.C.**
**EARNINGS PER SHARE**

| | | *2011* | *2010* |
|---|---|---|---|
| **Per 40p 'A' and 'C' ordinary share** | | ***Pence*** | *Pence* |
| Basic | **6** | **44.12** | 34.37 |
| Diluted | **6** | **43.30** | 33.82 |
| Adjusted | **6** | **37.36** | 34.19 |
| Diluted adjusted | **6** | **36.67** | 33.64 |
| | | | |
| **Per 4p 'B' ordinary share** | | | |
| Basic | **6** | **4.41** | 3.44 |
| Diluted | **6** | **4.33** | 3.38 |
| Adjusted | **6** | **3.74** | 3.42 |
| Diluted adjusted | **6** | **3.67** | 3.36 |

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

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE 53 WEEKS ENDED 2 APRIL 2011**

| | ***Note*** | ***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 | | **1.8** | 0.9 |
| Net actuarial gains/(losses) on pension scheme | | **6.0** | (4.5) |
| Tax on components of other comprehensive income | **5** | **(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 |

**FULLER, SMITH & TURNER P.L.C.**
**CONDENSED GROUP BALANCE SHEET**
**2 APRIL 2011**

| | Note | ***At 2 April 2011 £m*** | *At 27 March 2010 £m* |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | | **23.9** | 23.9 |
| Property, plant and equipment | **8** | **342.8** | 348.2 |
| Investment properties | | **10.0** | 9.3 |
| Derivative financial assets | | **1.5** | - |
| Other non-current assets | | **0.4** | 0.4 |
| Deferred tax assets | | **4.1** | 6.1 |
| **Total non-current assets** | | **382.7** | 387.9 |
| | | | |
| **Current assets** | | | |
| Inventories | | **8.8** | 7.6 |
| Trade and other receivables | | **18.8** | 15.6 |
| Cash and short term deposits | **9** | **3.7** | 1.1 |
| **Total current assets** | | **31.3** | 24.3 |
| | | | |
| **Assets classified as held for sale** | | **0.2** | 0.6 |
| | | | |
| **Current liabilities** | | | |
| Borrowings | **9** | **-** | 81.4 |
| Derivative financial liabilities | | **-** | 0.6 |
| Trade and other payables | | **38.8** | 39.7 |
| Current tax payable | | **4.5** | 3.8 |
| Provisions | | **0.3** | 0.4 |
| **Total current liabilities** | | **43.6** | 125.9 |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | **9** | **92.2** | 27.4 |
| Retirement benefit obligations | **10** | **6.4** | 12.7 |
| Deferred tax liabilities | | **33.7** | 37.5 |
| Provisions | | **2.1** | 2.1 |
| **Total non-current liabilities** | | **134.4** | 79.7 |
| **Net assets** | | **236.2** | 207.2 |
| | | | |
| **Capital and reserves** | | | |
| Share capital | | **22.8** | 22.8 |
| Share premium account | | **4.8** | 4.8 |
| Capital redemption reserve | | **3.1** | 3.1 |
| Own shares | | **(3.1)** | (4.0) |
| Hedging reserve | | **0.9** | (0.4) |
| Retained earnings | | **207.7** | 180.9 |
| **Total shareholders' equity** | | **236.2** | 207.2 |

**FULLER, SMITH & TURNER P.L.C.**
**CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY**
**FOR THE 53 WEEKS ENDED 2 APRIL 2011**

| | *Share capital £m* | *Share premium account £m* | *Capital redemp tion reserve £m* | *Own shares £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 7) | - | - | - | - | - | (9.4) | (9.4) |
| Share-based payment charges | - | - | - | - | - | 2.1 | 2.1 |
| Tax credited directly to equity (note 5) | - | - | - | - | - | 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 7) | - | - | - | - | - | (3.3) | (3.3) |
| Share-based payment charges | - | - | - | - | - | 1.8 | 1.8 |
| Tax credited directly to equity (note 5) | - | - | - | - | - | 1.1 | 1.1 |
| **At 2 April 2011** | **22.8** | **4.8** | **3.1** | **(3.1)** | **0.9** | **207.7** | **236.2** |

**FULLER, SMITH & TURNER P.L.C.**
**CONDENSED GROUP CASH FLOW STATEMENT**
**FOR THE 53 WEEKS ENDED 2 APRIL 2011**

| | Note | ***53 weeks ended 2 April 2011 £m*** | *52 weeks ended 27 March 2010 £m* |
|---|---|---|---|
| **Group profit before tax** | | **31.0** | 26.8 |
| Net finance costs | | **4.8** | 5.4 |
| Exceptional items | **3** | **(1.7)** | (0.2) |
| Depreciation | | **12.4** | 11.5 |
| Loss on disposal of property, plant and equipment | | **0.1** | 0.1 |
| | | **46.6** | 43.6 |
| Difference between pension charge and cash paid | | **(0.4)** | (1.1) |
| Share-based payment charges | | **1.8** | 2.1 |
| Change in trade and other receivables | | **(2.5)** | 0.6 |
| Change in inventories | | **(1.2)** | (1.5) |
| Change in trade and other payables | | **(0.1)** | 5.0 |
| Cash impact of exceptional items | **3** | **0.4** | 0.4 |
| **Cash generated from operations** | | **44.6** | 49.1 |
| Tax paid | | **(8.6)** | (7.0) |
| **Cash generated from operating activities** | | **36.0** | 42.1 |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | **(12.0)** | (44.1) |
| Sale of property, plant and equipment | | **4.0** | 2.4 |
| **Net cash outflow from investing activities** | | **(8.0)** | (41.7) |
| | | | |
| **Cash flow from financing activities** | | | |
| Purchase of own shares | | **(1.3)** | (0.8) |
| Receipts on release of own shares to option schemes | | **0.5** | 0.8 |
| Interest paid | | **(4.1)** | (4.4) |
| Preference dividends paid | **7** | **(0.1)** | (0.1) |
| Equity dividends paid | **7** | **(3.3)** | (9.4) |
| Drawdown of bank loans | | **65.5** | 22.5 |
| Repayment of bank loans | | **(80.2)** | (7.5) |
| Repayment of debenture stock and loan notes | | **(1.2)** | (1.3) |
| Cost of refinancing and associated hedging | | **(1.2)** | - |
| **Net cash outflow from financing activities** | | **(25.4)** | (0.2) |
| | | | |
| **Net movement in cash and cash equivalents** | | **2.6** | 0.2 |
| Cash and cash equivalents at the start of the year | | **1.1** | 0.9 |
| **Cash and cash equivalents at the end of the year** | **9** | **3.7** | 1.1 |

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

**FULLER, SMITH & TURNER P.L.C.**
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**
**FOR THE 53 WEEKS ENDED 2 APRIL 2011**

## 1. PRELIMINARY STATEMENT

The consolidated financial statements of Fuller, Smith & Turner P.L.C. for the 53 weeks ended 2 April 2011 were authorised for issue by the Board of Directors on 10 June 2011.

This statement does not constitute statutory financial statements as defined by Section 435 of the Companies Act 2006. The financial information for the 53 weeks ended 2 April 2011 has been extracted from the statutory financial statements on which an unqualified audit opinion has been issued and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. Statutory financial statements for the 52 weeks ended 27 March 2010, including an unqualified auditors' report which did not make any statement under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

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

The accounting policies used have been applied consistently and are described in full in the statutory financial statements for the 53 weeks ended 2 April 2011, which will be mailed to shareholders on or before 29 June 2011 and delivered to the Registrar of Companies. The financial statements will also be available from the Company's registered office: Griffin Brewery, Chiswick Lane South, Chiswick, London W4 2QB, and on its website, from that date.

*Basis of preparation – new accounting standards*

The condensed financial information in this statement has been prepared in all material respects on the basis of the accounting policies set out in the Group's 2010 financial statements, and in accordance with applicable accounting standards, except for the adoption of the following new accounting standards as of 28 March 2010, as detailed below.

<u>IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended)</u>
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 intial 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 ocurrs and future reported results.

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.

## 2. SEGMENTAL ANALYSIS

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. 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.

| ***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** |

## 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 £m* |
|---|---|---|---|---|---|
| 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** |

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

## 3. 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 5) | **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.

## 3. EXCEPTIONAL ITEMS *(continued)*

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.

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.

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).

## 4. FINANCE REVENUE AND FINANCE COSTS

| | ***53 weeks ended 2 April 2011 £m*** | *52 weeks ended 27 March 2010 £m* |
|---|---|---|
| **Interest receivable from:** | | |
| Cash and cash equivalents | **0.1** | - |
| **Finance revenue** | **0.1** | - |
| | | |
| **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 |
| **Finance costs** | **4.9** | 5.4 |

## 5. TAXATION

| | ***53 weeks ended 2 April 2011 £m*** | *52 weeks ended 27 March 2010 £m* |
|---|---|---|
| **Tax on profit on ordinary activities** | | |
| 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 | **(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) |
| | | |
| **Tax relating to items charged directly to equity** | | |
| 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) |

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 to 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.

## 6. 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** | | |
| 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.

## 7. 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 4) | **0.1** | 0.1 |
| **Proposed for approval at the AGM** | | |
| Final dividend for 2011: 7.05p (2010: 1.15p) | **4.0** | 0.6 |

** 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.*

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.

## 8. PROPERTY, PLANT AND EQUIPMENT

| | *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 |

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.

## 9. ANALYSIS OF NET DEBT

| *53 weeks ended 2 April 2011* | *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** |
| **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)** |
| Total borrowings | **(108.8)** | **16.7** | **(0.1)** | **(92.2)** |
| **Net debt** | **(107.7)** | **19.3** | **(0.1)** | **(88.5)** |

| *52 weeks ended 27 March 2010* | *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 |
| Debt: | | | | |
| 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) |
| Total borrowings | (95.1) | (13.7) | - | (108.8) |
| Net debt | (94.2) | (13.5) | - | (107.7) |

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

## 10. RETIREMENT BENEFIT OBLIGATIONS

| **The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan** | ***At 2 April 2011 £m*** | *At 27 March 2010 £m* |
|---|---|---|
| Fair value of plan assets | **77.1** | 71.1 |
| Present value of scheme liabilities | **(83.5)** | (83.8) |
| **Deficit in the scheme** | **(6.4)** | (12.7) |
| **Key financial assumptions used in the valuation of the scheme** | | |
| 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 |

## 10. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

### Mortality assumptions

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

| | ***2011*** | *2010* |
|---|---|---|
| | ***Years*** | *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 |

| | ***At 2 April 2011*** | *At 27 March 2010* |
|---|---|---|
| | ***£m*** | *£m* |
| **Value of assets in the scheme** | | |
| Bonds – Government | **2.9** | - |
| Bonds – Corporate | **17.6** | 18.9 |
| Equities | **51.9** | 47.3 |
| Property | **1.3** | 1.0 |
| Cash | **2.4** | 2.9 |
| Annuities | **1.0** | 1.0 |
| **Total market value of assets** | **77.1** | 71.1 |
| | | |
| **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 |
| | | |
| **Movement 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) |

## 11. SHAREHOLDERS' INFORMATION

Shareholders holding 40p 'C' ordinary shares are reminded that they have 30 days from 10 June 2011 should they wish to convert those 'C' shares to 'A' shares. The next available opportunity after that will be November 2011. For further details please contact the Company's registrars, Computershare on 0870 702 0101.

## 12. PRINCIPAL RISKS AND UNCERTAINTIES

### 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.

## 13. PRINCIPAL 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.

## 13. PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

*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.