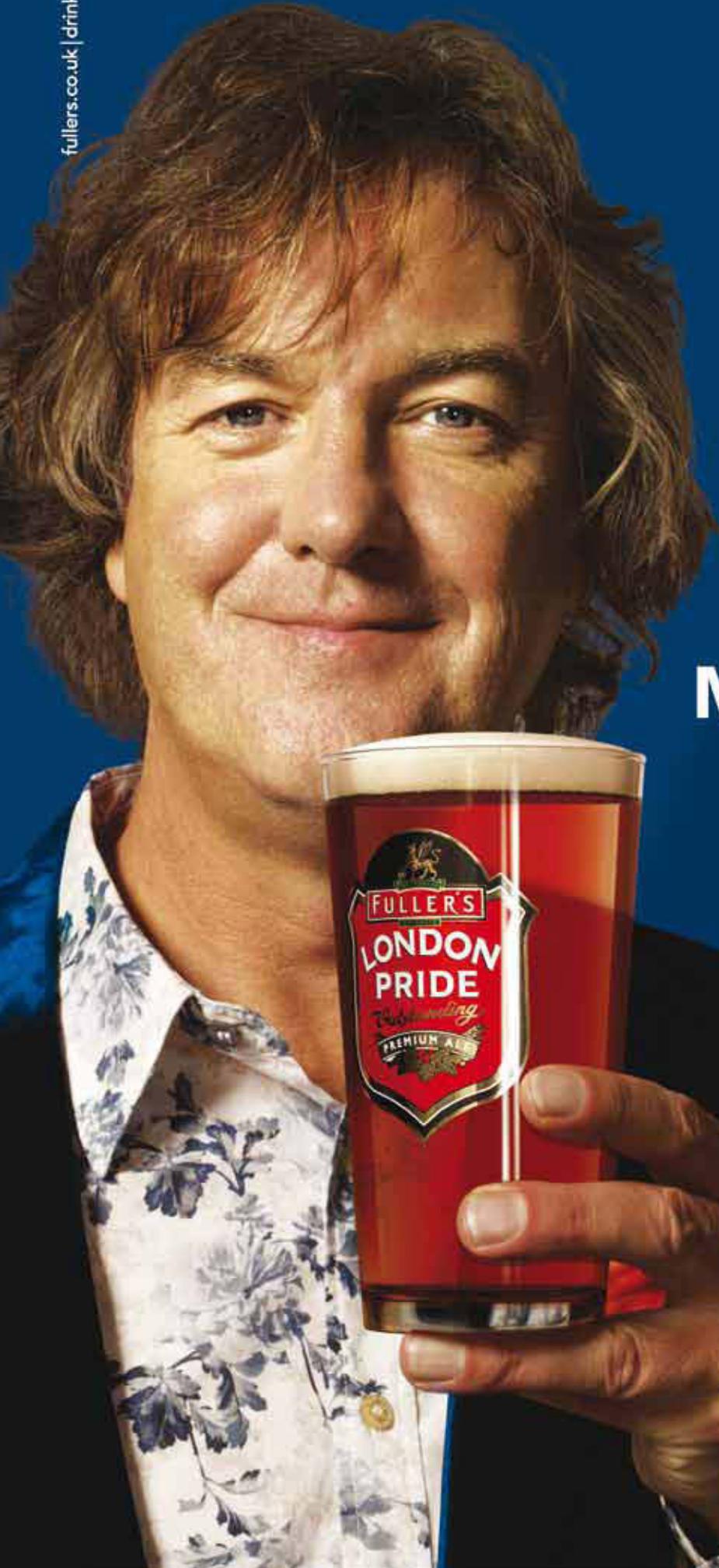




FULLER SMITH & TURNER P.L.C.
Report and Accounts 2012





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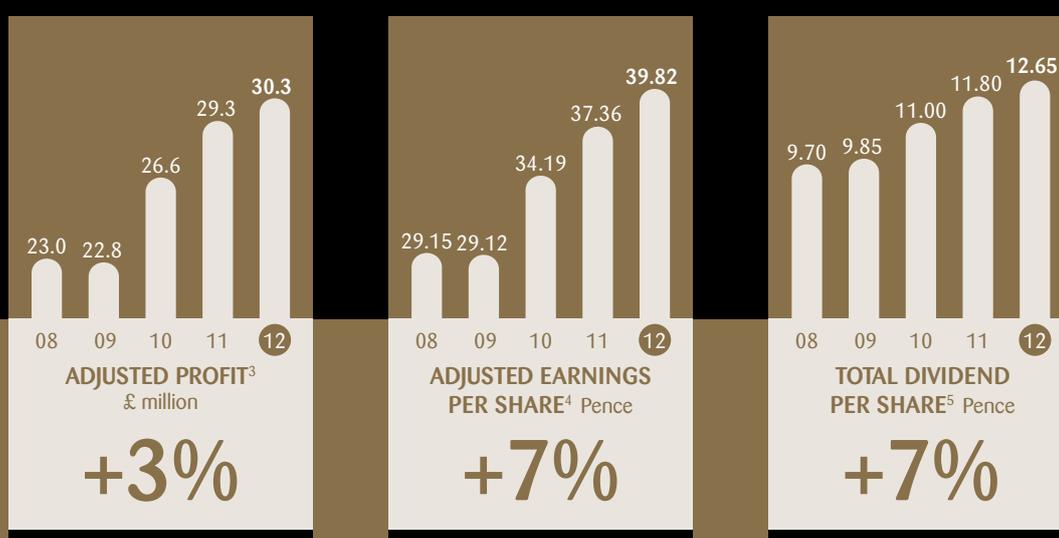
My favourite Londoner.



Brewed in London

Corporate Progress

- 30 pubs acquired and major brewery investment
- Managed Pubs and Hotels like for like sales up 4.2%
- Tenanted Inns profits¹ up 4%
- The Fuller's Beer Company profits¹ up 2%
- All business divisions in growth
- Net debt to EBITDA² 2.7 times



Financial Highlights

	52 weeks ended 31 March 2012 £ million	53 weeks ended 2 April 2011 £ million	Change 2012/2011
Revenue	253.0	241.9	+5%
Adjusted profit ³	30.3	29.3	+3%
Profit before tax	28.8	31.0	-7%
EBITDA ⁶	47.8	46.6	+3%
Adjusted earnings per share ⁴	39.82p	37.36p	+7%
Basic earnings per share ⁵	42.13p	44.12p	-5%
Total annual dividend per share ⁵	12.65p	11.80p	+7%
Net debt ⁷	138.2	88.5	
Pro forma net debt/EBITDA ²	2.7 times	1.9 times	

¹Operating profit before exceptional items. ²Pro forma net debt/EBITDA is adjusted as appropriate for the pubs acquired or disposed of in the period. ³Adjusted 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. ⁴Calculated 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. ⁵Calculated on a 40p ordinary share. ⁶Pre-exceptional earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation. ⁷Net debt comprises cash and short term deposits, bank overdraft, bank loans, debenture stock and preference shares.

Chairman's Statement



Michael Turner

Whatever You Do, Take Pride

HIGHLIGHTS

I am pleased to announce a very positive performance in a year where we have laid strong foundations for future growth following capital investment of £75 million across the business, which included the acquisition of 30 carefully selected pubs.

Our adjusted earnings per share rose by 7% to 39.82p (2011: 37.36p). Over the last five years our adjusted earnings per share have grown 44%, which is testament to the success of our long term strategy. Our revenues increased 5% to £253.0

million (2011: £241.9 million) and adjusted profit before tax (excluding exceptional items) improved by 3% to £30.3 million (2011: £29.3 million).

Managed Pubs and Hotels like for like sales increased 4.2%, with total revenues up 6%. After duty rises and the temporary effect of significant development projects on a number of the new houses added in the year, profits rose by 1%. Over the last five years revenues from our Managed Pubs and Hotels have grown 30%, showing that against a backdrop of economic recession, we have continued to make strong long term progress.

Our Tenanted Inns have also performed consistently well over this challenging period for the sector, and this has continued with like for like profits up 2% and operating profits¹ 4% higher. The Fuller's Beer Company saw Own Beer volumes rise 1% on a comparable basis, driven by excellent growth in Exports.

Excessive duty increases that total 45% over the last five years continue to impact all parts of the business, and this is demonstrated by a marked difference between domestic and export sales (where UK duty does not apply). The pub industry is a significant contributor to the local communities in which it operates and provides employment for almost 1 million people. However, we continue to shoulder a disproportionate tax burden as a result of the current detrimental tax regime. The Group paid total taxes and other government levies of £114 million for the year, which represents an astonishing 37% of Group revenues including VAT.

Our aim has always been to invest selectively in high quality assets where they are available and we are delighted that last year we had the opportunity to do so. All of the pubs acquired in the year were carefully chosen and have outstanding long term potential. 13 have joined the Managed Pubs and Hotels division and 17 joined the Tenanted Inns division. In addition to the significant development of a number of the new sites, we have continued our programme of enhancing our existing pub estate. We have also made a substantial investment in the brewery, adding 30,000 barrels of bottle and keg beer capacity which will support export growth into the future.

Following capital expenditure of £75 million, net debt rose by just under £50 million to £138.2 million (2011: £88.5 million). After the arrangement of £60 million of additional bank facilities in the year, our total bank facilities now stand at £150 million. The facilities all run until May 2015 and at 31 March 2012 we had £34 million of undrawn committed funds.

¹Operating profit before exceptional items.



QUALITY, SERVICE AND PRIDE

This year we brewed 217,000 barrels of award-winning ale at our Griffin Brewery in Chiswick, London's only traditional brewery. Our beer is sold through our own estate of 174 Managed Pubs and Hotels and 209 Tenanted Inns across the South of England, as well as pubs, clubs and supermarkets in the UK and nearly 70 foreign markets.





Chairman's Statement continued



EBITDA increased by 3% to £47.8 million (2011: £46.6 million) and the pro forma ratio of net debt to EBITDA² remains low at 2.7 times (2011: 1.9 times), allowing us continued flexibility to invest in future opportunities.

²Net debt to EBITDA is adjusted as appropriate for the pubs acquired or disposed of in the period.

DIVIDEND

The Board recommends that a final dividend of 7.60p per 40p 'A' and 'C' ordinary share and 0.760p per 4p 'B' ordinary share be paid on 24 July 2012 to shareholders on the share register as at 22 June 2012. This is an 8% increase on last year's final dividend. The total dividend per share of 12.65p per 40p 'A' and 'C' ordinary share and 1.265p per 4p 'B' ordinary

share represents a 7% increase on last year, demonstrating our confidence in the outlook for next year and this will be covered more than three times by adjusted earnings per share.

PEOPLE

Since last year's Annual General Meeting Alastair Kerr has joined the Board as a Non-Executive Director and has become Chairman of the Remuneration Committee. Alastair has a wide range of retail experience having previously held roles at The Body Shop, Kwik-Fit and Mothercare, and currently at White Stuff where he is a Non Executive Director.

On 12 December 2011, Ian Bray joined the Board as Managing Director of The Fuller's Beer Company. I am

pleased to welcome Ian, who joins us from Bunge S.A. where he was European Marketing Director and brings a wealth of experience with international brands to the Board. On 1 February 2012 Jonathon Swaine was promoted to the position of Managing Director of Fuller's Inns. Jonathon has been with the Group for six years and was previously one of our Retail Operations Directors.

Fuller's provides great opportunities for young people looking for a career in our sector and in 2011 we launched our first graduate development programme. The programme provides the opportunity to experience a wide variety of roles, and has been well received among the graduate applicant community, with our second year now

Chairman's Statement continued

The pubs acquired in the year are:

London

The Cabbage Patch, Twickenham
 The Coach & Horses, Soho
 The Forester, Ealing
 The Hand & Flower, Hammersmith
 The Lamb & Flag, Covent Garden
 The Parcel Yard, King's Cross Station

The Pavilion End, Moorgate
 The Plough, East Sheen
 The Seven Stars, Holborn
 The Tokenhouse, Moorgate
 The Wellington, Waterloo

South East

The Bear & Ragged Staff, Michelmarsh
 The Boater, Bath
 The Crown Inn, Bishop's Waltham
 The Duke of York, Tunbridge Wells
 The Fox & Hounds, Lyndhurst
 The Frog & Wicket, Hook
 The George & Dragon, Westerham
 The Horse & Groom, Alresford
 The Kingswood Arms, Kingswood
 The Market Hotel, Reigate

The Mayfly, Stockbridge
 The Old Plough, Stoke D'Abernon
 The Old Thatch Tavern, Stratford-upon-Avon
 The Ox Row Inn, Salisbury
 The Red Lion Hotel, Wendover
 The Sir John Barleycorn, Cadnam
 The Three Horseshoes, Laleham
 The White Swan Hotel, Stratford-upon-Avon
 The William Walker, Winchester

underway. We have also successfully implemented a hospitality graduate programme, which will provide an effective development route for graduates to progress to general manager level in our Inns business.

We are expecting an exciting summer and the continued support and enthusiasm from all our staff is crucial to taking full advantage of this fantastic time when the spotlight will be on London. Our success is due to the performance of a passionate team who aspire to the highest standards, and who work unstintingly for the success of the Group. I would like to thank each and every one of them for their hard work and effort over the past year.

CURRENT TRADING AND PROSPECTS

We have experienced the most volatile and weather-dependent start to a year that we can remember. April was the wettest on record, whilst last week was glorious. Over the eight weeks to 26 May 2012, our total Managed Pubs and Hotels sales grew 7.2%, while the like for like sales decreased 2.3%. As the summer sun chases away the economic gloom, we now look ahead to what promises to be a historic time for the country.

This coming weekend we have the Queen's Diamond Jubilee, followed by the European Football Championships and then the Olympic games. With our pub estate based in London and the South East and London Pride

as our flagship beer, we aim to give our customers a wonderful summer to remember.

Michael Turner
 Chairman

31 May 2012



A selection of the 30 new acquisitions made during the year whose quality assets are wholly consistent with our long term strategy.



Group Managing Director's Review



Simon Emeny, Group Managing Director

FULLER'S INNS

Fuller's Inns comprises two operating divisions. Managed Pubs and Hotels, where we control all aspects of the business, and Tenanted Inns, where Fuller's owns the property but the pub is operated by an entrepreneur under the Fuller's brand. At the year-end we had 174 Managed Pubs and 209 Tenanted Inns, following the 30 acquisitions and the disposal of five properties which no longer matched our criteria.

Acquisition Strategy

Our acquisitions strategy is to continue to enhance the quality of our estate, to increase our London presence and to expand our reach into prosperous areas of the South East. To achieve this, we look at both high quality existing businesses to which we can add value, and those which offer significant development potential. Our key selection criteria for an individual site are the local demographics, the character, the

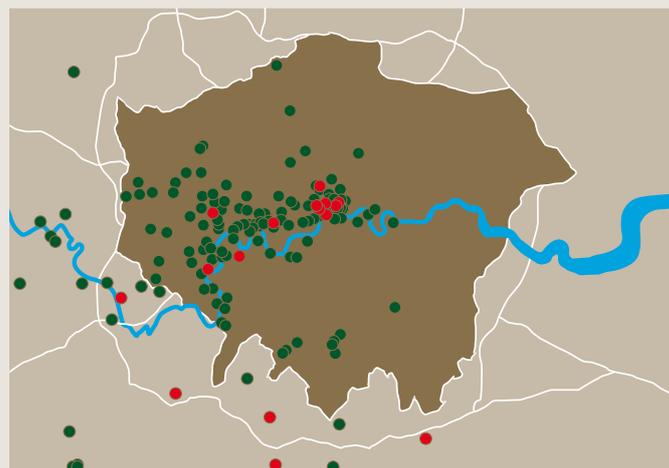
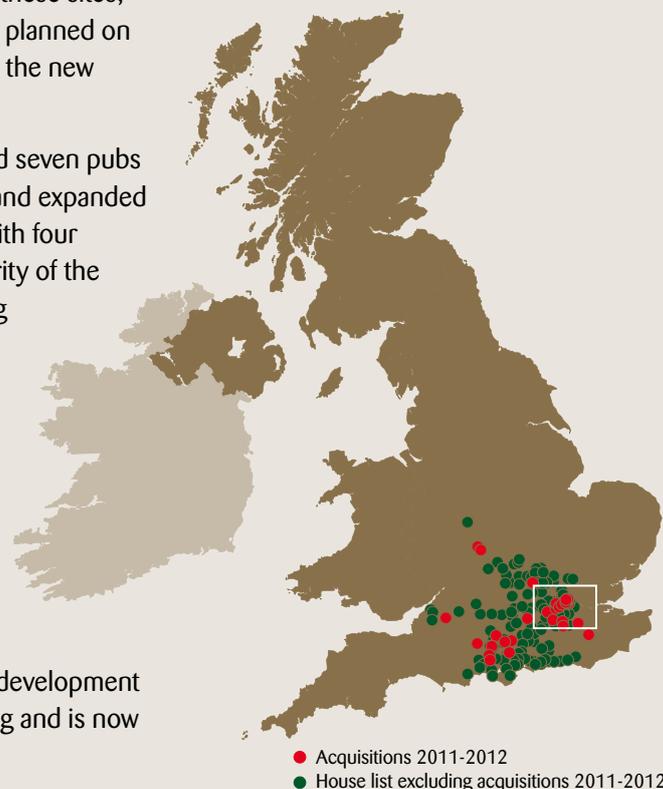
location, the qualities of the underlying property and the opportunity for us to enhance the operation.

The financial year under review has been exceptional in terms of acquisitions for the Group, adding further high quality sites to both our Managed and Tenanted businesses. In addition to this initial investment, we have invested £4.8 million in the year on the extensive redevelopment of four of these sites; with further development planned on a number of the others in the new financial year.

In London, we have added seven pubs to our Managed division and expanded our Tenanted presence with four excellent pubs. The majority of the Managed sites are existing high turnover, drinks led operations in great strategic locations and they have all traded well from day one under our stewardship. In March 2012 we opened the impressive Parcel Yard in Kings Cross Station. This was an exciting new development in a Grade 1 listed building and is now the largest station pub in Britain. In addition, we have completely remodelled the Tokenhouse (formerly traded as Bluu) in Moorgate to capitalise on the premium local market of this excellent city site.

In the South East, we took the opportunity to expand our portfolio in selected

affluent areas where we previously had little representation. We have acquired 19 superb freeholds for our estate in these areas, with six Managed and 13 Tenanted pubs. All of the acquisitions are in great locations with a strong customer base and we expect them to respond well to Fuller's branding and operational style. Within the Managed additions, the White Swan Hotel, Stratford-upon-Avon and the Crown, Bishop's Waltham were





Group Managing Director's Review continued

purchased as development sites. These are remarkable historic buildings and, following sensitive restoration schemes that cost more than the buildings themselves, both have already been re-launched to the public.

Managed Pubs and Hotels

Revenues for our Managed Pubs and Hotels business increased by 6% from £147.2 million to £155.7 million. Like for like sales grew by 4.2%, the 13 pubs and hotels acquired in the year added 4% and the one week shorter reporting period reduced the figure by 2%. Operating profits before exceptional items rose at a lower rate of 1% to £18.3 million (2011: £18.1 million), resulting from a reduced operating margin. EBITDA grew by 1% to £26.9 million (2011: £26.6 million).

The operating margin reduction from 12.3% to 11.8% can be explained by three main factors. First, lower margins were achieved on drinks as we were unable to pass on the full 7% duty increase in March 2011 to our consumers by raising prices further. If the ill-conceived duty escalator remains in place, we would expect this dilution of margin on drinks to continue. Second, one-off head office investments made to enhance our food development teams, our scheduling systems and our digital presence also had an impact. The final and most significant contributor was the planned, short-term impact of acquisitions that required closures for refurbishment and, in the case of the development sites, were loss-making prior to their transformations.

Refurbishments

We have continued to improve our existing estate and in addition to

many smaller projects, we have made significant investments in 18 houses this year, totalling £4.2 million. For The King's Head, Guildford, The Thomas a Becket, Worthing and The Barrel and Horn, Bromley we designed transformational refurbishments to reposition their offer within their respective local markets. The Six Bells, Thame, The Pilot, Chiswick and The Rose and Crown, Ealing, each had targeted investments aimed at developing under-utilised areas of the pub, for example by transforming function rooms or gardens. These investments are already showing good returns.

Four Pillars

Our business is founded on the four pillars of outstanding cask conditioned ales, delicious food, great wines, and engaging service. The elements that we can measure financially, accommodation, food and drinks, all showed strong like for like sales growth in this financial year up by 7.4%, 4.5% and 4.0% respectively.

Engaging service is fundamental to a great customer experience and to strengthen our ability to deliver this consistently, we launched "Connection Week" last October. This initiative saw one team member from every Managed Pub and Hotel invited to an inspiring event where we shared with them our key messages, delivered by guest speakers and our own staff. They were also given the tools to subsequently cascade these messages in every pub, to every employee, within one week. The response to this initiative has been fantastic and has elevated the motivation and engagement levels of our pub teams. We will repeat "Connection Week" in the coming year. We also continue to conduct regular focus groups amongst

our employees, which have provided a powerful means of communication.

In our estate growth in cask ale has outperformed growth in lager this year, indicating both a shift in consumers' tastes, with craft beer the order of the day, and interesting developments in our range. New beers and our own popular seasonals, such as Spring Sprinter and Summer Ale, continue to broaden our range of drinks, catering for every occasion. Our evolving selection of interesting foreign and niche lager brands and exclusive wines also ensure that our pubs satisfy the increasingly varied tastes of their customers.

Investment in our head office food team is already showing a return, driving quality and consistency throughout the estate. We focus on producing the finest food in our pubs, using fresh, seasonal ingredients. The 4.5% like for like sales growth achieved in the year was predominantly the result of increasing the number of covers, rather than price. We also improved margins through holding supplier increases below general food inflation and enhancing kitchen efficiency.

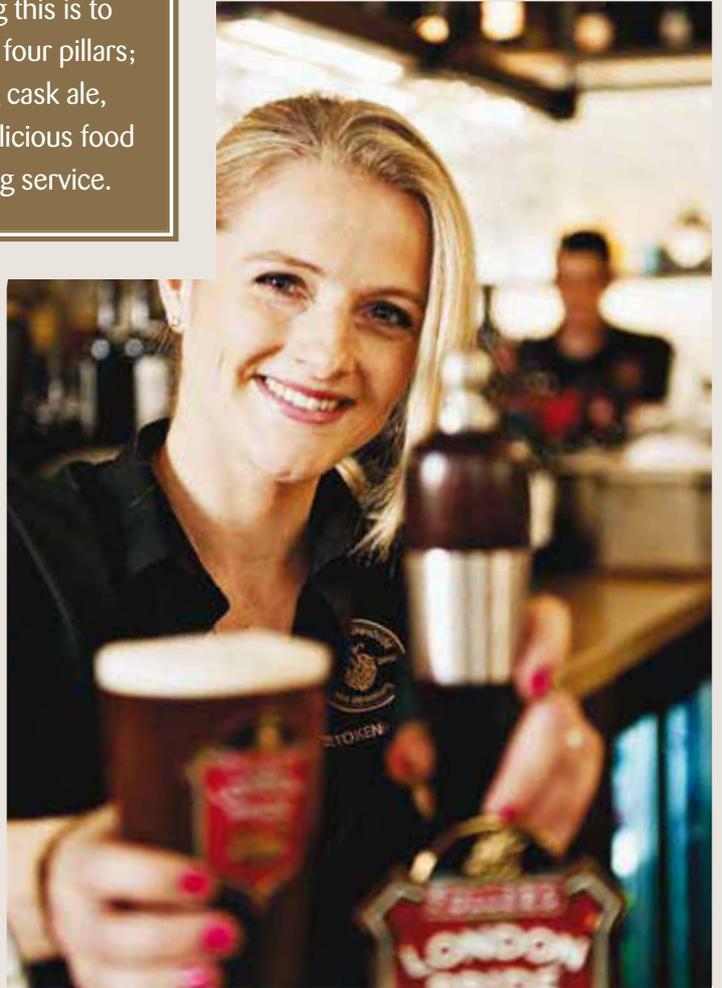
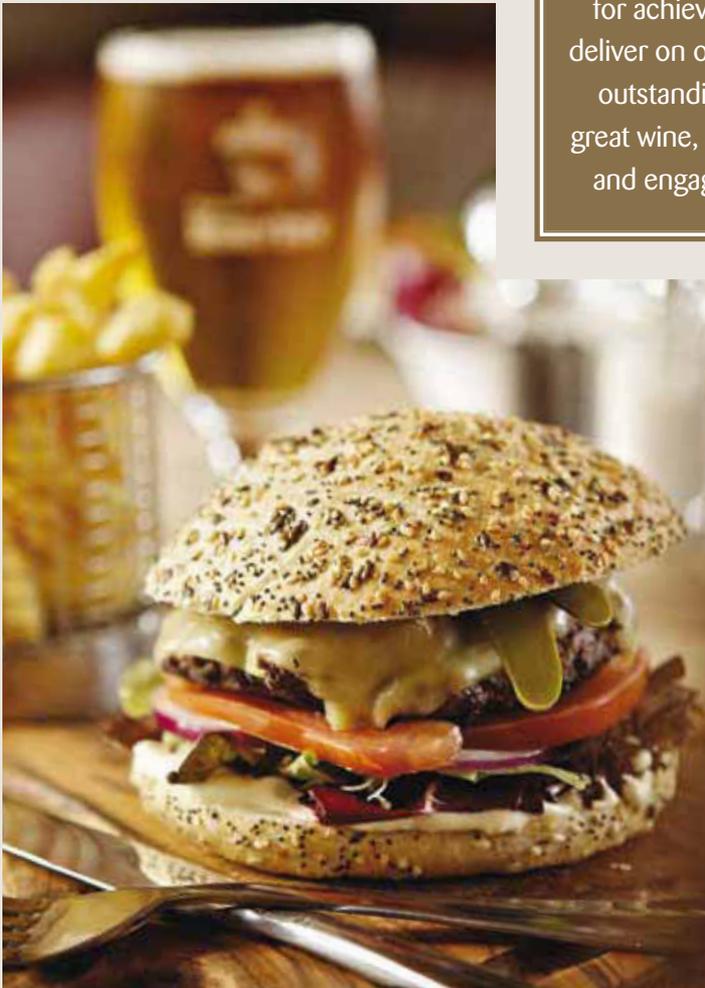
Accommodation

We are excited about the growth potential of our accommodation business in the coming year. Our acquisition and investment programme has added 134 rooms to the estate last year, through a combination of acquiring sites with accommodation and adding rooms as part of a redevelopment. At the year-end we had 620 bedrooms across 28 properties, an increase of 28% over the last year. The 27 rooms added at The Drayton Court in Ealing at the start of the year and upgrades to rooms at the Fox & Goose Hotel, Ealing



MANAGED PUBS AND HOTELS

Our desire is to run the best pub in any area and our strategy for achieving this is to deliver on our four pillars; outstanding cask ale, great wine, delicious food and engaging service.





Group Managing Director's Review continued

and the Chamberlain Hotel, Minorities have had the expected positive impact on room sales. Like for like sales grew 7.4% last year, largely driven by an increase in average room rate achieved of 3%.

Since the end of the year we have completed the £2.8 million refurbishment of one of our acquisitions, The White Swan Hotel, Stratford-upon-Avon. Part of this magnificent Grade II listed building dates from the 1450s and it features 41 bedrooms which have all been upgraded to the Fuller's standard, with high quality finishes and bespoke artwork on the walls from local artists.

Digital

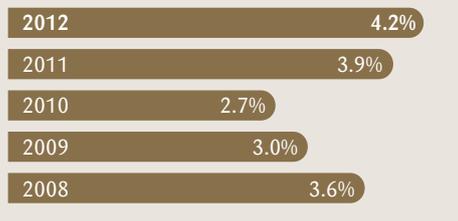
The digital arena continues to develop rapidly and this has opened up opportunities for us to increase our interaction with customers and drive sales. During the year we have invested in our digital infrastructure and we are delighted to be launching our new pubs and hotels websites today (31 May).

Amongst many enhancements, this will assist us in promoting events, allow customers to make table bookings online and transform the customer journey for bedroom bookings. The new sites are smartphone and iPad friendly and are integrated with each pub's social media activity.

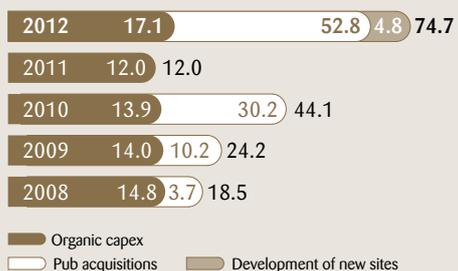
With around 78% of all hotel room bookings now being made online, one objective of our increased digital investment is to improve the numbers of people booking hotel rooms directly through our new websites, decreasing the amount paid in third-party agency fees.



MANAGED PUBS AND HOTELS LIKE FOR LIKE SALES GROWTH %



GROUP CAPITAL EXPENDITURE £ million





MANAGED PUBS AND HOTELS

Accommodation, food and drink all continue to show like for like sales growth at 7.4%, 4.5% and 4.0% respectively.



TENANTED INNS

We continue to invest in our tenanted estate through the economic cycle, and have seen average EBITDA per pub rise by 4%.





Group Managing Director's Review continued

Tenanted Inns

Tenanted Inns' revenue grew by 2% to £27.5 million (2011: £26.9 million), driven in part by the acquisitions made in the estate earlier in the year, which continue to trade well. Average EBITDA per pub increased by 4%, again as a result of our long term strategy.

Our Tenanted Inns acquisition strategy is to further increase the quality of the estate by acquiring pubs with long term potential and disposing of those sites that no longer fit our criteria. The 17 pubs added to the division in the year will significantly increase our average EBITDA per pub, whilst in the year we completed our recent disposal programme with the sale of four tenanted properties.

Operationally our strategy is to continually raise standards and quality, to develop the offer to ensure it fits the Fuller's brand, and to encourage entrepreneurship in our tenants. During the last year we have trained more tenants than ever, as well as increasing our range of courses; we have introduced a Mystery Shopper service to provide useful customer feedback to our tenants and we also paid for all our tenants to become members of the BII, the leading industry organisation for licensees.

We have continued to invest in our estate throughout the economic cycle, a strategy which benefits both the Group and our tenants. This policy has seen us invest £0.6 million last year across 26 pubs and works have been conducted by Fuller's and our lessees to upgrade nearly 50% of our pub interiors in the last two years. Wholesale drinks prices rose as higher levels of duty were passed on but, recognising the impact of the current economic climate on our

TENANTED INNS PROFITS £ million

2012	10.3
2011	9.9
2010	9.9
2009	10.2
2008	10.2

tenants' businesses, we again capped all RPI linked rent increases to 3%.

The result of this proven strategy is that operating profits before exceptional items increased 4% to £10.3 million (2011: £9.9 million) and like for like profits were up 2%.

Fuller's prestigious Griffin Trophy for the best pub was again awarded this year to a Tenanted Inn, the Queen's Head, Farnham, reflecting the high quality entrepreneurial calibre of our tenants.

We are continually developing our proposition and in March 2012 we launched a new Service Charge agreement. This offers complete property compliance, at a Group purchasing price and removes a large administrative burden, freeing up busy tenants to focus on running their business. Early feedback has been very positive and a number of tenants have already signed up. We have also launched the first phase of an extranet for tenants, with the ultimate aim of providing them with a 'one-stop shop' for all interaction with Fuller's, as well as online access to our discounts, promotions, help and advice.



Group Managing Director's Review continued

THE FULLER'S BEER COMPANY

The Fuller's Beer Company put in a robust performance in what remains a difficult marketplace. Revenues increased by 5% to £109.1 million (2011: £104.1 million). Operating profits increased by 2% to £9.0 million (2011: £8.8 million) as operating costs also increased 5%. Operating margin has been diluted due to both the changing sales mix and the impact of beer duty rises.

On a comparable 52 week basis, total beer volumes increased by 2% and Own Beer volumes were 1% higher than last year, driven by volumes of Own

FULLER'S BEER BARRELS 000s

2012	217.4	114.3	331.7
2011 ³	215.5	110.8	326.3
2010	220.0	104.7	324.7
2009	215.6	103.6	319.2
2008	216.4	109.6	326.0

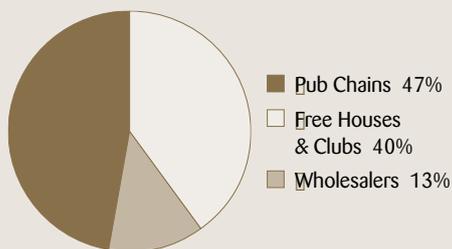
Own beer brewed Foreign beer distributed

³2011 barrellage figures are pro-rated to 52 weeks

TOTAL BEER BARRELS



FREE ON TRADE SECTOR BARRELS



Beer sold in Fuller's pubs growing 3% and export volumes increasing by 22% in the year. Exports continue to grow strongly and now account for 1 in 6 barrels of Own Beer sold. For the first time we sold more than 10 million pints to our overseas customers. During the year, London Pride increased market share in our core trading area of London, increasing 4% in a level market⁴.

Our investment of £4.5 million in new conditioning tanks at the Griffin Brewery in Chiswick has added 30,000 barrels of conditioning capacity for bottle and keg beer. The tanks are now in operation and we have the ability to increase capacity further at a lower incremental cost in the future. This investment allows us to meet the current growing demand for bottle and keg beer, whilst also being flexible enough to produce cask ale should the need arise.

During the last twelve months we have continued to evolve our London Pride marketing, starring James May our brand ambassador. Following on from the "When in London" series of advertising, we are focusing on our London provenance and renowned brewing heritage in the build-up to the Olympics. This latest campaign, running throughout the summer, will be appearing on London taxis, Riverboats and in the capital's train stations and will be accompanied by related social media activity. This will both reinforce our appeal with Londoners and target the expected five million visitors to the capital, with the posters reaching 20 million potential customers.

Our seasonal ale programme continues to provide our customers with fresh

THE FULLER'S BEER COMPANY

Fuller's was awarded the title of National Cask Ale Brewer of the Year at the Publicans' Morning Advertiser Supplier Awards 2012, an award voted for by the nation's licensees.

and interesting choices, whilst giving us an excellent testing ground for new products and a breadth of range to suit our different sales channels. A great example of this is Black Cab, where following success as a seasonal cask ale in November, this rich dark stout has been launched in bottle form for our Export and Off Trade markets. Bengal Lancer, a premium India Pale Ale, was originally introduced as a seasonal ale but has gone on to become our fastest growing beer in the past year.

Our brewing team in Chiswick are extremely passionate about brewing excellence and are constantly both fine tuning our existing range and developing new beers. Hope and Glory is our current seasonal ale which is being brewed specially for the Diamond Jubilee using Sovereign hops and Westminster barley from H.R.H. the Prince of Wales' farm. Following this, in June we are looking forward to launching Wild River, an exciting new mid-Atlantic pale ale brewed using American hops for their citrus aroma and flavour.

Simon Emery
Group Managing Director

31 May 2012

⁴CGA, cask ale London area, March 2012





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 pre date the Brewery, as we have become custodians of historic sites through selected acquisitions. 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.

16 of our 30 acquisitions this year are listed buildings and three are examples of sensitive restorations of sites that had fallen into disrepair and in one case was even closed. The Lamb & Flag, Covent Garden is reputedly one of the oldest pubs in London, and this 17th century, Grade II listed building lays claim to having Charles Dickens as a former patron. The White Swan Hotel, Stratford-upon-Avon dates back to 1450, making it one of the oldest pubs in the town and The Crown, Bishop's Waltham was built in the 16th century and boasts the billeting of the defeated Admiral of the Battle of Trafalgar as part of its illustrious history. The investment we made in these three properties was considerable, but essential in order to restore their individual characters, at the same time as delivering an exceptional customer experience.

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 play an active part in the London Brewer's Alliance (LBA), a group of brewers who want to



celebrate the resurgence of brewing in London and promote excellence in all aspects of brewing within our capital city. We have hosted meetings of the alliance in Chiswick, attended and supported numerous LBA beer festivals and promoted appreciation of the variety and flavour of hops through the London Brewer's Alliance Hop Shoot festival.

We continue to draw on our fantastic brewing heritage and during the year produced the second beer in our Past Masters series of historic brews. These beers are 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. Past Masters No 2 Double Stout is based on a recipe from 1893 using organic heritage Plumage Archer Barley Malt.

COMMUNITY

Throughout our history, Fuller's has always been an integral part of the communities in which we operate. We encourage our pubs to become the centre of their communities and we support their work in sponsoring local events with donations and assistance with marketing

and promotions. In the last financial year they have supported dozens of charitable causes, ranging from local hospices to the RNLI.

In late 2011, many of our male employees dispensed with their razors and actively campaigned for "Movember" – the aim of which is to raise vital funds and awareness for men's health, specifically prostate cancer and other cancers that



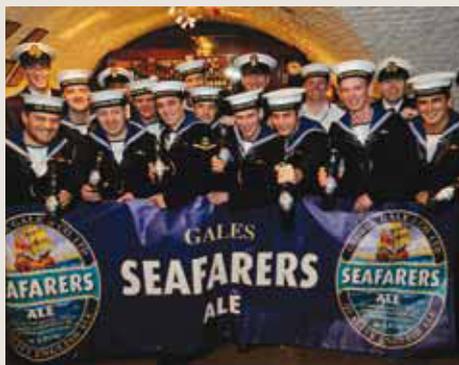
Corporate Social Responsibility *continued*



affect men. The moustachioed Fuller's team raised over £36,000 (more than the whole of France) and were 11th on the UK leader board!

This year, for the first time, we supported the main annual fund raising event for the FreeKicks Foundation – a 73 mile walk from Barnet FC to Wembley via every London Football League club. This charity arranges days to remember for ill, bereaved or disadvantaged children at their favourite football club. As well as making a donation to FreeKicks, we provided much-needed refreshment at a number of our pubs on the route for the walkers.

Locally to our Griffin Brewery, we support organisations such as Chiswick



House and Gardens, the Chiswick Pier Trust, Chiswick Horticultural Society 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 such as Children in Need and each year we support the London Pride Walk and Fun Run for Cancer Research UK, which has been running annually since 1996. We have continued our support to Seafarer's UK by donating £5 for every barrel of Gales Seafarers Ale sold. Seafarers UK supports a range of maritime charities across the country. 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.

Fuller's is proud to continue its sponsorship of the London Marathon which holds the Guinness world record as the largest annual fund raising event in the world.

RESPONSIBLE RETAILING

The Fuller's Beer Company prides itself on the quality of beers that it brews, as numerous awards over many years testify. The premium positioning of our brands is supported by advertising and promotional activity where the emphasis is on moderate consumption and taking time to appreciate a great beer that's worth savouring. Our strategy continues to promote 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.

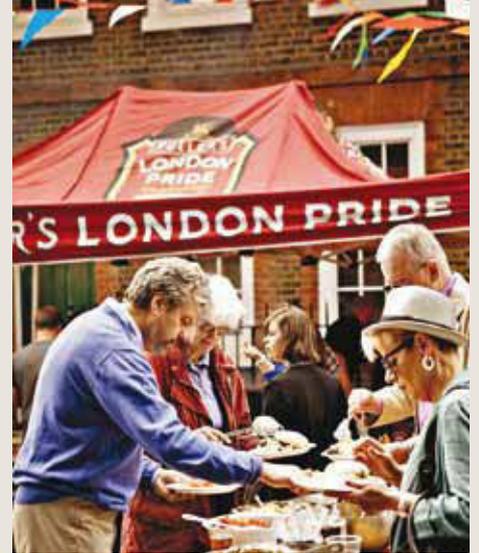
We take these issues seriously and are committed to playing a leading role in responsible retailing to reduce their impact. We have always believed that a well-managed pub offering a relaxed and safe environment, catering for all ages is central to a community's social cohesion and plays a vital role in Britain's social life.

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. Copies of our "A Smarter Guide to Drinking" are available in all our pubs and clearly illustrate safe, responsible drinking levels. The guide also suggests the pairing of eating and drinking as a safer way to consume alcohol.

We never promote initiatives that encourage or lead to excessive drinking, such as "Happy Hours". We aim to tailor our pubs' offer to the needs of the communities they serve. This may involve encouraging families with children to visit us or encouraging our managers to contribute to local Pubwatch



Corporate Social Responsibility *continued*



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.

For Fuller’s, beer is a drink that should be enjoyed in moderation and, although beer is one of most diluted forms of alcohol, we believe the flavours should be savoured and revered sip by sip.

PEOPLE

The Fuller’s family ethos remains strong and is still very evident throughout the business. Many employees stay with Fuller’s for much of their working life as demonstrated every year by the numerous recipients of our long service awards. However we are not complacent and have begun a number of initiatives to make Fuller’s an even better place to work.

We have implemented a Mentor programme during the year, utilising the skills and experience of our senior managers to support the development

of our future leaders. Our graduate programme aims to attract and cultivate new talent.

The Company has continued to strengthen its commitment to health and safety issues both at the Brewery and in the retail estate, updating our approach through a “Safety First” project. “Safety First” has entailed a complete revision of manuals, processes and procedures and the implementation of a new health and safety portal across the estate. The portal has made tasks easier and has provided more effective monitoring and compliance.

This year we launched our ride to work cycle scheme. This has been well received and links in with our environmental and wellbeing agendas.

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, such as the Save As You Earn Scheme and Share Incentive Plan.

ENVIRONMENT

The UK has not been alone in experiencing erratic weather patterns throughout the year and each drought or flood serves as a reminder that the world’s climate is changing. We take this risk very seriously and continue to work to reduce our energy and water consumption and manage our waste more effectively.

During the year we have created the new role of Environmental Analyst which provides us with a dedicated resource for green initiatives. This focus has allowed us to reduce our electricity and gas consumption by 4% and 7% compared to the prior year on a like-for-like basis. Although the warmer winter has had an effect on heating load, the impact of previous investments we have made in energy saving are visible throughout the Company.

We have conducted a number of LED lighting trials and have begun to use this lighting where appropriate.

With new technologies for improving environmental performance coming on to the market almost daily, it is important to understand those that will be effective

Corporate Social Responsibility *continued*



and those that will not. Accordingly, we have nominated a number of sites to act as reference points for our pub estate and will equip them with sub-metering so that we can accurately measure the impact of equipment or behaviour change.

Over 80% of our managed houses are separating cardboard and glass from general waste and another 50 houses are now separating out food waste. In order to further reduce the amount of waste we send to landfill, the general waste of nearly 70% of our managed pubs has been diverted to RDF (“Refuse Derived Fuel”). This is fuel produced by shredding and dehydrating solid waste and can be used in a variety of ways to produce electricity.

Following successful trials of waterless urinals, we have adopted the technology as standard for all development sites and where we are refurbishing toilets. So far we have converted 15 sites and a further 100 conversions are planned for the next financial year.

SUPPLIERS

We recognise that our activities have a broad impact and that our responsibilities extend beyond our own operations to



those of our suppliers. We understand we have a responsibility to the environment to ensure that the products we source are sustainable.

We constantly review our suppliers and aim to forge long-term partnerships which allow both them and us to plan for the future with some degree of stability. For example we enter into forward contracts with our hop and barley farmers not only to secure our own supply but also to guarantee orders from Fuller’s giving our farmers the confidence to invest in their harvests for future years.

Our suppliers’ performance on human rights, health & safety and other ethical issues form a key part of our buying decisions. We require all of our primary suppliers to provide us with their CSR policy and we aim to ensure that all suppliers adopt similar values to Fuller’s.

Our menus reflect the seasons wherever possible and 100% of our chips come from British Farmers. All of our fresh meat is sourced from within the UK and all of our eggs are from British farms meeting the Lion Quality standards and carrying the Lion Quality symbol.

We understand that our customers want locally sourced food and we want to support local farmers. We selectively source to give all our menus a distinctly local character and have particularly strong links with food suppliers in the South of England through our support of umbrella organisations such as Hampshire Fare and the New Forest Marque. We encourage the transportation of local food on existing vehicles to reduce food miles. All our bottled water comes from New Forest Spring water with the New Forest marque, a symbol of quality and local provenance.

We show our commitment to sustainable and ethical sourcing by ensuring all our coffee is Fair Trade. We work hard with our suppliers to reduce packaging and are proud to say that 95% of the materials we use to package our beer are recyclable. We will continue working with our suppliers with an aim to push this up to 100%.



The Board of Directors as at 31 May 2012



Michael Turner[†]



Simon Emeny



James Douglas



Richard Fuller



Ian Bray



Jonathon Swaine



John Dunsmore^{**†}



Lynn Fordham^{**†}



Alastair Kerr^{**}



Nigel Atkinson^{**}



Sir James Fuller Bt.



Marie Gracie

Executive Directors

Michael Turner[†]

Chairman

Aged 60. 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. Appointed Master of the Worshipful Company of Vintners in July 2011. Chairman of the Nominations Committee.

Simon Emeny

Group Managing Director

Aged 46. 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 46. 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 52. Joined the Company in 1984. Appointed a Divisional Director with responsibility for Sales in 1992, and additionally for Personnel in 2005. Appointed to the Board in December 2009. Also responsible for Public Relations. A GMP Graduate of Harvard Business School.

Ian David Bray

Managing Director of The Fuller's Beer Company

Aged 48. Appointed in 2011. Previously European Marketing Director of Bunge S.A., a Swiss based global foods and agricultural business. He has held FMCG marketing and senior management roles at both international and domestic level, working with companies such as Wrigley, Müller and SmithKline Beecham. A Business Studies graduate.

Jonathon Swaine

Managing Director of Fuller's Inns

Aged 41. Appointed in February 2012. Joined the Company in 2005 and appointed as Operations Director for Fullers Inns in 2007. Has previously held positions at Carlton Communications and Molson Coors. An Arts graduate with a Masters degree in Marketing.

Company Secretary

Marie Gracie

Aged 46. 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.

* Member of the Remuneration Committee.

Member of the Audit Committee.

† Member of the Nominations Committee.

Financial Statements

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Independent Non-Executive Directors

John Dunsmore^{**†}

Aged 53. Appointed in January 2009. Senior Non-Executive Director. Former Chief Executive of C&C Group plc and former Chief Executive of Scottish & Newcastle plc prior to its takeover by Heineken and Carlsberg in 2008.

Lynn Fordham^{**†}

Aged 49. Appointed in January 2011. Chairman of the Audit Committee. 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 ten years at Mobil Oil in a number of financial and operational roles predominantly internationally. A Graduate and Chartered Accountant.

Alastair Kerr^{**}

Aged 62. Appointed in August 2011. Chairman of the Remuneration Committee. Non Executive Director of high street clothing retailer White Stuff Ltd. He has previously held senior roles at Mothercare and Kwik-Fit, and was Managing Director of Europe, Middle East and Africa for The Body Shop and Managing Director Europe for Virgin.

Non-Executive Directors

Nigel Atkinson^{**}

Aged 58. 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 41. 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.



Financial Review

Financial Performance

The Chairman's Statement and Group Managing Director's Review on pages 2 to 14 cover 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:

	2012	2011
EBITDA	£47.8 million	£46.6 million
Pro forma net debt/EBITDA	2.7 times	1.9 times
Adjusted profits	£30.3 million	£29.3 million
Adjusted earnings per share increase	7%	9%
Managed Pubs and Hotels		
Invested Managed Pubs and Hotels like for like sales growth	+4.2%	+3.9%
Wet like for like sales growth	+4.0%	+3.2%
Food like for like sales growth	+4.5%	+5.1%
Accommodation like for like sales growth	+7.4%	+11.6%
Tenanted Inns		
Tenanted Inns like for like profits	+2%	-1%
Like for like barrels sold	-4%	level
Average EBITDA per pub	+4.2%	+2.5%
The Fuller's Beer Company		
Own Beer barrels sold	+1%	-2%
Foreign Beer barrels sold	+3%	+6%
Total Beer barrels sold	+2%	level

All like for like and barrelage figures quoted for 2012 and 2011 are on a 52 week basis, with the exception of Managed Pubs and Hotels like for like sales growths stated in 2011 which remain on a 53 week basis.

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.

Pro forma net debt/EBITDA is adjusted to reflect the position as if acquisitions and disposals that took place during the year had occurred on the first day of the year.

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.

The 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.

Financial Review

continued

Our Operating Results

We have grown revenue by 5% on the prior year despite the comparative period comprising 53 weeks. Half of the growth comes from pub acquisitions, with the balance from duty-driven price rises. Our operating profits before exceptional items grew by 2% to £34.9 million (2011: £34.1 million), with the largest contribution to growth coming from the Tenanted Inns division. EBITDA also increased by 3% to £47.8 million (2011: £46.6 million). We acquired 30 pubs during the period, and disposed of four Tenanted pubs, one Managed pub which no longer met our criteria and an additional unlicensed property.

Finance Costs

Net finance costs before exceptional items reduced to £4.6 million from £4.8 million as we received net finance income of £0.3 million on our net pension liabilities compared to a net finance charge of £0.1 million in the prior year. This was offset by interest costs of £4.6 million on loans and debentures, compared to £4.4 million in the prior year, as average borrowings during the year increased. Net borrowings increased from £88.5 million at the start of the year to £138.2 million at the year end due to our acquisitions investment. Our blended cost of borrowings fell from 4.5% last year to 4.1% this year as the new borrowings, some of these at variable rates, have been at a lower cost than existing borrowings. We expect to pay down some of the cheaper variable rate borrowings in the coming year and hence the blended cost of borrowings is expected to rise marginally to circa 4.2% next year.

Exceptional Items

Net exceptional losses before tax of £1.5 million comprised £3.0 million of acquisition costs, a net £0.9 million onerous lease charge and £0.2 million of non-cash losses in relation to financial instruments which are not effective for hedge accounting purposes, offset by a profit on the disposal of properties of £0.6 million and a net reversal of property impairment charges of £2.0 million. After exceptional items, profit before tax was therefore £28.8 million (2011: £31.0 million). We benefitted from a non-cash exceptional deferred tax credit of £2.5 million relating to the reduction in the UK corporation tax rate from 26% to 24% which came into effect on 1 April 2012. The total impact of these items was that basic earnings per share were greater than the adjusted figure at 42.13p (2011: 44.12p). In the prior year the basic earnings per share were also impacted by exceptional items, with exceptional profits before tax of £1.7 million. These comprised a profit on the disposal of properties of £2.7 million, insurance claim income of £0.4 million, offset by net property impairments of £1.4 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 26.1% (2011: 28.3%) on adjusted profits. The Group's overall effective tax rate was boosted by the deferred tax effect of the reduction in UK corporation tax rates from 26% to 24% and was 17.7% (2011: 20.0% after the corresponding effect of the reduction in rates from 28% to 26%).

Capital Spending, Disposals and Asset Impairment

Our capital spending of £74.7 million included the acquisition of 30 new pubs and substantial further investment which has been made in many of these sites. The Parcel Yard, a leasehold in the new Kings Cross rail concourse and the Crown, Bishop's Waltham were not trading on acquisition and in these historic buildings, fantastic pubs have been created. The White Swan Hotel in Stratford-upon-Avon, which adds 41 boutique rooms to the estate and the Tokenhouse, formerly Bluu, on Moorgate have also been completely remodelled. £7.0 million was invested in the brewery during the year. The majority of this comprised new conditioning tanks adding 30,000 barrels of capacity for bottled and keg beer, to accommodate the rapid growth in Export sales. Capital expenditure last year was at the lower level of £12.0 million, which comprised mainly refurbishments and did not include any pub acquisitions. Asset disposals raised a total of £1.9 million and we recorded an exceptional gain on disposal of £0.6 million. During the year we conducted a comprehensive impairment review and have recorded a net reversal of impairment charges of £2.0 million in respect of our property assets.

Pensions

The accounting deficit for defined benefit pensions has risen by £12.7 million to £19.1 million (2011: £6.4 million). This was driven principally by an increase in the calculated present value of pension obligations from £83.5 million to £98.2 million, largely due to changes in assumptions in line with current economic conditions. The double A corporate bond yield decreased from 5.55% to 4.60% and the assumption of long term inflation reduced from 3.5% to 3.2%. The increase in the liability was partially offset by an increase in the value of scheme assets from £77.1 million to £79.1 million. Deficit recovery payments of £0.7 million were made during the year. These payments will be reviewed in July 2013 at the next triennial valuation.



Financial Review

continued

Shareholders' Return

Adjusted earnings per share were 7% higher than last year at 39.82p. The proposed final dividend of 7.60p per 40p 'A' ordinary share, together with the interim dividend of 5.05p per share already paid makes a total of 12.65p and compares with a total dividend of 11.80p last year. The total dividend per share has grown by 7% and will be covered 3.1 times by adjusted earnings per share, compared with 3.1 times in the previous year. Shareholders' equity at the year end was £235.3 million.

During the period 1,096,154 'A' ordinary 40p shares were repurchased into treasury for £7.7 million (2011: 15,997 for £0.1 million). In addition 86,009 'A' ordinary 40p shares and 338,614 'B' ordinary 4p shares were purchased for £0.8 million by or on behalf of the Trustees of the Share Incentive Plan and the LTIP Trustees to cover future issuance (2011: 180,485 'A' shares and 21,933 'B' shares for £1.2 million). The average price paid was 707p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 715p. The highest price during the year was 752p, while the lowest was 600p. The Company's market capitalisation at 31 March 2012 was £411.3 million.

Cash Flow

Cash generated from operating activities was £42.0 million (2011: £36.0 million). The £6.0 million increase was largely due to the prior year being a 53 week accounting period where the Group enjoyed less favourable working capital flows as a result of an additional supplier payment run. In line with this, creditor days have also returned to a more typical level of 46 (2011: 30). Our capital expenditure in the period at £74.7 million (2011: £12.0 million) was much higher than last year and includes the acquisition of 30 pubs and 18 major refurbishments. The net cash outflow from investing activities, after net income from disposals of £1.9 million (2011: £4.0 million), was £72.8 million (2011: £8.0 million). Net debt increased by 56% from £88.5 million to £138.2 million. The ratio of net debt to EBITDA increased from 1.9 times to 2.7 times on a proforma basis, adjusted for acquisitions and disposals during the year. This level gives us continuing strategic and operational flexibility.

Financial Position – Bank facilities

In August 2011 and March 2012 the Group entered into two new £30.0 million facilities with Rabobank and the Co-Operative Bank respectively. These new facilities are co-terminus with existing facilities and are on similar or better terms. As with the existing facilities, there is no amortisation required and the Group is still free to raise additional funds without existing facilities needing to be either waived or amended. Our total committed bank facilities stood at £150.0 million at the year end, of which £115.5 million was drawn and £34.5 million was available. The increase in facilities has been used to fund the significant level of capital expenditure invested during the year, whilst maintaining headroom at an appropriate level. During the year we hedged a further £25.0 million of bank borrowings with an interest rate swap, taking our total hedged bank borrowings to £85.0 million. £65.0 million is swapped at a blended interest rate of 1.8% and £20.0 million is subject to a cap of 4.0%.

Financial Position – Other Sources of Funding

The Group's financing is a mix of debentures, cumulative preference shares, overdraft, cash and short term deposits as disclosed in notes 22, 24 and 26. Other financial assets and liabilities such as trade receivables and payables arise through the Group's operating activities. 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 three 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	2013	7.5	7.5
Committed bank facility	2015	150.0	34.5
Debenture stock	2023-2028	25.8	–
Preference shares	none	1.6	–
Total		184.9	42.0

The Group is able to operate with negative working capital – trade and other payables were £18.4 million greater than the aggregate of inventories and trade and other receivables at the year end (2011: £11.2 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 79% of the Group's gross borrowings were at fixed or capped rates and the fixed rates ranged between 1.2% (excluding bank margin) and 10.7%.

	Total drawn £ million	Amount hedged £ million	Hedged %
Committed bank facility (net of arrangement fees)	114.7	85.0	74%
Debenture stock	25.8	25.8	100%
Preference shares	1.6	1.6	100%
Total borrowings	142.1	112.4	79%

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 26 and 27. 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 14 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 26 of the financial statements includes detailed disclosure on the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Group is vertically integrated, is diversified across a wide range of sales channels and is strongly cash generative. We have performed well throughout the recent economic cycles. Our financial position is strong as we have always borrowed prudently. We continue to be well placed going forward and have £150 million of bank facilities in place 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

31 May 2012



Risks and Uncertainties

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

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

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 five years UK alcohol excise duties have been increased by more than 45% and the duty escalator introduced in 2009, 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 sale of alcohol below the level of duty plus VAT was banned in April 2012, and the Government has announced plans to introduce a minimum price per unit of alcohol as early as 2014. However, neither of these measures are likely to tackle below cost selling in the supermarkets.

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. Our Tenanted Code of Practice is accredited by the British Institute of Innkeeping and we are working with industry bodies and other pubs companies towards an industry standard Code of Practice. We believe these measures have further improved the transparency and openness of our Tied agreements. There remains a 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. However, we believe this threat has diminished over the last 12 months with the production of further BBPA industry codes of practice.

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 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 £0.7 million in the 52 weeks ended 31 March 2012. The Group has agreed with the trustees to make further annual additional contributions of £0.7 million in order to reduce the deficit.

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, unemployment at its highest level since the early 1990's, and real terms pay reductions. The UK technically re-entered recession in late 2011 and the nation continues to feel the impact of Government spending cuts and tax rises. 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 Group 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 headquarters 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 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. 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 onsite 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 impact 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 52 weeks ended 31 March 2012. 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 14 and the Financial Review on pages 22 to 25 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 5.05 pence on the 40p 'A' and 'C' ordinary shares and 0.505 pence on the 4p 'B' ordinary shares on 3 January 2012. The Directors now recommend a final dividend of 7.60 pence on the 40p 'A' and 'C' ordinary shares and 0.760 pence on the 4p 'B' ordinary shares. This makes a total of 12.65 pence on the 40p 'A' and 'C' ordinary shares and 1.265 pence on the 4p 'B' ordinary shares for the year.

The total proposed final dividend on ordinary shares will be £4,240,000 which together with the 2012 interim dividend paid of £2,848,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £7,208,000.

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 20 and 21. Nick MacAndrew retired on 29 July 2011. Alastair Kerr was appointed to the Board on 1 August 2011, Ian Bray on 12 December 2011 and Jonathon Swaine on 1 February 2012. Ian Bray, Alastair Kerr and Jonathon Swaine offer themselves for election. Michael Turner, Richard Fuller and John Dunsmore retire by rotation at the Annual General Meeting and offer themselves for re-election. All of the aforementioned Directors except Alastair Kerr and John Dunsmore are Executive Directors and have rolling service contracts of 12 months duration. Alastair Kerr does not have a service contract but has been invited to stay on the Board until August 2012. John Dunsmore does not have a service contract but has been invited to stay on the Board until January 2015.

Directors' Interests

Details of Directors' interests in the share capital of the Company up to 22 May 2012 are given overleaf. Details of Directors' share options and allocations under the Long Term Incentive Plan ("LTIP") up to 22 May 2012 are given in the Directors' Remuneration Report on pages 46 to 50.

The Remuneration Committee put share retention guidelines in place for Executive Directors some years ago and these state that all Executives should, within ten years of joining the Company, hold shares worth at least their annual salary. It is expected that the Company's share schemes should enable all Executives who do not already meet this target to do so within the ten year limit.

Related Party Transactions

Details of related party transactions involving Directors are given in note 30 to the financial statements.

Directors' Report

continued

Directors' Shareholdings	Share class	31 March 2012 and 22 May 2012 (or leaving date)		2 April 2011 (or appointment date)	
		Beneficial	Non Beneficial	Beneficial	Non Beneficial
Michael Turner	'A' ordinary 40p	389,338	139,880	365,897	139,880
	'B' ordinary 4p	4,675,652	3,490,974	4,652,329	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	88,732	–	70,592	–
	'B' ordinary 4p	526,655	–	508,454	–
James Douglas	'A' ordinary 40p	27,856	–	7,579	–
	'B' ordinary 4p	13,440	–	13,440	–
Richard Fuller	'A' ordinary 40p	9,698	500,000	13,474	500,000
	'B' ordinary 4p	3,398,576	10,935,015	3,390,403	10,935,015
	'C' ordinary 40p	25,000	–	25,000	–
	2nd preference £1	303	–	303	–
Ian Bray ¹	'A' ordinary 40p	1,250	–	–	–
Jonathon Swaine ²	'A' ordinary 40p	8,635	–	8,635	–
	'B' ordinary 4p	18,789	–	18,789	–
John Dunsmore	'A' ordinary 40p	2,328	–	2,328	–
Nick MacAndrew ³	'A' ordinary 40p	25,000	–	25,000	–
Lynn Fordham	'A' ordinary 40p	3,182	–	3,152	–
Alastair Kerr ⁴	'A' ordinary 40p	2,941	–	–	–
Nigel Atkinson	'A' ordinary 40p	2,750	–	2,750	–
Sir James Fuller	'A' ordinary 40p	88,942	–	88,942	–
	'B' ordinary 4p	9,143,952	–	9,143,952	–
	'C' ordinary 40p	2,674,605	–	2,674,605	–

¹ Ian Bray was appointed on 12 December 2011. ² Jonathon Swaine was appointed on 1 February 2012. ³ Nick MacAndrew retired on 29 July 2011. ⁴ Alastair Kerr was appointed on 1 August 2011.

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.



Directors' Report

continued

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 16 to 19.

Employees

The Group continues to attach a high priority to improving further its communications with all employees, thus encouraging a common awareness of the financial and economic factors affecting the Group. Twice a year all Brewery based employees are invited to a results presentation led by the Group Managing Director. Regular newsletters are also generated for both The Fuller's Beer Company and Fuller's Inns employees and ad hoc news is regularly communicated via both traditional notice boards and e-mail distributions. The communications policy, which is in operation throughout the business, is designed to ensure the successful cascading of information. A structure of Consultation Committees both at Divisional and Corporate level is in place to facilitate a dialogue between the Group and representatives of all employees including union members. Taken together, these communications have allowed the Group to engage successfully with all our employees, wherever they are employed.

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

The Company continues to offer qualifying staff a Savings Related Share Option Scheme 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 Company for charitable purposes amounted to £95,000 (2011: £72,000). 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 pages 16 and 17.

Supplier Payment Policy

The Group agrees its payment practice with its suppliers in advance. The Group generally 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, depending on delivery times from the country of origin. The average amount of credit taken from suppliers as at 31 March 2012 for the Group and Company was 46 days (2 April 2011: 30 days).

D) KEY PERFORMANCE INDICATORS ("KPIs")

Details of the Group's KPIs can be found in the Financial Review on page 22. In addition a definition of the key terms used is included in the Glossary on page 103.

E) FINANCIAL MANAGEMENT AND TREASURY POLICIES

The Group Treasury and Financial Management policies are discussed in the Financial Review on page 25. The main risks associated with the Group's financial assets and liabilities are set out in note 26c to the financial statements.

Directors' Report

continued

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 26 and 27.

G) SHARE INTERESTS

The following disclosable interests of shareholders (other than Directors) have 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	
	As at 31 March 2012	As at 22 May 2012		As at 31 March 2012 and 22 May 2012	As at 31 March 2012 and 22 May 2012			
Black Rock, Inc	7.53	7.93	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		
Aberdeen Asset Management PLC and its subsidiaries	7.90	7.90	J F Russell-Smith Charitable Trust	7.66	Mr T J M Turner	6.12		
Ameriprise Financial, Inc	4.90	5.55	Mr A G F Fuller	5.72	Mr H D Williams	5.97		
Kames Capital and associated entities	4.49	4.49	A B Earle Charitable Trust	4.62	Estate of Mrs J C Turner	5.07		
Legal & General Group Plc and associated entities	3.60	3.52	Mrs S B Stuart	4.59	Mrs J Fuller	4.24		
Dunarden Limited	3.04	3.04	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

Special Business at this Year's Annual General Meeting

Details of the items requiring explanation at this year's Annual General Meeting are included in the circular to shareholders dated 20 June 2012, at the back of which is the Notice of Meeting.

Purchase of Own Shares

At the Annual General Meeting of the Company held on 29 July 2011, the Company was given authority to purchase up to 4,926,220 '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 1,096,154 40p 'A' ordinary shares at a total cost of £7,669,228. Of these, 204,048 shares, with a value of £950,948, were transferred to the Company's Long Term Incentive Plan ("LTIP") Trustee on 15 July 2011. These share purchases represented 1.92% of the maximum issued ordinary share capital (3.28% of the Company's issued 'A' ordinary share capital). Taking into account all the buybacks since December 2001, 17.68% of the Company's issued ordinary share capital (30.14% of the Company's issued 'A' ordinary share capital) has now been purchased.

In addition the Company employee share ownership trusts purchased a total of 86,009 40p 'A' ordinary shares at a total cost of £608,220 for the SIP and 338,614 4p 'B' ordinary shares at a total cost of £230,562 for the LTIP.

During the year 275,661 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 £954,506. A total of 1,199,082 40p 'A' ordinary shares at 22 May 2012 are currently held as treasury shares.



Directors' Report

continued

I) SHARE CAPITAL AND ARTICLES

Information on the Company's capital structure and related restrictions is given in note 27 to the financial statements. Details of significant shareholdings are given in Section G) above.

Computershare Trustees Limited holds 1.47% 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 0.11% of the issued share capital of 40p 'A' ordinary shares and 0.74% 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.

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

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

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

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

By order of the Board

Marie Gracie, FCIS
Company Secretary
31 May 2012

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 applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules and in the case of the Group financial statements, with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 20 and 21.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 20 and 21. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

On behalf of the Board

Michael Turner

Chairman

31 May 2012

James Douglas

Finance Director

31 May 2012



Corporate Governance Report

Comment from the Chairman Michael Turner

"I am pleased to confirm that I see it as the Chairman's responsibility to lead the Board and make sure it is working effectively. Whilst the detail of our compliance with the UK Corporate Governance Code is set out below, there are several matters that I wanted to comment on. The first is the issue of succession planning. This is a complex topic for a business that has very low turnover amongst its senior management and is still very much a family concern whilst also being a listed public company. However succession plans continue to be discussed both at Executive Committee and Board level. Throughout the rest of the business succession plans are in place at departmental level and are reviewed regularly by the relevant directors in conjunction with their personnel advisors. Furthermore, all department plans are compiled into a Company succession plan which provides effective review of cross departmental promotion and opportunities.

In terms of Board balance, I chair the Nominations Committee and am personally involved in all Board level recruitment so I am able to ensure that we continue to have a good balance of skills, experience, independence and knowledge on our Board and our Board committees.

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

Finally I would like shareholders to understand that I am in charge of our annual Board evaluation process. We currently run this in house but have recently looked at some of the commercial models that companies can employ to assist them in such a process. Our findings were that the models were almost identical to the process we currently use, and thus would add little extra value."

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 UK Corporate Governance Code ("the Code").

The Company has complied with the requirements of the Code, as applicable to a smaller quoted company, throughout the financial year with one exception. The Company now 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 have complied with the independence requirement for both of these Committees (Code provisions C.3.1 and D.2.1). 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 and it is the Directors' opinion that his presence at both Committees adds considerable value. Nigel retires after the AGM in July 2012.

The information that is required by Code provision C.1.2 on the business model and the strategy for delivering the Company's objectives can be found in the Business Review section on pages 7 to 14. The information relating to the share capital of the Company that is required by DTR 7.2.6R, can be found within the Directors' Report, sections H and I on pages 31 and 32.



Corporate Governance Report

continued

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 fulfill the Company's obligations to its stakeholders.

How the Board Works

The Board governs through its executive management, and formally via its other clearly mandated committees. Each standing Board Committee has specific written terms of reference which are reviewed by the Board annually and there is a formal list of Matters Reserved for the Board (which is also reviewed annually). This distinguishes between matters reserved for the Board and Executive Committee decisions. The terms of reference of the Audit, Remuneration and 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 other agenda items might include an update on the economy and a review of the Group's competitors. The Non-Executive Directors from time to time meet with members of the senior management team at the Brewery and also spend days out in the trade with individual members of that team. This helps to keep the Non-Executive Directors up to date with the operations of the Group and also provides the Executive Directors with valuable feedback about the Company's people and its operations.

At Executive Committee meetings the focus is on the detail of the Group's performance, 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.

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.



Corporate Governance Report

continued

As well as the dialogue within the boardroom, the Non-Executive Directors meet privately, under the leadership of the Senior Independent Director, without the Executive Directors present. They also meet with the Chairman and Group Managing Director on a regular basis. These meetings allow for the review of issues that the business faces, the continuation of dialogue on strategic issues, the discussion of Board appointments when appropriate, succession planning, and the provision of support to the Chairman and 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 2011/12	Committee Memberships	Main Board Meetings	Executive Committee Meetings	Nominations Committee	Audit Committee	Remuneration Committee
Total Number of Formal Meetings		6	11	3	4	3
Executive Directors						
Michael Turner	Nom	6/6	11/11	3/3		
Simon Emeny		6/6	11/11			
James Douglas		6/6	10/11			
Richard Fuller		6/6	11/11			
Ian Bray ¹		2/2	4/4			
Jonathon Swaine ²		1/1	2/2			
Non-Executive Directors						
John Dunsmore	Aud, Rem, Nom	6/6		3/3	4/4	3/3
Nick MacAndrew ³	Aud, Rem, Nom	1/1		1/1	1/1	1/1
Lynn Fordham	Aud, Rem, Nom	6/6		2/2	4/4	3/3
Alastair Kerr ⁴	Aud, Rem	4/4			3/3	2/2
Nigel Atkinson	Aud, Rem	6/6			4/4	3/3
Sir James Fuller		6/6				

¹Appointed to the Board on 12 December 2011. ²Appointed to the Board on 1 February 2012. ³Retired 29 July 2011. ⁴Appointed to the Board on 1 August 2011.

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

Composition and Balance of the Board

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 valuable. The Chairman does not have any commitments which constrain his ability to fulfill his role. His responsibilities are set out in a job description which has been approved by the Board. Michael Turner is supported by Simon Emeny in his role as Group Managing Director. He is responsible for all operational aspects of the Group. During the financial year Ian Bray joined the Board as Managing Director of The Fuller's Beer Company and Jonathon Swaine was promoted to the position of Managing Director of Fuller's Inns.

Nick MacAndrew retired as Senior Independent Director after last year's AGM and John Dunsmore succeeded him in this role. In August 2011 Alastair Kerr joined the Board and he took over from John Dunsmore as Chairman of the Remuneration Committee at the beginning of March 2012. All of these recent changes to the Board are also detailed in the Directors' Report. New Directors undertake tailored induction programmes.



Corporate Governance Report

continued

Currently the Company has 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. As mentioned above, Nigel Atkinson will be retiring after this year's AGM. 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 20 and 21. John Dunsmore is the Senior Independent Director and an industry expert who brings knowledge, support and advice to the Chairman and all the other Board members; he is in regular dialogue with all Board members outside of Board meetings and co-ordinates the views of the Non-Executive Directors as and when required. All of the Independent Non-Executive Directors are determined by the Board to be independent in character and judgement and there are no relationships or circumstances which could affect or appear to affect their judgement; all are appointed for specified terms. The details of the Non-Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 43 and 51 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 at Dunelm Group plc.

Board Evaluation

The Chairman conducts an annual evaluation of the Board, where all Board members are asked to rate the Board's work across a number of different topics, with constructive criticism encouraged, via the medium of a questionnaire. Where necessary the Chairman seeks clarification on the responses given, he then consolidates the responses and reports back to the Board, highlighting significant improvements and deteriorations in any particular area by comparing results with previous years' outputs and agreeing actions to tackle any areas requiring improvement. Unattributed comments of significance are shared with all. This year the results were almost identical to last year's high scores, and there were no individual scores that were below average. The results did provide some insight into areas that could still be improved further and therefore these were the Chairman's focus in terms of follow up. The Audit and Remuneration Committees conduct similar assessments and their work is also commented upon in the evaluation conducted by the Chairman. The Senior Non-Executive Director annually appraises the Chairman's performance, having first consulted with the other Non-Executive Directors and also the Executive team. The appraisal of the other Executive Directors and the Company Secretary is conducted annually by the Chairman and, as part of the appraisal process, individual training and development needs are discussed. The annual appraisal of the Non-Executive Directors is conducted by the Chairman, following consultation with the Executive team.

Board Re-election

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



Corporate Governance Report

continued

C) BOARD COMMITTEES

The Nominations Committee

The Nominations Committee consists of John Dunsmore, Lynn Fordham and Michael Turner, who is Chairman. It is responsible for nominating candidates for appointment as Directors, for approval by the Board although the full Board will also typically informally discuss Board appointments. The Committee met three times during the year: to consider the appointment of a new Non-Executive Director, the new Managing Director for The Fuller's Beer Company and the new Managing Director for Fuller's Inns. External search consultancy Spencer Stuart assisted with each appointment, except for the appointment of the Managing Director for Fuller's Inns. No external agent or advertising was required for that position since there was an internal candidate that the Board unanimously wished to promote to this post in line with its succession plan.

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 Lynn Fordham, Chief Executive of SVG Capital and a Chartered Accountant whose previous appointments include Director of Audit and Risk at Boots Group plc and Finance Director of ED & F Man Sugar. Lynn thus brings recent 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.

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.

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, agreeing the scope for the next external audit, 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 invited the Retail Audit Manager to tell them about his role and to discuss a report that he had written for the Committee. The Chairman of the Committee also encourages debate and discussion of topical issues outside of the routine agenda items.

D) ACCOUNTABILITY

Auditors

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

The Group's auditors do from time to time provide non-audit services to the Company. This year the auditors have advised the Company in relation to routine tax compliance and have provided services in relation to iXBRL accounts and the amount spent on these services was £23,000. The Committee believes that this is insignificant and not at such a level that auditor objectivity and independence are compromised. The Committee imposes an upper limit of £50,000 per annum on the amount that the finance team can spend with the auditors for non-audit items without specific approval from the Committee. It is Group policy to seek quotations from multiple parties for significant non-audit services and only to appoint the party (which could then be the auditors) that offers the best combination of price and expertise.

Corporate Governance Report

continued

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.

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

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 Group commissioned and implemented a bespoke online Health and Safety management system. The Group also engaged consultants to review and improve its business continuity management programme.

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

Key elements of the system of internal control designed to address significant risks and uncertainties as documented on pages 26 and 27 include:

- clearly defined levels of responsibility and delegation throughout the Group, together with well-structured reporting lines up to the Board;
- the preparation of comprehensive annual budgets for each division, including commentary on key business opportunities and risks, approved by the Executive Directors and further reviewed by the Board on a consolidated basis;
- an Executive Committee review of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year;
- a detailed investment approval process requiring Board authorisation for all major projects;
- detailed post implementation appraisals of major capital expenditure projects;
- regular reporting of legal and accounting developments to the Board;
- regular review of the Group's risk register and discussion of significant risks by the Board and Audit Committee, which among other things takes account of the significance of environmental, social and governance matters to the business;
- monitoring of accident statistics and the results of health and safety audits; and
- maintenance of an ISO 9001 certified quality control system.



Corporate Governance Report

continued

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. We may from time to time augment the internal resource for these audits with specialist external resources. The Group carries out internal audits on financial areas according to a programme agreed between the Audit Committee and the Finance Director and with, as appropriate, input from the other Executive Directors and the external auditors. The audits are coordinated 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 payroll systems and the recording of wine stock.

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 Financial Controller.

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. 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 attends the AGM and provides further information to shareholders about the Company through photo boards featuring pub and product information. The Board is keen to encourage institutional investors to attend the meeting 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 each 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
31 May 2012

Griffin Brewery
Chiswick Lane South
Chiswick, London W4 2QB



Directors' Remuneration Report

The principal purpose of this report for the 52 weeks ended 31 March 2012 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 43 and 47 to 50 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 18 July 2012 inviting them to consider and approve this report.

Remuneration Committee

The Remuneration Committee members are currently Alastair Kerr (Chairman), John Dunsmore, Nigel Atkinson and Lynn Fordham. The work of the Committee is set out in its terms of reference which are available on the Company's website. In brief these state that the Committee is responsible for determining the total remuneration package (including pensions, service agreements and termination payments) of the Executive Directors and commenting on the remuneration of the Company's divisional directors. 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 43.

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. Neither have any other connection with the Company. There has not been a review of the existing share schemes undertaken during the year, since an independent remuneration review was conducted in 2010, and there have been no changes made to the existing share incentive schemes during the year. 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, governance or social risks by inadvertently motivating irresponsible behaviour.

The Committee has also considered, as suggested by the 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.

The Committee's aim remains to ensure that the Executive team are rewarded where long term growth and success are achieved.



Directors' Remuneration Report

continued

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 two newly appointed Executives are entitled on early termination of their contracts to a payment equal to the salary due for the unexpired period of their notice. This is payable in monthly instalments and for the period of their notice the Executives are expected to seek alternative income, and if they are successful, that income must be notified to the Company and will be set off against the remaining instalments. The contracts of the other Executives state that they are entitled to a payment equal to salary and the value of all benefits for the unexpired period of their notice, without any reduction for mitigation. The Committee have considered whether they should attempt to negotiate a change to the contracts of the other Executives but do not believe that this is currently appropriate.

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
Ian Bray	12 December 2011	12 months
Jonathon Swaine	20 March 2012	12 months

Non-Executive Directors' Arrangements

	Date of letter of appointment or reappointment	Term expires
Nigel Atkinson	10 April 2006	July 2012
John Dunsmore	15 November 2011	January 2015
Sir James Fuller	1 June 2010	May 2013
Lynn Fordham	15 November 2011	January 2015
Alastair Kerr	19 July 2011	August 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 £000	Benefits in kind £000	Bonus £000	Defined contribution		Defined contribution	
						Total 2012 £000	pension 2012 £000	Total 2011 £000	pension 2011 £000
Michael Turner	389	21	–	3	163	576	–	590	–
Simon Emeny	323	18	–	2	135	478	33	465	27
James Douglas	257	19	–	3	108	387	42	395	37
Richard Fuller	162	3	–	23	78	266	–	223	–
Ian Bray ¹	68	6	–	–	32	106	11	–	–
Jonathon Swaine ²	29	3	–	–	25	57	4	–	–
John Dunsmore	–	–	54	–	–	54	–	49	–
Nick MacAndrew ³	–	–	20	1	–	21	–	60	–
Lynn Fordham	–	–	50	1	–	51	–	11	–
Alastair Kerr ⁴	–	–	30	1	–	31	–	–	–
Nigel Atkinson	–	–	45	3	–	48	–	47	–
Sir James Fuller ⁵	–	–	40	1	–	41	–	34	–
Total	1,228	70	239	38	541	2,116	90	1,874	64

¹Ian Bray was appointed on 12 December 2011. ²Jonathon Swaine was appointed on 1 February 2012. ³Nick MacAndrew retired on 29 July 2011. ⁴Alastair Kerr was appointed 1 August 2011. ⁵Sir James Fuller received consultancy fees of £5,000 in relation to his family shareholder liaison role.

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 base pay was increased by approximately 3% for all Directors. This was in line with the median of increases paid to head office staff. A car allowance is paid to Executive Directors to allow them to purchase and maintain cars at their own expense – this is a non-pensionable amount. The Executive Directors are also reimbursed for business related mileage. Richard Fuller had a company car until 26 January 2012 and until that time, his car and his fuel, which was paid for by the Company, were 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 Group plc. He retains fees of £30,000 per annum in respect of this position.

The Committee are kept apprised 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.

Ian Bray and Richard Fuller earn a bonus in part by achieving a profit target for The Fuller's Beer Company and in part where the Group achieves a growth target in pre-tax pre-exceptional earnings per share. Jonathon Swaine's bonus is based partly on profit targets for Fuller's Inns and partly on a Group target. The other Executives have Group bonus targets. The target for the bonus, which is set in March each year for the following year, includes the cost of the bonus itself. The 2011/2012 scheme for Executive Directors provided a bonus opportunity of a maximum of 75% of base salary – this has not been increased during the year. The Committee approves the new bonus scales every year to ensure that they include suitably stretching targets.

For the year under review, Michael Turner, Simon Emeny and James Douglas each earned a bonus of 41.7% of salary, Ian Bray earned a (pro-rata) bonus of 15.9% of salary, and Richard Fuller earned a bonus of 47.7% of salary. Jonathon Swaine's total bonus was made up of a pro-rata bonus as a Divisional Director of 18.9% of his old salary and a pro-rata bonus as an Executive Director of 28.4% of his new salary.

D) PENSIONS

Michael Turner is a pensioner 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.

During the last financial year James Douglas was a member of the defined contribution Company pension plan. His contract originally stated that in addition to the contribution of 8% that he was required to make to a registered pension scheme of his choice, the Company would make a contribution of 17.5% of his salary to the Scheme. The introduction of annual pension allowances has meant that the Company has offered Simon Emeny and James Douglas Deeds of Variation to their contracts allowing them to use their salary supplements not solely for investment into registered pension plans but into other investment vehicles that they wish to use as part of their overall retirement planning. It is likely that both of them will start during the financial year 2012/2013 to take part or all of the Company contributions mentioned above as salary supplements rather than having them paid into their pensions. James Douglas continues to be required to contribute 8% of his net salary to his pension or another investment vehicle as above.

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

In accordance with the requirements of the Listing Rules, Directors' pension entitlements under defined benefit plans are shown overleaf. 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.

Directors' Remuneration Report

continued

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 on 5 April 2006. Immediately before he left the plan the Company augmented his accrued entitlement so that he would receive his promised pension at age 60. Michael Turner is now in receipt of that pension. 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, and the value of this augmentation is taken into account in the tables below.

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 ⁴	–	251,429	–
Simon Emeny	2,440	20,196	42,159
Richard Fuller	6,864	86,114	165,787

¹Increase 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. ²Total accrued pension at end of year or retirement age date if earlier – this is what the Director is entitled to receive as an annual pension based on service to date. ³Transfer 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. ⁴Michael Turner reached retirement age on 12 June 2011, and thereafter was drawing his pension and so accrued no further benefits.

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 ⁶	–	251,429	5,815,093	5,997,292	182,199
Simon Emeny	3,036	20,196	140,146	282,346	142,200
Richard Fuller	9,523	86,114	879,017	1,502,538	623,521

¹Increase 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. ²Total accrued pension at end of year or retirement age date if earlier – this is the same figure as the Listing Rules requirement. ³Transfer value at start of year – this is the transfer value of the accrued pension at the start of the year (as disclosed last year). ⁴Transfer value of end of year – this is the transfer value of the accrued pension at the end of the year. ⁵Transfer 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. ⁶Michael Turner reached retirement age on 12 June 2011, and thereafter was drawing his pension and so accrued no further benefits.



Directors' Remuneration Report

continued

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 ("Adjusted EPS") must exceed growth in the Retail Price Index ("RPI") by at least nine per cent over the three year vesting period. Adjusted EPS will normally be consistent with the post-tax earnings per share excluding exceptional items as presented in the financial statements. However, the Remuneration Committee are authorised to make appropriate adjustments to Adjusted EPS as applied to option and LTIP schemes. 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 Adjusted 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 Adjusted 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 available to be passed 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. This scheme will be ten years old this summer so a resolution will be put to shareholders at the forthcoming AGM seeking shareholder approval to extend it for a further ten years. More details of this resolution can be found in the circular to shareholders which includes the Notice of Meeting.

Details of all options granted to Executive Directors are given in the table on pages 47 and 48 and details of all options granted are in note 28.

Directors' Remuneration Report

continued

Directors' Share Options

	At 2 April 2011 or date of appointment	Exercised	Lapsed	Granted	At 31 March 2012	Exercise price £	Date of grant	Date from which exercisable	Expiry date	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	-	-
	10,040	-	-	-	10,040	4.98	18/7/06	18/7/09	17/7/16	U	-	-
	5,589	-	-	-	5,589	7.51	18/7/07	18/7/10	17/7/17	U	-	-
	15,308	-	(2,297)	-	13,011	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	9,266	-
	1,746	-	-	-	1,746	6.30	30/11/10	30/11/13	30/11/20	U	-	-
	-	-	-	11,029	11,029	7.09	20/7/11	20/7/14	19/7/21	U	-	-
	86,617	-	(2,297)	11,029	95,349							
Simon Emeny	9,100	-	-	-	9,100	3.67	19/7/05	19/7/08	18/7/15	U	-	-
	6,022	(6,022)	-	-	-	4.98	18/7/06	18/7/09	17/7/16	A	7.20	13,369
	2,007	-	-	-	2,007	4.98	18/7/06	18/7/09	17/7/16	U	-	-
	4,285	-	-	-	4,285	7.51	18/7/07	18/7/10	17/7/17	U	-	-
	11,753	-	(1,763)	-	9,990	4.05	15/7/08	15/7/11	15/7/18	U	-	-
	1,180	-	-	-	1,180	3.31	1/9/08	1/9/13	1/3/14	S	3,906	-
	9,916	-	-	-	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	-	-
	-	-	-	9,139	9,139	7.09	20/7/11	20/7/14	19/7/21	U	-	-
	56,302	(6,022)	(1,763)	9,139	57,656							
James Douglas	7,407	(7,407)	-	-	-	4.05	15/7/08	15/7/11	15/7/18	A	7.20	23,332
	2,814	-	(423)	-	2,391	4.05	15/7/08	15/7/11	15/7/18	U	-	-
	8,625	-	-	-	8,625	4.80	16/7/09	16/7/12	16/7/19	U	-	-
	7,508	-	-	-	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	-	-
	-	-	-	7,277	7,277	7.09	20/7/11	20/7/14	19/7/21	U	-	-
	29,340	(7,407)	(423)	7,277	28,787							



Directors' Remuneration Report continued

Directors' Share Options continued

	At 2 April 2011 or date of appointment	Exercised	Lapsed	Granted	At 31 March 2012	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Cost of options under SAYE schemes £	Price at exercise date £	Notional gain on exercise £
Richard Fuller	9,532	-	-	-	9,532	2.62	5/7/04	5/7/07	4/7/14	A	-	-
	820	(820)	-	-	-	3.92	1/9/06	1/9/11	1/3/12	S	3,214	6.60
	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	-
	-	-	-	4,612	4,612	7.09	20/7/11	20/7/14	19/7/21	U	-	-
	18,974	(820)	-	4,612	22,766							
Ian Bray¹	-	-	-	-	-							
Jonathon Swaine²	1,649	-	-	-	1,649	5.47	1/9/11	1/9/14	1/3/15	S	9,020	-
	1,649	-	-	-	1,649							
Total	192,882	(14,249)	(4,483)	32,057	206,207							

¹Ian Bray was appointed on 12 December 2011. ²Jonathon Swaine was appointed on 1 February 2012.

A: Approved Executive Share Option Scheme

S: Savings Related Share Option Scheme

U: Unapproved Senior Executive Share Option Scheme

Directors' Options Analysed by Exercise Price (£)

Exercise Price (£)	At 31 March 2012	At 2 April 2011*
2.12	14,150	14,150
2.62	9,532	9,532
3.67	20,760	20,760
3.92	-	820
4.98	12,047	18,069
7.51	9,874	9,874
3.31	5,112	5,112
4.05	25,392	37,282
4.80	31,457	31,457
3.88	801	801
5.78	32,593	32,593
4.64	7,131	7,131
6.30	3,652	3,652
7.09	32,057	-
5.47	1,649	-
Total	206,207	191,233

*The number of options at 2 April 2011 excludes 1,649 in respect of Jonathon Swaine, who was not a Director at the start of the year. The market price of the shares at Friday, 30 March 2012 was £7.15 and the range during the year was from £6.00 to £7.52.

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 Adjusted EPS as defined in section E) above. The 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 Adjusted EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the start of the financial year in which the grant is made. No vest occurs if the Adjusted 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 may be no vest at all. For a 100% award of shares to be made, growth in Adjusted 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 Adjusted 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), 'B' (unlisted) and, following a recent rule change, 'C' (convertible to 'A') ordinary shares up to a value representing 100% of a participant's salary in any one year (80% for grants made up to 2008). For awards made up to and including 2006, where shares vested, 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
	£	£
18 July 2005	3.67	0.37
17 July 2006	4.98	0.50
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
20 July 2011	7.09	0.71

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' Long Term Incentive Plan Allocations

		Total held at 2 April 2011 or date of of appointment	Granted during year	Original awards vested	Matching awards vested	Lapsed during year	Total held at 31 March 2012	Monetary value of vest* £000
Michael Turner	'A' ordinary 40p	157,731	44,118	(31,229)	(9,328)	(5,511)	155,781	282
	'B' ordinary 4p	394,336	110,296	(78,073)	(23,323)	(13,778)	389,458	71
Simon Emeny	'A' ordinary 40p	119,619	36,558	(23,976)	(7,280)	(4,231)	120,690	218
	'B' ordinary 4p	299,050	91,396	(59,940)	(18,201)	(10,578)	301,727	54
James Douglas	'A' ordinary 40p	93,257	29,111	(20,853)	-	(3,680)	97,835	145
	'B' ordinary 4p	233,145	72,778	(52,133)	-	(9,200)	244,590	36
Richard Fuller	'A' ordinary 40p	48,164	13,836	(8,990)	(3,268)	(1,587)	48,155	85
	'B' ordinary 4p	120,416	34,590	(22,477)	(8,173)	(3,967)	120,389	21
Ian Bray	'A' ordinary 40p	-	-	-	-	-	-	-
	'B' ordinary 4p	-	-	-	-	-	-	-
Jonathon Swaine	'A' ordinary 40p	24,749	-	-	-	-	24,749	-
	'B' ordinary 4p	61,875	-	-	-	-	61,875	-

*The market price of 'A' shares on 22 July 2011 for the LTIP 11 awards vested was £6.95. Thus we assume a "market" price for 'B' shares of £0.695. The market price of 'A' shares on 25 July 2011 for the LTIP 8 Matching awards vested was £7.00. Thus we assume a "market" price for 'B' shares of £0.700.

The table above excludes vested shares that have been redeposited with the LTIP Trust in order to obtain the matching grant.

Directors' LTIP Grants Held at 31 March 2012

Grant		LTIP 9	LTIP 12	LTIP 13	LTIP 14	
Grant date		18 July 2006	16 July 2009	12 July/30 Nov 2010	20 July 2011	
Start of performance period		April 2006	April 2009	April 2010	April 2011	Total at
End of performance period		March 2009	March 2012	March 2013	March 2014	31 March
Matching period end		17 July 2012	n/a	n/a	n/a	2012
Michael Turner	'A' ordinary 40p	8,031	51,666	51,966	44,118	155,781
	'B' ordinary 4p	20,080	129,166	129,916	110,296	389,458
Simon Emeny	'A' ordinary 40p	6,425	39,666	38,041	36,558	120,690
	'B' ordinary 4p	16,063	99,166	95,102	91,396	301,727
James Douglas	'A' ordinary 40p	-	34,500	34,224	29,111	97,835
	'B' ordinary 4p	-	86,250	85,562	72,778	244,590
Richard Fuller	'A' ordinary 40p	2,650	10,908	20,761	13,836	48,155
	'B' ordinary 4p	6,626	27,270	51,903	34,590	120,389
Ian Bray	'A' ordinary 40p	-	-	-	-	-
	'B' ordinary 4p	-	-	-	-	-
Jonathon Swaine	'A' ordinary 40p	2,248	8,497	7,612	6,392	24,749
	'B' ordinary 4p	5,621	21,243	19,031	15,980	61,875

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 and 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.

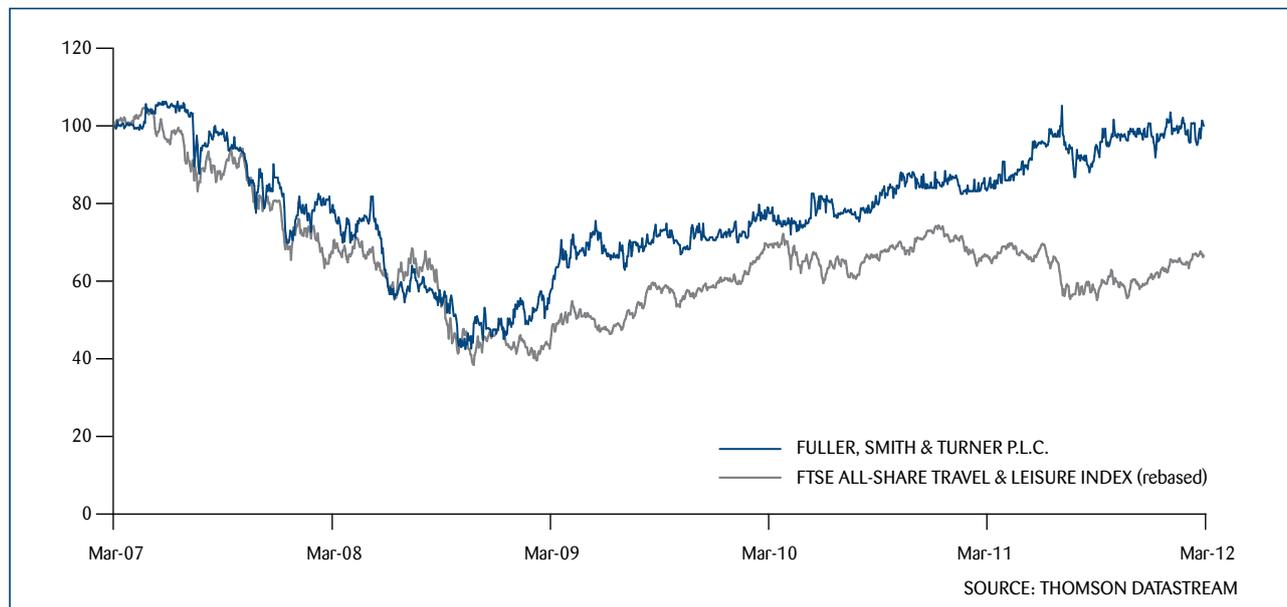
Non-Executive Directors receive a product allowance and are reimbursed for travel and other business related expenses. Nigel Atkinson also benefits from private healthcare.

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 42.

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 & 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

Alastair Kerr

Chairman, Remuneration Committee

31 May 2012



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 52 weeks ended 31 March 2012 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 30. The financial reporting framework that has been applied in 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 33, 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 Report and Accounts 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 THE 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 31 March 2012 and of the Group's profit for the 52 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 34 to 40 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 25, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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

31 May 2012



Group Income Statement

for the 52 weeks ended 31 March 2012

	Note	52 weeks ended 31 March 2012			53 weeks ended 2 April 2011		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	3	253.0	–	253.0	241.9	–	241.9
Operating costs	4, 5	(218.1)	(1.9)	(220.0)	(207.8)	(1.0)	(208.8)
Operating profit		34.9	(1.9)	33.0	34.1	(1.0)	33.1
Profit on disposal of properties	5	–	0.6	0.6	–	2.7	2.7
Finance revenue	6	0.3	–	0.3	0.1	–	0.1
Finance costs	5, 7	(4.9)	(0.2)	(5.1)	(4.9)	–	(4.9)
Profit before tax		30.3	(1.5)	28.8	29.3	1.7	31.0
Taxation	5, 8	(7.9)	2.8	(5.1)	(8.3)	2.1	(6.2)
Profit for the year attributable to equity shareholders of the Parent Company		22.4	1.3	23.7	21.0	3.8	24.8
Earnings per share per 40p 'A' and 'C' ordinary share		2012 Pence		2012 Pence	2011 Pence		2011 Pence
Basic	9			42.13			44.12
Diluted	9			41.62			43.30
Adjusted	9	39.82			37.36		
Diluted adjusted	9	39.34			36.67		
Earnings per share per 4p 'B' ordinary share		2012 Pence		2012 Pence	2011 Pence		2011 Pence
Basic	9			4.21			4.41
Diluted	9			4.16			4.33
Adjusted	9	3.98			3.74		
Diluted adjusted	9	3.93			3.67		

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

Group and Company Statements of Comprehensive Income

for the 52 weeks ended 31 March 2012

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Group		
Profit for the year	23.7	24.8
Net (losses)/gains on valuation of financial assets and liabilities (note 26)	(2.6)	1.8
Net actuarial (losses)/gains on pension scheme (note 23)	(13.9)	6.0
Tax on components of other comprehensive income (note 8)	3.7	(2.4)
Other comprehensive (loss)/income for the year, net of tax	(12.8)	5.4
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company	10.9	30.2
Company	£m	£m
Profit for the year	21.5	22.7
Net (losses)/gains on valuation of financial assets and liabilities	(2.6)	1.5
Net actuarial (losses)/gains on pension scheme (note 23)	(13.9)	6.0
Tax on components of other comprehensive income	3.7	(2.3)
Other comprehensive (loss)/income for the year, net of tax	(12.8)	5.2
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company	8.7	27.9

Balance Sheets

31 March 2012

	Note	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Non-current assets					
Intangible assets	11	30.6	23.9	6.7	–
Property, plant and equipment	12	400.5	342.8	400.5	342.8
Investment properties	13	4.9	10.0	4.9	4.7
Derivative financial assets	14	–	1.5	–	1.5
Other non-current assets	15	0.3	0.4	0.3	0.4
Investments in subsidiaries	16	–	–	91.8	91.8
Deferred tax assets	25	7.8	4.1	7.5	3.7
Total non-current assets		444.1	382.7	511.7	444.9
Current assets					
Inventories	18	10.5	8.8	10.5	8.8
Trade and other receivables	19	18.3	18.8	18.3	18.8
Cash and short term deposits	22	3.9	3.7	3.9	3.7
Total current assets		32.7	31.3	32.7	31.3
Assets classified as held for sale	20	5.3	0.2	–	0.2
Current liabilities					
Trade and other payables	21	47.2	38.8	132.3	121.9
Current tax payable		3.9	4.5	3.9	4.5
Provisions	25	0.5	0.3	0.5	0.3
Total current liabilities		51.6	43.6	136.7	126.7
Non-current liabilities					
Borrowings	22	142.1	92.2	142.1	92.2
Derivative financial liabilities	14	1.4	–	1.4	–
Retirement benefit obligations	23	19.1	6.4	19.1	6.4
Deferred tax liabilities	25	30.1	33.7	28.9	32.2
Provisions	25	2.5	2.1	2.5	2.1
Total non-current liabilities		195.2	134.4	194.0	132.9
Net assets		235.3	236.2	213.7	216.8
Capital and reserves					
Share capital	27	22.8	22.8	22.8	22.8
Share premium account	27	4.8	4.8	4.8	4.8
Capital redemption reserve	27	3.1	3.1	3.1	3.1
Own shares	27	(8.3)	(3.1)	(8.3)	(3.1)
Hedging reserve	27	(1.1)	0.9	(1.1)	0.9
Retained earnings		214.0	207.7	192.4	188.3
Total shareholders' equity		235.3	236.2	213.7	216.8

Approved by the Board and signed on 31 May 2012.

M J Turner, FCA
Chairman



Group and Company Statements of Changes in Equity

for the 52 weeks ended 31 March 2012

Group	Share capital (note 27) £m	Share premium account £m	Capital redemption reserve £m	Own shares (note 27) £m	Hedging reserve £m	Retained earnings £m	Total £m
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
Profit for the year	-	-	-	-	-	23.7	23.7
Other comprehensive loss for the year	-	-	-	-	(2.0)	(10.8)	(12.8)
Total comprehensive (loss)/income for the year	-	-	-	-	(2.0)	12.9	10.9
Shares purchased to be held in ESOT or as treasury	-	-	-	(8.5)	-	-	(8.5)
Shares released from ESOT and treasury	-	-	-	3.3	-	(2.3)	1.0
Dividends (note 10)	-	-	-	-	-	(6.8)	(6.8)
Share-based payment charges	-	-	-	-	-	1.9	1.9
Tax credited directly to equity (note 8)	-	-	-	-	-	0.6	0.6
At 31 March 2012	22.8	4.8	3.1	(8.3)	(1.1)	214.0	235.3
Company	£m	£m	£m	£m	£m	£m	£m
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
Profit for the year	-	-	-	-	-	21.5	21.5
Other comprehensive loss for the year	-	-	-	-	(2.0)	(10.8)	(12.8)
Total comprehensive (loss)/income for the year	-	-	-	-	(2.0)	10.7	8.7
Shares purchased to be held in ESOT or as treasury	-	-	-	(8.5)	-	-	(8.5)
Shares released from ESOT and treasury	-	-	-	3.3	-	(2.3)	1.0
Dividends (note 10)	-	-	-	-	-	(6.8)	(6.8)
Share-based payment charges	-	-	-	-	-	1.9	1.9
Tax credited directly to equity	-	-	-	-	-	0.6	0.6
At 31 March 2012	22.8	4.8	3.1	(8.3)	(1.1)	192.4	213.7

Group and Company Cash Flow Statements

for the 52 weeks ended 31 March 2012

		Group 52 weeks ended 31 March 2012 £m	Group 53 weeks ended 2 April 2011 £m	Company 52 weeks ended 31 March 2012 £m	Company 53 weeks ended 2 April 2011 £m
Profit before tax		28.8	31.0	26.1	28.2
Net finance costs before exceptional items		4.6	4.8	7.3	7.7
Exceptional items	5	1.5	(1.7)	1.5	(1.7)
Depreciation and amortisation	4	12.8	12.4	12.8	12.4
Loss on disposal of property, plant and equipment		0.1	0.1	0.1	0.1
		47.8	46.6	47.8	46.7
Difference between pension charge and cash paid		(0.9)	(0.4)	(0.9)	(0.4)
Share-based payment charges	28	1.9	1.8	1.9	1.8
Change in trade and other receivables		0.7	(2.5)	0.7	(2.5)
Change in inventories		(1.7)	(1.2)	(1.7)	(1.2)
Change in trade and other payables		4.9	(0.1)	4.9	(0.2)
Cash impact of operating exceptional items	5	(2.0)	0.4	(2.0)	0.4
Cash generated from operations		50.7	44.6	50.7	44.6
Tax paid		(8.7)	(8.6)	(8.7)	(8.6)
Cash generated from operating activities		42.0	36.0	42.0	36.0
Cash flow from investing activities					
Business combinations	17	(52.8)	–	(52.8)	–
Purchase of property, plant and equipment		(21.9)	(12.0)	(21.9)	(12.0)
Sale of property, plant and equipment		1.9	4.0	1.9	4.0
Net cash outflow from investing activities		(72.8)	(8.0)	(72.8)	(8.0)
Cash flow from financing activities					
Purchase of own shares	27	(8.5)	(1.3)	(8.5)	(1.3)
Receipts on release of own shares to option schemes		1.0	0.5	1.0	0.5
Interest paid		(4.4)	(4.1)	(4.4)	(4.1)
Preference dividends paid	10	(0.1)	(0.1)	(0.1)	(0.1)
Equity dividends paid	10	(6.8)	(3.3)	(6.8)	(3.3)
Drawdown of bank loans		50.0	65.5	50.0	65.5
Repayment of bank loans	22	–	(80.2)	–	(80.2)
Repayment of debenture stock	22	–	(1.2)	–	(1.2)
Cost of refinancing and associated hedging		(0.2)	(1.2)	(0.2)	(1.2)
Net cash inflow/(outflow) from financing activities		31.0	(25.4)	31.0	(25.4)
Net movement in cash and cash equivalents		0.2	2.6	0.2	2.6
Cash and cash equivalents at the start of the year	22	3.7	1.1	3.7	1.1
Cash and cash equivalents at the end of the year	22	3.9	3.7	3.9	3.7

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



Notes to the Financial Statements

1. Authorisation of Financial Statements and Accounting Policies

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the "Group") for the 52 weeks ended 31 March 2012 were authorised for issue by the Board of Directors on 31 May 2012 and the Balance Sheet was signed on the Board's behalf by M J Turner. Fuller, Smith & Turner P.L.C. is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary 'A' shares are traded on the London Stock Exchange.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and applied to the financial statements of the Group and the Company for the 52 weeks ended 31 March 2012, 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 £21.5 million (2011: £22.7 million). There was no dividend from subsidiary companies during the current year (2011: £nil).

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 31 March 2012.

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 3 April 2011:

- IAS 24 Related Party Disclosures (Amendment) – 1 January 2011
- 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

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

Notably, during the year the Group has expensed transaction costs on pub acquisitions which qualify as business combinations, in accordance with IFRS 3 Business Combinations (revised). These have been recorded as exceptional items. There were no business combinations in the comparative period presented.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Fuller, Smith & Turner P.L.C. and the entities it controls (its subsidiaries) drawn up for the 52 weeks ended 31 March 2012 (2011: 53 weeks ended 2 April 2011).

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.

Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

Intangible Assets

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

Goodwill

Business combinations 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 10 to 50 years.

Plant, machinery and vehicles, containers, fixtures and fittings – From three years up to 25 years.

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

Investment Property

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

Impairment

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



Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

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.

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.

Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

Derecognition

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

Derivative financial instruments and hedging

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

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

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

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

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

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

Classification of Shares as Debt or Equity

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

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

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



Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

Preference Shares

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

Revenue

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

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

Operating Profit

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

Finance Revenue

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

Borrowing Costs

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

Taxation

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

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

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

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

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

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

Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

Foreign Currencies

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

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

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.

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.



Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

Share-Based Payments continued

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.

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.

Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

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

• IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income	1 July 2012
• IAS 12 Income Taxes – Recovery of Underlying Assets	1 January 2012
• IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
• IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)	1 January 2013
• IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments)	1 January 2014
• IFRS 7 Financial Instruments; Disclosure (Amendments)	1 July 2011
• IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments)	1 January 2013
• IFRS 9 Financial Instruments – Classification and Measurement	1 January 2015
• IFRS 10 Consolidated Financial Statements	1 January 2013
• IFRS 11 Joint Arrangements	1 January 2013
• IFRS 12 Disclosure of Interests in Other Entities	1 January 2013
• IFRS 13 Fair Value Measurement	1 January 2013

The following change in standard has not been early adopted but it is believed by the Directors this will have an impact on the Group's results, assets and liabilities:

• IAS 19 Employee Benefits (Amendment)	1 January 2013
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IAS 19 (Amendment) requires the Group to replace interest cost on defined benefit obligations and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. The impact of this change to the Group's reported profit in the period of adoption will be dependent on the Group's pension asset profile at the date of adoption.

Significant Accounting Estimates and Judgements

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

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Full details are supplied in note 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 23.

Judgement is required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The Group reviews each significant tax liability or benefit to assess the appropriate accounting treatment. See notes 8 and 25.



Notes to the Financial Statements

continued

1. Authorisation of Financial Statements and Accounting Policies continued

Significant Accounting Estimates and Judgements continued

The assessment of fair values for the assets and liabilities recognised in the financial statements on the acquisition of a business requires significant judgement. Management assesses fair values, particularly for property plant and equipment, with reference to current market prices. See note 17 for the business combinations made in the year.

2. Segmental Analysis

Operating Segments

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

- Managed Pubs and Hotels, which comprises managed pubs and managed hotels;
- Tenanted Inns, which comprises pubs operated by third parties under tenancy or lease agreements; and
- The Fuller's Beer Company, which comprises the brewing and distribution of beer, 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 Group Managing Director's Review on pages 6 to 14 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.

	Managed Pubs and Hotels	Tenanted Inns	The Fuller's Beer Company	Unallocated ¹	Total
	£m	£m	£m	£m	£m
52 weeks ended 31 March 2012					
Revenue					
Segment revenue	155.7	27.5	109.1	–	292.3
Inter-segment sales	–	–	(39.3)	–	(39.3)
Revenue from third parties	155.7	27.5	69.8	–	253.0
Segment result	18.3	10.3	9.0	(2.7)	34.9
Operating exceptional items					(1.9)
Operating profit					33.0
Profit on disposal of properties					0.6
Net finance costs					(4.8)
Profit before tax					28.8
Other segment information					
Capital expenditure:					
Property, plant and equipment	13.4	1.5	7.0	–	21.9
Business combinations	21.5	31.3	–	–	52.8
Depreciation and amortisation	8.5	1.6	2.7	–	12.8
Impairment of property	0.2	0.1	–	–	0.3
Reversal of impairment on property	(2.3)	–	–	–	(2.3)

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

Notes to the Financial Statements

continued

2. Segmental Analysis continued

53 weeks ended 2 April 2011	Managed Pubs and Hotels £m	Tenanted Inns £m	The 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					
Operating exceptional items	18.1	9.9	8.8	(2.7)	34.1
Operating profit					(1.0)
Profit on disposal of properties					33.1
Net finance costs					2.7
Profit before tax					(4.8)
					31.0
Other segment information					
Capital expenditure:					
Property, plant and equipment	7.6	1.4	3.0	–	12.0
Depreciation and amortisation	8.4	1.6	2.4	–	12.4
Impairment of property	0.9	0.5	–	–	1.4

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

Geographical Information

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

52 weeks ended 31 March 2012	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	247.3	5.7	253.0
Revenue			
53 weeks ended 2 April 2011	UK £m	Rest of the World £m	Total £m
Sales to external customers	237.1	4.8	241.9

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 (2012 and 2011).

3. Revenue

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	245.0	234.2
Rental income	8.0	7.7
	253.0	241.9



Notes to the Financial Statements

continued

4. Operating Costs

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Production costs and cost of goods used in retailing	86.4	80.6
Change in stocks of finished goods and beer in progress	1.7	1.2
Staff costs	62.5	60.3
Repairs to properties	6.8	6.7
Depreciation of property, plant and equipment	12.5	12.4
Amortisation of intangibles	0.3	–
Operating lease rentals – minimum lease payments ¹	6.4	5.7
– contingent rents ²	1.1	1.1
Exceptional items (note 5)	1.9	1.0
Other	40.4	39.8
	220.0	208.8

¹ Included within minimum lease payments are sublease payments of £0.7 million (2011: £0.6 million). ² Contingent rents are dependent on turnover levels.

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

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
a) Auditors' Remuneration		
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 iXBRL conversion, tax and covenants review, were £23,000 (2011: £15,000).

	£m	£m
b) Staff Costs*		
Wages and salaries**	56.8	54.4
Social security costs	4.0	4.0
Pension benefits	1.7	1.9
	62.5	60.3

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

	Number	Number
c) Average Number of Employees*		
The average monthly number of persons employed by the Group (including part-time staff) was as follows:		
Fuller's Inns	3,095	3,061
The Fuller's Beer Company	283	288
Central Services	14	14
	3,392	3,363

*Includes Directors.

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 41, 43 and 51. Three Directors had benefits accruing under defined benefit pension schemes at the end of the year (2011: three). Two Directors had benefits accruing under the Company's defined contribution scheme at the end of the year (2011: one). One Director had benefits accruing under a non Company defined contribution pension (2011: nil).

Notes to the Financial Statements

continued

5. Exceptional Items

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Amounts included in operating profit:		
Acquisition costs	(3.0)	–
Onerous lease charges	(0.9)	–
Reversal of impairment on property	2.3	–
Impairment of properties	(0.3)	(1.4)
Insurance claim	–	0.4
Total exceptional items included in operating profit	(1.9)	(1.0)
Profit on disposal of properties	0.6	2.7
Exceptional finance costs:		
Movement in fair value of financial instruments	(0.2)	–
Total exceptional finance costs	(0.2)	–
Total exceptional items before tax	(1.5)	1.7
Exceptional tax:		
Change in corporation tax rate (see note 8)	2.5	2.6
Profit on disposal of properties	(0.1)	(0.8)
Other items	0.4	0.3
Total exceptional tax	2.8	2.1
Total exceptional items	1.3	3.8

Acquisition costs of £3.0 million during the 52 weeks ended 31 March 2012 comprise £2.6 million of transaction costs on pub acquisitions which qualify as business combinations (note 17) and £0.4 million abortive acquisition costs incurred during a proposed acquisition bid.

The onerous lease charge of £0.9 million during the 52 weeks ended 31 March 2012 relates to provisions made in respect of leasehold properties which are currently trading at a loss and which the Directors do not expect to become profitable in the future.

During the 52 weeks ended 31 March 2012 the impairment of £0.3 million (2011: £1.3 million) and the reversal of prior impairments of £2.3 million (2011: £nil) relate to the write down/back of licensed properties to their recoverable value. During the 53 weeks ended 2 April 2011 there was also a £0.1 million write down of investment properties to their recoverable value. See notes 12 and 13.

During the 53 weeks ended 2 April 2011 insurance claim income of £0.4 million was recognised in relation to the gain made on the disposal of a property destroyed by fire.

The profit on disposal of properties of £0.6 million during the 52 weeks ended 31 March 2012 (2011: £2.7 million) relates to the disposal of six licensed and unlicensed properties (2011: ten).

The movement in fair value of financial instruments of £0.2 million for the 52 weeks ended 31 March 2012 relates to interest rate swaps and caps which, although considered effective in managing the interest rate risk of the Group's borrowings, do not meet the definition of an effective hedge for hedge accounting purposes.

The cash impact of operating exceptional items before tax for the 52 weeks ended 31 March 2012 was £2.0 million cash outflow (2011: £0.4 million cash inflow).



Notes to the Financial Statements

continued

6. Finance Revenue

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Interest receivable from:		
Cash and cash equivalents	–	0.1
Finance income on net pension liabilities	0.3	–
	0.3	0.1

7. Finance Costs

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	4.6	4.4
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	4.7	4.5
Finance charge on net pension liabilities	–	0.1
Unwinding of discounts on provisions	0.2	0.3
Total finance costs before exceptional items	4.9	4.9
Movement in fair value of financial instruments (note 5)	0.2	–
	5.1	4.9

8. Taxation

a) Tax on Profit on Ordinary Activities

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Group		
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	8.2	9.5
Amounts over provided in previous years	–	(0.1)
Total current income tax	8.2	9.4
Deferred tax:		
Origination and reversal of temporary differences	(0.6)	(0.6)
Change in corporation tax rate (note 5)	(2.5)	(2.6)
Total deferred tax	(3.1)	(3.2)
Total tax charged in the Income Statement	5.1	6.2
Tax relating to items charged/credited to the Statement of Comprehensive Income		
Deferred tax:		
Change in corporation tax rate	0.2	0.3
Net (losses)/gains on valuation of financial assets and liabilities	(0.6)	0.5
Net actuarial (losses)/gains on pension scheme	(3.3)	1.6
Tax (credit)/charge included in the Statement of Comprehensive Income	(3.7)	2.4

Notes to the Financial Statements

continued

8. Taxation continued

a) Tax on Profit on Ordinary Activities continued

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Tax relating to items charged directly to equity		
Deferred tax:		
Reduction in deferred tax liability due to indexation	(0.5)	(0.8)
Share-based payments	0.1	(0.2)
Current tax:		
Share-based payments	(0.2)	(0.1)
Tax credit included in the Statement of Changes in Equity	(0.6)	(1.1)
Deferred tax in the Income Statement		
Decelerated tax depreciation	(1.9)	(2.8)
Rolled over gains	(0.9)	(0.6)
Retirement benefit obligations	0.2	–
Tax losses carried forward	–	0.2
Employee share schemes	–	(0.1)
Others	(0.5)	0.1
	(3.1)	(3.2)

During the period the Finance Act 2011 and in connection with Finance Act 2012, a resolution under PCTA 1968, have both been “substantively enacted”. The main impact is that the rate of UK corporation tax reduced from 26% to 24% from 1 April 2012. To the extent that this rate change will affect the amount of future cash tax payments to be made by the Group, this reduces the size of both the Group’s balance sheet deferred tax liability and deferred tax asset. The impact in the 52 weeks ended 31 March 2012 is an exceptional credit to the income statement of £2.5 million, and a charge to the Statement of Comprehensive Income of £0.2 million.

Further reductions have been proposed, to reduce the rate to 23% and 22% on 1 April 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. The effect of these proposals on the net deferred tax liability at 31 March 2012 would be to reduce the liability by £1.9 million.

b) Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is lower than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are reconciled below:

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Group		
Profit from continuing operations before taxation	28.8	31.0
Accounting profit multiplied by the UK standard rate of corporation tax of 26% (2011: 28%)	7.5	8.7
Items not deductible for tax purposes	0.1	0.2
Current and deferred tax overprovided in previous years	–	(0.1)
Change in Corporation Tax rate	(2.5)	(2.6)
Total tax charged in the Income Statement	5.1	6.2



Notes to the Financial Statements

continued

9. Earnings Per Share

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Profit attributable to equity shareholders	23.7	24.8
Exceptional items net of tax	(1.3)	(3.8)
Adjusted earnings attributable to equity shareholders	22.4	21.0
	Number	Number
Weighted average share capital	56,250,000	56,208,000
Dilutive outstanding options and share awards	695,000	1,062,000
Diluted weighted average share capital	56,945,000	57,270,000
	Pence	Pence
40p 'A' and 'C' ordinary share		
Basic earnings per share	42.13	44.12
Diluted earnings per share	41.62	43.30
Adjusted earnings per share	39.82	37.36
Diluted adjusted earnings per share	39.34	36.67
	Pence	Pence
4p 'B' ordinary share		
Basic earnings per share	4.21	4.41
Diluted earnings per share	4.16	4.33
Adjusted earnings per share	3.98	3.74
Diluted adjusted earnings per share	3.93	3.67

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 734,626 (2011: 775,935).

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

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2011: 7.05p (2010: 1.15p)*	4.0	0.6
Interim dividend for 2012: 5.05p (2011: 4.75p)	2.8	2.7
Equity dividends paid	6.8	3.3
Dividends on cumulative preference shares (note 7)	0.1	0.1

*The final dividend paid for 2010 took into account the level of interim dividends already paid during the year, which included a second interim dividend.

Notes to the Financial Statements

continued

10. Dividends continued

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Proposed for approval at the AGM:		
Final dividend for 2012: 7.60p (2011: 7.05p)	4.2	4.0

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. Intangible Assets

	Group Goodwill £m	Group and Company Lease assignment premiums £m	Group Total £m	Company Total £m
Cost				
At 27 March 2010 and at 2 April 2011	24.5	–	24.5	–
Acquisitions (note 17)	–	7.0	7.0	7.0
At 31 March 2012	24.5	7.0	31.5	7.0
Amortisation and impairment				
At 27 March 2010 and at 2 April 2011	0.6	–	0.6	–
Provided during the year	–	0.3	0.3	0.3
At 31 March 2012	0.6	0.3	0.9	0.3
Net book value at 31 March 2012	23.9	6.7	30.6	6.7
Net book value at 27 March 2010 and 2 April 2011	23.9	–	23.9	–

Lease assignment premiums

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

There are 4 pubs on which we carry lease assignment premiums at 31 March 2012 (2011: nil).

Goodwill

	2012 £m	2011 £m
Goodwill is allocated to cash generating units as follows:		
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 Managed Pubs and Hotels division and £13.6 million relates to the Tenanted Inns division. All of the Jacomb Guinness goodwill relates to the Managed Pubs and Hotel division.

Key assumptions used in value in use calculations:

	2012	2011
Long term growth rate – Managed	2.5%	3.0%
Long term growth rate – Tenanted	1.5%	3.0%
Pre-tax discount rate	6.5%	7.9%



Notes to the Financial Statements

continued

11. Intangible Assets continued

Goodwill continued

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

The calculation of value in use is most sensitive to the assumptions in respect of 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.

Sensitivity to Changes in Assumptions

There is no impairment to either the Jacobb Guinness or the Gales cash-generating units at 31 March 2012 and the value in use calculations are not sensitive to the assumptions used.

12. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
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
Additions	7.6	4.5	11.6	23.7
Acquisitions (note 17)	44.7	0.1	0.7	45.5
Disposals	(2.1)	(0.5)	(2.7)	(5.3)
At 31 March 2012	374.9	32.7	104.2	511.8
Depreciation and impairment				
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
Provided during the year	2.0	1.7	8.8	12.5
Impairment reversals net of loss	(2.0)	–	–	(2.0)
Disposals	(1.3)	(0.5)	(2.5)	(4.3)
At 31 March 2012	21.5	19.1	70.7	111.3
Net book value at 31 March 2012	353.4	13.6	33.5	400.5
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

Notes to the Financial Statements

continued

12. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
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
Additions	7.6	4.5	11.6	23.7
Acquisitions (note 17)	44.7	0.1	0.7	45.5
Disposals	(2.1)	(0.5)	(2.7)	(5.3)
At 31 March 2012	374.8	32.6	102.7	510.1
Depreciation and impairment				
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
Provided during the year	2.0	1.7	8.8	12.5
Impairment reversals net of loss	(2.0)	–	–	(2.0)
Disposals	(1.3)	(0.5)	(2.5)	(4.3)
At 31 March 2012	21.4	19.1	69.1	109.6
Net book value at 31 March 2012	353.4	13.5	33.6	400.5
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

Group and Company

Interest Capitalised

The amount of interest capitalised to date is £100,000 (2011: £100,000).

Assets under construction

Included in the cost of property, plant and equipment at 31 March 2012 was an amount of £2.2 million (2011: £1.8 million) 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 52 weeks ended 31 March 2012, the Group recognised an impairment loss of £0.3 million (2011: £1.3 million) in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use. The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated. Following an improvement in trading performance and an increase in the amounts of estimated future cash flows of certain previously impaired sites, reversals of £2.3 million were recognised during the 52 weeks ended 31 March 2012 (2011: £nil).

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 9.5% (2011: 10.5%).



Notes to the Financial Statements

continued

12. Property, Plant and Equipment continued

Sensitivity to Changes in Assumptions

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

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Impact on impairment of assets at risk – increase/(decrease)		
Increase discount rate by 1%	0.7	0.5
Decrease discount rate by 1%	(0.3)	(0.2)
Increase growth rate by 0.5%	(0.2)	(0.1)
Decrease growth rate by 0.5%	0.3	0.1

13. Investment Properties

	Group Freehold & leasehold properties £m	Company Freehold & leasehold properties £m
Cost		
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
Additions	0.1	0.1
Acquisitions (note 17)	0.3	0.3
Disposals	(0.2)	(0.2)
Transfer to assets held for sale	(5.3)	–
At 31 March 2012	6.0	6.0
Depreciation and impairment		
At 27 March 2010	0.7	0.7
Impairment loss	0.1	0.1
Transfer from property, plant & equipment	0.3	0.3
At 2 April 2011	1.1	1.1
At 31 March 2012	1.1	1.1
Net book value at 31 March 2012	4.9	4.9
Net book value at 2 April 2011	10.0	4.7
Net book value at 27 March 2010	9.3	4.0
Fair value at 31 March 2012	8.4	8.4
Fair value at 2 April 2011	14.2	8.9
Fair value at 27 March 2010	14.7	9.4

Notes to the Financial Statements

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13. Investment Properties continued

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

Impairment

The Group considers each 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 52 weeks ended 31 March 2012, the Group did not impair any investment properties (2011: £0.1 million).

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 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Rental income	0.4	0.4	0.4	0.4
Direct operating expenses	(0.2)	(0.1)	(0.1)	(0.1)

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

14. Derivative Financial Instruments

	2012 £m	2011 £m
Group and Company		
Interest rate swaps	–	1.2
Interest rate cap	–	0.3
Total financial assets within non-current assets	–	1.5
Interest rate swaps	(1.4)	–
Total financial liabilities within current liabilities	(1.4)	–

Details of the interest rate swaps and cap are provided in note 26.

15. Other Non-Current Assets

	2012 £m	2011 £m
Group and Company		
Loans to customers due after one year	0.2	0.3
Other	0.1	0.1
	0.3	0.4



Notes to the Financial Statements

continued

16. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net book value £m
At 27 March 2010, 2 April 2011 and 31 March 2012	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.

17. Business Combinations

During the 52 weeks ended 31 March 2012 the Company has acquired 30 new pubs. 28 of these property acquisitions have been treated as business combinations as they were operating as a business at the point the Company acquired them. Five individual pubs were purchased from Marston's PLC on 1 November 2011 for a consideration of £16.0 million, 16 individual pubs were purchased from Enterprise Inns plc on 9 March 2012 for a consideration of £25.3 million and the remaining seven pubs were bought individually throughout the year.

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

	Managed	Tenanted	Total
Number of pubs purchased	9	19	28
	£m	£m	£m
Provisional fair value:			
Property, plant and equipment and working capital acquired	14.5	31.3	45.8
Lease assignment premiums	7.0	–	7.0
Goodwill	–	–	–
Consideration	21.5	31.3	52.8
Satisfied by:			
Cash	21.5	31.3	52.8

Costs associated with the acquisitions of £2.6 million have been charged to operating exceptional items in the Consolidated Income Statement for the 52 weeks ended 31 March 2012 (see note 5), of which £1.6 million was paid in the year. These comprise primarily stamp duty and other property fees.

Fair values have been determined provisionally and will be finalised at the end of the 12 months measurement period.

The acquisitions have contributed the following values of operating profit to the Group in the 52 weeks ended 31 March 2012 from the date of acquisition:

	Managed £m	Tenanted £m	Total £m
Operating profit	0.3	0.3	0.6

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

Notes to the Financial Statements

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18. Inventories

	2012	2011
Group and Company	£m	£m
Raw materials, beer in progress	1.4	1.5
Beer, wines and spirits	7.0	5.7
Stock at retail outlets	2.1	1.6
	10.5	8.8

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

19. Trade and Other Receivables

	2012	2011
Group and Company	£m	£m
Trade receivables	13.4	13.8
Other receivables	1.4	1.5
Prepayments and accrued income	3.5	3.5
	18.3	18.8

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

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

	2012	2011
Group and Company	£m	£m
Trade receivables provision at 2 April 2011	1.3	1.3
Increase in provision recognised in profit and loss	0.1	0.2
Amounts written off during the year	(0.1)	(0.2)
Trade receivables provision at 31 March 2012	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:

	2012	2011
Group and Company	£m	£m
Current	14.2	14.6
Overdue up to 30 days	0.2	0.1
Overdue between 30 and 60 days	-	-
Overdue more than 60 days	0.3	0.4
Trade receivables before provision	14.7	15.1
Less provision	(1.3)	(1.3)
Trade receivables net of provision	13.4	13.8

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.3 million (2011: £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 (2011: £0.3 million) due within one year and £0.4 million (2011: £0.4 million) due in more than one year, against which there is a provision of £0.3 million (2011: £0.3 million).



Notes to the Financial Statements

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20. Assets Classified as Held for Sale

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Investment property	5.3	–	–	–
Property, plant and equipment	–	0.2	–	0.2
	5.3	0.2	–	0.2

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

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Assets held for sale at the start of the year	0.2	0.6	0.2	0.6
Assets disposed during the year	(0.2)	(0.6)	(0.2)	(0.6)
Transfer from investment property	5.3	0.2	–	0.2
Assets held for sale at the end of the year	5.3	0.2	–	0.2

At 31 March 2012 one property (2011: one) was transferred to assets held for sale, as it is in the advanced stages of the sales process and is expected to complete in July 2012. All of the properties shown above are expected to or have resulted in a profit on sale.

21. Trade and Other Payables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Due within one year:				
Trade payables	18.0	11.4	18.0	11.4
Amounts due to subsidiary undertakings	–	–	85.1	83.1
Other tax and social security	9.3	10.3	9.3	10.3
Other payables	7.2	6.7	7.2	6.7
Accruals	12.7	10.4	12.7	10.4
	47.2	38.8	132.3	121.9

Company amounts due to subsidiary undertakings of £85.1 million (2011: £83.1 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.

Notes to the Financial Statements

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22. Cash, Borrowings and Net Debt

Cash and Short Term Deposits Group and Company	2012 £m	2011 £m
Cash at bank and in hand	3.9	3.7

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

Borrowings Group and Company	2012 £m	2011 £m
Bank loans	114.7	64.8
Debenture stock	25.8	25.8
Preference shares	1.6	1.6
Total borrowings	142.1	92.2

Analysed as:

Borrowings within non-current liabilities	142.1	92.2
	142.1	92.2

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

Bank Loans Group and Company

During the 52 weeks ended 31 March 2012 the Company increased its loan facilities by £50 million in total. Two new facilities of £30 million each, which expire in May 2015 and have no amortisation requirements, were entered into on 5 August 2011 and 30 March 2012 respectively and the existing facility was reduced by £10 million. At 31 March 2012, £34.5 million (2011: £34.5 million) of this committed loan facility was available and undrawn.

The bank loans at 31 March 2012 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 26.

The bank loans are repayable as follows:

	2012 £m	2011 £m
In the third to fifth years inclusive	115.5	65.5
Less: bank loan arrangement fees	(0.8)	(0.7)
Non-current liabilities	114.7	64.8



Notes to the Financial Statements

continued

22. Cash, Borrowings and Net Debt continued

Debenture Stock Group and Company

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

	2012 £m	2011 £m
Debenture stock repayable after five years:		
10.70% 1st Mortgage Debenture Stock 2023	6.0	6.0
6.875% Debenture Stock 2028 (1st floating charge)	19.9	19.9
Less: 2028 debenture issue costs	(0.1)	(0.1)
Non-current liabilities	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 24 for further details of the preference shares.

Analysis of Net Debt

Group	At 2 April 2011 £m	Cash flows £m	Non-cash ¹ £m	At 31 March 2012 £m
Cash and cash equivalents				
Cash and short term deposits	3.7	0.2	–	3.9
	3.7	0.2	–	3.9
Debt				
Bank loans	(64.8)	(49.8)	(0.1)	(114.7)
Debenture stock	(25.8)	–	–	(25.8)
Preference shares	(1.6)	–	–	(1.6)
	(92.2)	(49.8)	(0.1)	(142.1)
Net debt	(88.5)	(49.6)	(0.1)	(138.2)

¹ Non-cash movements relate to the amortisation of arrangement fees, offset by arrangement fees accrued.

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)

Notes to the Financial Statements

continued

23. 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.

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Total amounts charged in respect of pensions in the period		
Charged to income statement:		
Defined benefit scheme – operating profit before exceptional items	1.4	1.6
Defined benefit scheme – net finance (income)/charge	(0.3)	0.1
Defined contribution schemes – total operating charge	0.3	0.3
	1.4	2.0
Credit/charge to equity:		
Defined benefit scheme – net actuarial losses/(gains)	13.9	(6.0)
Total pension charge/(credit)	15.3	(4.0)

The total contributions to the defined benefit plans in the next financial year are expected to be £2.2 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 31 March 2012, 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 2012 valuation of the plan are set out below:

	2012 Years	2011 Years
Current pensioners (at 65) – males	21.0	21.0
Current pensioners (at 65) – females	23.5	23.5
Future pensioners (at 65) – males	22.0	22.0
Future pensioners (at 65) – females	24.4	24.4

The assumptions for future pensioners are based on the average current age of the active population, which is 53 years for male members of the scheme (2011: 52) and 47 years for female members (2011: 46).



Notes to the Financial Statements

continued

23. Pensions continued

Key financial assumptions used in the valuation of the scheme	At	
	31 March 2012	2 April 2011
Rate of increase in salaries	3.70%	4.00%
Rate of increase in pensions in payment	3.20%	3.50%
Discount rate	4.60%	5.55%
Inflation assumption – RPI	3.20%	3.50%
Inflation assumption – CPI	2.70%	3.00%

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

Impact on scheme liabilities – increase/(decrease)	2012	2011
	£m	£m
Increase rate of salaries by 0.5%	1.8	1.3
Increase rate of pensions in payment by 0.5%	3.9	3.5
Increase discount rate by 1.0%	(14.8)	(12.0)
Increase inflation assumption by 0.5%	1.4	1.2

Assets in the scheme and the expected rate of return	Long term rate of return expected at		Long term rate of return expected at	
	Value at 31 March 2012 £m	31 March 2012 %	Value at 2 April 2011 £m	2 April 2011 %
Bonds – Government	–	2.74%	2.9	4.18%
Bonds – Corporate	16.3	4.60%	17.6	5.55%
Equities	34.9	7.00%	51.9	7.00%
Absolute return fund*	25.6	7.00%	–	n/a
Property	0.7	7.00%	1.3	7.00%
Cash	0.5	2.00%	2.4	2.00%
Annuities	1.1	4.60%	1.0	5.55%
Total market value of assets	79.1	6.44%	77.1	6.39%

*The absolute return fund assets were previously shown split between the assets classes held in the fund at each period end date. During the 52 weeks ended 31 March 2012 management has reviewed this and consider that it is more appropriate to show these assets separately, as the asset split is fluid and the fund's aim is to target an equity return over the long term. The asset split for the 53 weeks ended 2 April 2011 under the revised basis would have been: government bonds £nil, corporate bonds £15.0 million, equities £45.7 million, absolute return fund £14.7 million, property £0.6 million, cash £0.1 million and annuities £1.0 million.

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Fair value of plan assets	79.1	77.1	71.1	52.1	61.2
Present value of scheme liabilities	(98.2)	(83.5)	(83.8)	(60.5)	(66.6)
Deficit in the scheme	(19.1)	(6.4)	(12.7)	(8.4)	(5.4)

Included within the total present value of Group and Company scheme liabilities of £98.2 million (2011: £83.5 million) are liabilities of £3.5 million (2011: £3.3 million) which are entirely unfunded.

Notes to the Financial Statements

continued

23. Pensions continued

Group and Company	2012 £m	2011 £m
Analysis of the amount charged to operating profit		
Current service cost of defined benefit scheme	1.4	1.6
Total operating charge	1.4	1.6
Analysis of the amount charged to other finance expense		
Expected return on pension scheme assets	(4.9)	(4.6)
Interest on pension scheme liabilities	4.6	4.7
Net (income)/charge	(0.3)	0.1
Movements in the fair value of scheme assets during the year		
Fair value at beginning of the year	77.1	71.1
Expected return on scheme assets	4.9	4.6
Actuarial (losses)/gains	(2.5)	1.7
Employer contributions	1.6	1.5
Employer special contributions	0.7	0.5
Employee contributions	0.5	0.5
Benefits paid	(3.2)	(2.8)
Fair value at the end of the year	79.1	77.1
Movements in the present value of defined benefit obligations during the year		
Present value of obligation at beginning of the year	(83.5)	(83.8)
Service cost	(1.4)	(1.6)
Interest cost	(4.6)	(4.7)
Employee contributions	(0.5)	(0.5)
Benefits paid	3.2	2.8
Actuarial (losses)/gains	(11.4)	4.3
Present value of obligation at the end of the year	(98.2)	(83.5)
The analysis of the actuarial (losses)/gains in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	(2.5)	1.7
Experience losses arising on the scheme liabilities	(0.8)	(1.3)
Changes in assumptions underlying the present value of the scheme liabilities	(10.6)	5.6
Actuarial (losses)/gains	(13.9)	6.0

History of Experience Gains and Losses

A five year history is presented below:

Group and Company	2012	2011	2010	2009	2008
Difference between actual and expected returns on assets (£ million)	(2.5)	1.7	15.5	(13.7)	(4.0)
% of scheme assets	(3.2%)	2.2%	21.8%	(26.2%)	(6.5%)
Experience (losses)/gains on liabilities (£ million)	(0.8)	(1.3)	0.2	0.3	0.5
% of scheme liabilities	(0.9%)	(1.5%)	0.2%	0.6%	0.8%
Total actuarial (losses)/gains (£ million)	(13.9)	6.0	(4.5)	(3.5)	4.3
% of scheme liabilities	(14.2%)	7.2%	(5.4%)	(5.7%)	6.5%



Notes to the Financial Statements

continued

23. Pensions continued

History of Experience Gains and Losses continued

The cumulative amount of actuarial losses recognised since 28 March 2004 in the Group Statement of Comprehensive Income is £12.8 million (2011: gains of £1.1 million). The cumulative amount of actuarial losses recognised since 28 March 2004 in the Company Statement of Comprehensive Income is £15.1 million (2011: losses of £1.2 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.

24. Preference Share Capital

Group and Company	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
	Number 000s	Number 000s	Number 000s
Authorised, issued and fully paid share capital			
Number authorised and in issue:			
At 27 March 2010, 2 April 2011 and 31 March 2012	400	1,200	1,600
Monetary amount:	£m	£m	£m
At 27 March 2010, 2 April 2011 and 31 March 2012	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.

25. Provisions

a) Onerous lease provision

Group and Company	2012 £m	2011 £m
Onerous lease provision		
At 2 April 2011	2.4	2.5
Arising during the year	1.6	0.2
Released during the year	(0.7)	(0.2)
Utilised	(0.5)	(0.4)
Unwinding of discount	0.2	0.3
At 31 March 2012	3.0	2.4
Analysed as:		
Due within one year	0.5	0.3
Due in more than one year	2.5	2.1
	3.0	2.4

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

25. Provisions continued

b) Deferred Tax Provision

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

Group	Asset 2012 £m	Liability 2012 £m	Net 2012 £m	Asset 2011 £m	Liability 2011 £m	Net 2011 £m
Deferred tax						
Retirement benefit obligations	4.6	–	4.6	1.7	–	1.7
Tax losses carried forward	0.7	–	0.7	0.7	–	0.7
Employee share schemes	1.2	–	1.2	1.3	–	1.3
Financial liabilities/(assets)	0.3	(0.1)	0.2	–	(0.4)	(0.4)
Accelerated tax depreciation	–	(19.4)	(19.4)	–	(21.3)	(21.3)
Rolled over capital gains	–	(10.6)	(10.6)	–	(12.0)	(12.0)
Others	1.0	–	1.0	0.4	–	0.4
	7.8	(30.1)	(22.3)	4.1	(33.7)	(29.6)

Company	Asset 2012 £m	Liability 2012 £m	Net 2012 £m	Asset 2011 £m	Liability 2011 £m	Net 2011 £m
Deferred tax						
Retirement benefit obligations	4.6	–	4.6	1.7	–	1.7
Tax losses carried forward	0.4	–	0.4	0.3	–	0.3
Employee share schemes	1.2	–	1.2	1.3	–	1.3
Financial liabilities/(assets)	0.3	(0.1)	0.2	–	(0.4)	(0.4)
Accelerated tax depreciation	–	(18.2)	(18.2)	–	(19.8)	(19.8)
Rolled over capital gains	–	(10.6)	(10.6)	–	(12.0)	(12.0)
Others	1.0	–	1.0	0.4	–	0.4
	7.5	(28.9)	(21.4)	3.7	(32.2)	(28.5)

26. Financial Instruments

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

The accounting treatment of the Group's financial instruments is detailed in note 1.

a) Capital Management – Group and Company

As described in note 1, the Group considers its capital to comprise the following:

Capital	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Ordinary share capital	22.8	22.8	22.8	22.8
Share premium	4.8	4.8	4.8	4.8
Capital redemption reserve	3.1	3.1	3.1	3.1
Hedging reserve	(1.1)	0.9	(1.1)	0.9
Retained earnings	214.0	207.7	192.4	188.3
Preference shares	1.6	1.6	1.6	1.6
	245.2	240.9	223.6	221.5



Notes to the Financial Statements

continued

26. 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 £8.5 million shares in the 52 weeks ended 31 March 2012 (2011: £1.3 million), of which £0.8 million related to purchases made by or on behalf of employee share ownership trusts (2011: £1.2 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 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £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	0.2	0.3	0.2	0.3
Total non-current assets	0.2	1.8	0.2	1.8
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	13.6	14.0	13.6	14.0
Cash and short term deposits	3.9	3.7	3.9	3.7
Total current assets	17.5	17.7	17.5	17.7
Total financial assets	17.7	19.5	17.7	19.5
Current liabilities				
Carried at amortised cost:				
Trade and other payables in scope of IAS 39	31.2	22.1	116.3	105.2
Total current liabilities	31.2	22.1	116.3	105.2
Non-current liabilities				
Derivative financial liabilities hedge accounted	1.4	–	1.4	–
Carried at amortised cost:				
Other payables in scope of IAS 37	2.5	2.1	2.5	2.1
Loans and borrowings	140.5	90.6	140.5	90.6
Preference shares	1.6	1.6	1.6	1.6
Total carried at amortised cost	144.6	94.3	144.6	94.3
Total non-current liabilities	146.0	94.3	146.0	94.3
Total financial liabilities	177.2	116.4	262.3	199.5

Notes to the Financial Statements

continued

26. 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 (2011: £25.8 million) are at fixed rates. The bank loans totalling £114.7 million (2011: £64.8 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 74% (2011: 95%) of the Group's bank loans and 79% (2011: 95%) 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 £65.0 million of the Group's borrowings (2011: £40.0 million) were hedged by an interest rate swap at a blended fixed rate of 1.75% (2011: 2.13%). Of the swaps held at 31 March 2012, £40.0 million expire in 2015 and £25.0 million expire in 2017.

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 (2011: £20.0 million) of the Group's borrowings were hedged by an interest rate cap at a fixed rate of 4.00% (2011: 4.00%). The cap held at 31 March 2012 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 31 March 2012 and a net unrealised loss of £2.6 million (2011: net unrealised gain of £1.8 million) has been recorded in Other Comprehensive Income. The interest rate cap cashflow hedge entered into on 20 May 2010 is not designated as a cashflow hedge for hedge accounting purposes and a net unrealised loss of £0.2 million (2011: £nil) 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 52 weeks ended 31 March 2012 ranged between 0.65% and 0.82%. The Directors consider 1% to be a reasonable possible increase in rates and 0.5% to be a reasonable possible decrease in rates with reference to market yield curves and the current economic conditions.

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

	Group 2012 £m	Group 2011 £m	Company* 2012 £m	Company* 2011 £m
Impact on post-tax profit and net equity – increase/(decrease)				
Decrease interest rate by 0.5%	0.2	0.1	0.5	0.4
Increase interest rate by 1.0%	(0.4)	(0.2)	(1.0)	(0.8)

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



Notes to the Financial Statements

continued

26. 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 25. As a minimum it buys or sells forward the net known value of all committed purchase or sales orders. In addition, the Group will usually buy or sell a proportion of the estimated sale or buy orders for the remaining part of the year to minimise its transactional currency exposures in non-sterling currencies. Forward currency contracts must be in the same currency as the hedged items. The Group does not trade in forward currency hedges.

At 31 March 2012 the Group and Company had forward contracts open to buy €1.5 million (2011: sell US\$0.3 million and buy €2.2 million). These have a Sterling equivalent of £1.3 million (2011: £0.2 million and £1.9 million) and a net gain of £nil (2011: gain of £0.1 million) when comparing the contractual rates with the year-end exchange rates.

At 31 March 2012 the only significant foreign currency assets or liabilities were the following:

	Cash deposits	Cash deposits	Trade receivables	Trade receivables	Trade payables	Trade payables
	2012	2011	2012	2011	2012	2011
Group and Company	£m	£m	£m	£m	£m	£m
Euro assets/(liabilities)	0.2	0.6	–	–	(0.4)	(0.3)
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 19.

(iv) Liquidity Risk

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

The Group has a mixture of long and short term borrowings and overdraft facilities. 19% (2011: 30%) of the Group's borrowings are repayable after more than five years, and 81% (2011: 70%) between three and five years. On 5 August 2011 and 30 March 2012 the Group entered into two new three year bank facilities of £30 million each, as described in note 22.

Notes to the Financial Statements

continued

26. Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities at 31 March 2012 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the Balance Sheet date.

	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
Group at 31 March 2012						
Interest bearing loans and borrowings ¹	–	1.4	4.1	131.8	45.0	182.3
Preference shares ²	–	–	0.1	0.5	3.4	4.0
Trade and other payables	5.1	24.2	0.4	1.6	3.4	34.7

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	–	0.3	0.9	3.1	–	4.3
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	£m	£m	£m	£m	£m	£m
Group at 2 April 2011						
Interest bearing loans and borrowings ¹	–	1.0	3.0	80.2	47.0	131.2
Preference shares ²	–	–	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
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² The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the Balance Sheet date but no further.

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

	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
Company at 31 March 2012						
Amounts due to subsidiary undertakings ³	85.1	–	–	–	–	85.1
Company at 2 April 2011						
Amounts due to subsidiary undertakings ³	83.1	–	–	–	–	83.1

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

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £12.7 million (2011: £12.9 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.



Notes to the Financial Statements

continued

26. Financial Instruments continued

d) Fair Value

Fair Values of Financial Assets and Liabilities

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

Group	Book value	Book value	Fair value	Fair value
	2012	2011	2012	2011
	£m	£m	£m	£m
Financial assets				
Cash	3.9	3.7	3.9	3.7
Trade and other receivables due within one year in scope of IAS 39	13.9	14.0	13.9	14.0
Loans and other receivables due in more than one year in scope of IAS 39	0.2	0.3	0.2	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	(33.7)	(24.2)	(33.7)	(24.2)
Fixed rate borrowings	(25.8)	(25.8)	(31.4)	(28.4)
Floating rate borrowings	(114.7)	(64.8)	(114.7)	(64.8)
Preference shares	(1.6)	(1.6)	(1.8)	(1.8)
Interest rate swap	(1.4)	–	(1.4)	–

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

Company	Book value	Book value	Fair value	Fair value
	2012	2011	2012	2011
	£m	£m	£m	£m
Financial liabilities				
Trade and other payables in scope of IAS 39	(118.8)	(107.3)	(118.8)	(107.3)

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.

27. 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
	Number 000s	Number 000s	Number 000s	Number 000s
Issued and fully paid: Number in issue				
At 27 March 2010, 2 April 2011 and 31 March 2012	33,424	14,657	89,052	137,133
Proportion of total equity shares at 31 March 2012	24.4%	10.7%	64.9%	100%
Issued and fully paid: Monetary amount	£m	£m	£m	£m
At 27 March 2010, 2 April 2011 and 31 March 2012	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 24).

Notes to the Financial Statements

continued

27. Share Capital and Reserves continued

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

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

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

b) Own Shares

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

	Treasury shares '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
Number						
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
Shares purchased	1,096	–	338	86	1,182	338
Shares transferred	(204)	204	–	–	–	–
Shares released	(276)	(239)	(98)	(86)	(601)	(98)
At 31 March 2012	1,199	–	571	2	1,201	571
Monetary amount	£m	£m	£m	£m	£m	£m
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
Shares purchased	7.7	–	0.2	0.6	8.3	0.2
Shares transferred	(1.0)	1.0	–	–	–	–
Shares released	(1.4)	(1.2)	(0.1)	(0.6)	(3.2)	(0.1)
At 31 March 2012	8.0	–	0.3	–	8.0	0.3
Market value at 31 March 2012	8.6	–	0.4	–	8.6	0.4



Notes to the Financial Statements

continued

27. Share Capital and Reserves continued

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.

28. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 31 March 2012 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purpose of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the post-tax earnings per share excluding exceptional items as presented in the financial statements. However, the Remuneration Committee are authorised to make appropriate adjustments to Adjusted EPS as applied to these schemes.

Savings Related Share Option Scheme ("SAYE")

This scheme grants options over shares at a discount of 20% on the average market price over the three days immediately prior to the date of 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 Adjusted EPS exceeds growth in the Retail Price Index ("RPI") by 9% over the performance period of the option, then 40% of the award will vest. Vesting levels are then on a sliding scale, with 100% vesting occurring if growth in 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 Adjusted EPS exceeds the growth in RPI by 9% or more, over the three year performance period of the option. The options must then be exercised within seven years after the end of the performance period.

LTIP

This plan awards free shares. Vesting is conditional on growth in Adjusted EPS exceeding growth in RPI by 9% (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 Adjusted EPS exceeds growth in RPI by 24% (grants before 2009: 21%) or more. An independent firm of advisors verify the vesting level each year. The initial vesting period is three years. After this time the shares may be passed to the plan participants, as long as vesting conditions are met. 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).

Notes to the Financial Statements

continued

28. Share Options and Share Schemes continued

Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 31 March 2012 is £1.9 million (2011: £1.8 million). The whole of that expense arises from equity settled share-based payment transactions.

Movements in the Year

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, each category of share instrument during the year. 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 31 March 2012 was £7.15 (2011: £5.96).

a) SAYE

	2012 Number 000s	2012 WAEP	2011 Number 000s	2011 WAEP
Outstanding at beginning of the year	616	£3.93	596	£3.75
Granted	135	£5.47	151	£4.64
Lapsed	(30)	£4.11	(68)	£4.82
Exercised	(178)	£3.49	(63)	£3.00
Outstanding at end of the year	543	£4.45	616	£3.93
Exercisable at end of the year	–	n/a	–	n/a
Weighted average share price for options exercised in the year	£6.56		£5.60	
Weighted average contractual life remaining for share options outstanding at the year end	2.46 years		2.49 years	
Weighted average share price for options granted in the year	£6.55		£5.39	
Weighted average fair value of options granted during the year	£1.12		£0.92	
Range of exercise prices for options outstanding at the year end – from	£3.31		£3.31	
– 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 2012 000s	Number of 'A' ordinary shares under option 2011 000s
September 2011	3.92	–	53
September 2011	3.31	–	126
September 2012	6.04	24	24
September 2012	3.88	87	93
September 2013	3.31	100	110
September 2013	4.64	65	73
September 2014	3.88	63	64
September 2014	5.47	100	–
September 2015	4.64	71	73
September 2016	5.47	33	–
		543	616



Notes to the Financial Statements

continued

28. Share Options and Share Schemes continued

b) Share Option Schemes

	2012 Number 000s	2012 WAEP	2011 Number 000s	2011 WAEP
Senior Executive Share Option Scheme				
Outstanding at beginning of the year	150	£5.00	156	£4.89
Granted	32	£7.09	42	£5.82
Lapsed	(8)	£5.58	(39)	£5.46
Exercised	(7)	£4.98	(9)	£4.87
Outstanding at end of the year	167	£5.38	150	£5.00
Exercisable at end of the year	68	£4.60	53	£5.11
Weighted average share price for options exercised in the year	£6.15		£5.55	
Weighted average contractual life remaining for share options outstanding at the year end	6.91 years		7.22 years	
Weighted average share price for options granted in the year	£7.02		£5.80	
Weighted average fair value of options granted during the year	£0.99		£0.84	
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				
Outstanding at beginning of the year	248	£4.84	294	£4.47
Granted	39	£7.09	35	£5.78
Lapsed	(12)	£6.32	(10)	£5.98
Exercised	(90)	£4.14	(71)	£3.63
Outstanding at end of the year	185	£5.56	248	£4.84
Exercisable at end of the year	91	£5.00	113	£5.09
Number of options in the opening balance that were granted before 7 November 2002	1		12	
Number of options in the closing balance that were granted before 7 November 2002	–		1	
Weighted average share price for options exercised in the year	£6.94		£5.88	
Weighted average contractual life remaining for share options outstanding at the year end	6.44 years		6.57 years	
Weighted average share price for options granted in the year	£7.02		£5.75	
Weighted average fair value of options granted during the year	£0.74		£0.63	
Range of exercise prices for options outstanding at the year end – from	£2.12		£2.08	
– to	£7.51		£7.51	

Notes to the Financial Statements

continued

28. 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	Exercise price 40p shares £	Senior Executive Scheme		Exercise price 40p shares £	Executive Approved Scheme	
		Number of 'A' ordinary shares under option 2012 000s	Number of 'A' ordinary shares under option 2011 000s		Number of 'A' ordinary shares under option 2012 000s	Number of 'A' ordinary shares under option 2011 000s
2005 and 2012	–	–	–	2.08	–	1
2008 and 2013	–	–	–	2.12	14	14
2007 and 2014	–	–	–	2.62	13	13
2008 and 2015	3.67	21	21	3.67	–	16
2009 and 2016	4.98	12	19	4.98	10	27
2010 and 2017	7.51	10	13	7.51	36	42
2011 and 2018	4.05	25	30	4.05	19	75
2012 and 2019	4.80	31	31	4.80	20	25
2013 and 2020	5.78	32	32	5.78	35	35
2013 and 2020	6.30	4	4	–	–	–
2014 and 2021	7.09	32	–	7.09	38	–
		167	150		185	248

c) LTIP

Shares	2012	2012	2011	2011
	'A' shares Number 000s	'B' shares Number 000s	'A' shares Number 000s	'B' shares Number 000s
Outstanding at beginning of the year	741	1,852	819	2,049
Granted including matching awards	211	529	273	682
Lapsed	(35)	(88)	(179)	(448)
Vested	(239)	(98)	(172)	(431)
'A' shares issued in lieu of 'B' shares	40	(400)	–	–
Outstanding at end of the year	718	1,795	741	1,852

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	34	86	74	184
Weighted average share price for shares vested in the year	£6.63	£0.66	£5.65	£0.56
For shares outstanding at the year end, the weighted average contractual life remaining is	1.22 years	1.22 years	1.32 years	1.32 years
Weighted average share price for shares granted in the year	£7.02	£0.70	£5.68	£0.57
Weighted average fair value of shares granted in the year	£6.47	£0.65	£5.35	£0.54

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



Notes to the Financial Statements

continued

28. Share Options and Share Schemes continued

d) SIP

	2012 Number 000s	2011 Number 000s
Shares		
Outstanding at beginning of the year	345	360
Granted	86	92
Lapsed	–	(1)
Released	(76)	(106)
Outstanding at end of the year	355	345
Weighted average share price for shares released in the year	£6.88	£6.03
For shares outstanding at the year end, the weighted average contractual life remaining is	2.43 years	3.06 years
Weighted average share price of shares granted in the year	£7.10	£6.00
Weighted average fair value of shares granted in the year	£7.10	£6.00

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

e) Fair Value of Grants

(i) Equity-Settled Options and LTIPs

The fair value of equity-settled share options 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 52 weeks ended 31 March 2012 and 53 weeks ended 2 April 2011, except exercise price and 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		Save As You Earn Scheme		Executive and Senior Executive Option Schemes	
	2012	2011	2012	2011	2012	2011
Dividend yield (%)	1.8%	2.0%	1.8%	2.0%	1.8%	2.0%
Expected share price volatility (%)	n/a	n/a	17%	17%	17%	17%
Risk-free interest rate (%)	1.2%	1.2 to 1.4%	0.9 to 1.5%	1.2 to 1.9%	1.6 to 2.3%	1.8 to 2.5%
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

29. Guarantees and Commitments

a) Operating Lease Commitments

Operating Leases Where the Group is the Lessee

Future minimum rentals payable under non-cancellable operating leases are due as follows:

	2012	2011
Group and Company	£m	£m
Within one year	7.7	6.0
Between one year and five years	25.3	22.0
After five years	41.2	38.5
	74.2	66.5

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 31 March 2012 future minimum rentals receivable by the Group are as follows:

Group and Company	Investment properties		Property, plant and equipment	
	2012	2011	2012	2011
	£m	£m	£m	£m
Within one year	0.2	0.2	7.5	6.3
Between one year and five years	0.5	0.6	16.6	12.9
After five years	0.3	0.4	12.0	6.4
	1.0	1.2	36.1	25.6

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 31 March 2012 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £4.7 million (2011: £5.3 million).

b) Other Commitments

	2012	2011
Group and Company	£m	£m
Capital commitments – authorised, contracted but not provided for	1.6	1.3

The Company has accepted various duty deferment bonds in connection with HM Revenue and Customs. The total outstanding commitment at 31 March 2012 was £720,000 (2011: £370,000) for the Group and Company.



Notes to the Financial Statements

continued

30. Related Party Transactions

Group and Company

During the current and prior years the Company provided various administrative services to the Fuller, Smith & Turner Pension Plan free of charge. In addition, the Company settled costs totalling £178,000 (2011: £191,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

	52 weeks ended 31 March 2012 £m	53 weeks ended 2 April 2011 £m
Compensation of Key Management Personnel (including Directors)		
Short-term employee benefits	3.7	3.6
Termination benefits	–	0.3
Post-employment benefits	0.4	0.4
Share-based payments	1.2	1.2
	5.3	5.5

Company Only

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

	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
52 weeks ended 31 March 2012				
Subsidiaries	–	32.2	2.7	(85.1)
53 weeks ended 2 April 2011				
Subsidiaries	–	33.1	3.5	(83.1)

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 31 May 2012

Directors

Michael Turner, FCA, *Chairman*

Simon Emeny, *Group Managing Director*

James Douglas, ACA

Richard Fuller

Ian Bray¹

Jonathon Swaine²

John Dunsmore*

Lynn Fordham, CA*

Alastair Kerr^{*3}

Nigel Atkinson*

Sir James Fuller*

**Non-Executive.*

¹*Appointed 12 December 2011.*

²*Appointed 1 February 2012.*

³*Appointed 1 August 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 889 4096

Please note you can now advise

Computershare of changes to your address

or set up a dividend mandate online at

www.computershare.com/investor/uk



Shareholders' Information

2012 Diary

Friday, 22 June

Record Date

Sunday, 1 July

Preference dividends paid

11 a.m. Wednesday, 18 July

Annual General Meeting

Hock Cellar, Griffin Brewery

Tuesday, 24 July

Final dividend paid

Friday, 23 November

Half year results announcement

2013 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. These shareholders are also entitled to certain discounts in Fuller's Hotels. For details contact Company Secretariat on 020 8996 2105.

Redesignation of 'C' Shares

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

Computershare Investor Services PLC

The Pavilions, Bridgwater Road

Bristol BS99 6ZZ

Sharegift

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

Glossary

- **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.



Shareholders' Notes

Five Years' Progress

	2012	2011	2010	2009	2008 ¹
	£m	£m	£m	£m	£m
Income Statement					
Revenue ¹	253.0	241.9	227.7	210.0	203.1
Operating profit before exceptional items	34.9	34.1	32.0	29.0	29.4
Net finance costs	(4.6)	(4.8)	(5.4)	(6.2)	(6.4)
Adjusted profit	30.3	29.3	26.6	22.8	23.0
Exceptional items	(1.5)	1.7	0.2	(8.4)	0.8
Profit before tax	28.8	31.0	26.8	14.4	23.8
Taxation	(5.1)	(6.2)	(7.6)	(5.5)	(4.7)
Profit attributable to equity shareholders of the Parent Company	23.7	24.8	19.2	8.9	19.1
EBITDA	47.8	46.6	43.6	40.2	40.5
Assets employed					
Non-current assets	444.1	382.7	387.9	356.9	350.6
Inventories	10.5	8.8	7.6	6.1	5.8
Trade and other receivables	18.3	18.8	15.6	16.0	15.7
Assets classified as held for sale	5.3	0.2	0.6	-	1.8
Cash and short term deposits	3.9	3.7	1.1	0.9	3.9
	482.1	414.2	412.8	379.9	377.8
Current borrowings	-	-	(81.4)	(8.8)	(8.1)
Other current liabilities	(51.6)	(43.6)	(44.5)	(37.9)	(34.3)
	430.5	370.6	286.9	333.2	335.4
Non-current borrowings	(142.1)	(92.2)	(27.4)	(86.3)	(91.3)
Other non-current liabilities	(53.1)	(42.2)	(52.3)	(49.9)	(46.4)
Net assets	235.3	236.2	207.2	197.0	197.7
	2012	2011	2010	2009	2008
Per 40p 'A' ordinary share					
Adjusted earnings	39.82p	37.36p	34.19p	29.12p	29.15p
Basic earnings	42.13p	44.12p	34.37p	16.00p	34.33p
Dividends (interim and proposed final)	12.65p	11.80p	11.00p	9.85p	9.70p
Net assets	£4.22	£4.19	£3.68	£3.54	£3.55
Net debt (£ million)	(138.2)	(88.5)	(107.7)	(94.2)	(95.5)
Net debt/EBITDA	2.7	1.9	2.5	2.3	2.4
Gross capital expenditure (£ million)	74.7	12.0	44.1	24.2	18.5
Average number of employees	3,392	3,363	3,263	2,923	3,067

¹ Revenue for the 52 weeks ended 29 March 2008 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.

