FULLER SMITH & TURNER P.L.C.

Report and Accounts 2013

NO WALL FLOWER

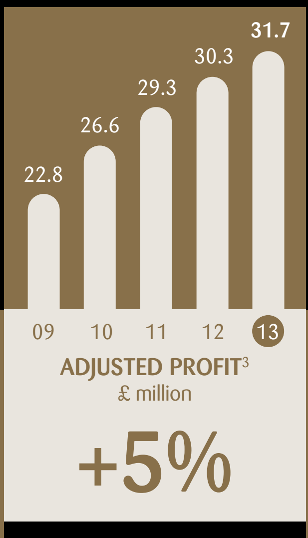
In the 50s we created a new ale. Rich, smooth and wonderfully balanced. We just needed a name. There was no Twitter back then, but we asked around London for suggestions all the same, and one in particular was inspired. A flower. But not any old flower. 'London Pride' (or Saxifraga x urbium to be precise). A tough little perennial that grew during the Blitz, covering the rubble like tiny beacons of hope. A homage to the city's indomitable spirit, and a fitting name for our ale. So thank you London.

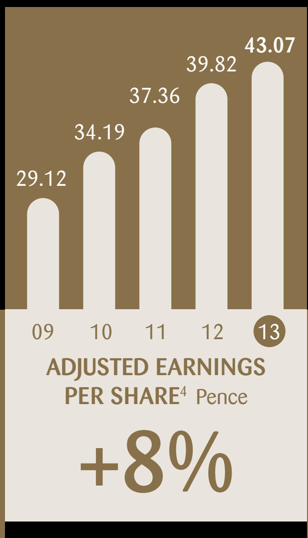
Made of London

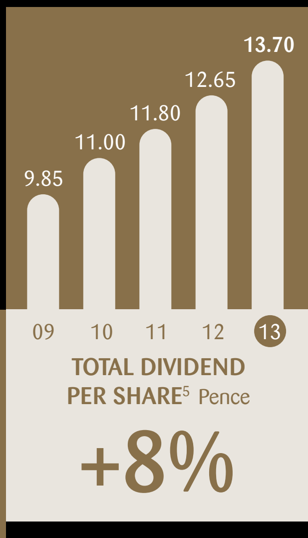
BREWED BESIDE THE THAMES

Corporate Progress

- Managed Pubs and Hotels total sales up 9% and profits[1] up 6%
- Tenanted Inns profits[1] up 18% and average EBITDA per pub up 9%
- The Fuller's Beer Company total sales up 4% and total beer volumes level
- Net debt to EBITDA[2] 2.6 times





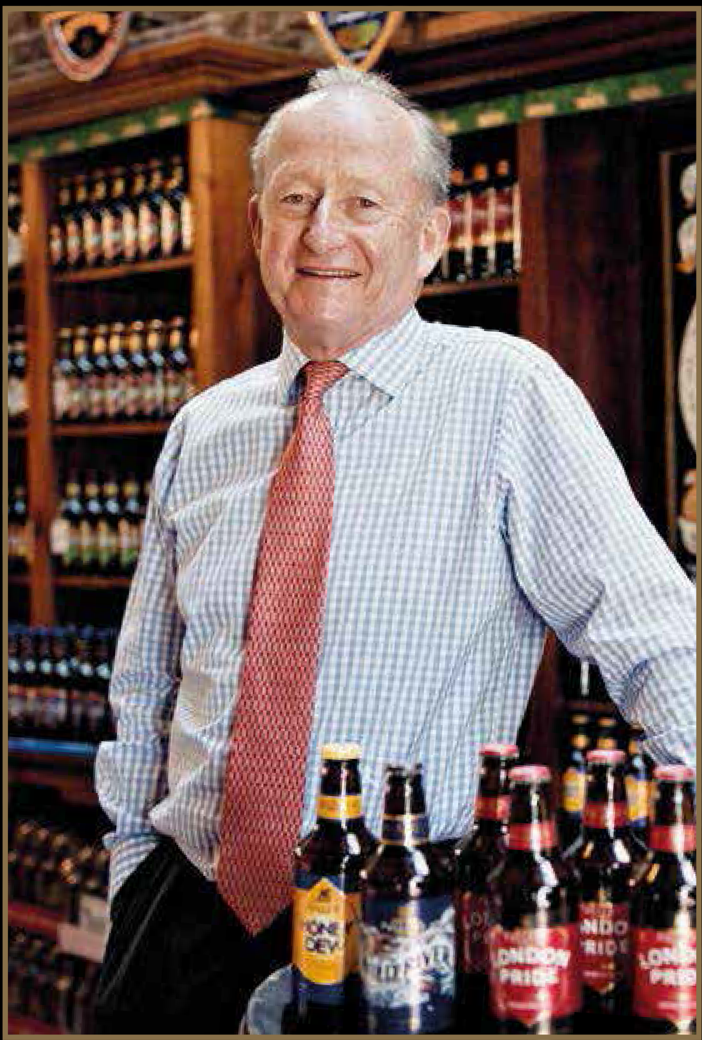


Financial Highlights

	52 weeks ended 30 March 2013 £ million	52 weeks ended 31 March 2012 £ million	Change 2013/2012
Revenue	**271.5**	253.0	+7%
Adjusted profit[3]	**31.7**	30.3	+5%
Profit before tax	**35.2**	28.8	+22%
EBITDA[6]	**51.2**	47.8	+7%
Adjusted earnings per share[4]	**43.07p**	39.82p	+8%
Basic earnings per share[5]	**52.59p**	42.13p	+25%
Total annual dividend per share[5]	**13.70p**	12.65p	+8%
Net debt[7]	**135.6**	138.2	
Pro forma net debt/EBITDA[2]	**2.6 times**	2.7 times	

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

Chairman's Statement



Michael Turner

HIGHLIGHTS

I am pleased to announce a strong performance by the Group, driven by our pub acquisitions and developments. We commenced the roll out of our new Beer Company strategy towards the end of the year, which features many exciting initiatives including a new wave craft lager and entry into the premium cider market.

Revenues rose by 7% to £271.5 million (2012: £253.0 million) and adjusted profit before tax grew by 5% to £31.7 million (2012: £30.3 million). Our adjusted earnings per share rose by 8% to 43.07p (2012: 39.82p).

Managed Pubs and Hotels total revenues increased by 9% and like for like sales were up 2.1%. Operating profits[1] grew 6% despite being subject to a record number of closed weeks as we undertook a substantial level of refurbishment across our estate, including some of our recent acquisitions. During the year we purchased two prominent freehold managed houses in the centre of Bath.

Tenanted Inns operating profit[1] growth of 18% was driven by a strong contribution from the 2012 acquisitions, together with like for like profits, which were up 1%. We added a further two high quality sites to our Tenanted Inns division during the year and average EBITDA per pub rose by 9%.

Total beer volumes in the Fuller's Beer Company were level with last year, as was EBITDA. However, an increased depreciation charge in the first full year following the significant investment in new tank capacity last year has resulted in operating profits[1] reducing by 3%.

In March we were delighted to be voted the "Company of the Year" at the PLC Awards. This accolade recognises Fuller's as a company that takes a long term view and has achieved consistent success not only in the growth of our share price, but in laying the foundations for continued prosperity.

The international spotlight has been focussed on London over the last two years, with the Royal wedding, the Queen's Diamond Jubilee and the Olympic Games. These have been wonderful events, through which the nation has celebrated all things British. In particular, I would like to congratulate the London Organising Committee for the Olympic Games on delivering an outstanding success with the London 2012 Games. The legacy of this tremendous promotion of "brand London" will benefit us for many years to come, both in our iconic London pubs and through our award winning ales which are now enjoyed in some 68 countries around the world.

DIVIDEND

The Board recommends that a final dividend of 8.35p per 40p 'A' and 'C' ordinary share and 0.835p per 4p 'B' ordinary share be paid on 29 July 2013 to shareholders on the share register as at 28 June 2013. This is a 10% increase on last year's final dividend. The total dividend

[1]Operating profit before exceptional items.

QUALITY, SERVICE AND PRIDE

This year we brewed 215,000 barrels of award winning ale at the Griffin Brewery, beside the Thames in Chiswick. From here we supply our estate, which comprises 177 Managed Pubs and Hotels and 209 Tenanted Inns, as well as pubs, clubs and supermarkets across the UK and overseas.

PLC COMPANY OF THE YEAR

Awarded the title of "Company of the Year" at the 2012 PLC awards, in recognition of our long-term business model and continued share price growth.

Chairman's Statement continued

per share of 13.70p per 40p 'A' and 'C' ordinary share and 1.370p per 4p 'B' ordinary share represents an 8% increase on last year and will be covered more than three times by adjusted earnings per share.

PEOPLE

The success of the Group is founded upon the dedication and enthusiasm of its many staff. I would like to take this opportunity to thank every one of them for their continuing hard work, without which our good performance this year would not have been possible.

With effect from 1 July, I am delighted that Simon Emeny, currently Group Managing Director, will assume the post of Chief Executive of the Company. Simon personifies all the values that have made this Company strong and he combines this with enormous energy and clear conviction. This is embodied by his vision to create and operate the most stylish pubs and hotels whilst brewing Britain's most

Chairman's Statement continued

coveted premium brands for discerning customers both at home and abroad.

I look forward to working closely with Simon in the future and watching Fuller's grow and prosper under his leadership.

CURRENT TRADING AND PROSPECTS

Over the nine weeks to 1 June 2013 like for like sales in our Managed Pubs and Hotels grew 7.0%, Tenanted Inns like for like profits were down 1% and total beer volumes were down 5%. It is worth noting that beer sales in week 9 last year were up 39% as pubs stocked up heavily in advance of the Diamond Jubilee weekend.

We are well positioned to respond to the continuing uncertainty in the economy over the coming year and will focus our activities towards our three strategic drivers for growth:

Distinctive Pub and Hotel Experience

- "Only at Fuller's" – creating a distinctive experience through a portfolio of unique products and bespoke menus with local ingredients, delivered with engaging service in a welcoming and stylish environment.

Targeted Acquisition and Development

- Acquiring and developing sites in transport hubs and the heart of market towns and building our portfolio of iconic London pubs.
- Refurbishing and repositioning pubs and hotels to achieve their full potential.

Premium Brand Portfolio

- Innovating and investing to broaden our portfolio of high quality products with genuine craft credentials.
- Growing our brands by communicating these attributes to reinforce their premium positioning and extending our distribution within existing sales channels.

Michael Turner
Chairman

7 June 2013

Group Managing Director's Review

I am delighted to be taking over the leadership of the Company from Michael at this point in the continuing evolution and long term development of the business. I inherit a well-executed strategy that has driven compelling results. The fundamentals of the business are very good, we have a strong balance sheet, a high quality, well invested freehold property base, a long term focus and a passionate and engaged team. I want to not only retain these core strengths, but also to build on them by refining the vision that has delivered us to where we are today, while developing key drivers for our continued future growth.

FULLER'S INNS

The Fuller's Inns business comprises two divisions. Managed Pubs and Hotels are operated by Fuller's employees and include 177 pubs and hotels. The Tenanted Inns division has 209 pubs, where the individual pubs are run by self-employed entrepreneurs, who work in partnership with us, selling our beer and operating under the Fuller's brand.

Acquisitions and Development

Our acquisitions are carefully targeted towards prime locations in market towns with our target demographics, high footfall locations in transport hubs and iconic pubs in our home city of London. We seek out opportunities where we believe there is potential for growth and where adding the distinctive Fuller's character and badge of operating excellence to the business will deliver that potential. We make significant investments both in our new acquisitions and within our existing estate where we have identified a site which will benefit from refurbishment and repositioning.

In the current year, two of the pubs acquired from Enterprise Inns in March 2012 have received a transformational refurbishment. At The Horse and Groom in Alresford, through careful restoration we have repositioned the pub to be in keeping with its surroundings and become the premium destination in its locality. The Ox Row, a 16th century pub on the market square in the medieval cathedral city of Salisbury, underwent a similar renovation in March 2013, retaining its original features with a refined finish, and creating a stylish dining room on the first floor which can accommodate 48 covers. Both pubs have now reopened as managed houses and are trading well.

We also invest in refurbishment projects that will deliver further growth in our existing estate. The Duke of Kent in Ealing was refurbished and repositioned as a premium dining destination in October 2012. Careful zoning of the pub and a major kitchen investment have helped to increase food sales by 70% at this site.

In March 2012 we opened the doors to The Parcel Yard, a newly constructed pub in a classic Grade I listed building set across two floors in the striking new King's Cross station concourse. The Parcel Yard has traded ahead of expectations and is now the largest retailer of cask ale in our estate. In addition, we are delighted to have recently signed an agreement with Heathrow Airport for a prominent airside pub in the new Terminal 2 to open in June 2014. This development is a natural evolution for the Company to capitalise upon our existing

Simon Emeny, Group Managing Director

expertise trading in transport hubs such as London's Waterloo, King's Cross and Paddington stations. Located just eight miles from the brewery, "London's Pride" will showcase the story of Fuller's heritage in a modern setting within one of the world's busiest airports. At this exciting addition to our estate, passengers from home and abroad will be able to sample our array of beers and freshly prepared food or choose a plane picnic from our "Grab & Fly" range.

Managed Pubs and Hotels

Acquisitions and developments completed in the previous year contributed a full year of sales, increasing total revenues for Managed Pubs and Hotels by 9% to £170.1 million (2012: £155.7 million). Like for like sales in our Managed Pubs and Hotels grew 2.1%, led by accommodation up 8.2% which received a one-off benefit from the Olympic Games. Like for like drinks sales up 0.9% were most strongly impacted by the wettest summer and coldest March for a generation. Like for like food sales proved to be more resilient with an increase of 3.9%.

Operating profit before exceptional items increased 6% to £19.4 million (2012: £18.3 million). Operating margins decreased from 11.8% to 11.4%, due to inflation in utilities and business rates in excess of sales growth and the impact of closing and refurbishing a relatively high number of pubs during the year; a total of 73 closed weeks compares to 60 in the prior year. Further progress was achieved on payroll costs following the implementation of labour scheduling software in the last financial year and the benefits of this are expected to continue into 2014.

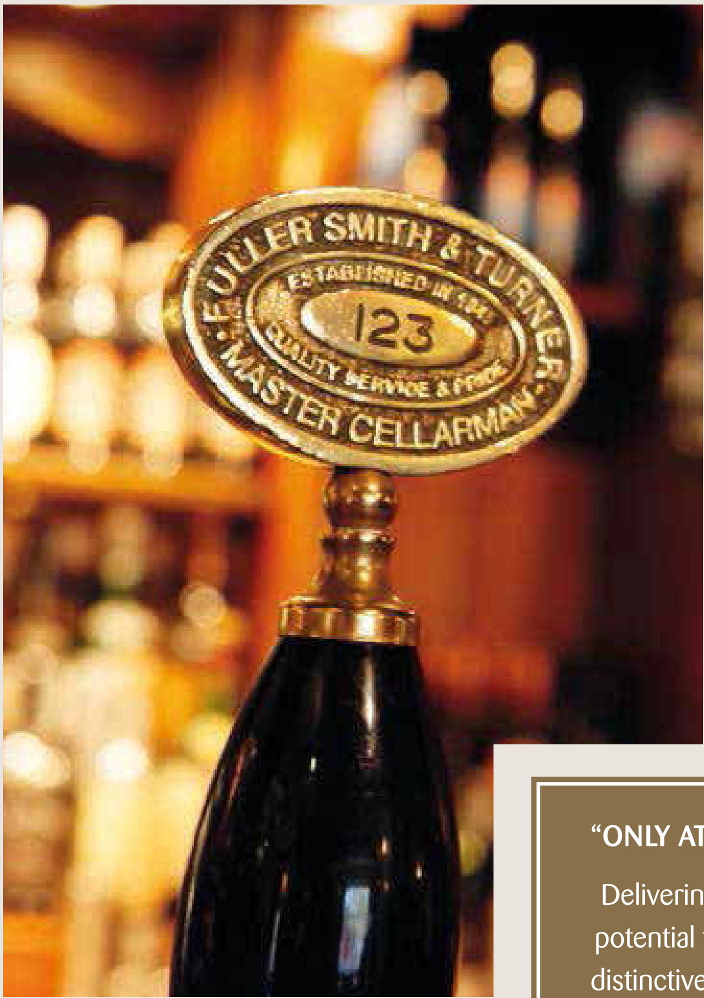
> **THE FULLER'S VISION**
>
> We will create and operate the most stylish pubs and hotels whilst brewing Britain's most coveted premium brands for discerning customers both at home and abroad.

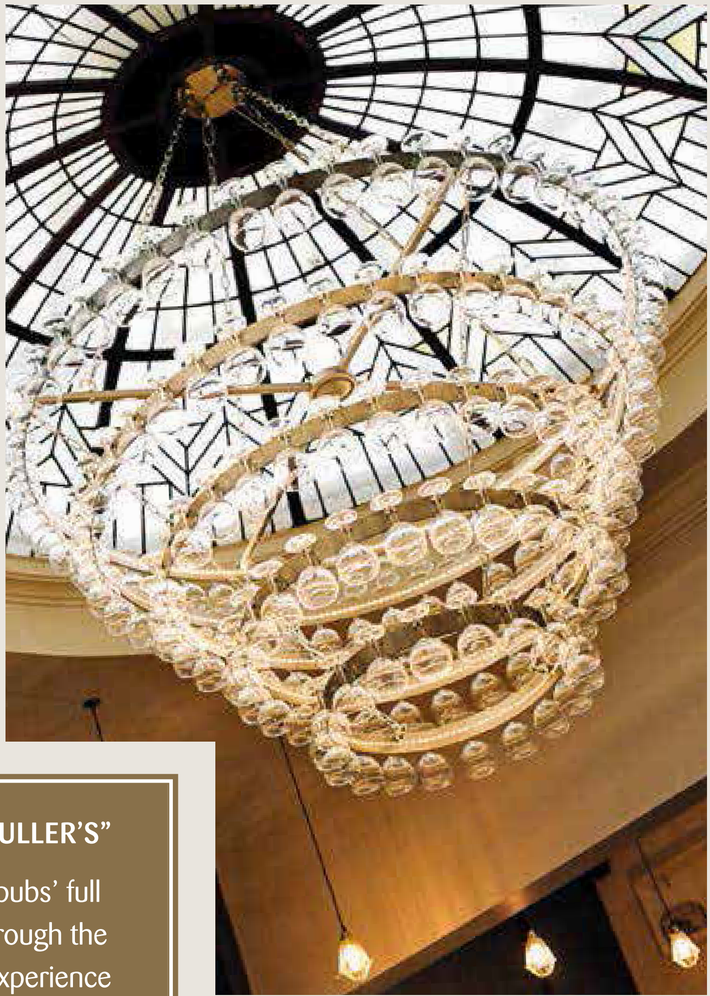
"Only at Fuller's"

Our strategy is to offer our customers a distinctive experience that makes a visit to a Fuller's pub a special and memorable occasion, setting us apart from our competitors. We do this by offering our unrivalled portfolio of brands, and freshly cooked food delivered in a stylish environment with engaging service.

Our pubs offer an unparalleled range of Fuller's own beers and other premium brands. Our handpicked selection of wines boasts many of which are exclusive to Fuller's in the UK. We have our own coffee brand "Brewer Street", served in eye catching crockery, with a coffee menu offering all the popular variants and indulgent snacks, such as our delicious rich chocolate brownie.

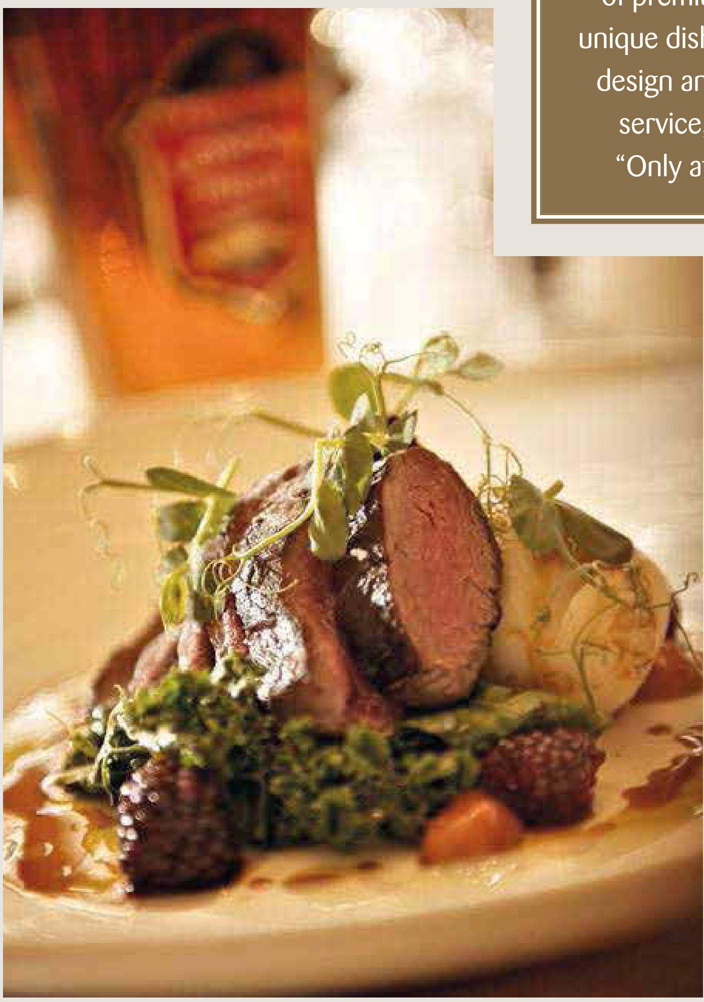
We endeavour to source local ingredients for all our dishes. Our beef and poultry have been exclusively British for over four years. We are taking this a step further by broadening our partnership with our Hampshire butcher, Owtons, to source all beef for our burgers from 40 named farms, with meat traceable back to an individual animal. When you breakfast in

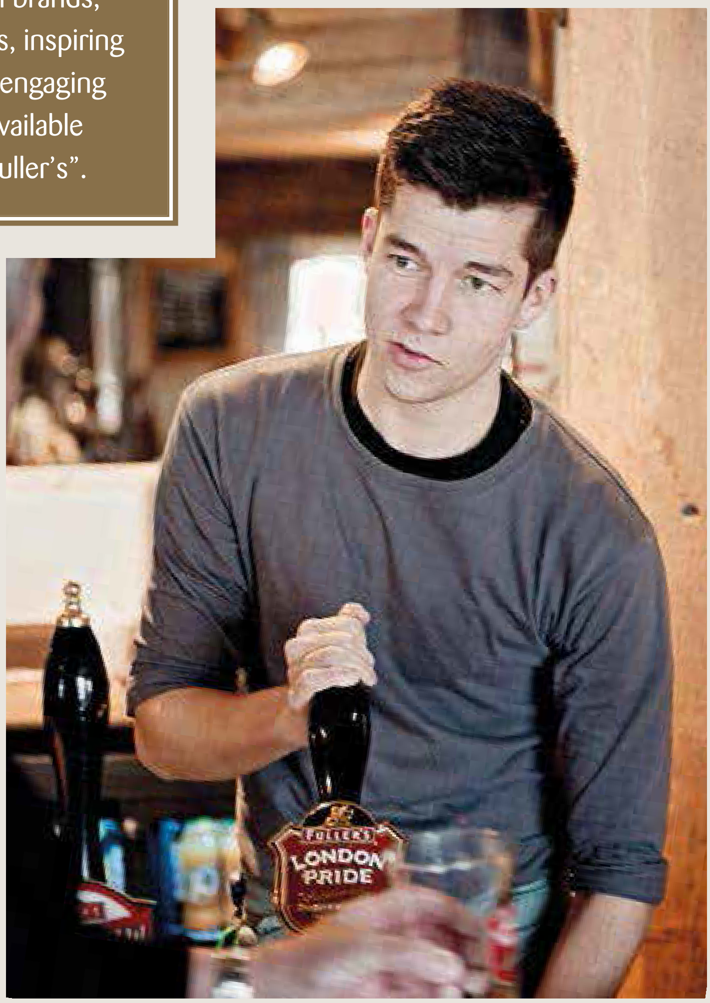




"ONLY AT FULLER'S"

Delivering pubs' full potential through the distinctive experience of premium brands, unique dishes, inspiring design and engaging service, available "Only at Fuller's".





a Fuller's hotel, your black pudding will be Fuller's own, made for us by an award winning producer in Hampshire. The pigs that go into our unique pork and HSB sausages will be fed on the spent grain from our Brewery in Chiswick. Classic pub dishes are always available on our menus, executed consistently and to a high standard. By keeping flexibility in our supply chain to source fresh, seasonal and local produce, our chefs are able to exercise creative flair through individual menus tailored to the customers of each of our pubs.

Taking inspiration from our own beer collection we are excited to offer customers a number of appetising beer and food collaborations available only at Fuller's. Following on from the success of London Porter smoked salmon, a hot smoked version was introduced in May 2013. In November we launched Fuller's Black Cab Christmas pudding and the latest treat to grace the Fuller's table is the Fuller's Vintage Ale, date and molasses sticky toffee pudding. Over the coming summer Wild River smoked halibut and bread made from Fuller's own yeast will join this range.

People

Delivering our premium food offer is supported by continual training and development both in our kitchens and through supplementary training. During the year the first twenty-one junior chefs passed the British Institute of Innkeeping Awarding Body ("BIIAB") accredited scholarship programme to become sous chefs or head chefs. Our team of classically trained Executive Chefs coach and advise individual chefs within the Company to set rigorous skill and food standards within our kitchens.

We place great importance on recruiting the right people, with a passion for providing good service and training them to equip them with the skills they need to excel and develop their careers within Fuller's. We are investing more than ever before in attracting and developing talent to our pubs through our graduate hospitality scheme and management trainee programme. Now in our third year of training staff on the Wine and Spirits Education Trust foundation programme, we have seen wine sales grow by 13% since we commenced this programme.

In December we launched a new e-learning platform to deliver certified training in health and safety, food hygiene, licensing and the Disability Discrimination Act. Since then, over 1,400 courses have been completed. This approach provides an efficient way to deliver information appropriate to job roles to a wide audience.

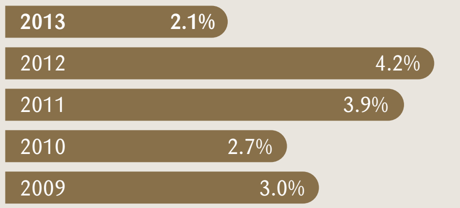
Connecting with Customers

In May 2012 we launched new mobile-optimised websites for all pubs. Nearly one third of all visits to our websites are currently made from a mobile device and visits are increasingly driven by referrals from social networks.

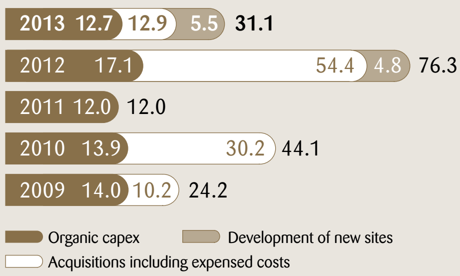
A key objective of the new websites is to generate online bookings. 23% of online room sales are now made through Fuller's websites rather than agency websites. Online table bookings, available on the websites of around 60 selected pubs, also continue to grow, with online table bookings in March 2013 exceeding those taken in the peak trading month of December.

By the end of the year, the pub websites were receiving 42% more unique visitors

MANAGED PUBS AND HOTELS
LIKE FOR LIKE SALES GROWTH %



GROUP CAPITAL EXPENDITURE £ million



than when first launched, and 24% more time was spent on each visit. Dwell time has been increased by the addition of Google Business Photos, to allow the user to take a virtual tour inside the pub, further promoting online bookings. These virtual tours are also available directly through the Google Streetview website

Group Managing Director's Review continued

and the Griffin Brewery in Chiswick has become the first brewery in the UK through which you can take a virtual tour on Google Streetview.

Tenanted Inns

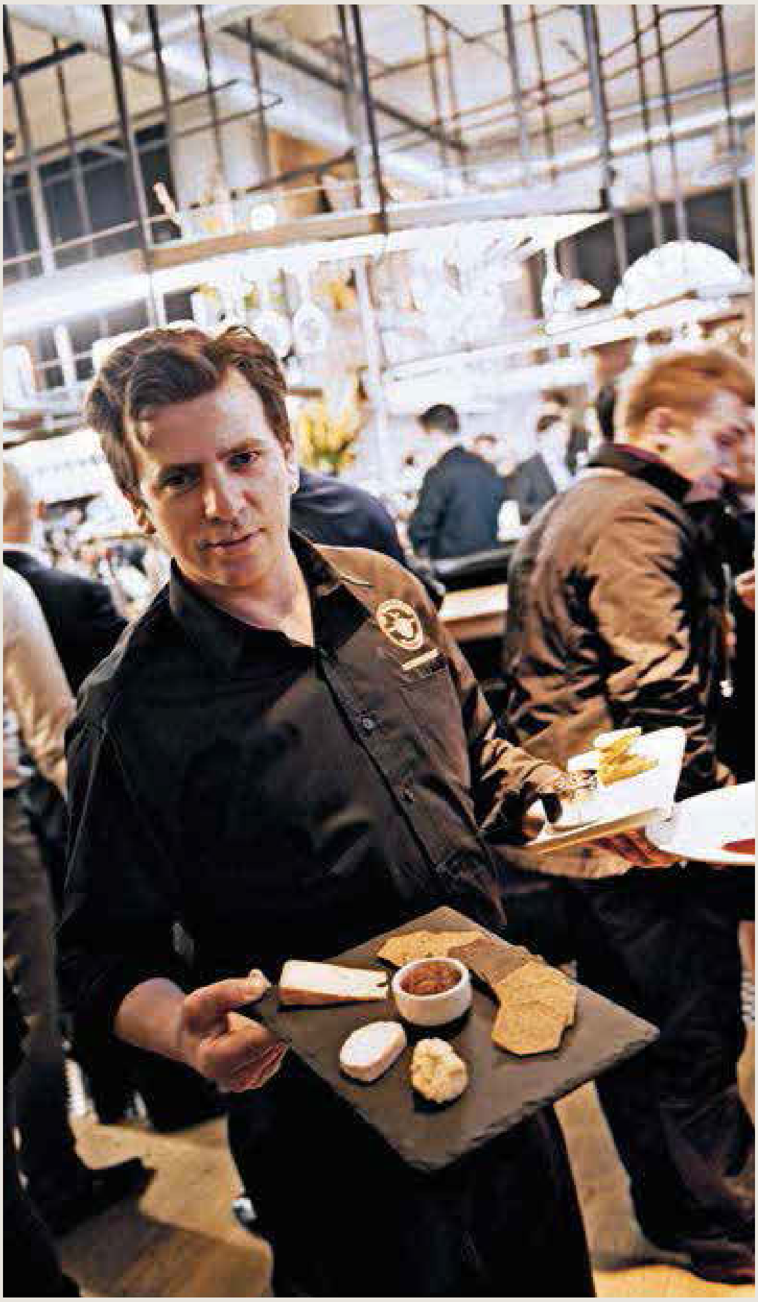
Driven by the first full year of benefit from the 17 acquisitions in the prior year, the Tenanted Inns business grew revenues by 12% to £30.8 million (2012: £27.5 million). Like for like profits were up 1% and average EBITDA per pub increased 9%, culminating in operating profit before exceptional items 18% higher than last year at £12.2 million (2012: £10.3 million).

We are proud to provide what we believe to be one of the best packages in the marketplace, a statement which is borne out by the average tenure of our tenants exceeding six years – among the highest in the industry. Leading our offer is our premium portfolio of carefully crafted beer brands and hand-picked selection of wines. Tenants have access to food at group purchasing prices and free membership of the British Institute of Innkeeping ("BII"). Our experienced and BIIAB certified Business Development Managers provide advice to tenants on how to grow their business and we offer a number of training courses focussed on different aspects of running a successful pub. We are continually striving to improve the support we provide in all aspects of operations and compliance.

TENANTED INNS PROFITS £ million

2013	**12.2**
2012	10.3
2011	9.9
2010	9.9
2009	10.2

Our tenanted service agreement was launched in March 2012, providing a complete property compliance package at group purchasing prices. We targeted to sign up 100 tenants in the first year, but demand has exceeded this and 123 tenants are now participating in this scheme which helps our tenants to simplify some of their legal and regulatory obligations.



MANAGED PUBS AND HOTELS

A one off benefit from the Olympics drove accommodation like for like sales growth of 8.2%.

TENANTED INNS

We offer our tenants a variety of tools and services to help them grow their business, now including a bespoke website, full property compliance and free WiFi. Average EBITDA per pub rose by 9%.

Group Managing Director's Review continued

In April 2013 we launched an extranet for our tenants, a one-stop shop to help them manage their business. From this website Fuller's tenants can access compliance documents, financial and stock reports, menu and poster designs and a variety of useful information. The content design for the website was tenant-led and a number of forums were held with tenants to shape and inform the process. The initial launch has met the vast majority of their requirements and we are working to develop and enhance the site in order to meet the remaining needs.

Three years ago we were the first pub group to offer free WiFi to customers in our managed houses. This proved so popular that we have since had to increase the bandwidth to meet demand. During the year we were able to negotiate free WiFi for our tenants from O2, our group provider. As a result, all Fuller's pubs, managed and tenanted, now offer free WiFi. This is an important part of our overall package that allows our tenants to run a great pub and a competitive business.

THE FULLER'S BEER COMPANY

Total beer volumes were level with last year in the context of an ongoing challenging UK market for On Trade beer sales. Own beer volumes reduced 1% and foreign beer volumes increased 3%. Revenues increased by 4% to £113.6 million (2012: £109.1 million). EBITDA was level with last year at £11.7 million, but operating profit before exceptional items was 3% lower than last year at £8.7 million (2012: £9.0 million) due to the increased depreciation charge from the significant investment in additional tank capacity in 2012.

This investment was made to support high growth in the Off Trade and Export areas, which together now account for two in every five barrels sold. Export volumes in particular have grown 97% over the last five years. We focus on growing our core markets, but we also continue to explore new opportunities and now export to 68 countries around the world.

We welcome the recent abolition of the duty escalator on beer, however, successive duty rises above the rate of inflation over many years have taken a lasting toll on our industry. Beer volumes nationally are in decline under the burden of duty and we hope that the Chancellor will give further beer duty reductions to help the British Brewers, together with the British farmers who supply the Barley and the Hops, and the British pub industry of which we are all so proud. Collectively our industry employs almost a million people, and we contribute over £11 billion to the exchequer.

Beer Company Strategy

The UK and worldwide drinks markets are undergoing a period of change. The consumer is increasingly interested in craft products, with local provenance, quality and authenticity. Social media and digital technologies are tipping the competitive landscape towards these producers and away from the mass market giants. Fuller's is, and always has been, a craft producer and our strategy, which we began to rollout towards the end of the year, is to leverage this competitive advantage to grow our existing brands, develop new ones and expand into other craft segments.

THE FULLER'S BEER COMPANY

As London's longest standing craft brewer, we continually bring new products to market whilst proudly brewing the UK's No.1 Premium ale, London Pride.

Growing Brands

During 2013 we have been laying foundations for future growth through increasing brand equity and extending our portfolio. In April 2013 we began packaging beer into our newly designed bottles. The first redesign of the bottle for 19 years is elegant and distinctive and will enable us to stand out from the competition on shelves both at home and abroad. We have also redesigned every label to complement the new shape and to give all of our beer brands a more contemporary appeal.

Our new advertising campaign – "Made of London" will appear in newspapers and on websites and poster sites around London until July and again in September. "Made of London" engages consumers by telling the fascinating true stories of London Pride and the unique provenance, history and relationship our flagship beer brand has with London. Weaving the past and the present together allows consumers to discover the rich heritage of London's longest standing craft beer.

Developing New Brands

Our most exciting innovation is the launch of Frontier, a new wave craft lager. Pushing the traditional boundaries of lager brewing, this cutting edge beer has been hand-crafted over 42

Group Managing Director's Review continued

days to explore new territories in taste. From the imagination of a passionate brewing team, drawing on over 160 years of brewing experience we have created a unique lager with a distinctive flavour. We combine old world malts with new world hops and carefully lager the beer for five weeks for a more memorable taste, with citrus and spicy notes. Frontier is served unpasteurised for additional freshness and so the consumer can enjoy the full flavour in its original splendour. This small batch craft lager will appeal to premium lager drinkers who are interested in a lager with real taste and authenticity. Initially Frontier will be seeded into 50 pubs around the country, allowing consumers to seek it out, before distribution is extended.

We proactively develop our portfolio of beers, providing variety and interest for consumers. We produce a large scale seasonal ale every month,

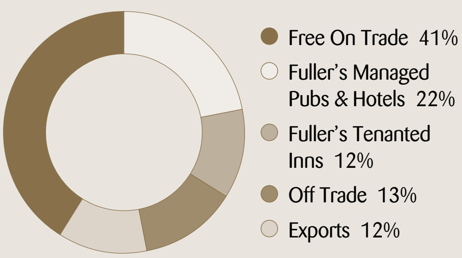
FULLER'S BEER BARRELS 000s

	Own beer brewed	Foreign beer distributed	Total
2013	**214.5**	**117.5**	**332.0**
2012	217.4	114.3	331.7
2011*	215.5	110.8	326.3
2010	220.0	104.7	324.7
2009	215.6	103.6	319.2

Own beer brewed   Foreign beer distributed

*2011 barrelage figures are pro-rated to 52 weeks

TOTAL BEER BARRELS



reaching over 100 pubs. Seasonal cask ale volumes are growing 35% year on year, as our customers seek out something new and interesting. This spring we brewed "Brit Hop" featuring eight different British hops, including the award winning Admiral 2012, used for the first time by Fuller's. Seasonal beers that show greatest potential are extended into more permanent beers, with Wild River following the success of Bengal Lancer to become a permanent part of the bottled range.

Expanding into Other Craft Segments – World Beer

In response to the increasing consumer demand for interesting beers with a genuine history and heritage, we are developing a portfolio of world class beers from around the globe exclusive to Fuller's as UK distributors. These beers are carefully sourced from brewers who share Fuller's passion for brewing and uncompromising quality and the beers are imported from their home brewery, not brewed under license.

The first beer in this range was Veltins, a Pilsner lager, brewed to the German purity law from 1516 and served in traditional Germanic handled glassware. Launched to market in July 2012, Veltins is on target to sell 2,000 barrels in its first year, from a growing distribution base. On 13 May 2013 we launched Chimay Gold draught, from the Chimay Abbey in Belgium, with over 150 years of heritage. This is an authentic Trappist beer, served in traditional two-thirds of a pint goblets, to be savoured and explored. This year is the first time this unfiltered and unpasteurised 4.8% keg beer has been available outside of Chimay Abbey and we are the exclusive UK importer.

– Premium Cider

On 4 June 2013 we purchased 100% of the share capital of Cornish Orchards Limited for £3.8 million. The consideration comprised £2.4 million of cash, £0.5 million of assumed liabilities and £0.9 million contingent consideration payable at a future date. Established in 1999, Cornish Orchards produces premium cider with genuine provenance, hand crafted from freshly pressed apples. The production facilities in Duloe, Cornwall are well invested with potential for further expansion on the site. The flagship brand, Cornish Gold is a refreshing, and truly delicious cider of uncompromising quality, making it a perfect fit with Fuller's outstanding ales. The premium cider market is a strong growth area, with healthy margins and the full award winning range of ciders and artisan soft drinks are ideal for our portfolio, and will provide the opportunity to drive incremental sales through our existing sales channels.

These unique additions to our portfolio allow us to offer a more extensive repertoire of drinks to our consumers.

Simon Emeny
Group Managing Director

7 June 2013


FRONTIER


VELTINS


FULLER'S
LONDON PORTER
CHISWICK
BITTER
BENGAL
LANCER
ESB
LONDON PRIDE
WILD RIVER
GOLDEN PRIDE
1845
INDIA PALE ALE


FULLER'S
LONDON PRIDE

Corporate Social Responsibility

HERITAGE

Fuller's place in the industrial and cultural history of London is well-documented, and it is our careful preservation of this heritage at the brewery and in our pubs which today sees the Company held in high regard in each community it serves. Brewing has taken place on our Griffin Brewery site in Chiswick, West London, since at least the 17th century and some of our pubs have been in the Company's ownership for over 150 years. Many of our pubs pre date the Brewery, as we have become custodians of historic sites through selected acquisitions.

Some of our most recent pub acquisitions and developments, in bustling towns such as Reigate and Bath, and developments like The Parcel Yard in London's King's Cross have further enhanced the Company's reputation. Tired, under-invested sites which we have acquired, or blank canvases such as that at King's Cross, have been transformed into stunning venues for the public to socialise in a comfortable and safe environment. The way we approach these investments is sympathetic to the location, but also to the wider area as in all cases we endeavour to use the heritage of the site as an integral aspect of the design.

As well as preserving and highlighting the history and heritage of our properties, we are also keen to re-establish historic links wherever possible. We are currently creating a wonderful new pub on the banks of the River Cam, near Fareham, which will be the recreation of a former tidal mill which sat on the site.

At our brewery, we continue to delve into our rich brewing history with recreations of beers from our brewing books, which stretch back for two centuries. Following on from beers made to recipes from the 1890s and the 1930s, the next edition in our acclaimed Past Masters series will be from the more recent 1960s.

COMMUNITY

Fuller's has been a fixture of the Chiswick and wider London community for many centuries. We are committed to continuing the close relationship between our business and the communities in which we operate, including those in the vicinity of our growing estate of pubs and hotels.

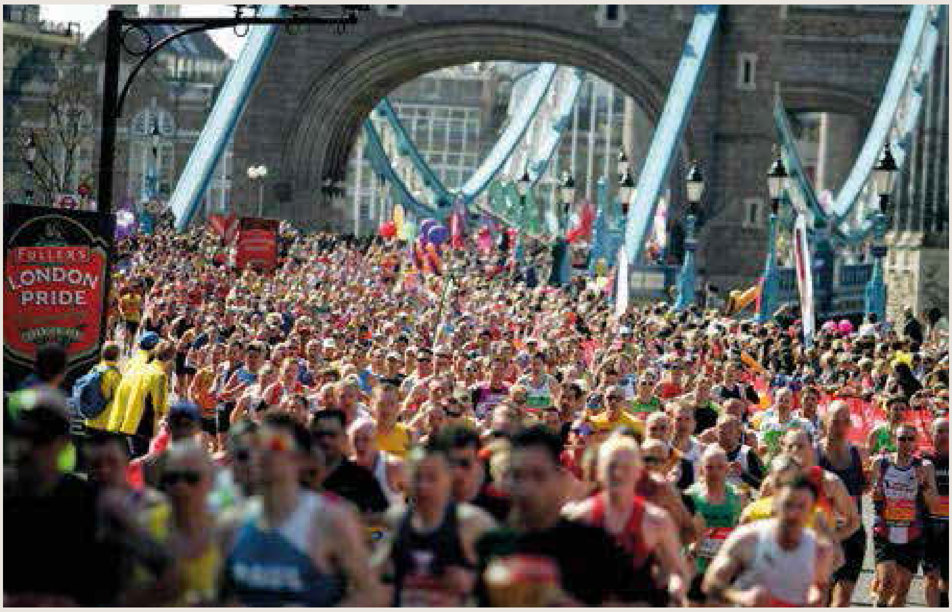
In the last couple of years we have established a presence in towns such as

Corporate Social Responsibility continued

Stratford upon Avon, Bath, Reigate and Alresford and as with all our businesses, we actively encourage our managers and tenants in these new areas to support local community programmes and events as much as possible. For example at The Market Stores, a Reigate pub that we have restored to be the "heart of the town" since purchasing it in 2012, we provided support for a local charity called Love Works by providing free stock and assisting with staffing their bar at the Diamond Jubilee celebrations.

We continue to support local and national charities through events run at our head office as well as at individual pubs and hotels raising over £230,000 in direct sponsorship. Most notably, our pub teams and brewery staff came out in force once again during "Movember", raising almost £20,000 for men's health charities, specifically prostrate cancer. Fuller's excellent support was rewarded by the organisers with a trophy presented in early 2013.

Fuller's also continues to support many causes, charities and organisations in the local area surrounding the Company's Griffin Brewery, many of which are bound by a simple 'gentleman's agreement' made many years ago. Two examples of this are the Thames Towpath Ten race alongside the river Thames every April and the Head of the River Fours rowing race during the autumn. Both events have been able to survive and thrive as a result of Fuller's continued support.



Other local interest groups which receive financial or in-kind support from the Company include the Chiswick Pier Trust, St Mary's Convent & Nursing Home and Chiswick House & Gardens, where we also support the organisation of an annual open-air opera event, designed to raise further funds for one of the hidden gems of the West London area.

During this year we have also reached a landmark figure in our fundraising for the maritime charity Seafarers UK, through sales of our Seafarers Ale. Fuller's donates £5 per brewer's barrel and the total raised now stands at £100,000. Fuller's also continues to support the work of Cancer Research UK at the nearby Hammersmith Hospital through support of the annual London Pride Walk for Cancer Research UK, (which has raised over £1 million since the first walk in 1996) and is proud to continue its high profile sponsorship of the Virgin London Marathon.

RESPONSIBLE RETAILING

The Fuller's Beer Company continues to pride itself on the quality of beers that it brews. The premium positioning of our brands is supported by advertising and promotional activity where the emphasis is on moderate consumption and taking time to appreciate a great beer that's worth savouring. Our strategy continues to promote quality rather than quantity.

Alcohol misuse and the attendant issues of underage drinking, poor health and other social problems are matters of legitimate concern in the UK today. We take these issues seriously and are committed to playing a leading role in responsible retailing to reduce their impact.

We are active members of the BBPA ("British Beer and Pub Association") and the BII ("British Institute of Inn keeping"), as well as supporting Drinkaware, the government sponsored trust which aims to promote responsible drinking and help reduce alcohol misuse and alcohol-related harm.

We have always believed that a well-managed pub offering a relaxed and safe environment, catering for all ages is central

Corporate Social Responsibility continued

to a community's social cohesion and this plays a vital role in Britain's social life. In our managed pubs we focus primarily on food-led occasions where alcohol is drunk as an accompaniment to the meal. When we do promote drinks we focus on quality drinks to savour rather than initiatives that encourage or lead to excessive drinking, such as "Happy Hours".

We aim to tailor our pubs' offer to the needs of the communities they serve. This may involve encouraging families to visit through our new children's menu or encouraging our managers to contribute to local Pubwatch schemes. Our pub managers and staff operate the "Challenge 21" proof of age scheme. This policy is audited through unannounced test purchases.

PEOPLE

The Fuller's family ethos remains strong and is still very evident throughout the business. Many employees stay with Fuller's for much of their working life as demonstrated every year by the numerous recipients of our long service awards.

Our graduate programmes go from strength to strength, increasingly Fuller's is being viewed as a place for talented graduates to develop into the leaders of the future. Our General Manager development programme continues to develop the best assistant managers into new leaders for our Pub estate. Our Mentor programme has been increased in size and scope, utilising the skills and experience of our senior managers to support the development of our future leaders.

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

We recognise and reward excellence throughout the business, whether through promotion or a number of internal awards. We value loyalty very highly and offer a range of benefits to encourage employees to take a stake in the Company's long-term success, such as the Save As You Earn Scheme and Share Incentive Plan.

ENVIRONMENT

2012 saw another period of extreme weather starting with hose-pipe bans and ending as the second wettest year on record. We have to accept this is a natural effect of climate change and continue to do everything we can to adjust our operations to minimise our impact on our environment.

During the last financial year we continued to extend our use of LED lighting, most recently in the Brewery where replacement floodlighting in our cask racking area has reduced energy consumption by 85% and annual carbon emissions by 38 tonnes.

Less than 24% of our waste is now sent to landfill and we have continued to extend the use of waterless urinals in our pubs and hotels.

Sub-metering has been installed in seven houses and detailed analysis of the data has enabled us to significantly improve energy consumption and reduce annual carbon emissions by 110 tonnes. Further savings are expected over the coming months.

Corporate Social Responsibility continued

We are continually looking for new ways to improve our environmental performance and have recently begun trials on voltage optimisation technology and sophisticated controls to reduce gas consumption on boilers. The initial results of both of these initiatives look promising and a decision on their wider deployment will be taken later this year.

This year we have also introduced a programme designed to change our employees' approach to energy consumption. After six weeks of the pilot project, all but two of the 16 pubs have made significant steps towards achieving our targeted reduction. If successful we will extend the programme to the remainder of our managed house estate later this year.

In April 2013 we launched a redesigned, lighter bottle for London Pride. These bottles are 21% lighter than the previous design and we anticipate this will further reduce our annual CO_2 emissions by over 40 tonnes (equivalent to an average family car driving around the world 10 times). This is the second time we have reduced the weight of our bottles in the past three years.

Our decision to implement a greener car policy 4 years ago continues to deliver improved environmental performance. The CO_2 emissions of our existing fleet are almost 25% less than the national average for all cars and new cars joining our fleet also have lower emissions than the national new car average.

SUPPLIERS

We recognise that our activities have a broad impact and that our responsibilities extend beyond our own operations to those of our suppliers. We understand we have a responsibility to the environment to ensure that the products we source are sustainable.

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

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

Our menus reflect the seasons wherever possible and 100% of our chips come from British Farmers. All of our fresh meat is sourced from within the UK from our trusted butcher's that carry certification of all aspects of food safety and traceability. All of our eggs are from British farms meeting the Lion Quality standards and carrying the Lion Quality symbol. All our fish for frying is sustainably sourced and our two nominated fishmongers are accredited with the Marine Stewardship Council, who advise which breeds may be at risk ensuring we continue to develop our menus responsibly.

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

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

The Board of Directors as at 7 June 2013

Michael Turner[†]

Simon Emeny

James Douglas

Richard Fuller

Executive Directors

Michael Turner[†]
Chairman
Aged 61. Joined in 1978. A Chartered Accountant with international experience. Initially ran the Wine Division as Wine Director. Appointed Marketing Director in 1988, Managing Director in 1992, Chief Executive in 2002 and Chairman in 2007. Chairman of the British Beer and Pub Association 2008-2010. Master of the Worshipful Company of Vintners 2011-2012. Chairman of the Nominations Committee.

Simon Emeny
Group Managing Director
Aged 47. Joined in 1996 from Bass plc where he held a variety of senior operational and strategic planning roles. Appointed a Director in May 1998. Non Executive Director of Dunelm Group plc. An Economics graduate and alumni of Harvard Business School.

James Douglas
Finance Director
Aged 47. Appointed in 2007 from LSE-listed telecoms operator Fibernet Group plc, where he was Finance Director. Spent eight years with Deutsche Bank as an investment banker. Qualified as a prize-winning Chartered Accountant with PricewaterhouseCoopers. Holds a first degree in Physics and a Masters degree in Economics.

Richard Fuller
Sales and Personnel Director
Aged 53. Joined the Company in 1984. Appointed a Divisional Director with responsibility for Sales in 1992, and additionally for Personnel in 2005. Appointed to the Board in December 2009. Also responsible for Public Relations. A GMP graduate of Harvard Business School.

Ian Bray
Managing Director of The Fuller's Beer Company
Aged 49. Appointed in 2011. Previously European Marketing Director of Bunge S.A., a Switzerland-based global foods and agricultural business. Has held FMCG marketing and senior management roles at both international and domestic level, working with companies such as Wrigley, Müller and SmithKline Beecham. A Business Studies graduate.

Jonathon Swaine
Managing Director of Fuller's Inns
Aged 42. Appointed to the Board in 2012. Joined the Company in 2005 and appointed as Operations Director for Fullers Inns in 2007. Has previously held positions at Carlton Communications and Molson Coors. An Arts graduate with a Masters degree in Marketing and an alumni of Columbia Business School.

John Dunsmore[*#†]

Lynn Fordham[*#†]

Independent Non-Executive Directors

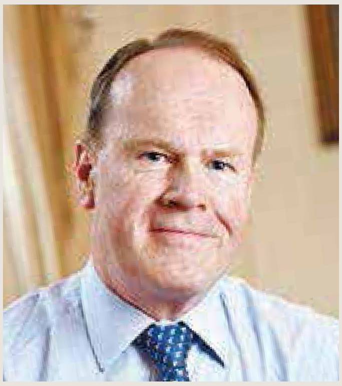
John Dunsmore[*#†]
Aged 54. Appointed in 2009. Senior Non Executive Director. Deputy Chairman of Genius Foods Ltd., Founder and CEO of The Hothouse Investment Club. Former Chief Executive of C&C Group plc and former Chief Executive of Scottish & Newcastle plc prior to its takeover by Heineken and Carlsberg in 2008.

Lynn Fordham[*#†]
Aged 50. Appointed in 2011. Chairman of the Audit Committee. Chief Executive of SVG Capital. Previous appointments include CFO SVG Capital, Deputy CFO at BAA plc, Director of Audit and Risk at Boots Group plc and Finance Director of ED & F Man Sugar. In addition, she spent 10 years at Mobil Oil in a number of financial and operational roles predominantly internationally. A graduate and Chartered Accountant.

Alastair Kerr[*#]
Aged 63. Appointed in 2011. Chairman of the Remuneration Committee. Non Executive Director of high street clothing retailer White Stuff Ltd, Non Executive Director and Chairman of the Remuneration Committee at Havelock Europa PLC, Senior Independent Director and Chairman of the Remuneration Committee at Alliance Trust PLC and Chairman of private holding company


Ian Bray


Jonathon Swaine


Alastair Kerr*#


Sir James Fuller Bt.

Drilton Ltd . He has previously held senior roles at Mothercare and Kwik-Fit, and was Managing Director of Europe, Middle East and Africa for The Body Shop and Managing Director Europe for Virgin.

Non-Executive Directors

Sir James Fuller Bt.
Aged 42. Appointed in 2010. Served in The Life Guards 1991-1998. Employed by the Company from 1998-2003, working in the tied and managed house estate and has since been running his own business.

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


Marie Gracie

Company Secretary

Marie Gracie
Aged 47. Appointed in 1998 after an offshore appointment. Formerly Company Secretary of Argos PLC. A Chartered Secretary and Arts graduate. Secretary of The Chiswick House and Gardens Trust.

Financial Statements

Contents

Financial Review

Financial Performance

The Chairman's Statement and Group Managing Director's Review on pages 2 to 15 cover a comprehensive review of the headline financial results for the year just ended.

Business Review

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

	2013	2012
EBITDA	**£51.2 million**	£47.8 million
Pro forma net debt/EBITDA	**2.6 times**	2.7 times
Adjusted profits	**£31.7 million**	£30.3 million
Adjusted earnings per share increase	**8%**	7%
Managed Pubs and Hotels		
Managed Pubs and Hotels invested like for like sales growth	**+2.1%**	+4.2%
Wet like for like sales growth	**+0.9%**	+4.0%
Food like for like sales growth	**+3.9%**	+4.5%
Accommodation like for like sales growth	**+8.2%**	+7.4%
Tenanted Inns		
Tenanted Inns like for like profits	**+1%**	+2%
Like for like barrels sold	**-5%**	-4%
Average EBITDA per pub	**+9.0%**	+4.2%
The Fuller's Beer Company		
Own Beer barrels sold	**-1%**	+1%
Foreign Beer barrels sold	**+3%**	+3%
Total Beer barrels sold	**level**	+2%

Full definitions of these financial KPIs can be found in the Glossary, and a commentary on them can be found in the Chairman's Statement and Group Managing Director's Review. Pro forma net debt/EBITDA is adjusted to reflect the position as if acquisitions and disposals that took place during the year had occurred on the first day of the year.

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

Managed Pubs and Hotels

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

Tenanted Inns

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

The Fuller's Beer Company

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

Our Operating Results

We have grown revenue by 7% on the prior year. The majority of the growth comes from the full year impact of pub acquisitions made in the previous year supplemented by duty-driven price rises. Our operating profits before exceptional items grew by 6% to £37.0 million (2012: £34.9 million), with the largest contribution to growth coming from the Tenanted Inns division. EBITDA also increased by 7% to £51.2 million (2012: £47.8 million). We acquired 4 pubs during the period and disposed of one Tenanted pub which no longer met our criteria as well as a number of unlicensed properties.

Financial Review continued

Finance Costs

Net finance costs before exceptional items increased to £5.3 million from £4.6 million as we incurred higher interest costs of £5.5 million on loans and debentures, compared to £4.6 million in the prior year, from a full year of higher borrowing levels following the significant levels of acquisitions made in the previous year. This increase was partially offset by an increase in the notional net finance income on our pension scheme of £0.6 million compared to £0.3 million in the prior year.

Group net debt decreased marginally from £138.2 million at the start of the year to £135.6 million as we re-invested cash generated from operations back into the business.

Our blended cost of borrowings remained constant at 4.1% due to the lack of significant changes in our borrowing levels and flat interest rates on the variable rate portion of our debt. We expect this blended rate of interest to increase marginally to 4.2% in the coming year as we continue to pay down our cheaper variable rate borrowings.

Exceptional Items

Net exceptional profits before tax of £3.5 million comprised £5.0 million profit on property disposals offset by £0.5 million of acquisition costs expensed and property impairment charges net of reversals of £1.0 million. After exceptional items, profit before tax was therefore £35.2 million (2012: £28.8 million). We further benefitted from an exceptional deferred tax credit of £1.8 million, primarily a credit of £1.2 million relating to the reduction in the UK corporation tax rate from 24% to 23% which came into effect on 1 April 2013, with the balance arising on property disposals and impairments. The total impact of these items meant that basic earnings per share was greater than the adjusted figure at 52.59p (2012: 42.13p).

In the prior year the basic earnings per share were also impacted by exceptional items, with exceptional profits after tax of £1.3 million. These comprised £3.0 million of acquisition costs, a net £0.9 million onerous lease charge, £0.2 million of non-cash losses in relation to financial instruments which are not effective for hedge accounting purposes, £0.6 million profit on property disposal, net reversal of property impairments of £2.0 million and an exceptional deferred tax credit of £2.8 million mostly relating to the reduction of the UK Corporation tax rate from 26% to 24%.

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 24.3% (2012: 26.1%) on adjusted profits. The Group's overall effective tax rate of 16.8% was boosted by the deferred tax effect of the reduction in UK corporation tax rates from 24% to 23% from 1 April 2013 (2012: 17.7% after the corresponding effect of the reduction in rates from 26% to 24% from 1 April 2012).

Capital Spending, Disposals and Asset Impairment

Our capital spending of £29.6 million included the acquisition of four new pubs (exclusive of acquisition fees and stamp duty) – The Windmill, Waterloo and The Grand Central, Brighton in September 2012 and later in November, The Crystal Palace and Huntsman, two grade II listed properties in the centre of Bath. We invested substantially in the redevelopment of a number of our existing sites; most notably, the Hand and Flower, located in the heart of Hammersmith, the Duke of Kent, Ealing, and the Turk's Head, St Margaret's, all benefitted from extensive renovations to transform their offerings to our customers. At the start of the year we completed the remodelling of the Tokenhouse, on Moorgate, as well as our investment in the White Swan, Stratford-upon-Avon, which now provides a 41 room boutique hotel. The Ox Row and the Horse and Groom, both additions to our tenanted estate in 2012, received substantial renovations and were brought into our managed estate. Capital expenditure last year was significantly higher at £74.7 million due to the acquisition of 30 new pubs and the substantial investment in a number of these sites. Targeted capital expenditure for the coming year of £31.5 million includes £8.4 million of committed pub acquisition costs and £2.9 million of committed corporate acquisitions. Uncommitted acquisitions are not included in this figure.

Asset disposals raised a total of £9.5 million and we recorded an exceptional gain on disposal of £5.0 million which was largely attributable to the sale of various unlicensed properties. Our annual comprehensive impairment review resulted in a net impairment charge of £1.0 million in respect of our property assets (2012: net write-back of prior impairments of £2.0 million).

Pensions

The accounting deficit for defined benefit pensions has decreased by £6.1 million to £13.0 million (2012: £19.1 million). This was driven principally by the increase in the fair value of the plans' assets from £79.1 million to £88.9 million largely driven by the greater than expected returns on Equity investments and Corporate Bonds. These gains were offset partially by an increase in the calculated present value of pension obligations from £98.2 million to £101.9 million, as the assumptions of long term inflation and salary growth increased

Financial Review continued

from 3.2% to 3.3% and from 3.7% to 3.8% respectfully. Deficit recovery payments of £0.7 million were made during the year. These payments will be reviewed in July 2013 at the next triennial valuation.

Shareholders' Return

Adjusted earnings per share was 8% higher than last year at 43.07p (2012: 39.82p). The proposed final dividend of 8.35p per 40p 'A' ordinary share, together with the interim dividend of 5.35p per share already paid makes a total of 13.70p and compares with a total dividend of 12.65p last year. The total dividend per share has grown by 8% and will be covered 3.1 times by adjusted earnings per share, compared with 3.1 times in the previous year. Shareholders' equity at the year end was £259.4 million.

During the period 411,393 'A' ordinary 40p shares were repurchased into treasury for £2.9 million (2012: 1,096,154 for £7.7 million). In addition 86,500 'A' ordinary 40p shares, 696,752 'B' ordinary 4p shares and 4,935 'C' ordinary 40p shares were purchased for £1.1 million by or on behalf of the Trustees of the Share Incentive Plan and the LTIP Trustees to cover future issuance (2012: 86,009 'A' shares and 338,614 'B' shares for £0.8 million). The average price paid was 717p per 'A' ordinary 40p share. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 820p. The highest price during the year was 820p, while the lowest was 700p. The Company's market capitalisation at 30 March 2013 was £457.4 million (2012: £398.9 million).

Cash Flow

Cash generated from operating activities was £39.2 million (2012: £42.0 million). The £2.8 million reduction was largely due to negative working capital flows, due to the timing of payments to our suppliers around the year end, which were offset by an increased EBITDA. Our capital expenditure in the period at £29.6 million (2012: £74.7 million) was much lower than last year which included the acquisition of 30 pubs and 18 major refurbishments. The net cash outflow from investing activities, after net income from disposals of £9.5 million (2012: £1.9 million), was £20.1 million (2012: £72.8 million). Net debt decreased marginally from £138.2 million at the start of the year to £135.6 million as we re-invested cash generated from operations back into the business. EBITDA increased by 7% to £51.2 million (2012: £47.8 million), bringing our pro forma net debt to EBITDA ratio to 2.6 times (2012: 2.7 times). This level of debt allows us continued flexibility to invest in future opportunities as they arise.

Financial Position – Bank facilities

Our total committed bank facilities remained at £150.0 million at the year end of which £113.0 million was drawn (2012: £115.5 million) and £37.0 million was available (2012: £34.5 million). We utilised cash generated during the year to fund the acquisition of four pubs as well as our annual capital expenditure programme whilst maintaining headroom at an appropriate level. We maintained our level of hedged bank borrowings at £85.0 million of which £65.0 million is swapped at a blended interest rate of 1.8% (excluding bank margins) and £20.0 million is subject to a cap of 4.0%. In December 2012 we entered into a further interest rate swap agreement for £20.0 million at 2.3%. The swap, due to commence in 2015, will allow us to continue to borrow at a fixed interest rate until 2022.

Financial Position – Other Sources of Funding

The Group's financing is a mix of debentures, cumulative preference shares, overdraft, cash and short term deposits as disclosed in notes 22, 24 and 26. Other financial assets and liabilities such as trade receivables and payables arise through the Group's operating activities. Derivative instruments as detailed below are used to manage interest rate and foreign exchange risk. The Group does not trade in financial instruments.

The Group had £37.0 million of undrawn committed loan facilities at the year end with no repayment obligations for more than two years. The table below analyses available and undrawn borrowing facilities at the balance sheet date:

	Maturity Date	Total available £ million	Amount undrawn £ million
Uncommitted overdraft	2013	**7.5**	**7.5**
Committed bank facility	2015	**150.0**	**37.0**
Debenture stock	2023-2028	**25.8**	**–**
Preference shares	none	**1.6**	**–**
Total		**184.9**	**44.5**

The Group is able to operate with negative working capital – trade and other payables were £12.5 million greater than the aggregate of inventories and trade and other receivables at the year end (2012: £18.4 million greater).

Financial Review continued

Financial Risks and Treasury Policies

The Group Treasury Team consists of the Finance Director and the Group Financial Controller. The objectives of the Treasury Team are to manage the Group's financial risk; to secure cost effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group Treasury Team monitors the overall level of financial gearing weekly, with our short and medium-term forecasts showing underlying levels of gearing which remain within our targets.

Interest Rate Risk

It is Group policy to hedge the interest rate risk of at least 50% of our gross borrowings by either the underlying instrument being at a fixed rate, or by taking out interest products to fix or cap the interest rate. At the Balance Sheet date 80% of the Group's gross borrowings were at fixed or capped rates and the fixed rates ranged between 1.2% and 2.5% (excluding bank margin) on bank borrowings and then between 6.0% and 10.7% on preference shares and debentures.

	Total drawn £ million	Amount fixed/hedged £ million	Fixed/hedged %
Committed bank facility (net of arrangement fees)	112.4	85.0	76%
Debenture stock	25.8	25.8	100%
Preference shares	1.6	1.6	100%
Total borrowings	139.8	112.4	80%

Foreign Exchange Risk

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

Risks and Uncertainties Facing the Group

We report in detail the risks and uncertainties facing the Group on pages 26 and 27. In summary we identify three different generic types of risk and uncertainty. Regulatory risks encompass the risks to our business of increased regulation of the sale of alcohol, health and safety in the workplace and pensions. Economic and market conditions include the risk to the business due to the strength or otherwise of the economy, cost pressures including the increase in the minimum wage, the risk of assigned leases reverting to the Group and changes in consumer trends. Operational risks include damage to our property, brands or reputation and our reliance on information systems to operate efficiently on a daily basis.

Going Concern Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position have been set out in the Chairman's Statement and Group Managing Director's Review on pages 2 to 15 and in this Financial Review. The financial position of the Group including the various sources of finance available and its cash flows have been described herein. In addition, note 26 of the financial statements includes detailed disclosure on the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit and liquidity risk.

The Group is vertically integrated, is diversified across a wide range of sales channels and is strongly cash generative. We have performed well throughout the recent economic cycles. We believe our financial position is strong and we have always borrowed prudently. We continue to be well placed going forward and have £150.0 million of bank facilities in place until May 2015 of which more than £30.0 million is not drawn.

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

James Douglas
Finance Director
7 June 2013

Risks and Uncertainties

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

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

Regulatory Risks

Regulation of the Sale of Alcohol: Within our industry there is always the risk that the Government may change legislation in a manner that may adversely affect us. Notably, in the past five years UK alcohol excise duties have been increased by more than 45%. In the recent budget the Chancellor announced the abolition of the duty escalator on beer. Whilst this was a positive step we recognise that this remains a widely debated topic and an area that is open to future revision of government policy. In addition duty on other alcohol continues to rise annually at 2% above inflation. There is a risk that continued inflation busting duty increases may depress sales or further reduce margins in our industry.

In March 2013 the government also announced that it intends to introduce laws to set a minimum price per unit of alcohol by 2014 as well as a ban on Supermarkets from offering 'multi-buy' discounts. Similar attempts to introduce pricing measures in Scotland have so far been unsuccessful.

Beer Tie: Whilst the European Union has renewed the block exemption with regard to the Beer Tie until 2022, the Beer Tie continues to be the subject of much debate and scrutiny in the UK. In April 2013 the Business Secretary announced a consultation for a mandatory code of practice for the industry as well as the appointment of an independent adjudicator. The adjudicator will oversee practices within the industry with a view to transferring £100 million a year of value from pub companies to tenants. Currently the industry maintains a voluntary code of practice which is regularly reviewed and updated in consultation with numerous pub company's and industry groups. To ensure the transparency and openness of our Tied agreements, our own Tenanted Code of Practice, which is accredited by the British Institute of Innkeeping, is currently being aligned to the most recent industry code.

Current proposals are for the new mandatory code of practice to apply only to companies with over 500 pubs however there remains the risk that this threshold will be revised and may be imposed upon us. Such events would have a significant impact for a number of our customers and affect the profitability of our business. There continues to remain the risk that eventually the authorities will further interfere with the existing arrangements resulting in the abolition of the Beer Tie. This would necessitate changes to our business model, with higher property rents and lower prices for the supply of drinks being charged.

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

Pensions: The Group operates several pension schemes including a defined benefit pension scheme and management continue to closely monitor developments in relation to pension scheme funding. Although the defined benefit scheme is now closed to new entrants, there remains a significant pension liability of £13 million on the Balance Sheet. There is therefore a risk to the Group that a change in legislation could impact cash flow by setting a minimum funding level that is above the Group's current contributions or by requiring higher contributions by a change to the basis of calculating the scheme deficit. The Group has a programme in place to reduce the deficit and made an additional contribution of £0.7 million in the period ended 30 March 2013. The Group has agreed with the trustees to review this additional contribution in July 2013 and it is expected that the value of the payment will increase.

Economic and Market Conditions

Strength of the Economy: We are exposed to the overall strength of the UK economy and its influence on consumer spending. The Group constantly invests in its key brands and ensures it takes advantage of the opportunities presented to encourage customers into its pubs. The weak economic recovery is being affected by high inflation, unemployment at its highest level since the early 1990's, and in real terms pay reductions. Combined, these factors are likely to reduce total UK consumer spending in the short term. Nonetheless, the outlook is better than the deep recession the UK has just endured and the Group traded well through that difficult period.

Risks and Uncertainties continued

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

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

Supply Chain Failure: Whilst we brew our own beer in Chiswick, our production process and our pubs rely on a number of third parties to provide continuity of supply. The quality and availability of these supplies are integral to our ability to operate. Suppliers are carefully selected with significant consideration given to the source and quality of the produce. The majority of our food is provided fresh and sourced from within the UK. We maintain close relationships with all our suppliers and where appropriate put in place long term supply contracts. Our food is delivered by a number of suppliers which avoids concentration in a sole supply arrangement. However, the weak economic climate increases the risk of a supplier failure, and therefore we monitor the credit worthiness of all our suppliers as well as continually review contingency plans in the event of a failure in supply.

Cost Increases: Utilities and agricultural produce such as hops, malt and barley, as well as food produce are significant inputs for the Group and have been subject to considerable price increases in recent years. Further input cost increases could impact the Group's profitability. Management has in place arrangements with some of its key suppliers to secure supply and prices for the medium term (thereby also enabling the business to plan effectively), but such measures can do no more than delay cost increases should they be sustained.

Consumer Trends: In the UK, consumption of alcohol continues to be the subject of considerable social and political attention. Increasing public concern over alcohol related social problems, including underage drinking and health consequences associated with the misuse of alcohol, has contributed to declining sales of beer in the UK. The Group takes these issues seriously and continues to support the industry's campaigns and to market its products as premium beverages to be drunk in moderation in a social environment. More generally, management frequently carries out research amongst its customer groups to ensure it reacts to changing consumer preferences. Accommodation and food sales are an area of focus and are an increasing proportion of total sales, providing diversification protection against shifting consumer behaviour.

Operational Risks

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

Brands and Reputation: Fuller's has a wide portfolio of brands and has established an excellent reputation in the market. Principally, there is a risk that the Group's beer could become contaminated at source or outlet, which could damage the reputation of the brand and deter customers. The Group reduces product contamination risks to an acceptable level by ensuring that the business is operated to the highest standards by maintaining long term relationships with suppliers and by significant investment in security, quality control and cleansing, together with insurance coverage for product contamination. In addition, the Group runs an active and continuous training programme covering all aspects of the pub operations and provides its pubs with onsite technical support.

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

Information Technology: The Group is increasingly reliant on its information systems to operate on a daily basis and trading would be affected by any significant or prolonged failure of these systems. To minimise this risk the IT function has a range of facilities and controls in place to ensure that in the event of an issue normal operation would be restored quickly. These include a formal Disaster Recovery Plan, on-line replication of systems and data to a third party recovery facility 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 30 March 2013. The narrative pages throughout the report constitute the Company's management report as required under the FCA's rules.

A) BUSINESS ACTIVITIES AND DEVELOPMENT

The Chairman's Statement and Group Managing Director's Review on pages 2 to 15 and the Financial Review on pages 22 to 25 include information about the Group's principal activities, the business and financial performance during the year and indications of likely future developments and collectively provide a business review.

Dividends

The Company paid an interim dividend of 5.35 pence on the 40p 'A' and 'C' ordinary shares and 0.535 pence on the 4p 'B' ordinary shares on 2 January 2013. The Directors now recommend a final dividend of 8.35 pence on the 40p 'A' and 'C' ordinary shares and 0.835 pence on the 4p 'B' ordinary shares. This makes a total of 13.70 pence on the 40p 'A' and 'C' ordinary shares and 1.37 pence on the 4p 'B' ordinary shares for the year.

The total proposed final dividend on ordinary shares will be £4,651,000 which together with the 2013 interim dividend paid of £2,982,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £7,753,000.

Market Value of Land and Buildings

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

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

B) DIRECTORS

A list of current serving Directors and their biographies is given on pages 20 and 21. Simon Emeny, Lynn Fordham and Sir James Fuller retire by rotation at the Annual General Meeting and offer themselves for re-election. Simon Emeny is an Executive Director and has a rolling service contract of 12 months duration. Lynn Fordham and Sir James Fuller are Non-Executive Directors who do not have service contracts but have been invited to stay on the Board until January 2015 and May 2016 respectively.

Directors' Interests

Details of Directors' interests in the share capital of the Company up to 28 May 2013 are given overleaf. Details of Directors' share options and allocations under the Long Term Incentive Plan ("LTIP") up to 28 May 2013 are given in the Directors' Remuneration Report on pages 41 to 51.

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

Related Party Transactions

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

Directors' Report continued

Directors' Shareholdings	Share class	30 March 2013 and 28 May 2013 (or leaving date) Beneficial	Non Beneficial	31 March 2012 (or appointment date) Beneficial	Non Beneficial
Michael Turner	'A' ordinary 40p	251,158	–	389,338	139,880
	'B' ordinary 4p	2,775,750	–	4,675,652	3,490,974
	'C' ordinary 40p	624,260	–	1,016,570	750,517
	2nd preference £1	71	–	22,993	40,192
Simon Emeny	'A' ordinary 40p	93,931	–	88,732	–
	'B' ordinary 4p	623,951	–	526,655	–
James Douglas	'A' ordinary 40p	40,191	–	27,856	–
	'B' ordinary 4p	84,090	–	13,440	–
Richard Fuller	'A' ordinary 40p	7,720	500,000	9,698	500,000
	'B' ordinary 4p	3,322,540	10,935,015	3,398,576	10,935,015
	'C' ordinary 40p	25,000	–	25,000	–
	2nd preference £1	303	–	303	–
Ian Bray	'A' ordinary 40p	1,647	–	1,250	–
Jonathon Swaine	'A' ordinary 40p	12,753	–	8,635	–
	'B' ordinary 4p	41,804	–	18,789	–
John Dunsmore	'A' ordinary 40p	2,328	–	2,328	–
Sir James Fuller	'A' ordinary 40p	88,942	–	88,942	–
	'B' ordinary 4p	9,143,952	–	9,143,952	–
	'C' ordinary 40p	2,691,313	–	2,691,313	–
Lynn Fordham	'A' ordinary 40p	3,182	–	3,182	–
Alastair Kerr	'A' ordinary 40p	2,941	–	2,941	–
Nigel Atkinson[1]	'A' ordinary 40p	2,750	–	2,750	–

[1] *Retired 18 July 2012*

Indemnity Provisions

The Company's Articles of Association provide the Directors with indemnities in relation to their duties as Directors, including qualifying third party indemnity provisions (within the meaning of the Companies Acts). All of the Executive Directors' contracts contain a clause which states: "the Executive shall be indemnified out of the assets of the Company against any liability incurred by him as a Director or other officer of the Company in defending any proceedings (whether civil or criminal) in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court from liability for negligence, default, breach of duty or breach of trust he may be guilty of in relation to the affairs of the Company." The Company purchases insurance cover for Trustees of the Company's defined benefit pension scheme. James Douglas is a Trustee of the scheme.

Directors' Report continued

C) CORPORATE RESPONSIBILITY

The Group's activities during the year in the areas of: Heritage; Community; Responsible Retailing; People; the Environment; and Suppliers are discussed in detail in the separate Corporate Social Responsibility Statement on pages 16 to 19.

Employees

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

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

The Company continues to offer qualifying staff a Savings Related Share Option Scheme, a Share Incentive Plan and a variety of performance related bonus arrangements, which serve to encourage staff interest in the Group's performance. Staff throughout the Group also benefit from a staff discount scheme.

Political and Charitable Donations

The Company does not make political donations. The Company makes donations to charities in order to support the communities that it operates in and the charitable activities of its staff and other stakeholders. Cash contributions made by the Company for charitable purposes amounted to £103,000 (2012: £95,000). These figures exclude goods supplied by the Brewery as gifts to charitable organisations and fund raising undertaken by the Group's staff members, Managed pubs and Tenanted pubs, as described in the Corporate Social Responsibility Statement on pages 16 to 19.

Supplier Payment Policy

The Group agrees its payment practice with its suppliers in advance. The Group generally pays UK trade suppliers at the month end following the month of invoice. Overseas suppliers (mostly of wine) are paid between two and three months after the month of invoice, depending on delivery times from the country of origin. The average amount of credit taken from suppliers as at 30 March 2013 for the Group and Company was 34 days (31 March 2012: 46 days).

D) KEY PERFORMANCE INDICATORS ("KPIs")

Details of the Group's KPIs can be found in the Financial Review on page 22. In addition a definition of the key terms used is included in the Glossary on page 104.

E) FINANCIAL MANAGEMENT AND TREASURY POLICIES

The Group Treasury and Financial Management policies are discussed in the Financial Review on page 25. The main risks associated with the Group's financial assets and liabilities are set out in note 26 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 26 and 27.

Directors' Report continued

G) SHARE INTERESTS

The following disclosable interests of shareholders (other than Directors) have been notified to the Company:

Name	% 'A' ordinary shares of 40p each As at 30 March 2013	% 'A' ordinary shares of 40p each As at 28 May 2013
Black Rock, Inc	8.82	9.00
Aberdeen Asset Management PLC and its subsidiaries	7.80	7.80
Ameriprise Financial, Inc	6.66	6.88
Kames Capital and associated entities	4.49	4.49
Dunarden Limited	3.04	3.04

Name	% 'B' ordinary shares of 4p each As at 30 March 2013 and 28 May 2013
Sir J H F, Messrs A F and E F Fuller	16.26
J F Russell-Smith Charitable Trust	7.66
Mr A G F Fuller	5.72
A B Earle Charitable Trust	4.62
Mrs S B Stuart	4.59
Dunarden Limited	3.60
Mr R D Inverarity	3.52
Mr G F Inverarity	3.48
Mr H D Williams	3.22
Miss S M Turner	3.22

Name	% 'C' ordinary shares of 40p each As at 30 March 2013 and 28 May 2013
Sir J H F, Messrs A F and E F Fuller	30.61
Mr T J M Turner	6.12
Mr H D Williams	5.97
Mrs J Fuller	4.24
Fuller Family Members Trust	3.96
Miss S M Turner	5.02

H) SHAREHOLDER MATTERS

Special Business at this Year's Annual General Meeting

Details of the items requiring explanation at this year's Annual General Meeting are included in the circular to shareholders dated 27 June 2013, at the back of which is the Notice of Meeting.

Purchase of Own Shares

At the Annual General Meeting of the Company held on 18 July 2012, the Company was given authority to purchase up to 4,833,753 'A' ordinary shares. This authority will expire at the Annual General Meeting and shareholders will be asked to give a similar authority to purchase shares up to 15% of the 'A' ordinary capital at that date. The Company's maximum issued ordinary share capital during the year was £22,793,726, which included £13,369,642 40p 'A' ordinary share capital.

During the year the Company purchased a total of 411,393 40p 'A' ordinary shares at a total cost of £2,932,000. Of these, 260,289 shares, with a value of £1,742,700, were transferred to the Company's Long Term Incentive Plan ("LTIP") Trustee on 20 July 2012. These share purchases represented 0.72% of the maximum issued ordinary share capital (1.23% of the Company's issued 'A' ordinary share capital). Taking into account all the buybacks since December 2001, 18.40% of the Company's issued ordinary share capital (31.37% of the Company's issued 'A' ordinary share capital) has now been purchased.

In addition the Company employee share ownership trusts purchased a total of 86,500 40p 'A' ordinary shares at a total cost of £615,020 for the SIP and 696,752 4p 'B' ordinary shares at a total cost of £521,101 and 4,935 'C' ordinary shares at a total cost of £35,811 for the LTIP.

During the year 144,172 of the 40p 'A' shares held by the Company as treasury shares were reissued in connection with the Savings Related Share Option Scheme, the Executive Share Option Scheme and the Senior Executive Share Option Scheme, generating net cash proceeds of £593,898. A total of 1,205,644 40p 'A' ordinary shares at 28 May 2013 are currently held as treasury shares.

Directors' Report continued

I) SHARE CAPITAL AND ARTICLES

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

Computershare Trustees Limited holds 1.47% of the issued share capital of 40p 'A' ordinary shares on behalf of employees of the Company who are participants in its Share Incentive Plan. In respect of the shares that have been allocated, Computershare Trustees Limited exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

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

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

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

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

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

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

By order of the Board

Marie Gracie, FCIS
Company Secretary
7 June 2013

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

Registered number: 241882

Directors' Statements

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

Under Company Law the Directors must not approve the financial statements unless they are satisfied that they fairly present the financial position, financial performance and cash flows of the Company and of the Group for the financial year. In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance;
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules and in the case of the Group financial statements, with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to Preparation of Financial Statements

The Directors confirm, to the best of their knowledge:

- that these financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company taken as a whole; and
- that the Directors' Report, the Chairman's Statement, the Group Managing Director's Review and the Financial Review, include a fair review of the development and performance of the business and the position of the Group and Company taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Fuller, Smith & Turner P.L.C. are listed on pages 20 and 21.

Directors' Statement as to Disclosure of Information to Auditors

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

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

On behalf of the Board

Michael Turner	**James Douglas**
Chairman	Finance Director
7 June 2013	7 June 2013

Corporate Governance Report

Comment from the Chairman Michael Turner

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

In terms of Board balance, I chair the Nominations Committee and am personally involved in all Board level recruitment so I am able to ensure that we continue to have a good balance of skills, experience, independence and knowledge on our Board and our Board committees. I am satisfied that our Board is comprised of the right individuals who have the skills required to run this type of business and to respond to the challenges presented by the continually changing environment in which we operate.

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

Finally I would like shareholders to understand that I am in charge of our annual Board evaluation process. I am aware that larger PLCs are required to seek external assistance with this process but do not believe that such a process would be likely to add extra value as long as our own process is robust. I believe that we have that robustness and that the process encourages a healthy debate on things that could be improved."

A) INTRODUCTION AND COMPLIANCE

The Board of Directors is committed to the highest standards of corporate governance and believes that such standards are critical to overall business integrity and performance. This report explains how the Company applies the principles of the UK Corporate Governance Code ("the Code").

The Company has complied with the requirements of the Code, as applicable to a smaller quoted company, throughout the financial year with one exception. The Company now has three independent Non-Executive Directors on its Remuneration and Audit Committees but shareholders will note that Nigel Atkinson, who was not an independent Non-Executive Director, also sat on those Committees until July 2012 and in this respect the Company may be considered not to have complied with the independence requirement for both of these Committees (Code provisions C.3.1 and D.2.1) for that part of the financial year. Having considered this matter carefully, the Board is satisfied that the deliberations of both Committees remained independent during that period. Shareholders should note that Nigel Atkinson, although not defined as being independent under the Code, never worked for the Company as a full time employee, being the former Managing Director of Gales, which the Company acquired in 2005. He was valued for his independent character and judgement and it is the Directors' opinion that his presence at both Committees added considerable value. Nigel retired after the AGM in July 2012.

The information that is required by Code provision C.1.2 on the business model and the strategy for delivering the Company's objectives can be found in the Business Review section on pages 6 to 15. The information relating to the share capital of the Company that is required by DTR 7.2.6R, can be found within the Directors' Report, sections H and I on pages 31 and 32.

Corporate Governance Report continued

B) THE BOARD

The Board's Role

The Board of Directors is collectively responsible to the shareholders for the performance and long term success of the Group. Its role includes the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure, ownership of the corporate values, overseeing the Group's systems of internal control, governance and risk management and ensuring that the appropriate resources are in place to deliver these and fulfil the Company's obligations to its stakeholders.

How the Board Works

The Board governs through its executive management, and formally via its other clearly mandated committees. Each standing Board Committee has specific written terms of reference which are reviewed by the Board annually and there is a formal list of Matters Reserved for the Board (which is also reviewed annually). This distinguishes between matters reserved for the Board and Executive Committee decisions. The terms of reference of the Audit, Remuneration and Nomination Committees are available on the Company's website. All Committee Chairmen report orally on the proceedings of their Committees at the next meeting of the Board, and the minutes of the meetings of all Board Committees (with some exceptions on remuneration matters) are provided to Board members. The Chairman ensures that the Executive Directors provide accurate and timely information for Board meetings which is then open to debate and challenge by all. Meetings enjoy open dialogue and constructive challenge on all issues is encouraged. With a good information flow between and prior to Board meetings, decisions are made in a timely manner after appropriate questions are dealt with. The Board has adopted a procedure, in accordance with the Company's Articles, to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company.

Board Meetings

The Board meets formally at least six times a year with papers circulated a week in advance and the agenda and papers for these meetings are subject to the scrutiny of the Chairman and the Company Secretary. However the Board regularly considers matters on an ad hoc basis between scheduled meetings. The Executive Committee meets formally at least eleven times a year and also meets informally most weeks. There is thus a regular flow of information at Board and Executive Committee level.

At Board meetings the agendas cover strategy, analysis of the market in which the Group operates and performance. Each of the Executive Directors and the Company Secretary update the Board at each meeting on matters for which they are responsible. The Board is responsible for approving the annual budget and the annual and half year results. The Board also meets away from the Griffin Brewery every year for an in depth review of corporate strategy, and other agenda items might include an update on the economy and a review of the Group's competitors. The Non-Executive Directors from time to time meet with members of the senior management team at the Brewery and also spend days out in the trade with individual members of that team. This helps to keep the Non-Executive Directors up to date with the operations of the Group and also provides the Executive Directors with valuable feedback about the Company's people and its operations.

At Executive Committee meetings the focus is on the detail of the Group's performance, and the Finance Director leads a review of the Group's management accounts. Each Executive Director and the Company Secretary update their colleagues on the key issues facing their part of the business and there is a good level of consultation and debate at these meetings. The list of Matters Reserved for the Board sets out which matters need Board approval and which decisions can be made at Executive Committee level. Most significant business decisions are made by the Board, but matters such as health and safety policy and approving major contracts are taken at Executive Committee level. Members of the management team regularly join these Executive Committee meetings and three times a year all of the divisional directors and financial controllers join together with the Executive Committee to conduct a detailed review of the half year and full year accounts, and the construction of the annual budget, before these are debated at Board level. From July 2013 the Executive Committee will be Chaired by Simon Emeny rather than Michael Turner.

Corporate Governance Report continued

As well as the dialogue within the boardroom, the Non-Executive Directors meet privately, under the leadership of the Senior Independent Director, without the Executive Directors present. They also meet with the Chairman and Group Managing Director on a regular basis. These meetings allow for the review of issues faced by the business, the continuation of dialogue on strategic issues, the discussion of Board appointments when appropriate, succession planning, and the provision of support to the Chairman and Group Managing Director in their roles.

Attendance at Board and Committee Meetings

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

Board and Committee Meeting Attendance for 2012/2013		Main Board Meetings	Executive Board Meetings	Audit Committee	Remuneration Committee
Total Number of Formal Meetings		**6**	**11**	**4**	**4**
Executive Directors	Committee Memberships	Main Board Meetings	Executive Board Meetings	Audit Committee	Remuneration Committee
Michael Turner	Nom	6/6	10/11		
Simon Emeny		6/6	11/11		
James Douglas		6/6	11/11		
Richard Fuller		6/6	11/11		
Ian Bray		6/6	11/11		
Jonathon Swaine[1]		5/6	10/11		
Non-Executive Directors					
John Dunsmore	Aud, Rem, Nom	6/6		4/4	4/4
Sir James Fuller		6/6			
Lynn Fordham	Aud, Rem, Nom	6/6		4/4	4/4
Alastair Kerr	Aud, Rem	6/6		4/4	4/4
Nigel Atkinson[2]	Aud, Rem	2/2		1/1	2/2

[1]Missed meetings whilst attending Senior Executive Programme at Columbia Business School. [2]Retired 18 July 2012

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

Composition and Balance of the Board

The Board is chaired by Michael Turner who is responsible for leading it and ensuring its effectiveness and openness, and for ensuring that communications with shareholders are valuable. The Chairman does not have any commitments which constrain his ability to fulfil his role. In the past year Michael Turner has been supported by Simon Emeny who was responsible for all operational aspects of the Group, in his role as Group Managing Director. With effect from 1 July 2013 Simon Emeny will become Chief Executive and Michael Turner will continue as Chairman but in a Non-Executive capacity. A new schedule of responsibilities for the Chairman and the Chief Executive which will come into operation from 1 July 2013 has been presented to and approved by the Board. Apart from this and Nigel Atkinson's retirement after last year's AGM there have been no changes to the Board.

Corporate Governance Report continued

Currently the Company has four Non-Executive Directors, one of whom (Sir James Fuller) is a family member. This representation is very important in a Company with a high proportion of family shareholders. The other three Non-Executive Directors, all of whom are deemed independent under the Code, are experienced business leaders and all of the Non-Executives bring a wide range of skills and experiences to the Board. The Directors consider that the Board is a well-balanced one that has the right number of members for the size of the Group and the Directors agree that no one individual dominates discussions and that each makes a full and positive contribution. The Directors' biographies are on pages 20 and 21. John Dunsmore is the Senior Independent Director and an industry expert who brings knowledge, support and advice to the Chairman and all the other Board members; he is in regular dialogue with all Board members outside of Board meetings and co-ordinates the views of the Non-Executive Directors as and when required. All of the Independent Non-Executive Directors are determined by the Board to be independent in character and judgement and there are no relationships or circumstances which could affect or appear to affect their judgement; all are appointed for specified terms. The details of the Non-Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 43 and 51 and are available for inspection at the Company's registered office.

Advice for the Board

There is in place a procedure under which Directors can obtain independent professional advice. The Directors also have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with. The Directors are satisfied that any concerns they raise at Board meetings are recorded in the minutes. The Company maintains appropriate insurance cover in respect of legal action against its Directors and Officers.

Professional Development

All Directors attend training courses, industry forums, and specialist briefings relevant to their role throughout the year. Occasionally specialists such as the Company's actuary or corporate lawyer join a Board meeting to brief the Board on a particular topic. Both the Board and the Executive Committee visit Group pubs and hotels as part of the Board meeting programme. On these and other occasions Board meetings may be held in the Group's pubs, with the aim of keeping the Directors familiar with the Group's estate. Executive Directors are permitted to hold one other paid directorship, with the Board's consent, as the Board believes that experience of how other boards work enhances the Directors' contribution to Fuller's. Simon Emeny currently holds such a Directorship at Dunelm Group plc.

Board Evaluation

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

Board Re-election

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

C) BOARD COMMITTEES

The Nominations Committee

The Nominations Committee consists of John Dunsmore, Lynn Fordham and Michael Turner, who is Chairman. It is responsible for nominating candidates for appointment as Directors, for approval by the Board although the full Board will also typically informally discuss Board appointments. The Committee did not meet during the year as no appointments were made.

The Remuneration Committee

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

The Audit Committee

The Audit Committee of the Board is chaired by Lynn Fordham, Chief Executive of SVG Capital and a Chartered Accountant whose previous appointments include Director of Audit and Risk at Boots Group plc and Finance Director of ED & F Man Sugar. Lynn thus brings recent and relevant financial experience to the Committee. The Chairman, the Finance Director and members of the finance team usually join the meetings as do the external Audit Partner and Audit Manager. The Chairman of the Audit Committee encourages comprehensive debate and close scrutiny of management's and auditors' reports by Committee members. The Chairman of the Audit Committee meets with the manager responsible for internal audits, the external Audit Partner and the Finance Director outside of Audit Committee meetings to give them the opportunity to raise any concerns they may have about their work or their roles and to provide advice and support as required.

There is in place a whistle-blowing policy, which is overseen by the Audit Committee, and which allows staff to raise any concerns in confidence, directly with the Chairman of the Audit Committee. Posters reminding staff about the existence of the policy and how it may be used are reissued annually in order to maintain a good awareness of the whistle-blowing arrangements throughout the Company.

The Audit Committee's terms of reference include all those matters required by the Code. The Committee has a meeting planner which sets out the basic items to be covered at its regular meetings. At the June meeting the Committee reviews the preliminary announcement and the report and accounts. In September the key items are a review of all aspects of the performance of the external auditors, including the chance to assess whether they continue to show the required level of independence, agreeing the scope for the next external audit, the audit plan and related fees and a report from the Company's Retail Audit Manager. A report on internal audit is received, and one on whistle-blowing and the Committee reviews its own effectiveness. At the November meeting the focus is on reviewing the half year report. At the January meeting the key items are risk management, internal audit and a review of new developments in accounting and auditing. The Chairman of the Committee also encourages debate and discussion of topical issues outside of the routine agenda items.

D) ACCOUNTABILITY

Auditors

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

The Group's auditors do from time to time provide non-audit services to the Company. This year the auditors have advised the Company in relation to routine tax compliance and have provided services in relation to iXBRL accounts and the amount spent on these services was £22,000. The Committee believes that this is insignificant and not at such a level that auditor objectivity and independence are compromised. The Committee imposes an upper limit of £50,000 per annum on the amount that the finance team can spend with the auditors for non-audit items without specific approval from the Committee. It is Group policy to seek quotations from multiple parties for significant non-audit services and only to appoint the party (which could then be the auditors) that offers the best combination of price and expertise.

Corporate Governance Report continued

Internal Control and Risk Management

The Board has overall responsibility for the Group's system of internal control and management of risks and reviewing its effectiveness. The system is designed to provide reasonable but not absolute assurance of:

- the mitigation of risks which might cause the failure of business objectives;
- no material misstatements or losses;
- the safeguarding of assets against unauthorised use or disposition;
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication; and
- compliance with applicable laws and regulations.

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

Management within the Finance Department are responsible for ensuring the maintenance of financial records and processes that ensure that all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the review of the Audit Committee.

The Board has reviewed the effectiveness of the Group's system of internal control which has also been discussed in detail by the Audit Committee, including taking account of material developments since the year end. The review covers all material controls including financial and operational controls, compliance and risk management systems. Where weaknesses are identified, actions to address them are agreed.

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

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

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

The Group does not have a formal internal audit function and, after a review by the Audit Committee and the Board, the Board has confirmed that it believes that the existing arrangements for internal audit are appropriate. Management may from time to time augment the internal resource for these audits with specialist external resources. The Group carries out internal audits on financial areas according to a programme agreed between the Audit Committee and the Finance Director and with, as appropriate, input from the other Executive Directors and the external auditors. The audits are coordinated by an experienced senior member of the finance team and are undertaken by other members of the finance team; in each case the person undertaking the audit is independent of the area which is the subject of the audit. The internal audit reports, the management responses and the recommended actions are presented in summary form to the Audit Committee on a regular basis. There are also in place procedures to ensure recommended actions are implemented. During the financial year audits were performed on all purchase order and payment systems, two of which had recently been implemented. To ensure the robustness of the audits performed, management enlisted the support of an external specialist. Among the other areas reviewed and audited were procedures surrounding tax compliance, the Bribery Act and head office cash reconciliations.

In addition, the Group employs a team of retail business auditors who do not have a direct report into the Audit Committee but who monitor the controls in place in the Managed Pub estate, in particular those over stock and cash. This team reports directly to the Fuller's Inns Financial Controller.

E) RELATIONS WITH SHAREHOLDERS

The Company has an ongoing programme of individual meetings with institutional shareholders, allowing the Company to update shareholders on the performance of the business and the strategy for the future, and to give shareholders an opportunity to discuss corporate governance matters. The Company's brokers contact key shareholders to establish if they would like to see the Chairman, Group Managing Director and Finance Director in the days following their presentation to the City on the preliminary and half year results. The Chairman, Richard Fuller and Sir James Fuller are the key contacts with the Company's family shareholders and Sir James Fuller has a specific role to keep in touch with those shareholders. The Senior Independent Director and the other Non-Executive Directors are all willing to attend meetings with shareholders or be contacted by shareholders should they have any concerns which have not been resolved through the normal channels. The Non-Executive Directors have had no such requests during the last financial year. All Board members receive copies of feedback reports from the City presentations and meetings with shareholders, thus keeping them in touch with shareholder opinion.

The Board supports the use of the AGM to communicate, in particular, with private investors, and the Chairman routinely makes a detailed presentation to shareholders updating them on the Company's performance and progress. The Public Relations team also attends the AGM and provides further information to shareholders about the Company through photo boards featuring pub and product information. The Board is keen to encourage institutional investors to attend the meeting as well, in line with the duties set out in the Stewardship Code for institutional shareholders published in July 2010, especially if they have concerns over any issues being voted upon at the AGM, so that they can meet all the Directors and discuss them in person, and particularly if they have declined an invitation for an individual meeting. The Chairman arranges for the Chairman of each of the Company's Board Committees to answer relevant questions at the meeting and encourages all Directors to be present.

By order of the Board

Marie Gracie, FCIS
Company Secretary
7 June 2013

Griffin Brewery
Chiswick Lane South
Chiswick, London W4 2QB

Directors' Remuneration Report

The principal purpose of this report for the 52 weeks ended 30 March 2013 is to inform shareholders of the Group's policy on Directors' Remuneration, as recommended by the Remuneration Committee. The report has been approved and adopted by the Board and has been prepared in accordance with the requirements of the Companies Act 2006, Schedule 8 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules and the Code. The information contained in the tables on pages 43 and 45 to 50 and in the description of non-cash emoluments in section B) and in the information about options and the Long Term Incentive Plan ("LTIP") outlined in sections E) and F), is subject to audit.

An ordinary resolution will be put to shareholders at the AGM on 25 July 2013 inviting them to consider and approve this report.

Remuneration Committee

The Remuneration Committee members are currently Alastair Kerr (Chairman), John Dunsmore and Lynn Fordham. The work of the Committee is set out in its terms of reference which are available on the Company's website. In brief these state that the Committee is responsible for determining the total remuneration package (including pensions, service agreements and termination payments) of the Executive Directors and commenting on the remuneration of the Company's divisional directors. Members of the Committee have no personal financial interest in the Company, other than as shareholders and Directors. Details of the payments made to Non-Executive Directors are set out on page 43.

The Committee is provided with independent advice from external consultants. Xafinity Consulting Limited provided the Committee and the Company with advice on matters relating to pensions. BDO LLP provided the Committee and the Company with advice in connection with the Company's LTIP and share option schemes. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee. During the year the Committee met with a number of potential remuneration advisers and selected New Bridge Street to advise the Committee. None of these advisors have any other connection with the Company. New Bridge Street have conducted a review of the incentive schemes on offer to the Executive team which has included a review of the more significant share option schemes. As a result it is not intended to renew the Senior Executive Share Option Scheme when it expires later this year, and it is proposed to recommend some changes to the LTIP scheme to shareholders at the forthcoming Annual General Meeting.

The Chairman of the Company, Michael Turner, may be invited to attend Committee meetings and advise, as appropriate, on the remuneration and performance of the other Executive Directors and related matters and as from 1 July 2013 Simon Emeny may also be invited to attend the Committee meetings for the same purpose. The Committee is advised internally by the Company Secretary, Marie Gracie who also acts as Secretary to the Committee.

Remuneration Policy

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

The Committee has again given consideration to whether, in the event of misstatement or misconduct, there should be clawback provisions within the rules of the LTIP and bonus plan. Clawback provisions are currently being considered by the Committee. The Committee's aim remains to ensure that the Executive team are rewarded where long term growth and success are achieved.

Directors' Remuneration Report continued

Risk in relation to Remuneration

The Committee believes that the Company's remuneration policy is consistent with its risk management policy, in that existing remuneration structures do not encourage management to take inappropriate risks to achieve targets. It is felt that there is a very low risk of short term decisions driving annual bonus payouts and the focus is very much based on a long term remuneration model, delivering value through the Company's various share plans.

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

A) SERVICE CONTRACTS

The Company's policy on the duration of Directors' contracts is that Executive Directors should have rolling service contracts terminable on no more than one year's notice served by the Company or Director. Ian Bray and Jonathon Swaine are entitled on early termination of their contracts to a payment equal to the salary due for the unexpired period of their notice. This is payable in monthly instalments and for the period of their notice the Executives are expected to seek alternative income, and if they are successful, that income must be notified to the Company and will be set off against the remaining instalments. The contracts of the other Executives state that they are entitled to a payment equal to salary and the value of all benefits for the unexpired period of their notice, without any reduction for mitigation. The Committee has considered whether they should attempt to negotiate a change to the contracts of the other Executives but do not believe that this is currently appropriate.

Service Contract Table

	Date of contract	Notice period
Michael Turner	1 June 1997	Contract ends 30 June 2013
Simon Emeny	13 January 1999	12 months
James Douglas	31 July 2007	12 months
Richard Fuller	8 December 2009	12 months
Ian Bray	12 December 2011	12 months
Jonathon Swaine	20 March 2012	12 months

Non-Executive Directors' Arrangements

	Date of letter of appointment or reappointment	Term expires
Michael Turner	4 April 2013	Appointment starts on 1 July 2013 and expires in June 2016
John Dunsmore	15 November 2011	January 2015
Sir James Fuller	1 June 2010	May 2016
Lynn Fordham	15 November 2011	January 2015
Alastair Kerr	19 July 2011	August 2015

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

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

Audited

	Basic salary £000	Car allowance £000	Fees & Consultancy £000	Benefits in kind £000	Bonus £000	**Total 2013 £000**	**Pension[1] 2013 £000**	Total 2012 £000	Defined contribution pension 2012 £000
Michael Turner	399	22	–	3	125	**549**	–	576	–
Simon Emeny	332	19	–	3	104	**458**	**34**	478	33
James Douglas	264	19	–	3	83	**369**	**46**	387	42
Richard Fuller	167	19	–	3	32	**221**	–	266	–
Ian Bray	204	19	–	1	38	**262**	**35**	106	11
Jonathon Swaine	175	19	–	3	52	**249**	**33**	57	4
John Dunsmore	–	–	53	–	–	**53**	–	54	–
Sir James Fuller	–	–	41	1	–	**42**	–	41	–
Lynn Fordham	–	–	54	1	–	**55**	–	51	–
Alastair Kerr	–	–	51	1	–	**52**	–	31	–
Nigel Atkinson[2]	–	–	20	3	–	**23**	–	48	–
Total	**1,541**	**117**	**219**	**22**	**434**	**2,333**	**148**	2,095	90

[1]This includes all payments as set out on page 44 in section D) [2]Nigel Atkinson retired on 18 July 2012.

Simon's Emeny's basic salary will increase to £375,000 per annum on 1 July 2013 when he becomes Chief Executive. Michael Turner's basic salary will reduce to £250,000 per annum when he moves from Executive to Non-Executive status on 1 July 2013.

Anthony Fuller, former Chairman and now President, receives an annual royalty of £15,000 which is paid in recognition of the fact that Mr Fuller has given the Company on-going exclusive permission to use his name and signature on any Company product.

The Committee sets the base salary for each Executive Director by reference to individual and corporate performance, competitive market practice and independent salary survey information. Last year base pay was increased by approximately 3% for all Directors. This was in line with the median of increases paid to head office staff. A car allowance is paid to Executive Directors to allow them to purchase and maintain cars at their own expense – this is a non-pensionable amount. The Executive Directors are also reimbursed for business related mileage. Other non-cash benefits to Executive Directors include private healthcare and product allowances. These benefits are also extended to some other employees.

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

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

Directors’ Remuneration Report continued

C) BONUSES

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

Ian Bray and Richard Fuller earn a bonus in part by achieving a profit target for The Fuller’s Beer Company and in part where the Group achieves a growth target in pre-tax pre-exceptional earnings per share. Jonathon Swaine’s bonus is based partly on profit targets for Fuller’s Inns and partly on a Group target. The other Executives have Group bonus targets. The target for the bonus, which is set in March each year for the following year, includes the cost of the bonus itself. The 2012/2013 scheme for Executive Directors provided a bonus opportunity of a maximum of 75% of base salary – this has not been increased during the year. The Committee approves the new bonus scales every year to ensure that they include suitably stretching targets.

For the year under review, Michael Turner, Simon Emeny and James Douglas each earned a bonus of 31% of salary, Ian Bray and Richard Fuller each earned a bonus of 19% of salary and Jonathon Swaine earned a bonus of 30% of salary.

D) PENSIONS

Michael Turner is a pensioner of the defined benefit Company pension plan, under the Directors’ section. Richard Fuller is a member of the defined benefit Company pension plan, under the Directors’ section, on a non-contributory basis. Simon Emeny is a member of the defined benefit Company pension plan, under the Main section on a non-contributory basis. In addition, a salary supplement of 17.5% of the excess of his base salary over the earnings cap was paid to him for investing as part of his pension planning.

James Douglas is a member of the defined contribution Company pension plan, but made no contribution during the financial year. He is paid a contribution of 17.5% of his salary by the Company which he is required to use as part of his overall retirement planning. He is also required to contribute 8% of his net salary to his pension or another investment vehicle.

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

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

The following tables provide the information required on both bases. The additional notes are to help shareholders understand the difference between the two. Michael Turner withdrew from the Directors’ section of the defined benefit Company pension plan on 5 April 2006. Immediately before he left the plan the Company augmented his accrued entitlement so that he would receive his promised pension at age 60. Michael Turner is now in receipt of that pension and so accrues no further benefit.

Directors' Remuneration Report continued

Listing Rules Requirement

Audited	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] £
Simon Emeny	2,989	23,747	55,976
Richard Fuller	3,034	91,544	105,463

[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 or retirement age date if earlier – 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.

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

Companies Act 2006 Requirement

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

Audited	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] £
Simon Emeny	3,551	23,747	282,346	376,238	93,892
Richard Fuller	5,430	91,544	1,502,538	1,784,818	282,280

[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 or retirement age date if earlier – 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.

Directors' Remuneration Report continued

E) LONG TERM INCENTIVE PLAN ("LTIP")

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

To assess the awards, the average growth in Adjusted EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the start of the financial year in which the grant is made. No vesting occurs if the Adjusted EPS growth fails to exceed the RPI by at least 9% over the period. 40% of the award vests if the target is hit, and there is a sliding scale above that point. For a 100% award of shares to be made, growth in Adjusted EPS would need to exceed the growth in RPI by 24% or more over the period. The Remuneration Committee feel that in a low growth industry with underlying long-term freehold property growth not being included in the calculation, 9% over inflation is a testing target, and one that merits a 40% vesting. The Remuneration Committee further believes that the 40% vesting threshold at 9% in excess of inflation is triggering LTIPs at a value that is still below the level being employed by many other companies and that it is the value of the vesting that should be considered and not the percentage. The Remuneration Committee determines whether the Adjusted EPS performance condition has been met using the earnings per share information which is published in the Group's Annual Report and Accounts. BDO LLP confirm the level of vesting of awards based on earnings per share calculations provided by the Group.

As explained earlier, it is proposed to amend the LTIP rules to increase the potential maximum LTIP allocations from 100% of salary to 110% of salary, recognising that the Senior Share Option Scheme will not be renewed. This requires a rule change to be put to shareholders at the forthcoming AGM.

Under the LTIP, the rules allow for discretionary annual awards of 'A' (listed), 'B' (unlisted) and 'C' (unlisted, convertible to 'A') ordinary shares up to a value representing 100% of a participant's salary in any one year. 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:

Audited Date	'A' ordinary shares £	'B' ordinary shares £
17 July 2006	4.98	0.50
15 July 2009	4.80	0.48
12 July 2010	5.78	0.58
30 November 2010	6.30	0.63
20 July 2011	7.09	0.71
12 July 2012	7.05	0.71

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

Directors' Remuneration Report continued

Directors' Long Term Incentive Plan Allocations

Audited		Total held at 31 March 2012	Granted during year	Original awards vested	Matching awards vested	Lapsed during year	Total held at 30 March 2013	Monetary value of vest* £000
Michael Turner	'A' ordinary 40p	155,781	45,390	(47,533)	(8,031)	(4,133)	141,474	393
	'B' ordinary 4p	389,458	113,475	(118,833)	(20,080)	(10,333)	353,687	98
Simon Emeny	'A' ordinary 40p	120,690	37,787	(36,493)	(6,425)	(3,173)	112,386	303
	'B' ordinary 4p	301,727	94,468	(91,233)	(16,063)	(7,933)	280,966	76
James Douglas	'A' ordinary 40p	97,835	30,070	(31,740)	–	(2,760)	93,405	224
	'B' ordinary 4p	244,590	75,177	(79,350)	–	(6,900)	233,517	56
Richard Fuller	'A' ordinary 40p	48,155	14,297	(10,035)	(2,650)	(873)	48,894	90
	'B' ordinary 4p	120,389	35,744	(25,088)	(6,626)	(2,182)	122,237	22
Ian Bray	'A' ordinary 40p	–	17,276	–	–	–	17,276	–
	'B' ordinary 4p	–	43,191	–	–	–	43,191	–
Jonathon Swaine	'A' ordinary 40p	24,749	14,893	(7,817)	(2,248)	(680)	28,897	71
	'B' ordinary 4p	61,875	37,234	(19,544)	(5,621)	(1,699)	72,245	18

** The market price of 'A' shares on 19 July 2012 for the LTIP 12 awards vested was £7.05. Thus we assume a "market" price for 'B' shares of £0.705. The market price of 'A' shares on 26 July 2012 for the LITP9 Matching awards vested was £7.15. Thus we assume a "market" price for 'B' shares of £0.715.The table above excludes vested shares that had been redeposited with the LTIP Trust in order to obtain the matching grant.*

Directors' LTIP Grants Held at 30 March 2013

Audited					
Grant		LTIP 13	LTIP 14	LTIP 15	
Grant date		12 July/30 Nov 2010	20 July 2011	12 July 2012	Total at
Start of performance period		April 2010	April 2011	April 2012	30 March
End of performance period		March 2013	March 2014	March 2015	2013
Michael Turner	'A' ordinary 40p	51,966	44,118	45,390	141,474
	'B' ordinary 4p	129,916	110,296	113,475	353,687
Simon Emeny	'A' ordinary 40p	38,041	36,558	37,787	112,386
	'B' ordinary 4p	95,102	91,396	94,468	280,966
James Douglas	'A' ordinary 40p	34,224	29,111	30,070	93,405
	'B' ordinary 4p	85,562	72,778	75,177	233,517
Richard Fuller	'A' ordinary 40p	20,761	13,836	14,297	48,894
	'B' ordinary 4p	51,903	34,590	35,744	122,237
Ian Bray	'A' ordinary 40p	–	–	17,276	17,276
	'B' ordinary 4p	–	–	43,191	43,191
Jonathon Swaine	'A' ordinary 40p	7,612	6,392	14,893	28,897
	'B' ordinary 4p	19,031	15,980	37,234	72,245

Directors' Remuneration Report continued

F) SHARE OPTION SCHEMES AND SIP

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

i) Executive and Senior Executive Share Option Schemes

The Company has an HMRC approved Executive Share Option Scheme (the "Approved Scheme") which incorporates performance targets and restrictions. Under this scheme, senior executives and other staff may be issued share options up to the HMRC maximum value of £30,000 at any one time. For options to vest, growth in earnings per share adjusted principally to exclude exceptional items ("Adjusted EPS") must exceed growth in the Retail Price Index ("RPI") by at least 9% over the three year vesting period. Adjusted EPS will normally be consistent with the post-tax earnings per share excluding exceptional items as presented in the financial statements. However, the Remuneration Committee are authorised to make appropriate adjustments to Adjusted EPS as applied to option and LTIP schemes. Once the options have vested they must be exercised within the following seven years. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that options only become exercisable against the background of a sustained real increase in the financial performance of the Group.

The Company also has a Senior Executive Share Option Scheme (the "Senior Scheme"). The maximum benefit granted under the Senior Scheme equates to 20% of salary per annum subject to the discretion of the Remuneration Committee. Currently the only participants in the Senior Scheme are Executive Directors. For options to vest under the Senior Scheme, growth in Adjusted EPS must exceed growth in RPI by at least 9% over a three year period. If this is achieved 40% of the award will vest. If Adjusted EPS exceeds RPI by more than 21%, 100% of the award will vest. The performance targets and restrictions are considered to be a realistic test of management performance and were chosen because they are consistent with corporate profit growth objectives and ensure that the options only become exercisable against the background of a sustained real increase in the financial performance of the Group. Once the options have vested they must be exercised within the following seven years. This scheme expires in 2013 and it is not intended to be renewed although a final grant is proposed in early July 2013. The Committee feels that a simpler approach to Executive remuneration can be achieved by dispensing with the scheme and raising the level of LTIP allocations accordingly from 2014. Further details of the proposals are given in the circular to shareholders.

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

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

The Company also operates 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) Share Incentive Plan ("SIP")

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

Details of all options granted to Executive Directors are given in the table on pages 49 and 50 and details of all options granted are in note 28.

Directors' Remuneration Report continued

Directors' Share Options

Audited	At 31 March 2012	Exercised	Lapsed	Issued	**At 30 March 2013**	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	–	7.12	70,750
	11,660	–	–	–	**11,660**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	10,040	–	–	–	**10,040**	4.98	18/7/06	18/7/09	18/7/16	U	–	–	–
	5,589	–	–	–	**5,589**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	13,011	–	–	–	**13,011**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	1,966	–	–	–	**1,966**	3.31	1/9/08	1/9/13	1/3/14	S	6,507	–	–
	12,916	–	–	–	**12,916**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	11,245	–	–	–	**11,245**	5.78	12/7/10	12/7/13	12/7/20	U	–	–	–
	1,997	–	–	–	**1,997**	4.64	1/9/10	1/9/15	1/3/16	S	9,266	–	–
	1,746	–	–	–	**1,746**	6.30	30/11/10	30/11/13	30/11/20	U	–	–	–
	11,029	–	–	–	**11,029**	7.09	20/7/11	20/7/14	19/7/21	U	–	–	–
	–	–	–	11,347	**11,347**	7.05	12/7/12	12/7/15	11/7/22	U	–	–	–
	95,349	(14,150)	–	11,347	**92,546**								
Simon Emeny	9,100	–	–	–	**9,100**	3.67	19/7/05	19/7/08	18/7/15	U	–	–	–
	2,007	–	–	–	**2,007**	4.98	18/7/06	18/7/09	17/7/16	U	–	–	–
	4,285	–	–	–	**4,285**	7.51	18/7/07	18/7/10	17/7/17	U	–	–	–
	9,990	–	–	–	**9,990**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	1,180	–	–	–	**1,180**	3.31	1/9/08	1/9/13	1/3/14	S	3,906	–	–
	9,916	–	–	–	**9,916**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	8,650	–	–	–	**8,650**	5.78	12/7/10	12/7/13	12/7/20	U	–	–	–
	2,530	–	–	–	**2,530**	4.64	1/9/10	1/9/15	1/3/16	S	11,739		–
	859	–	–	–	**859**	6.30	30/11/10	30/11/13	30/11/20	U	–	–	–
	9,139	–	–	–	**9,139**	7.09	20/7/11	20/7/14	19/7/21	U	–	–	–
	–	–	–	9,446	**9,446**	7.05	12/7/12	12/7/15	11/7/22	U	–	–	–
	57,656	–	–	9,446	**67,102**								
James Douglas	2,391	–	–	–	**2,391**	4.05	15/7/08	15/7/11	15/7/18	U	–	–	–
	8,625	–	–	–	**8,625**	4.80	16/7/09	16/7/12	16/7/19	U	–	–	–
	7,508	–	–	–	**7,508**	5.78	12/7/10	12/7/13	12/7/20	U	–	–	–
	1,939	–	–	–	**1,939**	4.64	1/9/10	1/9/13	1/3/14	S	8,997	–	–
	1,047	–	–	–	**1,047**	6.30	30/11/10	30/11/13	30/11/20	U	–	–	–
	7,277	–	–	–	**7,277**	7.09	20/7/11	20/7/14	19/7/21	U	–	–	–
	–	–	–	7,517	**7,517**	7.05	12/7/12	12/7/15	11/7/22	U	–	–	–
	28,787	–	–	7,517	**36,304**								

A: Approved Executive Share Option Scheme; S: Savings Related Share Option Scheme; U: Unapproved Senior Executive Share Option Scheme

Directors' Remuneration Report continued

Directors' Share Options continued

Audited	At 31 March 2012	Exercised	Lapsed	Granted	At 30 March 2013	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 £
Richard Fuller	9,532	–	-	–	**9,532**	2.62	5/7/04	5/7/07	5/7/14	A	–	–	–
	1,966	–	–	–	**1,966**	3.31	1/9/08	1/9/13	1/3/14	S	6,507	–	–
	801	–	–	–	**801**	3.88	1/9/09	1/9/14	1/3/15	S	3,108	–	–
	4,321	–	–	–	**4,321**	5.78	12/7/10	12/7/13	12/7/20	U	–	–	–
	869	–	–	–	**869**	5.78	12/7/10	12/7/13	12/7/20	A	–	–	–
	665	–	–	–	**665**	4.64	1/9/10	1/9/15	1/3/16	S	3,086	–	–
	4,612	–	–	–	**4,612**	7.09	20/7/11	20/7/14	19/7/21	U	–	–	–
	563	–	–	–	**563**	5.47	1/09/11	1/09/14	1/03/15	S	3,080	–	–
	–	–	–	4,765	**4,765**	7.05	12/07/12	12/07/15	11/07/22	U	–	–	–
	23,329	–	–	4,765	**28,094**								
Ian Bray	–	–	–	1,503	**1,503**	7.05	12/07/12	12/07/15	11/07/22	U	–	–	–
	–	–	–	4,255	**4,255**	7.05	12/07/12	12/07/15	11/07/22	A	–	–	–
	–	–	–	5,758	**5,758**								
Jonathon Swaine	1,649	–	–	–	**1,649**	5.47	1/09/11	01/09/14	1/03/15	S	9,020	–	–
	–	–	–	709	**709**	7.05	12/07/12	12/07/15	11/07/22	U	–	–	–
	–	–	–	4,255	**4,255**	7.05	12/07/12	12/07/15	11/07/22	A	–	–	–
	1,649	–	–	4,964	**6,613**								
Total	**206,770**	**(14,150)**	**–**	**43,797**	**236,417**								

A: Approved Executive Share Option Scheme; S: Savings Related Share Option Scheme; U: Unapproved Senior Executive Share Option Scheme

Directors' Options Analysed by Exercise Price (£)

Audited Exercise Price (£)	At 30 March 2013	At 31 March 2012
2.12	**–**	14,150
2.62	**9,532**	9,532
3.67	**20,760**	20,760
4.98	**12,047**	12,047
7.51	**9,874**	9,874
3.31	**5,112**	5,112
4.05	**25,392**	25,392
4.80	**31,457**	31,457
3.88	**801**	801
5.78	**32,593**	32,593
4.64	**7,131**	7,131
6.30	**3,652**	3,652
7.09	**32,057**	32,057
5.47	**2,212**	2,212
7.05	**43,797**	–
Total	**236,417**	206,770

The market price of the shares at Thursday 28 March 2013 was £8.20 and the range during the year was from £7.00 to £8.20.

Directors' Remuneration Report continued

G) REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

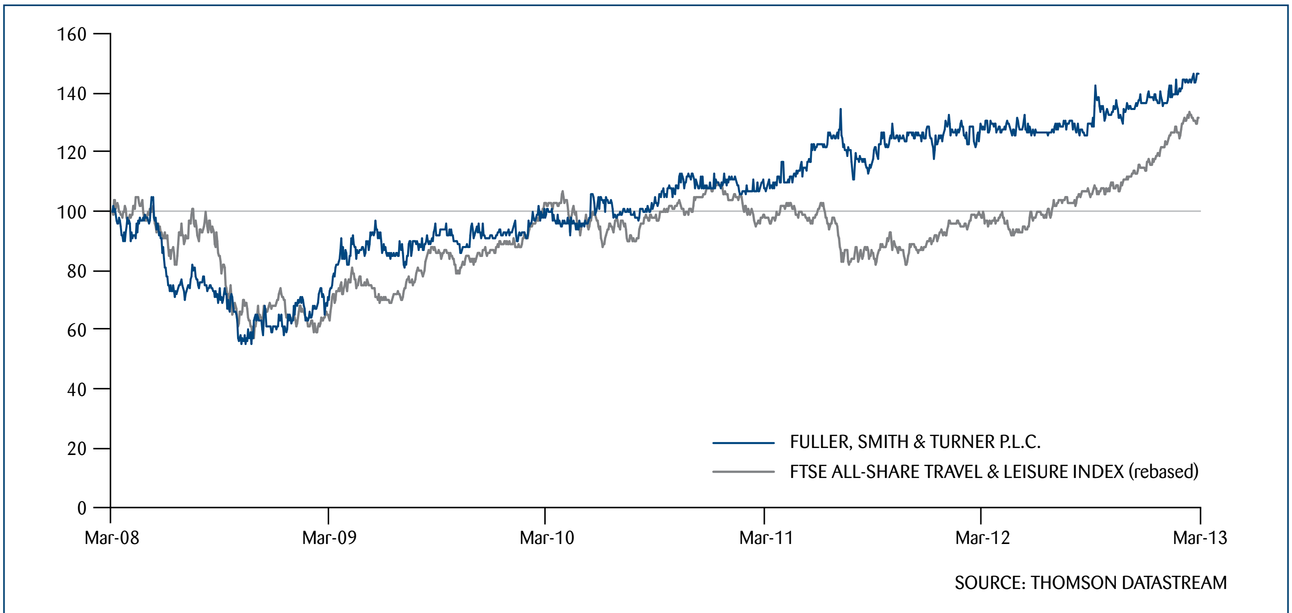
The remuneration of the Non-Executive Directors is determined by the Executive Committee. The policy is to ensure in all cases that the fees paid are not out of line with the market and go some way towards rewarding the Non-Executives for the time they commit to their various roles. Accordingly all Non-Executive Directors receive a basic fee. The Senior Independent Director receives a fee for that role and there are additional fees for chairing and being a member of the Audit and Remuneration Committees. Sir James Fuller receives a consultancy fee for his work in liaising with family shareholders. It is the Company's policy that Non-Executive Directors should not participate in bonus schemes, share options or long term incentive plans. None of the Non-Executive Directors are members of any Group pension scheme, with the exception of Nigel Atkinson (who retired in July 2012), who is a deferred member of the Gales section of the defined benefit Company pension plan, accrued when he was Managing Director of Gales.

Non-Executive Directors receive a product allowance and are reimbursed for travel and other business related expenses. None of the Non-Executive Directors have service contracts and their appointments are reviewed at between one and three yearly intervals. They are renewable as shown on page 42.

H) PERFORMANCE GRAPH

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

Total Shareholder Return



On behalf of the Board

Alastair Kerr
Chairman, Remuneration Committee

7 June 2013

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

We have audited the financial statements of Fuller, Smith & Turner P.L.C. for the 52 weeks ended 30 March 2013 which comprise the Group Income Statement, the Group and Company Statements of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 March 2013 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on pages 34 to 40 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

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

7 June 2013

Group Income Statement

for the 52 weeks ended 30 March 2013

	Note	52 weeks ended 30 March 2013 Before exceptional items £m	Exceptional items £m	Total £m	52 weeks ended 31 March 2012 Before exceptional items £m	Exceptional items £m	Total £m
Revenue	3	**271.5**	**–**	**271.5**	253.0	–	253.0
Operating costs	4, 5	**(234.5)**	**(1.5)**	**(236.0)**	(218.1)	(1.9)	(220.0)
Operating profit		**37.0**	**(1.5)**	**35.5**	34.9	(1.9)	33.0
Profit on disposal of properties	5	**–**	**5.0**	**5.0**	–	0.6	0.6
Finance revenue	6	**0.6**	**–**	**0.6**	0.3	–	0.3
Finance costs	7	**(5.9)**	**–**	**(5.9)**	(4.9)	(0.2)	(5.1)
Profit before tax		**31.7**	**3.5**	**35.2**	30.3	(1.5)	28.8
Taxation	5, 8	**(7.7)**	**1.8**	**(5.9)**	(7.9)	2.8	(5.1)
Profit for the year attributable to equity shareholders of the Parent Company		**24.0**	**5.3**	**29.3**	22.4	1.3	23.7

Earnings per share per 40p ‘A’ and ‘C’ ordinary share		2013 Pence	2013 Pence	2012 Pence	2012 Pence
Basic	9		**52.59**		42.13
Diluted	9		**52.09**		41.62
Adjusted	9	**43.07**		39.82	
Diluted adjusted	9	**42.67**		39.34	

Earnings per share per 4p ‘B’ ordinary share		2013 Pence	2013 Pence	2012 Pence	2012 Pence
Basic	9		**5.26**		4.21
Diluted	9		**5.21**		4.16
Adjusted	9	**4.31**		3.98	
Diluted adjusted	9	**4.27**		3.93	

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

Group and Company Statements of Comprehensive Income

for the 52 weeks ended 30 March 2013

Group	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Profit for the year	**29.3**	23.7
Net losses on valuation of financial assets and liabilities (note 26)	**(0.9)**	(2.6)
Net actuarial gains/(losses) on pension scheme (note 23)	**5.0**	(13.9)
Tax on components of other comprehensive income (note 8)	**(1.2)**	3.7
Other comprehensive income/(loss) for the year, net of tax	**2.9**	(12.8)
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company	**32.2**	10.9

Company	£m	£m
Profit for the year	**26.4**	21.5
Net losses on valuation of financial assets and liabilities (note 26)	**(0.9)**	(2.6)
Net actuarial gains/(losses) on pension scheme (note 23)	**5.0**	(13.9)
Tax on components of other comprehensive income	**(1.2)**	3.7
Other comprehensive income/(loss) for the year, net of tax	**2.9**	(12.8)
Total comprehensive income for the year, net of tax, attributable to equity shareholders of the Parent Company	**29.3**	8.7

Group and Company Balance Sheets

30 March 2013

	Note	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Non-current assets					
Intangible assets	11	**30.1**	30.6	**6.2**	6.7
Property, plant and equipment	12	**414.8**	400.5	**414.8**	400.5
Investment properties	13	**4.2**	4.9	**4.2**	4.9
Other non-current assets	15	**0.4**	0.3	**0.4**	0.3
Investments in subsidiaries	16	**–**	–	**91.8**	91.8
Deferred tax assets	25	**6.1**	7.8	**6.0**	7.5
Total non-current assets		**455.6**	444.1	**523.4**	511.7
Current assets					
Inventories	18	**10.1**	10.5	**10.1**	10.5
Trade and other receivables	19	**18.3**	18.3	**18.3**	18.3
Cash and short term deposits	22	**4.3**	3.9	**4.3**	3.9
Total current assets		**32.7**	32.7	**32.7**	32.7
Assets classified as held for sale	20	**0.6**	5.3	**0.6**	–
Current liabilities					
Trade and other payables	21	**40.9**	47.2	**133.2**	132.3
Current tax payable		**3.8**	3.9	**3.8**	3.9
Provisions	25	**1.0**	0.5	**1.0**	0.5
Total current liabilities		**45.7**	51.6	**138.0**	136.7
Non-current liabilities					
Borrowings	22	**139.9**	142.1	**139.9**	142.1
Derivative financial liabilities	14	**2.4**	1.4	**2.4**	1.4
Retirement benefit obligations	23	**13.0**	19.1	**13.0**	19.1
Deferred tax liabilities	25	**26.7**	30.1	**26.7**	28.9
Provisions	25	**1.8**	2.5	**1.8**	2.5
Total non-current liabilities		**183.8**	195.2	**183.8**	194.0
Net assets		**259.4**	235.3	**234.9**	213.7
Capital and reserves					
Share capital	27	**22.8**	22.8	**22.8**	22.8
Share premium account	27	**4.8**	4.8	**4.8**	4.8
Capital redemption reserve	27	**3.1**	3.1	**3.1**	3.1
Own shares	27	**(8.7)**	(8.3)	**(8.7)**	(8.3)
Hedging reserve	27	**(1.8)**	(1.1)	**(1.8)**	(1.1)
Retained earnings		**239.2**	214.0	**214.7**	192.4
Total shareholders' equity		**259.4**	235.3	**234.9**	213.7

Approved by the Board and signed on 7 June 2013.

M J Turner, FCA
Chairman

BUSINESS REVIEW GOVERNANCE FINANCIAL STATEMENTS ADDITIONAL INFORMATION

Group and Company Statements of Changes in Equity

for the 52 weeks ended 30 March 2013

Group	Share capital (note 27) £m	Share premium account £m	Capital redemption reserve £m	Own shares (note 27) £m	Hedging reserve £m	Retained earnings £m	Total £m
At 2 April 2011	22.8	4.8	3.1	(3.1)	0.9	207.7	236.2
Profit for the year	–	–	–	–	–	23.7	23.7
Other comprehensive loss for the year	–	–	–	–	(2.0)	(10.8)	(12.8)
Total comprehensive (loss)/income for the year	–	–	–	–	(2.0)	12.9	10.9
Shares purchased to be held in ESOT or as treasury	–	–	–	(8.5)	–	–	(8.5)
Shares released from ESOT and treasury	–	–	–	3.3	–	(2.3)	1.0
Dividends (note 10)	–	–	–	–	–	(6.8)	(6.8)
Share-based payment charges	–	–	–	–	–	1.9	1.9
Tax credited directly to equity (note 8)	–	–	–	–	–	0.6	0.6
At 31 March 2012	22.8	4.8	3.1	(8.3)	(1.1)	214.0	235.3
Profit for the year	–	–	–	–	–	**29.3**	**29.3**
Other comprehensive (loss)/income for the year	–	–	–	–	**(0.7)**	**3.6**	**2.9**
Total comprehensive (loss)/income for the year	–	–	–	–	**(0.7)**	**32.9**	**32.2**
Shares purchased to be held in ESOT or as treasury	–	–	–	**(4.0)**	–	–	**(4.0)**
Shares released from ESOT and treasury	–	–	–	**3.6**	–	**(3.1)**	**0.5**
Dividends (note 10)	–	–	–	–	–	**(7.2)**	**(7.2)**
Share-based payment charges	–	–	–	–	–	**1.9**	**1.9**
Tax credited directly to equity (note 8)	–	–	–	–	–	**0.7**	**0.7**
At 30 March 2013	**22.8**	**4.8**	**3.1**	**(8.7)**	**(1.8)**	**239.2**	**259.4**

Company	£m	£m	£m	£m	£m	£m	£m
At 2 April 2011	22.8	4.8	3.1	(3.1)	0.9	188.3	216.8
Profit for the year	–	–	–	–	–	21.5	21.5
Other comprehensive loss for the year	–	–	–	–	(2.0)	(10.8)	(12.8)
Total comprehensive (loss)/income for the year	–	–	–	–	(2.0)	10.7	8.7
Shares purchased to be held in ESOT or as treasury	–	–	–	(8.5)	–	–	(8.5)
Shares released from ESOT and treasury	–	–	–	3.3	–	(2.3)	1.0
Dividends (note 10)	–	–	–	–	–	(6.8)	(6.8)
Share-based payment charges	–	–	–	–	–	1.9	1.9
Tax credited directly to equity	–	–	–	–	–	0.6	0.6
At 31 March 2012	22.8	4.8	3.1	(8.3)	(1.1)	192.4	213.7
Profit for the year	–	–	–	–	–	**26.4**	**26.4**
Other comprehensive (loss)/income for the year	–	–	–	–	**(0.7)**	**3.6**	**2.9**
Total comprehensive (loss)/income for the year	–	–	–	–	**(0.7)**	**30.0**	**29.3**
Shares purchased to be held in ESOT or as treasury	–	–	–	**(4.0)**		–	**(4.0)**
Shares released from ESOT and treasury	–	–	–	**3.6**		**(3.1)**	**0.5**
Dividends (note 10)	–	–	–	–	–	**(7.2)**	**(7.2)**
Share-based payment charges	–	–	–	–	–	**1.9**	**1.9**
Tax credited directly to equity	–	–	–	–	–	**0.7**	**0.7**
At 30 March 2013	**22.8**	**4.8**	**3.1**	**(8.7)**	**(1.8)**	**214.7**	**234.9**

Group and Company Cash Flow Statements

for the 52 weeks ended 30 March 2013

	Note	Group 52 weeks ended 30 March 2013 £m	Group 52 weeks ended 31 March 2012 £m	Company 52 weeks ended 30 March 2013 £m	Company 52 weeks ended 31 March 2012 £m
Profit before tax		**35.2**	28.8	**32.6**	26.1
Net finance costs before exceptional items		**5.3**	4.6	**8.4**	7.3
Exceptional items	5	**(3.5)**	1.5	**(4.0)**	1.5
Depreciation and amortisation	4	**14.2**	12.8	**14.2**	12.8
Loss on disposal of property, plant and equipment		**–**	0.1	**–**	0.1
		51.2	47.8	**51.2**	47.8
Difference between pension charge and cash paid		**(0.5)**	(0.9)	**(0.5)**	(0.9)
Share-based payment charges	28	**1.9**	1.9	**1.9**	1.9
Change in trade and other receivables		**(0.2)**	0.7	**(0.2)**	0.7
Change in inventories		**0.4**	(1.7)	**0.4**	(1.7)
Change in trade and other payables		**(4.0)**	4.9	**(4.0)**	4.9
Cash impact of operating exceptional items	5	**(1.5)**	(2.0)	**(1.5)**	(2.0)
Cash generated from operations		**47.3**	50.7	**47.3**	50.7
Tax paid		**(8.1)**	(8.7)	**(8.1)**	(8.7)
Cash generated from operating activities		**39.2**	42.0	**39.2**	42.0
Cash flow from investing activities					
Business combinations	17	**(11.4)**	(52.8)	**(11.4)**	(52.8)
Purchase of property, plant and equipment		**(18.2)**	(21.9)	**(18.2)**	(21.9)
Sale of property, plant and equipment		**9.5**	1.9	**9.5**	1.9
Net cash outflow from investing activities		**(20.1)**	(72.8)	**(20.1)**	(72.8)
Cash flow from financing activities					
Purchase of own shares	27	**(4.0)**	(8.5)	**(4.0)**	(8.5)
Receipts on release of own shares to option schemes		**0.6**	1.0	**0.6**	1.0
Interest paid		**(5.3)**	(4.4)	**(5.3)**	(4.4)
Preference dividends paid	10	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Equity dividends paid	10	**(7.2)**	(6.8)	**(7.2)**	(6.8)
Drawdown of bank loans		**–**	50.0	**–**	50.0
Repayment of bank loans	22	**(2.5)**	–	**(2.5)**	–
Cost of refinancing and associated hedging		**(0.2)**	(0.2)	**(0.2)**	(0.2)
Net cash (outflow)/inflow from financing activities		**(18.7)**	31.0	**(18.7)**	31.0
Net movement in cash and cash equivalents		**0.4**	0.2	**0.4**	0.2
Cash and cash equivalents at the start of the year	22	**3.9**	3.7	**3.9**	3.7
Cash and cash equivalents at the end of the year	22	**4.3**	3.9	**4.3**	3.9

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

Notes to the Financial Statements

1. Authorisation of Financial Statements and Accounting Policies

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the "Group") for the 52 weeks ended 30 March 2013 were authorised for issue by the Board of Directors on 7 June 2013 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 30 March 2013, in accordance with the provisions of the Companies Act 2006.

The principal accounting policies adopted by the Group and by the Company are set out in the accounting policies below.

Profit attributable to members of the Parent Company

As permitted by Section 408 of the Companies Act 2006 a separate Income Statement for the Parent Company has not been prepared. The profit attributable to ordinary shareholders and included in the financial statements of the Parent Company was £26.4 million (2012: £21.5 million). There was no dividend from subsidiary companies during the current year (2012: nil).

SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 30 March 2013.

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

Adoption of New Standards and Interpretations:

The following new and amended IFRS and IFRIC interpretations are effective for the Group's period commencing 1 April 2012:

• IAS 12 Income Taxes – Recovery of Underlying Assets	1 January 2012
• IFRS 7 Financial Instruments: Disclosure (amendments)	1 July 2011

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

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 30 March 2013 (2012: 52 weeks ended 31 March 2012).

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.

Intangible Assets

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

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 (or group of cash generating units) monitored by management. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Property Plant and Equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis down to the estimated residual value over the expected useful life of the asset as follows:

Freehold buildings – Hotel accommodation and offices – Up to 50 years.

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

Leasehold improvements – The term of the lease.

Roofs – From 10 to 50 years.

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

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

Investment Property

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

Impairment

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

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

Leases

Group as a lessee

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

Group as a lessor

Assets leased under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Incentives received or receivable to enter into an operating lease are spread on a straight-line basis over the lease term.

Assets Held for Sale

Assets are classified as held for sale when the carrying amount will be recovered principally through a sale transaction rather than continuing use. To be classified as such management need to have initiated a sales plan as at the Balance Sheet date and must expect the sale to qualify for recognition as a completed sale within one year. Assets held for sale are valued at the lower of the carrying amount and fair value less costs to sell. No depreciation is charged whilst assets are classified as held for sale.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the First In First Out method. The cost of own beer consists of materials with the addition of relevant overhead expenses. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Financial Instruments

Financial Assets

Trade and other receivables

Trade receivables and loans to customers do not carry any interest and are recognised at their original invoiced amounts, less an allowance for any amounts that are not considered to be collectible. Increases to the allowance account are recognised in the Income Statement within operating costs. At the point a trade receivable is written off the ledger as uncollectible, the cost is charged against the allowance account and any subsequent recoveries of amounts previously written off are credited to the Income Statement.

Cash and short-term deposits

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired.

Financial Liabilities

Trade and other payables

Trade and other payables do not bear interest and are carried at original cost.

Bank loans, overdrafts and debentures

Interest-bearing bank loans, overdrafts and debentures are initially recorded at the fair value of proceeds received, net of direct issue costs, and thereafter at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an effective interest rate basis in the Income Statement. Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

Derecognition

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

Derivative financial instruments and hedging

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

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

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

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

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

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

Classification of Shares as Debt or Equity

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

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

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

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.

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

Revenue

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

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

Operating Profit

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

Finance Revenue

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

Borrowing Costs

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

Taxation

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

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

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

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

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

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

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.

1. Authorisation of Financial Statements and Accounting Policies continued

Pensions and Other Post-Employment Benefits

Defined contribution schemes

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

Defined benefit scheme

The Group operates a defined benefit pension plan for eligible employees where contributions are made into a separate fund administered by trustees.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method calculated by qualified actuaries. This attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the Income Statement on a straight-line basis over the vesting period or immediately if the benefits have vested.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the Income Statement during the period in which the settlement or curtailment occurs.

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

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

The defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

Exceptional Items

The Group presents as exceptional items on the face of the Income Statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Share-Based Payments

The Group has an employee Share Incentive Plan, that awards shares to employees based on the reported profits of the Group for the year, and a Long Term Incentive Plan which awards shares to Directors and senior executives subject to specific performance criteria. The Group also issues equity-settled share-based payments to certain employees under approved and unapproved Share Option schemes and a Savings Related Share Option Scheme.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions. The Group has no equity-settled transactions that are linked to the price of the shares of the Company (market conditions).

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

Share-Based Payments continued

No expense is recognised for awards that do not ultimately vest. At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Income Statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

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

Own Shares

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

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

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

Dividends

Dividends recommended by the Board but unpaid at the year end are not recognised in the financial statements until they are paid (in the case of the interim dividend) or approved by shareholders at the Annual General Meeting (in the case of the final dividend).

Financial Guarantee Contracts

Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company's Investments in Subsidiaries

The Company recognises its investments in subsidiaries at cost. Distributions received are recognised in the Income Statement. The cost of the investment held is subject to annual impairment review.

New Standards and Interpretations Issued But Not Yet Applied

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

Notes to the Financial Statements continued

1. Authorisation of Financial Statements and Accounting Policies continued

International Accounting Standards	Effective date
• IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income	1 July 2012
• IAS 27 Separate Financial Statements (as revised in 2011)	1 January 2013
• IAS 28 Investment in Associates and Joint Ventures (as revised in 2011)	1 January 2013
• IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
• IFRS 1 Government Loans – Amendments to IFRS 1	1 January 2013
• IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7	1 January 2013
• IFRS 9 Financial Instruments: Classification and Measurement	1 January 2015
• IFRS 10 Consolidation Financial Statements	1 January 2014
• IFRS 10, IFRS 12 and IAS 27 Investments Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014*
• IFRS 11 Joint Arrangements	1 January 2014
• IFRS 12 Disclosure of Involvement with Other Entities	1 January 2014
• IFRS 13 Fair Value Measurement	1 January 2013
• Improvements to IFRS 2009-2011 cycle	1 January 2013

** Latest date of adoption.*

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

• IAS 19 Employee Benefits (Amendment)	1 January 2013

IAS 19 (Amendment) requires the Group to replace interest cost on defined benefit obligations and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. The future impact of this change to the Group's reported profit in the period is set out in note 23.

Significant Accounting Estimates and Judgements

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

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

The Group reviews for impairment all property, plant and equipment at cash-generating unit level where there is any indication of impairment. This requires an estimation of the value in use and involves estimation of future cash flows and choosing a suitable discount rate. See note 12, which describes the assumptions used together with an analysis of the key assumptions.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the Group's qualified actuary. The estimates used and the key assumptions are provided in note 23.

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

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

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Notes to the Financial Statements continued

2. Segmental Analysis

Operating Segments

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

- Managed Pubs and Hotels, which comprises managed pubs and managed hotels;
- Tenanted Inns, which comprises pubs operated by third parties under tenancy or lease agreements; and
- The Fuller's Beer Company, which comprises the brewing and distribution of beer, wines and spirits.

The Group's business is vertically integrated. The most important measure used to evaluate the performance of the business is adjusted profit, which is the profit before tax, adjusted for exceptional items. The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic operating unit. More details of these segments are given in the Group Managing Director's Review on pages 6 to 15 of this report. Segment performance is evaluated based on operating profit before exceptional items and is measured consistently with the operating profit before exceptional items in the consolidated financial statements.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between operating segments. Those transfers are eliminated on consolidation. Group financing, including finance costs and revenue, and taxation are managed on a Group basis.

As segment assets and liabilities are not regularly provided to the Chief Operating Decision Maker, the Group has elected, as provided under IFRS 8 Operating Segments (amended) not to disclose a measure of segment assets and liabilities.

52 weeks ended 30 March 2013	Managed Pubs and Hotels £m	Tenanted Inns £m	The Fuller's Beer Company £m	Unallocated[1] £m	Total £m
Revenue					
Segment revenue	170.1	30.8	113.6	–	314.5
Inter-segment sales	–	–	(43.0)	–	(43.0)
Revenue from third parties	170.1	30.8	70.6	–	271.5
Segment result	19.4	12.2	8.7	(3.3)	37.0
Operating exceptional items					(1.5)
Operating profit					35.5
Profit on disposal of properties					5.0
Net finance costs					(5.3)
Profit before tax					35.2
Other segment information					
Capital expenditure:					
Property, plant and equipment	14.1	2.2	1.9	–	18.2
Business combinations	7.5	3.9	–	–	11.4
Depreciation and amortisation	9.6	1.6	3.0	–	14.2
Impairment of property	0.7	1.1	–	–	1.8
Reversal of impairment on property	(0.8)	–	–	–	(0.8)

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

2. Segmental Analysis continued

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

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

Geographical Information

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

52 weeks ended 30 March 2013	**UK £m**	**Rest of the World £m**	**Total £m**
Revenue			
Sales to external customers	**265.0**	**6.5**	**271.5**

52 weeks ended 31 March 2012	UK £m	Rest of the World £m	Total £m
Revenue			
Sales to external customers	247.3	5.7	253.0

Sales to external customers disclosed in geographical information are based on the geographical location of its customers. All of the Group's assets, liabilities and capital expenditure relate to the UK only.

3. Revenue

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods and services	**262.1**	245.0
Rental income	**9.4**	8.0
	271.5	253.0

4. Operating Costs

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Production costs and cost of goods used in retailing	**95.7**	86.4
Change in stocks of finished goods and beer in progress	**(0.4)**	1.7
Staff costs	**67.3**	62.5
Repairs to properties	**7.1**	6.8
Depreciation of property, plant and equipment	**13.7**	12.5
Amortisation of intangibles	**0.5**	0.3
Operating lease rentals – minimum lease payments[1]	**7.2**	6.4
– contingent rents[2]	**1.5**	1.1
Exceptional items (note 5)	**1.5**	1.9
Other	**41.9**	40.4
	236.0	220.0

[1] *Included within minimum lease payments are sublease payments of £0.7 million (2012: £0.7 million).* [2] *Contingent rents are dependent on turnover levels.*

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

a) Auditors' Remuneration

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Fee payable to Company's auditors:		
Statutory audit fees of Group financial statements	**0.1**	0.1
	0.1	0.1

Fees for tax compliance work of £16,000 (2012: £16,000) and other non-audit service fees relating to iXBRL conversion and covenants review of £6,000 (2012: £6,000) were charged in the year.

b) Staff Costs*

	£m	£m
Wages and salaries**	**60.6**	56.8
Social security costs	**4.8**	4.0
Pension benefits	**1.9**	1.7
	67.3	62.5

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

c) Average Number of Employees*

	Number	Number
The average monthly number of persons employed by the Group (including part-time staff) was as follows:		
Fuller's Inns	**3,166**	3,095
The Fuller's Beer Company	**297**	283
Central Services	**14**	14
	3,477	3,392

**Includes Directors.*

d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 41, 43 and 51. Two Directors had benefits accruing under defined benefit pension schemes at the end of the year (2012: three). Two Directors had benefits accruing under the Company's defined contribution scheme at the end of the year (2012: two). One Director had benefits accruing under a non Company defined contribution pension (2012: one).

5. Exceptional Items

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Amounts included in operating profit:		
Acquisition costs	**(0.5)**	(3.0)
Impairment of property	**(1.8)**	(0.3)
Reversal of impairment on property	**0.8**	2.3
Onerous lease charges (note 25)	**–**	(0.9)
Total exceptional items included in operating profit	**(1.5)**	(1.9)
Profit on disposal of properties	**5.0**	0.6
Exceptional finance costs:		
Movement in fair value of financial instruments	**–**	(0.2)
Total exceptional finance costs	**–**	(0.2)
Total exceptional items before tax	**3.5**	(1.5)
Exceptional tax:		
Change in corporation tax rate (see note 8)	**1.2**	2.5
Profit on disposal of properties	**(0.1)**	(0.1)
Other items	**0.7**	0.4
Total exceptional tax	**1.8**	2.8
Total exceptional items	**5.3**	1.3

Acquisition costs of £0.5 million during the 52 weeks ended 30 March 2013 (2012: £3.0 million) relate to transaction costs on pub acquisitions. Of these amounts £0.5 million during the 52 weeks ended 30 March 2013 (2012: £2.6 million) relates to the purchase of pubs which qualify as business combinations. The additional costs of £0.4 million during the 52 weeks ended 31 March 2012 were abortive transaction costs incurred during a proposed acquisition bid.

The property impairment charge of £1.8 million during 52 weeks ended 30 March 2013 (2012: £0.3 million) represents a write down of licensed properties to their recoverable value. The reversal of impairment credit of £0.8 million during the 52 weeks ended 30 March 2013 (2012: £2.3 million) relates to the write back of previously impaired licensed properties to their recoverable value.

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

The profit on disposal of properties of £5.0 million during the 52 weeks ended 30 March 2013 (2012: £0.6 million) relates to the disposal of five licensed and unlicensed properties (2012: six).

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

The cash impact of operating exceptional items before tax for the 52 weeks ended 30 March 2013 was £1.5 million cash outflow (2012: £2.0 million cash outflow).

Notes to the Financial Statements continued

6. Finance Revenue

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Interest receivable from:		
Finance income on net pension liabilities	0.6	0.3
	0.6	0.3

7. Finance Costs

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Interest expense arising on:		
Financial liabilities at amortised cost – loans and debentures	5.5	4.6
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	5.6	4.7
Unwinding of discounts on provisions	0.3	0.2
Total finance costs before exceptional items	5.9	4.9
Movement in fair value of financial instruments (note 5)	–	0.2
	5.9	5.1

8. Taxation

a) Tax on Profit on Ordinary Activities

Group	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Tax charged in the Income Statement		
Current income tax:		
Corporation tax	8.6	8.2
Amounts over provided in previous years	(0.2)	–
Total current income tax	8.4	8.2
Deferred tax:		
Origination and reversal of temporary differences	(1.3)	(0.6)
Change in corporation tax rate (note 5)	(1.2)	(2.5)
Total deferred tax	(2.5)	(3.1)
Total tax charged in the Income Statement	5.9	5.1
Tax relating to items charged/credited to the Statement of Comprehensive Income		
Deferred tax:		
Change in corporation tax rate	0.3	0.2
Net losses on valuation of financial assets and liabilities	(0.2)	(0.6)
Net actuarial gains/(losses) on pension scheme	1.1	(3.3)
Tax charge/(credit) included in the Statement of Comprehensive Income	1.2	(3.7)

8. Taxation continued

a) Tax on Profit on Ordinary Activities continued

Tax relating to items charged directly to equity	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Deferred tax:		
Reduction in deferred tax liability due to indexation	(0.5)	(0.5)
Share-based payments	0.1	0.1
Current tax:		
Share-based payments	(0.3)	(0.2)
Tax credit included in the Statement of Changes in Equity	(0.7)	(0.6)

Deferred tax in the Income Statement		
Decelerated tax depreciation	(3.3)	(1.9)
Rolled over gains	0.4	(0.9)
Retirement benefit obligations	0.2	0.2
Tax losses carried forward	0.1	–
Employee share schemes	0.2	–
Others	(0.1)	(0.5)
	(2.5)	(3.1)

During the period the Finance Act 2012 has received Royal Assent. The main impact is that the rate of UK corporation tax reduced from 24% to 23% from 1 April 2013. To the extent that this rate change will affect 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 in the 52 weeks to 30 March 2013 is an exceptional credit to the Income Statement of £1.2 million, and a charge to the Statement of Comprehensive Income of £0.3 million. The impact of previous rate changes in the 52 weeks ended 31 March 2012 was an exceptional credit to the Income Statement of £2.5 million, and a charge to the Statement of Comprehensive Income of £0.2 million.

Further reductions have been proposed, to reduce the rate to 21% and 20% on 1 April 2014 and 2015 respectively, however these changes have not yet been substantively enacted and the financial effects will only be recorded in future periods as legislation is introduced. The combined effect of these proposals on the net deferred tax liability at 30 March 2013 would be to reduce the liability by £2.7 million.

b) Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is lower than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are reconciled below:

Group	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Profit from continuing operations before taxation	35.2	28.8
Accounting profit multiplied by the UK standard rate of corporation tax of 24% (2012: 26%)	8.4	7.5
Items not deductible for tax purposes	0.1	0.1
Current and deferred tax overprovided in previous years	(0.2)	–
Change in Corporation Tax rate	(1.2)	(2.5)
Indexation on disposal of properties	(1.2)	–
Total tax charged in the Income Statement	5.9	5.1

Notes to the Financial Statements continued

9. Earnings Per Share

	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Profit attributable to equity shareholders	**29.3**	23.7
Exceptional items net of tax	**(5.3)**	(1.3)
Adjusted earnings attributable to equity shareholders	**24.0**	22.4
	Number	Number
Weighted average share capital	**55,717,000**	56,250,000
Dilutive outstanding options and share awards	**534,000**	695,000
Diluted weighted average share capital	**56,251,000**	56,945,000
	Pence	Pence
40p 'A' and 'C' ordinary share		
Basic earnings per share	**52.59**	42.13
Diluted earnings per share	**52.09**	41.62
Adjusted earnings per share	**43.07**	39.82
Diluted adjusted earnings per share	**42.67**	39.34
4p 'B' ordinary share		
Basic earnings per share	**5.26**	4.21
Diluted earnings per share	**5.21**	4.16
Adjusted earnings per share	**4.31**	3.98
Diluted adjusted earnings per share	**4.27**	3.93

For the purposes of calculating the number of shares to be used above, 'B' shares have been treated as one tenth of an 'A' or 'C' share. The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 1,267,808 (2012: 734,626).

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 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2012: 7.60p (2011: 7.05p)	**4.2**	4.0
Interim dividend for 2013: 5.35p (2012: 5.05p)	**3.0**	2.8
Equity dividends paid	**7.2**	6.8
Dividends on cumulative preference shares (note 7)	**0.1**	0.1
Proposed for approval at the AGM:		
Final dividend for 2013: 8.35p (2012: 7.60p)	**4.7**	4.2

Notes to the Financial Statements continued

10. Dividends continued

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

11. Intangible Assets

	Group Goodwill £m	Group and Company Lease assignment premiums £m	Group Total £m	Company Total £m
Cost				
At 2 April 2011	24.5	–	24.5	–
Acquisitions	–	7.0	7.0	7.0
At 31 March 2012	24.5	7.0	31.5	7.0
At 30 March 2013	**24.5**	**7.0**	**31.5**	**7.0**
Amortisation and impairment				
At 2 April 2011	0.6	–	0.6	–
Provided during the year	–	0.3	0.3	0.3
At 31 March 2012	0.6	0.3	0.9	0.3
Provided during the year	–	0.5	0.5	0.5
At 30 March 2013	**0.6**	**0.8**	**1.4**	**0.8**
Net book value at 30 March 2013	**23.9**	**6.2**	**30.1**	**6.2**
Net book value at 31 March 2012	23.9	6.7	30.6	6.7
Net book value at 2 April 2011	23.9	–	23.9	–

Lease assignment premiums

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

There are three pubs on which we carry lease assignment premiums at 30 March 2013 (2012: three).

Goodwill

Goodwill is allocated to cash generating units as follows:	2013 £m	2012 £m
Gales estate	**22.7**	22.7
Jacomb Guinness estate	**1.2**	1.2
	23.9	23.9

Of the £22.7 million of goodwill relating to the Gales estate, £9.1 million relates to Managed Pubs and Hotels division and £13.6 million relates to the Tenanted Inns division. All of the Jacomb Guinness goodwill relates to the Managed Pubs and Hotel division.

Key assumptions used in value in use calculations:		
Long term growth rate – Managed	**2.5%**	2.5%
Long term growth rate – Tenanted	**1.5%**	1.5%
Pre-tax discount rate – Freehold	**7.2%**	6.5%
Pre-tax discounted rate – Leasehold	**9.7%**	9.5%

Notes to the Financial Statements continued

11. Intangible Assets continued

Goodwill continued

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

The calculation of value in use is most sensitive to the assumptions in respect of growth rate and discount rate. The calculation of value in use is also dependent upon the following assumptions: sales volume; gross margin in managed premises; barrelage and rent projections in tenanted premises; and wage cost in managed premises. Gross margins are based on historical performance levels. It has been assumed that any increase in excise duty will be reflected in an increase in sales price and hence will have no effect on cash margins.

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

Sensitivity to Changes in Assumptions

Management have considered reasonable changes in key assumptions used in their calculations of value in use. They have concluded that such changes will not result in an impairment to either the Jacomb Guinness or the Gales cash-generating units at 30 March 2013.

12. Property, Plant and Equipment

Group	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 2 April 2011	324.7	28.6	94.6	447.9
Additions	7.6	4.5	11.6	23.7
Acquisitions	44.7	0.1	0.7	45.5
Disposals	(2.1)	(0.5)	(2.7)	(5.3)
At 31 March 2012	374.9	32.7	104.2	511.8
Additions	4.9	1.0	11.7	17.6
Acquisitions (note 17)	10.8	–	0.6	11.4
Disposals	(0.2)	(0.2)	(3.1)	(3.5)
Transfer to/from investment properties	0.4	–	–	0.4
At 30 March 2013	**390.8**	**33.5**	**113.4**	**537.7**
Depreciation and impairment				
At 2 April 2011	22.8	17.9	64.4	105.1
Provided during the year	2.0	1.7	8.8	12.5
Impairment reversals net of loss	(2.0)	–	–	(2.0)
Disposals	(1.3)	(0.5)	(2.5)	(4.3)
At 31 March 2012	21.5	19.1	70.7	111.3
Provided during the year	2.2	2.0	9.5	13.7
Impairment loss net of reversals	1.0	–	–	1.0
Disposals	–	(0.2)	(2.9)	(3.1)
At 30 March 2013	**24.7**	**20.9**	**77.3**	**122.9**
Net book value at 30 March 2013	**366.1**	**12.6**	**36.1**	**414.8**
Net book value at 31 March 2012	353.4	13.6	33.5	400.5
Net book value at 2 April 2011	301.9	10.7	30.2	342.8

12. Property, Plant and Equipment continued

Company	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
Cost				
At 2 April 2011	324.6	28.5	93.1	446.2
Additions	7.6	4.5	11.6	23.7
Acquisitions	44.7	0.1	0.7	45.5
Disposals	(2.1)	(0.5)	(2.7)	(5.3)
At 31 March 2012	374.8	32.6	102.7	510.1
Additions	4.9	1.0	11.7	17.6
Acquisitions (note 17)	10.8	–	0.6	11.4
Disposals	(0.2)	(0.2)	(3.1)	(3.5)
Transfer to/from investment property	0.4	–	–	0.4
At 30 March 2013	**390.7**	**33.4**	**111.9**	**536.0**
Depreciation and impairment				
At 2 April 2011	22.7	17.9	62.8	103.4
Provided during the year	2.0	1.7	8.8	12.5
Impairment reversals net of loss	(2.0)	–	–	(2.0)
Disposals	(1.3)	(0.5)	(2.5)	(4.3)
At 31 March 2012	21.4	19.1	69.1	109.6
Provided during the year	2.2	2.0	9.5	13.7
Impairment loss net of reversals	1.0	–	–	1.0
Disposals	–	(0.2)	(2.9)	(3.1)
At 30 March 2013	**24.6**	**20.9**	**75.7**	**121.2**
Net book value at 30 March 2013	**366.1**	**12.5**	**36.2**	**414.8**
Net book value at 31 March 2012	353.4	13.5	33.6	400.5
Net book value at 2 April 2011	301.9	10.6	30.3	342.8

Group and Company

Interest Capitalised

The amount of interest capitalised to date is £100,000 (2012: £100,000).

Assets under construction

Included in the cost of property, plant and equipment at 30 March 2013 was an amount of £0.4 million (2012: £2.2 million) relating to three (2012: two) property developments in the course of construction.

Impairment

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

During the 52 weeks ended 30 March 2013, the Group recognised an impairment loss of £1.8 million (2012: £0.3 million) in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use. The impairment losses were driven principally by changes in the local competitive environment in which the pubs are situated. Following an improvement in trading performance and an increase in the amounts of estimated future cash flows of certain previously impaired sites, reversals of £0.8 million were recognised during the 52 weeks ended 30 March 2013 (2012: £2.3 million).

The key assumptions used in the value in use calculations are those detailed in note 11.

Notes to the Financial Statements continued

12. Property, Plant and Equipment continued

Sensitivity to Changes in Assumptions

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

Impact on impairment of assets at risk – increase/(decrease)	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Increase discount rate by 1%	**1.6**	0.7
Decrease discount rate by 1%	**(0.8)**	(0.3)
Increase growth rate by 0.5%	**(0.4)**	(0.2)
Decrease growth rate by 0.5%	**0.5**	0.3

13. Investment Properties

	Group Freehold & leasehold properties £m	Company Freehold & leasehold properties £m
Cost		
At 2 April 2011	11.1	5.8
Additions	0.1	0.1
Acquisitions	0.3	0.3
Disposals	(0.2)	(0.2)
Transfer to assets held for sale	(5.3)	–
At 31 March 2012	6.0	6.0
Additions	1.0	1.0
Disposals	(1.0)	(1.0)
Transfer to/from property, plant and equipment	(0.4)	(0.4)
Transfer to assets held for sale	(0.6)	(0.6)
At 30 March 2013	**5.0**	**5.0**
Depreciation and impairment		
At 2 April 2011	1.1	1.1
At 31 March 2012	1.1	1.1
Provided during the year	–	–
Disposals	(0.3)	(0.3)
At 30 March 2013	**0.8**	**0.8**
Net book value at 30 March 2013	**4.2**	**4.2**
Net book value at 31 March 2012	4.9	4.9
Net book value at 2 April 2011	10.0	4.7
Fair value at 30 March 2013	**8.2**	**8.2**
Fair value at 31 March 2012	8.4	8.4
Fair value at 2 April 2011	14.2	8.9

13. Investment Properties continued

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

Impairment

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

During the 52 weeks ended 30 March 2013, the Group did not impair any investment properties (2012: nil).

Investment Property Income

The properties are let on both landlord and tenant repairing leases. Amounts recognised in the profit for the financial year relating to rental income from investment properties are as follows:

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Rental income	0.4	0.4	0.4	0.4
Direct operating expenses	(0.1)	(0.2)	(0.1)	(0.1)

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

14. Derivative Financial Instruments

Group and Company	2013 £m	2012 £m
Interest rate swaps	(2.4)	(1.4)
Total financial liabilities within current liabilities	(2.4)	(1.4)

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

15. Other Non-Current Assets

Group and Company	2013 £m	2012 £m
Loans to customers due after one year	0.3	0.2
Other	0.1	0.1
	0.4	0.3

Notes to the Financial Statements continued

16. Investments in Subsidiaries

Company	Cost £m	Provision £m	Net book value £m
At 2 April 2011, 31 March 2012 and 30 March 2013	92.0	(0.2)	91.8

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

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

17. Business Combinations

During the 52 weeks ended 30 March 2013 the Company has acquired four new pubs for a combined consideration of £11.4 million, all of which have been treated as business combinations as they were operating as a business at the point the Company acquired them.

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

	Number
Number of pubs purchased	4

	£m
Fair value:	
Property, plant and equipment acquired	11.4
Goodwill	–
Consideration	11.4
Satisfied by:	
Cash	11.4

Costs associated with the acquisitions of £0.5 million have been charged to operating exceptional items in the Consolidated Income Statement for the 52 weeks ended 30 March 2013 (see note 5). These comprise primarily stamp duty and other property fees.

The acquisitions have contributed the following operating profit to the Group in the 52 weeks ended 30 March 2013 from the date of acquisition:

	£m
Operating profit	0.3

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

During the prior period the Company acquired 28 pubs throughout the year; five from Marston's PLC on 1 November 2011 for £16.0 million, 16 from Enterprise Inns plc on 9 March 2012 for £25.3 million and the remaining seven pubs were bought individually through the year for a total of £11.5 million. From the date of acquisition the sites acquired contributed £0.6 million operating profit in the 52 weeks ended 31 March 2012.

18. Inventories

Group and Company	2013 £m	2012 £m
Raw materials, beer in progress	1.3	1.4
Beer, wines and spirits	6.3	7.0
Stock at retail outlets	2.5	2.1
	10.1	10.5

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

19. Trade and Other Receivables

Group and Company	2013 £m	2012 £m
Trade receivables	13.7	13.4
Other receivables	1.1	1.4
Prepayments and accrued income	3.5	3.5
	18.3	18.3

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

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

Group and Company	2013 £m	2012 £m
Trade receivables provision at 31 March 2012	1.3	1.3
Increase in provision recognised in profit and loss	0.2	0.1
Amounts written off during the year	(0.1)	(0.1)
Trade receivables provision at 30 March 2013	1.4	1.3

The provision for trade receivables is recorded in the accounts separately from the gross receivable. The contractual ageing of the trade receivables balance is as follows:

Group and Company	2013 £m	2012 £m
Current	14.5	14.2
Overdue up to 30 days	0.1	0.2
Overdue between 30 and 60 days	–	–
Overdue more than 60 days	0.5	0.3
Trade receivables before provision	15.1	14.7
Less provision	(1.4)	(1.3)
Trade receivables net of provision	13.7	13.4

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.2 million (2012: £0.3 million) which are overdue at the Balance Sheet date for which the Group has not provided as the Group considers these amounts to be recoverable.

In addition, there are loans to customers included in other receivables of £0.3 million (2012: £0.3 million) due within one year and £0.5 million (2012: £0.4 million) due in more than one year, against which there is a provision of £0.3 million (2012: £0.3 million).

20. Assets Classified as Held for Sale

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Investment property	**0.6**	5.3	**0.6**	–
	0.6	5.3	**0.6**	–

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

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Assets held for sale at the start of the year	**5.3**	0.2	**–**	0.2
Assets disposed during the year	**(5.3)**	(0.2)	**–**	(0.2)
Transfer from investment property	**0.6**	5.3	**0.6**	–
Assets held for sale at the end of the year	**0.6**	5.3	**0.6**	–

At 30 March 2013 three properties (2012: one) were transfered to assets held for sale, as they were in the advanced stages of the sales process and are expected to complete in 2013. All of the properties shown above are expected to or have resulted in a profit on sale.

21. Trade and Other Payables

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Due within one year:				
Trade payables	**15.7**	18.0	**15.7**	18.0
Amounts due to subsidiary undertakings	**–**	–	**92.3**	85.1
Other tax and social security	**8.3**	9.3	**8.3**	9.3
Other payables	**6.7**	7.2	**6.7**	7.2
Accruals	**10.2**	12.7	**10.2**	12.7
	40.9	47.2	**133.2**	132.3

Company amounts due to subsidiary undertakings of £92.3 million (2012: £85.1 million) have no fixed repayment date. Interest is payable on the balance at 3% above the Bank of England base rate. All other significant trade and other receivables and trade and other payables are due within one year and are at nil rate of interest.

22. Cash, Borrowings and Net Debt

Cash and Short Term Deposits Group and Company	2013 £m	2012 £m
Cash at bank and in hand	4.3	3.9

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

Borrowings Group and Company	2013 £m	2012 £m
Bank loans	112.5	114.7
Debenture stock	25.8	25.8
Preference shares	1.6	1.6
Total borrowings	139.9	142.1
Analysed as:		
Borrowings within non-current liabilities	139.9	142.1
	139.9	142.1

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

Bank Loans
Group and Company

During the 52 weeks ended 31 March 2012 the Company increased its loan facilities by £50 million in total. Two new facilities of £30 million each, which expire in May 2015 and have no amortisation requirements, were entered into on 5 August 2011 and 30 March 2012 respectively and the existing facility was reduced by £10 million. At 30 March 2013, £37.0 million (2012: £34.5 million) of this committed loan facility was available and undrawn.

The bank loans at 30 March 2013 are unsecured, and are repayable as shown in the table below. Interest is payable at LIBOR plus a margin, which varies dependant on the ratio of net debt to EBITDA. The variable rate interest payments under the loans have been partially swapped for fixed interest payments and a proportion of the remaining variable interest payments have also been capped. Details of the swap and cap arrangements are given in note 26.

The bank loans are repayable as follows:

	2013 £m	2012 £m
In the third to fifth years inclusive	113.0	115.5
Less: bank loan arrangement fees	(0.5)	(0.8)
Non-current liabilities	112.5	114.7

Debenture Stock
Group and Company

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

	2013 £m	2012 £m
Debenture stock repayable after five years:		
10.70% 1st Mortgage Debenture Stock 2023	6.0	6.0
6.875% Debenture Stock 2028 (1st floating charge)	19.9	19.9
Less: 2028 debenture issue costs	(0.1)	(0.1)
Non-current liabilities	25.8	25.8

Notes to the Financial Statements continued

22. Cash, Borrowings and Net Debt continued

Preference shares

The Company's preference shares are classified as debt. The shares are not redeemable and are included in borrowings within non-current liabilities. See note 24 for further details of the preference shares.

Analysis of Net Debt

Group	At 31 March 2012 £m	Cash flows £m	Non-cash[1] £m	At 30 March 2013 £m
Cash and cash equivalents				
Cash and short term deposits	3.9	**0.4**	–	**4.3**
	3.9	**0.4**	–	**4.3**
Debt				
Bank loans	(114.7)	**2.7**	**(0.5)**	**(112.5)**
Debenture stock	(25.8)	–	–	**(25.8)**
Preference shares	(1.6)	–	–	**(1.6)**
	(142.1)	**2.7**	**(0.5)**	**(139.9)**
Net debt	(138.2)	**3.1**	**(0.5)**	**(135.6)**

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

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

23. Pensions

a) Retirement Benefit Plans – Group and Company

The Group operates one funded defined benefit pension scheme, the Fuller, Smith & Turner Pension Plan. The plan is Defined Benefit in nature, with assets held in separate professionally managed, trustee-administered funds. The pension cost relating to the position of the plan is assessed with the advice of an independent actuary. The plan is closed to new entrants.

The Group also operates three defined contribution stakeholder pension plans for its employees. The Fuller's Stakeholder Pension Plan was set up for new employees of the Parent Company after the closure of the Fuller, Smith & Turner Pension Plan to new entrants on 1 August 2005. The Griffin Stakeholder Pension Plan operates for those employees of a Group subsidiary. The Gales 2001 scheme was set up following the closure of the Gales defined benefit scheme in 2001.

Notes to the Financial Statements continued

23. Pensions continued

The Group also pays benefits to a number of former employees which are unfunded. The Directors consider these benefits to be defined benefit in nature and the full defined benefit liability is recognised on the Balance Sheet.

Total amounts charged in respect of pensions in the period	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Charged to income statement:		
Defined benefit scheme – operating profit before exceptional items	**1.6**	1.4
Defined benefit scheme – net finance income	**(0.6)**	(0.3)
Defined contribution schemes – total operating charge	**0.3**	0.3
	1.3	1.4
Credit/charge to equity:		
Defined benefit scheme – net actuarial (gains)/losses	**(5.0)**	13.9
Total pension (credit)/charge	**(3.7)**	15.3

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.

An amendment to IAS19 – Employee Benefits is effective for the 52 weeks ending 29 March 2014. Were the amendment to be applied for the 52 weeks ended 30 March 2013, the effect would be a reduction in the expected return on pension scheme assets of £1.5 million resulting in an overall finance charge on net pension liabilities of £0.9 million for the period and a corresponding effect on Other Comprehensive Income.

For the 52 weeks ending 29 March 2014 the effect will be a reduction in the expected return on pension scheme assets of £1.5 million resulting in an overall finance charge on net pension liabilities of £0.6 million for the period.

b) Defined Contribution Stakeholder Pension Plans – Group and Company

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

c) Defined Benefit Plan – Group and Company

The defined benefit plan was actuarially assessed as at 30 March 2013, using the projected unit credit method.

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

Key Assumptions

The mortality assumptions used in the 2013 valuation of the plan are set out below:

	2013 Years	2012 Years
Current pensioners (at 65) – males	**21.0**	21.0
Current pensioners (at 65) – females	**23.5**	23.5
Future pensioners (at 65) – males	**22.0**	22.0
Future pensioners (at 65) – females	**24.4**	24.4

The assumptions for future pensioners are based on the average current age of the active population, which is 54 years for male members of the scheme (2012: 53) and 48 years for female members (2012: 47).

Notes to the Financial Statements continued

23. Pensions continued

Key financial assumptions used in the valuation of the scheme	At 30 March 2013	At 31 March 2012
Rate of increase in salaries	**3.80%**	3.70%
Rate of increase in pensions in payment	**3.30%**	3.20%
Discount rate	**4.60%**	4.60%
Inflation assumption – RPI	**3.30%**	3.20%
Inflation assumption – CPI	**2.60%**	2.70%

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

Impact on scheme liabilities – increase/(decrease)	2013 £m	2012 £m
Increase rate of salaries by 0.5%	**2.0**	1.8
Increase rate of pensions in payment by 0.5%	**4.2**	3.9
Increase discount rate by 1.0%	**(15.2)**	(14.8)
Increase inflation assumption by 0.5%	**1.3**	1.4

Assets in the scheme and the expected rate of return	Value at 30 March 2013 £m	Long term rate of return expected at 30 March 2013 %	Value at 31 March 2012 £m	Long term rate of return expected at 31 March 2012 %
Corporate Bonds	**18.1**	**4.10%**	16.3	4.60%
Equities	**40.7**	**7.00%**	34.9	7.00%
Absolute return fund	**27.7**	**7.00%**	25.6	7.00%
Property	**0.6**	**7.00%**	0.7	7.00%
Cash	**0.6**	**2.00%**	0.5	2.00%
Annuities	**1.2**	**4.60%**	1.1	4.60%
Total market value of assets	**88.9**	**6.34%**	79.1	6.44%

The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of plan assets	**88.9**	79.1	77.1	71.1	52.1
Present value of scheme liabilities	**(101.9)**	(98.2)	(83.5)	(83.8)	(60.5)
Deficit in the scheme	**(13.0)**	(19.1)	(6.4)	(12.7)	(8.4)

Included within the total present value of Group and Company scheme liabilities of £101.9 million (2012: £98.2 million) are liabilities of £3.1 million (2012: £3.5 million) which are entirely unfunded.

23. Pensions continued

Group and Company	2013 £m	2012 £m
Analysis of the amount charged to operating profit		
Current service cost of defined benefit scheme	1.6	1.4
Total operating charge	1.6	1.4
Analysis of the amount charged to other finance expense		
Expected return on pension scheme assets	(5.1)	(4.9)
Interest on pension scheme liabilities	4.5	4.6
Net income	(0.6)	(0.3)
Movements in the fair value of scheme assets during the year		
Fair value at beginning of the year	79.1	77.1
Expected return on scheme assets	5.1	4.9
Actuarial gains/(losses)	5.4	(2.5)
Employer contributions	1.4	1.6
Employer special contributions	0.7	0.7
Employee contributions	0.4	0.5
Benefits paid	(3.2)	(3.2)
Fair value at the end of the year	88.9	79.1
Movements in the present value of defined benefit obligations during the year		
Present value of obligation at beginning of the year	(98.2)	(83.5)
Service cost	(1.6)	(1.4)
Interest cost	(4.5)	(4.6)
Employee contributions	(0.4)	(0.5)
Benefits paid	3.2	3.2
Actuarial losses	(0.4)	(11.4)
Present value of obligation at the end of the year	(101.9)	(98.2)
The analysis of the actuarial gains/(losses) in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	5.4	(2.5)
Experience gains/(losses) arising on the scheme liabilities	0.6	(0.8)
Changes in assumptions underlying the present value of the scheme liabilities	(1.0)	(10.6)
Actuarial gains/(losses)	5.0	(13.9)

History of Experience Gains and Losses

A five year history is presented below:

Group and Company	2013	2012	2011	2010	2009
Difference between actual and expected returns on assets (£ million)	5.4	(2.5)	1.7	15.5	(13.7)
% of scheme assets	6.1%	(3.2%)	2.2%	21.8%	(26.2%)
Experience gains/(losses) on liabilities (£ million)	0.6	(0.8)	(1.3)	0.2	0.3
% of scheme liabilities	0.6%	(0.9%)	(1.5%)	0.2%	0.6%
Total actuarial gains/(losses) (£ million)	5.0	(13.9)	6.0	(4.5)	(3.5)
% of scheme liabilities	4.9%	(14.2%)	7.2%	(5.4%)	(5.7%)

Notes to the Financial Statements continued

23. Pensions continued

History of Experience Gains and Losses continued

The cumulative amount of actuarial losses recognised since 28 March 2004 in the Group Statement of Comprehensive Income is £7.8 million (2012: losses of £12.8 million). The cumulative amount of actuarial losses recognised since 28 March 2004 in the Company Statement of Comprehensive Income is £10.1 million (2012: losses of £15.1 million).

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

24. Preference Share Capital

Group and Company	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
Authorised, issued and fully paid share capital	Number 000s	Number 000s	Number 000s
Number authorised and in issue:			
At 2 April 2011, 31 March 2012 and 30 March 2013	**400**	**1,200**	**1,600**
Monetary amount:	£m	£m	£m
At 2 April 2011, 31 March 2012 and 30 March 2013	**0.4**	**1.2**	**1.6**

The first 6% cumulative preference shares of £1 each are entitled to first payment of a fixed cumulative dividend and on winding up to a return of paid capital plus arrears of dividends. The second 8% cumulative preference shares of £1 each are entitled to second payment of a fixed cumulative dividend and on winding up a return of capital paid up (plus a premium calculated by reference to an average quoted price on the Stock Exchange for the previous six months) plus arrears of dividends.

Preference shareholders may only vote in limited circumstances: principally on winding up, alteration of class rights or on unpaid preference dividends. Preference shares cannot be redeemed by the holders, other than on winding up.

25. Provisions

a) Onerous lease provision

Group and Company	2013 £m	2012 £m
Onerous lease provision		
At 31 March 2012	**3.0**	2.4
Arising during the year	**0.4**	1.6
Released during the year	**(0.4)**	(0.7)
Utilised	**(0.5)**	(0.5)
Unwinding of discount	**0.3**	0.2
At 30 March 2013	**2.8**	3.0
Analysed as:		
Due within one year	**1.0**	0.5
Due in more than one year	**1.8**	2.5
	2.8	3.0

The onerous lease provision is recognised in respect of leasehold properties where the lease contracts are deemed to be onerous. Provision is made for the discounted value of the lower of the unavoidable lease costs or the losses expected to be incurred by the Group.

Notes to the Financial Statements continued

25. Provisions continued

b) Deferred Tax Provision

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

Group	Asset 2013 £m	Liability 2013 £m	Net 2013 £m	Asset 2012 £m	Liability 2012 £m	Net 2012 £m
Deferred tax						
Retirement benefit obligations	**3.0**	**–**	**3.0**	4.6	–	4.6
Tax losses carried forward	**0.6**	**–**	**0.6**	0.7	–	0.7
Employee share schemes	**0.9**	**–**	**0.9**	1.2	–	1.2
Financial liabilities/(assets)	**0.5**	**(0.1)**	**0.4**	0.3	(0.1)	0.2
Accelerated tax depreciation	**–**	**(16.1)**	**(16.1)**	–	(19.4)	(19.4)
Rolled over capital gains	**–**	**(10.5)**	**(10.5)**	–	(10.6)	(10.6)
Others	**1.1**	**–**	**1.1**	1.0	–	1.0
	6.1	**(26.7)**	**(20.6)**	7.8	(30.1)	(22.3)

Company	Asset 2013 £m	Liability 2013 £m	Net 2013 £m	Asset 2012 £m	Liability 2012 £m	Net 2012 £m
Deferred tax						
Retirement benefit obligations	**3.0**	**–**	**3.0**	4.6	–	4.6
Tax losses carried forward	**0.5**	**–**	**0.5**	0.4	–	0.4
Employee share schemes	**0.9**	**–**	**0.9**	1.2	–	1.2
Financial liabilities/(assets)	**0.5**	**(0.1)**	**0.4**	0.3	(0.1)	0.2
Accelerated tax depreciation	**–**	**(16.1)**	**(16.1)**	–	(18.2)	(18.2)
Rolled over capital gains	**–**	**(10.5)**	**(10.5)**	–	(10.6)	(10.6)
Others	**1.1**	**–**	**1.1**	1.0	–	1.0
	6.0	**(26.7)**	**(20.7)**	7.5	(28.9)	(21.4)

26. Financial Instruments

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

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

a) Capital Management – Group and Company

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

Capital	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £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	**(1.8)**	(1.1)	**(1.8)**	(1.1)
Retained earnings	**239.2**	214.0	**214.7**	192.4
Preference shares	**1.6**	1.6	**1.6**	1.6
	269.7	245.2	**245.2**	223.6

Notes to the Financial Statements continued

26. Financial Instruments continued

a) Capital Management – Group and Company continued

In managing its capital the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth, distributions and the payment of preference dividends to its preference shareholders. The Group seeks to maintain a ratio of debt and equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets, investment requirements and comply with lending covenants. The Group bought back £4.0 million shares in the 52 weeks ended 30 March 2013 (2012: £8.5 million), of which £1.1 million related to purchases made by or on behalf of employee share ownership trusts (2012: £0.8 million). As a minimum, the Board reviews the Group's dividend policy twice yearly and reviews the treasury position every Board meeting.

b) Categories of Financial Assets and Liabilities

The Group's financial assets and liabilities as recognised at the Balance Sheet date may also be categorised as follows:

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Non-current assets				
Loans and other receivables in scope of IAS 39	0.3	0.2	0.3	0.2
Total non-current assets	0.3	0.2	0.3	0.2
Current assets				
Loans and other receivables:				
Trade and other receivables in scope of IAS 39	13.9	13.6	13.9	13.6
Cash and short term deposits	4.3	3.9	4.3	3.9
Total current assets	18.2	17.5	18.2	17.5
Total financial assets	18.5	17.7	18.5	17.7
Current liabilities				
Carried at amortised cost:				
Trade and other payables in scope of IAS 39	26.9	31.2	119.2	116.3
Total current liabilities	26.9	31.2	119.2	116.3
Non-current liabilities				
Derivative financial liabilities hedge accounted	2.4	1.4	2.4	1.4
Carried at amortised cost:				
Other payables in scope of IAS 39	1.8	2.5	1.8	2.5
Loans and borrowings	138.3	140.5	138.3	140.5
Preference shares	1.6	1.6	1.6	1.6
Total carried at amortised cost	141.7	144.6	141.7	144.6
Total non-current liabilities	144.1	146.0	144.1	146.0
Total financial liabilities	171.0	177.2	263.3	262.3

Notes to the Financial Statements continued

26. Financial Instruments continued

c) Financial Risks – Group and Company

The main risks associated with the Group's financial assets and liabilities are set out below, as are the Group's policies for their management. Derivative instruments are used to change the economic characteristics of financial instruments in accordance with Group policy.

i) Interest Rate Risk

The Group manages its cost of borrowings using a mixture of fixed rates, variable rates and interest rate caps. The current Group policy is that a minimum of 50% of total outstanding borrowings should be at a fixed or capped rate of interest. This is achieved by both taking out interest rate swaps and caps with third parties and by loan instruments that require us to pay a fixed rate. Fixed rates do not expose the Group to cash flow interest rate risk, but do not enjoy a reduction in borrowing costs in markets where rates are falling. Interest rate caps limit the maximum rate payable but require payment of a lump sum premium. The fair value risk inherent in fixed rate borrowings means that the Group is exposed to unplanned costs if debt is paid off earlier than anticipated. Floating rate borrowings, although not exposed to changes in fair value, expose the Group to cash flow risk following rises in interest rates and cost.

The debentures totalling £25.8 million (2012: £25.8 million) are at fixed rates. The bank loans totalling £112.5 million (2012: £114.7 million), net of arrangement fees, are at floating rates. At the year end, after taking account of interest rate swaps and caps, 76% (2012: 74%) of the Group's bank loans and 80% (2012: 79%) of gross borrowings were at fixed or capped rates.

Interest Rate Swap – Group and Company

The Group has entered into interest rate swap agreements, where the Group pays a fixed rate and receives 1 month or 3 month LIBOR, in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £65.0 million of the Group's borrowings (2012: £65.0 million) were hedged by interest rate swaps at a blended fixed rate of 1.75% (2012: 1.75%). Of the swaps held at 30 March 2013, £40.0 million expire in 2015 and £25.0 million expire in 2017. In December 2012 the Group also entered into an interest rate swap agreement to hedge the risk of interest rate variation on £20 million of the Group's borrowings at a rate of 2.25%. This agreement commences in 2015 and expires in 2022.

Interest Rate Cap – Group and Company

The Group has entered into interest rate cap agreements in order to hedge the risk of variation in interest cash flows on its borrowings. At the Balance Sheet date £20.0 million (2012: £20.0 million) of the Group's borrowings were hedged by an interest rate cap at a fixed rate of 4.00% (2012: 4.00%). The cap held at 30 March 2013 expires in 2015.

The interest rate swaps and cap are expected to impact the Income Statement in line with the liquidity risk table shown in section (iv) below. The interest rate swap cashflow hedges were assessed as being highly effective at 30 March 2013 and a net unrealised loss of £0.9 million (2012: £2.6 million) has been recorded in Other Comprehensive Income. The interest rate cap cashflow hedge is not designated as a cashflow hedge for hedge accounting purposes and no net unrealised gain/loss (2012: net unrealised loss of £0.2 million) was recorded in the Income Statement as an "exceptional item".

Sensitivity – Group and Company

The Group borrows in Sterling at market rates. 3 month Sterling LIBOR rate during the 52 weeks ended 30 March 2013 ranged between 0.49% and 1.06%. The Directors consider 1% to be a reasonable possible increase in rates and 0.5% to be a reasonable possible decrease in rates with reference to market yield curves and the current economic conditions.

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

Impact on post-tax profit and net equity – increase/(decrease)	Group 2013 £m	Group 2012 £m	Company* 2013 £m	Company* 2012 £m
Decrease interest rate by 0.5%	**0.2**	0.2	**0.5**	0.5
Increase interest rate by 1.0%	**(0.4)**	(0.4)	**(1.0)**	(1.0)

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

Notes to the Financial Statements continued

26. Financial Instruments continued

(ii) Foreign Currency Risk

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

The Group policy on covering foreign currency exposure is included in the Financial Review's discussion of financial risks and treasury policies on page 25. As a minimum it buys or sells forward the net known value of all committed purchase or sales orders. In addition, the Group will usually buy or sell a proportion of the estimated sale or buy orders for the remaining part of the year to minimise its transactional currency exposures in non-sterling currencies. Forward currency contracts must be in the same currency as the hedged items. The Group does not trade in forward currency hedges.

At 30 March 2013 the Group and Company had open forward contracts to buy €2.6 million (2012: buy €1.5 million). These have a Sterling equivalent of £2.1 million (2012: £1.3 million) and a net gain of nil (2012: net gain of nil) when comparing the contractual rates with the year-end exchange rates.

At 30 March 2013 the only significant foreign currency assets or liabilities were the following:

Group and Company	**Cash deposits 2013 £m**	Cash deposits 2012 £m	**Trade receivables 2013 £m**	Trade receivables 2012 £m	**Trade payables 2013 £m**	Trade payables 2012 £m
Euro assets/(liabilities)	**0.1**	0.2	**–**	–	**(0.2)**	(0.4)
US dollar assets/(liabilities)	**0.2**	0.1	**0.4**	0.3	**(0.2)**	(0.1)
Australian dollar assets	**–**	–	**–**	–	**–**	–

(iii) Credit Risk

The risk of financial loss due to a counter party's failure to honour its obligations arises principally in relation to transactions where the Group provides goods and services on deferred payment terms, deposits surplus cash and enters into derivative contracts.

Group policies are aimed at minimising losses and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual customers are subject to credit limits to control debt exposure. Credit insurance is taken out where appropriate for wholesale customers and goods may also be sold on a cash with order basis.

Cash deposits with financial institutions for short periods and derivative transactions are only permitted with financial institutions approved by the Board. There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the Balance Sheet date.

Trade and other receivables

The Group records impairment losses on its trade receivables separately from gross receivables. Further detail is included in note 19.

(iv) Liquidity Risk

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

The Group has a mixture of long and short term borrowings and overdraft facilities. 20% (2012: 19%) of the Group's borrowings are repayable after more than five years, and 80% (2012: 81%) within the third to fifth year inclusive.

Notes to the Financial Statements continued

26. Financial Instruments continued

The tables below summarise the maturity profile of the Group's financial liabilities at 30 March 2013 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 30 March 2013	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
Interest bearing loans and borrowings[1]	**–**	**1.3**	**4.0**	**128.0**	**43.0**	**176.3**
Preference shares[2]	**–**	**–**	**0.1**	**0.5**	**3.4**	**4.0**
Trade and other payables	**7.9**	**18.2**	**0.4**	**1.3**	**2.4**	**30.2**
[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	*–*	*0.3*	*0.9*	*1.9*	*–*	*3.1*

Group at 31 March 2012	£m	£m	£m	£m	£m	£m
Interest bearing loans and borrowings[1]	–	1.4	4.1	131.8	45.0	182.3
Preference shares[2]	–	–	0.1	0.5	3.4	4.0
Trade and other payables	5.1	24.2	0.4	1.6	3.4	34.7
[1] Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	*–*	*0.3*	*0.9*	*3.1*	*–*	*4.3*

[2] The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the Balance Sheet date but no further.

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

Company at 30 March 2013	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
Amounts due to subsidiary undertakings[3]	**92.3**	**–**	**–**	**–**	**–**	**92.3**

Company at 31 March 2012	£m	£m	£m	£m	£m	£m
Amounts due to subsidiary undertakings[3]	85.1	–	–	–	–	85.1

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

Security – Group and Company

The 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £12.6 million (2012: £12.7 million). The 6.875% debentures 2028 are secured by a floating charge over the assets of the Company.

Covenants – Group and Company

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

Notes to the Financial Statements continued

26. Financial Instruments continued

d) Fair Value

Fair Values of Financial Assets and Liabilities

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

Group	Book value 2013 £m	Book value 2012 £m	Fair value 2013 £m	Fair value 2012 £m
Financial assets				
Cash	**4.3**	3.9	**4.3**	3.9
Trade and other receivables due within one year in scope of IAS 39	**13.9**	13.9	**13.9**	13.9
Loans and other receivables due in more than one year in scope of IAS 39	**0.3**	0.2	**0.3**	0.2
Financial liabilities				
Trade and other payables in scope of IAS 39	**(28.7)**	(33.7)	**(28.7)**	(33.7)
Fixed rate borrowings	**(25.8)**	(25.8)	**(29.3)**	(31.4)
Floating rate borrowings	**(112.5)**	(114.7)	**(112.5)**	(114.7)
Preference shares	**(1.6)**	(1.6)	**(1.8)**	(1.8)
Interest rate swaps	**(2.4)**	(1.4)	**(2.4)**	(1.4)

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

Company	Book value 2013 £m	Book value 2012 £m	Fair value 2013 £m	Fair value 2012 £m
Financial liabilities				
Trade and other payables in scope of IAS 39	**(121.0)**	(118.8)	**(121.0)**	(118.8)

The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of preference shares have been calculated using the market interest rates. Derivative fair values are obtained from quoted market prices in active markets and are classed as Level 2 fair values for both years. The Group distinguishes Level 2 fair values as being: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, but where these are not derived directly from quoted prices in active markets.

27. Share Capital and Reserves

a) Share Capital

	'A' ordinary shares of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
Issued and fully paid: Number in issue	Number 000s	Number 000s	Number 000s	Number 000s
At 2 April 2011, 31 March 2012 and 30 March 2013	**33,424**	**14,657**	**89,052**	**137,133**
Proportion of total equity shares at 30 March 2013	**24.4%**	**10.7%**	**64.9%**	**100%**
Issued and fully paid: Monetary amount	£m	£m	£m	£m
At 2 April 2011, 31 March 2012 and 30 March 2013	**13.3**	**5.9**	**3.6**	**22.8**

Share capital represents the nominal value proceeds received on the issue of the Company's equity share capital, comprising 40p and 4p ordinary shares. The Company's preference shares are classified as non-current liabilities in accordance with IFRS (see note 24).

27. Share Capital and Reserves continued

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

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

The Articles include 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.

b) Own Shares

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

Number	Treasury shares 'A' ordinary 40p shares 000s	LTIP ESOT 'A' ordinary 40p shares 000s	LTIP ESOT 'B' ordinary 4p shares 000s	LTIP ESOT 'C' ordinary 40p shares 000s	SIP ESOT 'A' ordinary 40p shares 000s	Total 'A' ordinary 40p shares 000s	Total 'B' ordinary 4p shares 000s	Total 'C' ordinary 40p shares 000s
At 2 April 2011	583	35	331	–	2	620	331	–
Shares purchased	1,096	–	338	–	86	1,182	338	–
Shares transferred	(204)	204	–	–	–	–	–	–
Shares released	(276)	(239)	(98)	–	(86)	(601)	(98)	–
At 31 March 2012	1,199	–	571	–	2	1,201	571	–
Shares purchased	411	–	697	5	87	498	697	5
Shares transferred	(260)	260	–	–	–	–	–	–
Shares released	(144)	(260)	(575)	–	(87)	(491)	(575)	–
At 30 March 2013	**1,206**	**–**	**693**	**5**	**2**	**1,208**	**693**	**5**

Monetary amount	£m	£m	£m	£m	£m	£m	£m	£m
At 2 April 2011	2.7	0.2	0.2	–	–	2.9	0.2	–
Shares purchased	7.7	–	0.2	–	0.6	8.3	0.2	–
Shares transferred	(1.0)	1.0	–	–	–	–	–	–
Shares released	(1.4)	(1.2)	(0.1)	–	(0.6)	(3.2)	(0.1)	–
At 31 March 2012	8.0	–	0.3	–	–	8.0	0.3	–
Shares purchased	2.9	–	0.5	–	0.6	3.5	0.5	–
Shares transferred	(1.7)	1.7	–	–	–	–	–	–
Shares released	(1.0)	(1.7)	(0.3)	–	(0.6)	(3.3)	(0.3)	–
At 30 March 2013	**8.2**	**–**	**0.5**	**–**	**–**	**8.2**	**0.5**	**–**
Market value at 30 March 2013	**9.9**	**–**	**0.6**	**–**	**–**	**9.9**	**0.6**	**–**

Notes to the Financial Statements continued

27. Share Capital and Reserves continued

c) Other Capital Reserves

Share Premium Account

The balance in the share premium account represents the proceeds received above the nominal value on the issue of the Company's equity share capital.

Capital Redemption Reserve

The capital redemption reserve balance arises from the buyback of the Company's own equity share capital.

Hedging Reserve

The hedging reserve contains the effective portion of the cash flow hedge relationships incurred at the Balance Sheet date, net of tax.

28. Share Options and Share Schemes

The key points of each of the Group's share schemes for grants up to 30 March 2013 are summarised below. All schemes are equity-settled. All disclosure relates to both Group and Company. For the purpose of option and LTIP schemes, "Adjusted EPS" will normally be consistent with the post-tax earnings per share excluding exceptional items as presented in the financial statements. However, the Remuneration Committee are authorised to make appropriate adjustments to Adjusted EPS as applied to these schemes.

Savings Related Share Option Scheme ("SAYE")

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

Senior Executive Share Option Scheme

This is an unapproved Executive Share Option Scheme. If growth in Adjusted EPS exceeds growth in the Retail Price Index ("RPI") by 9% over the performance period of the option, then 40% of the award will vest. Vesting levels are then on a sliding scale, with 100% vesting occurring if growth in Adjusted EPS exceeds growth in RPI by more than 21%. The performance period for grants under this scheme is three years. Options must be exercised within seven years of the end of the performance period.

Executive Share Option Scheme

This is an approved Executive Share Option Scheme. The options vest if growth in Adjusted EPS exceeds the growth in RPI by 9% or more, over the three year performance period of the option. The options must then be exercised within seven years after the end of the performance period.

LTIP

This plan awards free shares. Vesting is conditional on growth in Adjusted EPS exceeding growth in RPI by 9% or more over the three year initial performance period of the award. Vesting levels are on a sliding scale from 40% up to 100%, if growth in Adjusted EPS exceeds growth in RPI by 24% 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 could choose to redeposit their shares for a further three year period. If participants chose to redeposit, then the Company matched the redeposited shares at a ratio of 1:1 at the end of the matching period. The last grant of matching shares vested during the 52 weeks ended 30 March 2013.

SIP

This plan awards free shares. The number of shares awarded up to a maximum value of £3,000 per person per year, is based on length of service and salary. The life of each plan is five years, after which shares are released to participants. There are no performance conditions as in almost all circumstances participants can retain the shares awarded (although there may be tax consequences).

28. Share Options and Share Schemes continued

Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 30 March 2013 is £1.9 million (2012: £1.9 million). The whole of that expense arises from equity settled share-based payment transactions.

Movements in the Year

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

Market Value

The market value of the shares at 30 March 2013 was £8.20 (2012: £7.15).

a) SAYE

	2013 Number 000s	2013 WAEP	2012 Number 000s	2012 WAEP
Outstanding at beginning of the year	543	£4.45	616	£3.93
Granted	102	£5.63	135	£5.47
Lapsed	(35)	£5.03	(30)	£4.11
Exercised	(112)	£4.35	(178)	£3.49
Outstanding at end of the year	498	£4.69	543	£4.45
Exercisable at end of the year	–	n/a	–	n/a
Weighted average share price for options exercised in the year	£7.18		£6.56	
Weighted average contractual life remaining for share options outstanding at the year end	2.14 years		2.46 years	
Weighted average share price for options granted in the year	£7.23		£6.55	
Weighted average fair value of options granted during the year	£1.74		£1.12	
Range of exercise prices for options outstanding at the year end – from	£3.31		£3.31	
– to	£5.63		£6.04	

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

Exercisable at	Exercise price 40p shares £	Number of 'A' ordinary shares under option 2013 000s	Number of 'A' ordinary shares under option 2012 000s
September 2012	6.04	–	24
September 2012	3.88	–	87
September 2013	3.31	96	100
September 2013	4.64	64	65
September 2014	3.88	57	63
September 2014	5.47	90	100
September 2015	4.64	65	71
September 2015	5.63	71	–
September 2016	5.47	31	33
September 2016	5.63	24	–
		498	543

Notes to the Financial Statements continued

28. Share Options and Share Schemes continued

b) Share Option Schemes

Senior Executive Share Option Scheme	2013 Number 000s	2013 WAEP	2012 Number 000s	2012 WAEP
Outstanding at beginning of the year	167	£5.38	150	£5.00
Granted	35	£7.05	32	£7.09
Lapsed	–	–	(8)	£5.58
Exercised	–	–	(7)	£4.98
Outstanding at end of the year	202	£5.67	167	£5.38
Exercisable at end of the year	100	£4.66	68	£4.60
Weighted average share price for options exercised in the year	n/a		£6.15	
Weighted average contractual life remaining for share options outstanding at the year end	6.50 years		6.91 years	
Weighted average share price for options granted in the year	£7.06		£7.02	
Weighted average fair value of options granted during the year	£1.25		£0.99	
Range of exercise prices for options outstanding at the year end – from	£3.67		£3.67	
– to	£7.51		£7.51	

Executive Share Option Scheme	2013 Number 000s	2013 WAEP	2012 Number 000s	2012 WAEP
Outstanding at beginning of the year	185	£5.56	248	£4.84
Granted	42	£7.05	39	£7.09
Lapsed	(10)	£7.37	(12)	£6.32
Exercised	(32)	£3.04	(90)	£4.14
Outstanding at end of the year	185	£5.58	185	£5.56
Exercisable at end of the year	72	£5.47	91	£5.00
Number of options in the opening balance that were granted before 7 November 2002	–		1	
Weighted average share price for options exercised in the year	£7.38		£6.94	
Weighted average contractual life remaining for share options outstanding at the year end	7.80 years		6.44 years	
Weighted average share price for options granted in the year	£7.06		£7.02	
Weighted average fair value of options granted during the year	£1.12		£0.74	
Range of exercise prices for options outstanding at the year end – from	£2.62		£2.12	
– to	£7.51		£7.51	

Notes to the Financial Statements continued

28. Share Options and Share Schemes continued

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

	Senior Executive Scheme			Executive Approved Scheme		
Exercisable between	**Exercise price 40p shares £**	**Number of 'A' ordinary shares under option 2013 000s**	Number of 'A' ordinary shares under option 2012 000s	**Exercise price 40p shares £**	**Number of 'A' ordinary shares under option 2013 000s**	Number of 'A' ordinary shares under option 2012 000s
2008 and 2013	–	–	–	2.12	–	14
2007 and 2014	–	–	–	2.62	10	13
2008 and 2015	3.67	21	21	3.67	–	–
2009 and 2016	4.98	12	12	4.98	6	10
2010 and 2017	7.51	10	10	7.51	29	36
2011 and 2018	4.05	25	25	4.05	14	19
2012 and 2019	4.80	31	31	4.80	14	20
2013 and 2020	5.78	32	32	5.78	35	35
2013 and 2020	6.30	4	4	–	–	–
2014 and 2021	7.09	32	32	7.09	35	38
2015 and 2022	7.05	35	–	7.05	42	–
		202	167		185	185

c) LTIP

Shares	**2013 'A' shares Number 000s**	**2013 'B' shares Number 000s**	2012 'A' shares Number 000s	2012 'B' shares Number 000s
Outstanding at beginning of the year	718	1,795	741	1,852
Granted	249	622	211	529
Lapsed	(19)	(48)	(35)	(88)
Vested	(260)	(575)	(239)	(98)
'A' shares issued in lieu of 'B' shares	6	(61)	40	(400)
Outstanding at end of the year	694	1,733	718	1,795

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

Redeposited shares at end of the year	–	–	34	86

Weighted average share price for shares vested in the year	£7.06	£0.71	£6.63	£0.66
For shares outstanding at the year end, the weighted average contractual life remaining is	1.32 years	1.32 years	1.22 years	1.22 years
Weighted average share price for shares granted in the year	£7.05	£0.71	£7.02	£0.70
Weighted average fair value of shares granted in the year	£6.62	£0.66	£6.47	£0.65

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

28. Share Options and Share Schemes continued

d) SIP

Shares	2013 Number 000s	2012 Number 000s
Outstanding at beginning of the year	355	345
Granted	88	86
Lapsed	(1)	–
Released	(73)	(76)
Outstanding at end of the year	**369**	355

	2013	2012
Weighted average share price for shares released in the year	£7.40	£6.88
For shares outstanding at the year end, the weighted average contractual life remaining is	2.83 years	2.43 years
Weighted average share price of shares granted in the year	£7.54	£7.10
Weighted average fair value of shares granted in the year	£7.54	£7.10

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

e) Fair Value of Grants

(i) Equity-Settled Options and LTIPs

The fair value of equity-settled share options and LTIPs granted is estimated as at the date of grant, taking into account the terms and conditions upon which the awards were granted. The following tables list the inputs to the model used for the 52 weeks ended 30 March 2013 and 52 weeks ended 31 March 2012, except for exercise price and the weighted average share price for grants in the year, which are disclosed in sections a) to d) above.

	LTIP Scheme		Save As You Earn Scheme		Executive and Senior Executive Option Schemes	
Fair value inputs	2013	2012	2013	2012	2013	2012
Dividend yield (%)	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Expected share price volatility (%)	n/a	n/a	25%	17%	25%	17%
Risk-free interest rate (%)	0.3%	1.2%	0.2 to 0.6%	0.9 to 1.5%	0.5 to 0.7%	1.6 to 2.3%
Expected life of option/award (years)	3 years	3 years	3 to 5 years	3 to 5 years	4 to 5 years	4 to 6 years
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes

The expected life of the options/shares is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options grant were incorporated into the measurement of fair value.

(ii) SIPs Granted

The fair value of SIPs is the share price at the date of allocation. The value of SIPs awarded is a fixed rate based on the Group's performance in the preceding financial year. The number of shares awarded is therefore dependent on the share price at the date of the award.

29. Guarantees and Commitments

a) Operating Lease Commitments

Operating Leases Where the Group is the Lessee

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

Group and Company	2013 £m	2012 £m
Within one year	**8.2**	7.7
Between one year and five years	**25.3**	25.3
After five years	**39.5**	41.2
	73.0	74.2

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 11 years.

At 30 March 2013 future minimum rentals receivable by the Group are as follows:

	Investment properties		Property, plant and equipment	
Group and Company	2013 £m	2012 £m	2013 £m	2012 £m
Within one year	**0.4**	0.2	**7.8**	7.5
Between one year and five years	**0.5**	0.5	**17.9**	16.6
After five years	**0.2**	0.3	**11.7**	12.0
	1.1	1.0	**37.4**	36.1

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 with the maximum being 30 years. The agreements allow for annual inflationary increases and full rental reviews occur on renewal of the lease, or every five years for a ten year lease.

At 30 March 2013 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £5.6 million (2012: £4.7 million).

b) Other Commitments

Group and Company	2013 £m	2012 £m
Capital commitments – authorised, contracted but not provided for	**2.0**	1.6

The Company has accepted various duty deferment bonds in connection with HM Revenue and Customs. The total outstanding commitment at 30 March 2013 was £720,000 (2012: £720,000) for the Group and Company.

Notes to the Financial Statements continued

30. Related Party Transactions

Group and Company

During the current and prior years the Company provided various administrative services to the Fuller, Smith & Turner Pension Plan free of charge. In addition, the Company settled costs totalling £145,000 (2012: £178,000) relating to the provision of actuarial, consulting and administrative services by third parties to the Fuller, Smith & Turner Pension Plan.

Compensation of Key Management Personnel (including Directors)	52 weeks ended 30 March 2013 £m	52 weeks ended 31 March 2012 £m
Short-term employee benefits	**4.0**	3.7
Post-employment benefits	**0.4**	0.4
Share-based payments	**1.2**	1.2
	5.6	5.3

Company Only

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

52 weeks ended 30 March 2013	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
Subsidiaries	**–**	**40.0**	**3.1**	**(92.3)**

52 weeks ended 31 March 2012	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
Subsidiaries	–	32.2	2.7	(85.1)

Interest is payable on the majority of the amounts due to subsidiaries at 3% above the Bank of England base rate. All amounts outstanding are unsecured and repayable on demand.

During the year there has been a change in the legislation relating to audit requirements for UK companies. The new legislation provides an exemption for the subsidiaries of parent companies established within the European Economic Area if a guarantee is provided by the parent for the subsidiary liabilities and the shareholders of the subsidiary are in unanimous agreement. The Group will be exempting the following companies from an audit for the period ending 30 March 2013 under section 479A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Griffin Catering Services Ltd	01577632
Jacomb Guinness Ltd	02934979
George Gale & Co Ltd	00026330
45 Woodfield Ltd	04279254

The Group will be exempting the following companies from the preparation and delivering of accounts to Companies House under section 394A of the Companies Act 2006, all of which are fully consolidated in these financial statements:

Griffin Inns Ltd	00495934
Ringwoods Ltd	00178536
FST Trustee Ltd	03163480
Fuller, Smith & Turner Estate Ltd	01831674

Notes to the Financial Statements continued

31. Post Balance Sheet Events

Purchase of freehold

On 2 May 2013 the Group gave notice to exercise an option to purchase the freehold of a licensed property at an estimated cost of £6.9 million in October 2013.

Acquisition of Cornish Orchards Limited

On 4 June 2013 the Group purchased 100% of the share capital and obtained control of Cornish Orchards Limited. The company acquired produces alcoholic and non-alcoholic beverages. The Group paid £2.4 million as consideration in cash, which is fair value, and recognised liabilities for £0.9 million for a contingent consideration payable in cash at a future date, subject to the achievement of annualised production targets, and £0.5 million of assumed liabilities. The maximum payment of deferred consideration is £1.2 million. Acquisition related costs amounted to £0.1 million.

Due to the timing of the transaction it has not been possible to complete the accounting for the acquisition and determine the fair value of assets and liabilities acquired (including receivables), the value of Goodwill arising on the acquisition and the revenue and profits expected to be realised from the acquired company. Based on accounting records the acquired company has net assets with a carrying value of £1.1 million and has no contingent liabilities.

Directors and Advisers
as at 7 June 2013

Directors
Michael Turner, FCA, *Chairman*
Simon Emeny, *Group Managing Director*
James Douglas, ACA
Richard Fuller
Ian Bray
Jonathon Swaine
John Dunsmore*
Sir James Fuller*
Lynn Fordham, CA*
Alastair Kerr*

**Non-Executive.*

President
Anthony Fuller, CBE

Chairman from 1982-2007, Anthony Fuller retired from the Board in 2010 after a long career with Fuller's and continues as President.

Secretary and Registered Office
Marie Gracie, FCIS
Griffin Brewery
Chiswick Lane South
Chiswick
London W4 2QB

Tel: 020 8996 2105

Registered Number 241882

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

Stockbrokers
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

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

Tel: 0870 889 4096

Please note you can now advise Computershare of changes to your address or set up a dividend mandate online at www.computershare.com/investor/uk

Shareholders' Information

2013 Diary

Friday, 28 June
Record Date

Monday, 1 July
Preference dividends paid

11 a.m. Thursday, 25 July
Annual General Meeting
Hock Cellar, Griffin Brewery

Monday, 29 July
Final dividend paid

Friday, 22 November
Half year results announcement

2014 Diary

January
Preference dividends paid
Interim dividend paid

June
Preliminary results announcement

Shareholder Privileges

Shareholders owning more than 250 'A' or 'C' shares or 2,500 'B' shares can buy beer, wine and spirits from the Brewery Store in Chiswick at preferential prices. These shareholders are also entitled to certain discounts in Fuller's Hotels. For details contact Company Secretariat on 020 8996 2105.

Redesignation of 'C' Shares

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

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

Sharegift

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

Glossary

- **Adjusted earnings per share** – this is earnings per share, adjusted for exceptional items. The Directors believe that this measure provides useful information for shareholders as to the internal measures of the performance of the Group.
- **Adjusted profits** – this is profit before tax, adjusted for exceptional items.
- **Beer volumes** – this is the volume of beer sold, in number of barrels; a brewing term representing 288 pints.
- **EBITDA** – this is the earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation, adjusted for exceptional items.
- **Foreign Beer** – this is sales made by the Company of beer produced by other brewers, the majority of which is lager.
- **Managed Pubs and Hotels invested like for like sales growth** – this is the sales growth calculated to exclude those pubs which have not been trading throughout the two years for the corresponding period in both years. The principal exclusions from this measure are: pubs purchased or sold in the last twelve months; sites which are closed; and pubs which are transferred to tenancy.
- **Wet, food and accommodation like for like sales growth** – this is measured on the same basis as "Managed Pubs and Hotels invested like for like sales growth".
- **Like for like barrels sold** – this is measured on the same basis as "Tenanted like for like profit growth".
- **LTIP** – Long Term Incentive Plan.
- **Market capitalisation** – only the Company's 40p 'A' ordinary shares are listed. The Company calculates its market capitalisation as the sum total of all classes of ordinary shares; i.e. listed 40p 'A' ordinary shares, unlisted 4p 'B' ordinary shares and unlisted 40p 'C' ordinary shares plus all potentially awardable share options and LTIP awards less any shares held in treasury. For the purposes of the calculation of market capitalisation a 4p 'B' ordinary share is treated as having 10% of the market value of a quoted 40p 'A' ordinary share and a 40p 'C' ordinary share is treated as having an equivalent value to a 40p 'A' ordinary share.
- **Net debt** – this comprises cash, bank loans, debenture stock and preference shares.
- **Own Beer** – this is sales of own brand beer brewed by the Company in Chiswick.
- **SIP** – Share Incentive Plan.
- **Tenanted like for like profit growth** – this is the profits growth of Tenanted Inns calculated to exclude from both years those pubs which have not been trading throughout the two years. The principal exclusions from this measure are: pubs purchased or sold; pubs which have closed; and pubs transferred to or from our Managed business. Bad debt expense is included but head office costs are excluded.
- **Total annual dividend** – the total annual dividend for a financial year comprises interim dividends paid during the financial year and the final dividend proposed for approval by shareholders at the Annual General Meeting after the completion of the financial year.

Five Years' Progress

Income Statement	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Revenue	**271.5**	253.0	241.9	227.7	210.0
Operating profit before exceptional items	**37.0**	34.9	34.1	32.0	29.0
Net finance costs	**(5.3)**	(4.6)	(4.8)	(5.4)	(6.2)
Adjusted profit	**31.7**	30.3	29.3	26.6	22.8
Exceptional items	**3.5**	(1.5)	1.7	0.2	(8.4)
Profit before tax	**35.2**	28.8	31.0	26.8	14.4
Taxation	**(5.9)**	(5.1)	(6.2)	(7.6)	(5.5)
Profit attributable to equity shareholders of the Parent Company	**29.3**	23.7	24.8	19.2	8.9
EBITDA	**51.2**	47.8	46.6	43.6	40.2

Assets employed					
Non-current assets	**455.6**	444.1	382.7	387.9	356.9
Inventories	**10.1**	10.5	8.8	7.6	6.1
Trade and other receivables	**18.3**	18.3	18.8	15.6	16.0
Assets classified as held for sale	**0.6**	5.3	0.2	0.6	–
Cash and short term deposits	**4.3**	3.9	3.7	1.1	0.9
	488.9	482.1	414.2	412.8	379.9
Current borrowings	**–**	–	–	(81.4)	(8.8)
Other current liabilities	**(45.7)**	(51.6)	(43.6)	(44.5)	(37.9)
	443.2	430.5	370.6	286.9	333.2
Non-current borrowings	**(139.9)**	(142.1)	(92.2)	(27.4)	(86.3)
Other non-current liabilities	**(43.9)**	(53.1)	(42.2)	(52.3)	(49.9)
Net assets	**259.4**	235.3	236.2	207.2	197.0

	2013	2012	2011	2010	2009
Per 40p 'A' ordinary share					
Adjusted earnings	**43.07**	39.82p	37.36p	34.19p	29.12p
Basic earnings	**52.59**	42.13p	44.12p	34.37p	16.00p
Dividends (interim and proposed final)	**13.70p**	12.65p	11.80p	11.00p	9.85p
Net assets	**£4.66**	£4.22	£4.19	£3.68	£3.54
Net debt (£ million)	**(135.6)**	(138.2)	(88.5)	(107.7)	(94.2)
Net debt/EBITDA	**2.6**	2.7	1.9	2.5	2.3
Gross capital expenditure (£ million)	**31.1**	76.3	12.0	44.1	24.2
Average number of employees	**3,477**	3,392	3,363	3,263	2,923

Five Years' Progress

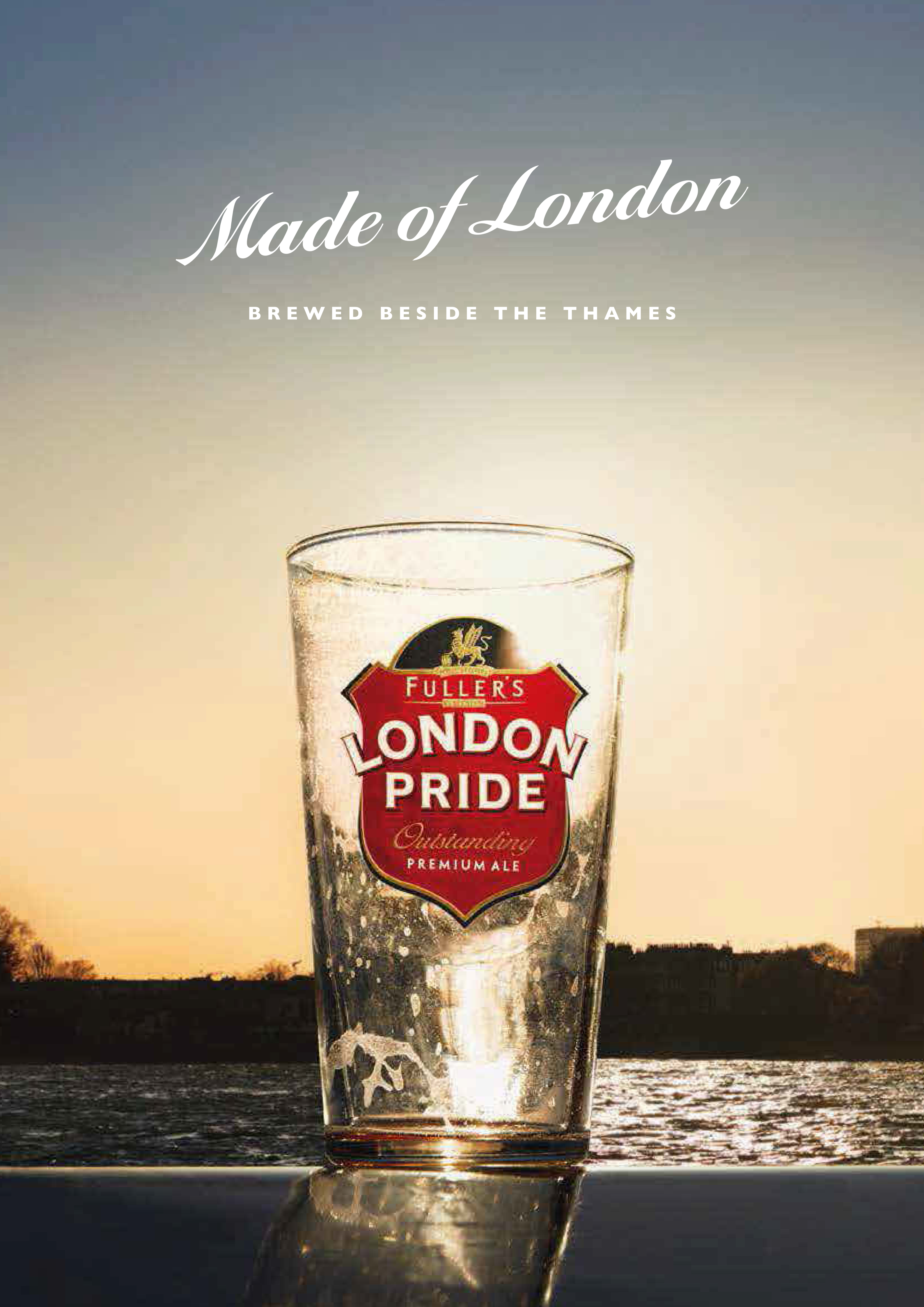
Income Statement	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Revenue	271.5	253.0	241.9	227.7	210.0
Operating profit before exceptional items	37.0	34.9	34.1	32.0	29.0
Net finance costs	(5.3)	(4.6)	(4.8)	(5.4)	(6.2)
Adjusted profit	31.7	30.3	29.3	26.6	22.8
Exceptional items	3.5	(1.5)	1.7	0.2	(8.4)
Profit before tax	35.2	28.8	31.0	26.8	14.4
Taxation	(5.9)	(5.1)	(6.2)	(7.6)	(5.5)
Profit attributable to equity shareholders of the Parent Company	29.3	23.7	24.8	19.2	8.9
EBITDA	51.2	47.8	46.6	43.6	40.2

Assets employed	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Non-current assets	455.6	444.1	382.7	387.9	356.9
Inventories	10.1	10.5	8.8	7.6	6.1
Trade and other receivables	18.3	18.3	18.8	15.6	16.0
Assets classified as held for sale	0.6	5.3	0.2	0.6	–
Cash and short term deposits	4.3	3.9	3.7	1.1	0.9
	488.9	482.1	414.2	412.8	379.9
Current borrowings	–	–	–	(81.4)	(8.8)
Other current liabilities	(45.7)	(51.6)	(43.6)	(44.5)	(37.9)
	443.2	430.5	370.6	286.9	333.2
Non-current borrowings	(139.9)	(142.1)	(92.2)	(27.4)	(86.3)
Other non-current liabilities	(43.9)	(53.1)	(42.2)	(52.3)	(49.9)
Net assets	259.4	235.3	236.2	207.2	197.0

	2013	2012	2011	2010	2009
Per 40p 'A' ordinary share					
Adjusted earnings	43.07	39.82p	37.36p	34.19p	29.12p
Basic earnings	52.59	42.13p	44.12p	34.37p	16.00p
Dividends (interim and proposed final)	13.70p	12.65p	11.80p	11.00p	9.85p
Net assets	£4.66	£4.22	£4.19	£3.68	£3.54
Net debt (£ million)	(135.6)	(138.2)	(88.5)	(107.7)	(94.2)
Net debt/EBITDA	2.6	2.7	1.9	2.5	2.3
Gross capital expenditure (£ million)	31.1	76.3	12.0	44.1	24.2
Average number of employees	3,477	3,392	3,363	3,263	2,923

FULLER SMITH & TURNER P.L.C.

Griffin Brewery, Chiswick Lane South, Chiswick, London W4 2QB
Telephone: +44 (0)20 8996 2000 Fax: +44 (0)20 8995 0230
E-mail: Fullers@fullers.co.uk Web address: www.fullers.co.uk
Registered number: 241882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