FULLER SMITH & TURNER P.L.C.
Report and Accounts 2009

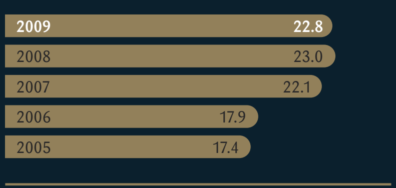
Contents

WHATEVER YOU DO,
TAKE PRIDE.

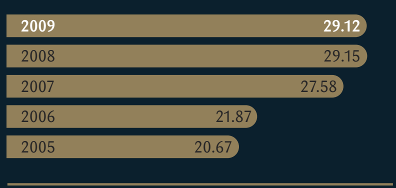
Corporate Progress

- Strong performance in tough market conditions with adjusted profits down 1%.
- Managed Pubs and Hotels like for like sales up 3.0%.
- Own Beer volumes level.
- Beer Company profits up 4%.
- Acquisition of five high quality pubs completed;
  post year end acquisition of a further seven iconic pubs.

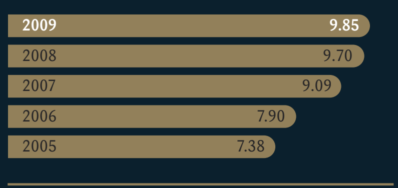
ADJUSTED PROFIT[2] £ million



ADJUSTED EARNINGS PER SHARE[4] Pence



TOTAL DIVIDEND PER SHARE[5] Pence



Financial Highlights

	52 weeks ended 28 March 2009 £m	Restated[1] 52 weeks ended 29 March 2008 £m	Change 2009/2008
Revenue[1]	210.0	203.1	+3%
Adjusted profit[2]	22.8	23.0	-1%
Profit before tax	14.4	23.8	-39%
EBITDA[3]	40.2	40.5	-1%
Adjusted earnings per share[4]	29.12p	29.15p	Level
Basic earnings per share[5]	16.00p	34.33p	-53%
Dividend per share[5]	9.85p	9.70p	+2%
Net debt[6]	94.2	95.5	
Net debt/EBITDA	2.3 times	2.4 times	

[1] Revenue for the 52 weeks ended 29 March 2008 has been restated to include all excise duty as a result of the change in revenue accounting policy for the 52 weeks ended 28 March 2009 (note 1).
[2] Adjusted profit is the profit before tax excluding exceptional items.
[3] Pre-exceptional earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation.
[4] Calculated using adjusted profits after tax and the same weighted average number of shares as for the basic earnings per share and using a 40p ordinary share.
[5] Calculated on a 40p ordinary share.
[6] Net debt comprises cash and short term deposits, bank loans, loan notes, debenture stock and preference shares.

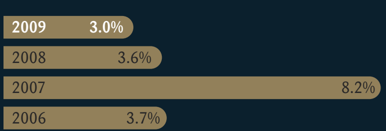
Chairman's Statement

Michael Turner

I am pleased to report a strong set of results in what has been a very difficult year given tough market conditions. Our adjusted profit before tax (excluding exceptional items) has fallen by 1% to £22.8 million (2008: £23.0 million) and our revenues have risen by 3% to £210.0 million (2008 (restated): £203.1 million).

Our adjusted earnings per share remained level at 29.12p (2008: 29.15p) and we have achieved a 3.0% increase in like for like sales in our Managed Pubs and Hotels, yet again an industry leading performance.

MANAGED PUBS AND HOTELS
LIKE FOR LIKE SALES GROWTH %



Whatever You Do, Take Pride

We believe these results are testament to our strategy which remains fundamentally unchanged despite the economic turmoil. We have a long term focus, and a culture of style not fashion. We have a passion for quality and all our brands have a premium position. We have not borrowed excessively and have a largely freehold estate. We will continue to expand our business and invest, as appropriate, throughout the economic cycle.

We are pleased to report sector leading like for like results for both our Managed and Tenanted businesses. Our Managed Pubs and Hotels like for like sales increased by 3.0% whilst Tenanted Pub like for like profits declined by 2%. Overall, Fuller's Inns' revenues increased by 3% to £150.0 million (2008 (restated): £146.3 million) whilst operating profits before exceptional items declined by 5% to £22.8 million (2008: £23.9 million), largely resulting from increased energy costs.

The Fuller's Beer Company has also performed well, with operating profits before exceptional items up by 4% to £8.3 million (2008: £8.0 million) on revenues that have increased by 5% to £91.8 million (2008 (restated): £87.7 million).

Our Own Beer sales were particularly pleasing, with volumes level and increased market share in the UK. London Pride continues to lead the premium ale market and is the cask ale of choice in the On Trade.

Despite extensive representations from both our industry and our customers, the Chancellor chose to raise beer duty by no less than 18% during 2008. The duty effect on a pint of London Pride is now 44p, or 54p for a pint of premium lager. It is little wonder that beer volumes are under pressure nationally as a result.

DIVIDEND

We continue to deliver excellent returns for our shareholders and the Board recommends an increase in the final dividend to 7.00p (2008: 6.90p) per 40p 'A' and 'C' ordinary share and 0.70p (2008: 0.69p) per 4p 'B' ordinary share. This will be paid on 24 July 2009 to shareholders on the share register as at 26 June 2009. The total dividend will be three times covered by adjusted earnings per share.

AERIAL VIEW OF FULLER'S GRIFFIN BREWERY

THE FIVE BELLS, LEIGHTON BUZZARD

THE BRIDGE TAVERN, OLD PORTSMOUTH

THE PILGRIM INN, MARCHWOOD, SOUTHAMPTON

THE RED LION, EALING, LONDON W5

Chairman's Statement continued

FULLER'S INNS

Fuller's Inns has benefited from a consistent strategy focused on quality, and we have continued to invest in our pubs to deliver an excellent experience. Our trading performance has been built on our four pillars of outstanding cask conditioned ales, delicious food, great wines and exemplary service. Overall, Fuller's Inns' revenues increased by 3% to £150.0 million (2008 (restated): £146.3 million) whilst operating profits before exceptional items declined by 5% to £22.8 million (2008: £23.9 million).

We have acquired four new Managed Pubs during the year, and purchased one Tenanted Pub. We also ceased to run five managed houses, which we had operated under a management agreement with another company, and disposed of one Tenanted Pub. The estate stood at 359 on 28 March 2009, one lower than at the start of the year. Of this number, 203 were tenanted or leased pubs and 156 were managed pubs or hotels.

Managed Pubs and Hotels

Revenues across our Managed Pubs and Hotels business have increased by 3%. Like for like sales also rose by 3.0%. Operating profits before exceptional items declined by 8% after significant increases in the cost of food, wines and a £1.0 million energy cost increase.

In these uncertain times we have not compromised on the way we operate. Quality is the vital ingredient in everything we do and we have continued investing to ensure our customers find our pubs in first class condition.

Food and accommodation remain important growth drivers for our business. Food sales have risen by 2% and represent 27% of revenue (2008: 27%), excluding the 12 pubs where food is provided by Thai franchisees.

We believe that our focus on locally sourced ingredients, used to create freshly cooked meals, has been a key factor in increasing food sales across the estate. Our customers welcome this commitment to quality. We have continued to invest in electronic ordering which has generated purchasing efficiencies and continues to reduce our cost base.

Accommodation revenue grew by 3% representing 7% of total revenue in the year (2008: 7%). Accommodation remains a major focus with 14 bedrooms added to The Pilgrim Inn, Marchwood, a pub that we purchased in 2007, and we have upgraded a further 36 bedrooms across the estate to our boutique standard. The quality of finish in the rooms we are developing is very high, which enables us to support a premium price. We now have 491 bedrooms across all the properties in the managed estate.

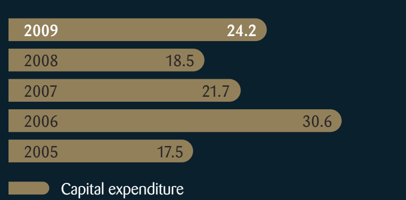
We have completed 13 major capital projects during the year (2008: 18), including works at The Bull Inn, Sonning, and The Red Lion, Chalton, two prominent pubs in their areas. We are delighted to have added 11 freehold managed pubs to our estate since October 2008, 10 of which are in London, including the acquisition of seven iconic pubs since the year end. These purchases represent rare opportunities to obtain exceptional quality assets that fit extremely well into our existing portfolio.

The four freehold houses purchased for the managed estate during the year are The Bear and Swan, a free house at Chew Magna, Somerset; and three excellent pubs in the Greater London area - The Anglers at Teddington, The Flask at Highgate and The Red Lion, Mayfair.

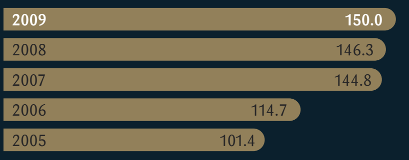
Tenanted Inns

We believe our tenanted business has performed exceptionally well in what has clearly been a difficult environment for the industry and our tenants. Revenues and operating profits before exceptional

GROUP INVESTMENT £ million

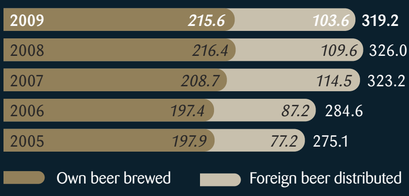


FULLER'S INNS REVENUE £ million



2005 to 2008 revenue is restated to include all exexcise duty.

FULLER'S BEER BARRELS '000s



items were level, with like for like profits 2% lower.

Our on-going commitment to supporting tenants is particularly vital at this time. We are able and prepared to invest our capital to help tenants achieve their objectives. The right capital project enables us to increase our rental income whilst the tenant benefits from increased trade.

We do not believe that offering blanket rent concessions is the best way to support our tenants. Instead we have sought to ensure that rents are at the right levels and, where we believe they are not, they have been adjusted. The provision of rent concessions will not turn a failing business into a successful one, but where rents are index-linked and with inflation now negative we are passing on reductions to our tenants.

Cask ale is especially important to our business. We encourage our

GERRY O'BRIEN, MANAGER OF FULLER'S PUB OF THE YEAR, THE CHURCHILL ARMS IN KENSINGTON

OZ CLARKE *(LEFT)* OPENS THE REFURBISHED FULLER'S BREWERY SHOP

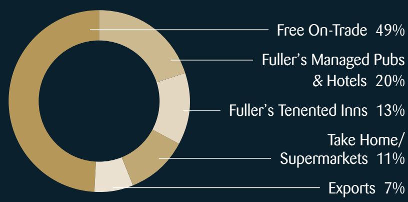
THE RED LION, MAYFAIR, LONDON SW1Y

Tenants to become a Fuller's Master Cellarman, our highest internal quality accolade. Recognition as a Master Cellarman is only achieved after 12 months of regular rigorous audits have been successfully completed with very high scores.

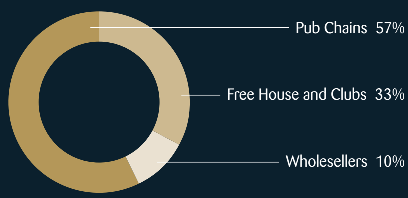
We believe that the quality of the food offering in our tenanted pubs has improved further during the year. This has been an area of focus for us over recent years and our efforts in providing support and training in food, as well as marketing and finance, have been rewarded. In the last year more tenants than ever before have completed the training courses that we provide.

We acquired the freehold of The Lewes Arms, Lewes in August 2008 which has already proved to be an excellent addition to our estate. We disposed of The Oak Tree, Hillingdon, which no longer matched our criteria.

TOTAL BEER BARRELS



FREE TRADE SECTOR BARRELS




THE FLASK, HIGHGATE, LONDON N6

THE ANGLERS, TEDDINGTON

THE FULLER'S BEER COMPANY

The Fuller's Beer Company has had a good year with a 4% increase in operating profits before exceptional items to £8.3 million (2008: £8.0 million) and revenue growth of 5% to £91.8 million (2008: £87.7 million).

Our total Own Beer volumes remained level. Our export business grew by 11% where we continue to make excellent progress developing our existing markets as well as expanding into Australasia and the Far East for the first time. We gained share in the UK ale market where our volumes declined by only 2% in a market that shrank 8%. In the Off Trade, our volumes have fallen by 3% in line with the market.

As a leading cask ale brewer, it is pleasing to report that cask ale continues to grow its share of the draught beer market. In addition, both the premium cask ale and premium bottled ale markets were in overall growth in our final quarter.

London Pride still leads the premium ale market and has yet again grown its market share. Our sponsorships of the English Golf Union and the London Marathon are now well established and provide an excellent platform for growing sales and raising brand awareness. The recession has seen media prices fall and we are now able to secure high profile media space at increasingly competitive prices. We ran cinema and poster advertising campaigns during the year and invested in perimeter advertising for the England cricket team tour of the West Indies and for overseas England football internationals.

It has been another good year for our other brands too. Organic Honey Dew continued to show excellent growth, cementing its place as the UK's best selling organic ale and we also launched our first Brewer's Reserve. This magnificent beer was matured in oak whisky casks for more than 500 days before being released to critical acclaim last October. Our limited stocks were quickly exhausted and Brewer's Reserve Number 2, another complex beer, is currently maturing at the Brewery and is due to be released later this year.

We finished the year making preparations for National Cask Ale Week at the beginning of April. We chose this initiative to launch Seafarers Ale, a light fruity cask ale, as a permanent fixture in our range. This is a Gales recipe and has been a popular seasonal ale for the last two years. For every pint sold we make a donation to Seafarers UK, the leading maritime charity.

During the year, the major capital investment in the Brewery was the upgrade of our bottling line. This will give us greater operational flexibility and increase potential


LONDON PRIDE
LONDON PRIDE

output. We also opened The Centre of Excellence, our cellar training facility in which we expect to train 1,700 staff, tenants and Free Trade customers each year. Work on our new bespoke warehouse and distribution centre near Horndean was delayed due to various planning issues. Construction is now in progress and we aim to be fully operational by the end of 2009.

PEOPLE

Sadly, Ron Spinney, our Senior Independent Non Executive Director and Chairman of the Remuneration Committee, died in July 2008 after a long and brave battle against cancer. The Company benefited enormously from eight years of Ron's wise counsel and he is sorely missed by everyone at Fuller's. Nick MacAndrew took over as our Senior Independent Non Executive Director.

James Espey had been due to stand down at the end of the Annual General Meeting last July but agreed to remain on the Board until a new appointment had been made and he took over as Chairman of the Remuneration Committee. James retired from the Board in March 2009 having been a Director for more than 10 years and I should like to thank him for his insightful and very valuable contribution to the Company over this time.

John Dunsmore, Chief Executive of C&C Group plc joined the Board in January 2009 and brings enormous experience to Fuller's, in particular, from Scottish & Newcastle plc, where he was previously Chief Executive. John has been appointed

Chairman of the Remuneration Committee.

In a difficult year for our industry it is the continued hard work of our staff which has enabled Fuller's to deliver this set of strong results. I thank them all for their hard work and dedication.

CURRENT TRADING AND PROSPECTS

We have made a solid start to the new financial year with like for like sales in our Managed Pubs and Hotels growing by 1.8% for the nine weeks to 30 May 2009.

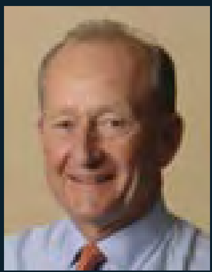
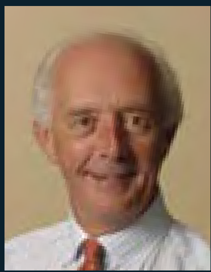
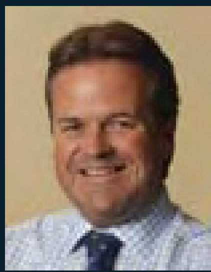
The pubs that we have acquired in the last four months are all integrated and performing well. We have a strong balance sheet and highly cash generative assets. In addition to the £25.3 million spent on the seven pubs acquired since the year end we plan to invest a further £13.7 million (2009: £14.0 million) of capital expenditure within our existing business during the forthcoming year.

We remain very cautious about the outlook for the UK economy. With interest rates at an all time low and unemployment rising, we now have the prospect of rising VAT, rising interest rates, and significant tax increases in order to service the nation's debt mountain. However, we are well placed to meet the challenges ahead with strong brands, well-controlled costs and delightful, well-invested, smoke-free pubs that serve outstanding cask ale and delicious food.

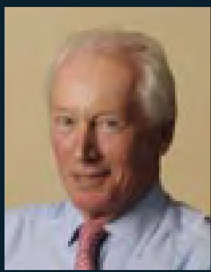
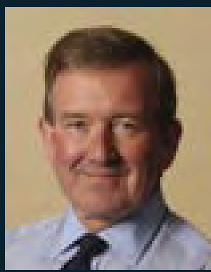
Michael Turner
Chairman

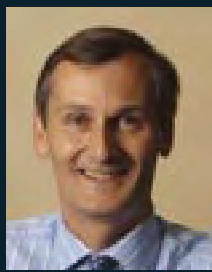
5 June 2009

The Board of Directors as at 5 June 2009

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




Executive Directors

Michael Turner †
Chairman.
Aged 58. 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 & Pub Association. Chairman of the Nominations Committee.

Tim Turner
Commercial Director.
Aged 59. 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 51. 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 43. 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 43. 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.

President and Non Executive Director

Anthony Fuller
Aged 69. 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

Nick MacAndrew *#†
Aged 62. Appointed in September 2001. Senior Non Executive Director and Chairman of the Audit Committee. Director of Wates Group Limited and Jardine Lloyd Thompson Group plc, and Chairman of F & C Asset Management plc. Formerly Chief Financial Officer of Schroders plc and recently retired as Chairman of Save the Children Fund. A Chartered Accountant.

John Dunsmore *#†
Age 50. Appointed in January 2009. Chairman of the Remuneration Committee. Chief Executive of C&C Group plc and former Chief Executive of Scottish & Newcastle plc prior to its takeover by Heineken and Carlsberg in 2008.

Non Executive Director

Nigel Atkinson *#
Aged 55. 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 and Chairman of the Council of the Order of St John for Hampshire.

Company Secretary

Marie Gracie
Aged 43. 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.

* Member of the Remuneration Committee.
\# Member of the Audit Committee.
† Member of the Nominations Committee.

Financial Review

Financial Performance

The Chairman's statement on pages 2 to 11 covers a comprehensive review of the headline financial results for the year just ended.

Business Review

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

	2009	2008
Net debt / EBITDA	**2.3 times**	2.4 times
Adjusted profits	**£22.8 million**	£23.0 million
Adjusted earnings per share increase	**Level**	+6%
Invested Managed Pubs and Hotels Like for like sales growth	**+3.0%**	+3.6%
Food sales as a % of Managed Pubs and Hotels revenue	**27%**	27%
Accommodation sales as a % of Managed Pubs and Hotels revenue	**7%**	7%
Tenanted Like for like profits	**-2%**	-2%
Average revenue per Tenanted Pub growth	**Level**	+2.4%
Own Beer barrels sold	**Level**	+4%
Foreign Beer barrels sold	**-5%**	-4%

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.

The non-financial metrics monitored by Senior Management are in line with previous years and are:

Mystery shopper programme; "traffic light" rating of pub stock and business audits; cellar inspections; level of customer complaints; number of tenancies at will; and number of tenants on cash with order.

The Impact of a Weak Economy

Whilst in the context of our industry and the recession we are pleased with our trading performance, the profitability of the business has been substantially reduced by rising costs. In particular, energy costs impact each of our brewing, distribution and retailing operations. At the end of the year these costs were easing but still remain higher than the levels that the business has been used to in the past. We have taken action to monitor and thus reduce energy usage throughout the business. The year was also notable for the 18% increase in alcohol excise duties which we incurred.

Capital Spending, Disposals and Asset Impairment

For the first financial year in three years our capital spending of £10.2 million acquiring new pubs exceeded our disposal proceeds which were £0.4 million. Clearly property prices have reduced recently and we are fortunate to have been a net seller of property over the past three years. A comprehensive impairment review has identified assets that are held in the balance sheet at a value higher than their value in use or disposal value and we have recorded an impairment charge of £6.9 million in respect of our property assets and a £0.4 million goodwill impairment charge. To put into context our exposure to transactions in the property market, over the past three financial years since April 2006 we have raised £46.3 million on property disposals and reinvested £26.1 million in property acquisitions, including more than £8.0 million spent in the final quarter of the financial year. Our net debt has reduced by £35.8 million from £130.0 million to £94.2 million over the same period.

Since the financial year end we have spent £25.3 million in respect of the acquisition of seven high quality Central London pubs from Punch Taverns PLC, funded from existing facilities.

Financial Review continued

Exceptional Costs

Total exceptional costs before tax were £8.4 million including asset impairment charges of £6.9 million, goodwill impairment of £0.4 million and onerous lease provisions of £0.8 million in relation to a small number of properties. In addition we have charged £0.3 million in relation to reorganisation costs. Last 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 £14.4 million (2008: £23.8 million) and our basic earnings per share were 16.00p (2008: 34.33p).

Change in Accounting Policy For Revenue

We have changed our accounting policy for revenue so that we now include all excise duty on sales. Previously we had excluded from revenues and operating costs the alcohol excise duty where we were responsible for accounting for it, treating it equivalently to VAT. Alcohol excise duty is however different to VAT as it is essentially a tax on production rather than on sale. Unlike with VAT we have no right to reclaim duty when a customer defaults on payment and so it can be a real cost to the business. Where we buy in wine or other foreign beers that we do not manufacture ourselves we buy the products either duty paid or duty unpaid. Only eliminating excise duty where we have been responsible for accounting for it to Customs distorts our reported margins. The impact of the change has been to increase prior year revenue and operating costs by £22.0 million. There is no impact on profits.

Finance Costs

The net finance costs during the year decreased from £6.4 million to £6.2 million. This improvement is largely driven by the lower interest rates experienced during the second half of the year which have coincided with the planned reduction in fixed rate hedges that occurred during the period. This improvement is offset by the net interest cost of our net pension liabilities which was £0.3 million compared to finance income of £0.2 million last year. The unwind of our discounted lease provisions further increased finance costs by £0.2 million compared to the prior year. Our absolute levels of debt have on average been lower with the substantial capital spending happening in the final quarter of the year. The net finance costs in the income statement were covered 4.7 times by operating profit before exceptional items, compared with 4.6 in the previous year.

Tax

A full analysis of the tax charge for the year is set out in note 8 to the accounts. Tax has been provided for at an effective rate of 28.9% (2008: 29.5%) on adjusted profits. The overall tax expense for the year has been further increased by £1.2 million as a result of the phased withdrawal of industrial buildings allowances. Last year the overall tax expense for the year was reduced as the result of a £2.4 million non-recurring deferred tax credit relating to the change in Corporation Tax rates from 30% to 28%.

Shareholders' Return

Adjusted earnings per share were level at 29.12p. The proposed final dividend of 7.00p per share, together with the interim dividend of 2.85p per share already paid, compares with 9.70p in the previous year. The total dividend per share will be covered 3.0 times by adjusted earnings per share, compared with 3.0 times in the previous year. Shareholders' equity at the year end was £197.0 million. The Company spent £2.2 million repurchasing its own shares during the year at an average price per ordinary 40p 'A' share of 408p. These transactions represented a share buyback of 0.78% of the maximum issued ordinary share capital. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 388p. The highest price during the year was 585p, while the lowest was 304p. The Company's market capitalisation at 28 March 2009 was £223.8 million.

Cash Flow

Cash generated from operating activities was £38.0 million (2008: £26.6 million), the £11.5 million increase driven to a large extent by the £8.0 million additional pension contribution made in the prior year not being repeated. There was a net cash outflow from investing activities of £23.5 million (2008: an outflow of £10.1 million) as a result of the purchase of five pubs in the year. There was a net cash outflow of £17.5 million in respect of financing activities, the key items being the repayment of £6.8 million of bank loans and loan notes, equity dividends paid of £5.4 million, interest and preference dividend payments of £6.1 million, the repurchase of £2.2 million of own shares, all offset by the receipt of £0.5 million on the sale of own shares to share option schemes and the draw down of £2.5 million of new bank loans. Cash balances reduced from £3.9 million to £0.9 million while net debt improved from £95.5 million to £94.2 million.

Financial Review continued

Financial Position

The Group monitors its overall level of financial gearing weekly, with our short- and medium-term forecasts showing underlying levels of gearing, which remain within our targets. The sources of the Group's finance are unsecured bank loans, debentures, non-cumulative preference shares, loan notes and overdrafts, as disclosed in notes 19, 22, 23, 25 and 28. The Group is able to operate with negative working capital – current liabilities were £23.7 million greater than current assets at the year end (2008: £17.0 million greater). 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.

EBITDA declined marginally to £40.2 million (2008: £40.5 million) whilst the Group's net debt has reduced to £94.2 million (2008: £95.5 million). The accounting deficit for defined benefit pensions was £8.4 million at the year end (2008: £5.4 million).

Net debt to EBITDA improved to 2.3 times (2008: 2.4 times) while net finance costs reduced from £6.4 million to £6.2 million and, therefore, our interest cover has improved further to 4.7 times (2008: 4.6 times). Since the year end, we have acquired seven pubs at a cost of £25.3 million which increases our proforma net debt to EBITDA ratio to 2.8 times. This remains a low level of borrowing and the purchases further enhance the strong cash generation of the business.

Our main banking facilities are due for repayment in November 2010 and until then, or earlier if we choose to refinance before this date, we will continue to benefit from the excellent terms agreed for these facilities in 2005. The proportion of borrowings which are at variable rates has increased during the year which has helped reduce our net finance costs.

This is a level of debt which allows the Group significant strategic and operational flexibility. At the balance sheet date, the Group had £27.5 million of unutilised committed banking facilities and £10.0 million unutilised uncommitted banking facilities. Since the year end these facilities have been partially used to finance the acquisition of pubs from Punch Taverns.

The Group's overall facilities at the balance sheet date were as follows:

- Amortising unsecured banking facility £92.7 million, maturing November 2010, three participating lenders. £7.5 million repayable within the next 12 months. £27.5 million was undrawn at the balance sheet date.
- Loan notes £1.3 million, repayable on demand every six months, maturing in November 2010.
- Debentures £27.0 million, maturing 2010-2028.
- Non-cumulative preference shares £1.6 million, no set maturity date.
- Total facilities £132.6 million (including overdraft).

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.

Interest Rate Risk

In addition to its main banking facilities the Group is financed by a total of £28.6 million of long term fixed rate debentures and preference shares. £27.4 million of these borrowings are not repayable for at least 10 years. £1.2 million is repayable in October 2010. Further to these arrangements, the Group has entered into interest rate swaps and caps in order to hedge the borrowing rate risks of a proportion of its borrowings under the amortising unsecured banking facilities. At the balance sheet date 70% of the Group's borrowings were hedged or at fixed rates ranging between 4.85% (excluding bank margin) and 11.5%.

In order to benefit from the differential between the cost of borrowing for one month and three months which appeared during the year the Group entered into interest rate swaps where it has paid interest at three months LIBOR and received interest at one month LIBOR plus a margin. The Group has borrowed at one month LIBOR rates.

Surplus cash balances are pooled into an interest bearing account or placed on short-term deposit for periods of between one night and three months.

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 17 and 18. 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, in particular from utilities, the risk of assigned leases reverting to the Group and changes in consumer trends. The third type of risk that our business is exposed to are operational risk such as damage to our property, brands or reputation and our reliance on information systems to operate efficiently on a daily basis.

James Douglas
Finance Director

5 June 2009

Risks and Uncertainties

In the course of its normal business, the Company continually assesses and takes action to mitigate the various risks encountered that could impact the achievement of its objectives. As detailed in the Corporate Governance Report, there are various systems and processes in place to enable the Board to monitor and control the Company'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 Company 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 Company are detailed in note 28c to the financial statements.

Regulatory Risks

Regulation of the Sale of Alcohol

We operate within a heavily regulated industry and there is always the risk that Government may change the regulations in a manner that may adversely affect us. During 2008 the Government raised alcohol duties by 18%, and in April 2009 there was a further 2% increase. The Chancellor has announced the intention to continue to increase duties further at a rate of 2% above the rate of inflation for the next three years. There is a risk that such increases may depress sales or reduce margins in our industry.

Beer Tie

The Business and Enterprise Committee of the House of Commons has recommended that the Competition Commission investigates the Beer Tie whereby under tenancy or lease agreements tenants are required to also purchase drinks from their landlord. There is uncertainty as to whether any referral will take place and if it does what will be the impact on our business, if any. We believe that under the current model rent for a tied tenant is lower than a free of tie tenant and any change to legislation would result in higher rents than currently achieved.

Health and Safety

Of particular importance in operating a working brewery is the health and safety of the Company's employees. In addition, the health and safety of employees and customers in our pubs is also of key concern to the business. A Health and Safety Committee is in place in order to oversee the operation of the Company's numerous health and safety policies and procedures, and to regularly update its training programme to ensure that all risks are identified and properly assessed and that relevant regulation is adhered to. The executive board members monitor performance through the receipt of monthly accident statistics reports.

Pensions

The Company operates several pension schemes including a defined benefit pension scheme. 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 Company that a change in legislation could impact cash flow by setting a minimum funding level that is above the Company's current contributions or requiring higher contributions by a change to the basis of calculating the scheme deficit. The Company has a programme in place to reduce the deficit and made an additional contribution of £0.5 million in the 52 weeks ended 28 March 2009 and have agreed with the Trustees to make further annual additional contributions of £0.5 million in order to reduce the deficit further. In addition, management closely monitors developments in relation to pension scheme funding.

Economic and Market Conditions

Strength of the Economy

As part of the leisure industry, we remain exposed to the overall strength of the UK economy and its influence on consumer spending. The Company constantly invests in its key brands and ensures it takes advantage of the opportunities presented to encourage customers into its pubs. Rises in unemployment, any increases to interest rates and the increase of VAT to 17.5% on 1 January 2010 are likely to reduce consumer spending.

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 Company in the best possible position for the current marketplace.

Risks and Uncertainties continued

Assigned leases

The Company has in the past assigned a number of property leases to third parties. The Company 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 Company. The Company monitors the credit worthiness of assignees, but ultimately the risk we face is a result of the third parties' performance, itself largely influenced by the economy.

Cost Increases

Utilities and agricultural produce such as hops, malt and barley as well as food produce are significant inputs for the Company and have been subject to considerable price increases in recent years. Further input cost increases could impact the Company'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 alcoholic beverages 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 Company 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.

Operational Risks

Griffin Brewery Site

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

Brands and Reputation

Fuller's has a range of strong brands and has established an excellent reputation in the market. There is therefore an ever present risk to the business from incidents which could materially damage the reputation of one or more of its brands or from a failure to sustain their appeal to its customers. It is impossible to plan for every eventuality, however the Company's risk register is regularly updated and there is a robust system of internal controls, as detailed in the Corporate Governance report. In particular, the Company's beer could become contaminated at source or outlet, which could damage the reputation of the brand and deter customers. The Company reduces this risk to an acceptable level by ensuring that the business is operated to the highest standards with significant investment in security, quality control and cleansing, together with insurance coverage for product contamination. In addition, the Company runs a very successful training programme covering all aspects of the pub operations and provides its pubs with on-site technical support.

Information Technology

The Company 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 28 March 2009.

A) BUSINESS ACTIVITIES AND DEVELOPMENT

The Chairman's Statement on pages 2 to 11 and the Financial Review on pages 13 to 16 include information about the Group's principal activities, the business and financial performance during the year and indications of likely future developments.

Dividends

The Company paid an interim dividend of 2.85 pence on the 40p 'A' and 'C' ordinary shares and 0.285 pence on the 4p 'B' ordinary shares on 5 January 2009 and the Directors now recommend a final dividend of 7.00 pence on the 40p 'A' and 'C' ordinary shares and 0.70 pence on the 4p 'B' ordinary shares. This makes a total of 9.85 pence on the 40p 'A' and 'C' ordinary shares and 0.99 pence on the 4p 'B' ordinary shares for the year.

The total proposed final dividend on ordinary shares will be £3,898,000 which together with the 2009 interim dividend paid of £1,586,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £5,604,000.

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 page 12. Ronald Spinney, who was Senior Non Executive Director, died on 13 July 2008. James Espey was a Non Executive Director of the Company until 18 March 2009. Paul Clarke was an Executive Director of the Company until he retired on 30 April 2008. Michael Turner, Simon Emeny and Nigel Atkinson retire by rotation at the Annual General Meeting and offer themselves for re-election. John Dunsmore was appointed to the Board on 20 January 2009 and offers himself for election. Mr Turner and Mr Emeny have rolling service contracts of 12 months duration. Mr Atkinson and Mr Dunsmore do not have service contracts but have been invited to stay on the Board until April 2012 and January 2012 respectively.

Directors' Interests

Details of Directors' interests in the share capital of the Company, their share options and allocations under the Long Term Incentive Plan ("LTIP") up to 22 May 2009 are given in the Directors' Remuneration Report.

Related Party Transactions

Details of related party transactions involving Directors are given in note 35 to the financial statements.

Indemnity Provisions

The Company's Articles of Association provide the Directors with indemnities in relation to their duties as Directors, including qualifying third party indemnity provisions (within the meaning of the Companies Acts). Directors contracts were reviewed in September 2007 and all of the Executive Directors' contracts now 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 final salary pension scheme. Paul Clarke was a Trustee until his retirement and James Douglas was appointed as a Trustee on 30 April 2008.

C) CORPORATE RESPONSIBILITY

Employees

The Directors continue to attach a high priority to maintaining communications with all employees, thus encouraging a common awareness of the financial and economic factors affecting the Group. 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 Company and representatives of all employees including union members. The Committees include a number of Divisional Directors who report on relevant matters and performance in respect of the parts of the business for which they are responsible. Directors address the workforce on relevant matters such as the half-year and preliminary results. The Company issues the "Griffin" magazine, which is sent to all employees and shareholders and the Managing Directors of both Fuller's Inns and the Fuller's Beer Company publish fortnightly internal newsletters. Qualifying staff may benefit from a Savings Related Share Option Scheme and a Share Incentive Plan ('SIP'), which serve to encourage staff interest in the Group's performance.

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

Development and training of our employees at all levels has always been a priority at Fuller's. During the past year we have committed time to refresher Health & Safety workshops, especially for our brewery based employees. We have reviewed and re-launched our Induction Training and set a new strategy for Fuller's Inns for this coming year.

Political and Charitable Donations

Contributions for charitable purposes amounted to £66,000 (2008: £67,000). No political donations were made.

Fuller's and the Community

Fuller's takes an active role in the communities in which we operate, including the Brewery in Chiswick, our distribution centre in Horndean and the many local areas in which our pubs are situated.

Some of the organisations Fuller's supports include Chiswick House, the Chiswick Pier Trust, the Hospital of St Cross in Winchester and St Mary's Convent & Nursing Home, just 200 yards from the Brewery site. Each year, we provide a supply of our Vintage Ale to the Royal Hospital in Chelsea for the pensioners to enjoy at their Ceremony of the Christmas Cheeses.

In the immediate surroundings of the Brewery we also 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.

In addition to the many good causes our pubs support through raffles, auctions and other fundraising activities, Fuller's directly provides around £100,000 worth of products for use as prizes at numerous charity events. These raise funds for a variety of causes from local schools to major national charities. Our work with Cancer Research UK through the London Pride Walk continues, and has raised over £1 million in the 13 years since it was first held.

The Company has now launched Seafarers as a permanently available cask ale product and donates £3 per barrel to Seafarers UK, a leading maritime charity.

Supplier Payment Policy

The Group informs and agrees with its suppliers in advance its payment practice. The Group pays UK trade suppliers at the month end following the month of invoice. Overseas suppliers (mostly of wine) are paid between two and three months after the month of invoice, depending on delivery times from the country of origin. The average amount of credit taken from suppliers as at the year end for the Group and Company was 40 days (2008: 45 days).

Environment
At Fuller's we recognise and accept our responsibility to care for the environment in which we operate.

We are committed to minimising the impact of our operations on the environment through a programme of continuous improvement managed by a team of senior managers from across the business.

We do this by: -

- Measuring our impact on the environment and setting targets for ongoing improvement.
- Integrating environmental considerations into relevant business decisions in a cost-efficient manner.
- Complying with all relevant environmental legislation.

Energy
A key factor whenever we consider investing in any area of our business is the reduction of energy consumption. We have recently invested in new refrigeration plant in the brewery which will deliver a 42% like for like saving on electricity consumption. We are also investing in loft insulation, low energy lighting and more energy efficient hand-dryers for all of our managed pubs. A major investment in Smart Meter technology will further help to monitor energy use and drive efficiency.

Fuller's have qualified for the maximum 80% reduction on the full rate of the Climate Change Levy since 2001. This has been achieved by meeting and exceeding targets for energy efficiency and carbon emissions during that time. We are already starting to plan for the introduction of the UK government's Carbon Reduction Commitment which will be introduced in 2010.

Water
Water management systems which optimise water consumption have been used in most of our gentlemen's toilets for some time. These systems have now been mandated for installation in the whole of our managed estate by the end of the forthcoming financial year.

Waste
We continually look for ways to increase the amount of waste we recycle at the Brewery. Currently we recycle glass, packaging waste, yeast, grain and waste paper products. We also dispose of all IT and electrical equipment according to the WEEE regulations. Working with our waste management suppliers, we separate waste in all managed houses which can cost-effectively support multiple bins. Our waste cooking oil is also collected and recycled into bio-fuel.

D) KEY PERFORMANCE INDICATORS ("KPIs")
Details of the Group's KPIs can be found in the Financial Review on page 13. In addition a definition of the key terms used is included in the Glossary on the inside back cover.

E) FINANCIAL MANAGEMENT AND TREASURY POLICIES
The Group Treasury and Financial Management policies are discussed in the Financial Review on page 15.

The main risks associated with the Group's financial assets and liabilities are set out in note 28 to the financial statements.

F) RISKS AND UNCERTAINTIES
Details of the principal risks and uncertainties that the Group is exposed to can be found in the Risks and Uncertainties statement on pages 17 and 18.

Directors' Report continued

G) SHARE INTERESTS

At 22 May 2009 the following disclosable interests of shareholders (other than Directors) had been notified to the Company:

Name	% 'A' ordinary shares of 40p each	Name	% 'B' ordinary shares of 4p each	Name	% 'C' ordinary shares of 40p each
Aberdeen Asset Management PLC and its subsidiaries	6.28	Sir J H F, Messrs A F and E F Fuller	16.26	Sir J H F, Messrs A F and E F Fuller	30.57
AEGON Asset Management UK plc and associated entities	5.44	J F Russell-Smith Charitable Trust	7.66	Mr H D Williams	5.96
Legal & General Group Plc and associated entities	3.90	A B Earle Charitable Trust	4.62	Mrs J C Turner	5.06
Dunarden Limited	3.04	Mrs S B Stuart	4.59	Miss S M Turner	3.33
		Dunarden Limited	3.60		
		Mr R D Inverarity	3.52		
		Mr G F Inverarity	3.48		
		Mr R H F Fuller	3.42		
		Mr H D Williams	3.22		

H) SHAREHOLDER MATTERS

Annual General Meeting

Details of this year's Annual General Meeting are included in the circular to shareholders dated 19 June 2009, at the back of which is the Notice of Meeting.

Purchase of Own Shares

At the Annual General Meeting of the Company held on 23 July 2008, the Company was given authority to purchase up to 4,829,463 '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.

During the year the Company purchased a total of 446,600 40p 'A' ordinary shares at a total cost of £1,811,660. The Company's maximum issued ordinary share capital during the year was £22,793,726, which included £13,362,127 40p 'A' ordinary share capital. The 2009 share purchases therefore represented 0.78% of the maximum issued ordinary share capital (1.34% of the Company's issued 'A' ordinary share capital). Taking into account all the buybacks since December 2001, 15.57% of the Company's issued ordinary share capital (26.56% of the Company's issued 'A' ordinary share capital) has now been purchased. The Directors believe that further purchases are in the best interests of shareholders and will increase earnings per share.

In addition to these purchases, the Company Employee Share Ownership Trust purchased a total of 97,000 40p 'A' ordinary shares at a total cost of £408,408.

Own shares purchased have not been cancelled. During the year 213,415 of these 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 £495,460. The remaining 1,210,816 40p 'A' ordinary shares at 22 May 2009 are currently held as treasury shares.

Directors' Report continued

I) TAKEOVERS

In connection with the Takeover Directive Disclosures, we are required to provide certain information. Information on the Company's capital structure and related restrictions is given in note 28 to the financial statements. Details of significant shareholdings are given in Section G) above.

F.S.T. Trustee Limited, holds 1.37% of the issued share capital of 40p 'A' ordinary shares on behalf of employees of the Company who are participants in its SIP. In respect of the shares that have been allocated, F.S.T. Trustee Limited exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

Sanne Trust Company Limited holds 0.55% of the issued share capital of 40p 'A' ordinary shares and 1.54% of the issued share capital of 4p 'B' ordinary shares in trust on behalf of participants in the Company's LTIP within the LTIP Trust and exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

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

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

Subject to the Company's Memorandum and Articles of Association and UK legislation, the business of the Company is managed by the Board which may exercise all the powers of the Company. The Articles of the Company have a section entitled "Powers and Duties of the Board" which set 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 a further section 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 Company has entered into a number of agreements with the major brewers operating in the UK under which we both buy and sell beers and these agreements may be terminated by the other party should the Group undergo a change of control.

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

By Order of the Board

Marie Gracie, FCIS
Company Secretary
5 June 2009

Griffin Brewery
Chiswick Lane South, Chiswick
London W4 2QB

Directors' Statements

Corporate Governance

A full review of Corporate Governance appears on pages 25 to 28.

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

The Directors are required to prepare financial statements for the financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for the financial year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies 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; and
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Company and Group 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 Company and Group taken as a whole, and a description of the risks and uncertainties faced.

The Directors of Fuller, Smith & Turner P.L.C. are listed on page 12.

Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 12. 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.

Going Concern

On the basis of current financial projections and facilities available, as detailed in the Financial Position section of the Financial Review on page 15, the Directors have a reasonable expectation 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 adopt the going concern basis in preparing the financial statements.

On behalf of the Board

James Douglas
Finance Director
5 June 2009

Corporate Governance Report

A) THE BOARD

The Board comprises the Chairman, four other Executive Directors, two independent Non Executive Directors, and two other Non Executive Directors, (one of whom also has the honorary role of President), thus providing an appropriate Board balance. The Board is responsible to the shareholders for the good standing of the Company, the management of its assets for optimum performance and the strategy for its future development. The Directors' biographies are on page 12. Nick MacAndrew is the Senior Independent Director. Both 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; both are appointed for specified terms. The details of all Non Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 29 to 39 and are available for inspection at the Company's registered office.

Board Meetings

At main Board meetings the agenda usually comprises a review of the management accounts and other financial matters led by the Finance Director and reports from the Chairman, the other Executive Directors, the President and the Company Secretary.

The June and November meetings also cover the approval of the annual results and half year financial results respectively and the March meeting deals with the approval of an annual budget. In November an additional two day off-site meeting is held which focuses on a strategic review. From time to time divisional directors and/or senior managers are invited to join Board meetings to make presentations. In order to ensure that the Board is supplied with information in a timely manner, papers for Board meetings are circulated a week in advance and the Chairman monitors the quality of the Board papers. The duties of the Board and its Committees are set out in their terms of reference (which are reviewed annually) and there is a formal list of Matters Reserved for the Board (which is also regularly reviewed). This distinguishes between matters reserved for Board and Executive Committee discussion. Examples of matters reserved for Board decisions are the determination of strategy, approval of major acquisitions or disposals and budget approvals. Examples of matters delegated to the Executive Committee are approval of significant contracts and revisions to health and safety policy. The Board met formally on seven (including the Annual General Meeting) occasions during the year under review. All Directors appointed at the time attended all of these meetings.

The Non Executive Directors meet several times a year, under the leadership of the Senior Independent Director, without the Executive Directors present. Where necessary they will discuss matters directly with the Chairman. The Non Executive Directors meet annually to appraise the Chairman's performance, taking into account views expressed by the Executive Directors.

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.

The Executive Directors attend training courses as appropriate and receive regular specialist briefings. Both the Board and the Executive Committee visit Company premises as part of the Board meeting programme.

The Chairman does not have any other significant 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. The Chairman is also Chairman of the British Beer & Pubs Association, a role which the Board believes enhances his ability to fulfill his role as Chairman of the Company.

Board Evaluation

The processes for Board evaluation include the aforementioned evaluation of the Chairman by the Non Executive Directors, the appraisal of the other Executive Directors and the Company Secretary by the Chairman and the appraisal of the Non Executive Directors by the Chairman and Executive Directors. As part of these evaluations, committee work is considered where applicable. The Chairman also discusses individual performance and committee work with all Directors and acts as overall co-ordinator of the evaluation process. Should action be required as a result of the process, the Chairman makes the necessary arrangements. The Remuneration and Audit Committees also annually review their own performance.

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

B) BOARD COMMITTEE STRUCTURE

The Board has a number of committees including the following:

The **Executive Committee** of the Board comprises all Executive Directors and meets monthly under the Chairmanship of Michael Turner, to deal with all executive business of the Company not specifically reserved for the Board or other Board Committees.

The **Nominations Committee** now consists of Nick MacAndrew, John Dunsmore, and Michael Turner, who is Chairman. It is responsible for nominating candidates for appointment as Directors, for approval by the Board. The Committee met once during the year to consider the appointment of a new Non Executive Director and all members appointed at that time (i.e. Nick MacAndrew, James Espey and Michael Turner) attended the meeting. This appointment was handled by taking the advice of an external recruitment consultancy firm on a short list of suitable candidates to approach, one of whom was John Dunsmore. Mr Dunsmore met with the Chairman and then the full Board before the Committee met to confirm that they were happy for him to be invited to join the Board. Mr Dunsmore was later appointed to the Committee in place of Mr Espey who retired in March 2009.

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

The terms of reference of the Nominations Committee are available on the Company's website.

C) AUDIT AND ACCOUNTABILITY

The **Audit Committee** of the Board is chaired by Nick MacAndrew, FCA who was formerly chief financial officer of Schroders plc and who brings recent and relevant financial experience to the Committee. The other Committee members are Nigel Atkinson and John Dunsmore, who joined the Committee in January 2009. Ronald Spinney was a member of the Committee until July 2008 and James Espey was a member of the Committee until March 2009. The Committee met four times during the year and all Committee members appointed at the time attended all meetings. The Committee's terms of reference are available on the Company's website.

The Audit Committee has a meeting planner which sets out the basic items to be covered at its regular meetings. At the May 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, agreeing the scope for the next external audit and the audit plan and related fees. A report on Internal Audit is received, and one on whistle blowing, and the Committee reviews its own effectiveness. At the November meeting the focus is on reviewing the half year report. At the January meeting the key items are risk management and Internal Audit.

As mentioned above 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. The policy and related posters have been updated this year and recirculated around the business to raise awareness of the whistle-blowing arrangements.

Auditors

The Group's auditors provide services in relation to routine tax compliance and advice on property acquisitions and disposals. It is Group policy to seek third party quotations if the auditors are offered the opportunity to provide any other significant non-audit services. The Audit Committee reviews and sets limits for the amounts which can be spent on non-audit items and has put in place controls over such expenditure to ensure that auditor objectivity and independence is safeguarded.

The Group's auditors no longer audit the Company's defined benefit pension scheme following a recent tender process for this work.

Internal Control

The Board has overall responsibility for the Group's system of internal control 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; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

A review of the effectiveness of the Group's system of internal control has been carried out by the Directors and reviewed 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. The Board has established procedures necessary to implement the Turnbull Guidance ("Internal Control: Guidance for Directors on the Combined Code") for the full financial year. This is achieved through a series of annual risk assessment workshops. These result in the Company ranking the risks facing the business, reviewing the associated controls and agreeing the necessary course of action. Regular meetings chaired by the Executive Directors and the Company Secretary are held in addition to the workshops in order to assess the effectiveness of the controls identified and to confirm the necessary action points.

In addition to these annual workshops and monthly meetings, key elements of the system of internal control 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 full 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; and
- regular reporting of legal and accounting developments to the Board.

The Company does not have a formal Internal Audit function. However, it 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 Managing Directors and the external auditors. The audits are co-ordinated by an experienced senior member of the Finance Team and are undertaken by other members of the Finance Team; in each case the person undertaking the audit is independent of the area which is the subject of the audit. The Internal Audit reports, the management responses and the recommended actions are presented in summary form to the Audit Committee on a regular basis.

Among the areas audited in the financial year were the recognition of revenue, provision of credit to customers including insurance cover over debtors, procedures over purchase orders and a review was conducted of the employee car scheme.

In addition, the Company employs retail business auditors who do not have a direct report into the Audit Committee but who monitor the controls in place in the Managed Pub estate, in particular those over stock and cash. This team reports directly to the Fuller's Inns Chief Accountant. There is also a quality systems team at the brewery, who ensure that the beer produced is of a consistently high quality. This team reports to the Fuller's Beer Company Managing Director.

D) RELATIONS WITH SHAREHOLDERS

The Company is always willing to meet with its institutional shareholders and has a programme of such meetings over the year. The Company believes it is most appropriate for the Chairman and the Finance Director to hold these meetings and they are joined by the Managing Directors of Fuller's Inns and the Fuller's Beer Company in making the preliminary and half year announcements to the City. The Chairman and the President are the key contacts with the Company's family shareholders and the President has a specific role to keep in touch with those shareholders. The Revised Combined Code on Corporate Governance ("the Code") recommends that the Senior Independent Director and other Directors as appropriate should maintain sufficient contact with major shareholders to understand their issues and concerns. All major shareholders have indicated that they are satisfied with the current arrangements. The Senior Independent Director and the other Non Executive Directors are all willing to be contacted by shareholders should they have any concerns which have not been resolved through the normal channels. All Board members receive copies of feedback reports from the City presentations and follow up meetings with shareholders thus keeping them all in touch with shareholder opinion. The Board supports the use of the AGM to communicate, in particular with private investors, and the format of the AGM is designed with this in mind. Institutional investors are encouraged to attend the meeting, where all shareholders have the opportunity to meet the Board.

E) COMPLIANCE

The Board supports the principles, the supporting principles and the provisions of corporate governance as set out in the Code. The Company has complied with the requirements of section 1 of the Code, as applicable to a smaller quoted company, throughout the financial year except with respect to Non Executive Directors and their meetings with shareholders, as explained in section D) above, and the constitution of the Remuneration and Audit Committees, where Nigel Atkinson, who is not an independent Non Executive Director, sits on those Committees. The Board is happy that the deliberations of both Committees remain independent, since in each case two independent Non Executive Directors sit on them with Mr Atkinson. The position of Executive Chairman of the Company is not in accordance with provision A2.1 of the Code, but the Board, having consulted with shareholders, remains of the view that having Michael Turner in this role provides leadership and experience that is in the best interests of the Company.

Directors' Remuneration Report

The principal purpose of this report for the 52 weeks ended 28 March 2009 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 1985 and Schedule 7A thereto, the Listing Rules and the Revised Combined Code on Corporate Governance ("the Code"). The information contained in the tables on pages 30, 32 to 33 and 35 to 36 and in the description of non-cash emoluments in section A) and in the information about options and the LTIP outlined in sections C) and D), is subject to audit.

An ordinary resolution will be put to shareholders at the Annual General Meeting ("AGM") on 21 July 2009 inviting them to consider and approve this report.

Remuneration Committee

The Remuneration Committee members are currently John Dunsmore (Chairman), Nick MacAndrew and Nigel Atkinson. Both Ronald Spinney and James Espey served on the Committee during the financial year. The Board is very grateful to James Espey who took over the Chairmanship of the Committee in July 2008, following the sad loss of Ronald Spinney. John Dunsmore joined the Committee in January and took over the Chair from James Espey in March. Members of the Committee have no personal financial interest in the Company, other than as shareholders and Directors. The Committee had three formal meetings in the year under review and all Committee members appointed at the time were present at all meetings. The terms of reference of the Remuneration Committee are available on the Company's website.

Details of the payments made to Non Executive Directors are set out on page 30.

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 Stoy Hayward LLP provided the Committee and the Company with advice in connection with the Company's LTIP and share option schemes. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee.

The Chairman of the Company, Michael Turner, may be invited to attend 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, and a number of other members of the senior management team, depending on the issues being considered.

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 F) below.

Executive Directors' remuneration is the subject of regular review in accordance with this policy. The Committee believes that a successful remuneration policy needs to be flexible so that it can adapt to any future changes in the Company's business environment and in remuneration practice. Given the current economic climate the Committee has considered their policy carefully and reviewed data on the performance of comparator companies. Their aim is to ensure that the Executive team are rewarded where long term growth and success are achieved.

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

A) BASE SALARY AND BENEFITS

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. The Executive Directors had some months ago decided that it was right that their own pay should be frozen and have subsequently implemented a Company wide pay freeze for staff. The Committee agrees that this is appropriate and accordingly there are no pay rises for Directors this year. A car allowance is paid to Directors to allow them to purchase and maintain cars at their own expense – this is a non-pensionable amount. Directors can also claim back business related mileage. Other non-cash benefits to Executive Directors include private healthcare and product allowances. These benefits are also extended to some other employees.

Simon Emeny is a Non Executive Director of Dunelm PLC. He retains fees of £26,000 per annum in respect of this position.

B) 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 Managing Directors of Fuller's Inns and of the Fuller's Beer Company earn a bonus in part by achieving key strategic objectives within the divisions for which they are directly responsible and in part where the Group achieves a growth target in pre-tax pre-exceptional earnings per share. The other Board members have bonuses based just on the Group target. The repurchase of shares by the Company is one of the factors which can improve pre-tax pre-exceptional earnings per share and have a positive impact on the level of bonus paid.

The target for the bonus, which is set in March each year for the following year, includes the cost of the bonus itself. The 2009 scheme for Executive Directors provided a bonus opportunity of a maximum of 50% of base salary. The Remuneration Committee has spent some time reviewing the payouts against the targets set at the beginning of the year and feel that, were it to approve the standard payouts, there would be minimal reward to those in the scheme for a year in which results represent a continued and significant outperformance versus the Company's peer group. Partly this is because the targets were set in March 2008, when the economy was not in recession. Accordingly, the Remuneration Committee has decided to award an additional discretionary element of bonus to all those in the scheme. For Executive Directors the discretionary amount added is a further 7.5% of salary and this is pro-rated for other members of the executive bonus scheme. Even with this discretionary element, total bonuses for all Executive Directors will be less than half of the maximum payouts achievable (i.e. less than 25% of base salary). Whilst there has been much criticism of companies who have been perceived to reward their teams for failure, the Committee believes that it is equally important to reward success.

Directors' Emoluments and Other Payments

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 £000	Consultancy £000	Benefits in kind £000	Bonus £000	**Total 2009 £000**	**Defined contribution pension 2009 £000**	Total 2008 £000	Defined contribution pension 2008 £000
Michael Turner	308	19	–	–	3	68	**398**	**–**	365	–
Tim Turner	168	17	–	–	3	37	**225**	**–**	204	–
John Roberts	195	17	–	–	3	46	**261**	**13**	253	13
Simon Emeny	237	16	–	–	2	44	**299**	**21**	272	19
James Douglas[1]	206	17	–	–	3	45	**271**	**36**	140	20
Paul Clarke[2]	15	1	–	–	2	43	**61**	**–**	226	–
Anthony Fuller	–	–	29	10	2	–	**41**	**–**	76	–
Nick MacAndrew	–	–	52	–	1	–	**53**	**–**	43	–
Nigel Atkinson	–	–	39	30	3	–	**72**	**–**	67	–
John Dunsmore[3]	–	–	11	–	–	–	**11**	**–**	–	–
Ronald Spinney[4]	–	–	16	–	1	–	**17**	**–**	46	–
James Espey[5]	–	–	39	–	1	–	**40**	**–**	36	–
Total	1,129	87	186	40	24	283	**1,749**	**70**	1,728	52

[1] *James Douglas was appointed on 10 September 2007 and so served only 7 months in 2008.*

[2] *Paul Clarke retired on 30 April 2008.*

[3] *John Dunsmore was appointed on 20 January 2009.*

[4] *Ronald Spinney died on 13 July 2008.*

[5] *James Espey retired on 18 March 2009.*

C) 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. A new scheme was approved by shareholders at the Annual General Meeting on 23 July 2008. The first grants under the scheme will be made in 2009. (Previous grants were made under the old version of the scheme which was approved by shareholders in 1998.) Under the Approved Scheme, senior executives and other staff may be issued share options up to the HMRC maximum value of £30,000 at any one time.

For options to vest, growth in earnings per share adjusted principally to exclude exceptional items ("Normalised EPS") must exceed growth in the Retail Price Index ("RPI") by at least nine per cent over the three year vesting period. Once the options have vested they must be exercised within the following seven years. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that options only become exercisable against the background of a sustained real increase in the financial performance of the Company.

The Company also has a Senior Executive Share Option Scheme (the "Senior Scheme") which shareholders approved in July 2003 and amended in July 2004. The maximum benefit granted under the Senior Scheme equates to 20% of salary per annum subject to the discretion of the Remuneration Committee. Participants in the Senior Scheme are limited to senior executives. For options to vest under the Senior Scheme, growth in Normalised EPS must exceed growth in RPI by at least nine per cent over a five year period for the initial grant and over three years for subsequent grants. If this is achieved 40% of the award will vest. If Normalised EPS exceeds RPI by more than 21%, 100% of the award will vest. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that the options only become exercisable against the background of a sustained real increase in the financial performance of the Company. Once the options have vested they must be exercised within the following five years for the initial grant and within the following seven years for subsequent grants.

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 Company's Annual Report and Accounts. However, the level of vesting is confirmed by BDO Stoy Hayward LLP, based on earnings per share calculations provided by the Company.

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

The Company also operates a 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) SIP

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

Directors' Remuneration Report continued

C) SHARE OPTION SCHEMES AND SIP continued

Details of all options issued to Executive Directors are given in the table below and details of all options issued are in note 30.

Directors' Share Options

	At 30 March 2008	Exercised	Lapsed	Issued	At 28 March 2009 (or date of retirement)	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Type	Cost of options under SAYE schemes £	Price at exercise date £	Notional gain on exercise £
Michael Turner	14,150	–	–	–	**14,150**	2.12	25/6/03	25/6/06	24/6/13	A	–	-	–
	4,180	–	–	–	**4,180**	2.20	17/7/03	17/7/08	16/7/13	U	–	–	–
	15,588	–	–	–	**15,588**	2.63	7/7/04	7/7/07	6/7/14	U	–	–	–
	11,660	–	–	–	**11,660**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	3,375	–	–	–	**3,375**	2.93	1/9/05	1/9/10	1/3/11	S	9,889	–	–
	10,040	–	–	–	**10,040**	4.98	18/7/06	18/7/09	18/7/16	U	–	–	–
	7,985	–	–	–	**7,985**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	1,082	–	(1,082)	–	**–**	6.04	1/9/07	1/9/12	1/3/13	S	–	–	–
	–	–	–	15,308	**15,308**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	–	–	–	1,966	**1,966**	3.31	1/9/08	1/9/13	1/3/14	S	6,507	–	–
	68,060	–	(1,082)	17,274	**84,252**								
Tim Turner	9,428	–	–	–	**9,428**	2.63	7/7/04	7/7/07	6/7/14	U	–	–	–
	645	(645)	–	–	**–**	2.93	1/9/05	1/9/08	1/3/09	S	1,890	3.950	658
	7,028	–	–	–	**7,028**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	5,823	–	–	–	**5,823**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	952	–	–	–	**952**	3.92	1/9/06	1/9/09	1/3/10	S	3,732	–	–
	4,258	–	–	–	**4,258**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	625	–	(625)	–	**–**	6.04	1/9/07	1/9/10	1/3/11	S	–	–	–
	–	–	–	7,407	**7,407**	4.05	15/7/08	15/7/11	15/7/18	A	–	–	–
	–	–	–	987	**987**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	–	–	–	1,135	**1,135**	3.31	1/9/08	1/9/13	1/3/14	S	3,757	–	–
	28,759	(645)	(625)	9,529	**37,018**								
John Roberts	12,180	–	–	–	**12,180**	2.20	17/7/03	17/7/08	16/7/13	U	–	–	–
	5,620	(5,620)	–	–	**–**	1.70	1/9/03	1/9/08	1/3/09	S	9,554	4.125	13,629
	10,873	–	–	–	**10,873**	2.63	7/7/04	7/7/07	6/7/14	U	–	–	–
	3,130	–	–	–	**3,130**	2.08	1/9/04	1/9/09	1/3/10	S	6,510	–	–
	8,173	–	–	–	**8,173**	3.67	19/7/05	19/7/08	18/7/15	A	–	–	–
	7,228	–	–	–	**7,228**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	5,058	–	–	–	**5,058**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	–	–	–	9,654	**9,654**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	–	–	–	2,950	**2,950**	3.31	1/9/08	1/9/13	1/3/14	S	9,765	–	–
	52,262	(5,620)	–	12,604	**59,246**								

A: *Executive Share Option Scheme* S: *Savings Related Share Option Scheme* U: *Senior Executive Share Option Scheme*

Directors' Remuneration Report continued

	At 30 March 2008	Exercised	Lapsed	Issued	**At 28 March 2009 (or date of retirement)**	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Type	Cost of options under SAYE schemes £	Price at exercise date £	Notional gain on exercise £
Simon Emeny	14,135	–	–	–	**14,135**	2.20	17/7/03	17/7/08	16/7/13	U	–	–	–
	2,247	(2,247)	–	–	**–**	1.70	1/9/03	1/9/08	1/3/09	S	3,820	4.125	5,449
	9,100	–	–	–	**9,100**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	4,277	–	–	–	**4,277**	2.93	1/9/05	1/9/10	1/3/11	S	12,532	–	–
	6,023	–	–	–	**6,023**	4.98	18/7/06	18/7/09	17/7/16	A	–	–	–
	2,008	–	–	–	**2,008**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	6,123	–	–	–	**6,123**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	–	–	–	11,753	**11,753**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	–	–	–	1,180	**1,180**	3.31	1/9/08	1/9/13	1/3/14	S	3,906	–	–
	43,913	(2,247)	–	12,933	**54,599**								
James Douglas	–	–	–	7,407	**7,407**	4.05	15/7/08	15/7/11	15/7/18	A	–	–	–
	–	–	–	2,814	**2,814**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	–	–	–	10,221	**10,221**								
Total[1]	**192,994**	**(8,512)**	**(1,707)**	**62,561**	**245,336**								
Paul Clarke[2]	**31,960**	**–**	**–**	**–**	**31,960**								

[1] *Total current Directors.*
[2] *Paul Clarke retired on 30 April 2008.*
A: *Executive Share Option Scheme* S: *Savings Related Share Option Scheme* U: *Senior Executive Share Option Scheme*

DIrectors' Options Analysed by Exercise Price (£)

Exercise price (£)	At 29 March* 2008	Exercised	Lapsed	Issued	**At 28 March 2009**
1.70	7,867	(7,867)	–	–	**–**
2.08	3,130	–	–	–	**3,130**
2.12	14,150	–	–	–	**14,150**
2.20	41,995	–	–	–	**30,495**
2.63	35,889	–	–	–	**35,889**
2.93	8,297	(645)	–	–	**7,652**
3.67	43,644	–	–	–	**35,961**
3.92	952	–	–	–	**952**
4.98	37,547	–	–	–	**31,122**
6.04	3,269	–	(1,707)	–	**–**
7.51	28,214	–	–	–	**23,424**
3.31	–	–	–	7,231	**7,231**
4.05	–	–	–	55,330	**55,330**
Total	**224,954**	**(8,512)**	**(1,707)**	**62,561**	**245,336**

The market price of the shares at 28 March 2009 was £3.88 and the range during the year was from £3.04 to £5.85.
* *The number of options at 29 March 2008 includes 31,960 in respect of Paul Clarke who retired on 30 April 2008.*

Directors' Remuneration Report continued

D) LTIP

Shareholders approved a new LTIP at the Annual General Meeting on 23 July 2008. The first awards under the new scheme will be made in 2009. (Previous awards were made under the old version of the scheme which shareholders approved in 1998.) The aim of the LTIP is to align the efforts of Directors and senior managers with the Company's objective of creating shareholder value and increasing earnings per share in the longer term. The performance conditions for the LTIP were chosen accordingly and all subsisting LTIP awards have a performance condition wholly based on growth in earnings per share adjusted principally to exclude exceptional items ("Normalised EPS"). The Normalised EPS based measure ensures that awards only become exercisable against a background of a sustained real increase in the financial performance of the Company.

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

Under the LTIP, the rules allow for discretionary annual awards of 'A' and 'B' ordinary shares up to a value representing 100% of a participant's salary in any one year. Under the previous LTIP this was 80%. The amount of each Award vesting is on a scaled basis, depending on the extent to which the performance criteria are met. For awards made up to and including 2006, where shares vest, participants are invited to re-deposit half of their shares for a further three year period. The Company then makes 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 £
24 June 2003	2.12	0.21
4 July 2004	2.62	0.26
18 July 2005	3.67	0.37
17 July 2006	4.98	0.50
16 July 2007	7.51	0.75
28 November 2007	6.30	0.63
14 July 2008	4.05	0.41

In all cases shares will vest, subject to performance criteria being attained, within 72 days of the publication of results for the last financial year in the performance period.

Directors' Remuneration Report continued

Directors' LTIP Allocation

		Total held at 29 March 2008	Granted during year	Original awards vested	Matching awards granted	Matching awards vested	Lapsed during year	Total held at 28 March 2009 (or date of retirement)	Monetary value of vest* £'000
Michael Turner	'A' ordinary 40p	81,775	36,740	(18,657)	9,328	(5,020)	–	**104,166**	97
	'B' ordinary 4p	204,463	91,851	(46,647)	23,323	(12,552)	–	**260,438**	24
Tim Turner	'A' ordinary 40p	48,240	20,148	(11,247)	5,623	(3,547)	–	**59,217**	61
	'B' ordinary 4p	120,610	50,370	(28,117)	14,058	(8,867)	–	**148,054**	15
John Roberts	'A' ordinary 40p	56,513	23,170	(13,077)	6,538	(3,922)	–	**69,222**	70
	'B' ordinary 4p	141,296	57,925	(32,697)	16,348	(9,807)	–	**173,065**	17
Simon Emeny	'A' ordinary 40p	64,792	28,207	(14,560)	7,280	(4,645)	–	**81,074**	79
	'B' ordinary 4p	161,999	70,518	(36,402)	18,201	(11,615)	–	**202,701**	20
James Douglas	'A' ordinary 40p	7,680	24,533	–	–	–	–	**32,213**	–
	'B' ordinary 4p	19,200	61,333	–	–	–	–	**80,533**	–
Paul Clarke**	'A' ordinary 40p	35,674	–	–	–	–	–	**35,674**	–
	'B' ordinary 4p	89,197	–	–	–	–	–	**89,197**	–

* *The market price of 'A' shares on 22 July 2008 for the Original awards vested was £4.10 and on 4 August 2008 for the Matching awards vested was £4.08. Thus we assume a "market" price for 'B' shares of £0.41 and £0.408 respectively.*

** *Paul Clarke retired on 30 April 2008.*

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

Grant		LTIP 6	LTIP 7	LTIP 8	LTIP 9	LTIP 10*	LTIP 11	
Grant date		25 June 03	05 July 04	19 July 05	18 July 06	17 July 07	15 July 08	
Start of performance period		April 03	April 04	April 05	April 06	April 07	April 08	**Total at**
End of performance period		March 06	March 07	March 08	March 09	March 10	March 11	**28 March**
Matching period end		24 June 09	04 July 10	18 July 11	17 July 12	n/a	n/a	**2009**
Michael Turner	'A' ordinary 40p	10,352	12,517	9,328	16,062	19,167	36,740	**104,166**
	'B' ordinary 4p	25,885	31,297	23,323	40,160	47,922	91,851	**260,438**
Tim Turner	'A' ordinary 40p	6,337	7,572	5,623	9,315	10,222	20,148	**59,217**
	'B' ordinary 4p	15,847	18,930	14,058	23,292	25,557	50,370	**148,054**
John Roberts	'A' ordinary 40p	7,077	8,732	6,538	11,565	12,140	23,170	**69,222**
	'B' ordinary 4p	17,697	21,830	16,348	28,915	30,350	57,925	**173,065**
Simon Emeny	'A' ordinary 40p	8,212	9,830	7,280	12,850	14,695	28,207	**81,074**
	'B' ordinary 4p	20,535	24,580	18,201	32,127	36,740	70,518	**202,701**
James Douglas	'A' ordinary 40p	–	–	–	–	7,680	24,533	**32,213**
	'B' ordinary 4p	–	–	–	–	19,200	61,333	**80,533**

* *Includes LTIP 10a granted to James Douglas after his appointment as a Director. The grant date was 29 November 2007, with a performance period starting in April 2007 and ending in March 2010.*

Directors' Remuneration Report continued

Directors' Shareholdings

		Changes by 22 May 2009		28 March 2009 (or date of retirement)		29 March 2008	
		Beneficial	Non Beneficial	**Beneficial**	**Non Beneficial**	Beneficial	Non Beneficial
Michael Turner	'A' ordinary 40p	–	–	**360,771**	**139,880**	320,192	139,880
	'B' ordinary 4p	–	–	**4,521,442**	**3,490,974**	4,392,509	3,490,974
	'C' ordinary 40p	–	–	**1,016,570**	**745,517**	1,012,820	745,517
	2nd preference £1	–	–	**22,993**	**40,166**	22,993	40,166
Tim Turner	'A' ordinary 40p	–	–	**278,573**	**139,880**	252,224	139,880
	'B' ordinary 4p	–	–	**4,533,786**	**3,490,974**	4,453,158	3,490,974
	'C' ordinary 40p	–	–	**1,272,052**	**745,517**	1,272,052	745,517
	2nd preference £1	–	–	**22,916**	**40,166**	22,916	40,166
John Roberts	'A' ordinary 40p	–	–	**69,634**	**–**	35,111	–
	'B' ordinary 4p	–	–	**238,576**	**–**	146,767	–
Simon Emeny	'A' ordinary 40p	–	–	**66,012**	**–**	30,624	–
	'B' ordinary 4p	–	–	**405,494**	**–**	300,747	–
James Douglas	'A' ordinary 40p	–	–	**2,102**	**–**	1,250	–
	'B' ordinary 4p	–	–	**–**	**–**	–	–
Paul Clarke[1]	'A' ordinary 40p	–	–	**41,393**	**–**	41,393	–
	'B' ordinary 4p	–	–	**164,067**	**–**	164,067	–
Anthony Fuller	'A' ordinary 40p	–	–	**65,897**	**–**	65,897	–
	'B' ordinary 4p	–	–	**5,096,572**	**9,572,512**	5,096,572	9,572,512
	'C' ordinary 40p	–	–	**1,436,000**	**1,252,359**	1,436,000	1,252,359
	1st preference £1	–	–	**9,679**	**4,839**	9,679	4,839
	2nd preference £1	–	–	**94**	**–**	94	–
Nick MacAndrew	'A' ordinary 40p	–	–	**25,000**	**–**	25,000	–
	'B' ordinary 4p	–	–	**–**	**–**	–	–
Nigel Atkinson	'A' ordinary 40p	–	–	**4,575**	**–**	4,575	–
	'B' ordinary 4p	–	–	**–**	**–**	–	–
John Dunsmore[2]	'A' ordinary 40p	2,277	–	**–**	**–**	–	–
	'B' ordinary 4p	–	–	**–**	**–**	–	–
Ronald Spinney[3]	'A' ordinary 40p	–	–	**1,250**	**–**	1,250	–
	'B' ordinary 4p	–	–	**–**	**–**	–	–
James Espey[4]	'A' ordinary 40p	–	–	**10,000**	**–**	10,000	–
	'B' ordinary 4p	–	–	**–**	**–**	–	–

[1] *Paul Clarke retired on 30 April 2008.*
[2] *John Dunsmore was appointed on 21 January 2009.*
[3] *Ronald Spinney died on 13 July 2008.*
[4] *James Espey retired on 18 March 2009.*

Directors' Remuneration Report continued

E) SERVICE CONTRACTS

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

Service Contract Table

	Date of contract	Notice period
Michael Turner	1 June 1997	12 months
Tim Turner	1 June 1997	12 months
John Roberts	1 June 1997	12 months
Simon Emeny	13 January 1999	12 months
James Douglas	31 July 2007	12 months

Non Executive Directors' Arrangements

	Term expires
Anthony Fuller	July 2010
Nick MacAndrew	September 2009
Nigel Atkinson	April 2012
John Dunsmore	January 2012

F) PENSIONS

Michael Turner and Tim Turner are non-contributory members of the defined benefit Company pension plan, under the Directors' section.

Simon Emeny and John Roberts are members of the defined benefit main Company pension plan on a non-contributory basis. In addition, a salary supplement of 17.5% of the excess of their base salary over the earnings cap was paid by the Company to their nominated pension provider.

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

In accordance with the requirements of the Listing Rules, Directors' pension entitlements under defined benefit plans are shown below. The Directors' Remuneration Report Regulations 2002 introduced the requirement to disclose similar information but in a different format and not adjusting for inflation.

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

F) PENSIONS continued

Listing Rules Requirement

	Increase in accrued pension (allowing for inflation)[1] £	Total accrued pension at end of period[2] £	Transfer value of increase (net of member contributions)[3] £
Michael Turner	7,045	207,429	110,114
Tim Turner	6,704	119,288	126,563
John Roberts	2,457	12,328	13,917
Simon Emeny	2,457	12,328	9,202
Paul Clarke[4]	–	108,875	(56,520)

[1] *Increase in accrued pension (allowing for inflation) – this is the accrued pension at the year end less the accrued pension at the start of the year adjusted for inflation over the year.*
[2] *Total accrued pension at end of year – this is what the Director is entitled to receive as an annual pension based on service to date.*
[3] *Transfer value of increase net of member contributions – this is the transfer value of the accrued pension at the end of the year less the transfer value of the accrued pension at the start of the year adjusted for inflation calculated by reference to transfer value factors at the year end. The transfer values are calculated using the basis in force at the end of the year. Therefore there is no distortion caused by changes in monetary conditions or changes to the transfer basis.*
[4] *Paul Clarke retired on 30 April 2008 therefore the table above shows movements between 29 March 2008 and 30 April 2008.*

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.

Directors' Remuneration Report Regulations

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	6,286	207,429	3,564,557	3,633,766	69,209
Tim Turner	6,278	119,288	2,234,735	2,404,687	169,952
John Roberts	2,420	12,328	84,147	70,878	(13,269)
Simon Emeny	2,420	12,328	55,331	46,861	(8,470)
Paul Clarke[6]	–	108,875	2,480,548	2,204,283	(276,265)

[1] *Increase in accrued pension – this is the accrued pension at the year end less the accrued pension at the start of the year (as disclosed last year), without adjustment for inflation.*
[2] *Total accrued pension at end of year – this is the same figure as the Listing Rules requirement.*
[3] *Transfer value at start of year – this is the transfer value of the accrued pension at the start of the year (as disclosed last year).*
[4] *Transfer value of end of year – this is the transfer value of the accrued pension at the end of the year.*
[5] *Transfer value equivalent of increase (net of member contributions) – this is the difference between the two transfer values less any member contributions in the year. Unlike the Listing Rules requirement, this shows the difference between the transfer value as published last year and the transfer value at the year end. The transfer value this year end will reflect pensionable salary increases since last year, the addition of another year's accrual of benefit and market movements in equities and gilts over the year to which transfer values are referenced.*
[6] *Paul Clarke retired on 30 April 2008 therefore the table above shows movements between 29 March 2008 and 30 April 2008.*

Directors' Remuneration Report continued

G) REMUNERATION POLICY FOR NON EXECUTIVE DIRECTORS

The remuneration of the Non Executive Directors is determined by the Executive Committee. The policy is to ensure in all cases that the fees paid are not out of line with the market and go some way towards rewarding the Non Executives for the time they commit to their various roles. Accordingly all Non Executive Directors receive a basic fee. The Senior Independent Director receives a fee for that role and there are additional fees for chairing or being a member of the Audit and Remuneration Committees. The President also receives consultancy fees for additional services and advice provided to the Company. It is our policy that Non Executive Directors should not participate in bonus schemes, share options or long term incentive plans. The independent Non Executive Directors are also not members of any Group pension scheme.

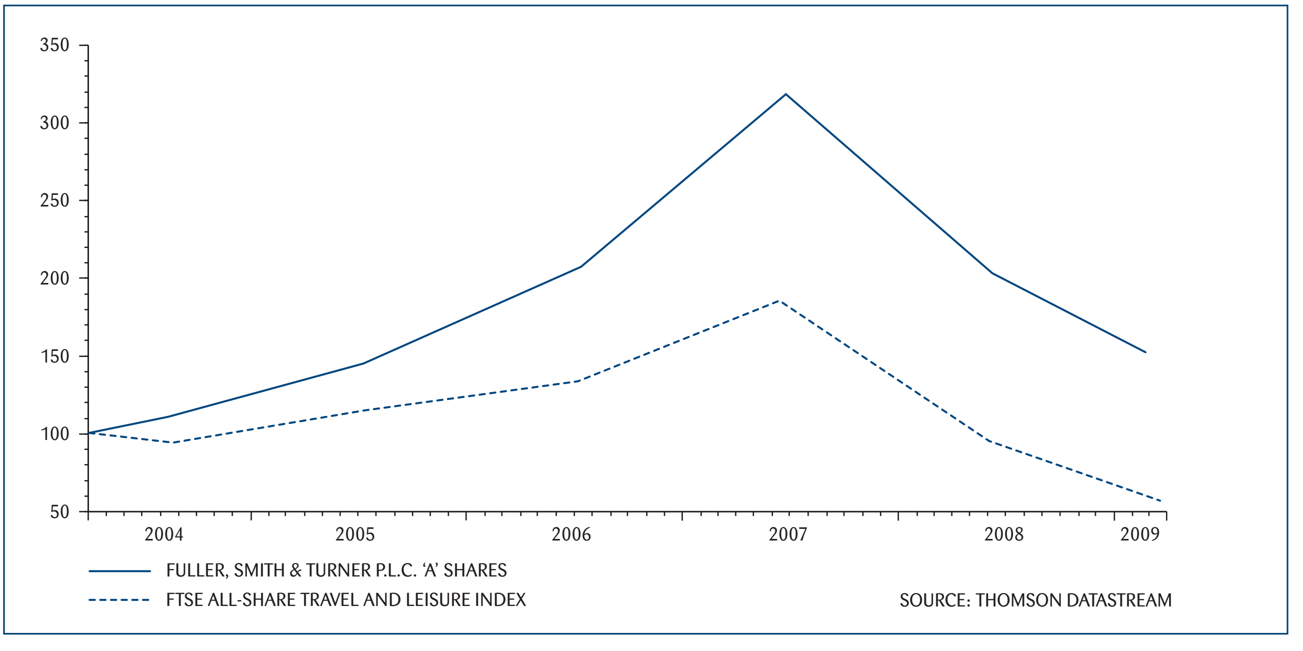
Non Executive Directors receive non-cash benefits in the form of product allowances and the reimbursement of travel and other business related expenses. The President and Nigel Atkinson also benefit from private healthcare.

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 37.

H) PERFORMANCE GRAPH

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

Total Shareholder Return



On behalf of the Board

John Dunsmore
Chairman, Remuneration Committee

5 June 2009

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

We have audited the Group and Parent Company financial statements (the "financial statements") of Fuller, Smith & Turner P.L.C. for the 52 weeks ended 28 March 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes 1 to 36. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 Auditors

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Financial Review and the Risks and Uncertainties section that is cross referred from the Business Review section of the Directors' Report.

In addition we also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Financial Review, Risks and Uncertainties, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 28 March 2009 and of its profit for the 52 weeks then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 28 March 2009;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London

5 June 2009

Group Income Statement for the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 Before exceptional items £m	52 weeks ended 28 March 2009 Exceptional items £m	52 weeks ended 28 March 2009 Total £m	Restated* 52 weeks ended 29 March 2008 Before exceptional items £m	Restated* 52 weeks ended 29 March 2008 Exceptional items £m	Restated* 52 weeks ended 29 March 2008 Total £m
Revenue	3	**210.0**	**–**	**210.0**	203.1	–	203.1
Operating costs	4, 5	**(181.0)**	**(8.4)**	**(189.4)**	(173.7)	(4.5)	(178.2)
Operating profit		**29.0**	**(8.4)**	**20.6**	29.4	(4.5)	24.9
Profit on disposal of properties	5	**–**	**–**	**–**	–	5.3	5.3
Finance revenue	6	**0.2**	**–**	**0.2**	0.3	–	0.3
Finance costs	7	**(6.4)**	**–**	**(6.4)**	(6.7)	–	(6.7)
Profit before tax		**22.8**	**(8.4)**	**14.4**	23.0	0.8	23.8
Taxation	5, 8	**(6.6)**	**1.1**	**(5.5)**	(6.8)	2.1	(4.7)
Profit for the year attributable to equity shareholders of the Parent Company		**16.2**	**(7.3)**	**8.9**	16.2	2.9	19.1

Earnings per share per 40p 'A' ordinary share or 40p 'C' ordinary share		**2009 Pence**	2008 Pence
Basic	9	**16.00**	34.33
Diluted	9	**15.83**	33.89
Adjusted	9	**29.12**	29.15
Diluted adjusted	9	**28.81**	28.78

Earnings per share per 4p 'B' ordinary share		**2009 Pence**	2008 Pence
Basic	9	**1.60**	3.43
Diluted	9	**1.58**	3.39
Adjusted	9	**2.91**	2.92
Diluted adjusted	9	**2.88**	2.88

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

* *Revenue and operating costs for the 52 weeks ended 29 March 2008 have been restated to include all excise duty in revenue and costs as a result of the change in revenue accounting policy for the 52 weeks ended 28 March 2009 (note 1).*

Balance Sheets 28 March 2009

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current assets					
Goodwill	11	**24.1**	24.5	**–**	–
Property, plant and equipment	12	**318.7**	312.1	**317.5**	310.9
Investment properties	13	**8.5**	8.7	**4.4**	4.6
Financial assets	14	**–**	0.3	**–**	0.2
Other non-current assets	15	**0.6**	0.9	**0.6**	0.9
Investments in subsidiaries	16	**–**	–	**91.8**	91.8
Deferred tax assets	27	**5.0**	4.1	**4.6**	3.8
Total non-current assets		**356.9**	350.6	**418.9**	412.2
Current assets					
Inventories	17	**6.1**	5.8	**6.1**	5.8
Trade and other receivables	18	**16.0**	15.7	**16.0**	15.7
Cash and short term deposits	19	**0.9**	3.9	**0.9**	3.9
Total current assets		**23.0**	25.4	**23.0**	25.4
Assets classified as held for sale	20	**–**	1.8	**–**	1.8
Current liabilities					
Bank loans	22	**7.5**	6.3	**7.5**	6.3
Loan notes	22	**1.3**	1.8	**1.3**	1.8
Trade and other payables	21	**33.6**	33.0	**122.7**	118.0
Current tax payable		**3.9**	1.0	**3.9**	1.0
Provisions	26	**0.4**	0.3	**0.4**	0.3
Total current liabilities		**46.7**	42.4	**135.8**	127.4
Non-current liabilities					
Bank loans	22	**57.7**	62.7	**47.7**	52.7
Debenture stock	23	**27.0**	27.0	**27.0**	27.0
Preference shares	25	**1.6**	1.6	**1.6**	1.6
Provisions	26	**2.4**	1.7	**2.4**	1.7
Financial liabilities	14	**1.5**	–	**1.1**	–
Retirement benefit obligations	24	**8.4**	5.4	**8.4**	5.4
Deferred tax liabilities	27	**37.6**	39.3	**36.1**	37.9
Total non-current liabilities		**136.2**	137.7	**124.3**	126.3
Net assets		**197.0**	197.7	**181.8**	185.7
Capital and reserves					
Share capital	29	**22.8**	22.8	**22.8**	22.8
Share premium account	31	**4.8**	4.8	**4.8**	4.8
Capital redemption reserve	31	**3.1**	3.1	**3.1**	3.1
Own shares	31	**(5.9)**	(6.0)	**(5.9)**	(6.0)
Hedging reserve	31	**(1.1)**	0.2	**(0.8)**	0.1
Retained earnings	31	**173.3**	172.8	**157.8**	160.9
Total shareholders' equity		**197.0**	197.7	**181.8**	185.7

Approved by the Board and signed on 5 June 2009.

M J Turner, FCA
Chairman

Group Cash Flow Statement for the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 £m	52 weeks ended 29 March 2008 £m
Group profit before tax		**14.4**	23.8
Net interest expense		**6.2**	6.4
Exceptional items		**8.4**	(0.8)
Depreciation	4	**11.0**	10.8
Loss on disposal of property, plant and equipment		**0.2**	0.3
Difference between pension charge and cash paid		**(0.8)**	(8.5)
Share-based payment charges	30	**1.4**	1.6
Change in trade and other receivables		**–**	(0.6)
Change in inventories		**(0.3)**	(0.4)
Change in trade and other payables		**1.2**	(1.3)
Cash generated from operations		**41.7**	31.3
Tax paid		**(3.7)**	(4.7)
Cash generated from operating activities		**38.0**	26.6
Cash flow from investing activities			
Purchase of property, plant and equipment		**(24.2)**	(18.5)
Sale of property, plant and equipment		**0.5**	8.2
Interest received		**0.2**	0.2
Net cash outflow from investing activities		**(23.5)**	(10.1)
Cash flow from financing activities			
Proceeds from issue of share capital		–	0.1
Purchase of own shares		**(2.2)**	(4.0)
Sale of own shares to option schemes		**0.5**	0.4
Interest paid		**(6.0)**	(6.7)
Preference dividends paid	10	**(0.1)**	(0.1)
Equity dividends paid	10	**(5.4)**	(5.2)
Drawdown of bank loans		**2.5**	–
Repayment of loan notes		**(0.5)**	(1.0)
Repayment of bank loans		**(6.3)**	(5.0)
Net cash outflow from financing activities		**(17.5)**	(21.5)
Net movement in cash and cash equivalents		**(3.0)**	(5.0)
Cash and cash equivalents at the start of the year	19	**3.9**	8.9
Cash and cash equivalents at the end of the year	19	**0.9**	3.9

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

Company Cash Flow Statement for the 52 weeks ended 28 March 2009

	Note	52 weeks ended 28 March 2009 £m	52 weeks ended 29 March 2008 £m
Company profit before tax		**9.1**	17.4
Net interest expense		**11.3**	12.8
Exceptional items		**8.0**	(0.8)
Depreciation		**11.0**	10.8
Loss on disposal of property, plant and equipment		**0.2**	0.3
Difference between pension charge and cash paid		**(0.8)**	(8.5)
Share-based payment charges	30	**1.4**	1.6
Change in trade and other receivables		**–**	(0.6)
Change in inventories		**(0.3)**	(0.4)
Change in trade and other payables		**1.8**	(1.3)
Cash generated from operations		**41.7**	31.3
Tax paid		**(3.7)**	(4.7)
Cash generated from operating activities		**38.0**	26.6
Cash flow from investing activities			
Purchase of property, plant and equipment		**(24.2)**	(18.5)
Sale of property, plant and equipment		**0.5**	8.2
Interest received		**0.2**	0.2
Net cash outflow from investing activities		**(23.5)**	(10.1)
Cash flow from financing activities			
Proceeds from issue of share capital		**–**	0.1
Purchase of own shares		**(2.2)**	(4.0)
Sale of own shares to option schemes		**0.5**	0.4
Interest paid		**(6.0)**	(6.7)
Preference dividends paid	10	**(0.1)**	(0.1)
Equity dividends paid	10	**(5.4)**	(5.2)
Drawdown of bank loans		**2.5**	–
Repayment of loan notes		**(0.5)**	(1.0)
Repayment of bank loans		**(6.3)**	(5.0)
Net cash outflow from financing activities		**(17.5)**	(21.5)
Net movement in cash and cash equivalents		**(3.0)**	(5.0)
Cash and cash equivalents at the start of the year	19	**3.9**	8.9
Cash and cash equivalents at the end of the year	19	**0.9**	3.9

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

Statements of Recognised Income and Expense for the 52 weeks ended 28 March 2009

Group	Note	52 weeks ended 28 March 2009 £m	52 weeks ended 29 March 2008 £m
Reduction in deferred tax liability due to indexation	8	–	0.4
Net losses on valuation of financial assets and liabilities		(1.3)	(0.7)
Tax on share-based payments	8	(0.1)	0.4
Deferred tax adjustment for change in corporation tax rate		–	(0.3)
Net actuarial (losses)/gains on pension schemes	24	(3.5)	4.3
Deferred tax on actuarial gains and losses on pension schemes	8	1.0	(1.1)
Net (expense)/income recognised directly in equity		(3.9)	3.0
Profit for the year		8.9	19.1
Total recognised income and expense for the year	31	5.0	22.1

Company	Note	52 weeks ended 28 March 2009 £m	52 weeks ended 29 March 2008 £m
Reduction in deferred tax liability due to indexation		–	0.4
Net losses on valuation of financial assets and liabilities		(0.9)	(0.6)
Tax on share-based payments		(0.1)	0.4
Deferred tax adjustment for change in corporation tax rate		–	(0.3)
Net actuarial (losses)/gains on pension schemes	24	(3.5)	4.3
Deferred tax on actuarial gains and losses on pension schemes		1.0	(1.1)
Net (expense)/income recognised directly in equity		(3.5)	3.1
Profit for the year		5.3	14.6
Total recognised income and expense for the year	31	1.8	17.7

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 28 March 2009 were authorised for issue by the Board of Directors on 5 June 2009 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 28 March 2009, in accordance with the provisions of the Companies Act 1985.

The principal accounting policies adopted by the Group and by the Company are set out in the accounting policies below. The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual Income Statement and related notes.

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 28 March 2009.

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.

Change in Accounting Policy

Revenue was previously measured at the fair value of consideration received or receivable, net of discounts, Excise Duty paid by the Group and VAT. The Directors have reviewed the accounting policy in relation to the measurement of revenue and have revised the policy so that no deduction is made in respect of Excise Duty. Previously the Group had deducted Excise Duty where it was responsible for paying it to HM Revenue & Customs and had included it only where a third party was responsible.

The Group considers that excise duties are not a sales-related tax as: the Group is exposed to the financial risk of non-recovery from its customers; the amount paid is levied on units of production rather than sales price; and there is no obligation to alter sales price in line with changes in duty. Excise Duty has therefore been treated as an operating cost and has not been deducted from revenue.

The Group believes that the revised policy provides more relevant information as to the Group's financial performance as the treatment of Excise Duty is now consistent for all of the Group's relevant sales. In accordance with IFRS, this change is applied retrospectively and the prior year figures are restated as if the amended policy had already been in place. As a result of this change, revenue for 2008 has been increased by £22.0 million from £181.1 million to £203.1 million and operating costs are correspondingly increased by £22.0 million from £156.2 million to £178.2 million. Revenue for 2009 would have previously been reported as £186.1 million, which is £23.9 million lower than is reported in these financial statements. Operating costs would correspondingly have been £23.9 million lower. There is no impact on operating profits or reserves for either year.

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 28 March 2009 (2008: 52 weeks ended 29 March 2008).

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.

1. Authorisation of Financial Statements and Accounting Policies continued

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 monitored by management, usually at business segment level or statutory company level as the case may be. 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:

Land and buildings

Hotel accommodation and offices – up to 50 years.

Licensed retail property, unlicensed property and brewery – 50 to 100 years.

Leasehold improvements – the term of the lease.

Roofs – from 20 to 50 years.

Plant, machinery and vehicles, containers, fixtures and fittings

From three years up to 25 years.

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

Investment Property

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

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.

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.

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 book value.

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. The Group does not use these forward exchange contracts or any other derivative financial instruments for speculative purposes.

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 and does not enter into such agreements for speculative purposes.

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

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:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability. The Group does not have any fair value hedges at present; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

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

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

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

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 28, 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.

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 hotel 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.

Interest Income

Revenue is recognised as interest accrues using the effective interest method.

Borrowing Costs

Borrowing costs are generally recognised as an expense when incurred. Interest expense in relation to long term development projects is capitalised as part of the cost of the assets being created 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 Income Statement.

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 and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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.

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 schemes
The Group operates a defined benefit pension plan for eligible employees where contributions are made into a separate fund administered by Trustees. Until 23 March 2007 the Group operated three closed defined benefit pension plans. On 23 March 2007 these schemes were merged into one defined benefit pension plan.

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 Recognised Income and Expense in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan 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 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

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 by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. 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 or in the case of an instrument subject to a market condition, be treated as vesting as described above. 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, 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.

Shares to be awarded 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.

Treasury Shares

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 equity 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. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

1. Authorisation of Financial Statements and Accounting Policies continued

New Standards and Interpretations Not Applied

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

IFRS 8 (Operating Segments), effective for accounting periods beginning on or after 1 January 2009, requires disclosure on segments to be based on information presented to the Board. This is likely to alter the range of information being presented and the identification of disclosable segments. This will also require additional disclosure on how segment information in the financial statements has been measured.

Upon adoption of the revised IAS 1 (Presentation of Financial Statements), effective for accounting periods beginning on or after 1 January 2009, the Group will have to decide whether to rename the primary statements and whether to present the new 'Statement of Comprehensive Income' as a single statement replacing the Income Statement or as two statements.

IAS 23 (Borrowing Costs), effective for accounting periods beginning on or after 1 January 2009 will require directly attributable borrowing costs in connection with the acquisition or construction of certain assets to be capitalised. Previously this was optional and the Group has expensed these costs when incurred, except where connected to longer term development projects.

In addition, the following applicable standards and interpretations have been issued, none of which are anticipated to significantly impact the Group's results or assets and liabilities and are not expected to require significant additional disclosure:

International Accounting Standards	Effective date
• IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (amendment)	1 January 2009
• IFRS 2 Vesting Conditions and Cancellations (amendment)	1 January 2009
• IFRS 3 Business Combinations (revised January 2008)	1 July 2009
• IFRS 7 Financial Instruments: Disclosures (amendments)	1 January 2009
• IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
• IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (amendment)	1 January 2009
• IAS 39 Eligible Hedged Items (amendment)	1 July 2009
International Financial Reporting Interpretations Committee	
• IFRIC 13 Customer Loyalty Programmes	1 January 2009
• IFRIC 14 The Limit on a Defined Benefit Asset	1 January 2009

Significant Estimates and Judgements

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

The Group determines whether goodwill is impaired on an annual basis and this requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Full details are supplied in note 11.

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.

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 are provided in note 24.

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

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 27.

2. Segmental Analysis

Primary Reporting – Business Segments

For management purposes, the Group's business segments are Fuller's Inns, which comprises managed pubs and hotels, and tenanted and leased pubs; and the Fuller's Beer Company, which comprises brewing and distribution of beer, wines and spirits. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. More details of these segments are given in the Chairman's Statement on pages 2 to 11 of this report.

Transfer prices between business 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 business segments. Those transfers are eliminated on consolidation.

52 weeks ended 28 March 2009	Fuller's Inns £m	Fuller's Beer Company £m	Unallocated* £m	Total £m
Revenue				
Segment revenue	150.0	91.8	–	241.8
Inter-segment sales	–	(31.8)	–	(31.8)
Revenue from third parties	150.0	60.0	–	210.0
Operating profit before exceptional items	22.8	8.3	(2.1)	29.0
Operating exceptional items	(8.3)	(0.1)	–	(8.4)
Operating profit	14.5	8.2	(2.1)	20.6
Profit on disposal of properties	–	–	–	–
Segment result	14.5	8.2	(2.1)	20.6
Net finance costs				(6.2)
Profit before tax				14.4
Assets and liabilities				
Segment assets	319.1	48.8	12.0	379.9
Segment liabilities	(63.1)	(13.1)	(106.7)	(182.9)
Segment net assets	256.0	35.7	(94.7)	197.0
Other segment information				
Capital expenditure:				
Property, plant and equipment	20.5	3.7	–	24.2
Depreciation	8.9	2.1	–	11.0
Impairment losses on property	6.9	–	–	6.9
Impairment losses on goodwill	0.4	–	–	0.4

** Unallocated assets and liabilities represent the net of bank loans, debentures, corporation tax, deferred tax, cash at bank and assets held under central management. Unallocated expenses represent primarily the salary and costs of central management.*

Notes to the Financial Statements continued

2. Segmental Analysis continued

52 weeks ended 29 March 2008	Fuller's Inns £m	Fuller's Beer Company £m	Unallocated* £m	Total £m
Revenue				
Segment revenue**	146.3	87.7	–	234.0
Inter-segment sales**	–	(30.9)	–	(30.9)
Revenue from third parties**	146.3	56.8	–	203.1
Operating profit before exceptional items	23.9	8.0	(2.5)	29.4
Operating exceptional items	(2.1)	(2.4)	–	(4.5)
Operating profit	21.8	5.6	(2.5)	24.9
Profit on disposal of properties	4.4	0.9	–	5.3
Segment result	26.2	6.5	(2.5)	30.2
Net finance costs				(6.4)
Profit before tax				23.8
Assets and liabilities				
Segment assets	313.3	48.2	16.3	377.8
Segment liabilities	(63.0)	(11.9)	(105.2)	(180.1)
Segment net assets	250.3	36.3	(88.9)	197.7
Other segment information				
Capital expenditure:				
Property, plant and equipment	14.0	3.7	0.8	18.5
Depreciation	8.8	1.9	0.1	10.8
Impairment losses	0.1	–	–	0.1
Assets held for sale	1.8	–	–	1.8

** Unallocated assets and liabilities represent the net of bank loans, debentures, corporation tax, deferred tax, cash at bank and assets held under central management. Unallocated expenses represent primarily the salary and costs of central management.*

*** Revenue for the 52 weeks ended 29 March 2008 has been restated as a result of the change in revenue accounting policy for the 52 weeks ended 28 March 2009 (note 1). Segmental revenue for the 52 weeks ended 29 March 2008 was previously reported as follows:*

52 weeks ended 29 March 2008	*Fuller's Inns £m*	*Fuller's Beer Company £m*	*Unallocated £m*	*Total £m*
Revenue				
Segment revenue	*141.5*	*60.3*	*–*	*201.8*
Inter-segment sales	*–*	*(20.7)*	*–*	*(20.7)*
Revenue from third parties	*141.5*	*39.6*	*–*	*181.1*

Secondary Reporting Format – Geography

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

52 weeks ended 28 March 2009	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	**206.8**	**3.2**	**210.0**

Notes to the Financial Statements continued

2. Segmental Analysis continued

52 weeks ended 29 March 2008	UK £m	Rest of the World £m	Total £m
Revenue*			
Sales to external customers	200.9	2.2	203.1

* *Revenue for the 52 weeks ended 29 March 2008 has been restated as a result of the change in revenue accounting policy for the 52 weeks ended 28 March 2009 (note 1). UK sales to external customers for the 52 weeks ended 29 March 2008 was previously reported as £178.9 million.*

The Group's assets are all in the United Kingdom. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

All segment assets, liabilities and capital expenditure relates to the UK only (2009 and 2008).

3. Revenue

	2009 £m	Restated 2008 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods*	**202.4**	195.6
Rental income	**7.6**	7.5
Revenue	**210.0**	203.1

* *Sale of goods for the 52 weeks ended 29 March 2008 has been restated as a result of the change in revenue accounting policy for the 52 weeks ended 28 March 2009 (note 1). Sale of goods for the 52 weeks ended 29 March 2008 was previously reported as £173.6 million.*

4. Operating Costs

	2009 £m	Restated 2008 £m
Production costs and cost of goods used in retailing[1]	**68.6**	66.8
Change in stocks of finished goods and beer in progress	**0.3**	0.3
Write down of inventories to net realisable value	**–**	–
Staff costs	**52.0**	50.5
Repairs to properties	**5.3**	6.0
Depreciation of property, plant and equipment	**11.0**	10.8
Impairment of property, plant and equipment (non-exceptional)	**–**	0.1
Operating lease rentals – minimum lease payments	**5.6**	5.6
– contingent rents[2]	**1.0**	1.1
– less sub lease payments	**(0.5)**	(0.6)
Exceptional items (note 5)	**8.4**	4.5
Other	**37.7**	33.1
	189.4	178.2

[1] *Operating costs for the 52 weeks ended 29 March 2008 has been restated to include Excise Duty paid, as a result of the change in revenue accounting policy for the 52 weeks ended 28 March 2009 (note 1). Production costs and cost of goods used in retailing and total operating costs for the 52 weeks ended 29 March 2008 were previously reported as £44.8 million and £156.2 million respectively.*

[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.

Notes to the Financial Statements continued

4. Operating Costs continued

a) Auditors' Remuneration	2009 £m	2008 £m
Fee payable to Company's auditors:		
Statutory audit fees of Group financial statements	0.1	0.1
Statutory audit fees of subsidiaries	–	–
Tax compliance and advisory services	–	0.1
	0.1	0.2

Total non-audit fees, relating to tax and covenants review, did not exceed £50,000 for the 52 weeks ended 28 March 2009.

b) Staff Costs*	2009 £m	2008 £m
Wages and salaries**	46.8	44.6
Social security costs	3.7	3.6
Pension benefits	1.5	2.3
	52.0	50.5

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

c) Average Number of Employees*

The average monthly number of persons employed by the Group (including part-time staff) was as follows:	2009 Number	2008 Number
Fuller's Inns	2,614	2,761
Fuller's Beer Company	296	292
Central Services	13	14
	2,923	3,067

* *Includes Executive Directors.*

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 29 to 39. Four Directors had benefits accruing under defined benefit pension schemes at the end of the year (2008: five). One Director had benefits accruing under the Company's defined contribution scheme at the end of the year (2008: one).

5. Exceptional Items

	2009 £m	2008 £m
Amounts included in operating profit:		
Impairment of properties	(6.9)	–
Impairment of goodwill	(0.4)	–
Onerous lease charge	(0.8)	(2.1)
Reorganisation costs	(0.3)	–
Past service cost in respect of pension liability	–	(2.4)
	(8.4)	(4.5)
Profit on disposal of properties	–	5.3
Total exceptional items before tax	(8.4)	0.8

5. Exceptional Items continued

	2009 £m	2008 £m
Exceptional tax:		
Phased withdrawal of Industrial Buildings Allowance (note 8)	**(1.2)**	–
Change in corporation tax rate (note 8)	**–**	2.4
Profit on disposal of properties	**–**	(1.6)
Operating expenses	**2.3**	1.3
Total exceptional tax	**1.1**	2.1
Total exceptional items	**(7.3)**	2.9

The property impairment charge of £6.9 million during the 52 weeks ended 28 March 2009 relates to the £6.2 million write down of licensed properties and the £0.7 million write down of investment properties to their recoverable value (see notes 12 and 13).

The goodwill impairment charge of £0.4 million during the 52 weeks ended 28 March 2009 relates to the write down of goodwill in relation to the Jacomb Guinness cash-generating unit where the total asset values exceeded their value in use (note 11).

The onerous lease charge of £2.1 million during the 52 weeks ended 29 March 2008 relates to a provision made in respect of leasehold properties which were trading at a loss and which the Directors do not expect to become profitable in the future. The onerous lease charge of £0.8 million during the 52 weeks ended 28 March 2009 relates to additional provisions made in respect of leasehold properties.

The reorganisation costs of £0.3 million during the 52 weeks ended 28 March 2009 were incurred within Fuller's Inns and the Fuller's Beer Company and relate principally to staff costs.

The past service cost of £2.4 million during the 52 weeks ended 29 March 2008 relates to the recognition of a liability for unfunded pensions paid to former employees where the Directors had previously taken the decision to expense as incurred. The Directors reassessed the accounting treatment and now consider that a constructive obligation exists and have accounted for these payments on a defined benefit basis. The charge represents the recognition of the actuarial liability at 29 March 2008.

The profit on disposal of properties of £5.3 million during the 52 weeks ended 29 March 2008 relates to the disposal of nine licensed and unlicensed properties.

6. Finance Revenue

	2009 £m	2008 £m
Interest receivable from:		
Cash and cash equivalents	**0.2**	0.1
Finance income on net pension liabilities	**–**	0.2
	0.2	0.3

7. Finance Costs

	2009 £m	2008 £m
Interest expense arising on:		
Financial liabilities at amortised cost – borrowings	**5.7**	6.6
Financial liabilities at amortised cost – preference shares	**0.1**	0.1
Total interest expense for financial liabilities	**5.8**	6.7
Finance charge on net pension liabilities	**0.3**	–
Unwinding of discounts on provisions	**0.3**	–
	6.4	6.7

Notes to the Financial Statements continued

8. Taxation

a) Tax on Profit on Ordinary Activities

Group	2009 £m	2008 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	**6.8**	4.0
Amounts over provided in previous years	**–**	(0.5)
Total current income tax	**6.8**	3.5
Deferred tax:		
Origination and reversal of temporary differences	**(2.5)**	3.6
Credit in relation to change in corporation tax rate	**–**	(2.4)
Charge due to withdrawal of Industrial Buildings Allowances	**1.2**	–
Total deferred tax	**(1.3)**	1.2
Total tax charged in the Income Statement	**5.5**	4.7
Tax relating to items charged/(credited) to equity		
Deferred tax:		
Reduction in deferred tax liability due to indexation	**–**	(0.4)
Actuarial (losses)/gains on pension scheme	**(1.0)**	1.1
Financial assets and liabilities	**(0.5)**	(0.2)
Share-based payments	**0.3**	0.3
Charge in relation to change in corporation tax rate	**–**	0.3
Current tax:		
Share-based payments	**(0.2)**	(0.7)
Tax (credit)/charge included in the Statements of Recognised Income and Expense	**(1.4)**	0.4
Deferred tax in the Income Statement		
Accelerated tax depreciation	**(1.4)**	(1.9)
Rolled over capital gains	**–**	0.8
Retirement benefit obligations	**0.1**	2.0
Tax losses carried forward	**–**	0.3
	(1.3)	1.2

During the 52 weeks ended 28 March 2009, the Finance Act 2008 was "substantively enacted". The impact relates to the phased withdrawal of Industrial Buildings Allowances. A charge of £1.2 million has been recognised as an exceptional cost and reflects the loss of allowances in future periods (note 5).

During the 52 weeks ended 29 March 2008, the Finance Act 2007 was enacted. The main impact was that the rate of UK corporation tax reduced from 30% to 28% from 1 April 2008. To the extent that this rate change affects the amount of future cash tax payments to be made by the Group, this has reduced the size of both the Group's balance sheet deferred tax liability and deferred tax asset. The impact for the 52 weeks ended 29 March 2008 was a credit to the Income Statement of £2.8 million, of which £2.4 million has been recognised as an exceptional item (note 5), and a further charge to equity of £0.3 million.

8. Taxation continued

b) Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is higher (2008: lower) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are reconciled below:

Group	2009 £m	2008 £m
Profit from continuing operations before taxation	14.4	23.8
Accounting profit multiplied by the UK standard rate of corporation tax of 28% (2008: 30%)	4.0	7.1
Items not deductible for tax purposes	0.2	0.9
Current and deferred tax overprovided in previous years	–	(0.5)
Deferred tax provided for at 28% of corporation tax	–	(2.8)
Charge due to withdrawal of Industrial Buildings Allowances	1.2	–
Other	0.1	–
Total tax charged in the Income Statement	**5.5**	4.7

c) Tax Consequences Arising from the Payment of Dividends

There are no tax consequences attaching to the payment of dividends by the Group to its shareholders.

9. Earnings Per Share

	2009 £m	2008 £m
Profit attributable to equity shareholders	**8.9**	19.1
Exceptional items net of tax	7.3	(2.9)
Adjusted earnings attributable to equity shareholders	**16.2**	16.2

	Number	Number
Weighted average share capital	**55,624,000**	55,812,000
Dilutive outstanding options and share awards	613,000	724,000
Diluted weighted average share capital	**56,237,000**	56,536,000

40p 'A' ordinary share or 40p 'C' ordinary share	2009 Pence	2008 Pence
Basic earnings per share	16.00	34.33
Diluted earnings per share	15.83	33.89
Adjusted earnings per share	29.12	29.15
Diluted adjusted earnings per share	28.81	28.78

4p 'B' ordinary share	Pence	Pence
Basic earnings per share	1.60	3.43
Diluted earnings per share	1.58	3.39
Adjusted earnings per share	2.91	2.92
Diluted adjusted earnings per share	2.88	2.88

During the prior year the shareholders of the Company agreed a sub-division of each of the three classes of ordinary shares ('the share split'). Every two £1 'A' ordinary or £1 'C' ordinary shares became five new 40p 'A' ordinary or 40p 'C' ordinary shares and every two 10p 'B' ordinary shares became five 4p 'B' shares. This was completed on 6 August 2007.

For the purposes of calculating the number of shares to be used above, 'B' shares have been treated as one tenth of 'A' or 'C' shares.

The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 1,360,363 (2008: 1,158,901).

9. Earnings Per Share continued

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 28 March 2009 £m	52 weeks ended 29 March 2008 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2008: 6.90p (2007: 6.50p)	3.8	3.6
Interim dividend for 2009: 2.85p (2008: 2.80p)	1.6	1.6
Equity dividends paid	5.4	5.2
Dividends on cumulative preference shares (note 7)	0.1	0.1
Proposed for approval at the AGM:		
Final dividend 2009: 7.00p (2008: 6.90p)	3.9	3.8

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 Fuller, Smith & Turner P.L.C. Employee Share Trust 1998 do not qualify for dividends as the Trustees have waived their rights. Dividends are also not paid on own shares held as treasury shares.

11. Goodwill

Group	Cost £m	Provision £m	Net book value £m
At 31 March 2007 and 29 March 2008	24.5	–	24.5
Impairment loss	–	(0.4)	(0.4)
At 28 March 2009	24.5	(0.4)	24.1

Key Assumptions Used in Value In Use Calculations

Goodwill acquired through business combinations has been allocated for impairment testing on an estate cash-generating unit level. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Recoverable amount is based on a calculation of value in use based upon the budget for the forthcoming financial year approved by senior management. Cash flows beyond the budget period are extrapolated up to 5 years with a terminal value then calculated on the assumption that the growth rate does not exceed 2.5% (2008: 3.0%). This 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 8.8% (2008: 9.0%) and is based upon the Directors' assessment of the Group's weighted average cost of capital and current market conditions.

The calculation of value in use is most sensitive to the assumptions in respect of growth rate and discount rate. The calculation of value in use is also dependent upon the following assumptions: sales volume; gross margin in managed premises; barrelage and rent projections in tenanted premises; and wage cost in managed premises.

Gross margins are based on historical performance levels. It has been assumed that any increase in excise duty will be reflected in an increase in sales price and hence will have no effect on cash margins.

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

11. Goodwill continued

Cash-Generating Units

The carrying amount of goodwill is allocated to cash-generating units as: £22.7 million to the Gales estate; and £1.4 million to the Jacomb Guinness estate at 28 March 2009 (2008: £22.7 million Gales and £1.8 million Jacomb Guinness).

Impairment

An impairment charge of £0.4 million has been recognised during the 52 weeks ended 28 March 2009 in respect of the write down of the goodwill in relation to the Jacomb Guinness cash-generating unit where the total asset values exceeded their value in use.

Sensitivity to Changes in Assumptions

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

Increasing the discount rate used in the Jacomb Guinness cash-generating unit goodwill impairment calculations for the year ended 28 March 2009 by 1% would cause an additional risk of impairment of £0.9 million. Decreasing the discount rate used by 1% would correspondingly reduce the assets at risk of impairment by £1.2 million. Increasing the growth rate used in the goodwill impairment calculations for the year ended 28 March 2009 by 0.5% would reduce the assets at risk of impairment by £0.6 million. Decreasing the growth rate used by 0.5% would correspondingly cause an additional risk of impairment of £0.5 million. There is no impairment to the Gales cash-generating unit at 28 March 2009 and applying the same changes in assumptions there would be no risk of impairment.

12. Property, Plant and Equipment

	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Group: Cost				
At 31 March 2007	272.9	24.4	69.8	367.1
Additions	9.3	1.5	8.1	18.9
Disposals	(1.5)	(0.8)	(1.2)	(3.5)
Transfer to investment property	(0.5)	–	–	(0.5)
Transfer from assets held for sale	1.2	–	–	1.2
Transfer to assets held for sale	(1.8)	–	(0.1)	(1.9)
At 29 March 2008	279.6	25.1	76.6	381.3
Additions	13.2	2.2	7.4	22.8
Disposals	(0.4)	(0.2)	(1.6)	(2.2)
Transfer from assets held for sale	1.8	–	0.1	1.9
At 28 March 2009	**294.2**	**27.1**	**82.5**	**403.8**
Group: Depreciation and impairment				
At 31 March 2007	9.3	14.6	36.1	60.0
Provided during the year	1.7	1.4	7.7	10.8
Impairment loss	–	–	0.1	0.1
Disposals	(0.1)	(0.7)	(0.8)	(1.6)
Transfer to assets held for sale	(0.1)	–	–	(0.1)
At 29 March 2008	10.8	15.3	43.1	69.2
Provided during the year	1.8	1.4	7.8	11.0
Impairment loss	6.1	–	0.1	6.2
Disposals	–	(0.2)	(1.2)	(1.4)
Transfer from assets held for sale	0.1	–	–	0.1
At 28 March 2009	**18.8**	**16.5**	**49.8**	**85.1**
Net book value at 28 March 2009	**275.4**	**10.6**	**32.7**	**318.7**
Net book value at 29 March 2008	268.8	9.8	33.5	312.1
Net book value at 31 March 2007	263.6	9.8	33.7	307.1

12. Property, Plant and Equipment continued

	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Company: Cost				
At 31 March 2007	272.8	24.3	68.3	365.4
Additions	9.3	1.5	8.1	18.9
Disposals	(1.5)	(0.8)	(1.2)	(3.5)
Transfer to investment property	(0.5)	–	–	(0.5)
Transfer to assets held for sale	(1.8)	–	(0.1)	(1.9)
At 29 March 2008	278.3	25.0	75.1	378.4
Additions	13.2	2.2	7.4	22.8
Disposals	(0.4)	(0.2)	(1.6)	(2.2)
Transfer from assets held for sale	1.8	–	0.1	1.9
At 28 March 2009	**292.9**	**27.0**	**81.0**	**400.9**
Company: Depreciation and impairment				
At 31 March 2007	9.2	14.6	34.5	58.3
Provided during the year	1.7	1.4	7.7	10.8
Impairment loss	–	–	0.1	0.1
Disposals	(0.1)	(0.7)	(0.8)	(1.6)
Transfer to assets held for sale	(0.1)	–	–	(0.1)
At 29 March 2008	10.7	15.3	41.5	67.5
Provided during the year	1.8	1.4	7.8	11.0
Impairment loss	6.1	–	0.1	6.2
Disposals	–	(0.2)	(1.2)	(1.4)
Transfer to assets held for sale	0.1	–	–	0.1
At 28 March 2009	**18.7**	**16.5**	**48.2**	**83.4**
Net book value at 28 March 2009	**274.2**	**10.5**	**32.8**	**317.5**
Net book value at 29 March 2008	267.6	9.7	33.6	310.9
Net book value at 31 March 2007	263.6	9.7	33.8	307.1

Group and Company

The amount of interest capitalised during the 52 weeks ended 28 March 2009 was £60,000 (2008: £4,000), bringing the total amount of capitalised interest to date to £64,000 (2008: £4,000).

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 28 March 2009, the Group suffered an impairment loss of £6.2 million in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use. The impairment losses were driven principally by high individual asset prices in the market at the point of acquisition based on anticipated higher growth rates than are now expected and changes in the local competitive environment in which the pubs are situated. The key assumptions used in the value in use calculations are those detailed in note 11 except that the pre-tax discount rate used for leasehold properties was 10.3%.

During the 52 weeks ended 29 March 2008 the Group provided for a number of onerous leases and suffered an impairment loss of £0.1 million in respect of plant and equipment used in these properties.

Notes to the Financial Statements continued

12. Property, Plant and Equipment continued

Increasing the discount rate used in the impairment calculations for the year ended 28 March 2009 by 1% would cause an additional risk of impairment of £4.8 million. Decreasing the discount rate used by 1% would correspondingly reduce the assets at risk of impairment by £2.7 million. Increasing the growth rate used in the impairment calculations for the year ended 28 March 2009 by 0.5% would reduce the assets at risk of impairment by £1.4 million. Decreasing the growth rate used by 0.5% would correspondingly cause an additional risk of impairment of £2.2 million.

13. Investment Properties

	Group Freehold & leasehold properties £m	Company Freehold & leasehold properties £m
Cost		
At 31 March 2007	4.1	4.1
Transfer from property, plant and equipment	0.5	0.5
Transfer from assets held for sale	4.2	0.1
At 29 March 2008	8.8	4.7
Additions	0.5	0.5
At 28 March 2009	**9.3**	**5.2**
Depreciation and impairment		
At 31 March 2007	0.1	0.1
Provided during the year	–	–
At 29 March 2008	0.1	0.1
Provided during the year	–	–
Impairment loss	0.7	0.7
At 28 March 2009	**0.8**	**0.8**
Net book value at 28 March 2009	**8.5**	**4.4**
Net book value at 29 March 2008	8.7	4.6
Net book value at 31 March 2007	4.0	4.0
Fair value at 28 March 2009	**13.4**	**7.7**
Fair value at 29 March 2008	13.0	8.9
Fair value at 31 March 2007	7.7	7.7

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

The properties are let on both landlord and tenant repairing leases.

Impairment

The Group considers each trading outlet to be a cash-generating unit ("CGU") and each CGU is reviewed annually for indicators of impairment.

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

During the 52 weeks ended 28 March 2009, the Group suffered an impairment loss of £0.7 million in respect of the write down of investment properties where their asset values exceeded their fair value less costs to sell.

Notes to the Financial Statements continued

13. Investment Properties continued

Amounts recognised in the profit for the financial year relating to investment properties are as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Rental income	**0.4**	0.5	**0.4**	0.4
Direct operating expenses	**(0.1)**	(0.1)	**(0.1)**	(0.1)

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

14. Derivative Financial Instruments

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Interest rate swap	**–**	0.2	**–**	0.1
Interest rate cap	**–**	0.1	**–**	0.1
Total financial assets	**–**	0.3	**–**	0.2

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Interest rate swap	**(1.5)**	–	**(1.1)**	–
Interest rate cap	**–**	–	**–**	–
Total financial liabilities	**(1.5)**	–	**(1.1)**	–

Details of the interest rate swap and cap are provided in note 28.

15. Other Non-Current Assets

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Loans to customers due after one year	**0.4**	0.7	**0.4**	0.7
Non-current portion of lease premiums	**0.2**	0.2	**0.2**	0.2
	0.6	0.9	**0.6**	0.9

16. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net book value £m
At 31 March 2007, 29 March 2008 and at 28 March 2009	**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. Inventories

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Raw materials, beer in progress	**0.7**	0.8	**0.7**	0.8
Beer, wines and spirits	**3.8**	3.5	**3.8**	3.5
Stock at retail outlets	**1.6**	1.5	**1.6**	1.5
	6.1	5.8	**6.1**	5.8

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

18. Trade and Other Receivables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Trade receivables	**12.8**	12.8	**12.8**	12.8
Other receivables	**1.6**	1.0	**1.6**	1.0
Prepayments and accrued income	**1.6**	1.9	**1.6**	1.9
	16.0	15.7	**16.0**	15.7

The trade receivables balance above is shown net of the provision for impairment losses. 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 allowance account during the year are summarised below:

Group and Company	2009 £m	2008 £m
Trade receivables provision at 29 March 2008	**0.6**	0.9
Increase in provision recognised in profit and loss	**0.6**	0.2
Amounts written off during the year	**(0.2)**	(0.5)
Trade receivables provision at 28 March 2009	**1.0**	0.6

Impairment losses on trade receivables are recorded in the accounts separately from the gross receivable. The contractual ageing of the trade receivables balance is as follows:

Group and Company	2009 £m	2008 £m
Current	**13.0**	12.0
Overdue up to 30 days	**0.2**	0.8
Overdue between 30 and 60 days	**0.1**	0.3
Overdue more than 60 days	**0.5**	0.3
Less provision	**(1.0)**	(0.6)
Trade receivables net of provision	**12.8**	12.8

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.1 million (2008: £0.9 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 £0.2 million (2008: £0.2 million) due within one year and £0.5 million (2008: £0.7 million) due in more than one year, against which there is a provision of £0.2 million (2008: £0.2 million).

Notes to the Financial Statements continued

19. Cash and Short Term Deposits

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash at bank and in hand	**0.9**	3.9	**0.9**	3.9

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash at bank and in hand	**0.9**	3.9	**0.9**	3.9

At 28 March 2009, the Group had available £27.5 million (2008: 30.0 million) of undrawn committed loan facilities. These facilities are available until November 2010.

Cash at bank earns interest at floating rates.

20. Assets Classified as Held For Sale

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Property, plant and equipment	**–**	1.8	**–**	1.8

At 29 March 2008 the Group and Company had two properties that were in advanced stages of the sales process and were expected to be completed in the next financial year. All of the properties were expected to result in a profit on sale, however no provision was made for this at the balance sheet date. The sales process for both these properties did not subsequently result in completion and as such both properties were transferred back to property, plant and equipment during the 52 weeks ended 28 March 2009.

21. Trade and Other Payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Due within one year:				
Trade payables	**12.8**	14.3	**12.8**	14.3
Amounts due to subsidiary undertakings	**–**	–	**89.1**	85.0
Other tax and social security	**6.0**	5.7	**6.0**	5.7
Other payables*	**5.0**	5.1	**5.0**	5.1
Accruals	**9.8**	7.9	**9.8**	7.9
	33.6	33.0	**122.7**	118.0

** For the 52 weeks ended 29 March 2008 the current portion of provisions of £0.3 million was included in other payables. This has now been shown separately in note 26.*

Amounts due to subsidiary undertakings included in Company trade and other payables of £89.1 million (2008: £85.0 million) have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate.

22. Bank Loans and Loan Notes

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Bank loans	**65.2**	69.0	**55.2**	59.0
Loan notes issued on acquisition of subsidiary	**1.3**	1.8	**1.3**	1.8

The bank loans were taken out to fund the acquisition of Gales. They are unsecured, and are repayable as shown in the table below. Interest is payable at LIBOR plus a margin, which was 0.5% at 28 March 2009 (2008: 0.5%). The variable rate interest payments under the loans have been partially swapped for fixed interest payments and a proportion of the remaining variable rate interest payments have also been capped. Details of the swap and cap arrangements are given in note 28. These facilities are available until November 2010.

All loan notes at 28 March 2009 and 29 March 2008 are repayable within one year. The Group pays interest on the loan notes at 0.75% below 6 month LIBOR, on 1 June and 1 December each year. They were redeemable at par at the option of the loan note holders on 1 December 2006, and are now redeemable at any interest payment date thereafter. The Company has the option to redeem any loan notes at par after 1 December 2006, if the aggregate amount of notes in issue is less than £2 million. If any notes remain at 23 October 2010, then they will be redeemed at par by the Company on that date. The loan notes are issued in £1 denominations.

Bank Loans	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
The borrowings are repayable as follows:				
On demand or within one year	**7.5**	6.3	**7.5**	6.3
In the second year	**57.7**	7.5	**47.7**	7.5
In the third to fifth years inclusive	**–**	55.2	**–**	45.2
	65.2	69.0	**55.2**	59.0
Less: amount due for settlement within 12 months (shown under current liabilities)	**(7.5)**	(6.3)	**(7.5)**	(6.3)
Non-current liabilities	**57.7**	62.7	**47.7**	52.7

Loans at both year ends are denominated in Sterling.

Further information on borrowings is given in note 28.

23. Debenture Stock

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Debenture stock:				
11.50% 1st Mortgage Debenture Stock 2010	**1.2**	1.2	**1.2**	1.2
10.70% 1st Mortgage Debenture Stock 2023	**6.0**	6.0	**6.0**	6.0
6.875% Debenture Stock 2028 (1st floating charge)	**19.9**	19.9	**19.9**	19.9
Less: 2028 debenture issue costs	**(0.1)**	(0.1)	**(0.1)**	(0.1)
	27.0	27.0	**27.0**	27.0
Analysis of repayments:				
Debenture stock repayable between one and two years	**1.2**	–	**1.2**	–
Debenture stock repayable between two and five years	**–**	1.2	**–**	1.2
Debenture stock repayable after five years	**25.8**	25.8	**25.8**	25.8
	27.0	27.0	**27.0**	27.0

The debenture stocks are secured on specified fixed and floating assets of the Company and are redeemable on maturity (see note 28).

Notes to the Financial Statements continued

24. Pensions

a) Retirement Benefit Plans – Group and Company

Since 23 March 2007 the Group has operated 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 defined benefit scheme in 2001.

The Group also pays benefits to a number of former employees which are unfunded. Until the 52 weeks ended 29 March 2008 the cost of these benefits was expensed as incurred. The Directors now consider these benefits to be defined benefit in nature and recognised the full defined benefit liability from 29 March 2008.

Special Contributions

In April 2007 a special payment of £8 million was made, reducing the deficit of the merged defined benefit scheme at 29 March 2008.

Group and Company Total amounts charged in respect of pensions in the period	2009 £m	2008 £m
Charged to income statement:		
Defined benefit scheme – operating profit before exceptional items	**1.4**	2.0
Defined benefit scheme – exceptional items	**–**	2.4
Defined benefit scheme – net finance charge/(income)	**0.3**	(0.2)
Defined contribution schemes – total operating charge	**0.1**	0.1
	1.8	4.3
Charge/credit to equity:		
Defined benefit scheme – net actuarial losses/(gains)	**3.5**	(4.3)
Total pension charge	**5.3**	–

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. These pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

Notes to the Financial Statements continued

24. Pensions continued

c) Defined Benefit Plan – Group and Company

The merged defined benefit plan was actuarially assessed as at 28 March 2009, using the projected unit credit method.

The merged 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 2009 valuation of the Plan are set out below:

	2009 Years	2008 Years
Current pensioners (at 65) – males	**20.4**	20.4
Current pensioners (at 65) – females	**23.4**	23.4
Future pensioners (at 65) – males	**21.3**	21.3
Future pensioners (at 65) – females	**24.2**	24.2

The assumptions for future pensioners are based on the average current age of the active population, which is 52 years for male members of the scheme (2008: 52) and 51 years for female members (2008: 51).

Key financial assumptions used in the valuation of the scheme	At 28 March 2009	At 29 March 2008
Rate of increase in salaries	**3.20%**	3.80%
Rate of increase in pensions in payment	**2.70%**	3.30%
Discount rate	**6.70%**	6.30%
Inflation assumption	**2.70%**	3.30%

The present value of the scheme liabilities is sensitive to the assumptions used. An increase in the rate of increase in salaries of 0.5% would increase the scheme deficit by £1.1 million; an increase in the rate of increase of pensions in payment of 0.5% would increase the scheme deficit by £2.2 million; an increase in the discount rate of 1.0% would reduce the deficit in the scheme by £8.3 million; and an increase in the inflation assumption of 0.5% would increase the deficit by £0.9 million.

Assets in the scheme and the expected rate of return	Value at 28 March 2009 £m	Long term rate of return expected at 28 March 2009 %	Value at 29 March 2008 £m	Long term rate of return expected at 29 March 2008 %
Bonds – Government	**10.1**	**3.70%**	8.1	4.50%
Bonds – Corporate	**9.9**	**6.70%**	–	6.30%
Equities	**27.6**	**7.00%**	36.8	7.00%
Property	**0.7**	**7.00%**	0.8	7.00%
Cash	**3.0**	**2.00%**	14.6	5.50%
Annuities	**0.8**	**6.70%**	0.9	6.30%
Total market value of assets	**52.1**	**6.01%**	61.2	6.32%

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of plan assets	**52.1**	61.2	52.3	45.2	25.7
Present value of scheme liabilities	**(60.5)**	(66.6)	(68.3)	(66.8)	(39.0)
Deficit in the scheme	**(8.4)**	(5.4)	(16.0)	(21.6)	(13.3)

Included within the total present value of scheme liabilities of £60.5 million (2008: £66.6 million) are liabilities of £2.8 million (2008: £3.3 million) which are entirely unfunded.

24. Pensions continued

Group and Company Analysis of the amount charged to operating profit	2009 £m	2008 £m
Current service cost of defined benefit scheme	1.4	2.0
Past service cost	–	2.4
Total operating charge	1.4	4.4

Group and Company Analysis of the amount charged to other finance expense	2009 £m	2008 £m
Expected return on pension scheme assets	(3.8)	(3.8)
Interest on pension scheme liabilities	4.1	3.6
Net charge/(income)	0.3	(0.2)

Group and Company Movements in the fair value of scheme assets during the year	2009 £m	2008 £m
Fair value at beginning of the year	61.2	52.3
Expected return on scheme assets	3.8	3.8
Actuarial losses	(13.7)	(4.0)
Employer contributions	1.7	2.5
Employer special contributions	0.5	8.0
Employee contributions	0.6	0.6
Benefits paid	(2.0)	(2.0)
Fair value at the end of the year	52.1	61.2

Group and Company Movements in the present value of defined benefit obligations during the year	2009 £m	2008 £m
Present value of obligation at beginning of the year	(66.6)	(68.3)
Service cost	(1.4)	(2.0)
Interest cost	(4.1)	(3.6)
Employee contributions	(0.6)	(0.6)
Benefits paid	2.0	2.0
Past service cost	–	(2.4)
Actuarial gains	10.2	8.3
Present value of obligation at the end of the year	(60.5)	(66.6)

Group and Company The analysis of the actuarial (losses)/gains in the Statement of Recognised Income and Expense	Company 2009 £m	Company 2008 £m
Actual return less expected return on pension scheme assets	(13.7)	(4.0)
Experience losses arising on the scheme liabilities	0.3	0.5
Changes in assumptions underlying the present value of the scheme liabilities	9.9	7.8
Actuarial (losses)/gains	(3.5)	4.3

Notes to the Financial Statements continued

24. Pensions continued

History of Experience Gains and Losses

A five year history is presented below:

Group	2009	2008	2007	2006	2005
Difference between actual and expected returns on assets (£ million)	**(13.7)**	(4.0)	0.5	6.5	0.9
% of scheme assets	**(26.2%)**	(6.5%)	1.0%	14.4%	3.5%
Experience gains/(losses) on liabilities (£ million)	**0.3**	0.5	(1.0)	(0.2)	(0.5)
% of scheme liabilities	**0.6%**	0.8%	(1.5%)	(0.3%)	(1.3%)
Total actuarial (losses)/gains (£ million)	**(3.5)**	4.3	2.6	(1.4)	(2.4)
% of scheme liabilities	**(5.7%)**	6.5%	3.8%	(2.1%)	(6.2%)

The cumulative amount of actuarial losses recognised since 28 March 2004 in the Group Statement of Recognised Income and Expenses is £0.4 million (2008: gain of £3.1 million).

Company	2009	2008	2007	2006	2005
Difference between actual and expected returns on assets (£ million)	**(13.7)**	(4.0)	0.5	5.1	0.9
% of scheme assets	**(26.2%)**	(6.5%)	1.0%	15.1%	3.5%
Experience gains/(losses) on liabilities (£ million)	**0.3**	0.5	(0.7)	(0.3)	(0.5)
% of scheme liabilities	**0.6%**	0.8%	(1.0%)	(0.5%)	(1.3%)
Total actuarial (losses)/gains (£ million)	**(3.5)**	4.3	2.0	(3.1)	(2.4)
% of scheme liabilities	**(5.7%)**	6.5%	2.9%	(6.3%)	(6.2%)

The cumulative amount of actuarial losses recognised since 28 March 2004 in the Company Statement of Recognised Income and Expense is £2.7 million (2008: gains of £0.8 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.

25. Preference Share Capital

Group and Company	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
Authorised share capital	Number 000s	Number 000s	Number 000s
Number authorised:			
At 31 March 2007, 29 March 2008 and at 28 March 2009	**400**	**1,200**	**1,600**
Monetary amount:	£m	£m	£m
At 31 March 2007, 29 March 2008 and at 28 March 2009	**0.4**	**1.2**	**1.6**
Issued and fully paid	Number 000s	Number 000s	Number 000s
Number in issue:			
At 31 March 2007, 29 March 2008 and at 28 March 2009	**400**	**1,200**	**1,600**
Monetary amount:	£m	£m	£m
At 31 March 2007, 29 March 2008 and at 28 March 2009	**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.

26. Provisions

Group and Company	£m
Onerous lease provision	
At 29 March 2008	2.0
Arising during the year (note 5)	0.8
Utilised	(0.3)
Unwinding of discount	0.3
At 28 March 2009	**2.8**

Analysed as:	2009 £m	2008 £m
Due within one year	**0.4**	0.3
Due in more than one year	**2.4**	1.7
	2.8	2.0

The onerous lease provision is recognised in respect of leasehold properties which are trading at a loss and which the Directors do not expect to become profitable in the future. Provision is made for the discounted value of the lower of the unavoidable lease costs or the losses expected to be incurred by the Company.

Notes to the Financial Statements continued

27. Deferred Tax

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

Group	Asset 2009 £m	Liability 2009 £m	Net 2009 £m	Asset 2008 £m	Liability 2008 £m	Net 2008 £m
Deferred tax						
Retirement benefit obligations	2.4	–	2.4	1.5	–	1.5
Tax losses carried forward	1.1	–	1.1	1.1	–	1.1
Employee share schemes	0.8	–	0.8	1.1	–	1.1
Accelerated tax depreciation	–	(23.6)	(23.6)	–	(25.1)	(25.1)
Rolled over capital gains	–	(14.0)	(14.0)	–	(14.0)	(14.0)
Financial liabilities/(assets)	0.4	–	0.4	–	(0.1)	(0.1)
Others	0.3	–	0.3	0.4	(0.1)	0.3
	5.0	(37.6)	(32.6)	4.1	(39.3)	(35.2)

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

Company	Asset 2009 £m	Liability 2009 £m	Net 2009 £m	Asset 2008 £m	Liability 2008 £m	Net 2008 £m
Deferred tax						
Retirement benefit obligations	2.4	–	2.4	1.5	–	1.5
Tax losses carried forward	0.8	–	0.8	0.8	–	0.8
Employee share schemes	0.8	–	0.8	1.1	–	1.1
Accelerated tax depreciation	–	(22.1)	(22.1)	–	(23.7)	(23.7)
Rolled over capital gains	–	(14.0)	(14.0)	–	(14.0)	(14.0)
Financial liabilities	0.3	–	0.3	–	–	–
Others	0.3	–	0.3	0.4	(0.2)	0.2
	4.6	(36.1)	(31.5)	3.8	(37.9)	(34.1)

28. 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 15.

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 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £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)	0.2	(0.8)	0.1
Retained earnings	173.3	172.8	157.8	160.9
Preference shares	1.6	1.6	1.6	1.6
	204.5	205.3	189.3	193.3

28. Financial Instruments 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 has an ongoing share buyback programme and spent cash of £2.2 million in the 52 weeks ended 28 March 2009 (2008: £4.0 million). The Board reviews the Group's dividend policy and funding requirements annually.

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 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current assets				
Derivative financial assets hedge accounted	–	0.3	–	0.2
Loans and other receivables in scope of IAS 39	0.4	0.7	0.4	0.7
	0.4	1.0	0.4	0.9
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	13.0	13.0	13.0	13.0
Cash and short term deposits	0.9	3.9	0.9	3.9
	13.9	16.9	13.9	16.9
Total financial assets	14.3	17.9	14.3	17.8
Current liabilities				
Carried at amortised cost:				
Trade and other payables in scope of IAS 39	22.6	22.2	111.7	107.2
Loans and borrowings	8.8	8.1	8.8	8.1
	31.4	30.3	120.5	115.3
Non-current liabilities				
Derivative financial liabilities hedge accounted	1.5	–	1.1	–
Carried at amortised cost:				
Loans and borrowings	84.7	89.7	74.7	79.7
Preference shares	1.6	1.6	1.6	1.6
	87.8	91.3	77.4	81.3
Total financial liabilities	119.2	121.6	197.9	196.6

28. 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's policy is to manage its cost of borrowings using a mixture of fixed and variable rates. 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. In addition, the fair value risk inherent in fixed rate borrowings can mean that the Group is exposed to unplanned costs if debt is paid off earlier than anticipated. On the other hand, 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 Group and Company's debentures totalling £27.0 million (2008: £27.0 million) are at fixed rates. The Group and Company's loan notes totalling £1.3 million (2008: £1.8 million) are at a floating rate which reprices every six months. The bank loans totalling £65.2 million (2008: £69.0 million) for the Group and £55.2 million (2008: £59.0 million) for the Company are at floating rates. The Group's policy is always to keep at least 50% of the outstanding debt at fixed or capped rates of interest, using interest rate swaps and caps agreed with other parties to generate the desired interest rate profile, agreeing to exchange, at specified intervals, the difference between fixed and variable interest amounts, calculated by reference to an agreed notional principal amount. At the year end 70% (2008: 84%) of the Group's bank loans and 64% (2008: 81%) of the Company's bank loans were at fixed or capped rates after taking account of interest rate swaps and caps.

Interest Rate Swap – Group and Company

The Group has entered into interest rate swap agreements in order to hedge the risk of variation in interest cash flows on its borrowings. At the balance sheet date £38.0 million (2008: £50.5 million) of the Group's borrowings were hedged by an interest rate swap at a blended fixed rate of 4.89% (2008: 4.89%). These swaps expire between September and November 2010. At the balance sheet date £28.0 million (2008: £40.5 million) of the Company's borrowings were hedged by an interest rate swap at a blended fixed rate of 4.88% (2008: 4.89%). These swaps expire between September and November 2010.

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 £7.5 million (2008: £7.5 million) of the Group's borrowings were hedged by an interest rate cap at a fixed rate of 4.89% (2008: 4.89%). This cap expires in November 2010.

Basis Swap – Group and Company

During the year the Group changed its borrowing period from three months to one month and entered into amortising basis swaps for a total of £55.5 million in order to hedge the associated risk. These swaps expire between May and June 2009. At the balance sheet date £45.5 million of Group borrowings remained hedged by the basis swap. £35.5 million of the Company borrowings remained hedged by the basis swap.

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. 3 month Sterling LIBOR rate during the 52 weeks ended 28 March 2009 ranged between 6.31% and 1.68%. The Directors consider 2% to be a reasonable possible increase in rates and a 1% movement to be a reasonable possible decrease in rates given the current economic conditions. The annualised effect of a 1% decrease in the interest rate at the balance sheet date on the floating rate debt at the balance sheet date would, all other variables being constant, have resulted in an increase in the Group's post-tax profit of less than £0.3 million (2008: £0.2 million) and the same increase to net equity (Company: increase of £0.7 million (2008: £1.0 million)). A 2% increase in the interest rate would, on the same basis, have decreased post-tax profit and net equity by £0.5 million (2008: £0.2 million) for the Group and £2.3 million (2008: £1.9 million) for the Company which has substantial interest bearing payables due to subsidiary companies (note 21).

28. Financial Instruments continued

(ii) Foreign Currency Risk

The Group buys and sells goods and services denominated in non-sterling currencies principally US dollar and Euro. As a result, movements in exchange rates can affect the value of the Group's revenues and purchases.

The Group minimises its transactional currency exposures in non-sterling currencies. It buys or sells forward the net known value of all committed purchase or sales orders. From time to time, the Executive Directors will agree to buy or sell a proportion of the estimated sale or buy orders for the remaining part of the year. Forward currency contracts must be in the same currency as the hedged items. The Group does not trade in forward currency hedges.

The Group has transactional currency exposures principally in US dollars (US$), Euro (€) and Australian dollars (AUS$). Such exposures arise from sales or purchases in currencies other than Sterling. The Group policy on covering foreign currency exposure is included in the Financial Review's discussion of financial risks and treasury policies on page 15.

At 28 March 2009 the Group and Company had forward contracts open to sell US$0.7 million (2008: US$0.2 million), to buy €0.6 million (2008: €0.3 million) and to buy AUS$ nil (2008: AUS$0.1 million). These have a Sterling equivalent of £0.5 million, £0.6 million and £nil respectively (2008: £0.1 million, £0.2 million and £0.1 million respectively) and a net loss of £nil (2008: loss of £nil) when comparing the contractual rates with the year-end exchange rates.

At 28 March 2009 the only significant foreign currency assets or liabilities were the following bank deposits:

Group and Company	2009 £m	2008 £m
Euro	**0.2**	0.6
US dollars	**0.1**	–
Australian dollars	**–**	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. The largest part of the Group's revenue is in the retail sector where it is illegal to sell alcohol in licensed premises to customers on deferred credit terms.

Cash deposits with financial institutions and derivative transactions are only permitted with first class financial institutions approved by both the Finance Director and a Non Executive Director.

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Trade and other receivables

The Group records impairment losses on its trade receivables separately from gross receivables. Further detail is included in note 18.

(iv) Liquidity Risk

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

The Group has a mixture of long and short term borrowings and overdraft facilities. 29% (2008: 28%) of the Group's borrowings are repayable over five years, nil (2008: nil) between three and five years. The Group's principal loan facilities expire in November 2010.

Notes to the Financial Statements continued

28. Financial Instruments continued

Excess cash is of a short term nature and is placed on deposit with financial institutions.

The tables below summarise the maturity profile of the Group's financial liabilities at 28 March 2009 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the balance sheet date.

Group at 28 March 2009	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings[1]	–	6.2	6.9	68.4	50.9	**132.4**
Preference shares[3]	–	–	0.1	0.5	3.4	**4.0**
Trade and other payables	6.9	15.7	–	–	–	**22.6**
[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	0.6	0.5	–	**1.4**

Group at 29 March 2008	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings[1]	–	5.8	7.9	77.2	53.0	143.9
Preference shares[3]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	8.0	14.2	–	–	–	22.2
[1] Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	(0.2)	(0.5)	(1.0)	–	(1.7)

Company at 28 March 2009	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings[1]	–	6.0	6.5	58.0	50.9	**121.4**
Amounts due to subsidiary undertakings[2]	89.1	–	–	–	–	**89.1**
Preference shares[3]	–	–	0.1	0.5	3.4	**4.0**
Trade and other payables	6.9	15.7	–	–	–	**22.6**
[1] Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	0.2	0.4	0.3	–	**0.9**

Company at 29 March 2008	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings[1]	–	5.6	7.5	66.4	53.1	132.6
Amounts due to subsidiary undertakings[2]	85.0	–	–	–	–	85.0
Preference shares[3]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	8.0	14.2	–	–	–	22.2
[1] Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	(0.1)	(0.4)	(0.8)	–	(1.3)

[2] Amounts due to subsidiary undertakings have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate.
[3] The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the balance sheet date but no further.

Security – Group and Company

The 11.5% debentures 2010 and the 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £16.5 million (2008: £16.3 million). The 6.875% debentures 2028 are secured by a floating charge over the assets of the Company.

28. Financial Instruments continued

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 and minimum net assets and net assets to debt ratios.

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 2009 £m	Book value 2008 £m	Fair value 2009 £m	Fair value 2008 £m
Financial assets				
Cash	**0.9**	3.9	**0.9**	3.9
Trade and other receivables due within one year in scope of IAS 39	**13.0**	13.0	**13.0**	13.0
Loans and other receivables due in more than one year in scope of IAS 39	**0.4**	0.7	**0.4**	0.7
Interest rate swap	**–**	0.2	**–**	0.2
Interest rate cap	**–**	0.1	**–**	0.1
Financial liabilities				
Trade and other payables in scope of IAS 39	**(22.6)**	(22.2)	**(22.6)**	(22.2)
Fixed rate borrowings	**(27.0)**	(27.0)	**(30.7)**	(29.6)
Floating rate borrowings	**(65.2)**	(69.0)	**(65.2)**	(69.0)
Loan notes	**(1.3)**	(1.8)	**(1.3)**	(1.8)
Preference shares	**(1.6)**	(1.6)	**(1.8)**	(1.9)
Interest rate swap	**(1.5)**	–	**(1.5)**	–

Company	Book value 2009 £m	Book value 2008 £m	Fair value 2009 £m	Fair value 2008 £m
Financial assets				
Cash	**0.9**	3.9	**0.9**	3.9
Trade and other receivables due within one year in scope of IAS 39	**13.0**	13.0	**13.0**	13.0
Loans and other receivables due in more than one year in scope of IAS 39	**0.4**	0.7	**0.4**	0.7
Interest rate swap	**–**	0.1	**–**	0.1
Interest rate cap	**–**	0.1	**–**	0.1
Financial liabilities				
Trade and other payables in scope of IAS 39	**(111.7)**	(107.2)	**(111.7)**	(107.2)
Fixed rate borrowings	**(27.0)**	(27.0)	**(30.7)**	(29.6)
Floating rate borrowings	**(55.2)**	(59.0)	**(55.2)**	(59.0)
Loan notes	**(1.3)**	(1.8)	**(1.3)**	(1.8)
Preference shares	**(1.6)**	(1.6)	**(1.8)**	(1.9)
Interest rate swap	**(1.1)**	–	**(1.1)**	–

28. Financial Instruments continued

The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of loan notes and preference shares have been calculated using the market interest rates. Derivative fair values are obtained from quoted market prices in active markets and, where these are not available, from valuation techniques including discounted cash flow models and option pricing models commonly used by market participants.

29. Share Capital

	'A' ordinary shares of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
Authorised share capital: Number authorised	Number 000s	Number 000s	Number 000s	Number 000s
At 31 March 2007	46,551	15,949	125,000	187,500
Share conversions	62	(62)	–	–
At 29 March 2008	46,613	15,887	125,000	187,500
Share conversions	77	(77)	–	–
At 28 March 2009	**46,690**	**15,810**	**125,000**	**187,500**
Authorised share capital: Monetary amount	£m	£m	£m	£m
At 31 March 2007	18.6	6.4	5.0	30.0
Share conversions	–	–	–	–
At 29 March 2008	18.6	6.4	5.0	30.0
Share conversions	–	–	–	–
At 28 March 2009	**18.6**	**6.4**	**5.0**	**30.0**
Issued and fully paid: Number in issue	Number 000s	Number 000s	Number 000s	Number 000s
At 31 March 2007	33,217	14,814	89,052	137,083
Share options exercised	50	–	–	50
Share conversions	62	(62)	–	–
At 29 March 2008	33,329	14,752	89,052	137,133
Share conversions	77	(77)	–	–
At 28 March 2009	**33,406**	**14,675**	**89,052**	**137,133**
Proportion of total equity shares at 28 March 2009	**24.4%**	**10.7%**	**64.9%**	**100%**
Issued and fully paid: Monetary amount	£m	£m	£m	£m
At 31 March 2007	13.3	5.9	3.6	22.8
Share options exercised	–	–	–	–
Share conversions	–	–	–	–
At 29 March 2008	13.3	5.9	3.6	22.8
Share conversions	–	–	–	–
At 28 March 2009	**13.3**	**5.9**	**3.6**	**22.8**

Comparative information at 31 March 2007 has been restated for the effects of the share split as if the share split had occurred on the first day of this period (see note 9).

29. Share Capital continued

During the year under the terms of the Savings Related Share Option Scheme, nil new 40p 'A' ordinary shares (2008: 2,538) were issued at an average price of £nil (2008: £2.09) and under the terms of the Executive Share Option Schemes, nil new 40p 'A' ordinary shares (2008: 47,520) were issued at an average price of £nil (2008: £2.31). The new shares issued under these option schemes resulted in a cash inflow of £nil million (2008: £0.1 million), of which £nil million (2008: £0.1 million) is represented by a movement in the share premium account.

The Company's preference shares are classified as non-current liabilities in accordance with IFRS (see note 25).

During the year, 77,707 40p 'C' ordinary shares (2008: 61,975) were converted to 40p 'A' ordinary shares at a ratio of 1:1.

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

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

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

30. Share Options and Share Schemes

The key points of each of the Group's shares schemes for grants up to 28 March 2009 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company.

Savings Related Share Option Scheme ("SAYE")

This scheme grants options over shares at a discount of 20% on the average market price over the three days immediately prior to the date of grant. Employees must save a regular amount each month. Savings are made over three or five years, at the participant's choice. The right to buy shares at the discounted price lasts for six months after the end of the savings contract. There are no performance conditions, other than continued employment.

Senior Executive Share Option Scheme

If growth in Earnings Per Share adjusted principally to exclude exceptional items ("Normalised EPS") exceeds growth in the Retail Price Index ("RPI") by 9% over the performance period of the option, then 40% of the award will vest. Vesting levels are then on a sliding scale, with 100% vesting occurring if growth in Normalised EPS exceeds growth in RPI by more than 21%. The performance period for the first grant under this scheme was five years. The performance period for subsequent grants is three years. Options must be exercised within five years of the end of the performance period for the first grant, and within seven years for subsequent grants.

Executive Share Option Scheme

The options vest if growth in Normalised EPS exceeds the growth in RPI by 9% or more, over the three year performance period of the option. The options must then be exercised within seven years after the end of the performance period.

30. Share Options and Share Schemes continued

LTIP

This plan awards free shares. Vesting is conditional on growth in Normalised EPS exceeding growth in RPI by 6% or more over the 3 year initial performance period of the option. Vesting levels are on a sliding scale from 25% up to 100%, if growth in Normalised EPS exceeds growth in RPI by 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. There are no performance conditions, other than continued employment. The life of each plan is five years, after which shares are released to participants.

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 28 March 2009 is £1.4 million (2008: £1.6 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.

Market Value

The market value of the shares at 28 March 2009 was £3.88 (2008: £5.58).

a) Save As You Earn

	2009 Number 000's	2009 WAEP	2008 Number 000's	2008 WAEP
Outstanding at beginning of the year	**574**	**£3.54**	662	£2.58
Granted	**277**	**£3.31**	133	£6.04
Lapsed	**(86)**	**£5.31**	(51)	£3.08
Exercised	**(156)**	**£2.31**	(170)	£1.87
Outstanding at end of the year	**609**	**£3.48**	574	£3.54
Exercisable at end of the year	**–**	**n/a**	–	n/a
Number of options in the opening balance that were granted before 7 November 2002	–		103	
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised in the year	**£4.05**		£6.83	
Weighted average contractual life remaining for share options outstanding at the year end	**3.33 years**		2.39 years	
Weighted average share price for options granted in the year	**£4.17**		£6.70	
Weighted average fair value of options granted during the year	**£1.08**		£1.43	
Range of exercise prices for options outstanding at the year end – from	**£2.08**		£1.70	
– to	**£6.04**		£6.04	

30. Share Options and Share Schemes continued

Share options have been granted to employees under the Saving Related Share Option Scheme. Outstanding options are as follows:

Exercisable at	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2009 000s	Number of 'A' ordinary shares under option 2008 000s
September 2008	1.70	–	76
September 2008	2.93	–	82
September 2009	2.08	**97**	98
September 2009	3.92	**64**	73
September 2010	2.93	**57**	60
September 2010	6.04	**29**	66
September 2011	3.92	**54**	58
September 2011	3.31	**148**	–
September 2012	6.04	**35**	61
September 2013	3.31	**125**	–
		609	574

Options under the Savings Related Share Option Scheme are granted at a discount of 20% to the prevailing market price.

b) Share Option Schemes

Senior Executive Share Option Scheme	2009 Number 000's	2009 WAEP	2008 Number 000's	2008 WAEP
Outstanding at beginning of the year	**169**	**£3.88**	167	£3.19
Granted	**40**	**£4.05**	24	£7.51
Lapsed	**(7)**	**£5.26**	–	n/a
Exercised	**(19)**	**£2.79**	(22)	£2.63
Outstanding at end of the year	**183**	**£3.98**	169	£3.88
Exercisable at end of the year	**94**	**£2.80**	36	£2.63
Weighted average share price for options exercised in the year	**£3.95**		£5.69	
Weighted average contractual life remaining for share options outstanding at the year end	**6.82 years**		7.06 years	
Weighted average share price for options granted in the year	**£4.04**		£7.40	
Weighted average fair value of options granted during the year	**£0.62**		£1.24	
Range of exercise prices for options outstanding at the year end – from	**£2.20**		£2.20	
– to	**£7.51**		£7.51	

None of the above options were granted before 7 November 2002, and so none were excluded from the IFRS 2 charge on the basis of their date of grant.

Share options have been granted to employees under unapproved Executive Share Option Schemes.

Notes to the Financial Statements continued

30. Share Options and Share Schemes continued

Executive Approved Scheme	2009 Number 000's	2009 WAEP	2008 Number 000's	2008 WAEP
Outstanding at beginning of the year	**344**	**£3.98**	348	£3.20
Granted	**75**	**£4.05**	56	£7.51
Lapsed	**(22)**	**£6.22**	(10)	£4.98
Exercised	**(38)**	**£2.02**	(50)	£2.30
Outstanding at end of the year	**359**	**£4.07**	344	£3.98
Exercisable at end of the year	**181**	**£2.93**	12	£1.84
Number of options in the opening balance that were granted before 7 November 2002	**69**		71	
Number of options in the closing balance that were granted before 7 November 2002	**42**		69	
Weighted average share price for options exercised in the year	**£3.72**		£7.36	
Weighted average contractual life remaining for share options outstanding at the year end	**6.67 years**		6.65 years	
Weighted average share price for options granted in the year	**£4.04**		£7.40	
Weighted average fair value of options granted during the year	**£0.62**		£1.24	
Range of exercise prices for options outstanding at the year end – from	**£2.08**		£1.84	
– to	**£7.51**		£7.51	

Share options have been granted to employees under approved Executive Share Option Schemes.

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 2009 to 2013 scheme noted below) and their exercise prices are shown in the table below:

	Senior Executive Scheme			Executive Approved Scheme		
Exercisable in/between	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2009 000s	Number of 'A' ordinary shares under option 2008 000s	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2009 000s	Number of 'A' ordinary shares under option 2008 000s
2009	–	**–**	–	1.84	**–**	12
2009 and 2011	–	**–**	–	2.09	**30**	45
2009 and 2012	–	**–**	–	2.08	**12**	12
2009 and 2013	2.20	**31**	42	2.12	**34**	45
2009 and 2014	2.63	**36**	36	2.62	**15**	15
2009 and 2015	3.67	**28**	35	3.67	**82**	82
2009 and 2015	–	**–**	–	3.68	**8**	8
2009 and 2016	4.98	**25**	32	4.98	**57**	69
2010 and 2017	7.51	**23**	24	7.51	**46**	56
2011 and 2018	4.05	**40**	–	4.05	**75**	–
		183	169		**359**	344

30. Share Options and Share Schemes continued

c) LTIP

Shares	2009 'A' shares Number 000s	2009 'B' shares Number 000s	2008 'A' shares Number 000s	2008 'B' shares Number 000s
Outstanding at beginning of the year	607	1,518	679	1,697
Granted including matching awards	237	592	123	309
Lapsed	(12)	(29)	(14)	(36)
Vested	(152)	(381)	(181)	(452)
Outstanding at end of the year	680	1,700	607	1,518

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	178	446	166	416
Number of shares in the opening balance that were granted before 7 November 2002	32	80	111	277
Number of shares in the closing balance that were granted before 7 November 2002	–	–	32	80
Weighted average share price for shares vested in the year	£4.23	£0.42	£6.53	£0.65
For shares outstanding at the year end, the weighted average contractual life remaining, is	1.65 years	1.65 years	1.81 years	1.81 years
Weighted average share price for shares granted in the year	£4.04	£0.40	£7.38	£0.74
Weighted average fair value of shares granted in the year	£3.74	£0.37	£5.27	£0.53

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

d) SIP

Shares	2009 Number 000s	2008 Number 000s
Outstanding at beginning of the year	391	358
Granted	108	64
Lapsed	(1)	(1)
Released	(125)	(30)
Outstanding at end of the year	373	391

There were no shares outstanding at either year end which were granted before 7 November 2002. 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.

Weighted average share price for shares released in the year	£3.74	£6.00
For shares outstanding at the year end, the weighted average contractual life remaining is	2.84 years	2.44 years
Weighted average share price of shares granted in the year	£3.35	£6.60
Weighted average fair value of shares granted in the year	£3.35	£6.60

30. Share Options and Share Schemes continued

e) Fair Value of Grants

(i) Equity-Settled Options and LTIPs

The fair value of equity-settled share options and LTIPs granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following tables list the inputs to the model used for the 52 weeks ended 28 March 2009 and 29 March 2008, except for the weighted average share price for grants in the year and the number of shares granted, which are disclosed in sections a) to d) above.

Equity-Settled Share Options	Save As You Earn Scheme 2009	Save As You Earn Scheme 2008	Executive and Senior Executive Option Schemes 2009	Executive and Senior Executive Option Schemes 2008
Dividend yield (%)	**2.2%**	2.0%	**2.2%**	2.0%
Expected share price volatility (%)	**15 to 20%**	11 to 17%	**20%**	11%
Risk-free interest rate (%)	**4.3 to 4.4%**	5.2 to 5.3%	**4.8%**	5.7%
Expected life of option (years)	**3 to 5 years**	3 to 5 years	**5 years**	5 years

The expected life of the options 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.

Fair Value of LTIPs Granted	2009	2008
Dividend yield (%)	**2.2%**	2.0%
Risk free interest rate (%)	**4.8%**	4.5 to 5.9%
Expected life of award (years)	**3 years**	3 years

(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 Company'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.

31. Reconciliation of Movements in Equity

Reserves

Group	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total £m
At 31 March 2007	22.8	4.7	3.1	(5.2)	0.8	156.5	182.7
Total recognised income and expense for the year	–	–	–	–	(0.6)	22.7	22.1
Issues of new shares	–	0.1	–	–	–	–	0.1
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.0)	–	–	(4.0)
Shares released from ESOT and treasury	–	–	–	3.2	–	(2.8)	0.4
Dividends declared and paid	–	–	–	–	–	(5.2)	(5.2)
Cost of share-based payments	–	–	–	–	–	1.6	1.6
At 29 March 2008	22.8	4.8	3.1	(6.0)	0.2	172.8	197.7
Total recognised income and expense for the year	–	–	–	–	(1.3)	6.3	5.0
Shares purchased to be held in ESOT or as treasury	–	–	–	(2.2)	–	–	(2.2)
Shares released from ESOT and treasury	–	–	–	2.3	–	(1.8)	0.5
Dividends declared and paid	–	–	–	–	–	(5.4)	(5.4)
Cost of share-based payments	–	–	–	–	–	1.4	1.4
At 28 March 2009	**22.8**	**4.8**	**3.1**	**(5.9)**	**(1.1)**	**173.3**	**197.0**

Company	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total £m
At 31 March 2007	22.8	4.7	3.1	(5.2)	0.7	149.0	175.1
Total recognised income and expense for the year	–	–	–	–	(0.6)	18.3	17.7
Issues of new shares	–	0.1	–	–	–	–	0.1
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.0)	–	–	(4.0)
Shares released from ESOT and treasury	–	–	–	3.2	–	(2.8)	0.4
Dividends declared and paid	–	–	–	–	–	(5.2)	(5.2)
Cost of share-based payments	–	–	–	–	–	1.6	1.6
At 29 March 2008	22.8	4.8	3.1	(6.0)	0.1	160.9	185.7
Total recognised income and expense for the year	–	–	–	–	(0.9)	2.7	1.8
Shares purchased to be held in ESOT or as treasury	–	–	–	(2.2)	–	–	(2.2)
Shares released from ESOT and treasury	–	–	–	2.3	–	(1.8)	0.5
Dividends declared and paid	–	–	–	–	–	(5.4)	(5.4)
Cost of share-based payments	–	–	–	–	–	1.4	1.4
At 28 March 2009	**22.8**	**4.8**	**3.1**	**(5.9)**	**(0.8)**	**157.8**	**181.8**

Profit Attributable to Members of the Parent Company

As permitted by Section 230 of the Companies Act 1985 a separate Income Statement for the Parent Company has not been prepared. The profit dealt with in the financial statements of the Parent Company was £5.3 million (2008: £14.6 million). There was no dividend from subsidiary companies during the current year (2008: £nil).

Notes to the Financial Statements continued

31. Reconciliation of Movements in Equity continued

Share Capital

Share capital represents the nominal value proceeds received on the issue of the Company's equity share capital, comprising 40p and 4p ordinary shares.

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.

Own Shares – Group and Company

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

	Treasury shares 'A' ordinary 40p shares 000's	LTIP ESOT 'A' ordinary 40p shares 000's	LTIP ESOT 'B' ordinary 4p shares 000's	SIP ESOT 'A' ordinary 40p shares 000's	Total 'A' ordinary 40p shares 000's	Total 'B' ordinary 4p shares 000's
At 31 March 2007	857	119	1,758	368	1,344	1,758
Shares purchased	529	–	–	64	593	–
Shares transferred	(62)	62	–	–	–	–
Shares released	(193)	(181)	(451)	(422)	(796)	(451)
At 29 March 2008	1,131	–	1,307	10	1,141	1,307
Shares purchased	446	–	–	97	543	–
Shares transferred	(152)	152	–	–	–	–
Shares released	(213)	(152)	(381)	(106)	(471)	(381)
At 28 March 2009	**1,212**	**–**	**926**	**1**	**1,213**	**926**
Monetary amount	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 31 March 2007	3.1	0.2	0.6	1.3	4.6	0.6
Shares purchased	3.5	–	–	0.5	4.0	–
Shares transferred	(0.3)	0.3	–	–	–	–
Shares released	(0.8)	(0.5)	(0.2)	(1.7)	(3.0)	(0.2)
At 29 March 2008	5.5	–	0.4	0.1	5.6	0.4
Shares purchased	1.8	–	–	0.4	2.2	–
Shares transferred	(0.7)	0.7	–	–	–	–
Shares released	(1.0)	(0.7)	(0.1)	(0.5)	(2.2)	(0.1)
At 28 March 2009	**5.6**	**–**	**0.3**	**–**	**5.6**	**0.3**
Market value at 28 March 2009	**4.7**	**–**	**0.4**	**–**	**4.7**	**0.4**

All of the shares in the LTIP ESOT had been allocated at each year end. None of the treasury shares are under option at either year end. Consistent with the treatment of these shares in the EPS calculation, all allocated SIP shares are treated as issued share capital.

32. Analysis of Net Debt

Group	At 30 March 2008 £m	Cash flows £m	Non-cash flows £m	At 28 March 2009 £m
Cash and cash equivalents				
Cash and short term deposits	3.9	(3.0)	–	**0.9**
	3.9	(3.0)	–	**0.9**
Debt due within one year				
Bank loans	(6.3)	6.3	(7.5)	**(7.5)**
Loan notes	(1.8)	0.5	–	**(1.3)**
	(8.1)	6.8	(7.5)	**(8.8)**
Debt due after one year				
Bank loans	(62.7)	(2.5)	7.5	**(57.7)**
Debenture stock	(27.0)	–	–	**(27.0)**
Preference shares	(1.6)	–	–	**(1.6)**
	(91.3)	(2.5)	7.5	**(86.3)**
Net debt	(95.5)	1.3	–	**(94.2)**

Group	At 1 April 2007 £m	Cash flows £m	Non-cash flows £m	At 29 March 2008 £m
Cash and cash equivalents				
Cash and short term deposits	8.9	(5.0)	–	3.9
	8.9	(5.0)	–	3.9
Debt due within one year				
Bank loans	(5.0)	5.0	(6.3)	(6.3)
Loan notes	(2.8)	1.0	–	(1.8)
	(7.8)	6.0	(6.3)	(8.1)
Debt due after one year				
Bank loans	(69.0)	–	6.3	(62.7)
Debenture stock	(27.0)	–	–	(27.0)
Preference shares	(1.6)	–	–	(1.6)
	(97.6)	–	6.3	(91.3)
Net debt	(96.5)	1.0	–	(95.5)

33. Guarantees and Future Commitments

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Capital commitments – authorised, contracted but not provided for	**3.5**	0.9	**3.5**	0.9

The Company has accepted various duty deferment bonds in connection with Customs and Excise. The total outstanding commitment at 28 March 2009 was £220,000 (2008: £220,000). This total applies to both Group and Company.

Cross guarantee

The Company is party to a cross guarantee arrangement in order to guarantee certain of its borrowings and certain borrowings of its subsidiary company, George Gale & Co. Limited.

Notes to the Financial Statements continued

34. Operating Lease Commitments

Operating Leases Where the Group is the Lessee

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

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Within one year	**6.0**	6.0	**6.0**	6.0
Between one year and five years	**22.8**	22.0	**22.8**	22.0
After five years	**49.1**	53.7	**49.1**	53.7
	77.9	81.7	**77.9**	81.7

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

Operating Leases Where the Group is the Lessor

The Group earns rental income from two sources. Licenced property included within property, plant and equipment is rented under agreements where lessees must also purchase goods from the Group. Additionally there are a smaller number of agreements in respect of investment properties where there is no requirement for the lessee to purchase goods.

Investment properties are let to third parties on leases that have remaining terms of between one and 21 years.

At 28 March 2009 future minimum rentals receivable by the Group are as follows:

	Investment properties		Property, plant and equipment	
Group and Company	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Within one year	**0.1**	0.1	**6.2**	6.4
Between one year and five years	**0.3**	0.1	**15.2**	17.4
After five years	**0.3**	–	**9.3**	11.1
	0.7	0.2	**30.7**	34.9

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 rent is adjusted annually in line with the Retail Price Index and full rental reviews occur on renewal of the lease, or every five years for a ten year lease.

At 28 March 2009 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.5 million (2008: £8.1 million).

35. Related Party Transactions

Group and Company

At 29 March 2008, the Company managed five pubs on behalf of Premier Pubs Estate Limited. The contract with Premier Pubs Estate Limited was terminated during the year in July 2008. For these services the Company charged £44,135 (2008: £135,000) for administrative fees and £8,816 (2008: £44,681) management fees in the year. Costs of £7,266 were incurred by the Company in relation to the ending of the arrangement during the 52 weeks ended 28 March 2009. Nigel Atkinson is the Chairman of Premier Pubs Estate Limited. All transactions were on a commercial basis.

There were no amounts outstanding at 28 March 2009 in relation to the above transactions (2008: £nil).

35. Related Party Transactions continued

Compensation of Key Management Personnel (including Directors)	2009 £m	2008 £m
Short-term employee benefits	**3.0**	2.7
Post-employment benefits	**0.3**	0.2
Share-based payments	**0.8**	1.1
	4.1	4.0

Company Only

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

52 weeks ended 28 March 2009	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
Subsidiaries	**–**	**27.9**	**5.6**	**(89.1)**

52 weeks ended 29 March 2008	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
Subsidiaries	–	27.3	6.8	(85.0)

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.

36. Post Balance Sheet Event

Property Purchase

On 6 April 2009 the Company completed the purchase of six licensed properties for a total cost of £21.9 million from Punch Taverns PLC. On 14 May 2009 the Company completed the purchase of a further licensed property from Punch Taverns PLC for a total cost of £3.4 million. These acquisitions were financed using the Group's existing committed bank facilities.

Five Years' Progress

Profit and loss	Restated[1] 2005 £m	Restated[1] 2006 £m	Restated[1] 2007 £m	Restated[1] 2008 £m	2009 £m
Revenues[1]	147.5	163.2	199.2	203.1	**210.0**
Operating profit before exceptional items	19.7	22.4	29.8	29.4	**29.0**
Net finance costs	(2.3)	(4.5)	(7.7)	(6.4)	**(6.2)**
Adjusted profit	17.4	17.9	22.1	23.0	**22.8**
Exceptional items	0.2	(2.6)	20.1	0.8	**(8.4)**
Profit before tax	17.6	15.3	42.2	23.8	**14.4**
Taxation	(5.8)	(4.9)	(13.1)	(4.7)	**(5.5)**
Preference dividends[2]	(0.1)	–	–	–	**–**
Profit attributable to equity shareholders of the Parent Company	11.7	10.4	29.1	19.1	**8.9**
EBITDA	28.2	32.1	40.7	40.5	**40.2**
Assets employed					
Non-current assets	208.6	357.4	345.9	350.6	**356.9**
Inventories	4.4	5.4	5.4	5.8	**6.1**
Trade and other receivables	13.7	14.7	15.0	15.7	**16.0**
Assets classified as held for sale	–	–	6.5	1.8	**–**
Cash and short term deposits	4.6	1.4	8.9	3.9	**0.9**
	231.3	378.9	381.7	377.8	**379.9**
Current borrowings	–	(2.8)	(7.8)	(8.1)	**(8.8)**
Other current liabilities	(25.8)	(36.1)	(36.6)	(34.3)	**(37.9)**
	205.5	340.0	337.3	335.4	**333.2**
Non-current borrowings	(27.0)	(128.6)	(97.6)	(91.3)	**(86.3)**
Other non-current liabilities	(26.2)	(55.7)	(57.0)	(46.4)	**(49.9)**
Net assets	152.3	155.7	182.7	197.7	**197.0**

	2005	2006	2007	2008	2009
Per 40p 'A' ordinary share					
Adjusted earnings	20.67p	21.87p	27.58p	29.15p	**29.12p**
Basic earnings	20.96p	18.56p	52.14p	34.33p	**16.00p**
Dividends (interim and proposed final)	7.38p	7.90p	9.09p	9.70p	**9.85p**
Net assets	£2.72	£2.79	£3.32	£3.55	**£3.54**
Net debt (£ million)	(22.4)	(130.0)	(96.5)	(95.5)	**(94.2)**
Net debt/EBITDA	0.8	4.0	2.4	2.4	**2.3**
Gross capital expenditure (£ million)	17.5	21.6	21.7	18.5	**24.2**
Average number of employees	2,092	2,478	3,097	3,067	**2,923**

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

Directors and Advisers as at 5 June 2009

Directors
Michael Turner, FCA, *Chairman*
Tim Turner
John Roberts
Simon Emeny
James Douglas, ACA
Anthony Fuller, CBE, *President* *
Nick MacAndrew, FCA*
Nigel Atkinson*
John Dunsmore*[1]

** Non Executive.*
[1] Appointed to the Board on 20 January 2009.

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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

2009 Diary

26 June
Record Date

1 July
Preference dividends paid

21 July
Annual General Meeting
Hock Cellar, Griffin Brewery

24 July
Final dividend paid

20 November
Half year results announcement

2010 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 Fuller's Hotels.

Redesignation of 'C' Shares

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

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.

Glossary

- **Accommodation sales as a % 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.
- **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 % 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 like for like sales calculated to exclude from both years those pubs which have not been trading throughout the two years. Those excluded are principally: new pubs; pubs which have closed; and pubs 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 the ordinary shares of all classes; 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 long term incentive plan 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 like for like profits of Tenanted Pubs calculated to exclude from both years those pubs which have not been trading throughout the two years. Those pubs excluded are principally: new acquisitions and disposals; pubs which have closed; and pubs transferred to or from our Managed business. Bad debt expense is included but head office costs are excluded.

INDEPENDENT FAMILY BREWERS
ESTD 1845
FULLER'S

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