



# Directors' report and financial statements



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## Financial Highlights

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

<sup>1</sup> Adjusted profit is the profit before tax excluding exceptional items.

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

<sup>3</sup> 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.

<sup>4</sup> Calculated on a 40p ordinary share.

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

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



## Financial Review

### Financial Performance

The Chairman's statement on pages 2 to 13 covers a comprehensive review of the financial results for the year just ended. The first half of the year witnessed a good underlying financial performance, against a strong comparative period. Trading was weaker in the second half as a slowing economy compounded with the winter impact of the smoking ban impacted sales. Nevertheless, the overall performance for the financial year is encouraging, with continued industry leading sales momentum resulting in a further increase in adjusted profits.

### Business Review

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

	2008	2007
Net debt / EBITDA	2.4 times	2.4 times
Adjusted profits	£23.0 million	£22.1 million
Adjusted earnings per share increase	+6%	+26%
Invested Managed Pubs and Hotels Like for like sales growth	+3.6%	+8.2%
Food sales as a % of Managed Pubs and Hotels revenue	27%	25%
Accommodation sales as a % of Managed Pubs and Hotels revenue	7%	8%
Hotel revpar growth	+8.9%	+9.0%
Average revenue per Tenanted Pub growth	+2.4%	-1.8%
Own Beer barrels sold	+4%	+6%
Foreign Beer barrels sold	-4%	+31%

Full definitions of these financial KPIs can be found in the Glossary.

The invested like for like sales are for Managed Pubs and Hotels combined. Previously we monitored these separately but following the disposal of the largest two hotels during 2007 we now monitor the combined measure. The separate statistics for Managed Pubs were +3.2% (2007: +8.2%) and for Hotels were +7.5% (2007: +7.6%).

The comparative information for 2007 reflects the full year inclusion of the effects of the acquisition of the Gales business. Notably this had a substantial impact on adjusted earnings per share growth, and the number of barrels of foreign beer sold to the former Gales pubs. Own beer volumes received a boost, while average tenanted revenue declined reflecting that the average tenanted pub acquired with Gales had lower revenue than the average tenanted pub held before the acquisition.

The non-financial KPIs monitored by the Group are in line with previous years and are as follows:

- Mystery shopper programme.
- "Traffic light" rating of pub stock and business audits.
- Cellar inspections.
- Level of customer complaints.

It is not appropriate to report actual statistics on these indicators, owing to commercial sensitivity.

### Exceptional Costs

During the year the Group realised a net pre tax exceptional profit of £0.8 million (2007: profit of £20.1 million). A pre tax profit of £5.3 million was made on the disposal of a number of non core properties, including five pubs. We have made an onerous lease provision of £2.0 million in respect of a number of pubs that we operate under operating leases, and have recorded an



## Financial Review

continued

associated asset impairment of £0.1 million. We have recognised a past service pension cost of £2.4 million in respect of former employees of the Group who receive unfunded discretionary pension payments. In the 52 weeks ended 31 March 2007 the Group recorded a pre tax exceptional gain of £20.5 million on the disposal of two hotels, and impairment losses of £0.4 million relating to a property which was sold after the year end.

### Finance Costs

The net finance costs during the year decreased from £7.7 million to £6.4 million. This improvement is largely driven by the significant cash inflow from the disposal of two hotels during the prior year which raised £35.6 million proceeds. Average net debt during the year was higher than the opening and closing position due to a cash contribution of £8.0 million in April 2007 to the Group's defined benefit pension schemes following their merger at the end of March 2007. The net finance costs in the income statement were covered 4.6 times by pre-exceptional operating profit, compared with 3.9 in the previous year.

### Tax

A full analysis of the tax charge for the year is set out in note 8 to the accounts. The overall tax charge for the year is 19.7% (2007: 31.0%). For the year under review this is affected by the reduction, commencing in April 2008, in the rate of corporation tax, from 30% to 28%, following the Finance Act 2007. As a result of this change, all deferred tax assets and liabilities have been restated to 28%.

### Shareholders' Return

On 6 August 2007 the Company completed a five for two share split. All per share data is quoted as if the share split had occurred on the first day of the comparative period. Earnings per share increased by 6% to 29.15p. The proposed final dividend of 6.9p per share, together with the interim dividend of 2.8p per share already paid, compares with 9.088p in the previous year. The total dividend per share will be covered 3.0 times by adjusted earnings per share, compared with 2.8 times in the previous year. Shareholders' funds at the year end were £197.7 million. The Company spent £4.0 million repurchasing its own shares during the year at an average price per ordinary 40p 'A' share of £6.61. These transactions represented a share buyback of 2.32% of the maximum issued ordinary share capital. The middle-market quotation of the Company's ordinary shares at the end of the financial year was 558p. The highest price during the year was 760p, while the lowest was 500p. The Company's market capitalisation at 28 March 2008 was £321 million.

### Cash Flow

Cash generated from operating activities was £26.6 million (2007: £32.8 million), the £6.2 million reduction driven by an increase in cash contributions of £5.3 million to the defined benefit pension schemes. There was a net cash outflow from investing activities of £10.1 million (2007: an inflow of £16.4 million) following the disposal of two hotels during the previous year for £35.6 million. There was a net cash outflow of £21.5 million in respect of financing activities, the key items being the repayment of £6.0 million of debt, equity dividends of £5.2 million, interest payments of £6.7 million and the repurchase of £4.0 million of own shares. Cash balances reduced from £8.9 million to £3.9 million while net debt improved from £96.5 million to £95.5 million.

### Financial Position

The Group monitors its overall level of financial gearing weekly, with our short- and medium-term forecasts showing underlying levels of gearing, which remain within our targets. The Group is financed by unsecured bank loans, debentures, non-cumulative preference shares, loan notes, overdrafts, cash and short-term deposits as disclosed in notes 19, 22, 23, 25 and 27. The Group is able to operate with negative working capital – current liabilities were £17.0 million greater than current assets at the year end (2007: £15.1 million greater). Other financial assets and liabilities such as trade receivables and payables arise through the Group's operating activities. Derivative instruments as detailed below are used to manage interest rate and foreign exchange risk. The Group does not trade in financial instruments.



## Financial Review

continued

### Financial Position continued

Net debt at the year end amounted to £95.5 million. The key ratio of net debt compared with EBITDA is 2.4 times, compared to 2.4 times last year. This is a level which allows the Group significant strategic and operational flexibility. At the balance sheet date, the Group had £30.0 million of unutilised committed banking facilities and £10.0 million unutilised uncommitted banking facilities. This level of unused facilities, coupled with the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the Group. The Group's overall facilities at the balance sheet date are as follows:

- Amortising unsecured banking facility £99.0 million, maturing November 2010, three participating lenders. £6.3 million repayable within the next 12 months. £30.0 million is unutilised.
- Loan notes £1.8 million, repayable on demand every six months, maturing in November 2010.
- Debentures £27.0 million, maturing 2012-2028.
- Non-cumulative preference shares £1.6 million, no set maturity date.
- Total facilities £139.4 million (including overdraft).

### Financial Risks and Treasury Policies

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

#### Interest Rate Risk

The Group has entered into interest rate swaps and caps in order to hedge the borrowing rate risks of a proportion of its borrowings under the amortising unsecured banking facilities. At the balance sheet date, the Group had entered into fixed interest rate swap agreements over a total of £50.5 million of borrowings, covering a two and a half year period at an average rate of interest (excluding bank margin) of 4.89%. At the balance sheet date the Group had also entered into a interest rate cap agreements in respect of £7.5 million of borrowings covering the same period and at a rate of interest (excluding bank margin) of 4.89%. The Board continues to explore current market opportunities in this area. The Group monitors its net debt requirements through short, medium and long term forecasts. Surplus cash balances are pooled into an interest bearing account or placed on short-term deposit for periods of between one night and three months.

#### Foreign Exchange Risk

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

### Risks and Uncertainties Facing the Group

We report in detail the risks and uncertainties facing the Group on pages 21 and 22. In summary we identify three different generic types of risk and uncertainty. Regulatory risks encompass the risks to our business of increased regulation of the sale of alcohol, health and safety in the workplace and pensions. Economic and market conditions include the risk to the business due to the strength or otherwise of the economy, cost pressures, in particular from utilities, and changes in consumer trends. The third type of risk that our business is exposed to are operational risk such as damage to our property, brands or reputation and our reliance on information systems to operate efficiently on a daily basis.

#### James Douglas

Finance Director

16 June 2008



## Risks and Uncertainties

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

The following sets out what the Board considers to be the principal risks which affect the Company at present, although it is not intended to be a comprehensive analysis of all the risks that the business may face. In addition, the key financial risks to the Company are detailed in note 27c to the financial statements.

### Regulatory Risks

#### *Regulation of the Sale of Alcohol*

We operate within a heavily regulated industry and there is always the risk that Government may change the regulations in a manner that may adversely affect us. This year the Government raised alcohol duties by 9% and has announced the intention to increase duties further at a rate of 2% above the rate of inflation for the next four years. There is a risk that such increases may depress sales or reduce margins in our industry.

#### *Health and Safety*

Of particular importance in operating a working brewery is the health and safety of the Company's employees. In addition, the provision of leisure facilities to the general public means that health and safety in the pubs is also of key concern to the business. A Health and Safety Committee is in place in order to oversee the operation of the Company's numerous health and safety policies and procedures, and to regularly update its training programme to ensure that all risks are identified and properly assessed and that relevant regulation is adhered to.

### Pensions

The Company operates several pension schemes including a defined benefit pension scheme. Although the defined benefit scheme is now closed to new entrants, there remains a significant pension liability on the balance sheet. There is therefore a risk to the Company that a change in legislation could impact cash flow by setting a minimum funding level that is above the Company's current contributions or requiring higher contributions by a change to the basis of calculating the scheme deficit. The Company has a programme in place to reduce the deficit and made an additional contribution of £8.5 million in the 52 weeks ended 29 March 2008 and have agreed with the Trustees to make further annual additional contributions of £0.5 million in order to reduce the deficit further. In addition, management closely monitors developments in relation to pension scheme funding.

### Economic and Market Conditions

#### *Strength of the Economy*

As part of the leisure industry, we remain exposed to the overall strength of the UK economy and its influence on consumer spending. The Company constantly invests in its key brands and ensures it takes advantage of the opportunities presented to encourage customers into its pubs.

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



## Risks and Uncertainties

continued

### *Cost Increases*

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

### *Consumer Trends*

In the UK, consumption of alcoholic beverages has become the subject of considerable social and political attention in recent years. Increasing public concern over alcohol related social problems, including underage drinking and health consequences associated with the misuse of alcohol, has contributed to declining sales of beer in the UK. The Company takes these issues seriously and continues to support the industry's campaigns on these issues and to market its products as premium beverages to be drunk in moderation in a social environment. More generally, management frequently carries out research amongst its customer groups to ensure it reacts to changing consumer preferences.

### *Operational Risks*

#### *Griffin Brewery Site*

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

#### *Brands and Reputation*

Fuller's has a range of strong brands and has established an excellent reputation in the market. There is therefore an ever present risk to the business from incidents which could materially damage the reputation of one or more of its brands or from a failure to sustain their appeal to its customers. It is impossible to plan for every eventuality, however the Company's risk register is regularly updated and there is a robust system of internal controls, as detailed in the Corporate Governance report.

In particular, the Company's beer could become contaminated at source or outlet, which could damage the reputation of the brand and deter customers. The Company reduces this risk to an acceptable level by ensuring that the business is operated to the highest standards with significant investment in security, quality control and cleansing, together with insurance coverage for product contamination. In addition, the Company runs a very successful training programme covering all aspects of the pub operations and provides its pubs with on-site technical support.

#### *Information Technology*

The Company is increasingly reliant on its information systems to operate on a daily basis and trading would be affected by any significant or prolonged failure of these systems. To minimise this risk the IT function has a range of policies in place to ensure that in the event of an issue normal trading would be restored quickly, incorporating a formal Disaster Recovery Plan, a system of back-ups and external support for hardware and software.





## Directors' Report

The Directors present their Annual Report together with the audited financial statements for the 52 weeks ended 29 March 2008.

### A) BUSINESS ACTIVITIES AND DEVELOPMENT

The Chairman's Statement on pages 2 to 13 of Part I includes information about the Group's principal activities, the business and financial performance during the year and indications of likely future developments.

#### Dividends

The Company paid an interim dividend of 2.80 pence on the 40p 'A' and 'C' ordinary shares and 0.28 pence on the 4p 'B' ordinary shares on 4 January 2008 and the Directors now recommend a final dividend of 6.90 pence on the 40p 'A' and 'C' ordinary shares and 0.69 pence on the 4p 'B' ordinary shares. This makes a total of 9.70 pence on the 40p 'A' and 'C' ordinary shares and 0.97 pence on the 4p 'B' ordinary shares for the year.

The total proposed final dividend on ordinary shares will be £3,845,000 which together with the 2008 interim dividend paid of £1,562,000 and the £120,000 of cumulative preference dividends paid will make total dividends of £5,527,000.

#### Market Value of Land and Buildings

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

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

### B) DIRECTORS

A list of current serving Directors and their biographies is given on page 14. Paul Clarke was a Director of the Company until 30 April 2008, having served as Finance Director for seventeen years. Anthony Fuller, John Roberts and Nick MacAndrew retire by rotation at the Annual General Meeting and offer themselves for re-election. James Douglas was appointed to the Board on 10 September 2007 and offers himself for election. Mr Roberts and Mr Douglas have rolling service contracts of 12 months duration. Mr Fuller and Mr MacAndrew do not have service contracts but have been invited to stay on the Board until July 2010 and September 2009 respectively.

#### Directors' Interests

Details of Directors' interests in the share capital of the Company, their share options and allocations under the Long Term Incentive Plan ("LTIP") up to 30 May 2008 are given in the Directors' Remuneration Report.

#### Related Party Transactions

Details of related party transactions involving Directors are given in note 34 to the financial statements.

#### Indemnity Provisions

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

The Company purchases insurance cover for Trustees of the Company's final salary pension scheme. Paul Clarke was a Trustee until his retirement and the appointment of James Douglas as a Trustee has recently been proposed.



## Directors' Report

continued

### C) CORPORATE RESPONSIBILITY

#### Employees

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

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

Training employees at all levels has always been a priority at Fuller's and in December 2007 the Company was delighted to be the recipient of the BI's (formerly the British Institute of Innkeeping) Award for innovation in training.

#### Political and Charitable Donations

Contributions for charitable purposes amounted to £67,000 (2007: £67,000). No political donations were made.

#### Fuller's and the Community

As a Company, we take our role in the community very seriously and are keen to support a number of local causes both around the Brewery in Chiswick and our distribution centre in Horndean. In addition, our pubs also support activity in their own local areas. The initiatives Fuller's supports include Chiswick House, Chiswick Pier and its affiliated lifeboat and the Hospital of St Cross in Winchester, where we supply the beer for the Wayfarer's Dole, which is given out to visitors.

We also sponsor the Chiswick High Road Christmas lights, the Chiswick House Opera and a local 10-mile running race, the Thames Towpath Ten, which fits in well with our position as the Official Beer of the Flora London Marathon.

In addition, we provide around £100,000 worth of products for use as prizes at local charity fetes and bazaars, supporting numerous causes from local school fundraisers to major national charities. The main charity which we support, Cancer Research UK, continues to benefit from our organisation of the annual London Pride Walk, which raised nearly £66,000 in 2007 and a total of over £1 million during the 12 years since its inception.

#### Supplier Payment Policy

The Group informs and agrees with its suppliers in advance its payment practice and will abide by those terms for all valid transactions. The Group pays UK trade suppliers at the month end following the month of invoice. Overseas suppliers (mostly of wine) are paid between two and three months after the month of invoice, depending on delivery times from the country of origin. The average amount of credit taken from suppliers as at the year end for the Group and Company was 45 days (2007: 45 days).



## Directors' Report

continued

### Environment

The Company is committed to minimising its impact on the environment by reducing its carbon footprint, encouraging recycling and using monitoring and controlling techniques in order to reduce energy use. A cross functional team has been formed to target different operational aspects affecting the environment and to share best practice. A scoping study has also been undertaken with the assistance of the Carbon Trust, which indicated that the Brewery has worked well to optimise energy usage, whilst there is still work to be done in the pub estate.

### Recycling Raw Materials

The process of brewing beer involves the use of natural products, primarily malted barley, hops, yeast and water. As with all food products, beer by nature recycles through the food chain. Surplus materials from the brewing process, e.g. excess yeast, spent grains and trub (a mixture of malt protein material, spent hops and yeast) are recycled into cattle feed and other food products.

### Energy

Energy used within the brewing process is captured and recycled as much as possible. The Company is committed to complying with the Climate Change Levy as part of a brewing sector agreement with the British Beer and Pub Association ("BBPA"). The Company has trialled smart meters in the pub estate and is currently evaluating the results, prior to making an investment. This will enable energy consumption to be monitored closely and assist in reducing consumption further.

Further new equipment purchases, upgraded process control across the supply chain and improvements in related operational procedures have once again reduced the Company's Energy Efficiency Quotient ("EEQ"), which means that the Company continues to be on track to meet its revised EEQ targets up to the year 2010. Due to this capital investment and change in operations the Company has accrued a sum of carbon credits which the BBPA hold on its behalf.

### Water

The Company has reduced the amount of water used to make each pint of beer by almost half in recent years. Over 80% of the gentlemen's toilets in the pub estate have had water management systems installed and the Company continues to look for ways to minimise consumption, replacing where possible with water efficient equipment.

### Waste Recycling

The Company continues to meet its responsibilities in respect of the recycling of packaging waste with recycling now including cardboard, pallets, locator boards, toners, cartridges and other IT equipment, light bulbs and plastic film. Fuller's has tasked its waste management contractors to increase the proportion of waste being recycled in the pub estate and this has led to an increase in volumes of glass being recycled and cardboard collections being introduced, where routes exist. Fuller's continues to challenge its food suppliers to reduce packaging and use returnable trays for deliveries, and all waste edible oil is recycled into bio fuels.

## D) KEY PERFORMANCE INDICATORS ("KPIs")

Details of the Group's KPIs can be found in the Financial Review on page 18. In addition a definition of the key terms used is included in the Glossary.

## E) TREASURY POLICIES

The Group Treasury policies are discussed in the Financial Review on page 20.

The main risks associated with the Group's financial assets and liabilities are set out in note 27 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 21 and 22.



## Directors' Report

continued

### G) SHARE INTERESTS

At 30 May 2008 the following disclosable interests of shareholders (other than Directors) had been notified to the Company:

Name	% 'A' ordinary shares of 40p each	Name	% 'B' ordinary shares of 4p each	Name	% 'C' ordinary shares of 40p each
Aberdeen Asset Management PLC and its subsidiaries	6.07	Sir J H F, Messrs A F and E F Fuller	16.26	Sir J H F, Messrs A F and E F Fuller	30.41
AEGON Asset Management UK plc and associated entities	5.09	J F Russell-Smith Charitable Trust	7.66	Mr H D Williams	5.93
Legal & General Group Plc and associated entities	4.72	A B Earle Charitable Trust	4.62	Mrs J C Turner	5.03
The Estate of Miss A B Earle	4.16	Mrs S B Stuart	4.59	Miss S M Turner	3.31
Dunarden Limited	3.04	Dunarden Limited	3.60		
		Mr R D Inverarity	3.52		
		Mr G F Inverarity	3.48		
		Mr R H F Fuller	3.40		
		Mr H D Williams	3.22		

### H) SHAREHOLDER MATTERS

#### Special Business at this Year's Annual General Meeting

Details of the items requiring explanation at this year's Annual General Meeting and related class meetings are included in the circular to shareholders dated 24 June 2008, at the back of which is the Notice of Meeting.

#### Purchase of Own Shares

At the Annual General Meeting of the Company held on 24 July 2007, the Company was given authority to purchase up to 4,854,548 'A' ordinary shares. This authority will expire at the Annual General Meeting and shareholders will be asked to give a similar authority to purchase shares up to 15% of the 'A' ordinary capital at that date.

During the year the Company purchased a total of 528,665 40p 'A' ordinary shares at a total cost of £3,492,855. The Company's maximum issued ordinary share capital during the year was £22,793,727, which included £13,331,045 40p 'A' ordinary share capital. The 2008 share purchases therefore represented 2.32% of the maximum issued ordinary share capital (3.97% of the Company's issued 'A' ordinary share capital). Taking into account all the buybacks since December 2001, 15.09% of the Company's issued ordinary share capital (20.74% of the Company's issued 'A' ordinary share capital) has now been purchased. The Directors believe that further purchases are in the best interests of shareholders and will increase earnings per share.

In addition to these purchases, the Company Employee Share Ownership Trust purchased a total of 63,500 40p 'A' ordinary shares at a total cost of £458,094.

Own shares purchased have not been cancelled. During the year 192,792 of these shares were reissued in connection with the Savings Related Share Option Scheme, the Executive Share Option Scheme and the Senior Executive Share Option Scheme, generating net cash proceeds of £374,978. The remaining 1,131,188 40p 'A' ordinary shares are currently held as treasury shares.

### I) TAKEOVERS

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



## Directors' Report

continued

F.S.T. Trustee Limited, holds 1.25% 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, F.S.T. Trustee Limited exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

Computershare CI holds 0.52% of the issued share capital of 40p 'A' ordinary shares and 1.93% of the issued share capital of 4p 'B' ordinary shares in trust on behalf of participants in the Company's Long Term Incentive Plan and exercises voting rights in relation to those shares, having consulted with the participants about their voting intentions.

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

At every Annual General Meeting of the Company one-third of the Directors, or if their number is not three or a multiple of three, the number nearest to one-third, but at least one, must retire by rotation. The Directors to retire are those who have been longest in office. As between those who were appointed or reappointed on the same day, those to retire are determined by lot. A retiring Director is eligible for re-election.

Subject to the Company's Memorandum and Articles of Association and UK legislation, the business of the Company is managed by the Board which may exercise all the powers of the Company. The Articles of the Company have a section entitled "Powers and Duties of the Board" which set out powers such as the rights to establish local boards, to appoint agents, to delegate, to provide for its employees 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 its own shares, and a further section entitled "Borrowing Powers" setting out the provisions concerning the Company's power to borrow and give security. The Directors have been authorised to allot and issue ordinary shares. These powers are exercised under authority of resolutions of the Company passed at its Annual General Meeting.

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

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

Divisional Directors have contracts which could result in them receiving compensation of either one or two year's annual salary (depending on when they were appointed) for loss of office that occurs because of a takeover bid. There are no other employment contracts with such terms.

By Order of the Board

**Marie Gracie, FCIS**  
Company Secretary  
16 June 2008

Griffin Brewery  
Chiswick Lane South, Chiswick  
London W4 2QB



## Directors' Statements

### Corporate Governance

A full review of Corporate Governance appears on pages 29 to 32.

### Statement of Directors' Responsibilities in Respect of the Financial Statements

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

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

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

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

The Directors confirm, to the best of their knowledge:

- that these financial statements prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group; and
- that the management report includes a fair review of the development and performance of the business and the position of the Company and the Group, and a description of the risks and uncertainties faced.

The Directors of Fuller, Smith and Turner P.L.C. are listed on page 14.

### Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 14. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

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

### Going Concern

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

### James Douglas

Finance Director

16 June 2008



## Corporate Governance Report

### A) THE BOARD

The Board comprises the Chairman, four other Executive Directors, three independent Non Executive Directors, and two other Non Executive Directors, (one of whom also has the honorary role of President), thus providing an appropriate Board balance. The Board is responsible to the shareholders for the good standing of the Company, the management of its assets for optimum performance and the strategy for its future development. The Directors' biographies are on page 14. Ronald Spinney is the Senior Independent Director. All three 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 all Non Executive Directors' respective arrangements are as set out in the Directors' Remuneration Report on pages 33 to 43 and are available for inspection at the Company's registered office.

#### Board Meetings

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

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

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

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

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

The Chairman does not have any other significant commitments which constrain his ability to fulfil his role. His responsibilities are set out in a job description which has been approved by the Board. The Chairman is also Chairman of the British Beer and Pubs Association, a role which the Board believes enhances his ability to fulfill his role as Chairman of the Company.





## Corporate Governance Report

continued

### Board Evaluation

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

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

### B) BOARD COMMITTEE STRUCTURE

The Board has a number of committees including the following:

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

The **Nominations Committee** consists of James Espey, Ronald Spinney and Michael Turner, who is Chairman. It is responsible for nominating candidates for appointment as Directors, for approval by the Board. The Committee met once during the year to consider the appointment of a new Finance Director and all members attended the meeting. This appointment was handled by an external search consultancy who met with the Executive team and the Chairman of the Audit Committee to take their brief, and who then presented a number of candidates to the Company. A short list of candidates was interviewed before a recommendation was made by the Nominations Committee.

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

The terms of reference of the Nominations and Remuneration Committees of the Board are available on the Company’s website.

### C) AUDIT AND ACCOUNTABILITY

The **Audit Committee** of the Board is chaired by Nick MacAndrew, FCA who was formerly chief financial officer of Schroders plc and who brings recent and relevant financial experience to the Committee. The other Committee members are Ronald Spinney, Nigel Atkinson and James Espey. The Committee met four times during the year and all Committee members attended all meetings, save that one Director was unable to attend one meeting. The Committee’s terms of reference are available on the Company’s website.

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

As mentioned above there is in place a whistle blowing policy, which is overseen by the Audit Committee, and which allows staff to raise any concerns in confidence.





## Corporate Governance Report

continued

### Auditors

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

The Group's auditors also audited the Company's defined benefit pension scheme but via different partners and out of a different office. They competed in an open tender process for this work, and a further tender process is currently being undergone.

### Internal Control

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

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

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

In addition to these annual workshops and monthly meetings, key elements of the system of internal control include:

- clearly defined levels of responsibility and delegation throughout the Group, together with well structured reporting lines up to the Board;
- the preparation of comprehensive annual budgets for each division, including commentary on key business opportunities and risks, approved by the Executive Directors and further reviewed by the full Board on a consolidated basis;
- an Executive Committee review of actual monthly results against budget, together with commentary on significant variances and updates of both profit and cash flow expectations for the year;
- a detailed investment approval process requiring Board authorisation for all major projects;
- detailed post implementation appraisals of major capital expenditure projects; and
- regular reporting of legal and accounting developments to the Board.



## Corporate Governance Report

continued

### C) AUDIT AND ACCOUNTABILITY continued

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

Among the areas audited in the financial year were cash receipts in the brewery, supplier contracts, customer trading terms and the authorisation of capital purchases.

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

### D) RELATIONS WITH SHAREHOLDERS

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

### E) COMPLIANCE

The Board supports the principles, the supporting principles and the provisions of corporate governance as set out in the Revised Combined Code on Corporate Governance ("the Code"). The Company has complied with the requirements of section 1 of the Code, as applicable to a smaller quoted company, throughout the financial year except with respect to Non Executive Directors and their meetings with shareholders, as explained in section D) above, and the constitution of the Remuneration and Audit Committees, where Nigel Atkinson, who is not an independent Non Executive Director, sits on those Committees. The Board is happy that the deliberations of both Committees remain independent, since in each case three independent Non Executive Directors sit on them with Mr Atkinson. The Board has determined that James Espey remains an independent Non Executive Director, notwithstanding that in July 2007, he had served nine years since he was originally elected by shareholders. Mr Espey retires from the Board in July 2008. The position of Executive Chairman of the Company is not in accordance with provision A2.1 of this Code, but the Board, having consulted with shareholders, remains of the view that having Michael Turner in this role provides leadership and experience that is in the best interests of the Company.



## Directors' Remuneration Report

The principal purpose of this report for the 52 weeks ended 29 March 2008 is to inform shareholders of the Group's policy on Directors' Remuneration, as recommended by the Remuneration Committee. The report has been approved and adopted by the Board and has been prepared in accordance with the requirements of the Companies Act 1985 and Schedule 7A thereto, the Listing Rules and the Revised Combined Code on Corporate Governance ("the Code"). The information contained in the tables on pages 34, 36 to 37 and 39 to 40 and in the description of non-cash emoluments in section A) and in the information about options and the Long Term Incentive Plan outlined in sections C) and D), is subject to audit.

An ordinary resolution will be put to shareholders at the Annual General Meeting ("AGM") on 23 July 2008 inviting them to consider and approve this report.

### Remuneration Committee

The Remuneration Committee members are Ronald Spinney (Chairman), James Espey, Nick MacAndrew and Nigel Atkinson. Members of the Committee have no personal financial interest in the Company, other than as shareholders and Directors. The Committee had four formal meetings in the year under review and all Committee members were present at all meetings.

Details of the payments made to Non Executive Directors are set out on page 34.

The Committee is provided with independent advice from external consultants. Xafinity Consulting Limited provided the Committee and the Company with advice on matters relating to pensions. BDO Stoy Hayward LLP provided the Committee and the Company with advice in connection with the Company's LTIP and share option schemes. Both of these consultants have been providing advice to the Company for some years and were not specifically appointed by the Committee.

The Chairman of the Company, Michael Turner, may be invited to attend meetings and advise, as appropriate, on the remuneration and performance of the other Executive Directors and related matters.

The Committee is advised internally by the Company Secretary, Marie Gracie who also acts as Secretary to the Committee, and a number of other members of the senior management team, depending on the issues being considered.

### Remuneration Policy

It is the policy of the Remuneration Committee to provide competitive packages for the Executive Directors, which reflect the Group's performance against financial objectives, reward above average performance and which are designed to attract, retain and motivate high calibre executives. The Committee seeks to structure total benefit packages which align the interests of shareholders and Executive Directors. To this end, the Committee believes that it is appropriate to have a significant proportion of Executive Directors' packages made up of performance related elements and this is reflected in the use made of the Company's bonus scheme, Long Term Incentive Plan and share option schemes. During the 52 weeks ended 31 March 2007, Deloitte & Touche LLP were appointed to review Directors' remuneration. The results of the review were discussed by the Committee and recommendations were made which impacted Directors' base pay and the LTIP scheme. In addition, Executive Directors' packages include pension benefits, as discussed in section F) below.

Executive Directors' remuneration is the subject of regular review in accordance with this policy. The Committee believes that a successful remuneration policy needs to be flexible so that it can adapt to any future changes in the Company's business environment and in remuneration practice.

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

#### A) BASE SALARY AND BENEFITS

The Committee sets the base salary for each Executive Director by reference to individual and corporate performance, competitive market practice and independent salary survey information. A car allowance is paid to Directors to allow them to purchase and maintain cars at their own expense – this is a non-pensionable amount. Directors can also claim back business



## Directors' Remuneration Report

continued

### A) BASE SALARY AND BENEFITS continued

related mileage. Other non-cash benefits to Executive Directors include private healthcare and product allowances. These benefits are also extended to some other employees.

During the year, Simon Emeny was appointed as a Non Executive Director of Dunelm PLC. He retains fees of £25,000 per annum in respect of this position.

### B) BONUS

Executive Directors and senior management participate in the Company's performance related bonus scheme by invitation. All payments under the scheme are discretionary and non-pensionable.

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

The target for the bonus, which is set in March each year for the following year, includes the cost of the bonus itself. The 2008 scheme for Executive Directors provided a bonus opportunity of a maximum of 50% of base salary.

A termination bonus of £42,500 was paid to Paul Clarke after he retired at the end of April 2008, in recognition of his contribution to the Company and a successful period of handover to the Company's new Finance Director.

### Directors' Emoluments and Other Payments

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

	Basic salary £000	Car allowance £000	Fees £000	Consultancy £000	Benefits in kind £000	Bonus £000	Defined contribution		Total 2007 £000	Defined contribution pension 2007 £000
							Total 2008 £000	2008 £000		
Michael Turner	292	19	-	-	3	51	365	-	391	-
Tim Turner	158	16	-	-	3	27	204	-	233	-
Paul Clarke	177	16	-	-	2	31	226	-	254	-
John Roberts	188	16	-	-	3	46	253	13	269	12
Simon Emeny	225	15	-	-	1	31	272	19	309	15
James Douglas*	113	9	-	-	1	17	140	20	-	-
Anthony Fuller	-	6	25	25	20	-	76	-	111	-
Ronald Spinney	-	-	45	-	1	-	46	-	45	-
James Espey	-	-	35	-	1	-	36	-	35	-
Nick MacAndrew	-	-	42	-	1	-	43	-	42	-
Nigel Atkinson	-	-	35	30	2	-	67	-	64	-
<b>Total</b>	<b>1,153</b>	<b>97</b>	<b>182</b>	<b>55</b>	<b>38</b>	<b>203</b>	<b>1,728</b>	<b>52</b>	<b>1,753</b>	<b>27</b>

\* James Douglas was appointed a Director on 10 September 2007.

### C) SHARE OPTION SCHEMES AND THE SHARE INCENTIVE PLAN

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.

## Directors' Remuneration Report

continued

### 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 and was approved by shareholders at an Extraordinary General Meeting in December 1998. The scheme has a ten year life and accordingly, shareholder approval for a replacement scheme is being sought at the forthcoming AGM, although the first grants under the new scheme are not expected to be made until 2009. Under the Approved Scheme, senior executives and other staff may be issued share options up to the HMRC maximum value of £30,000 at any one time.

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

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

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

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

The Company also operates a SAYE Scheme, which is available to all Company employees with a 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 (the "SIP")

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



## Directors' Remuneration Report

continued

### C) SHARE OPTION SCHEMES AND THE SHARE INCENTIVE PLAN continued

Details of all options issued to Executive Directors are given in the table below and details of all options issued are in note 29.

#### Directors' Share Options

	At 1 April 2007 or date of appointment	Exercised	Issued	At 29 March 2008	Exercise price £	Date of grant	Date from which exercisable	Expiry date	Cost of options under SAYE schemes £	Price at exercise date £	Notional gain on exercise £
<b>Michael Turner</b>	3,880	(3,880)	-	-	1.70	1/9/02	1/9/07	1/3/08	S 6,596	7.125	21,049
	14,150	-	-	<b>14,150</b>	2.12	25/6/03	25/6/06	24/6/13	A -	-	-
	4,180	-	-	<b>4,180</b>	2.20	17/7/03	17/7/08	16/7/13	U -	-	-
	15,588	-	-	<b>15,588</b>	2.63	7/7/04	7/7/07	6/7/14	U -	-	-
	11,660	-	-	<b>11,660</b>	3.67	19/7/05	19/7/08	18/7/15	U -	-	-
	3,375	-	-	<b>3,375</b>	2.93	1/9/05	1/9/10	1/3/11	S 9,889	-	-
	10,040	-	-	<b>10,040</b>	4.98	18/7/06	18/7/09	17/7/16	U -	-	-
	-	-	7,985	<b>7,985</b>	7.51	18/7/07	18/7/10	17/7/17	U -	-	-
	-	-	1,082	<b>1,082</b>	6.04	1/9/07	1/9/12	1/3/13	S 6,535	-	-
	<b>62,873</b>	<b>(3,880)</b>	<b>9,067</b>	<b>68,060</b>							
<b>Tim Turner</b>	3,880	(3,880)	-	-	1.70	1/9/02	1/9/07	1/3/08	S 6,596	6.980	20,486
	14,150	(14,150)	-	-	2.12	25/6/03	25/6/06	24/6/13	A -	-	-
	9,428	-	-	<b>9,428</b>	2.63	7/7/04	7/7/07	6/7/14	U -	-	-
	645	-	-	<b>645</b>	2.93	1/9/05	1/9/08	1/3/09	S 1,890	-	-
	7,028	-	-	<b>7,028</b>	3.67	19/7/05	19/7/08	18/7/15	U -	-	-
	5,823	-	-	<b>5,823</b>	4.98	18/7/06	18/7/09	17/7/16	U -	-	-
	952	-	-	<b>952</b>	3.92	1/9/06	1/9/09	1/3/10	S 3,732	-	-
	-	-	4,258	<b>4,258</b>	7.51	18/7/07	18/7/10	17/7/17	U -	-	-
	-	-	625	<b>625</b>	6.04	1/9/07	1/9/10	1/3/11	S 3,775	-	-
	<b>41,906</b>	<b>(18,030)</b>	<b>4,883</b>	<b>28,759</b>							
<b>Paul Clarke</b>	11,500	-	-	<b>11,500</b>	2.20	17/7/03	17/7/08	16/7/13	U -	-	-
	10,265	(10,265)	-	-	2.63	7/7/04	7/7/07	6/7/14	U -	5.65	31,000
	1,262	(1,262)	-	-	2.08	1/9/04	1/9/07	1/3/08	S 2,625	7.125	6,367
	7,683	-	-	<b>7,683</b>	3.67	19/7/05	19/7/08	18/7/15	U -	-	-
	6,425	-	-	<b>6,425</b>	4.98	18/7/06	18/7/09	17/7/16	U -	-	-
	-	-	3,992	<b>3,992</b>	7.51	18/7/07	18/7/10	17/7/17	A -	-	-
	-	-	798	<b>798</b>	7.51	18/7/07	18/7/10	17/7/17	U -	-	-
	-	-	1,562	<b>1,562</b>	6.04	1/9/07	1/9/10	1/3/11	S 9,434	-	-
	<b>37,135</b>	<b>(11,527)</b>	<b>6,352</b>	<b>31,960</b>							

## Directors' Remuneration Report

continued

	At 1 April 2007 or date of appointment	Exercised	Issued	At 29 March 2008	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 £
<b>John Roberts</b>	12,180	-	-	<b>12,180</b>	2.20	17/7/03	17/7/08	16/7/13	U	-	-	-
	5,620	-	-	<b>5,620</b>	1.70	1/9/03	1/9/08	1/3/09	S	9,554	-	-
	10,873	-	-	<b>10,873</b>	2.63	7/7/04	7/7/07	6/7/14	U	-	-	-
	3,130	-	-	<b>3,130</b>	2.08	1/9/04	1/9/09	1/3/10	S	6,510	-	-
	8,173	-	-	<b>8,173</b>	3.67	19/7/05	19/7/08	18/7/15	A	-	-	-
	7,228	-	-	<b>7,228</b>	4.98	18/7/06	18/7/09	17/7/16	U	-	-	-
	-	-	5,058	<b>5,058</b>	7.51	18/7/07	18/7/10	17/7/17	U	-	-	-
	47,204	-	5,058	<b>52,262</b>								
<b>Simon Emeny</b>	14,135	-	-	<b>14,135</b>	2.20	17/7/03	17/7/08	16/7/13	U	-	-	-
	2,247	-	-	<b>2,247</b>	1.70	1/9/03	1/9/08	1/3/09	S	3,820	-	-
	12,243	(12,243)	-	-	2.63	7/7/04	7/7/07	6/7/14	U	-	5.70	37,586
	9,100	-	-	<b>9,100</b>	3.67	19/7/05	19/7/08	18/7/15	U	-	-	-
	4,277	-	-	<b>4,277</b>	2.93	1/9/05	1/9/10	1/3/11	S	12,532	-	-
	6,023	-	-	<b>6,023</b>	4.98	18/7/06	18/7/09	17/7/16	A	-	-	-
	2,008	-	-	<b>2,008</b>	4.98	18/7/06	18/7/09	17/7/16	U	-	-	-
	-	-	6,123	<b>6,123</b>	7.51	18/7/07	18/7/10	17/7/17	U	-	-	-
	50,033	(12,243)	6,123	<b>43,913</b>								
<b>James Douglas</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	239,151	(45,680)	31,483	<b>224,954</b>								

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

No Directors' options lapsed during the year.

### Directors' Options Analysed by Exercise Price (£)

Exercise price (£)	At 31 March 2007	Exercised	Lapsed	Issued	At 29 March 2008
1.70	15,627	(7,760)	-	-	<b>7,867</b>
2.08	4,392	(1,262)	-	-	<b>3,130</b>
2.12	28,300	(14,150)	-	-	<b>14,150</b>
2.20	41,995	-	-	-	<b>41,995</b>
2.63	58,397	(22,508)	-	-	<b>35,889</b>
2.93	8,297	-	-	-	<b>8,297</b>
3.67	43,644	-	-	-	<b>43,644</b>
3.92	952	-	-	-	<b>952</b>
4.98	37,547	-	-	-	<b>37,547</b>
6.04	-	-	-	3,269	<b>3,269</b>
7.51	-	-	-	28,214	<b>28,214</b>
<b>Total</b>	239,151	(45,680)	-	31,483	<b>224,954</b>

The market price of the shares at 29 March 2008 was £5.58 and the range during the year was from £5.00 to £7.60.





## Directors' Remuneration Report

continued

### D) LONG TERM INCENTIVE PLAN ("LTIP")

Shareholders approved the LTIP in December 1998. This scheme has a ten year life and accordingly shareholder approval will be sought for a replacement scheme at the forthcoming AGM, although the first awards under the new scheme are not expected to be made until 2009. The aim of the LTIP is to align the efforts of Directors and senior managers with the Company's objective of creating shareholder value and increasing earnings per share in the longer term. The performance conditions for the LTIP were chosen accordingly and all subsisting LTIP awards have a performance condition wholly based on growth in earnings per share adjusted principally to exclude exceptional items ("Normalised EPS"). The Normalised EPS based measure ensures that awards only become exercisable against a background of a sustained real increase in the financial performance of the Company.

To assess the awards, the average growth in Normalised EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the date of grant. No vest occurs if the Normalised EPS growth fails to exceed the RPI by at least six per cent over the period. 25% 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 Normalised EPS would need to exceed the growth in RPI by 21% or more over the period. The Remuneration Committee determines whether the Normalised EPS performance condition has been met using the earnings per share information which is published in the Company's Annual Report and Accounts. BDO Stoy Hayward LLP confirm the level of vesting of awards based on earnings per share calculations provided by the Company.

Under the LTIP, the rules allow for discretionary annual awards of 'A' and 'B' ordinary shares up to a value representing 70% of a participant's salary in any one year. Awards to date have always been made below this maximum level and the amount of each Award vesting is on a scaled basis, depending on the extent to which the performance criteria are met. For awards made up to and including 2006, where shares vest, participants are invited to re-deposit half of their shares for a further three year period. The Company then makes a matched share award up to the number of shares deposited. Both the deposited shares and the matched shares award are released to the participants in full after the second three year period, providing the participant is still employed by the Company. As explained last year, the practise of offering matching awards was discontinued after the award made in July 2006. Details of the awards made during the year to Directors are given in the following tables.

In all cases the LTIP grants were calculated by reference to the middle market quotation as at the following dates:

Date	'A' ordinary shares £	'B' ordinary shares £
24 June 2002	2.08	0.21
24 June 2003	2.12	0.21
4 July 2004	2.62	0.26
18 July 2005	3.67	0.37
17 July 2006	4.98	0.50
16 July 2007	7.51	0.75
28 November 2007	6.30	0.63

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 Allocation

		Total held at 1 April 2007 (or date of joining)	Granted during year	Original awards vested	Matching awards granted	Matching awards vested	Lapsed during year	Total held at 29 March 2008	Monetary value of vest* £'000
<b>Michael Turner</b>	'A' ordinary 40p	78,375	19,167	(25,037)	12,517	(3,247)	–	<b>81,775</b>	210
	'B' ordinary 4p	198,666	47,922	(62,595)	31,297	(10,827)	–	<b>204,463</b>	54
<b>Tim Turner</b>	'A' ordinary 40p	46,881	10,222	(15,145)	7,572	(1,290)	–	<b>48,240</b>	122
	'B' ordinary 4p	118,285	25,557	(37,862)	18,930	(4,300)	–	<b>120,610</b>	31
<b>Paul Clarke</b>	'A' ordinary 40p	33,743	11,500	(16,487)	8,242	(1,324)	–	<b>35,674</b>	132
	'B' ordinary 4p	85,470	28,752	(41,220)	20,610	(4,415)	–	<b>89,197</b>	34
<b>John Roberts</b>	'A' ordinary 40p	54,928	12,140	(17,465)	8,732	(1,822)	–	<b>56,513</b>	143
	'B' ordinary 4p	138,858	30,350	(43,662)	21,830	(6,080)	–	<b>141,296</b>	37
<b>Simon Emeny</b>	'A' ordinary 40p	62,933	14,695	(19,662)	9,830	(3,004)	–	<b>64,792</b>	168
	'B' ordinary 4p	159,854	36,740	(49,160)	24,580	(10,015)	–	<b>161,999</b>	44
<b>James Douglas</b>	'A' ordinary 40p	–	7,680	–	–	–	–	<b>7,680</b>	–
	'B' ordinary 4p	–	19,200	–	–	–	–	<b>19,200</b>	–

\* The market price of 'A' shares on the date of vesting was £7.42; and thus we assume a "market" price of 'B' shares of £0.74.

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

### Directors' Long Term Incentive Plan Grants Held

Grant		LTIP 5	LTIP 6	LTIP 7	LTIP 8	LTIP 9	LTIP 10*	Total
Grant date		25 June 2002	25 June 2003	05 July 2004	19 July 2005	18 July 2006	17 July 2007	
Start of performance period		April 2002	April 2003	April 2004	April 2005	April 2006	April 2007	
End of performance period		March 2005	March 2006	March 2007	March 2008	March 2009	March 2010	
LTIP grants held at 29 March 2008, including matching:								
<b>Michael Turner</b>	'A' ordinary 40p	5,020	10,352	12,517	18,657	16,062	19,167	<b>81,775</b>
	'B' ordinary 4p	12,552	25,885	31,297	46,647	40,160	47,922	<b>204,463</b>
<b>Tim Turner</b>	'A' ordinary 40p	3,547	6,337	7,572	11,247	9,315	10,222	<b>48,240</b>
	'B' ordinary 4p	8,867	15,847	18,930	28,117	23,292	25,557	<b>120,610</b>
<b>Paul Clarke</b>	'A' ordinary 40p	3,640	–	8,242	12,292	–	11,500	<b>35,674</b>
	'B' ordinary 4p	9,100	–	20,610	30,735	–	28,752	<b>89,197</b>
<b>John Roberts</b>	'A' ordinary 40p	3,922	7,077	8,732	13,077	11,565	12,140	<b>56,513</b>
	'B' ordinary 4p	9,807	17,697	21,830	32,697	28,915	30,350	<b>141,296</b>
<b>Simon Emeny</b>	'A' ordinary 40p	4,645	8,212	9,830	14,560	12,850	14,695	<b>64,792</b>
	'B' ordinary 4p	11,615	20,535	24,580	36,402	32,127	36,740	<b>161,999</b>
<b>James Douglas</b>	'A' ordinary 40p	–	–	–	–	–	7,680	<b>7,680</b>
	'B' ordinary 4p	–	–	–	–	–	19,200	<b>19,200</b>

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



## Directors' Remuneration Report

continued

### Directors' Shareholdings

		Changes by 30 May 2008		29 March 2008		31 March 2007	
		Beneficial	Non Beneficial	Beneficial	Non Beneficial	Beneficial	Non Beneficial
<b>Michael Turner</b>	'A' ordinary 40p	–	–	320,192	139,880	309,285	139,880
	'B' ordinary 4p	–	–	4,392,509	3,490,974	4,339,557	3,490,974
	'C' ordinary 40p	–	–	1,012,820	745,517	995,300	745,517
	2nd preference £1	–	–	22,993	40,166	22,993	40,166
<b>Tim Turner</b>	'A' ordinary 40p	–	–	252,224	139,880	231,082	139,880
	'B' ordinary 4p	–	–	4,453,158	3,490,974	4,425,626	3,490,974
	'C' ordinary 40p	–	–	1,272,052	745,517	1,257,052	745,517
	2nd preference £1	–	–	22,916	40,166	22,916	40,166
<b>Paul Clarke</b>	'A' ordinary 40p	–	–	41,393	–	41,952	–
	'B' ordinary 4p	–	–	164,067	–	134,627	–
<b>John Roberts</b>	'A' ordinary 40p	–	–	35,111	–	27,185	–
	'B' ordinary 4p	–	–	146,767	–	112,775	–
<b>Simon Emeny</b>	'A' ordinary 40p	–	–	30,624	–	34,085	–
	'B' ordinary 4p	–	–	300,747	–	256,137	–
<b>James Douglas*</b>	'A' ordinary 40p	–	–	1,250	–	–	–
	'B' ordinary 4p	–	–	–	–	–	–
<b>Anthony Fuller</b>	'A' ordinary 40p	–	–	65,897	–	65,897	–
	'B' ordinary 4p	–	–	5,096,572	9,572,512	5,096,572	9,572,512
	'C' ordinary 40p	–	–	1,436,000	1,252,359	1,436,000	1,252,359
	1st preference £1	–	–	9,679	4,839	9,679	4,839
	2nd preference £1	–	–	94	–	94	–
<b>Ronald Spinney</b>	'A' ordinary 40p	–	–	1,250	–	1,250	–
	'B' ordinary 4p	–	–	–	–	–	–
<b>James Espey</b>	'A' ordinary 40p	–	–	10,000	–	10,000	–
	'B' ordinary 4p	–	–	–	–	–	–
<b>Nick MacAndrew</b>	'A' ordinary 40p	–	–	25,000	–	25,000	–
	'B' ordinary 4p	–	–	–	–	–	–
<b>Nigel Atkinson</b>	'A' ordinary 40p	–	–	4,575	–	4,575	–
	'B' ordinary 4p	–	–	–	–	–	–

\* Opening balance as at date of appointment, being 10 September 2007.

There were no changes in shareholdings or option holdings between 29 March 2008 and 30 May 2008 for any Director.

### E) SERVICE CONTRACTS

The Company's policy on the duration of Directors' contracts is that Executive Directors should have rolling service contracts terminable on no more than one year's notice served by the Company or Director. The Company's policy on early termination of contracts is that each Executive Director is entitled to a payment equal to salary and the value of all benefits for the unexpired



## Directors' Remuneration Report

continued

period of his notice, without any reduction for mitigation. Service contracts reflect this policy and the Remuneration Committee believes that such payments are set at a fair level and that therefore a mitigation clause is unnecessary.

### Service Contract Table

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

\* Mr Clarke retired on 30 April 2008.

### Non Executive Directors' Arrangements

	Term expires
Anthony Fuller	July 2010
Ronald Spinney	March 2009
James Espey	July 2008
Nick MacAndrew	September 2009
Nigel Atkinson	April 2009

## F) PENSIONS

The Executive Directors of the Company who served during the year, with the exception of John Roberts, Simon Emeny and James Douglas, were non-contributory members of the defined benefit Company pension plan, under the Directors' section.

Paul Clarke was affected by the HMRC earnings cap on approved pension benefits but was promised broadly equivalent benefits to the other Directors in the Directors' Pension Plan. Any benefits on qualifying earnings in excess of the cap will be paid by the Company. There is no pre-funding for such benefits.

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

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

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

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



## Directors' Remuneration Report

continued

### F) PENSIONS continued

leaves the Company before age 60, they will be obliged to repay the value of the augmentation relating to the period from their date of leaving up to their 60th birthday. In respect of Paul Clarke, the figures disclosed include an unfunded unapproved retirement benefit scheme, for which there is no formal arrangement.

### Listing Rules Requirement

	Increase in accrued pension (allowing for inflation) <sup>1</sup> £	Total accrued pension at end of year <sup>2</sup> £	Transfer value of increase (net of member contributions) <sup>3</sup> £
<b>Michael Turner</b>	24,526	201,143	556,568
<b>Tim Turner</b>	5,204	113,010	186,228
<b>Paul Clarke</b>	13,323	111,667	381,338
<b>John Roberts</b>	1,902	9,908	18,814
<b>Simon Emeny</b>	1,902	9,908	12,370

<sup>1</sup> 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.

<sup>2</sup> Total accrued pension at end of year – this is what the Director is entitled to receive as an annual pension based on service to date.

<sup>3</sup> 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.

### Directors' Remuneration Report Regulations

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

	Increase in accrued pension <sup>1</sup> £	Total accrued pension at end of year <sup>2</sup> £	Transfer value at start of year <sup>3</sup> £	Transfer value at end of year <sup>4</sup> £	Transfer value equivalent of increase (net of member contributions) <sup>5</sup> £
<b>Michael Turner</b>	31,429	201,143	2,640,527	3,564,557	924,030
<b>Tim Turner</b>	9,418	113,010	1,755,232	2,234,735	479,503
<b>Paul Clarke</b>	17,167	111,667	1,798,146	2,480,548	682,402
<b>John Roberts</b>	2,215	9,908	78,600	84,147	5,547
<b>Simon Emeny</b>	2,215	9,908	52,043	55,331	3,288

<sup>1</sup> 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.

<sup>2</sup> Total accrued pension at end of year – this is the same figure as the Listing Rules requirement.

<sup>3</sup> 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).

<sup>4</sup> Transfer value of end of year – this is the transfer value of the accrued pension at the end of the year.

<sup>5</sup> 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

### G) REMUNERATION POLICY FOR NON EXECUTIVE DIRECTORS

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

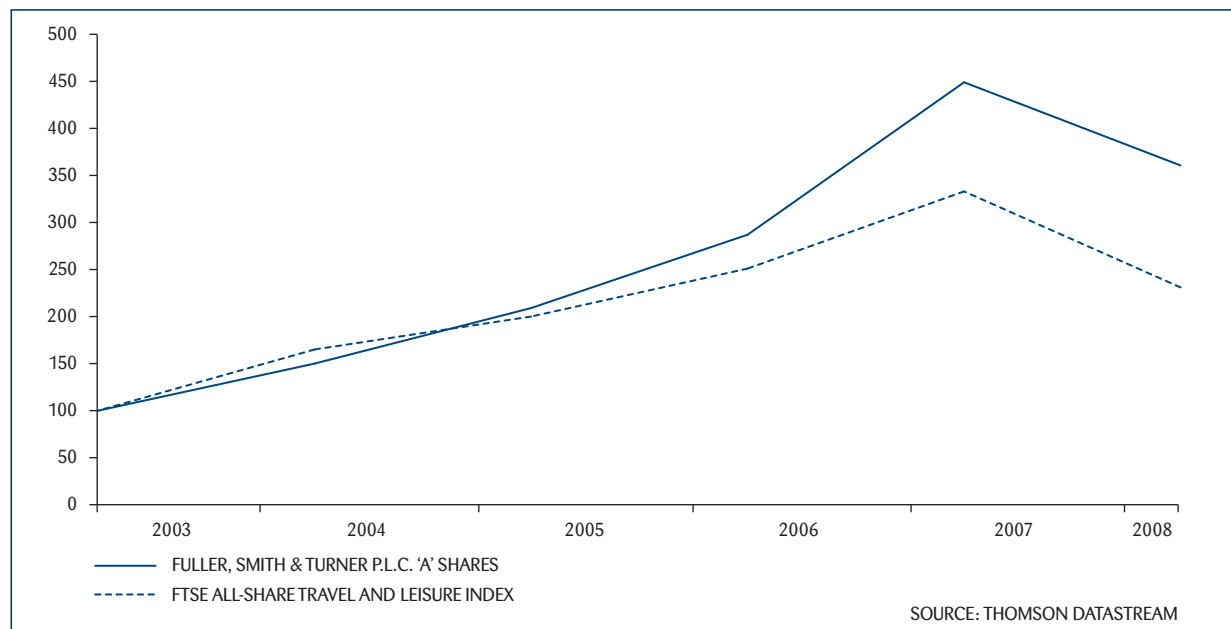
Non Executive Directors receive non-cash benefits in the form of product allowances and the reimbursement of travel and other business related expenses. The President and Nigel Atkinson also benefit from private healthcare.

None of the Non Executives have service contracts and their appointments are reviewed at between one and three yearly intervals. They are renewable as shown on page 41.

### H) Performance Graph

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

#### Total Shareholder Return



On behalf of the Board

**Ronald Spinney**

Chairman, Remuneration Committee

16 June 2008



## Independent Auditors' Report

to the Members of Fuller, Smith & Turner P.L.C.

We have audited the Group and Parent Company financial statements (the "financial statements") of Fuller, Smith & Turner P.L.C. for the 52 weeks ended 29 March 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Directors and Auditors

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

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

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

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

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

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



## Independent Auditors' Report

to the Members of Fuller, Smith & Turner P.L.C. (continued)

### Basis of Audit Opinion

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

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

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 29 March 2008 and of its profit for the 52 weeks then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 29 March 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

### Ernst & Young LLP

Registered Auditor  
London

16 June 2008



## Group Income Statement

for the 52 weeks ended 29 March 2008

	Note	52 weeks ended 29 March 2008			52 weeks ended 31 March 2007		
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
<b>Revenue</b>	3	<b>181.1</b>	–	<b>181.1</b>	178.2	–	178.2
Operating costs	2, 4, 5	(151.7)	(4.5)	(156.2)	(148.4)	(0.4)	(148.8)
<b>Operating profit</b>		<b>29.4</b>	<b>(4.5)</b>	<b>24.9</b>	29.8	(0.4)	29.4
Profit on disposal of properties	5	–	5.3	5.3	–	20.5	20.5
Finance revenue	6	0.3	–	0.3	0.4	–	0.4
Finance costs	7	(6.7)	–	(6.7)	(8.1)	–	(8.1)
<b>Profit before tax</b>		<b>23.0</b>	<b>0.8</b>	<b>23.8</b>	22.1	20.1	42.2
Taxation	8	(6.8)	2.1	(4.7)	(6.7)	(6.4)	(13.1)
<b>Profit for the year attributable to equity shareholders of the Parent Company</b>	30	<b>16.2</b>	<b>2.9</b>	<b>19.1</b>	15.4	13.7	29.1
<b>Earnings per share</b>							
<b>per 40p 'A' ordinary share or unquoted 40p 'C' ordinary share</b>							
				<b>2008 Pence</b>			<b>2007 Restated*</b> Pence
Basic	9			<b>34.33</b>			52.14
Diluted	9			<b>33.89</b>			51.52
Adjusted	9			<b>29.15</b>			27.58
Diluted adjusted	9			<b>28.78</b>			27.25
<b>Earnings per share</b>							
<b>per unquoted 4p 'B' ordinary share</b>							
				<b>2008 Pence</b>			<b>2007 Restated*</b> Pence
Basic	9			<b>3.43</b>			5.21
Diluted	9			<b>3.39</b>			5.15
Adjusted	9			<b>2.92</b>			2.76
Diluted adjusted	9			<b>2.88</b>			2.73

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

\* Earnings per share measures for the 52 weeks ended 31 March 2007 have been restated for the effects of the five for two share split (note 9) as if the share split had occurred on the first day of this period.





## Balance Sheets

29 March 2008

	Note	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Non-current assets</b>					
Goodwill	11	24.5	24.5	–	–
Property, plant and equipment	12	312.1	307.1	310.9	307.1
Investment properties	13	8.7	4.0	4.6	4.0
Financial assets	14	0.3	1.2	0.2	1.0
Other non-current assets	15	0.9	1.0	0.9	1.0
Investments in subsidiaries	16	–	–	91.8	91.8
Deferred tax assets	26	4.1	8.1	3.8	7.7
<b>Total non-current assets</b>		<b>350.6</b>	<b>345.9</b>	<b>412.2</b>	<b>412.6</b>
<b>Current assets</b>					
Inventories	17	5.8	5.4	5.8	5.4
Trade and other receivables	18	15.7	15.0	15.7	15.0
Cash and cash equivalents	19	3.9	8.9	3.9	8.9
<b>Total current assets</b>		<b>25.4</b>	<b>29.3</b>	<b>25.4</b>	<b>29.3</b>
<b>Assets classified as held for sale</b>	20	<b>1.8</b>	<b>6.5</b>	<b>1.8</b>	<b>1.2</b>
<b>Current liabilities</b>					
Bank loans	22	6.3	5.0	6.3	5.0
Loan notes	22	1.8	2.8	1.8	2.8
Trade and other payables	21	33.3	33.9	118.3	114.4
Current tax payable		1.0	2.7	1.0	2.7
<b>Total current liabilities</b>		<b>42.4</b>	<b>44.4</b>	<b>127.4</b>	<b>124.9</b>
<b>Non-current liabilities</b>					
Bank loans	22	62.7	69.0	52.7	59.0
Debenture stock	23	27.0	27.0	27.0	27.0
Preference shares	25	1.6	1.6	1.6	1.6
Other payables	21	1.7	–	1.7	–
Retirement benefit obligations	24	5.4	16.0	5.4	16.0
Deferred tax liabilities	26	39.3	41.0	37.9	39.5
<b>Total non-current liabilities</b>		<b>137.7</b>	<b>154.6</b>	<b>126.3</b>	<b>143.1</b>
<b>Net assets</b>		<b>197.7</b>	<b>182.7</b>	<b>185.7</b>	<b>175.1</b>
<b>Capital and reserves</b>					
Share capital	28	22.8	22.8	22.8	22.8
Share premium account	30	4.8	4.7	4.8	4.7
Capital redemption reserve	30	3.1	3.1	3.1	3.1
Own shares	30	(6.0)	(5.2)	(6.0)	(5.2)
Hedging reserve	30	0.2	0.8	0.1	0.7
Retained earnings	30	172.8	156.5	160.9	149.0
<b>Total shareholders' equity</b>		<b>197.7</b>	<b>182.7</b>	<b>185.7</b>	<b>175.1</b>

Approved by the Board and signed on 16 June 2008.

**M J Turner, FCA**

Chairman



## Group Cash Flow Statement

for the 52 weeks ended 29 March 2008

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
	<b>Note</b>	
Group profit before tax	23.8	42.2
Net interest expense	6.4	7.7
Exceptional items	(0.8)	(20.1)
Depreciation	4 10.8	10.8
Loss on disposal of property, plant and equipment	0.3	0.1
Difference between pension charge and cash paid	(8.5)	(3.1)
Share-based payment charges	29 1.6	1.4
Change in trade and other receivables	(0.6)	(0.3)
Change in inventories	(0.4)	0.1
Change in trade and other payables	(1.3)	(0.9)
<b>Cash generated from operations</b>	<b>31.3</b>	<b>37.9</b>
Tax paid	(4.7)	(5.1)
<b>Cash generated from operating activities</b>	<b>26.6</b>	<b>32.8</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(18.5)	(21.7)
Sale of property, plant and equipment	8.2	37.7
Interest received	0.2	0.4
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(10.1)</b>	<b>16.4</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital	0.1	0.5
Purchase of own shares	(4.0)	(3.6)
Sale of own shares to option schemes	0.4	0.3
Interest paid	(6.7)	(8.1)
Preference dividends paid	10 (0.1)	(0.1)
Equity dividends paid	10 (5.2)	(4.7)
Repayment of loan notes	(1.0)	(0.2)
Repayment of bank loans	(5.0)	(25.5)
<b>Net cash outflow from financing activities</b>	<b>(21.5)</b>	<b>(41.4)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(5.0)</b>	<b>7.8</b>
Cash and cash equivalents at the start of the year	19 8.9	1.1
<b>Cash and cash equivalents at the end of the year</b>	<b>19 3.9</b>	<b>8.9</b>

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



## Company Cash Flow Statement

for the 52 weeks ended 29 March 2008

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
Note		
Company profit before tax	17.4	35.3
Net interest expense	12.8	7.7
Exceptional items	(0.8)	(20.1)
Depreciation	10.8	9.4
Loss on disposal of property, plant and equipment	0.3	0.1
Difference between pension charge and cash paid	(8.5)	(2.6)
Share-based payment charges	29 1.6	1.4
Change in trade and other receivables	(0.6)	(0.4)
Change in inventories	(0.4)	0.1
Change in trade and other payables	(1.3)	(0.8)
Intercompany cash flows	-	7.7
<b>Cash generated from operations</b>	<b>31.3</b>	<b>37.8</b>
Tax paid	(4.7)	(5.1)
<b>Cash generated from operating activities</b>	<b>26.6</b>	<b>32.7</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(18.5)	(20.0)
Sale of property, plant and equipment	8.2	35.9
Interest received	0.2	0.4
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(10.1)</b>	<b>16.3</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of share capital	0.1	0.5
Purchase of own shares	(4.0)	(3.6)
Sale of own shares to option schemes	0.4	0.3
Interest paid	(6.7)	(8.1)
Preference dividends paid	10 (0.1)	(0.1)
Equity dividends paid	10 (5.2)	(4.7)
Repayment of loan notes	(1.0)	(0.2)
Repayment of bank loans	(5.0)	(25.5)
<b>Net cash outflow from financing activities</b>	<b>(21.5)</b>	<b>(41.4)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(5.0)</b>	<b>7.6</b>
Cash and cash equivalents at the start of the year	19 8.9	1.3
<b>Cash and cash equivalents at the end of the year</b>	<b>19 3.9</b>	<b>8.9</b>

*There was one significant non-cash transaction in the 2007 year, which was the transfer of certain assets and liabilities from the subsidiary undertaking, George Gale & Co. Ltd. to the Company, for a consideration of £75.7 million, funded by intercompany debt (see note 34).*



## Statements of Recognised Income and Expense

for the 52 weeks ended 29 March 2008

Group	Note	52 weeks ended	52 weeks ended
		29 March 2008 £m	31 March 2007 £m
Reduction in deferred tax liability due to indexation	8	0.4	0.4
Net (losses)/gains on valuation of financial assets		(0.7)	0.8
Tax on share-based payments	8	0.4	1.0
Deferred tax adjustment for change in corporation tax rate		(0.3)	–
Net actuarial gains on pension schemes		4.3	2.6
Deferred tax on actuarial gains on pension schemes		(1.1)	(0.7)
<b>Net income recognised directly in equity</b>		<b>3.0</b>	<b>4.1</b>
Profit for the year		19.1	29.1
<b>Total recognised income and expense for the year</b>	30	<b>22.1</b>	<b>33.2</b>

Company		52 weeks ended	52 weeks ended
		29 March 2008 £m	31 March 2007 £m
Reduction in deferred tax liability due to indexation		0.4	0.4
Net gains on valuation of financial assets		(0.6)	0.7
Tax on share-based payments		0.4	1.0
Deferred tax adjustment for change in corporation tax rate		(0.3)	–
Net actuarial gains on pension schemes		4.3	2.0
Deferred tax on actuarial gains on pension schemes		(1.1)	(0.6)
<b>Net income recognised directly in equity</b>		<b>3.1</b>	<b>3.5</b>
Profit for the year		14.6	22.7
<b>Total recognised income and expense for the year</b>	30	<b>17.7</b>	<b>26.2</b>



## Notes to the Financial Statements

### 1. Authorisation of Financial Statements and Accounting Policies

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#### AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

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The financial statements of Fuller, Smith & Turner P.L.C. and its subsidiaries (the “Group”) for the 52 weeks ended 29 March 2008 were authorised for issue by the Board of Directors on 16 June 2008 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 29 March 2008, in accordance with the provisions of the Companies Act 1985.

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

#### SIGNIFICANT ACCOUNTING POLICIES

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##### Basis of Preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 52 weeks ended 29 March 2008.

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.

##### New Accounting Standards

The Group has adopted IFRS 7 for the 52 weeks ended 29 March 2008. IFRS 7 Financial Instruments: Disclosures has superseded the disclosure part of IAS 32 Financial Instruments: Disclosure and Presentation, adding certain new disclosures about financial instruments to those currently required by IAS 32. The Group has also adopted IAS 1 Amendment – Presentation of Financial Statements for the 52 weeks ended 29 March 2008. This has had no effect on the financial position of the Group but has required additional disclosures.

##### 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 29 March 2008 (2007: 52 weeks ended 31 March 2007).

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.

##### 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.



## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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#### Goodwill continued

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Any impairment of goodwill made cannot be reversed if circumstances subsequently change.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the Income Statement.

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

#### Property Plant and Equipment

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

##### *Land and buildings*

Hotel accommodation and offices – up to 50 years.

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

Leasehold improvements – the term of the lease.

Roofs – from 20 to 50 years.

##### *Plant, machinery and vehicles, containers, fixtures and fittings*

From three years up to 25 years.

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

#### Investment Property

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

#### Impairment

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



## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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#### Leases

##### *Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the Income Statement on a straight-line basis over the lease term.

Premiums paid or payable on acquiring a new lease which are considered to be in consideration for a reduction in rent are spread on a straight-line basis over the term of the lease. Such premiums are classified in the Balance Sheet as current or non-current prepayments. Contingent rents are dependent on turnover levels and are expensed as incurred.

##### *Group as a lessor*

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

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

#### Assets Held for Sale

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

#### Inventories

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

#### Financial Instruments

##### Financial assets

##### *Trade and other receivables*

Trade receivables and loans to customers do not carry any interest and are recognised at their original invoiced amounts, less an allowance for any amounts that are not considered to be collectible.

##### *Cash and short-term deposits*

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

##### *Derecognition*

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

##### Financial Liabilities

##### *Trade and other payables*

Trade and other payables do not bear interest and are carried at book value.



## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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#### *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.

#### *Derecognition*

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

#### *Derivative financial instruments and hedging*

In order to hedge its exposure to certain foreign exchange transaction risks, the Group enters into forward foreign exchange contracts. The Group does not use these forward exchange contracts or any other derivative financial instruments for speculative purposes.

In order to hedge its exposure to interest rate risks, the Group enters into interest rate derivative contracts. The Group uses these contracts in order to hedge known borrowings and does not enter into such agreements for speculative purposes.

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

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective. For the purpose of hedge accounting, hedges are classified as:

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

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

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





## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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 27, 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.

#### 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, Excise Duty and VAT. The treatment of excise duty is detailed below.

Under IFRSs, revenue includes only the gross inflows of economic benefits received and receivable by the enterprise on its own account. Amounts collected on behalf of third parties such as excise duty are not economic benefits which flow to the enterprise and do not result in increases in equity. Therefore, they are excluded from revenue. This does not apply to retailers who buy their goods duty paid and do not have to account to the government for duty. Excise duty has therefore been deducted from all revenue except for sales by the Inns division directly to its own retail customers.

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

#### Operating Profit

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

#### Interest Income

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

#### Borrowing Costs

Borrowing costs are generally recognised as an expense when incurred. Interest expense in relation to long term development projects is capitalised as part of the cost of the assets being created where the development is expected to last in excess of six months at the commencement of the project.



## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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#### Taxation

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

#### Foreign Currencies

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

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

#### Pensions and Other Post-Employment Benefits

##### *Defined contribution schemes*

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

##### *Defined benefit schemes*

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

The cost of providing benefits under the defined benefit plans 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.

## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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

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

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

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

#### Exceptional Items

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

#### Share-Based Payments

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each Balance Sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous Balance Sheet date is recognised in the Income Statement, with a corresponding entry in equity.



## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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#### Share-Based Payments continued

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the Income Statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the Income Statement.

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

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

#### Treasury Shares

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

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

#### Dividends

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

#### Financial Guarantee Contracts

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

#### The Company's Investments in Subsidiaries

The Company recognises its investments in subsidiaries at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

#### New Standards and Interpretations Not Applied

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

## Notes to the Financial Statements

continued

### 1. Authorisation of Financial Statements and Accounting Policies continued

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

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

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

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

#### International Accounting Standards

	<b>Effective date</b>
• IFRS 2 amendment – Vesting Conditions and Cancellations	1 January 2009
• IFRS 3 Business Combinations (revised January 2008)	1 July 2009
• IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009

#### International Financial Reporting Interpretations Committee

• IFRIC 12 Service Concession Arrangements	1 January 2008
• IFRIC 13 Customer Loyalty Programmes	1 July 2008
• IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

#### Significant Estimates and Judgements

The measurement and impairment of goodwill, the measurement of defined benefit pension obligations, the estimation of share-based payments costs and the provision for taxation have all required significant estimations and assumptions.

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

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate. These have been determined on advice from the Group’s qualified actuary. The estimates used are provided in note 24.

The estimation of share-based payment costs requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees, details of which are supplied in note 29.

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.



## Notes to the Financial Statements

continued

### 2. Segmental Analysis

#### Primary Reporting – Business Segments

For management purposes, the Group's business segments are Fuller's Inns, which comprises managed pubs, tenanted and leased pubs and managed hotels; and the Fuller's Beer Company, which comprises brewing and distribution of beer, wines and spirits. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. More details of these segments are given in the Chairman's Statement on pages 2 to 13 of Part I of this report.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

	Fuller's Inns £m	Fuller's Beer Company £m	Unallocated* £m	Total £m
<b>52 weeks ended 29 March 2008</b>				
<b>Revenue</b>				
Segment revenue	141.5	60.3	–	201.8
Inter-segment sales	–	(20.7)	–	(20.7)
<b>Revenue from third parties</b>	<b>141.5</b>	<b>39.6</b>	<b>–</b>	<b>181.1</b>
Operating profit pre-exceptionals	23.9	8.0	(2.5)	29.4
Operating exceptional items	(2.1)	(2.4)	–	(4.5)
Operating profit	21.8	5.6	(2.5)	24.9
Profit on disposal of properties	4.4	0.9	–	5.3
<b>Segment result</b>	<b>26.2</b>	<b>6.5</b>	<b>(2.5)</b>	<b>30.2</b>
Net finance costs				(6.4)
<b>Profit before tax</b>				<b>23.8</b>
<b>Assets and liabilities</b>				
Segment assets	313.3	48.2	16.3	377.8
Segment liabilities	(63.0)	(11.9)	(105.2)	(180.1)
<b>Segment net assets</b>	<b>250.3</b>	<b>36.3</b>	<b>(88.9)</b>	<b>197.7</b>
<b>Other segment information</b>				
Capital expenditure:				
Property, plant and equipment	14.0	3.7	0.8	18.5
Depreciation	8.8	1.9	0.1	10.8
Impairment losses	0.1	–	–	0.1
Assets held for sale	1.8	–	–	1.8

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



## Notes to the Financial Statements

continued

### 2. Segmental Analysis continued

52 weeks ended 31 March 2007	Fuller's Inns £m	Fuller's Beer Company £m	Unallocated* £m	Total £m
<b>Revenue</b>				
Segment revenue	140.9	58.4	–	199.3
Inter-segment sales	–	(21.1)	–	(21.1)
<b>Revenue from third parties</b>	<b>140.9</b>	<b>37.3</b>	<b>–</b>	<b>178.2</b>
Operating profit pre-exceptionals	24.0	7.9	(2.1)	29.8
Operating exceptional items	(0.4)	–	–	(0.4)
Operating profit	23.6	7.9	(2.1)	29.4
Profit on disposal of properties	20.5	–	–	20.5
<b>Segment result</b>	<b>44.1</b>	<b>7.9</b>	<b>(2.1)</b>	<b>49.9</b>
Net finance costs				(7.7)
<b>Profit before tax</b>				<b>42.2</b>
<b>Assets and liabilities</b>				
Segment assets	314.1	44.6	23.0	381.7
Segment liabilities	(49.8)	(19.5)	(129.7)	(199.0)
<b>Segment net assets</b>	<b>264.3</b>	<b>25.1</b>	<b>(106.7)</b>	<b>182.7</b>
<b>Other segment information</b>				
Capital expenditure:				
Property, plant and equipment	18.8	2.6	0.3	21.7
Depreciation	8.4	1.9	0.5	10.8
Assets held for sale	1.2	5.3	–	6.5

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

### Secondary Reporting Format – Geography

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

52 weeks ended 29 March 2008	UK £m	Rest of the World £m	Total £m
<b>Revenue</b>			
Sales to external customers	<b>178.9</b>	<b>2.2</b>	<b>181.1</b>
<b>Revenue</b>			
52 weeks ended 31 March 2007	UK £m	Rest of the World £m	Total £m
Sales to external customers	176.2	2.0	178.2

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

All segment assets, liabilities and capital expenditure relates to the UK only (2007 and 2008).





## Notes to the Financial Statements

continued

	2008 £m	2007 £m
<b>3. Revenue</b>		
Revenue disclosed in the Income Statement is analysed as follows:		
Sale of goods	173.6	171.5
Rental income	7.5	6.7
<b>Revenue</b>	<b>181.1</b>	<b>178.2</b>

	2008 £m	2007 £m
<b>4. Operating Costs</b>		
Production costs and cost of goods used in retailing	44.8	43.6
Change in stocks of finished goods and beer in progress	0.3	(0.1)
Write down of inventories to net realisable value	–	0.1
Staff costs	50.5	50.2
Repairs to properties	6.6	6.5
Depreciation of property, plant and equipment	10.8	10.7
Depreciation of investment property	–	–
Impairment of property, plant and equipment	0.1	–
Operating lease rentals – minimum lease payments	5.6	5.8
– contingent rents*	1.1	1.0
– less sub lease payments	(0.6)	(0.4)
Exceptional items (note 5)	4.5	0.4
Other	32.5	31.0
	<b>156.2</b>	<b>148.8</b>

\* 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.

	2008 £m	2007 £m
<b>a) Auditors' Remuneration</b>		
Fee payable to Company's auditors:		
Statutory audit fees of Group financial statements	0.1	0.1
Statutory audit fees of subsidiaries	–	–
Tax compliance and advisory services	0.1	0.1
Advisory services on conversion to IFRS	–	0.1
	<b>0.2</b>	<b>0.3</b>

	2008 £m	2007 £m
<b>b) Staff Costs*</b>		
Wages and salaries**	44.6	44.6
Social security costs	3.6	3.7
Pension benefits	2.3	1.9
	<b>50.5</b>	<b>50.2</b>

\* Includes Executive Directors.

\*\* Includes share-based payment expense.

## Notes to the Financial Statements

continued

### 4. Operating Costs continued

#### c) Average Number of Employees\*

The average monthly number of persons employed by the Group (including part-time staff) was as follows:

	2008 Number	2007 Number
Fuller's Inns	2,761	2,808
Fuller's Beer Company	292	276
Central Services	14	13
	<b>3,067</b>	<b>3,097</b>

\* Includes Executive Directors.

#### d) Directors' Emoluments

Full details are provided in the Directors' Remuneration Report and tables on pages 33 to 43.

Five Directors had benefits accruing under defined benefit pension schemes at the end of the year (2007: five). One Director had benefits accruing under the Company's defined contribution scheme at the end of the year (2007: none).

	2008 £m	2007 £m
<b>5. Exceptional Items</b>		
<b>Amounts included in operating profit:</b>		
Onerous lease charge	(2.1)	–
Past service cost in respect of pension liability	(2.4)	–
Write down of assets held for sale	–	(0.4)
	<b>(4.5)</b>	<b>(0.4)</b>
Profit on disposal of properties	5.3	20.5
<b>Total exceptional items before tax</b>	<b>0.8</b>	<b>20.1</b>

The profit on disposal of properties during the 52 weeks ended 29 March 2008 relates to the disposal of nine licenced and unlicenced properties. The profit on disposal of properties during the 52 weeks ended 31 March 2007 relates in the main to the disposal of the Brigstow and Master Brewer Hotels.

The onerous lease charge of £2.1 million relates to a provision made at 29 March 2008 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 past service cost of £2.4 million relates to the recognition of a liability for unfunded pensions paid to former employees where the Directors had previously taken the decision to expense as incurred. The Directors have reassessed the accounting treatment and now consider that a constructive obligation exists and have accounted for these payments on a defined benefit basis. The charge for the year represents the recognition of the actuarial liability at 29 March 2008.

The tax charge on these items was £0.3 million. In addition an exceptional tax credit of £2.4 million (note 8) was recorded in respect of the impact of the change in the Corporation Tax rate from 30% to 28% on deferred tax balances. The total exceptional tax credit for the year was £2.1 million (2007: charge of £6.4 million).

	2008 £m	2007 £m
<b>6. Finance Revenue</b>		
Interest receivable from:		
Cash and cash equivalents	0.1	0.4
Finance income on net pension liabilities	0.2	–
	<b>0.3</b>	<b>0.4</b>



## Notes to the Financial Statements

continued

	2008 £m	2007 £m
<b>7. Finance Costs</b>		
Interest expense arising on:		
Financial liabilities at amortised cost – borrowings	6.6	7.8
Financial liabilities at amortised cost – preference shares	0.1	0.1
Total interest expense for financial liabilities	6.7	7.9
Finance charge on net pension liabilities	–	0.2
	<b>6.7</b>	<b>8.1</b>

## 8. Taxation

### a) Tax on Profit on Ordinary Activities

<b>GROUP</b>	2008 £m	2007 £m
<b>Tax charged in the Income Statement</b>		
Current income tax:		
Corporation tax	4.0	6.5
Amounts over provided in previous years	(0.5)	(0.2)
Total current income tax	3.5	6.3
Deferred tax:		
Origination and reversal of temporary differences	3.6	6.6
Credit in relation to change in corporation tax rate	(2.4)	–
Amounts under provided in previous years	–	0.2
Total deferred tax	1.2	6.8
<b>Total tax charged in the Income Statement</b>	<b>4.7</b>	<b>13.1</b>

### Tax relating to items charged/(credited) to equity

Deferred tax:		
Reduction in deferred tax liability due to indexation	(0.4)	(0.4)
Actuarial gains on pension schemes	1.1	0.7
Financial assets	(0.2)	0.4
Share-based payments	0.3	(1.0)
Charge in relation to change in corporation tax rate	0.3	–
Current tax:		
Share-based payments	(0.7)	–
<b>Tax charge/(credit) included in the Statements of Recognised Income and Expense</b>	<b>0.4</b>	<b>(0.3)</b>

### Deferred tax in the Income Statement

Accelerated tax depreciation	(1.9)	0.3
Rolled over capital gains	0.8	6.8
Retirement benefit obligations	2.0	0.8
Tax losses carried forward	0.3	(0.4)
Employee share schemes	–	(0.5)
Others	–	(0.2)
	<b>1.2</b>	<b>6.8</b>



## Notes to the Financial Statements

continued

### 8. Taxation continued

During the year Finance Act 2007 has been enacted. The main impact is that the rate of UK corporation tax reduces from 30% to 28% from 1 April 2008. To the extent that this rate change will affect the amount of future cash tax payments to be made by the Group, this will reduce the size of both the Group's balance sheet deferred tax liability and deferred tax asset.

The impact in the 52 weeks ended 29 March 2008 is a credit to the Income Statement of £2.8 million, of which £2.4 million (note 5) has been recognised as an exceptional item, and a further charge to equity of £0.3 million.

#### b) Reconciliation of the Total Tax Charge

The tax expense in the Income Statement for the year is lower (2007: higher) than the standard rate of corporation tax in the UK of 30% (2007: 30%). The differences are reconciled below:

	2008 £m	2007 £m
<b>GROUP</b>		
Profit from continuing operations before taxation	23.8	42.2
Accounting profit multiplied by the UK standard rate of corporation tax of 30%	7.1	12.7
Items not deductible for tax purposes	0.9	0.9
Current and deferred tax overprovided in previous years	(0.5)	–
Deferred tax provided for at 28% of corporation tax	(2.8)	–
Share-based payments	–	(0.1)
Capital losses	–	(0.5)
Other	–	0.1
<b>Total tax charged in the Income Statement</b>	<b>4.7</b>	<b>13.1</b>

#### c) Tax Consequences Arising from the Payment of Dividends

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

	2008 £m	2007 £m
<b>9. Earnings Per Share</b>		
Profit attributable to equity shareholders	19.1	29.1
Exceptional items net of tax	(2.9)	(13.7)
<b>Adjusted earnings attributable to equity shareholders</b>	<b>16.2</b>	<b>15.4</b>

	Number	Number
Weighted average share capital	55,812,000	55,838,000
Dilutive outstanding options and share awards	724,000	665,000
<b>Diluted weighted average share capital</b>	<b>56,536,000</b>	<b>56,503,000</b>

	2008 Pence	2007 Pence
<b>40p 'A' ordinary share or unquoted 40p 'C' ordinary share</b>		
Basic earnings per share	34.33	52.14
Diluted earnings per share	33.89	51.52
Adjusted earnings per share	29.15	27.58
Diluted adjusted earnings per share	28.78	27.25
<b>Unquoted 4p 'B' ordinary share</b>		
Basic earnings per share	3.43	5.21
Diluted earnings per share	3.39	5.15
Adjusted earnings per share	2.92	2.76
Diluted adjusted earnings per share	2.88	2.73



## Notes to the Financial Statements

continued

### 9. Earnings Per Share continued

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

The earnings per share calculation is based on earnings from continuing total operations (after deducting preference dividends) and on weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 1,158,901 (2007: 1,153,935). Comparative information for the 52 weeks ended 31 March 2007 has been restated for the effects of the share split.

Diluted earnings per share amounts 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.

	52 weeks ended 29 March 2008 £m	52 weeks ended 31 March 2007 £m
<b>10. Dividends</b>		
<b>Declared and paid during the year</b>		
Equity dividends on ordinary shares:		
Final dividend for 2007 restated*: 6.50p (2006 restated*: 5.65p)	3.6	3.2
Interim dividend for 2008: 2.80p (2007 restated*: 2.59p)	1.6	1.5
<b>Equity dividends paid</b>	<b>5.2</b>	<b>4.7</b>
<b>Dividends on cumulative preference shares</b>	<b>0.1</b>	<b>0.1</b>
Proposed for approval at the AGM:		
<b>Final dividend 2008: 6.90p</b> (2007 restated*: 6.50p)	<b>3.8</b>	<b>3.6</b>

\* Comparative information for the 52 weeks ended 31 March 2007 has been restated for the effects of the five for two share split.

The pence figures above are for the 40p 'A' ordinary shares and unquoted 40p 'C' ordinary shares. The unquoted 4p 'B' shares carry dividend rights of one tenth of those applicable to the 40p 'A' ordinary shares. Own shares held in the Fuller, Smith & Turner P.L.C. Employee Share Trust 1998 do not qualify for dividends as the Trustees have waived their rights. Dividends are also not paid on own shares held as treasury shares.



## Notes to the Financial Statements

continued

<b>11. Goodwill</b>	<b>£m</b>
<b>GROUP</b>	
<b>Cost at 1 April 2006, 31 March 2007 and at 29 March 2008</b>	<b>24.5</b>

Goodwill acquired through business combinations has been allocated for impairment testing on an estate cash-generating unit level. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. Recoverable amount is based on a calculation of value in use based upon the budget for the forthcoming financial year approved by senior management. Cash flows beyond the budget period are extrapolated up to 5 years on the assumption that the growth rate does not exceed 3.0% (2007: 3.5%). This rate does not exceed the average long term growth rate for the relevant markets. The discount rate applied to cash flow projections is 9% (2007: 7%).

### Key Assumptions Used In Value In Use Calculations

The calculation of value in use is most sensitive to the following assumptions:

- Sales volumes;
- Gross margin in managed premises;
- Barrelogage and rent projections in tenanted premises;
- Wage cost in managed premises; and
- Growth rates.

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 margins.

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

### Sensitivity To Changes In Assumptions

With regard to the assessment of value in use management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

### Cash-Generating Units

The carrying amount of goodwill is allocated to cash-generating units as: £22.7 million to the Gales estate; and £1.8 million to the Jacomb Guinness estate at both 29 March 2008 and at 31 March 2007.



## Notes to the Financial Statements

continued

	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
<b>12. Property, Plant and Equipment</b>				
<b>GROUP: Cost</b>				
At 1 April 2006	279.0	23.9	69.3	372.2
Additions	12.4	0.7	8.6	21.7
Disposals	(15.8)	(0.2)	(7.6)	(23.6)
Transfer to assets held for sale	(2.7)	–	(0.5)	(3.2)
At 31 March 2007	272.9	24.4	69.8	367.1
Additions	9.3	1.5	8.1	18.9
Disposals	(1.5)	(0.8)	(1.2)	(3.5)
Transfer to investment property	(0.5)	–	–	(0.5)
Transfer to assets held for sale	(1.8)	–	(0.1)	(1.9)
Transfer from assets held for sale	1.2	–	–	1.2
<b>At 29 March 2008</b>	<b>279.6</b>	<b>25.1</b>	<b>76.6</b>	<b>381.3</b>
<b>GROUP: Depreciation and impairment</b>				
At 1 April 2006	10.3	13.2	32.7	56.2
Provided during the year	1.5	1.6	7.6	10.7
Disposals	(2.3)	(0.2)	(3.9)	(6.4)
Transfer to assets held for sale	(0.2)	–	(0.3)	(0.5)
At 31 March 2007	9.3	14.6	36.1	60.0
Provided during the year	1.7	1.4	7.7	10.8
Impairment loss	–	–	0.1	0.1
Disposals	(0.1)	(0.7)	(0.8)	(1.6)
Transfer to assets held for sale	(0.1)	–	–	(0.1)
<b>At 29 March 2008</b>	<b>10.8</b>	<b>15.3</b>	<b>43.1</b>	<b>69.2</b>
<b>Net book value at 29 March 2008</b>	<b>268.8</b>	<b>9.8</b>	<b>33.5</b>	<b>312.1</b>
Net book value at 31 March 2007	263.6	9.8	33.7	307.1
Net book value at 1 April 2006	268.7	10.7	36.6	316.0



## Notes to the Financial Statements

continued

	Land & buildings £m	Plant, machinery & vehicles £m	Containers, fixtures & fittings £m	Total £m
<b>12. Property, Plant and Equipment continued</b>				
<b>COMPANY: Cost</b>				
At 1 April 2006	187.6	23.8	65.1	276.5
Additions	12.2	0.7	7.1	20.0
Intercompany transfer	88.8	–	3.9	92.7
Disposals	(14.3)	(0.2)	(7.3)	(21.8)
Transfer to assets held for sale	(1.5)	–	(0.5)	(2.0)
At 31 March 2007	272.8	24.3	68.3	365.4
Additions	9.3	1.5	8.1	18.9
Disposals	(1.5)	(0.8)	(1.2)	(3.5)
Transfer to investment property	(0.5)	–	–	(0.5)
Transfer to assets held for sale	(1.8)	–	(0.1)	(1.9)
<b>At 29 March 2008</b>	<b>278.3</b>	<b>25.0</b>	<b>75.1</b>	<b>378.4</b>
<b>COMPANY: Depreciation and impairment</b>				
At 1 April 2006	10.3	13.2	32.3	55.8
Provided during the year	1.4	1.6	6.4	9.4
Disposals	(2.3)	(0.2)	(3.9)	(6.4)
Transfer to assets held for sale	(0.2)	–	(0.3)	(0.5)
At 31 March 2007	9.2	14.6	34.5	58.3
Provided during the year	1.7	1.4	7.7	10.8
Impairment loss	–	–	0.1	0.1
Disposals	(0.1)	(0.7)	(0.8)	(1.6)
Transfer to assets held for sale	(0.1)	–	–	(0.1)
<b>At 29 March 2008</b>	<b>10.7</b>	<b>15.3</b>	<b>41.5</b>	<b>67.5</b>
<b>Net book value at 29 March 2008</b>	<b>267.6</b>	<b>9.7</b>	<b>33.6</b>	<b>310.9</b>
Net book value at 31 March 2007	263.6	9.7	33.8	307.1
Net book value at 1 April 2006	177.3	10.6	32.8	220.7

### Group and Company

The amount of interest capitalised during the 52 weeks ended 29 March 2008 was £4,000 (2007: £nil), bringing the total amount of capitalised interest to date to £4,000 (2007: £nil).

### 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 29 March 2008 the Group provided for a number of onerous leases. In addition, the Group suffered an impairment loss of £0.1 million in respect of plant and equipment used in these properties.



## Notes to the Financial Statements

continued

	Group Freehold & leasehold properties £m	Company Freehold & leasehold properties £m
<b>13. Investment Properties</b>		
<b>Cost</b>		
At 1 April 2006	8.4	2.1
Intercompany transfer	–	2.2
Additions	(0.1)	(0.1)
Transfer to assets held for sale	(4.2)	(0.1)
Cost at 31 March 2007	4.1	4.1
Transfer from property, plant and equipment	0.5	0.5
Transfer from assets held for sale	4.2	0.1
<b>Cost at 29 March 2008</b>	<b>8.8</b>	<b>4.7</b>
<b>Depreciation</b>		
At 1 April 2006	0.1	0.1
Provided during the year	–	–
Depreciation at 31 March 2007	0.1	0.1
Provided during the year	–	–
Transfer to assets held for sale	–	–
<b>Depreciation at 29 March 2008</b>	<b>0.1</b>	<b>0.1</b>
<b>Net book value at 29 March 2008</b>	<b>8.7</b>	<b>4.6</b>
Net book value at 31 March 2007	4.0	4.0
Net book value at 1 April 2006	8.3	2.0
<b>Fair value at 29 March 2008</b>	<b>13.0</b>	<b>8.9</b>
Fair value at 31 March 2007	7.7	7.7
Fair value at 1 April 2006	11.8	5.6

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

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

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

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Rental income	0.5	0.3	0.4	0.3
Direct operating expenses	(0.1)	(0.1)	(0.1)	(0.1)

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



## Notes to the Financial Statements

continued

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>14. Financial Assets</b>				
Interest rate swap	0.2	0.9	0.1	0.7
Interest rate cap	0.1	0.3	0.1	0.3
	<b>0.3</b>	<b>1.2</b>	<b>0.2</b>	<b>1.0</b>

Details of the interest rate swap and cap are provided in note 27.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>15. Other Non-Current Assets</b>				
Loans to customers due after one year	0.7	0.7	0.7	0.7
Non-current portion of lease premiums	0.2	0.3	0.2	0.3
	<b>0.9</b>	<b>1.0</b>	<b>0.9</b>	<b>1.0</b>

	Cost £m	Provision £m	Net book value £m
<b>16. Investments in Subsidiaries</b>			
<b>COMPANY</b>			
<b>At 1 April 2006, 31 March 2007 and at 29 March 2008</b>	<b>92.0</b>	<b>(0.2)</b>	<b>91.8</b>

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%	Managed houses service company
	25p 'A' ordinary shares	100%	
	£10 preference shares	100%	
Jacomb Guinness Limited	£1 ordinary shares	100%	Non trading
45 Woodfield Limited	£1 ordinary shares	100% (indirect)	Non trading
Grand Canal Trading Limited	£1 ordinary shares	100% (indirect)	Non trading

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

On 31 March 2007, certain assets and liabilities of the subsidiary undertaking, George Gale & Co. Ltd., were transferred to the Parent Company, as discussed in note 34.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>17. Inventories</b>				
Raw materials, beer in progress	0.8	0.8	0.9	0.8
Beer, wines and spirits	3.5	3.0	3.4	3.0
Stock at retail outlets	1.5	1.6	1.5	1.6
	<b>5.8</b>	<b>5.4</b>	<b>5.8</b>	<b>5.4</b>

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



## Notes to the Financial Statements

continued

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>18. Trade and Other Receivables</b>				
Trade receivables	12.8	12.4	12.8	12.4
Other receivables	1.0	1.0	1.0	1.0
Prepayments and accrued income	1.9	1.6	1.9	1.6
	<b>15.7</b>	15.0	<b>15.7</b>	15.0

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

The movements on this allowance account during the year are summarised below:

	2008 £m	2007 £m
<b>GROUP AND COMPANY</b>		
Trade receivables provision at 31 March 2007	0.9	1.1
Increase in provision recognised in profit and loss	0.2	0.2
Amounts written off during the year	(0.5)	(0.4)
<b>Trade receivables provision at 29 March 2008</b>	<b>0.6</b>	0.9

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

	2008 £m	2007 £m
<b>GROUP AND COMPANY</b>		
Current	12.0	11.2
Overdue up to 30 days	0.8	0.9
Overdue between 30 and 60 days	0.3	0.2
Overdue more than 60 days	0.3	1.0
Less provision	(0.6)	(0.9)
<b>Trade receivables net of provision</b>	<b>12.8</b>	12.4

Included in the Group's trade receivables balance are trade receivables with a carrying value of £0.9 million (2007: £1.3 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 £0.2 million (2007: £0.2 million) due within one year and £0.7 million (2007: £0.7 million) due in more than one year, against which there is a provision of £0.2 million (2007: £0.2 million).

## Notes to the Financial Statements

continued

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>19. Cash and Cash Equivalents</b>				
Cash at bank and in hand	3.9	8.9	3.9	8.9

Cash at bank earns interest at floating rates. The fair value of cash and cash equivalents is the same as their book value.

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

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash at bank and in hand	3.9	8.9	3.9	8.9

At 29 March 2008, the Group had available £30.0 million (2007: 30.0 million) of undrawn committed loan facilities. These facilities are available until November 2010.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>20. Assets Classified as Held For Sale</b>				
Property, plant and equipment	1.8	2.7	1.8	1.5
Investment property	–	4.2	–	0.1
Less asset write down	–	(0.4)	–	(0.4)
	<b>1.8</b>	<b>6.5</b>	<b>1.8</b>	<b>1.2</b>

The Horndean brewery site, included in assets held for sale at 31 March 2007, has been transferred out of assets held for sale at 29 March 2008 as the sale is now expected to take longer than originally anticipated.

In addition the Group and Company have two (2007: five) properties that are in advanced stages of the sales process and are expected to be completed in the next financial year. All (2007: four) of the properties are expected to result in a profit on sale, however no provision has been made for this in the current year. For 2007, one property was anticipated to make a loss of £0.4 million which was included in exceptional items (note 5).

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>21. Trade and Other Payables</b>				
<b>Due within one year:</b>				
Trade payables	14.3	14.5	14.3	14.5
Amounts due to subsidiary undertakings	–	–	85.0	80.5
Other tax and social security	5.7	5.8	5.7	5.8
Other payables	5.4	5.6	5.4	5.6
Accruals	7.9	8.0	7.9	8.0
	<b>33.3</b>	<b>33.9</b>	<b>118.3</b>	<b>114.4</b>
<b>Due in more than one year:</b>				
Other payables	1.7	–	1.7	–



## Notes to the Financial Statements

continued

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>22. Bank Loans and Loan Notes</b>				
Bank loans	69.0	74.0	59.0	64.0
Loan notes issued on acquisition of subsidiary	1.8	2.8	1.8	2.8

The bank loans were taken out to fund the acquisition of Gales. They are unsecured, and are repayable as shown in the table below. Interest is payable at LIBOR plus a margin, which was 0.5% at 29 March 2008 (2007: 0.7%). The variable rate interest payments under the loans have been partially swapped for fixed interest payments and a proportion of the remaining variable rate interest payments have also been capped. Details of the swap and cap arrangements are given in note 27. These facilities are available until November 2010.

All loan notes at 29 March 2008 and 31 March 2007 are repayable within one year. The Group pays interest on the loan notes at 0.75% below 6 month LIBOR, on 1 June and 1 December each year. They were redeemable at par at the option of the loan note holders on 1 December 2007, and are now redeemable at any interest payment date thereafter. The Company has the option to redeem any loan notes at par after 1 December 2006, if the aggregate amount of notes in issue is less than £2 million. If any notes remain at 23 October 2010, then they will be redeemed at par by the Company on that date. The loan notes are issued in £1 denominations.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Bank Loans</b>				
The borrowings are repayable as follows:				
On demand or within one year	6.3	5.0	6.3	5.0
In the second year	7.5	6.3	7.5	6.3
In the third to fifth years inclusive	55.2	62.7	45.2	52.7
	69.0	74.0	59.0	64.0
Less: amount due for settlement within 12 months (shown under current liabilities)	(6.3)	(5.0)	(6.3)	(5.0)
Non-current liabilities	62.7	69.0	52.7	59.0

Loans at both year ends are denominated in Sterling.

Further information on borrowings is given in note 27.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>23. Debenture Stock</b>				
Debenture stock:				
11.50% 1st Mortgage Debenture Stock 2010	1.2	1.2	1.2	1.2
10.70% 1st Mortgage Debenture Stock 2023	6.0	6.0	6.0	6.0
6.875% Debenture Stock 2028 (1st floating charge)	19.9	19.9	19.9	19.9
Less: 2028 debenture issue costs	(0.1)	(0.1)	(0.1)	(0.1)
	27.0	27.0	27.0	27.0
Analysis of repayments:				
Debenture stock repayable between two and five years	1.2	1.2	1.2	1.2
Debenture stock repayable after five years	25.8	25.8	25.8	25.8
	27.0	27.0	27.0	27.0

The debenture stocks are secured on specified fixed and floating assets of the Company and are redeemable on maturity (see note 27).

## Notes to the Financial Statements

continued

### 24. Pensions

#### a) Retirement Benefit Plans – Group and Company

During the prior year, the Group operated three funded pension plans. Two of these plans, the Fuller, Smith & Turner Pension Plan and the Fuller, Smith & Turner Directors' Pension Plan, related to employees of the Parent Company. The third plan, the George Gale & Company Limited Staff Pension and Assurance Scheme, related to employees of the Group subsidiary, George Gale & Co. Ltd., and was merged with the Fuller, Smith & Turner Pension Plan on 23 March 2007 (details below).

#### Merger of Defined Benefit Pension Schemes

On 23 March 2007 the George Gale & Company Limited Staff Pension and Assurance Scheme merged with the Fuller, Smith & Turner Pension Plan. At the same date the Fuller, Smith & Turner Directors' Pension Plan, already included in the Parent Company's liabilities, was formally merged with the Fuller, Smith & Turner Pension Plan. The benefits and obligations to each class of member have not been changed by this merger, but the Trustees and the Company have reduced operating costs on these schemes as a result.

The merged 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 merged plan is assessed with the advice of an independent actuary. The plan is closed to new entrants.

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

The Group also pays benefits to a number of former employees which are unfunded. In previous years the cost of these benefits have been expensed as incurred. The Directors have reassessed the accounting treatment and now consider that a constructive obligation exists and have accounted for these payments on a defined benefit basis. An exceptional past service cost of £2.4 million was charged to the income statement during the 52 weeks ended 29 March 2008.

#### Special Contributions

In March 2007 a special payment of £2 million was made to reduce the deficit of the merged defined benefit scheme at 31 March 2007. A further payment of £8 million was made in April 2007, reducing the deficit at 29 March 2008 by the same amount.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Total amounts charged in respect of pensions in the period</b>				
Charged to income statement:				
Defined benefit schemes – operating profit before exceptional items	2.0	1.9	2.0	1.8
Defined benefit schemes – exceptional items	2.4	–	2.4	–
Defined benefit schemes – net finance (income)/charge	(0.2)	0.2	(0.2)	0.2
Defined contribution schemes – total operating charge	0.1	0.1	0.1	–
	4.3	2.2	4.3	2.0
Credit to equity:				
Defined benefit schemes – net actuarial gains	(4.3)	(2.6)	(4.3)	(2.0)
<b>Total pension credit</b>	–	(0.4)	–	–

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.





## Notes to the Financial Statements

continued

### 24. Pensions continued

#### b) Defined Contribution Stakeholder Pension Plans – Group and Company

The total cost charged to income in respect of the defined contribution stakeholder schemes is shown above. These pension plans have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

#### c) Defined Benefit Plans – Group and Company

The merged defined benefit Plan was actuarially assessed as at 29 March 2008, using the projected unit credit method.

The merged pension plan has not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group. The Employee Pension Plan had for a number of years a small investment in the Parent Company's equity 'B' shares, however, these were all disposed of during the 2007 financial year.

#### Key Assumptions

The mortality assumptions used in the 2008 valuation of the Plans are set out below:

	2008 Years	2007 Years
Current pensioners (at 65) – males	20.4	18.5
Current pensioners (at 65) – females	23.4	21.5
Future pensioners (at 65) – males	21.3	19.9
Future pensioners (at 65) – females	24.2	22.8

The assumptions for future pensioners are based on the average current age of the active population, which is 52 years for male members of the scheme (2007: 52) and 51 years for female members (2007: 51).

#### Key financial assumptions used in the valuation of the schemes

	At 29 March 2008	At 31 March 2007
Rate of increase in salaries	3.80%	3.70%
Rate of increase in pensions in payment	3.30%	3.20%
Discount rate	6.30%	5.30%
Inflation assumption	3.30%	3.20%

	Long term rate of return expected at		Long term rate of return expected at	
	Value at 29 March 2008 £m	29 March 2008 %	Value at 31 March 2007 £m	31 March 2007 %
<b>Assets in the schemes and the expected rate of return</b>				
Bonds – Government	8.1	4.50%	6.0	4.80%
Bonds – Corporate	–	6.30%	1.4	5.30%
Equities	36.8	7.00%	39.5	7.00%
Property	0.8	7.00%	0.9	7.00%
Cash	14.6	5.50%	3.6	4.75%
Annuities	0.9	6.30%	0.9	5.30%
<b>Total market value of assets</b>	<b>61.2</b>	<b>6.32%</b>	<b>52.3</b>	<b>6.52%</b>

## Notes to the Financial Statements

continued

### 24. Pensions continued

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

Included within the total present value of scheme liabilities of £66.6 million (2007: £68.3 million) are liabilities of £3.3 million (2007: £0.8 million) which are entirely unfunded.

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Analysis of the amount charged to operating profit</b>				
Current service cost of defined benefit schemes	2.0	1.8	2.0	1.7
Past service cost	2.4	0.2	2.4	0.1
Gain on curtailment	–	(0.1)	–	–
<b>Total operating charge</b>	<b>4.4</b>	<b>1.9</b>	<b>4.4</b>	<b>1.8</b>

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Analysis of the amount charged to other finance expense</b>				
Expected return on pension scheme assets	(3.8)	(3.0)	(3.8)	(2.3)
Interest on pension scheme liabilities	3.6	3.2	3.6	2.5
<b>Net (income)/charge</b>	<b>(0.2)</b>	<b>0.2</b>	<b>(0.2)</b>	<b>0.2</b>

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Movements in the fair value of scheme assets during the year</b>				
Fair value at beginning of the year	52.3	45.2	52.3	34.0
Expected return on scheme assets	3.8	3.0	3.8	2.3
Actuarial (losses)/gains	(4.0)	0.5	(4.0)	0.5
Employer contributions	2.5	3.2	2.5	2.6
Employer special contributions	8.0	2.0	8.0	2.0
Employee contributions	0.6	0.7	0.6	0.6
Benefits paid	(2.0)	(2.3)	(2.0)	(1.6)
Scheme merger	–	–	–	11.9
<b>Fair value at end of the year</b>	<b>61.2</b>	<b>52.3</b>	<b>61.2</b>	<b>52.3</b>

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Movements in the present value of defined benefit obligations during the year</b>				
Present value of obligation at beginning of the year	(68.3)	(66.9)	(68.3)	(50.2)
Service cost	(2.0)	(1.8)	(2.0)	(1.7)
Interest cost	(3.6)	(3.2)	(3.6)	(2.5)
Employee contributions	(0.6)	(0.7)	(0.6)	(0.6)
Benefits paid	2.0	2.3	2.0	1.6
Past service cost	(2.4)	(0.2)	(2.4)	(0.1)
Gain on curtailment	–	0.1	–	–
Actuarial gains	8.3	2.1	8.3	1.5
Scheme merger	–	–	–	(16.3)
<b>Present value of obligation at end of the year</b>	<b>(66.6)</b>	<b>(68.3)</b>	<b>(66.6)</b>	<b>(68.3)</b>



## Notes to the Financial Statements

continued

### 24. Pensions continued

The analysis of the actuarial gains in the Statement of Recognised Income and Expense	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Actual return less expected return on pension scheme assets	(4.0)	0.5	(4.0)	0.5
Experience losses arising on the scheme liabilities	0.5	(1.0)	0.5	(0.7)
Changes in assumptions underlying the present value of the scheme liabilities	7.8	3.1	7.8	2.2
<b>Actuarial gains</b>	<b>4.3</b>	<b>2.6</b>	<b>4.3</b>	<b>2.0</b>

### History of Experience Gains and Losses – Group

A four year history is presented below:

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

The cumulative amount of actuarial gains recognised since 28 March 2004 in the Group Statement of Recognised Income and Expenses is £3.1 million (2007: losses of £1.2 million). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity is attributable to actuarial gains and losses since inception of these pension schemes. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group Statements of Recognised Income and Expense before 28 March 2004.

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.

### History of Experience Gains and Losses – Company

A four year history is presented below:

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

The cumulative amount of actuarial gains recognised since 28 March 2004 in the Company Statement of Recognised Income and Expense is £0.8 million (2007: losses of £3.5 million). The Directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRSs and taken directly to equity is attributable to actuarial gains and losses since inception of these pension schemes. Consequently, the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Company Statements of Recognised Income and Expense before 28 March 2004.

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.



## Notes to the Financial Statements

continued

### 25. Preference Share Capital

GROUP AND COMPANY	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	Total
	Number 000s	Number 000s	Number 000s
<b>Authorised share capital</b>			
Number authorised:			
At 1 April 2006, 31 March 2007 and at 29 March 2008	400	1,200	1,600
<b>Monetary amount:</b>	£m	£m	£m
At 1 April 2006, 31 March 2007 and at 29 March 2008	0.4	1.2	1.6
<b>Issued and fully paid number in issue</b>	Number 000s	Number 000s	Number 000s
Number in issue:			
At 1 April 2006, 31 March 2007 and at 29 March 2008	400	1,200	1,600
<b>Monetary amount:</b>	£m	£m	£m
At 1 April 2006, 31 March 2007 and at 29 March 2008	0.4	1.2	1.6

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

Preference shareholders may only vote in limited circumstances principally on winding up, alteration of class rights or on unpaid preference dividends.

Preference shares cannot be redeemed by the holders, other than on winding up.

### 26. Deferred Tax

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

GROUP	Asset 2008 £m	Liability 2008 £m	Net 2008 £m	Asset 2007 £m	Liability 2007 £m	Net 2007 £m
<b>Deferred tax</b>						
Retirement benefit obligations	1.5	–	1.5	4.8	–	4.8
Tax losses carried forward	1.1	–	1.1	1.5	–	1.5
Employee share schemes	1.1	–	1.1	1.5	–	1.5
Accelerated tax depreciation	–	(25.1)	(25.1)	–	(27.0)	(27.0)
Rolled over capital gains	–	(14.0)	(14.0)	–	(13.6)	(13.6)
Financial assets	–	(0.1)	(0.1)	–	(0.4)	(0.4)
Others	0.4	(0.1)	0.3	0.3	–	0.3
	4.1	(39.3)	(35.2)	8.1	(41.0)	(32.9)



## Notes to the Financial Statements

continued

### 26. Deferred Tax continued

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

	Asset 2008 £m	Liability 2008 £m	Net 2008 £m	Asset 2007 £m	Liability 2007 £m	Net 2007 £m
<b>COMPANY</b>						
<b>Deferred tax</b>						
Retirement benefit obligations	1.5	–	1.5	4.8	–	4.8
Tax losses carried forward	0.8	–	0.8	1.1	–	1.1
Employee share schemes	1.1	–	1.1	1.5	–	1.5
Accelerated tax depreciation	–	(23.7)	(23.7)	–	(25.6)	(25.6)
Rolled over capital gains	–	(14.0)	(14.0)	–	(13.6)	(13.6)
Others	0.4	(0.2)	0.2	0.3	(0.3)	–
	<b>3.8</b>	<b>(37.9)</b>	<b>(34.1)</b>	<b>7.7</b>	<b>(39.5)</b>	<b>(31.8)</b>

### 27. 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 20.

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:

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Capital</b>				
Ordinary share capital	22.8	22.8	22.8	22.8
Share premium	4.8	4.7	4.8	4.7
Capital redemption reserve	3.1	3.1	3.1	3.1
Hedging reserve	0.2	0.8	0.1	0.7
Retained earnings	172.8	156.5	160.9	149.0
Preference shares	1.6	1.6	1.6	1.6
	<b>205.3</b>	<b>189.5</b>	<b>193.3</b>	<b>181.9</b>

In managing its capital the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth, distributions and the payment of preference dividends to its preference shareholders. The Group seeks to maintain a ratio of debt and equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets, investment requirements and comply with lending covenants. The Group has an ongoing share buyback programme and bought back £4.0 million in the 52 weeks ended 29 March 2008 (2007: £3.6 million). The Board reviews the Group's dividend policy and funding requirements annually.

## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

#### 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 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>Non-current assets</b>				
Derivative financial assets hedge accounted	0.3	1.2	0.2	1.0
Loans and other receivables in scope of IAS39	0.7	0.7	0.7	0.7
	<b>1.0</b>	<b>1.9</b>	<b>0.9</b>	<b>1.7</b>
<b>Current assets</b>				
Loans and other receivables:				
Trade and other receivables in scope IAS39	13.0	12.6	13.0	12.6
Cash and short term deposits	3.9	8.9	3.9	8.9
	<b>16.9</b>	<b>21.5</b>	<b>16.9</b>	<b>21.5</b>
<b>Total financial assets</b>	<b>17.9</b>	<b>23.4</b>	<b>17.8</b>	<b>23.2</b>
<b>Current liabilities</b>				
Carried at amortised cost:				
Trade and other payables in scope IAS39	14.3	14.5	99.3	95.0
Loans and borrowings	8.1	7.8	8.1	7.8
	<b>22.4</b>	<b>22.3</b>	<b>107.4</b>	<b>102.8</b>
<b>Non-current liabilities</b>				
Carried at amortised cost:				
Loans and borrowings	89.7	96.0	79.7	86.0
Preference shares	1.6	1.6	1.6	1.6
	<b>91.3</b>	<b>97.6</b>	<b>81.3</b>	<b>87.6</b>
<b>Total financial liabilities</b>	<b>113.7</b>	<b>119.9</b>	<b>188.7</b>	<b>190.4</b>

#### c) Financial Risks – Group and Company

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

##### i) Interest Rate Risk

The Group's policy is to manage its cost of borrowings using a mixture of fixed and variable rates. Fixed rates do not expose the Group to cash flow interest rate risk, but do not enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk inherent in fixed rate borrowings means that the Group is exposed to unplanned costs if debt is paid off early. On the other hand, floating rate borrowings, although not exposed to changes in fair value, expose the Group to cash flow risk following rises in interest rates and cost.



## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

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#### c) Financial Risks continued

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The Group's debentures totalling £27.0 million (2007: £27.0 million) are at fixed rates. The loan notes totalling £1.8 million (2007: £2.8 million) are at a floating rate which reprices every six months. The bank loans totalling £69.0 million (2007: £74.0 million) for the Group and £59.0 million (2007: £64.0 million) for the Company are at floating rates. The Group's policy is always to keep at least 50% of the outstanding debt at fixed or capped rates of interest, using interest rate swaps and caps agreed with other parties to generate the desired interest rate profile, agreeing to exchange, at specified intervals, the difference between fixed and variable interest amounts, calculated by reference to an agreed notional principal amount. At the year end 84% (2007: 81%) of the Group's bank loans and 81% (2007: 78%) of the Company's bank loans were at fixed or capped rates after taking account of interest rate swaps and caps.

#### Interest Rate Swap – Group

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The Group has entered into two interest rate swap agreements in order to hedge the risk of variation in interest cash flows on its borrowings.

The first was entered into following the acquisition of Gales during the 52 weeks ended 1 April 2006. The interest rate swap amortises in accordance with the anticipated loan repayments and shares the same payment and reset dates and coincides with the material conditions of the underlying loan. The applicable fixed rate is 4.8925%. The amount of borrowings hedged at 29 March 2008 was £45.0 million (2007: £50.0 million). The hedge has been assessed as highly effective and is anticipated to remain highly effective throughout its lifespan.

During the 52 weeks ended 29 March 2008 a further interest rate swap in relation to borrowings of £5.5 million was entered into. The interest rate swap shares the same payment and reset dates as the underlying loan. The applicable fixed rate is 4.85%. The amount of borrowings hedged by this instrument at 29 March 2008 was £5.5 million (2007: £nil). The hedge has been assessed as highly effective and is anticipated to remain highly effective throughout its lifespan.

#### Interest Rate Swap – Company

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The Company has entered into two interest rate swap agreements in order to hedge the risk of variation in interest cash flows on its borrowings.

The first was entered into following the acquisition of Gales during the 52 weeks ended 1 April 2006. The interest rate swap amortises in accordance with the anticipated loan repayments and shares the same payment and reset dates and coincides with the material conditions of the underlying loan. The applicable fixed rate is 4.8925%. The amount of borrowings hedged at 29 March 2008 was £35.0 million (2007: £40.0 million). The hedge has been assessed as highly effective and is anticipated to remain highly effective throughout its lifespan.

During the 52 weeks ended 29 March 2008 a further interest rate swap in relation to borrowings of £5.5 million was entered into. The interest rate swap shares the same payment and reset dates as the underlying loan. The applicable fixed rate is 4.85%. The amount of borrowings hedged by this instrument at 29 March 2008 was £5.5 million (2007: £nil). The hedge has been assessed as highly effective and is anticipated to remain highly effective throughout its lifespan.



## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

#### Interest Rate Cap – Group and Company

During the 52 weeks ended 1 April 2006, the Group entered into an interest rate cap in order to hedge the risk of a variation in interest cash flows on its borrowings in the event of an interest rate rise. The cap covered borrowings of £15.0 million at inception and the cap has now reduced to cover £7.5 million borrowings (2007: £10.0 million) as it reduces in line with the reduction in the underlying loan. The interest rate cap shares the same payment and reset dates as the underlying loan. The capped rate is 4.8925%. The hedge has been assessed as highly effective and is anticipated to remain highly effective throughout its lifespan.

#### Interest Rate Risk Profile of Financial Assets and Liabilities

The interest rate risk profile of financial assets and liabilities as at 29 March 2008 is as follows:

##### GROUP – 52 weeks ended 29 March 2008

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>					
11.5% debentures 2010	-	-	(1.2)	-	(1.2)
10.7% debentures 2023	-	-	-	(6.0)	(6.0)
6.875% debentures 2028	-	-	-	(19.8)	(19.8)
6% cumulative preference shares	-	-	-	(0.4)	(0.4)
8% cumulative preference shares	-	-	-	(1.2)	(1.2)
<b>Floating rate</b>					
Cash	3.9	-	-	-	3.9
Bank loan	(6.3)	(7.5)	(55.2)	-	(69.0)
Loan notes	(1.8)	-	-	-	(1.8)
Interest rate swap*	-	-	0.2	-	0.2
Interest rate cap*	-	-	0.1	-	0.1

\* The interest rate swap and the interest rate cap are discussed further above.

##### GROUP – 52 weeks ended 31 March 2007

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>					
11.5% debentures 2010	-	-	(1.2)	-	(1.2)
10.7% debentures 2023	-	-	-	(6.0)	(6.0)
6.875% debentures 2028	-	-	-	(19.8)	(19.8)
6% cumulative preference shares	-	-	-	(0.4)	(0.4)
8% cumulative preference shares	-	-	-	(1.2)	(1.2)
<b>Floating rate</b>					
Cash	8.9	-	-	-	8.9
Bank loan	(5.0)	(6.3)	(62.7)	-	(74.0)
Loan notes	(2.8)	-	-	-	(2.8)
Interest rate swap*	-	-	0.9	-	0.9
Interest rate cap*	-	-	0.3	-	0.3

\* The interest rate swap and the interest rate cap are discussed further above.



## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

#### c) Financial Risks continued

##### COMPANY – 52 weeks ended 29 March 2008

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>					
11.5% debentures 2010	-	-	(1.2)	-	(1.2)
10.7% debentures 2023	-	-	-	(6.0)	(6.0)
6.875% debentures 2028	-	-	-	(19.8)	(19.8)
6% cumulative preference shares	-	-	-	(0.4)	(0.4)
8% cumulative preference shares	-	-	-	(1.2)	(1.2)
<b>Floating rate</b>					
Cash	3.9	-	-	-	3.9
Bank loan	(6.3)	(7.5)	(45.2)	-	(59.0)
Loan notes	(1.8)	-	-	-	(1.8)
Interest rate swap*	-	-	0.1	-	0.1
Interest rate cap*	-	-	0.1	-	0.1

\* The interest rate swap and the interest rate cap are discussed further on pages 82 and 83.

##### COMPANY – 52 weeks ended 31 March 2007

	Within 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
<b>Fixed rate</b>					
11.5% debentures 2010	-	-	(1.2)	-	(1.2)
10.7% debentures 2023	-	-	-	(6.0)	(6.0)
6.875% debentures 2028	-	-	-	(19.8)	(19.8)
6% cumulative preference shares	-	-	-	(0.4)	(0.4)
8% cumulative preference shares	-	-	-	(1.2)	(1.2)
<b>Floating rate</b>					
Cash	8.9	-	-	-	8.9
Bank loan	(5.0)	(6.3)	(52.7)	-	(64.0)
Loan notes	(2.8)	-	-	-	(2.8)
Interest rate swap*	-	-	0.7	-	0.7
Interest rate cap*	-	-	0.3	-	0.3

\* The interest rate swap and the interest rate cap are discussed further on pages 82 and 83.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

Amounts due to subsidiary undertakings included in Company trade and other payables of £85.0 million (2007: £80.5 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 balances are due within one year and are at nil rate of interest.

## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

#### Sensitivity – Group and Company

The Group borrows in Sterling at market rates. 3 month Sterling LIBOR rate during the 52 weeks ended 29 March 2008 ranged between 5.48% and 6.90%, a range of less than 1.5%, therefore the Directors consider this to be a reasonable possible change in rates. The annualised effect of a 1.5% decrease in the interest rate at the balance sheet date on the floating rate debt at the balance sheet date would, all other variables being constant, have resulted in an increase in the Group's post-tax profit of less than £0.2 million (2007: £0.3 million) and the same increase to the Group's net equity. A 1.5% increase in the interest rate would, on the same basis, have decreased post-tax profit and net equity by £0.2 million (2007: £0.2 million).

#### (ii) Foreign Currency Risk

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

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

The Group has transactional currency exposures principally in US dollars (US\$), Euro (€) and Australian dollars (AUS\$). Such exposures arise from sales or purchases in currencies other than Sterling. The Group policy on covering foreign currency exposure is included in the Financial Review's discussion of financial risks and treasury policies on page 20.

At 29 March 2008 the Group and Company had forward contracts open to sell US\$0.2 million (2007: US\$0.3 million), to buy €0.3 million (2007: €0.9 million) and to buy AUS\$0.1 million (2007: AUS\$nil). These have a Sterling equivalent of £0.1 million, £0.2 million and £0.1 million respectively (2007: £0.2 million, £0.6 million and £nil respectively) and a net loss of £nil (2007: loss of £nil) when comparing the contractual rates with the year-end exchange rates.

At 29 March 2008 the only significant foreign currency assets or liabilities were the following bank deposits:

<b>GROUP AND COMPANY</b>	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Euro	<b>0.6</b>	0.4
US dollars	–	0.1
Australian dollars	<b>0.1</b>	0.1

#### (iii) Credit Risk

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

Group policies are aimed at minimising losses and deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Individual customers are subject to credit limits to control debt exposure. Credit insurance is taken out where appropriate for wholesale customers and goods may also be sold on a cash with order basis. The largest part of the Group's revenue is in the retail sector where it is illegal to sell alcohol in licensed premises to customers on deferred credit terms.



## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

#### (iii) Credit Risk continued

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

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

#### Trade and other receivables

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

#### (iv) Liquidity Risk

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

The Group has a mixture of long and short term borrowings and overdraft facilities. 28% (2007: 26%) of the Group's borrowings are repayable over five years, nil (2007: 54%) between three and five years. The Group's principal loan facilities expire in November 2010.

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

The tables below summarise the maturity profile of the Group's financial liabilities at 29 March 2008 based on undiscounted contractual cash flows, including interest payable. Floating rate interest is estimated using the prevailing interest rate at the balance sheet date.

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	More than 5 years £m	Total £m
<b>GROUP at 29 March 2008</b>						
Interest bearing loans and borrowings <sup>1</sup>	–	5.8	7.9	77.2	53.0	<b>143.9</b>
Preference shares <sup>3</sup>	–	–	0.1	0.5	3.4	<b>4.0</b>
Trade payables	8.0	6.3	–	–	–	<b>14.3</b>
<sup>1</sup> Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	(0.2)	(0.5)	(1.0)	–	<b>(1.7)</b>
<b>GROUP at 31 March 2007</b>						
Interest bearing loans and borrowings <sup>1</sup>	–	6.8	6.7	86.7	55.0	<b>155.2</b>
Preference shares <sup>3</sup>	–	–	0.1	0.5	3.4	<b>4.0</b>
Trade payables	8.4	6.1	–	–	–	<b>14.5</b>
<sup>1</sup> Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	(0.2)	(0.7)	(2.0)	–	<b>(2.9)</b>

## Notes to the Financial Statements

continued

### 27. Financial Instruments continued

	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
<b>COMPANY at 29 March 2008</b>						
Interest bearing loans and borrowings <sup>1</sup>	–	5.6	7.5	66.4	53.1	<b>132.6</b>
Amounts due to subsidiary undertakings <sup>2</sup>	85.0	–	–	–	–	<b>85.0</b>
Preference shares <sup>3</sup>	–	–	0.1	0.5	3.4	<b>4.0</b>
Trade payables	8.0	6.3	–	–	–	<b>14.3</b>
<sup>1</sup> Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	(0.1)	(0.4)	(0.8)	–	<b>(1.3)</b>

### COMPANY at 31 March 2007

Interest bearing loans and borrowings <sup>1</sup>	–	6.7	6.4	75.3	55.0	<b>143.4</b>
Amounts due to subsidiary undertakings <sup>2</sup>	80.5	–	–	–	–	<b>80.5</b>
Preference shares <sup>3</sup>	–	–	0.1	0.5	3.4	<b>4.0</b>
Trade payables	8.4	6.1	–	–	–	<b>14.5</b>
<sup>1</sup> Bank loans are included after taking account of the following cash flows in relation to the interest rate swap and cap held in respect of these borrowings:						
Interest rate swaps and cap	–	(0.2)	(0.6)	(1.7)	–	<b>(2.5)</b>

<sup>2</sup> 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.

<sup>3</sup> The preference shares have no contractual repayment date. For the purposes of the table above interest payments have been shown for 20 years from the balance sheet date but no further.

### Security – Group and Company

The 11.5% debentures 2010 and the 10.7% debentures 2023 are secured on property, plant and equipment with a net book value of £16.3 million (2007: £16.4 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 its 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 and amortisation to interest and minimum net assets and net assets to debt ratios.



## Notes to the Financial Statements

continued

### 27. 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		Fair value	
	2008 £m	2007 £m	2008 £m	2007 £m
<b>Financial assets</b>				
Cash	3.9	8.9	3.9	8.9
Trade and other receivables due within one year in scope of IAS39	13.0	12.6	13.0	12.6
Loans and other receivables due in more than one year in scope of IAS39	0.7	0.7	0.7	0.7
Interest rate swap	0.2	0.9	0.2	0.9
Interest rate cap	0.1	0.3	0.1	0.3

##### Financial liabilities

Trade and other payables in scope of IAS39	(14.3)	(14.5)	(14.3)	(14.5)
Fixed rate borrowings	(27.0)	(27.0)	(29.6)	(30.4)
Floating rate borrowings	(69.0)	(74.0)	(69.0)	(74.0)
Loan notes	(1.8)	(2.8)	(1.8)	(2.8)
Preference shares	(1.6)	(1.6)	(1.9)	(1.8)

COMPANY	Book value		Fair value	
	2008 £m	2007 £m	2008 £m	2007 £m
<b>Financial assets</b>				
Cash	3.9	8.9	3.9	8.9
Trade and other receivables due within one year in scope of IAS39	13.0	12.6	13.0	12.6
Loans and other receivables due in more than one year in scope of IAS39	0.7	0.7	0.7	0.7
Interest rate swap	0.1	0.7	0.1	0.7
Interest rate cap	0.1	0.3	0.1	0.3

##### Financial liabilities

Trade and other payables in scope of IAS39	(99.3)	(95.0)	(99.3)	(95.0)
Fixed rate borrowings	(27.0)	(27.0)	(29.6)	(30.4)
Floating rate borrowings	(59.0)	(64.0)	(59.0)	(64.0)
Loan notes	(1.8)	(2.8)	(1.8)	(2.8)
Preference shares	(1.6)	(1.6)	(1.9)	(1.8)

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

## Notes to the Financial Statements

continued

	'A' ordinary shares of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
<b>28. Share Capital</b>				
<b>Authorised share capital</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>Number authorised</b>	<b>000s</b>	<b>000s</b>	<b>000s</b>	<b>000s</b>
At 1 April 2006	46,365	16,135	125,000	187,500
Share conversions	186	(186)	–	–
At 31 March 2007	46,551	15,949	125,000	187,500
Share conversions	62	(62)	–	–
<b>At 29 March 2008</b>	<b>46,613</b>	<b>15,887</b>	<b>125,000</b>	<b>187,500</b>
<b>Monetary amount</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2006	18.5	6.5	5.0	30.0
Share conversions	0.1	(0.1)	–	–
At 31 March 2007	18.6	6.4	5.0	30.0
Share conversions	–	–	–	–
<b>At 29 March 2008</b>	<b>18.6</b>	<b>6.4</b>	<b>5.0</b>	<b>30.0</b>
<b>Issued and fully paid</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>Number in issue</b>	<b>000s</b>	<b>000s</b>	<b>000s</b>	<b>000s</b>
At 1 April 2006	32,808	15,000	93,672	141,480
Share options exercised	223	–	–	223
Share conversions	186	(186)	–	–
Share buybacks	–	–	(4,620)	(4,620)
At 31 March 2007	33,217	14,814	89,052	137,083
Share options exercised	50	–	–	50
Share conversions	62	(62)	–	–
Share buybacks	–	–	–	–
<b>At 29 March 2008</b>	<b>33,329</b>	<b>14,752</b>	<b>89,052</b>	<b>137,133</b>
<b>Proportion of total equity shares at 29 March 2008</b>	<b>24.3%</b>	<b>10.8%</b>	<b>64.9%</b>	<b>100%</b>
	'A' ordinary share of 40p each	'C' ordinary shares of 40p each	'B' ordinary shares of 4p each	Total
<b>Monetary amount</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2006	13.1	6.0	3.8	22.9
Share options exercised	0.1	–	–	0.1
Share conversions	0.1	(0.1)	–	–
Share buybacks	–	–	(0.2)	(0.2)
At 31 March 2007	13.3	5.9	3.6	22.8
Share options exercised	–	–	–	–
Share conversions	–	–	–	–
Share buybacks	–	–	–	–
<b>At 29 March 2008</b>	<b>13.3</b>	<b>5.9</b>	<b>3.6</b>	<b>22.8</b>

Comparative information for the 52 weeks ended 31 March 2007 has been restated for the effects of the share split as if the share split had occurred on the first day of this period (see note 9).



## Notes to the Financial Statements

continued

### 28. Share Capital continued

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During the year under the terms of the Savings Related Share Option Scheme, 2,538 new 40p 'A' ordinary shares (2007: 47,127) were issued at an average price of £2.09 (2007: £1.73) and under the terms of the Executive Share Option Schemes, 47,520 new 40p 'A' ordinary shares (2007: 175,845) were issued at an average price of £2.31 (2007: £2.12). The new shares issued under these option schemes resulted in a cash inflow of £0.1 million (2007: £0.5 million), of which £0.1 million (2007: £0.4 million) is represented by a movement in the share premium account.

During the year, nil (2007: 4,620,000) 'B' ordinary shares of 4p each were bought-back by the Company for £nil (2007: £2.1 million).

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

During the year, 61,975 40p 'C' ordinary shares (2007: 75,000 £1 shares) were converted to 40p 'A' ordinary shares at a rate of 1:1.

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

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

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

### 29. Share Options and Share Schemes

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

#### Savings Related Share Option Scheme ("SAYE")

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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.





## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

#### Senior Executive Share Option Scheme

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

#### Executive Share Option Scheme

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

#### Long Term Incentive Plan ("LTIP")

This plan awards free shares. Vesting is conditional on growth in Normalised EPS exceeding growth in RPI by 6% or more over the 3 year initial performance period of the option. Vesting levels are on a sliding scale from 25% up to 100%, if growth in Normalised EPS exceeds growth in RPI by 21% or more. An independent firm of advisors verify the vesting level each year. The initial vesting period is three years. After this time the shares may be passed to the plan participants, as long as vesting conditions are met. For grants up to and including that made in 2006, participants can choose to redeposit their shares for a further three year period. If participants choose to redeposit, then the Company will match the redeposited shares at a ratio of 1:1 at the end of the matching period, providing none of the redeposited shares have been sold and the participant remains employed by the Company.

#### Share Incentive Plan ("SIP")

This plan awards free shares. The number of shares awarded up to a maximum value of £3,000 per person per year, is based on length of service and salary. There are no performance conditions, other than continued employment. The life of each plan is five years, after which shares are passed to participants.

#### Share-Based Payment Expense Recognised in the Year

The expense recognised for share-based payments in respect of employee services received during the 52 weeks ended 29 March 2008 is £1.6 million (2007: £1.4 million). The whole of that expense arises from equity settled share-based payment transactions.

#### Movements in the Year

The following tables illustrate the number and weighted average exercise prices ("WAEP") of, and movements in, each category of share instrument during the year. The significance of options granted before 7 November 2002 is that they have been excluded from the IFRS 2 share-based payment charge on the basis of their date of grant.

#### Market Value

The market value of the shares at 29 March 2008 was £5.58 (2007: £7.15 restated for share split).



## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

a) Save As You Earn	2008	2008 WAEP	2007	2007 WAEP
	Number 000's		Number 000's	
Outstanding at beginning of the year	662	£2.58	754	£2.05
Granted	133	£6.04	150	£3.92
Lapsed	(51)	£3.08	(35)	£2.58
Exercised	(170)	£1.87	(207)	£1.70
<b>Outstanding at end of the year</b>	<b>574</b>	<b>£3.54</b>	<b>662</b>	<b>£2.58</b>
Exercisable at end of the year	–	n/a	1	£1.69
Number of options in the opening balance that were granted before 7 November 2002	103		199	
Number of options in the closing balance that were granted before 7 November 2002	–		103	
Weighted average share price for options exercised in the year	£6.83		£5.25	
Weighted average contractual life remaining for share options outstanding at the year end	2.39 years		1.78 years	
Weighted average share price for options granted in the year	£6.70		£5.16	
Weighted average fair value of options granted during the year	£1.43		£1.66	
Range of exercise prices for options outstanding at the year end – from	£1.70		£1.68	
– to	£6.04		£3.92	

*Exercise prices and comparative numbers of shares for the 52 weeks ended 31 March 2007 have been restated for the effects of the share split.*

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

Exercisable at	Exercise price 40p shares* £	Number of 'A' ordinary shares under option 2008 000s	Number of 'A' ordinary shares under option* 2007 000s
September 2006**	1.68	–	1
September 2006**	1.70	–	–
September 2007	1.71	–	102
September 2007	2.08	–	77
September 2008	1.70	76	82
September 2008	2.93	82	88
September 2009	2.08	98	103
September 2009	3.92	73	84
September 2010	2.93	60	64
September 2010	6.04	66	–
September 2011	3.92	58	61
September 2012	6.04	61	–
		<b>574</b>	<b>662</b>

\* Exercise prices and comparative numbers of shares for the 52 weeks ended 31 March 2007 have been restated for the effects of the share split.

\*\* Options held by an individual who died during the course of his employment, therefore were exercisable until September 2007.

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

## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

	2008 Number 000's	2008 WAEP	2007 Number 000's	2007 WAEP
<b>b) Senior Executive Share Option Scheme</b>				
Outstanding at beginning of the year	167	£3.19	136	£2.77
Granted	24	£7.51	31	£4.98
Lapsed	-	n/a	-	n/a
Exercised	(22)	£2.63	-	n/a
<b>Outstanding at end of the year</b>	<b>169</b>	<b>£3.88</b>	<b>167</b>	<b>£3.19</b>
Exercisable at end of the year	36	£2.63	-	n/a
Weighted average share price for options exercised in the year	£5.69		n/a	
Weighted average contractual life remaining for share options outstanding at the year end	7.06 years		7.63 years	
Weighted average share price for options granted in the year	£7.40		£4.94	
Weighted average fair value of options granted during the year	£1.24		£1.08	
Range of exercise prices for options outstanding at the year end – from	£2.20		£2.20	
– to	£7.51		£4.98	

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

Exercise prices and comparative numbers of shares for the 52 weeks ended 31 March 2007 have been restated for the effects of the share split.

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

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

Exercisable in/between	Exercise price 40p shares* £	Number of 'A' ordinary shares under option 2008 000s	Number of 'A' ordinary shares under option* 2007 000s
2008 and 2013	2.20	42	42
2008 and 2014	2.63	36	58
2008 and 2015	3.67	35	35
2009 and 2016	4.98	32	32
2010 and 2017	7.51	24	-
		<b>169</b>	<b>167</b>

\* Comparative numbers of shares for the 52 weeks ended 31 March 2007 have been restated for the effects of the share split.



## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

	2008 Number 000's	2008 WAEP	2007 Number 000's	2007 WAEP
<b>c) Executive Approved Scheme</b>				
Outstanding at beginning of the year	348	£3.20	452	£2.48
Granted	56	£7.51	84	£4.98
Lapsed	(10)	£4.98	(12)	£4.22
Exercised	(50)	£2.30	(176)	£2.12
<b>Outstanding at end of the year</b>	<b>344</b>	<b>£3.98</b>	<b>348</b>	<b>£3.20</b>
Exercisable at end of the year	12	£1.84	146	£2.08
Number of options in the opening balance that were granted before 7 November 2002	71		103	
Number of options in the closing balance that were granted before 7 November 2002	69		71	
Weighted average share price for options exercised in the year	£7.36		£5.20	
Weighted average contractual life remaining for share options outstanding at the year end	6.65 years		7.09 years	
Weighted average share price for options granted in the year	£7.40		£4.94	
Weighted average fair value of options granted during the year	£1.24		£1.08	
Range of exercise prices for options outstanding at the year end – from	£1.84		£1.84	
– to	£7.51		£4.98	

Comparative information for the 52 weeks ended 31 March 2007 has been restated for the effects of the share split.

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

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

Exercisable in/between	Exercise price 40p shares* £	Number of 'A' ordinary shares under option 2008 000s	Number of 'A' ordinary shares under option* 2007 000s
2008	1.84	12	14
2008 and 2011	2.09	45	45
2008 and 2012	2.08	12	12
2008 and 2013	2.12	45	74
2008 and 2014	2.62	15	34
2008 and 2015	3.67	82	82
2008 and 2015	3.68	8	8
2009 and 2016	4.98	69	79
2010 and 2017	7.51	56	–
		<b>344</b>	<b>348</b>

\* Comparative numbers of shares for the 52 weeks ended 31 March 2007 have been restated for the effects of the share split.

## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

#### d) Long Term Incentive Plan

	2008 'A' shares Number 000s	2008 'B' shares Number 000s	2007 'A' shares Number 000s	2007 'B' shares Number 000s
<b>Shares</b>				
Outstanding at beginning of the year	679	1,697	768	1,936
Granted including matching awards	123	309	145	364
Lapsed	(14)	(36)	(93)	(250)
Vested	(181)	(452)	(141)	(353)
<b>Outstanding at end of the year</b>	<b>607</b>	<b>1,518</b>	<b>679</b>	<b>1,697</b>

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 the end of year	166	416	115	287
Number of shares in the opening balance that were granted before 7 November 2002	111	277	200	412
Number of shares in the closing balance that were granted before 7 November 2002	32	80	111	277
Weighted average share price for shares vested in the year	£6.53	£0.65	£4.97	£0.50
For shares outstanding at the year end, the weighted average contractual life remaining, is	1.81 years	1.81 years	1.97 years	2.76 years
Weighted average share price for shares granted in the year	£7.38	£0.74	£4.98	£0.50
Weighted average fair value of shares granted in the year	£5.27	£0.53	£4.98	£0.50

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

Exercise prices and comparative numbers of shares for the 52 weeks ended 31 March 2007 have been restated for the effects of the share split.

In addition, the disclosure of share numbers for the 52 weeks ended 31 March 2007 has been restated to exclude redeposited shares and show these separately.



## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

	2008 Number 000s	2007 Number 000s
<b>e) SIP</b>		
Outstanding at beginning of the year	358	317
Granted	64	75
Lapsed	(1)	(2)
Released	(30)	(32)
<b>Outstanding at the end of the year</b>	<b>391</b>	<b>358</b>

There were no shares outstanding at either year end which were granted before 7 November 2002. Outstanding SIP shares represent shares allocated and held by the SIP Trustees on behalf of employees, which remain in the trust for between three and five years.

All SIPs have a vesting price of £nil. SIP shares receive dividends once allocated.

Weighted average share price for shares vested in the year	£6.00	£5.59
For shares outstanding at the year end, the weighted average contractual life remaining is	2.44 years	3.14 years
Weighted average share price of shares granted in the year	£6.60	£6.00
Weighted average fair value of shares granted in the year	£6.60	£6.00

Comparative information for the 52 weeks ended 31 March 2007 has been restated for the effects of the share split.

#### f) Fair Value of Grants

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following tables list the inputs to the model used for the 52 weeks ended 29 March 2008 and 31 March 2007, except for the weighted average share price for grants in the year and the number of shares granted, which are disclosed in sections a) to e) above.

<b>Executive and Senior Executive Option Schemes</b>	2008	2007
Dividend yield (%)	2.0%	1.3%
Expected share price volatility (%)	11%	18%
Risk-free interest rate (%)	5.7%	4.7%
Expected life of option (years)	5 years	5 years
<b>Save As You Earn Scheme</b>	2008	2007
Dividend yield (%)	2.0%	1.3%
Expected share price volatility (%)	11 to 17%	11 to 12%
Risk-free interest rate (%)	5.2 to 5.3%	4.7 to 4.8%
Expected life of option (years)	3 to 5 years	3 to 5 years

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

## Notes to the Financial Statements

continued

### 29. Share Options and Share Schemes continued

Fair Value of LTIPs Granted	2008	2007
Dividend yield (%)	2.0%	1.3%
Risk free interest rate (%)	4.5% to 5.9%	4.7%
Expected life of award (years)	3 years	3 years

### Fair Value of SIPs Granted

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

### 30. Reconciliation of Movements in Equity

#### Reserves

GROUP	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 April 2006	22.9	4.3	2.9	(4.7)	–	130.2	155.6
Total recognised income and expense for the year	–	–	–	–	0.8	32.4	33.2
Issues of new shares	0.1	0.4	–	–	–	–	0.5
Shares purchased for cancellation	(0.2)	–	0.2	–	–	(2.1)	(2.1)
Shares purchased to be held in ESOT or as treasury	–	–	–	(1.5)	–	–	(1.5)
Shares released from ESOT and treasury	–	–	–	1.0	–	(0.7)	0.3
Dividends declared and paid	–	–	–	–	–	(4.7)	(4.7)
Cost of share-based payments	–	–	–	–	–	1.4	1.4
At 31 March 2007	22.8	4.7	3.1	(5.2)	0.8	156.5	182.7
Total recognised income and expense for the year	–	–	–	–	(0.6)	22.7	22.1
Issues of new shares	–	0.1	–	–	–	–	0.1
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.0)	–	–	(4.0)
Shares released from ESOT and treasury	–	–	–	3.2	–	(2.8)	0.4
Dividends declared and paid	–	–	–	–	–	(5.2)	(5.2)
Cost of share-based payments	–	–	–	–	–	1.6	1.6
At 29 March 2008	22.8	4.8	3.1	(6.0)	0.2	172.8	197.7



## Notes to the Financial Statements

continued

### 30. Reconciliation of Movements in Equity continued

COMPANY	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 April 2006	22.9	4.3	2.9	(4.7)	–	129.6	155.0
Total recognised income and expense for the year	–	–	–	–	0.7	25.5	26.2
Issues of new shares	0.1	0.4	–	–	–	–	0.5
Shares purchased for cancellation	(0.2)	–	0.2	–	–	(2.1)	(2.1)
Shares purchased to be held in ESOT or as treasury	–	–	–	(1.5)	–	–	(1.5)
Shares released from ESOT and treasury	–	–	–	1.0	–	(0.7)	0.3
Dividends declared and paid	–	–	–	–	–	(4.7)	(4.7)
Cost of share-based payments	–	–	–	–	–	1.4	1.4
At 31 March 2007	22.8	4.7	3.1	(5.2)	0.7	149.0	175.1
Total recognised income and expense for the year	–	–	–	–	(0.6)	18.3	17.7
Issues of new shares	–	0.1	–	–	–	–	0.1
Shares purchased to be held in ESOT or as treasury	–	–	–	(4.0)	–	–	(4.0)
Shares released from ESOT and treasury	–	–	–	3.2	–	(2.8)	0.4
Dividends declared and paid	–	–	–	–	–	(5.2)	(5.2)
Cost of share-based payments	–	–	–	–	–	1.6	1.6
At 29 March 2008	22.8	4.8	3.1	(6.0)	0.1	160.9	185.7

#### Profit Attributable to Members of the Parent Company

As permitted by Section 230 of the Companies Act 1985 a separate Income Statement for the Parent Company has not been prepared. The profit dealt with in the financial statements of the Parent Company was £14.6 million (2007: £22.7 million). There was no dividend from subsidiary companies during the current year (2007: £nil).

#### Share Capital

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

#### Share Premium Account

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

#### Capital Redemption Reserve

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



## Notes to the Financial Statements

continued

### 30. Reconciliation of Movements in Equity continued

#### Own Shares – Group and Company

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

	Treasury shares 'A' ordinary 40p shares 000's	LTIP ESOT 'A' ordinary 40p shares 000's	LTIP ESOT 'B' ordinary 4p shares 000's	SIP ESOT 'A' ordinary 40p shares 000's	Total 'A' ordinary 40p shares 000's	Total 'B' ordinary 4p shares 000's
<b>Number</b>						
At 1 April 2006	930	260	1,064	317	1,507	1,064
Shares purchased	87	–	1,047	83	170	1,047
Shares released	(160)	(141)	(353)	(32)	(333)	(353)
At 31 March 2007	857	119	1,758	368	1,344	1,758
Shares purchased	529	–	–	64	593	–
Shares transferred	(62)	62	–	–	–	–
Shares released	(193)	(181)	(451)	(422)	(796)	(451)
<b>At 29 March 2008</b>	<b>1,131</b>	<b>–</b>	<b>1,307</b>	<b>10</b>	<b>1,141</b>	<b>1,307</b>
<b>Monetary amount</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At 1 April 2006	3.0	0.5	0.2	0.9	4.4	0.2
Shares purchased	0.6	–	0.5	0.5	1.1	0.5
Shares released	(0.5)	(0.3)	(0.1)	(0.1)	(0.9)	(0.1)
At 31 March 2007	3.1	0.2	0.6	1.3	4.6	0.6
Shares purchased	3.5	–	–	0.5	4.0	–
Shares transferred	(0.3)	0.3	–	–	–	–
Shares released	(0.8)	(0.5)	(0.2)	(1.7)	(3.0)	(0.2)
<b>At 29 March 2008</b>	<b>5.5</b>	<b>–</b>	<b>0.4</b>	<b>0.1</b>	<b>5.6</b>	<b>0.4</b>
<b>Market value at 29 March 2008</b>	<b>6.3</b>	<b>–</b>	<b>0.7</b>	<b>0.1</b>	<b>6.4</b>	<b>0.7</b>

Comparative information for the 52 weeks ended 31 March 2007 has been restated for the effects of the share split as if the share split had occurred in the first day of this period (see note 9).

All of the shares in the LTIP ESOT had been allocated at each year end. None of the treasury shares are under option at either year end. None of the SIP ESOT shares above had been allocated as at 29 March 2008 (2007: 143,369 £1 shares). Consistent with the treatment of these shares in the EPS calculation, all allocated SIP shares are treated as issued share capital.



## Notes to the Financial Statements

continued

### 31. Analysis of Net Debt

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

GROUP	At 2 April 2006 £m	Cash flows £m	Non-cash flows £m	At 31 March 2007 £m
<b>Cash and cash equivalents</b>				
Cash and short term deposits	1.4	7.5	–	8.9
Bank overdraft	(0.3)	0.3	–	–
	1.1	7.8	–	8.9
<b>Debt due within one year</b>				
Bank loans	(2.5)	(2.5)	–	(5.0)
Loan notes	–	–	(2.8)	(2.8)
	(2.5)	(2.5)	(2.8)	(7.8)
<b>Debt due after one year</b>				
Bank loans	(97.0)	28.0	–	(69.0)
Debenture stock	(27.0)	–	–	(27.0)
Loan notes	(3.0)	0.2	2.8	–
Preference shares	(1.6)	–	–	(1.6)
	(128.6)	28.2	2.8	(97.6)
<b>Net debt</b>	<b>(130.0)</b>	<b>33.5</b>	<b>–</b>	<b>(96.5)</b>



## Notes to the Financial Statements

continued

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
<b>32. Guarantees and Future Commitments</b>				
Capital commitments – authorised, contracted but not provided for	0.9	1.1	0.9	1.1

The Company has accepted various duty deferment bonds in connection with Customs and Excise. The total outstanding commitment at 29 March 2008 was £20,000 (2007: £20,000). This total applies to both Group and Company.

### Cross guarantee

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

### 33. 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 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Within one year	6.0	5.8	6.0	5.8
Between one year and five years	22.0	20.7	22.0	20.7
After five years	53.7	53.5	53.7	53.5
	<b>81.7</b>	<b>80.0</b>	<b>81.7</b>	<b>80.0</b>

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

#### Operating Leases Where the Group is the Lessor

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

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

At 29 March 2008 future minimum rentals receivable by the Group are as follows:

	Investment properties		Other property, plant and equipment	
	2008 £m	2007 £m	2008 £m	2007 £m
<b>GROUP AND COMPANY</b>				
Within one year	0.1	0.1	6.4	6.0
Between one year and five years	0.1	0.1	17.4	16.3
After five years	–	–	11.1	7.9
	<b>0.2</b>	<b>0.2</b>	<b>34.9</b>	<b>30.2</b>

The Group's commercial leases on property are principally for licensed outlets. The terms of the leases are normally for either three, five or ten years. The rent is adjusted annually in line with the Retail Price Index and full rental reviews occur on renewal of the lease, or every five years for a ten year lease.

At 29 March 2008 future minimum rentals receivable under non-cancellable sub-leases included in the figures above were £8.1 million (2007: £4.9 million).



## Notes to the Financial Statements

continued

### 34. Related Party Transactions

#### Group and Company

During the 52 weeks ended 31 March 2007, the Company was invoiced £16,000 by GCap Media plc for advertising services provided during 2007. Nigel Atkinson, who was appointed a Non Executive Director of the Company in April 2006, is the Non Executive Chairman of a subsidiary of GCap Media plc, The Ocean Radio Group Limited. The Company also managed five pubs on behalf of Premier Pubs Estate Limited. For this the Company charged £135,000 (2007: £135,000) for administrative fees and £44,681 (2007: £94,294) management fees in the year. Nigel Atkinson is the Chairman of Premier Pubs Estate Limited. All transactions were on a commercial basis.

During the year the Company entered into a three year service agreement with Mimecast Services Limited for e-mail monitoring services. James Espey, a Non Executive Director of the Company, is a Non Executive Director of Mimecast Limited, the parent company of Mimecast Services Limited. For these services the Company was invoiced £22,895 in the year.

There were no amounts outstanding at 29 March 2008 in relation to the above transactions (2007: £nil).

<b>Compensation of key management personnel (including Directors)</b>	<b>2008</b>	<b>2007</b>
	<b>£m</b>	<b>£m</b>
Short-term employee benefits	2.7	2.8
Post-employment benefits	0.2	0.4
Share-based payments	1.1	1.0
	<b>4.0</b>	<b>4.2</b>

#### Company Only

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

	Sales to related parties £m	Purchases from related parties £m	Net interest due to related parties £m	Amounts owed to related parties £m
<b>52 weeks ended 29 March 2008</b>				
Subsidiaries	–	27.3	6.8	(85.0)
<b>52 weeks ended 31 March 2007</b>				
Subsidiaries	9.6	18.8	0.3	(80.5)

In addition to the above transactions, on 31 March 2007 assets of £95.6 million and liabilities of £19.9 million were transferred from the subsidiary undertaking, George Gale & Co. Ltd., into the Company at fair value. The consideration for the transfer of £75.7 million remained outstanding at 29 March 2008 and is included in the amounts owed to subsidiaries. Interest is payable on the balance outstanding at 3% above the Bank of England base rate.

All amounts outstanding are unsecured and repayable on demand.



## Five Years' Progress

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

<sup>1</sup> From 28 March 2004 onwards, revenues exclude Excise Duty on wholesale sales.

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

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



## Directors and Advisers

as at 16 June 2008

### Directors

Michael Turner, FCA, *Chairman*<sup>1</sup>

Tim Turner

John Roberts

Simon Emeny

James Douglas, ACA<sup>3</sup>

Anthony Fuller, CBE, *President*<sup>\*2</sup>

Ronald Spinney, CBE<sup>\*</sup>

James Espey<sup>\*</sup>

Nick MacAndrew, FCA<sup>\*</sup>

Nigel Atkinson<sup>\*</sup>

*\* Non Executive.*

<sup>1</sup> *Chief Executive until 24 July 2007.*

<sup>2</sup> *Chairman until 24 July 2007.*

<sup>3</sup> *Appointed to the Board on 10 September 2007.*

### Secretary and Registered Office

Marie Gracie, FCS

Griffin Brewery

Chiswick Lane South

Chiswick

London W4 2QB

Registered Number 241882

### Auditors

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London SE1 2AF

### Stockbrokers

Panmure Gordon & Co

Moorgate Hall

155 Moorgate

London EC2M 6XB

### Registrars

Computershare Investor Services PLC

P.O. Box 82

The Pavilions

Bridgwater Road

Bristol BS99 7NH

Tel: 0870 8702 4096

## Shareholders' Information

### 2008 Diary

27 June

Record Date

1 July

Preference dividends paid

23 July

Annual General Meeting

Hock Cellar, Griffin Brewery

25 July

Final dividend paid

21 November

Half year results announcement

### 2009 Diary

January

Preference dividends paid

Interim dividend paid

June

Preliminary results announcement

### Shareholder Privileges

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

### Redesignation of 'C' Shares

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

### Sharegift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. If you have a small number of shares and would like to donate them to charity, details of the scheme can be found on the Sharegift website [www.sharegift.org](http://www.sharegift.org), or by contacting the Company Secretariat on 020 8996 2115.



## Glossary

- **Accommodation sales as a % of Managed Pubs and Hotels revenue** – this is the proportion of revenue from Managed Pubs and Hotels that arises from the letting of bedrooms.
- **Adjusted Earnings Per Share** – this is earnings per share, adjusted for exceptional items.
- **Adjusted profits** – this is profit before tax, adjusted for exceptional items.
- **Beer volumes** – this is the volume of beer sold, in number of barrels; a brewing term representing 288 pints.
- **EBITDA** – this is the earnings before interest, tax, depreciation, loss on disposal of plant and equipment and amortisation, adjusted for exceptional items.
- **Food sales as a % of Managed Pubs and Hotels revenue** – this is the proportion of revenue from Managed Pubs and Hotels that arises from sales of food, with the revenue figure adjusted so as to exclude sites where the food operations are franchised out.
- **Foreign Beer** – this is sales made by the Company of beer produced by other brewers, the majority of which is lager.
- **Invested Managed Pubs and Hotels Like for like sales growth** – this is the like for like sales calculated to exclude from both years those pubs which have not had been trading throughout the two years. Those excluded are principally: new pubs; pubs which have closed; and pubs transferred to tenancy.
- **Market Capitalisation** – only the Company's 40p 'A' ordinary shares are listed. The Company calculates its market capitalisation as the sum total of all the ordinary shares of all classes; i.e. listed 40p 'A' ordinary shares, unlisted 4p 'B' ordinary shares and unlisted 40p 'C' ordinary shares plus all potentially awardable share options and long term incentive plan awards less any shares held in treasury. For the purposes of the calculation of market capitalisation a 4p 'B' ordinary share is treated as having 10% of the market value of a quoted 40p 'A' ordinary share and a 40p 'C' ordinary share is treated as having an equivalent value to a 40p 'A' ordinary share.
- **Net Debt** – this comprises cash, bank loans, loan notes, debenture stock and preference shares.
- **Own Beer** – this is sales of own brand beer brewed by the Company in Chiswick.
- **RevPar** – revenue per available room; a measure of occupancy and actual rate charged excluding VAT.

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