



FULLER SMITH & TURNER P.L.C.

Half Year Report
for the 26 weeks ended
25 September 2010





Introducing the
star of our
new campaign.
And James May.



WHATEVER YOU DO, TAKE PRIDE.



Corporate Progress

- Managed Pubs and Hotels LFL sales up 3.3%
- Managed Pubs and Hotels profits up 8%
- Tenanted Inns LFL profits up 1%
- Total Beer volumes up 1%
- Net debt⁵/EBITDA reduced to 2.1 times⁶

Financial Highlights

for the 26 weeks ended 25 September 2010

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Change 2010/2009	Audited 52 weeks ended 27 March 2010 £m
Revenue	121.5	116.9	4%	227.7
Adjusted profit ¹	15.7	14.1	11%	26.6
Profit before tax	16.8	15.1	11%	26.8
EBITDA ²	24.1	22.7	6%	43.6
Adjusted earnings per share ³	19.96p	17.95p	11%	34.19p
Basic earnings per share ⁴	23.70p	19.21p	23%	34.37p
Dividend per share ⁴	4.75p	4.50p	6%	11.00p
Net debt ⁵	93.6	106.7		107.7
Pro forma net debt/EBITDA ⁶	2.1 times	2.4 times		2.5 times

¹ Adjusted profit is the profit before tax excluding exceptional items. The Directors believe that this measure provides useful information for shareholders as to the internal measures of the performance of the Group.

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

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

⁴ Calculated on a 40p ordinary share.

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

⁶ Pro forma net debt/EBITDA is calculated using EBITDA for a 52 week period, adjusted as appropriate for the pubs acquired in the period.



Chairman's Statement

INTRODUCTION

I am pleased to announce an excellent set of results for the first half of our financial year in what has been another challenging period for the industry. Profits have grown in all parts of the business, with particularly strong performances in our Managed Pubs and Hotels led by growth in accommodation and food sales. Adjusted profits before tax (excluding exceptional items) increased by 11% to £15.7 million (2009: £14.1 million), with adjusted earnings per share up 11% to 19.96p (2009: 17.95p).

Our aim is to be the benchmark in retailing and brewing, delivering Quality, Service and Pride in everything we do.

Our strategy for achieving this remains fundamentally unaltered, with a long term focus, and a culture of style not fashion. We have an unrivalled portfolio of beer brands which enjoy a premium position, our borrowings are modest and we have an excellent, largely freehold estate of pubs in the South of England.

Revenue rose by 4% to £121.5 million (2009: £116.9 million),

and EBITDA increased by 6% to £24.1 million (2009: £22.7 million). We remain strongly cash generative and reduced our net debt from £107.7 million at the start of the financial year to £93.6 million by the end of September. Finance costs fell 17% to



Whatever You Do, Take Pride

£2.4 million (2009: £2.9 million), making a significant contribution to our earnings growth.

Our Managed Pubs and Hotels, the largest part of our business, achieved a 3.3% increase in like for like sales. Revenue increased by 4% to £74.8 million (2009:

£71.6 million). Pre-exceptional operating profits increased by 8% to £10.3 million (2009: £9.5 million).

Our Tenanted Inns again put in a robust performance, out-performing the industry, as like for like profits increased by 1%. Revenue increased by 2% to £13.5 million (2009: £13.3 million) and our pre-exceptional operating profits also increased by 2% to £5.1 million (2009: £5.0 million).

The Fuller's Beer Company's total beer volumes grew by 1%, in a challenging and changing market. The overall volume growth comprised a decline of 2% in Own Beer volumes offset by a 6% increase in Foreign Beer volumes (principally lager).

Revenue grew by 4% to £51.3 million (2009: £49.4 million) and operating profits grew by 5% to £4.1 million (2009: £3.9 million). We continue to invest in promoting London Pride, our flagship brand. It is the UK's leading premium ale, and a new, heavyweight television, poster and digital campaign was launched during October. This features Top Gear's James May and is in line with our objective



Chairman's Statement *continued*

to target new sales channels and recruit new customers to the brand.

FINANCIAL PERFORMANCE

Our balance sheet remains in very good health and I am pleased to report that the Group's net debt has fallen by £14.1 million since the year end to £93.6 million notwithstanding £6.1 million of capital investment in the period. Proceeds of £2.6 million from the disposal of non-core properties, including two tenanted pubs, have further assisted cash generation. We had in excess of £33 million undrawn committed banking facilities at the end of the period.

Whilst we arranged a new five year bank facility in May 2010, we benefited from being able to draw on the old facilities until they matured in early November. The new borrowings carry a higher margin than the old facilities but we have mitigated the forthcoming increased cost by taking advantage of lower market interest rates; since May we have entered into contracts to hedge the interest rate risk on £60 million of our new bank borrowings for the next five years. As of 25 September, 93%

of the Group's borrowings were at fixed or capped rates. We expect the blended cost of finance on our debt to be 4.5% for the full year.

The extent of the strong cash generation in the period is demonstrated by our net debt already being lower than it was at the end of March 2009, before we acquired nine iconic London freehold pubs for £30.2 million. On an annualised basis the ratio of net debt to EBITDA, which reached 2.8 times in April 2009, has now fallen back to 2.1 times. Net finance costs decreased by 17% to £2.4 million (2009: £2.9 million), mainly due to a £0.4 million decrease in net pension finance costs. However total pension costs remain broadly level with the first half of last year as there was a corresponding increase of £0.3 million in the current service pension costs included within operating profit.

The deficit on the defined benefit pension scheme rose from £12.7 million to £16.4 million during the period, despite employer contributions of £1.0 million. The increase in the deficit is due to the accounting value of the liabilities

increasing in line with the reduction in corporate bond rates since March. The triennial valuation of the scheme as at 30 July 2010 is underway and will be completed by the time of the annual report.

Exceptional items in the income statement were a net gain of £1.1 million and comprised profits on the disposal of non-core properties of £1.6 million, insurance claim proceeds (net of costs) of £0.4 million, offset by £0.9 million of property impairments. Exceptional items in the same period last year comprised profits on the disposal of non-core properties of £1.0 million.

Tax has been provided for at an effective rate of 28.7% (2009: 29.1%) on adjusted profits. The overall effective tax rate for the period is 20.8% (2009: 29.1%) and benefits from an exceptional deferred tax credit of £1.3 million, relating to the reduction in corporation tax rate to 27% from 1 April 2011.

In addition to the 11% increase in adjusted profit before tax, the combined effects of the exceptional items caused basic



Chairman's Statement *continued*

earnings per share to increase by 23% to 23.70p (2009: 19.21p).

During the period, 180,000 'A' ordinary shares and 13,000 'B' ordinary shares were purchased for £1.1 million by the Trustees of the Share Incentive Plan and LTIP Trustees to cover future issuance (2009: 169,000 'A' ordinary shares for £0.8 million).

DIVIDEND

The Board has approved an increase of 6% in the interim dividend to 4.75p (2009: 4.50p) per 40p 'A' and 'C' ordinary share and 0.475p (2009: 0.450p) per 4p 'B' ordinary share. This will be paid on 4 January 2011 to shareholders on the share register as at 17 December 2010.

FULLER'S INNS

Fuller's Inns operates Managed Pubs, Hotels and Tenanted Inns. Our key operational measure for Managed Pubs and Hotels is like for like sales growth and for the 26 week period this increased by 3.3%. Our key operational measure for Tenanted Inns is like for like profit growth. For the 26 week period, this improved by 1% which we believe is an industry leading result.

Our strategy is for all of our pubs to hold a premium position in the marketplace, with an offer built around outstanding cask ale, delicious food, great wines and exemplary customer service. We seek to exploit accommodation opportunities

MANAGED PUBS AND HOTELS

We focus on high quality pubs which serve outstanding cask ale, fine wines, and delicious food with exemplary service.

This is the largest part of our business, and it achieved a 3.3% increase in like for like sales.

and we invest appropriately in our properties to ensure that they are a great place to socialise. We aim to acquire more Managed Pubs and Hotels and we will divest of pubs which cannot match our brand criteria.

We have chosen to build our pub estate in London and the South of England. Asset prices tend to be higher in these areas than other regions but we

believe that this is the place to be and that further acquisition opportunities will arise in this area. London has been shown to be a resilient marketplace and with forthcoming events ranging from the Olympics to the Royal Wedding there will be plenty of attractions bringing customers to the capital.

Two Tenanted Inns were sold during the period and the estate stood at 364 properties on 25 September 2010 of which 163 were operated as Managed Pubs and Hotels and 201 were operated as Tenanted Inns.

Managed Pubs and Hotels

Revenue increased by 4% to £74.8 million (2009: £71.6 million). Pre-exceptional operating profits increased by 8% to £10.3 million (2009: £9.5 million) and EBITDA increased by 7% to £14.4 million (2009: £13.4 million).

The strongest growing segment in our Managed Pubs and Hotels was the accommodation business which has rebounded strongly from a tough prior year. Investments made in pubs such as the Hampshire Hog, Clanfield and The Pilgrim Inn, Marchwood



Chairman's Statement *continued*

have borne fruit and contributed to this. Also last year we strove to maintain the average room rate charged and this was key to our performance as occupancy improved. Accommodation revenue grew by 11.4% on a like for like basis and now accounts for 7% of total revenue (2009: 6%). We now have 487 bedrooms across the Managed estate and we will continue to add to this number, with a 27 bedroom scheme currently under development at the Drayton Court in Ealing.

Food sales grew 4.2% on a like for like basis and represent 29% of revenue (2009: 28%), excluding the 12 pubs where food is provided by Thai franchisees. Our focus on freshly-cooked food made from locally-sourced produce where possible differentiates us from our competitors and we believe is a key driver of this growth.

Wet sales grew by 2.3% on a like for like basis, with cask ale again outperforming lager, reflecting our commitment to outstanding cask ales. As we anticipated, the football World Cup had a minimal overall effect on the business; the good weather for

the first half of the summer was far more significant.

The 11 Central London pubs acquired during 2009 are fully integrated into our business. They have all traded well over the period and benefited from a

TENANTED INNS

Tenanted Inns like for like profits up 1%.

We continue to work in partnership with our Tenants, making targeted investment in customer-facing areas.

programme of investment to ensure they meet the high standards of the Fuller's estate.

We increased our capital spending across the Managed Estate compared to the same period last year and also spent more on repairs and maintenance. A major refurbishment at the historic Wykeham Arms, Winchester during September has been

well-received and a number of smaller projects across the estate have also been completed to maintain the quality that our customers have come to expect from Fuller's pubs.

Tenanted Inns

Revenue increased by 1% to £13.5 million (2009: £13.3 million), assisted by strong Foreign Beer sales and good early summer weather.

Operating profits rose by 2% from £5.0 million to £5.1 million, whilst EBITDA climbed 2% to £5.9 million. Like for like profits were up 1%.

We continue to work closely with our Tenants, developing strong business plans to manage the impact of the economic downturn together. As part of these plans, we have chosen to cap increases to indexed rents at 3% regardless of RPI until the end of the current financial year. Our programme of investment in the tenanted arm of the business remains strong with small, targeted investments made in partnership with our Tenants, focusing on customer-facing areas.

During the period two pubs were sold, the Seven Stars,



Chairman's Statement continued

Kensington, and the White Horse, South Bersted with a further two sold since the period end, the Fur and Feathers, Basingstoke and the White Bear, Hounslow.

Fuller's Master Cellarman initiative remains the ultimate mark of quality within our pubs. Only Tenants with the highest standards of serve and cellar management achieve this award, and 87 of our Tenants now hold this gold standard.

THE FULLER'S BEER COMPANY

The Fuller's Beer Company operates a single brewery in Chiswick. We have diversified routes to market via Fuller's Inns, other On-Trade outlets, the Off-Trade and Export markets. We have an unrivalled portfolio of premium beer brands which have a broad customer appeal. It is this broad-based strategy that has enabled us, in tough market conditions, to record a good performance with revenue up 4% to £51.3 million (2009: £49.4 million). Operating profits increased by 5% to £4.1 million (2009: £3.9 million) and EBITDA increased by 6% to £5.2 million (2009: £4.9 million), driven by total beer volume growth of 1%.

Total volumes of Own Beer sold across all trade channels declined by 2% to 107,100 barrels (2009: 109,500 barrels) as a result of the challenging climate of the UK Free On-Trade

THE FULLER'S BEER COMPANY

We have an unrivalled portfolio of premium beer brands which have a broad customer appeal.

London Pride remains our leading brand and reinforced its position as the UK's number one premium ale by growing its share of the UK ale market.

market where Fuller's volumes declined 11%. This decline was offset by good sales in the Off-Trade with growth of 8%, and Export volumes which grew 25%. Our major markets of North America and Northern Europe generated the majority of the overseas growth, and we have seen substantial increases in our newer markets such as Russia and Japan. Exports now account for 14% (2009: 11%) of our total brewed volume and profitability is at record levels,

aided by the weaker pound. Our Foreign Beer volumes rose by 6% to 59,000 barrels.

These figures highlight how our diversified sales channel strategy is working for us, driving volume growth in the strong segments whilst limiting our overall exposure to any one route to market.

London Pride remains our leading brand and reinforced its position as the UK's number one premium ale by growing its share of the UK ale market, which was down 8%. This year, London Pride again topped the *Publican* magazine Licensee's Choice as the cask ale that landlords would most like to have on their bar, while the *Morning Advertiser* awarded us the title of Regional Cask Ale Supplier for the South East.

We have created a new poster, television and online advertising campaign for London Pride featuring BBC Top Gear's James May, which we launched in October 2010. The campaign is designed to broaden the brand's appeal and to reach new drinkers. We have also continued to support the brand with our key long term



Chairman's Statement *continued*

sponsorships of the English Golf Union and the London Marathon. These partnerships have raised the brand's profile among key target audiences and are extremely valuable in growing awareness of London Pride. Marketing costs were level with the first half of last year, but with the launch of the new James May campaign, we expect these to rise by £0.3 million in the second half of the year.

Our portfolio of high quality beers performed well over the period with Organic Honey Dew and ESB standing out. Our seasonal ale programme remains very successful, particularly in recruiting new drinkers and in launching new brands, the most recent of which are Seafarers and Bengal Lancer.

Our wine business continued to grow its volumes, with a particularly strong performance coming from sales through our direct delivered Free Trade. Our one-stop-shop, offering premium products and a premium service is increasingly attractive to independent free traders looking to stand out in a tough market.

PEOPLE

The business is now even stronger than before the recession and it is the continued hard work of our staff which has enabled Fuller's to deliver another set of record results. I would like to thank all of our employees for their contribution. I was delighted that Simon Emeny was appointed Group Managing Director with effect from 1 November 2010 and I look forward to continuing to work with him in his new role, maintaining Fuller's successful track record.

CURRENT TRADING AND PROSPECTS

We continue to make good progress and like for like sales in our Managed Pubs and Hotels grew by 3.5% for the 33 weeks to 13 November 2010.

During the first half of the year we continued to invest in the fabric of our estate. In the full year, we expect to spend a total of £12 million on capital projects excluding pub acquisitions.

We have new bank facilities in place and the ability to capitalise on acquisition opportunities as they arise. However, we remain

highly selective and are prepared to wait for the right assets to become available.

Our first half performance has again been boosted by low interest rates and our borrowing costs will rise in the second half. In January VAT will increase to 20% and we expect that, with the announced Government spending cuts, the economic climate is likely to remain challenging for some considerable time.

Nevertheless, we expect the spending cuts to impact the South of England less than other parts of the UK and we are confident that with our strong brands and high quality, well invested estate, we are well placed for further growth.

The current financial year will be a 53 week period ending on 2 April 2011. The next Interim Management Statement will be issued on 28 January 2011.

Michael Turner
Chairman

19 November 2010



Condensed Group Income Statement

for the 26 weeks ended 25 September 2010

		Unaudited - 26 weeks ended 25 September 2010		
	Note	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	2	121.5	–	121.5
Operating costs	3	(103.4)	(0.5)	(103.9)
Operating profit		18.1	(0.5)	17.6
Profit on disposal of properties	3	–	1.6	1.6
Finance costs	4	(2.4)	–	(2.4)
Profit before tax		15.7	1.1	16.8
Taxation	3,5	(4.5)	1.0	(3.5)
Profit for the period attributable to equity shareholders of the Parent Company		11.2	2.1	13.3
Earnings per share per 40p 'A' and 'C' ordinary share				Pence
Basic	6			23.70
Diluted	6			23.38
Adjusted	6			19.96
Diluted adjusted	6			19.69
Earnings per share per 4p 'B' ordinary share				
Basic	6			2.37
Diluted	6			2.34
Adjusted	6			2.00
Diluted adjusted	6			1.97

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

Condensed Group Statement of Comprehensive Income

for the 26 weeks ended 25 September 2010

	Note	£m
Profit for the period		13.3
Net gains on valuation of financial assets and liabilities		0.3
Net actuarial losses on pension schemes	10	(3.8)
Tax on components of other comprehensive income	5	0.7
Other comprehensive loss for the period, net of tax		(2.8)
Total comprehensive income for the period, net of tax, attributable to equity shareholders of the Parent Company		10.5



Unaudited - 26 weeks ended 26 September 2009

Audited 52 weeks ended 27 March 2010

Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
116.9	–	116.9	227.7	–	227.7
(99.9)	–	(99.9)	(195.7)	(0.9)	(196.6)
17.0	–	17.0	32.0	(0.9)	31.1
–	1.0	1.0	–	1.1	1.1
(2.9)	–	(2.9)	(5.4)	–	(5.4)
14.1	1.0	15.1	26.6	0.2	26.8
(4.1)	(0.3)	(4.4)	(7.5)	(0.1)	(7.6)
10.0	0.7	10.7	19.1	0.1	19.2
		Pence			Pence
		19.21			34.37
		18.90			33.82
		17.95			34.19
		17.67			33.64
		1.92			3.44
		1.89			3.38
		1.79			3.42
		1.77			3.36
		£m			£m
		10.7			19.2
		0.4			0.9
		(6.9)			(4.5)
		1.8			1.1
		(4.7)			(2.5)
		6.0			16.7



Condensed Group Balance Sheet

25 September 2010

		Unaudited At 25 September 2010	Unaudited At 26 September 2009	Audited At 27 March 2010
	Note	£m	£m	£m
Non-current assets				
Goodwill		23.9	24.1	23.9
Property, plant and equipment	8	345.6	344.0	348.2
Investment properties		9.2	8.3	9.3
Derivative financial assets		0.6	–	–
Other non-current assets		0.4	0.5	0.4
Deferred tax assets		7.0	7.5	6.1
Total non-current assets		386.7	384.4	387.9
Current assets				
Inventories		6.6	6.6	7.6
Trade and other receivables		17.0	15.5	15.6
Cash and short term deposits	9	0.8	2.1	1.1
Total current assets		24.4	24.2	24.3
Assets classified as held for sale		0.5	–	0.6
Current liabilities				
Borrowings	9	67.0	8.7	81.4
Derivative financial liabilities		0.2	–	0.6
Trade and other payables		39.0	36.8	39.7
Current tax payable		5.6	5.8	3.8
Provisions		0.4	0.4	0.4
Total current liabilities		112.2	51.7	125.9
Non-current liabilities				
Borrowings	9	27.4	100.1	27.4
Derivative financial liabilities		0.3	1.1	–
Retirement benefit obligations	10	16.4	15.2	12.7
Deferred tax liabilities		35.4	37.9	37.5
Provisions		2.1	2.3	2.1
Total non-current liabilities		81.6	156.6	79.7
Net assets		217.8	200.3	207.2
Capital and reserves				
Share capital		22.8	22.8	22.8
Share premium account		4.8	4.8	4.8
Capital redemption reserve		3.1	3.1	3.1
Own shares		(3.7)	(5.0)	(4.0)
Hedging reserve		(0.2)	(0.8)	(0.4)
Retained earnings		191.0	175.4	180.9
Total shareholders' equity		217.8	200.3	207.2



Condensed Group Statement of Changes in Equity

for the 26 weeks ended 25 September 2010

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Unaudited - 26 weeks ended 25 September 2010							
At 27 March 2010	22.8	4.8	3.1	(4.0)	(0.4)	180.9	207.2
Profit for the period	-	-	-	-	-	13.3	13.3
Other comprehensive loss for the period	-	-	-	-	0.2	(3.0)	(2.8)
Total comprehensive income for the period	-	-	-	-	0.2	10.3	10.5
Shares purchased to be held in ESOT or as treasury	-	-	-	(1.1)	-	-	(1.1)
Shares released from ESOT and treasury	-	-	-	1.4	-	(1.1)	0.3
Dividends (note 7)	-	-	-	-	-	(0.6)	(0.6)
Share-based payment charges	-	-	-	-	-	1.1	1.1
Tax credited directly to equity (note 5)	-	-	-	-	-	0.4	0.4
At 25 September 2010	22.8	4.8	3.1	(3.7)	(0.2)	191.0	217.8
Unaudited - 26 weeks ended 26 September 2009	£m	£m	£m	£m	£m	£m	£m
At 28 March 2009	22.8	4.8	3.1	(5.9)	(1.1)	173.3	197.0
Profit for the period	-	-	-	-	-	10.7	10.7
Other comprehensive loss for the period	-	-	-	-	0.3	(5.0)	(4.7)
Total comprehensive income for the period	-	-	-	-	0.3	5.7	6.0
Shares purchased to be held in ESOT or as treasury	-	-	-	(0.8)	-	-	(0.8)
Shares released from ESOT and treasury	-	-	-	1.7	-	(1.2)	0.5
Dividends (note 7)	-	-	-	-	-	(3.9)	(3.9)
Share-based payment charges	-	-	-	-	-	1.3	1.3
Tax credited directly to equity (note 5)	-	-	-	-	-	0.2	0.2
At 26 September 2009	22.8	4.8	3.1	(5.0)	(0.8)	175.4	200.3
Audited - 52 weeks ended 27 March 2010	£m	£m	£m	£m	£m	£m	£m
At 28 March 2009	22.8	4.8	3.1	(5.9)	(1.1)	173.3	197.0
Profit for the period	-	-	-	-	-	19.2	19.2
Other comprehensive loss for the period	-	-	-	-	0.7	(3.2)	(2.5)
Total comprehensive income for the period	-	-	-	-	0.7	16.0	16.7
Shares purchased to be held in ESOT or as treasury	-	-	-	(0.8)	-	-	(0.8)
Shares released from ESOT and treasury	-	-	-	2.7	-	(1.9)	0.8
Dividends (note 7)	-	-	-	-	-	(9.4)	(9.4)
Share-based payment charges	-	-	-	-	-	2.1	2.1
Tax credited directly to equity (note 5)	-	-	-	-	-	0.8	0.8
At 27 March 2010	22.8	4.8	3.1	(4.0)	(0.4)	180.9	207.2



Condensed Group Cash Flow Statement

for the 26 weeks ended 25 September 2010

		Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Group profit before tax		16.8	15.1	26.8
Net finance costs	4	2.4	2.9	5.4
Exceptional items	3	(1.1)	(1.0)	(0.2)
Depreciation		6.0	5.7	11.5
Loss on disposal of property, plant and equipment		–	–	0.1
		24.1	22.7	43.6
Difference between pension charge and cash paid		(0.2)	(0.6)	(1.1)
Share-based payment charges		1.1	1.3	2.1
Change in trade and other receivables		(1.4)	0.6	0.6
Change in inventories		1.0	(0.5)	(1.5)
Change in trade and other payables		0.1	3.0	5.0
Cash impact of operating exceptional items	3	0.4	–	0.4
Cash generated from operations		25.1	26.5	49.1
Tax paid		(3.6)	(2.7)	(7.0)
Cash generated from operating activities		21.5	23.8	42.1
Cash flow from investing activities				
Purchase of property, plant and equipment		(6.1)	(31.8)	(44.1)
Sale of property, plant and equipment		2.6	2.1	2.4
Net cash outflow from investing activities		(3.5)	(29.7)	(41.7)
Cash flow from financing activities				
Purchase of own shares		(1.1)	(0.8)	(0.8)
Receipts on release of own shares to option schemes		0.3	0.5	0.8
Interest paid		(1.9)	(2.3)	(4.4)
Preference dividends paid	7	(0.1)	(0.1)	(0.1)
Equity dividends paid	7	(0.6)	(3.9)	(9.4)
Drawdown of bank loans		–	17.5	22.5
Repayment of bank loans		(13.7)	(3.7)	(7.5)
Repayment of loan notes		–	(0.1)	(1.3)
Cost of refinancing and associated hedging		(1.2)	–	–
Net cash (outflow)/inflow from financing activities		(18.3)	7.1	(0.2)
Net movement in cash and cash equivalents	9	(0.3)	1.2	0.2
Cash and cash equivalents at the start of the period		1.1	0.9	0.9
Cash and cash equivalents at the end of the period		0.8	2.1	1.1

Cash and cash equivalents comprise cash and other short term highly liquid investments with a maturity of three months or less. There were no significant non-cash transactions during any period.



Notes to the Financial Statements

1. Half Year Report

Basis of preparation

These half year financial statements for the 26 weeks ended 25 September 2010, which are abridged and unaudited, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and International Accounting Standard (IAS) 34, Interim Financial Reporting.

The half year financial statements were approved by the Directors on 19 November 2010.

This half year statement does not constitute full accounts as defined by Section 435 of the Companies Act 2006. The figures for the 52 weeks ended 27 March 2010 are derived from the published statutory accounts. Full accounts for the 52 weeks ended 27 March 2010, including an unqualified auditors' report which did not make any statement under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies.

On the basis of the strong cash flows generated by the business and the significant headroom available on the new bank facilities the Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Significant accounting policies

The accounting policies adopted are consistent with those applied in the 52 weeks ended 27 March 2010, which are published as part of the accounts for that year and which are available from the Group's website, www.fullers.co.uk.

2. Segmental Analysis

Unaudited - 26 weeks ended 25 September 2010	Managed Pubs and Hotels £m	Tenanted Inns £m	Fuller's Beer Company £m	Unallocated ¹ £m	Total £m
Revenue					
Segment revenue	74.8	13.5	51.3	–	139.6
Inter-segment sales	–	–	(18.1)	–	(18.1)
Revenue from third parties	74.8	13.5	33.2	–	121.5
Segment result					
Operating exceptional items				(1.4)	18.1
Operating profit					(0.5)
Profit on disposal of properties					1.6
Net finance costs					(2.4)
Profit before tax					16.8

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



Notes to the Financial Statements continued

2. Segmental Analysis continued

Unaudited - 26 weeks ended 26 September 2009	Managed Pubs and Hotels £m	Tenanted Inns £m	Fuller's Beer Company £m	Unallocated ¹ £m	Total £m
Revenue					
Segment revenue	71.6	13.3	49.4	–	134.3
Inter-segment sales	–	–	(17.4)	–	(17.4)
Revenue from third parties	71.6	13.3	32.0	–	116.9
Segment result and operating profit	9.5	5.0	3.9	(1.4)	17.0
Profit on disposal of properties					1.0
Net finance costs					(2.9)
Profit before tax					15.1

Audited - 52 weeks ended 27 March 2010	Managed Pubs and Hotels £m	Tenanted Inns £m	Fuller's Beer Company £m	Unallocated ¹ £m	Total £m
Revenue					
Segment revenue	137.9	26.1	97.9	–	261.9
Inter-segment sales	–	–	(34.2)	–	(34.2)
Revenue from third parties	137.9	26.1	63.7	–	227.7
Segment result	15.8	9.9	8.9	(2.6)	32.0
Operating exceptional items					(0.9)
Operating profit					31.1
Profit on disposal of properties					1.1
Net finance costs					(5.4)
Profit before tax					26.8

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



Notes to the Financial Statements continued

3. Exceptional Items

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Amounts included in operating profit:			
Insurance claim	0.4	–	–
Impairment of properties	(0.9)	–	(2.0)
Reversal of impairment	–	–	1.0
Impairment of goodwill	–	–	(0.2)
VAT repayment	–	–	0.3
	(0.5)	–	(0.9)
Profit on disposal of properties	1.6	1.0	1.1
Total exceptional items before tax	1.1	1.0	0.2
Exceptional tax:			
Change in corporation tax rate (note 5)	1.3	–	–
Profit on disposal of properties	(0.4)	(0.3)	(0.3)
Operating expenses	0.1	–	0.2
Total exceptional tax	1.0	(0.3)	(0.1)
Total exceptional items	2.1	0.7	0.1

The insurance claim income of £0.4 million during the 26 weeks ended 25 September 2010 relates to the gain made on the disposal of a property destroyed by fire in the previous year, that was covered by an insurance claim, the proceeds of which were received during the period.

The property impairment charge of £0.9 million during the 26 weeks ended 25 September 2010 (52 weeks ended 27 March 2010: £2.0 million) relates to the write down of licensed properties to their recoverable value. The reversal of impairment credit of £1.0 million during the 52 weeks ended 27 March 2010 relates to the write back of previously impaired licensed properties to their recoverable value.

The goodwill impairment charge of £0.2 million during the 52 weeks ended 27 March 2010 relates to the write down of goodwill in relation to the Jacobm Guinness cash-generating unit where the total asset values exceeded their value in use.

The VAT repayment income of £0.3 million during the 52 weeks ended 27 March 2010 relates to the reclaim of VAT overpaid in previous years.

The profit on disposal of properties of £1.6 million during the 26 weeks ended 25 September 2010 (26 weeks ended 26 September 2009: £1.0 million, 52 weeks ended 27 March 2010: £1.1 million) relates to the disposal of four licensed and unlicensed properties (26 weeks ended 26 September 2009: three, 27 March 2010: five).

The cash impact of operating exceptional items before tax for the 26 weeks ended 25 September 2010 was £0.4 million cash inflow (26 weeks ended 26 September 2009: £nil cash flow, 52 weeks ended 27 March 2010: £0.4 million cash inflow).



Notes to the Financial Statements continued

4. Finance Costs

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Interest expense arising on:			
Financial liabilities at amortised cost - loans and debentures	2.1	2.2	4.3
Financial liabilities at amortised cost - preference shares	0.1	0.1	0.1
Total interest expense for financial liabilities	2.2	2.3	4.4
Finance charge on net pension liabilities	0.1	0.5	0.9
Unwinding of discounts on provisions	0.1	0.1	0.1
Finance costs	2.4	2.9	5.4

5. Taxation

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Tax on profit on ordinary activities			
Current income tax:			
Corporation tax	5.4	4.7	8.1
Amounts overprovided in previous periods	-	-	(1.0)
Total current income tax	5.4	4.7	7.1
Deferred tax:			
Origination and reversal of temporary differences	(0.6)	(0.3)	(0.4)
Change in corporation tax rate (note 3)	(1.3)	-	-
Amounts underprovided in previous periods	-	-	0.9
Total deferred tax	(1.9)	(0.3)	0.5
Total tax charged in the Income Statement	3.5	4.4	7.6



Notes to the Financial Statements continued

5. Taxation continued

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Tax relating to items charged/credited to the Statement of Comprehensive Income			
Deferred tax:			
Change in corporation tax rate	0.2	–	–
Net gains on valuation of financial assets and liabilities	0.1	0.1	0.2
Net actuarial losses on pension schemes	(1.0)	(1.9)	(1.3)
Tax credit included in the Statement of Comprehensive Income	(0.7)	(1.8)	(1.1)
Tax relating to items charged/credited directly to equity			
Deferred tax:			
Reduction in deferred tax liability due to indexation	(0.2)	–	(0.5)
Share-based payments	(0.2)	(0.1)	(0.1)
Current tax:			
Share-based payments	–	(0.1)	(0.2)
Tax credit included in the Statement of Changes in Equity	(0.4)	(0.2)	(0.8)

The taxation charge is calculated by applying the Directors' best estimate of the annual effective tax rate to the profit for the period.

During the period the Finance Act (No 2) 2010 has been "substantively enacted". The main impact is that the rate of UK corporation tax will reduce from 28% to 27% from 1 April 2011. 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 26 weeks to 25 September 2010 is an exceptional credit to the income statement of £1.3 million, and a charge to the Statement of Comprehensive Income of £0.2 million.

Further reductions have been proposed, to reduce the rate to 26%, 25% and 24% on 1 April 2012, 2013 and 2014 respectively, however these changes have not been substantively enacted and the financial effects will only be recorded in future periods as legislation is introduced.



Notes to the Financial Statements continued

6. Earnings Per Share

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Profit attributable to equity shareholders	13.3	10.7	19.2
Exceptional items net of tax	(2.1)	(0.7)	(0.1)
Adjusted earnings attributable to equity shareholders	11.2	10.0	19.1
	Number	Number	Number
Weighted average share capital	56,125,000	55,714,000	55,858,000
Dilutive outstanding options	759,000	891,000	914,000
Diluted weighted average share capital	56,884,000	56,605,000	56,772,000
	Pence	Pence	Pence
40p 'A' and 'C' ordinary share			
Basic earnings per share	23.70	19.21	34.37
Diluted earnings per share	23.38	18.90	33.82
Adjusted earnings per share	19.96	17.95	34.19
Diluted adjusted earnings per share	19.69	17.67	33.64
	Pence	Pence	Pence
4p 'B' ordinary share			
Basic earnings per share	2.37	1.92	3.44
Diluted earnings per share	2.34	1.89	3.38
Adjusted earnings per share	2.00	1.79	3.42
Diluted adjusted earnings per share	1.97	1.77	3.36

For the purposes of calculating the number of shares to be used above, 'B' shares have been treated as one tenth of an 'A' or 'C' share. The earnings per share calculation is based on earnings from continuing operations and on the weighted average ordinary share capital which excludes shares held by trusts relating to employee share options and shares held in treasury of 859,252 (26 September 2009: 1,270,416 and 27 March 2010: 1,125,936).

Diluted earnings per share are calculated using the same earnings figure as for basic earnings per share, divided by the weighted average number of ordinary shares outstanding during the period 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.



Notes to the Financial Statements continued

7. Dividends

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Declared and paid during the period			
Final dividend paid in the period	0.6	3.9	3.9
First interim dividend paid in the period	–	–	2.5
Second interim dividend paid in the period	–	–	3.0
Equity dividends paid on ordinary shares	0.6	3.9	9.4
Dividends on cumulative preference shares (note 4)	0.1	0.1	0.1
	Pence	Pence	Pence
Dividends per 40p 'A' and 'C' ordinary share declared in respect of the period			
First interim	4.75p	4.50	4.50
Second interim*	–	–	5.35*
Final	–	–	1.15
	4.75p	4.50	11.00

* The second interim dividend for 2010 was paid on 5 March 2010. The Directors do not intend to pay a second interim dividend in the current financial year. The final dividend for 2010 took into account the level of interim dividends already paid during the year.

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

The Directors have declared an interim dividend of 4.75p (2009: 4.50p) for the 40p 'A' ordinary shares and 40p 'C' ordinary shares, and 0.475p (2009: 0.450p) for the 4p 'B' ordinary shares, with a total estimated cost to the Company of £2.7 million (2009: £2.5 million).



Notes to the Financial Statements continued

8. Property, Plant and Equipment

	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Net book value at start of period	348.2	318.7	318.7
Additions	5.6	31.8	44.9
Disposals	(0.9)	(0.8)	(1.3)
Transfer to investment properties	–	–	(1.2)
Transfer to assets held for sale	(0.5)	–	(0.4)
Impairment loss net of reversals	(0.9)	–	(1.0)
Depreciation provided during the period	(5.9)	(5.7)	(11.5)
Net book value at end of period	345.6	344.0	348.2

During the 26 weeks ended 25 September 2010, the Group recognised an impairment loss of £0.9 million in respect of the write down of licensed properties purchased in recent years where their asset values exceeded either fair value less costs to sell or their value in use (52 weeks ended 27 March 2010: £2.0 million). The impairment losses relate principally to a small number of Tenanted Inns where profitability has declined and which are being marketed for sale. Impairment losses in the 52 weeks ended 27 March 2010 were driven principally by high individual asset prices in the market at the point of acquisition based on anticipated higher growth rates than are now expected and changes in the local competitive environment in which the pubs are situated.

Following an improvement in trading performance and an increase in the amounts of estimated future cash flows of certain previously impaired sites, reversals of £1.0 million were recognised during the 52 weeks ended 27 March 2010.



Notes to the Financial Statements continued

9. Analysis of Net Debt

Unaudited - 26 weeks ended 25 September 2010	At 27 March	Cash flow	Non cash ¹	At 25 September
	2010			2010
	£m	£m	£m	£m
Cash and cash equivalents				
Cash and short term deposits	1.1	(0.3)	–	0.8
	1.1	(0.3)	–	0.8
Debt due within one year				
Bank loans ²	(80.2)	14.5	(0.1)	(65.8)
Debenture stock	(1.2)	–	–	(1.2)
	(81.4)	14.5	(0.1)	(67.0)
Debt due after one year				
Debenture stock	(25.8)	–	–	(25.8)
Preference shares	(1.6)	–	–	(1.6)
	(27.4)	–	–	(27.4)
Net debt	(107.7)	14.2	(0.1)	(93.6)

¹ Non cash movements relate to the amortisation of arrangement fees.

² In May 2010 Fuller, Smith & Turner P.L.C. entered into a new unsecured £100 million bank facility to replace its existing facilities which matured in November 2010. The new facility has a five year term expiring in May 2015, has no amortisation requirements and provides £33 million of additional funding above the amount available under the previous facility at 25 September 2010. Bank loans are stated net of unamortised arrangement fees.

Unaudited - 26 weeks ended 26 September 2009	At 28 March	Cash flow	Non cash	At 26 September
	2009			2009
	£m	£m	£m	£m
Cash and cash equivalents				
Cash and short term deposits	0.9	1.2	–	2.1
	0.9	1.2	–	2.1
Debt due within one year				
Bank loans	(7.5)	3.7	(3.7)	(7.5)
Loan notes	(1.3)	0.1	–	(1.2)
	(8.8)	3.8	(3.7)	(8.7)
Debt due after one year				
Bank loans	(57.7)	(17.5)	3.7	(71.5)
Debenture stock	(27.0)	–	–	(27.0)
Preference shares	(1.6)	–	–	(1.6)
	(86.3)	(17.5)	3.7	(100.1)
Net debt	(94.2)	(12.5)	–	(106.7)



Notes to the Financial Statements continued

9. Analysis of Net Debt continued

	At 28 March 2009 £m	Cash flow £m	Non cash £m	At 27 March 2010 £m
Audited - 52 weeks ended 27 March 2010				
Cash and cash equivalents				
Cash and short term deposits	0.9	0.2	-	1.1
	0.9	0.2	-	1.1
Debt due within one year				
Bank loans	(7.5)	7.5	(80.2)	(80.2)
Debenture stock	-	-	(1.2)	(1.2)
Loan notes	(1.3)	1.3	-	-
	(8.8)	8.8	(81.4)	(81.4)
Debt due after one year				
Bank loans	(57.7)	(22.5)	80.2	-
Debenture stock	(27.0)	-	1.2	(25.8)
Preference shares	(1.6)	-	-	(1.6)
	(86.3)	(22.5)	81.4	(27.4)
Net debt	(94.2)	(13.5)	-	(107.7)

10. Retirement Benefit Obligations

	Unaudited At 25 September 2010 £m	Unaudited At 26 September 2009 £m	Audited At 27 March 2010 £m
The amount included in the Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement plan			
Fair value of plan assets	72.7	65.5	71.1
Present value of scheme liabilities	(89.1)	(80.7)	(83.8)
Deficit in scheme	(16.4)	(15.2)	(12.7)
Key financial assumptions used in the valuation of the scheme			
Rate of increase in salaries	3.60%	3.70%	4.00%
Rate of increase in pensions in payment	3.10%	3.20%	3.50%
Discount rate	5.10%	5.60%	5.60%
Inflation assumption	3.10%	3.20%	3.50%



Notes to the Financial Statements continued

10. Retirement Benefit Obligations continued

Mortality assumptions

The mortality assumptions used in the valuation of the Plan as at 25 September 2010 are as set out in the financial statements for the 52 weeks ended 27 March 2010.

	At 25 September 2010 £m	At 26 September 2009 £m	At 27 March 2010 £m
Value of assets in the scheme			
Bonds - Government	2.5	15.7	–
Bonds - Corporate	18.6	4.5	18.9
Equities	46.8	42.7	47.3
Property	1.2	0.5	1.0
Cash	2.6	1.1	2.9
Annuities	1.0	1.0	1.0
Total market value of assets	72.7	65.5	71.1
	Unaudited 26 weeks ended 25 September 2010 £m	Unaudited 26 weeks ended 26 September 2009 £m	Audited 52 weeks ended 27 March 2010 £m
Movement in deficit during period			
Deficit in scheme at beginning of the period	(12.7)	(8.4)	(8.4)
Movement in period:			
Current service cost	(0.8)	(0.5)	(1.0)
Contributions	1.0	1.1	2.1
Finance charge on net pension liabilities	(0.1)	(0.5)	(0.9)
Net actuarial losses	(3.8)	(6.9)	(4.5)
Deficit in scheme at end of the period	(16.4)	(15.2)	(12.7)

11. Post Balance Sheet Event

On 5 November 2010 the Group drew down on the new £100 million bank facilities that had been entered into in May 2010 (see note 9), and used these funds to repay all bank borrowings under the former 2005 bank facilities.



Notes to the Financial Statements continued

12. Principal Risks and Uncertainties

There has been no change since 27 March 2010 to the risk and uncertainties which may affect the Company's performance in the next six months, details of which are set out in the financial statements for the 52 weeks ended 27 March 2010, and are available on the Fuller's website, www.fullers.co.uk. In summary three different generic types of risk and uncertainty have been identified by the Directors.

- Regulatory risks encompass the risks to the business of increased regulation of the sale of alcohol, health and safety in the workplace and pensions.
- Economic and market conditions include the risk to the business due to the strength or otherwise of the economy, cost pressures, in particular from utilities, the risk of assigned leases reverting to the Group and changes in consumer trends.
- Operational risks such as damage to the Group's property, brands or reputation and reliance on information systems to operate efficiently on a daily basis.

Principal among these risks and uncertainties is the ongoing strength of the UK economy as it recovers from recession; with the planned public spending cuts and taxation rises already announced, consumer spending in the UK will come under renewed pressure, with the leisure industry particularly vulnerable. Other key risks include the impact of new Government regulation, particularly with regard to future policy on alcohol duties and Off-trade retail pricing, which may impact demand for our products, and our ongoing exposure to incidents which may damage the reputation of the Company or its brands, or our ability to supply our customers.

13. Shareholders' Information

Shareholders holding 40p 'C' ordinary shares are reminded that they have 30 days from 19 November 2010 should they wish to convert those 'C' shares to 'A' shares. The next available opportunity after that will be June 2011. For further details please contact the Company's registrars, Computershare on 0870 702 0101.

14. Statement of Directors' Responsibilities

The Directors confirm, to the best of their knowledge, that this condensed set of financial statements has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of material related party transactions in the first six months and any material changes to related party transactions.

The Directors of Fuller, Smith & Turner P.L.C. are listed on page 25.

By order of the Board

Michael Turner, *Chairman*

James Douglas, *Finance Director*

19 November 2010



Directors and Advisers as at 19 November 2010

Directors

Michael Turner, FCA, *Chairman*

Simon Emeny, *Group Managing Director*¹

John Roberts

James Douglas, ACA

Richard Fuller

Nick MacAndrew, FCA*

Nigel Atkinson*

John Dunsmore*

Sir James Fuller, Bt.*²

* *Non Executive.*

¹ *As from 1 November 2010.*

² *Appointed to the Board on 1 June 2010.*

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