



FULLER SMITH & TURNER P.L.C.
Report and Accounts 2008



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**WHATEVER YOU DO,
TAKE PRIDE.**



Corporate Progress

- Good underlying growth with adjusted profits up 4%
- Managed Pubs invested like for like sales up 3.2% (3.6% including hotels)
- Fuller's Inns profits level despite the sale of two hotels in 2007
- Own Beer volumes up 4%
- Beer Company profits up 1%
- Net exceptional profits of £0.8 million (2007: profits of £20.1 million)

ADJUSTED PROFIT¹ - £M

2008	23.0
2007	22.1
2006	17.9
2005	17.4
2004	16.9

ADJUSTED EARNINGS PER SHARE³ - PENCE

2008	29.15
2007	27.58
2006	21.87
2005	20.67
2004	19.94

TOTAL DIVIDEND PER SHARE⁴ - PENCE

2008	9.70
2007	9.09
2006	7.90
2005	7.38
2004	6.92

Financial Highlights

	52 weeks to 29 March 2008 £m	52 weeks to 31 March 2007 £m	Change
Revenue	181.1	178.2	+2%
Adjusted profit ¹	23.0	22.1	+4%
Profit before tax	23.8	42.2	-44%
EBITDA ²	40.5	40.7	-1%
Adjusted earnings per share ³	29.15p	27.58p	+6%
Basic earnings per share ⁴	34.33p	52.14p	-34%
Dividend per share ⁴	9.70p	9.09p	+7%
Net debt ⁵	95.5	96.5	
Net debt/EBITDA	2.4	2.4	

¹ Adjusted profits is the profit before tax excluding exceptional items.

² Pre-exceptional earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation.

³ Calculated using adjusted profits after tax and the same weighted average number of shares as for the basic earnings per share and using a 40p ordinary share.

⁴ Calculated on a 40p ordinary share.

⁵ Net debt comprises cash, bank loans, loan notes, debenture stock and preference shares.

Per share measures for the 52 weeks to 31 March 2007 have been restated for the effects of the five for two share split as if the share split had occurred on the first day of this period.



Chairman's Statement

I am delighted to report another good set of results in what can only be described as a challenging year for the industry. Our adjusted profit before tax (excluding exceptional items) has risen by 4% to £23.0 million (2007: £22.1 million) and our revenues have risen by 2% to £181.1 million (2007: £178.2 million).

Our adjusted earnings per share have risen by 6% to 29.15p (2007: 27.58p) and we have achieved a 3.6% increase in invested like for like sales in our Managed Pubs and Hotels, one of the highest increases in the industry.

These results show that our underlying business continues to perform strongly, despite the many well-publicised factors creating tough conditions in our market. Our prior year results included an exceptional profit of £20.1 million from the very successful sale of two hotels, which makes the comparison of certain financial measures unrepresentative of underlying business performance. This year, exceptional profits before tax were £0.8 million, comprising profits

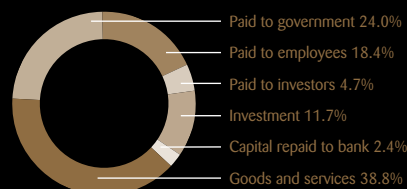


of £5.3 million on the disposal of non-core properties and aggregate provisions for onerous leases and pension costs of £4.5 million. After exceptional items our profit before tax was therefore £23.8 million (2007: £42.2 million) and our basic earnings per share were 34.33p (2007: 52.14p).

Tax has been provided for at an effective rate of 29.5% (2007: 30.4%) on adjusted profits. Our overall tax expense for the year has been further reduced as the result of a £2.4 million non-recurring deferred tax credit relating to the changes in Corporation Tax rates from 30% to 28%.

Fuller's Inns continues to benefit from a consistent strategy based on quality over quantity, with well-invested pubs underpinned by the excellent delivery of our key offering of outstanding cask conditioned ales, delicious food, great wines and exemplary service. Revenues of £141.5 million (2007: £140.9 million) and pre exceptional operating profits of £23.9 million (2007: £24.0 million) matched the levels achieved last year despite the lost contribution from the hotels we sold in 2007. We were particularly pleased to finish the year by collecting the trophies for both Managed Pub Company of the Year (100+ outlets) and Tenanted Pub Company of the Year (200+ outlets) at The Publican Newspaper annual industry awards.

WHERE THE MONEY GOES





The Still & West, Old Portsmouth



The George IV, Chiswick, London W4





Chairman's Statement

continued

The Fuller's Beer Company has also fared well, with pre exceptional operating profits rising by 1% to £8.0 million (2007: £7.9 million) on revenues that have increased by 3% to £60.3 million (2007: £58.4 million). Our Own Beer volumes were particularly pleasing, with overall growth of 4% spread across the range of brands. London Pride continues to lead the premium ale market and has again grown market share in all sectors.

EBITDA declined marginally to £40.5 million (2007: £40.7 million).

The Group's net debt has reduced to £95.5 million (2007: £96.5 million) despite special contributions of £8.0 million made to the Group's defined benefit pension scheme (2007: £2.0 million).

The accounting deficit for defined benefit pensions was £5.4 million at the year end (2007: £16.0 million).

Going forward we have agreed with the Trustees of the scheme to make additional contributions of £0.5 million per annum to the scheme in order to reduce the deficit further.

Net debt to EBITDA was unchanged at 2.4 times and, in addition, our interest cover has improved substantially to 4.6 times (2007: 3.9 times). With this low level of debt and continued strong cash flow generation we remain well positioned to finance further investment within the estate and to expand our business.

We continue to deliver excellent returns for our shareholders and the Board recommends an increase of 6% in the final dividend to 6.90p (2007: 6.50p) per 40p 'A' and 'C' ordinary share and 0.69p (2007: 0.65p) per 4p 'B' ordinary share. This will be paid on 25 July 2008 to shareholders on the share register as at 27 June 2008.

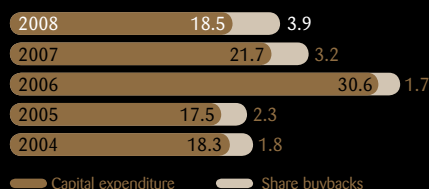
Fuller's Inns

Following a good first half, we experienced a tougher trading environment in the last six months. Despite this, we finished the year with invested like for like sales growth in Managed Pubs and Hotels of 3.6%, a figure which is yet again among the best in our sector. Overall, our pre exceptional operating profits and revenues are level at £23.9 million (2007: £24.0 million) and £141.5 million (2007: 140.9 million) respectively and this after having sold two hotels last year.

We continue to operate at the premium end of the market and believe we are well placed to withstand the current economic turmoil. To maintain our position, we continue to improve the quality of our estate, having increased the amount we spend to ensure our pubs are in first class condition.

Accommodation has been a major focus for Fuller's Inns this year and we have identified a number of sites that have the potential to develop bedroom business. For the last 18 months, we have been leveraging

GROUP INVESTMENT - £ million







Chairman's Statement

continued

the expertise of our Hotels team to grow this business and a number of our pubs now offer superb boutique style bedrooms, with the highest quality finishing touches, enabling us to charge a premium rate. As more pubs are developed to this template, we will, from this year, be reporting Managed Pubs and Hotels together.

We continue to develop and grow our customer base via excellent retail marketing and improved recruitment of the best managers,

tenants, lessees and staff throughout the estate. We have also introduced a new website, with a popular pub finder facility, which has helped to promote our pubs to a wider audience. We are developing e-commerce, making more and more products available through on line ordering, streamlining our processes and providing our managers with greater flexibility.

The size of our retail estate has not changed significantly, with two

purchases for the managed estate, and stood at 360 on 29 March 2008. Of this number, 203 were tenanted or leased pubs and 157 were managed pubs or hotels.

In the Morning Advertiser's list of the 50 Best Pubs in the UK, we were delighted to see two of our pubs feature in the top 10. The Basketmaker's Arms, a tenanted pub in Brighton, was sixth while the Churchill Arms, our iconic managed pub in Kensington, won the accolade of Britain's best pub.



Capital FM's Johnny Vaughan and Denise van Outen celebrate St. George's Day at The George IV



Managed Pubs (including Hotels)

Despite the sale of our two largest hotels last year, revenues across our Managed Pubs and Hotels business have remained level. Invested like for like sales and revpar in our Hotels rose by 7.5% and 8.9% respectively and invested like for like sales in our Managed Pubs rose by 3.2%. With only six remaining hotels in our estate and more of our managed pubs offering accommodation, we have decided to treat our Managed Pubs and

Hotels as one business. Combined Managed Pubs and Hotels invested like for like sales rose by 3.6% and it is this measure that we will be reporting from now on.

Food and accommodation remain the key growth drivers. Food sales have risen by 8% and now represent 27% of revenue (2007: 25%), excluding the 13 pubs where food is provided by Thai franchisees. Accommodation now accounts for 7% of total revenue,

down from 8% in 2007 as a result of the sale of the Brigstow and Master Brewer hotels. We now have 494 bedrooms across all the properties in the managed estate.

FULLER'S INNS REVENUE - £ million

2008	141.5
2007	140.9
2006	111.9
2005	98.6
2004	97.0



The Turk's Head, Twickenham



The Churchill Arms, Kensington Church Street, London W8



The Victoria, London W2



Chairman's Statement

continued

We believe that the growth in food sales is helped by our focus on locally sourced, freshly cooked meals. Our customers welcome this commitment to quality and provenance and we have worked hard to build links with local farmers and to introduce initiatives such as Hampshire Fare, while still maintaining a manageable number of direct suppliers. This commitment was a crucial factor in winning the Managed Pub Company of the Year title and we will continue to develop our relationships with these local suppliers.

We have completed 18 major projects during the year (2007: 21) and spent record levels on general maintenance and repair to keep our estate in excellent condition.

We acquired two houses for the managed estate – the Pilgrim's Inn at Marchwood and the Ivy House at Chalfont St Giles – and transferred six pubs to Tenanted Inns.

Our retail marketing team continued to find ways to encourage new customers through the door with initiatives such as Action Week last October. In this example, every pub in our managed estate was tasked with putting on at least one event during this usually quiet seven days and the results were outstanding. It motivated the managers and their teams, created excitement around the pub, rewarded our existing customers with something different and attracted new business. We will be repeating this in 2008.

Tenanted Inns

Our tenanted business has had a good year with revenues up by 5% and average revenue per pub rising by 2.4%. Our like for like sales have risen by 0.3% and profits are up 4%.

There has been significant investment in the estate, with a 6% rise in refurbishment costs, and we believe the quality of our pubs and the character and enthusiasm of our licensees were major factors in winning the Tenanted Pub Company of the Year award.

We have also worked hard to help our lessees combat the smoking ban, particularly in those houses that did not previously serve food. We have helped these pubs to invest in low skill food solutions and the results have been very rewarding.

The Fuller's Beer Company

The Fuller's Beer Company has had a good year with a 1% increase in pre exceptional operating profits to £8.0 million (2007: £7.9 million) and revenue rising by 3% to £60.3 million (2007: £58.4 million).

Our Own Beer volumes rose strongly by 4%, helped by growth of 7% in the off trade and 21% in exports where we continue to break into new markets such as Russia, Japan and China. Our foreign beer volumes, however, have fallen as a result of the weather and the smoking ban and are down by 4% against an on-trade lager market down 7%.

BEER BARRELS - 000's

2008	326.0
2007	323.2
2006	284.6
2005	275.1
2004	268.6



The Head of the River, Oxford



Chairman's Statement

continued



As a leading cask ale brewer, it is pleasing to report that cask ale has grown its share of the draught beer market for the first time in a decade. In addition premium cask ale and premium bottled ale are both in growth.

London Pride continues to lead the premium ale market and has again grown its market share in all sectors. Our sponsorships of the English Golf Union and the London Marathon are now in their second year and are providing a great platform for growing sales and raising brand awareness. We ran television, cinema and poster advertising campaigns during the year and our sponsorship of the World Match Play golf tournament at Wentworth resulted in substantial coverage on terrestrial television.

It has been another good year for our other brands too with, for example, Organic Honey Dew showing excellent growth. In

addition, we continue to pick up awards for our beers with London Porter, Discovery, London Pride and ESB all featuring in the International Beer Challenge 2007 list of the World's 50 Best Beers.



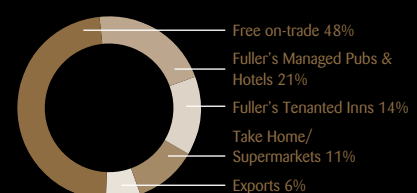
We are currently marketing for sale the former Gales Brewery site in Horndean. At the end of the year we purchased the freehold of a smaller replacement site close by, at Dell Piece East, where we are about to start building a bespoke warehouse and distribution centre. We aim to be fully operational by spring 2009 and the cost should be more than covered by the proceeds from the Horndean Brewery sale.

Finally, the Wine Division had another good year with profits up by 9%. Particularly pleasing was the growth of our agency wine business, which now contributes around a third of our total wine sales and is well placed to make further progress in the coming year.

FREE TRADE SECTOR BARRELS



TOTAL BEER BARRELS





The Fox & Goose, Enfield, London W5





Chairman's Statement

continued

People

During the year, we welcomed James Douglas onto the Board and he was appointed Finance Director on 1 January 2008. Paul Clarke retired as a Director on 30 April 2008 and I would like to take this opportunity to thank him for his support and guidance during his very successful 17 years as Finance Director. I further thank all of our employees for their dedication and hard work over the last year. They

are an outstanding team and it is their efforts that make us stand out from the crowd.

Current Trading And Prospects

We have had a solid start to the new financial year with invested like for like sales in our Managed Pubs and Hotels growing by 2.4% for the nine weeks to 31 May 2008.

The current inflationary pressures in the UK, particularly on grain, food and energy, are both pushing

up our costs and squeezing our customers' disposable incomes. Despite these inflationary pressures, we intend to hold our gross margins across both our retail and brewing operations.

In 2007/8 our gas and electricity costs alone increased by £0.6m. We have fixed prices for around half of our energy consumption but, at current market prices, we would see this cost to the business rise again





by at least a further £1.2 million in the coming 12 months.

We enter the coming year with a pub estate in excellent condition and the best possible beer brands on the bar. We will, nevertheless, continue to invest in our pubs and brewery and plan to spend approximately £16 million in capital investment projects (excluding any pub acquisitions) during this new financial year.

Our consistent focus on quality, and commitment to outstanding cask conditioned ales, delicious food, great wines and exemplary service, continues to provide the best foundations for a stable business.

We operate in the premium end of the market and believe this is the only place to be.

We have a long-term strategy, strong balance sheet, excellent cash flow generation and an experienced

management team and are well placed to meet the challenges ahead.

Michael Turner
Chairman





The Board of Directors

as at 16 June 2008



From left to right:
 Michael Turner
 Tim Turner
 John Roberts
 Simon Emeny
 James Douglas
 Marie Gracie
 Anthony Fuller
 Ronald Spinney
 James Espey
 Nick MacAndrew
 Nigel Atkinson



Executive Directors

Michael Turner[†] Chairman.

Aged 57. 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. Currently Chairman of the British Beer and Pub Association. Chairman of the Nominations Committee.

Tim Turner

Commercial Director.
 Aged 58. Joined in 1977. A solicitor who has overall responsibility for property and acquisitions, legal matters and external affairs. Master of The Worshipful Company of Brewers 2006–2007.

John Roberts

Managing Director, the Fuller's Beer Company.
 Aged 50. Appointed in 1996 having previously held a number of strategic marketing and sales positions with Britvic, United Biscuits, Courage and Scottish & Newcastle. A graduate in Business Studies and Marketing.

Simon Emeny

Managing Director, Fuller's Inns.
 Aged 42. 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.

James Douglas

Finance Director.
 Aged 42. 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.

Company Secretary

Marie Gracie

Aged 42. Appointed in 1998 after an offshore appointment. Formerly Company Secretary of Argos PLC. Company Secretary of Employment Opportunities for the Disabled. A Chartered Secretary and arts graduate.

President and Non Executive Director

Anthony Fuller

Aged 68. Joined in 1963. Chairman 1982 – 2007. Became Non Executive in 2002. Chairman of the Brewers' Society 1986 – 1989. Master of the Worshipful Company of Brewers 1986 – 1987. Awarded a CBE in 1990. Vice Chairman of the Brewers of Europe 2005 – 2007. Formerly Chairman of the Independent Family Brewers of Britain.

Independent Non Executive Directors

Ronald Spinney^{***}

Aged 67. Appointed in April 2000. Senior Independent Non Executive Director and Chairman of the Remuneration Committee. Formerly Chairman of Hammerson plc. A Non Executive Director of Rockspring Property Holdings Limited and J P Morgan Cazenove Holdings. Chairman of Hanover Property Unit Trust Investment Advisory Committee. A Chartered Surveyor. Awarded a CBE in 2005.

James Espey^{***}

Aged 65. Appointed in May 1998 having previously held senior positions in the Grand Metropolitan and Guinness groups and most recently as Chairman of Seagram Distillers PLC. Non Executive Director of A G Barr plc and Whyte and Mackay Ltd. A graduate and PhD in marketing and strategic planning.

Nick MacAndrew^{**}

Aged 61. Appointed in September 2001. Chairman of the Audit Committee. Director of Wates Group Limited, Jardine Lloyd Thompson Group plc, F & C Asset Management plc and formerly Chief Financial Officer of Schroders plc. Recently retired as Chairman of Save the Children Fund. A Chartered Accountant.

Non Executive Director

Nigel Atkinson^{**}

Aged 54. Appointed in April 2006. Formerly Managing Director of George Gale & Co. Ltd, Non Executive Chairman of The Ocean Radio Group and Non Executive Chairman of Premier Pubs Estates Ltd. Currently Non Executive Director of Yellowfin Limited and GCap Charities Ltd. Vice Lord-Lieutenant of Hampshire and Chairman of the Council of the Order of St John for Hampshire.

* Member of the Remuneration Committee.

Member of the Audit Committee.

† Member of the Nominations Committee.



Five Years' Progress

	2004 UK GAAP £m	2005 IFRS £m	2006 IFRS £m	2007 IFRS £m	2008 IFRS £m
Profit and loss					
Revenues ¹	140.3	129.5	145.1	178.2	181.1
Pre-exceptional operating profit	18.8	19.7	22.4	29.8	29.4
Interest payable (net)	(1.9)	(2.3)	(4.5)	(7.7)	(6.4)
Adjusted profit	16.9	17.4	17.9	22.1	23.0
Exceptional profit/(loss)	2.3	0.2	(2.6)	20.1	0.8
Pre-tax profit	19.2	17.6	15.3	42.2	23.8
Taxation	(5.4)	(5.8)	(4.9)	(13.1)	(4.7)
Preference dividends ²	(0.1)	(0.1)	–	–	–
Profit attributable to equity shareholders	13.7	11.7	10.4	29.1	19.1
EBITDA	27.7	28.2	32.1	40.7	40.5
Assets employed					
Non-current assets	196.5	208.6	357.4	345.9	350.6
Inventories	4.3	4.4	5.4	5.4	5.8
Trade and other receivables	11.5	13.7	14.7	15.0	15.7
Assets classified as held for sale	–	–	–	6.5	1.8
Cash and short term deposits	10.0	4.6	1.4	8.9	3.9
	222.3	231.3	378.9	381.7	377.8
Current borrowings	–	–	(2.8)	(7.8)	(8.1)
Other current liabilities	(30.8)	(25.8)	(36.1)	(36.6)	(34.3)
	191.5	205.5	340.0	337.3	335.4
Non-current borrowings	(27.0)	(27.0)	(128.6)	(97.6)	(91.3)
Other non-current liabilities	(4.7)	(26.2)	(55.7)	(57.0)	(46.4)
Net assets	159.8	152.3	155.7	182.7	197.7
	2004	2005	2006	2007	2008
Per 40p 'A' ordinary share					
Adjusted earnings	19.94p	20.67p	21.87p	27.58p	29.15p
Basic earnings	24.25p	20.96p	18.56p	52.14p	34.33p
Dividends (interim and proposed final)	6.92p	7.38p	7.90p	9.09p	9.70p
Net assets	£2.81	£2.72	£2.79	£3.32	£3.55
Net debt	(17.0)	(22.4)	(130.0)	(96.5)	(95.5)
Net debt/EBITDA	0.6	0.8	4.0	2.4	2.4
Gross capital expenditure (£ million)	18.3	17.5	21.6	21.7	18.0
Average number of employees	2,105	2,092	2,478	3,097	3,067

¹ From 28 March 2004 onwards, revenues exclude Excise Duty on wholesale sales.

² From 3 April 2005 onwards, preference dividends have been included within net finance costs.

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



Shareholders' Information

2008 Diary

27 June

Record Date

1 July

Preference dividends paid

23 July

Annual General Meeting

Hock Cellar, Griffin Brewery

25 July

Final dividend paid

21 November

Half year results announcement

2009 Diary

January

Preference dividends paid

Interim dividend paid

June

Preliminary results announcement

Shareholder Privileges

Shareholders owning more than 250 'A' or 'C' shares or 2,500 'B' shares can buy beer, wine and spirits from the Brewery Store in Chiswick at preferential prices. For details contact Christine Hooper on 020 8996 2091. Shareholders are also offered a discount card entitling them to certain discounts in Fullers hotels.

Redesignation of 'C' Shares

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

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 2115.

ESB.

THE CHAMPION ALE.



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