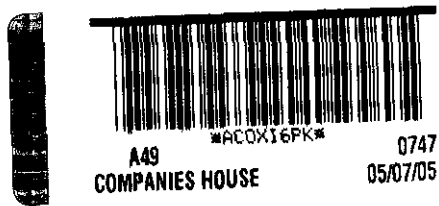


FULLER SMITH & TURNER P.L.C. REPORT AND ACCOUNTS 2005



Quality, Service and Pride

Front cover, left to right:
Angus McKean, The Red Lion, Barnes
Denisa Fabokova, The Red Lion, Barnes
Jayson Perfect, The George IV, Chiswick

CONTENTS

Financial Highlights	1
Chairman's Statement	2
Board of Directors	5
Chief Executive's Review of Operations	6
Directors' Report	14
Corporate Governance Report	19
Directors' Remuneration Report	22
Independent Auditors' Report	32
Accounting Policies	33
Group Profit and Loss Account	35
Balance Sheets	36
Group Cash Flow Statement	37
Other Primary Statements	38
Notes to the Financial Statements	39
Five Years' Progress	58
Directors and Advisers	59
Shareholders' Information	60

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

NORMALISED PROFITS¹
£M

GRAPHIC REMOVED

NORMALISED EARNINGS PER SHARE¹
PENCE

GRAPHIC REMOVED

DIVIDEND PER SHARE³
PENCE

GRAPHIC REMOVED

FINANCIAL HIGHLIGHTS

	53 weeks to 2 April 2005 £000	Restated 52 weeks to 27 March 2004 £000	Change 2005/2004
Turnover	147,483	140,322	5.1%
Profit before tax	18,046	19,227	(6.1%)
Normalised profits ¹	17,814	16,858	5.7%
EBITDA ²	28,295	27,744	2.0%
Basic earnings per share ³	54.16P	60.63p	(10.7%)
Normalised earnings per share ⁴	53.13P	49.84p	6.6%
Dividend per share ³	18.46P	17.31p	6.6%
Net assets per share ³	£7.34	£7.02	4.6%
Gearing ratio	13.5%	10.7%	N/A

¹ Pre-tax profits after interest before non-operating exceptional profits of £0.2 million (2004: £2.4 million).

² Earnings before interest, tax, depreciation and amortisation.

³ Calculated on the £1 'A' ordinary share.

⁴ Calculated using pre-exceptional earnings of £11.9 million (2004: £11.3 million) and the same weighted average number of shares as for the basic earnings per share.

Net assets per share as at 27 March 2004 has been restated following a change in accounting policy, as set out on page 33.

Fuller's is delivering consistent year-on-year growth and excellent returns for shareholders.

GRAPHIC REMOVED

It has been another good year of progress for Fuller's with normalised earnings per share up by 7% to 53.13p (2004: 49.84p). Normalised profits, which represent the underlying progress of the business, are up 6% to £17.8 million (2004: £16.9 million) on a

5% increase in turnover to £147.5 million (2004: £140.3 million). Property disposals generated a net exceptional profit of £0.2 million compared to £2.4 million last year. Taking this into account, pre-tax profits were down 6% to £18.0 million (2004: £19.2 million) and basic earnings per share down 11% to 54.16p (2004: 60.63p).

Tax has been provided for at an effective rate for the year of 32.5% (2004: 32.5%) on normalised profits. The majority of the exceptional profit on disposals in both years did not carry a tax charge owing to the availability of rollover relief. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 2% to £28.3 million compared to £27.7 million last year.

We acquired eight new pubs during the year, the majority in the second half of the year, together with a ninth site for development due to open in September 2005. The total cost of these acquisitions was £6.9 million. This capital expenditure has not been at the expense of our existing estate, however, and we have continued our extensive investment programme across the business, in particular in Managed Pubs and Bars. Total Group capital expenditure for the year was £17.5 million compared to the £18.3 million we spent in the previous year which included a significant investment in the Red Lion Hotel in Hillingdon Village. The ongoing investment programme and acquisitions are funded by cash generated by the business, with gearing increasing slightly from 10.7% to 13.5% at the year-end.

Since March 2004, we have bought back a further 330,000 £1 'A' ordinary shares. The average price paid was £7.06 (per £1 share equivalent). These shares have not been cancelled but have been retained as treasury shares with a number being used to satisfy an employee share scheme. At 2 April 2005 there were 295,745 treasury shares remaining.

WHERE THE MONEY GOES

GRAPHIC REMOVED

GROUP INVESTMENT EM

GRAPHIC REMOVED

*“We are managing our
business for the long
term and believe
in maintaining high
standards.”*

CHAIRMAN'S STATEMENT (CONTINUED)

Following a change in accounting standards, all ordinary shares held as treasury shares or by various employee share ownership trusts are now shown as a deduction from shareholders' funds rather than as an investment. The balance sheets as at March 2004 have been restated accordingly. The impact is explained further in the Accounting Policies on page 33.

The Directors will be recommending that the final dividend be increased by 7% to 13.10p per 'A' and 'C' £1 ordinary share and 1.310p per 'B' 10p ordinary share. This brings the total dividend for the year to 18.46p per 'A' and 'C' £1 ordinary share and 1.846p per 'B' 10p ordinary share, up 7%. This increase, coupled with the share price growth over the past year, delivers an outstanding return to our shareholders. The final dividend will be paid on Monday 29 July 2005 to shareholders on the Share Register as at Friday 1 July 2005.

From April 2006 Fuller's will be reporting its consolidated results in accordance with International Financial Reporting Standards ("IFRS"). Details about the areas most likely to be affected are set out on page 16 in the Directors' Report.

Prospects

We are managing our business for the long term and, therefore, fundamentally believe in maintaining high standards and investing for the future to preserve and enhance the quality of our assets.

Our investment and marketing programmes continue to deliver good growth. This is evidenced by the returns now being seen in the managed estate, especially in our target areas of cask ale, food and wine. We expect to complete a further 17 major refurbishment projects in Managed Pubs and Bars during the current year with costs broadly similar to the year just completed.

The eight pubs bought during the year are excellent additions to the Fuller's estate and we are confident they will increase shareholder value. We are currently in negotiations for further sites.

In the meantime, all areas of the retail estate are performing well and current trading is on target. We have built a strong platform from which to advance the business.

The Beer Company continues to perform well in an increasingly competitive market. The quality and depth of the product portfolio distinguishes Fuller's and is proving a key driver for growth this year. We are very excited about our new brand, Discovery Blonde Beer, and current volumes support our optimism.

The prospects for our beer brands are good and our key brand, London Pride, will continue to be supported by extensive marketing and promotional activity, including television advertising. Ultimately, however, it is the quality of the product that drives sales and with all our beers this remains second-to-none.

The core strength of our business continues to be the breadth and balance of our portfolio. In these more challenging times, Fuller's is delivering consistent year-on-year growth and excellent returns for shareholders. I have confidence this will be maintained in the current year.



A.G.F. Fuller, CBE
Chairman

1
2

THE BOARD OF DIRECTORS
(AS AT 24 JUNE 2005)

NON EXECUTIVE CHAIRMAN

- 3 4
- 1 ANTHONY FULLER†**
Aged 65. Joined in 1963. Chairman of the Nominations Committee, Chairman of the Brewers' Society 1986-1989, Master of the Worshipful Company of Brewers 1986-1987. Awarded a CBE in 1990. Currently chairman of the Independent Family Brewers of Britain. Became Non Executive in 2002.

EXECUTIVE DIRECTORS

- 5 6
- 2 MICHAEL TURNER**
Chief Executive.
Aged 54. Joined in 1978. A Chartered Accountant with international experience. Initially ran the Wine Division as Wine Director. Became Marketing Director in 1988, Managing Director in 1992 and Chief Executive in 2002. Currently vice chairman of the British Beer and Pub Association.
- 3 TIM TURNER**
Commercial Director.
Aged 55. Joined in 1977. A solicitor who has overall responsibility for property and acquisitions, legal matters and external affairs.
- 4 PAUL CLARKE**
Finance Director.
Aged 59. Joined in 1991 after gaining international experience of the engineering, freight and house-building industries. A Chartered Accountant and economics graduate. Also responsible for the Estates and Systems Departments.
- 5 JOHN ROBERTS**
Beer and Brands Director.
Aged 47. Joined in 1996 having previously held marketing and sales positions with Britvic, United Biscuits and Scottish Courage. A graduate in business studies with responsibility for the Fuller's Beer Company.
- 6 SIMON EMENY**
Retail Director.
Aged 39. Joined in 1996 from Bass plc. Appointed a Director in May 1998. An economics graduate, with responsibility for the Managed and Tenanted Inns and Hotels. A Council Member of the Association of Licensed Multiple Retailers.

7 8

INDEPENDENT NON EXECUTIVE DIRECTORS

- 7 JAMES ESPEY**†**
Aged 62. Appointed in May 1998 having previously held senior positions in the Grand Metropolitan and Guinness groups and latterly chairman of Seagram Distillers PLC. Non executive director of A G Barr p.l.c. and non executive chairman of Swallowfield p.l.c. A graduate and PhD in marketing and strategic planning.
- 8 RONALD SPINNEY**†**
Aged 64. Appointed in April 2000. Senior Independent Non Executive Director and Chairman of the Remuneration Committee. Currently chairman of Hammerson plc, deputy chairman of Rentokil Initial plc, a non executive director of Rockspring Property Holdings Limited and J P Morgan Cazenove Holdings, a Crown Estate Commissioner and chairman of Hanover Property Unit Trust Investment Advisory Committee. A Chartered Surveyor.
- 9 NICK MACANDREW****
Aged 58. Appointed in September 2001. Chairman of the Audit Committee and member of the Remuneration Committee. Chairman of The Save The Children Fund, a director of Wates Group Limited, Framlington Group Limited and formerly chief financial officer of Schroders plc. A Chartered Accountant.

9 10

COMPANY SECRETARY

- 10 MARIE GRACIE**
Aged 39. Joined in 1998 after an offshore appointment. Formerly Company Secretary of Argo PLC. A Chartered Secretary and arts graduate.

* Member of the Remuneration Committee.

† Member of the Audit Committee.

‡ Member of the Nominations Committee.

A consistent trend of earnings growth for Fuller's, with an increase of 33% over the past three years.

GRAPHIC REMOVED

As the Chairman reports it has been another good year of progress with normalised earnings per share up 7%. This continues a consistent trend of earnings growth for Fuller's, with an increase of 33% over the past three years and demonstrates the underlying strength of our broad based portfolio. All areas of the business have made a significant contribution to this growth and we remain committed to our combined brewing and retailing business model.

FULLER'S INNS TURNOVER
EM

GRAPHIC REMOVED

Fuller's Inns

After a first half disrupted by a number of refurbishments and affected by disappointing summer weather, the second half saw improvements across the business and we ended the year with profits up 4% to £15.9 million (2004: £15.3 million) on a 5% increase in turnover to £101.4 million (2004: £97.0 million). This profit growth is in spite of the extensive refurbishment programme in Managed Pubs and Bars, which resulted in an additional £0.8 million repair costs in the division. EBITDA increased to £22.5 million from £22.3 million last year.

Managed Pubs and Bars

Following better trading in the second half and with the benefits of the investments beginning to show, we ended the year with turnover up 4%.

On an uninvested like for like basis sales across the managed estate were up 0.4%, with a 1.4% increase in the second half offsetting the decline in the first half.

Our strategy remains focused on a premium retail offer, with a unique product range, supported by a tailored investment programme and carefully selected acquisitions. Our emphasis is on providing great cask ales, excellent freshly prepared food, interesting and varied wines and outstanding service. We are delighted that this clear strategy is paying dividends with cask ale sales up 4% and food and wine sales both up 9%. We believe this focus on quality will leave us less exposed to the impact of a future smoking ban.

The extensive investment programme in our estate, which started two years ago, continued with 23 major refurbishments compared to 13 in the previous year. This has resulted in a £0.8 million increase in repairs and maintenance costs to £3.7 million. A third of the managed estate has been refurbished in the last two years. This investment is designed to maintain high standards and preserve the longevity of our assets.

Griffin & Pride at the opening of The Bell at Outwood, Redhill, Surrey

*Lunch time at
The Fine Line, Minorics, London EC3*

Angus McKean, manager of The Red Lion, Barnes

*“Our emphasis is on
providing great cask ales,
excellent freshly prepared
food, interesting and
varied wines and
outstanding service.”*

The Crown, Cuddington

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS (CONTINUED)

MANAGED PUBS & BARS
TOTAL CAPITAL EXPENDITURE
(EXCLUDING ACQUISITIONS)
£M

GRAPHIC REMOVED

The improvement in the performance of our City pubs and bars, seen in the first half, has been sustained with like for like sales up 5% for the year. Following our refurbishments in the City, including five Fine Lines and three of the more traditional Ale & Pie houses, the Company is in an excellent position from which to capitalise on the improvement in general confidence in this key area.

Towards the end of the financial year we acquired four new managed pubs, two of which are freehold and two leasehold. These are in excellent locations and provide good opportunities for growing cask ale, food and wine sales. In addition, we acquired a development site on the Grand Union Canal in Apsley, Hertfordshire, where we expect to open a new food-led managed house in September 2005. During the year we also disposed of four under-performing leaseholds and transferred one managed pub to tenancy. There are 116 pubs currently under management.

Tenanted Inns

It has been another good year for the tenanted estate. The average turnover per house was up 3%, with average profit per house up 5%. Towards the end of the year we acquired a further two freehold sites making a total of four for the year. As with the managed pubs, we plan our acquisitions carefully to ensure that overall returns from the estate and quality standards are maintained.

In addition to acquiring new pubs, we have continued to invest, with our tenants and lessees, in the existing estate. During the year we completed 17 internal and 26 external redecorations and three pubs had major capital redevelopments.

With the acquisitions and one transfer from the managed estate, the total number of tenanted pubs now stands at 118. This includes 55 houses on the 10-year lease.

Fuller's Hotels

Fuller's Hotels had a good year with turnover up 10% and profits up 17%. Average room rates were £68.35, only slightly lower than last year and occupancy increased by 2%. Overall this gave us a 1% increase in RevPar to £42.50 (2004: £42.09).

The three hotels opened in 2001, The White Hart, The Brigstow and The Chamberlain, have performed particularly well,

achieving record weekly sales and occupancy. The 55-bedroom Red Lion Hotel in Hillingdon Village opened in May 2004 and, after a slower than expected build up of trade, is now performing well.

We also completed room refurbishments at two of the other hotels, which has allowed us to advance room rates and maintain our premium position in this niche market.

The Fuller's Beer Company

It was a challenging year for the Fuller's Beer Company with increasingly tough competition and the continued decline in the ale market. In spite of this, however, the Beer Company has made good progress with profits up 5% to £8.2 million (2004: £7.8 million), turnover up 5% to £68.9 million (2004: £65.5 million) and EBITDA up 6% to £9.7 million (2004: £9.2 million). This success reflects the strength of our brands, our ability to innovate, and the quality and consistency of our products.

*Below: a selection of photos
of The Red Lion, Hillingdon Village*

*“We are determined to
continue to invest in our
pubs and hotels to ensure
that we create the best
possible environment for
our customers to relax
and enjoy themselves.”*

The Brigstow Hotel, Bristol

*TV presenter Kate Garraway,
opens The Red Lion, Hillingdon Village*

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS (CONTINUED)

Own beer sales were up 2% to 198,000 barrels and total beer sales were also up 2% to 275,000 barrels. Export sales continued the good progress seen at the half-year with volumes up 12% to over 12,000 barrels.

Domestic sales growth continues to be driven by the free trade, with on trade and off trade volumes showing increases of 3% and 4% respectively. Although domestic sales have not grown as rapidly as in previous years, this is a very good performance considering the increasingly competitive nature of the market. In addition, this volume growth has not been at the expense of margins. We are also starting to see growth again in the tied trade, driven by the managed estate. This growth has been due in part to a number of key initiatives such as the Spring and Autumn Beer Festivals, Head Brewer's Roadshows and Beer & Food promotions. The aim for the current year is to extend this success into the tenanted estate.

Fuller's is estimated to have increased its share to around 7% of the cask ale market. We have seen excellent growth in a number of key

brands, such as the award winning "Champion Ale" ESB, with volumes up 6% (up 15% since the re-launch in the UK in October 2004), and Organic Honey Dew, with volumes up 26%. The growth in these brands, together with the wide range of seasonal and other ales produced this year, has been complementary to our flagship London Pride, which continues to be the UK's top selling premium cask ale by a wide margin and has again grown market share.

Fuller's already has an enviable portfolio of brands, a number of which are multiple award-winners. In May this year we added to this with the introduction of what we hope will become our fourth core cask ale brand – Discovery Blonde Beer. This zesty new blonde beer is designed in part to attract new drinkers to Fuller's and provide a refreshing, tasty alternative to lager. Since its launch, sales have exceeded our ambitious targets.

The Fuller's Wine Division continues to make a valuable and increasing contribution to the Group with profits up 24%. This includes an emerging wine agency business which we are confident will be the

BEER BARRELS
000'S

GRAPHIC REMOVED

FREE TRADE SECTOR BARRELS

GRAPHIC REMOVED

TOTAL BEER BARRELS

GRAPHIC REMOVED

Jayson Perfect, manager of the George IV, Chiswick

Fuller's three "Brewery Tour" packs

*“This success reflects
the strength of our
brands, our ability
to innovate, and the
quality and consistency
of our products.”*

*Gerry O'Brien celebrates Churchill night
with his team at The Churchill Arms,
Kensington, London W8*

CHIEF EXECUTIVE'S REVIEW OF OPERATIONS (CONTINUED)

springboard for further growth. The quality and range of our wines, and depth of knowledge of our buyers, provides a unique point of differentiation for our retail estate and selected free trade accounts.

As we reported last May, we acquired further land adjacent to the Brewery in the year which, combined with an acquisition last year, will increase the overall area of the site by 11%. Towards the end of the year we commenced work on a £2.1 million replacement of our existing kegging line, which we expect to be operational by August

2005. We are continuing to invest heavily in the Brewery to enhance quality and operating efficiencies.

The Future

The expansion of the Chiswick site demonstrates our unwavering commitment to our brewing heritage and our product quality. We have some exciting plans for the new areas of the Brewery, including developing a Centre of Excellence, which will enable us to train our own staff and trading partners in cellar management, brewing techniques and beer appreciation. Furthermore, the

increased space will allow us to reorganise the current layout and expand our production capabilities.

We have made a very significant investment in the retail estate, especially Managed Pubs and Bars. We have spent £23 million on our managed estate over the last three years in maintenance capital and repairs with a further £11 million on acquisitions. We are determined to continue to invest in our pubs and hotels to ensure that we create the best possible environment for our customers to relax and enjoy themselves.

The Bell, Chearsley, near Aylesbury

A happy customer at the newly acquired Viaduct, Holborn, London EC1

“Our uncompromising attitude towards quality is one of the keys to our success.”

Quality, Service and Pride

Quality, Service and Pride underpins everything we do. These three elements are well illustrated by the three pictures on the front cover of this year's Annual Report. We are very proud of our beer, our pubs, our hotels and our people and believe that happy staff make for happy customers. We have also launched a website called "Proud of your Pride", which allows our customers and staff to give feedback on the quality of the beer they have been served.

The success of the relaunch of ESB demonstrates that even the best

products can be made that little bit better and it is this uncompromising attitude towards quality that is one of the keys to our success.

Every year we publish the Fuller's mission statement on the first page of the Annual Report: "We aim to be the benchmark in retailing and brewing, delivering Quality, Service and Pride in everything we do". This is something we believe in very strongly, but not something that can be achieved through investment alone. Ultimately the success of Fuller's is due to the

hard work and commitment of the staff and licensees and I thank them warmly for their immense contribution this year.

Michael Turner
Chief Executive

The Fuller's annual cricket competition

New keg Organic Honey Dew

The London Pride Middlesex Sevens

The Cricketers, Dorking

*Sue Hayden and the Tom Foolery team receive the Griffin Trophy,
awarded to Fuller's Pub of the Year*

DIRECTORS' REPORT

The Directors present their Annual Report together with the audited financial statements for the 53 weeks ended 2 April 2005.

BUSINESS ACTIVITIES AND DEVELOPMENT

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

DIVIDENDS AND PROFIT RETENTIONS

The Company paid an interim dividend of 5.36 pence on the £1 'A' and 'C' ordinary shares and 0.536 pence on the 10p 'B' ordinary shares on 7 January 2005 and the Directors now recommend a final dividend of 13.10 pence on the £1 'A' and 'C' ordinary shares and 1.310 pence on the 10p 'B' ordinary shares. This makes a total of 18.46 pence on the £1 'A' and 'C' ordinary shares and 1.846 pence on the 10p 'B' ordinary shares for the year.

The total dividend on ordinary shares will absorb £4,142,000 which together with £120,000 of cumulative preference dividends paid will leave profit retentions of £7,996,000.

MARKET VALUE OF LAND AND BUILDINGS

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 as at 27 March 1999. Following the introduction of FRS 15, "Tangible Fixed Assets", the Company followed the transitional provisions to retain the existing book value of land and buildings, but not to adopt a policy of revaluation in the future. In 2002 the Directors obtained a representative sample of individual valuations of property within the estate, which disclosed average increases above book value in excess of 30%. Whilst these valuations were informal and may not be wholly representative of the estate, the Directors are confident that the market value of the property within the estate is significantly higher than the carrying value in the financial statements.

DIRECTORS

A list of current serving Directors and their biographies is given on page 5. A G F Fuller, N R MacAndrew and R J Roberts retire by rotation at the Annual General Meeting and offer themselves for re-election. Mr Roberts has a rolling service contract 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 2007 and September 2006 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 26 May 2005 are given in the Directors' Remuneration Report.

EMPLOYEES

The Directors attach a high priority to maintaining communications with all employees and 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. Annual audits of the policy reveal ongoing improvements in staff satisfaction with the communication process. A Consultation Committee is in place to facilitate a dialogue between union representatives, brewery employees, pub and hotel staff and management. The Committee includes a number of divisional directors who report on issues and performance in respect of the parts of the business they are responsible for. Directors address the workforce on issues such as the Interim and Preliminary results. The Company issues the award winning "Griffin" magazine, which is sent to all employees and shareholders. 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.

DIRECTORS' REPORT (CONTINUED)

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 Company every effort will be made to continue their employment and arrange for appropriate training, as far as is reasonably practicable.

POLITICAL AND CHARITABLE DONATIONS

Contributions for charitable purposes amounted to £50,000. No political donations were made.

FULLER'S AND THE COMMUNITY

Every year, the Company sponsors the London Pride Walk in aid of Help Hammer Cancer. The walk, which starts and finishes at the Brewery, raised £88,000 for this charity in June 2004.

The Company supports a number of local charities. These include Friends of Chiswick House, Old Chiswick Protection Society, Chiswick Pier and its affiliated lifeboat and the Wetland Centre in Barnes. As well as charitable donations through head office, Fuller's pubs raise many thousands of pounds for charities each year through events and functions.

SUPPLIER PAYMENT POLICY

The Company wishes to confirm that it supports and is listed in the CBI Code of Prompt Payment. Details of the Scheme can either be obtained from the Company Secretary or from the CBI itself. The Company informs and agrees with its suppliers in advance its payment practice and will abide by those terms for all valid transactions. The Company 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 was 45 days (2004: 48).

RELATED PARTY TRANSACTIONS

Details of related party transactions are given in note 26.

ENVIRONMENT

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 and spent hops) are recycled into cattle feed and other food products. Energy used within the brewing process is recycled as much as possible. The Company continues to meet its responsibilities in respect of the recycling of packaging waste. 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.

Plant purchases and improved related operational procedures have reduced the Company's Energy Efficiency Quotient ("EEQ") which means that the Company is on track to meet its agreed EEQ targets up to the year 2010.

The retail estate business has historically participated in bottle glass recycling schemes. As the major contractor has now withdrawn its services we are currently having a survey undertaken to review recycling opportunities and waste reduction possibilities within the estate. Water usage reduction initiatives are also under review.

DIRECTORS' REPORT (CONTINUED)

PENSIONS

As set out in note 24, the Company accounts for its defined benefit schemes using SSAP 24. The schemes are formally valued by an independent qualified actuary every three years. SSAP 24 requires any surpluses or deficits identified during these valuations to be spread over the average expected remaining working lives of employees. The results of the most recent valuations and the assumptions used are given in note 24. SSAP 24 has been replaced by FRS 17, which is not required to be implemented in full by the Company until the year ending April 2006 and will be superseded by IAS 19. Amongst other things, FRS 17 requires the schemes to be valued (on a different basis to SSAP 24) as at the year end date, with any deficit or surplus being shown in the Company's balance sheet and with the movements being recorded in the Statement of Total Recognised Gains and Losses. The Company, in accordance with the transitional provisions of FRS 17, has provided the valuation and potential accounting entries as disclosures only. On the basis of FRS 17, the schemes have a combined net deficit of £9.3 million (2004: £7.9 million).

CHANGES IN FINANCIAL REPORTING STANDARDS

From April 2006 Fuller's will be reporting its consolidated results in accordance with International Financial Reporting Standards ("IFRS"). In the Interim Statement for the six months ended 1 October 2005, the results for the six months ended 25 September 2004 and 53 weeks ended 2 April 2005 will be restated in accordance with expected IFRS accounting policies for comparative purposes. The conversion is progressing well with the detailed impact assessment completed and new accounting policies drafted. The Company is in the process of finalising the opening balance sheet as at April 2004 together with the restated comparatives. We anticipate that the main areas that will affect the published results are pensions and deferred tax. There is no impact on the net cash generated by the business and many of the IFRS changes will also be reflected in new UK Financial Reporting Standards.

The Company is not yet in a position to publish full restated accounts for the 53 weeks ended 2 April 2005, however a number of the differences can be determined from existing disclosures as follows:

Pensions

Under IAS19, the Company will be required to recognise the net deficit in the final salary pension schemes in the balance sheet. In addition the basis of calculation of the annual charge to the profit and loss account will change. It is anticipated that the IAS19 numbers will be similar to the FRS17 disclosures given in note 24.

Deferred tax

Under IAS12, the Company will be required to account for deferred tax on past property revaluations, irrespective of the availability of rollover relief. In addition, the Company will be required to make provision for deferred tax on rolled over gains. Note 6 currently discloses an unprovided deferred tax liability of £7.3m in respect of these items. Furthermore, a £0.5 million deferred tax asset relating to brought forward capital losses will be recognised. There could be further tax (deferred and/or current) implications that arise from the completion of the conversion process.

Preference shares

The Company will be required to reclassify the £1.6 million preference shares from equity to debt, which will reduce net assets. As a result the £0.1 million annual dividends will be shown as an interest expense.

Share-based payments

The Company will be required to show a charge in the profit and loss account for share options, based on their fair value rather than their intrinsic value (that is, the difference between the market value at the grant date and the consideration payable). It is not anticipated that this will have a material impact on profit.

There will be other presentational differences as well, not least of which the requirement to account for the final dividend on a declared basis (thus adding back the £2.9 million provided at 2 April 2005 to net assets) and exclude Excise Duty from turnover and cost of sales, with no impact on profit. Full reconciliations between IFRS and current UK standards, together with all the new accounting policies, will be given in the Interim Statement in November 2005.

DIRECTORS' REPORT (CONTINUED)

SHARES

At 26 May 2005 the following disclosable interests of shareholders (other than Directors) had been notified to the Company:

<i>Name</i>	<i>% 'A' ordinary shares of £1 each</i>	<i>Name</i>	<i>% 'B' ordinary shares of 10p each</i>	<i>Name</i>	<i>% 'C' ordinary shares of £1 each</i>
Lattice Group Pension Scheme	4.21	Sir J H F, Messrs A F and E F Fuller	11.38	Sir J H F, Messrs A F and E F Fuller	22.33
Miss A B Earle	4.19	J F Russell-Smith		Sir J H F Fuller	6.43
Solera Holdings BVI	3.68	Charitable Trust	7.28	Mr H D Williams	5.82
AEGON UK plc Group	3.64	J F Russell-Smith and others	4.40	Mrs J C Turner	4.86
Dunarden Limited	3.06	Mrs S B Stuart	4.36	Miss S M Turner	3.25
		Sir J H F Fuller	4.08		
		Dunarden Limited	3.42		
		Mr R D Inverarity	3.35		
		Mr G F Inverarity	3.31		
		Mr R H F Fuller	3.29		
		Mr H D Williams	3.07		

ANNUAL GENERAL MEETING

Special business

The Company is required to renew its Savings Related Share Option Scheme which is for the benefit of Fuller Smith & Turner P.L.C. employees. Details of this and other items requiring explanation at this year's Annual General Meeting are included in the circular to shareholders dated 24 June 2005, at the back of which is the Notice of Meeting.

PURCHASE OF OWN 'A' SHARES

At the Annual General Meeting of the Company held on 7 July 2004, the Company was given authority to purchase up to 1,949,204 'A' ordinary shares. This authority will expire and shareholders will be asked to give a similar authority at the Annual General Meeting to be held on 26 July 2005.

During the year the Company purchased a total of 330,000 £1 'A' ordinary shares at a total cost of £2,330,000. The Company's maximum issued ordinary share capital during the year was £22,831,332, which included £13,079,083 £1 'A' ordinary share capital. The 2005 share purchases therefore represented 1.4% of the maximum issued ordinary share capital (2.5% of the Company's issued 'A' ordinary share capital). Taking into account all the buybacks since December 2001, 12.6% of the Company's issued ordinary share capital (18.9% of the Company's issued 'A' ordinary share capital) has now been bought back. The Directors believed that further purchases were in the best interests of shareholders and would increase earnings per share. Unlike previous years, own shares purchased have not been cancelled. During the year 34,255 of these shares were reissued in connection with the Savings Related Share Option Scheme, generating net cash proceeds of £141,000. The remaining 295,745 £1 'A' ordinary shares are currently held as treasury shares.

The Company will apply for a further authority at the Annual General Meeting on 26 July 2005 to purchase shares up to 15% of the 'A' ordinary share capital at that date.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE

A full review of Corporate Governance appears on pages 19 to 21.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss 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;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that these requirements are met.

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

GOING CONCERN

On the basis of current financial projections and facilities available, the Directors have a reasonable expectation that the Company has 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.

By Order of the Board



Marie Gracie, FCIS

Company Secretary

Griffin Brewery, Chiswick Lane South
Chiswick, London W4 2QB

24 June 2005

CORPORATE GOVERNANCE REPORT

A. COMPLIANCE

The Board supports the principles, supporting principles and 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 two areas:

- Independent Non Executive Directors and meetings with shareholders as explained in section E on page 21; and
- Directors' service contracts as explained in section e) of the Directors' Remuneration Report on page 29.

B. THE BOARD

The Board of Fuller Smith & Turner P.L.C. comprises the Non Executive Chairman, the Chief Executive, four other Executive Directors and three independent Non Executive Directors, 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 5. R R 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 their respective appointments are as set out in the Directors' Remuneration Report on page 29 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, Chief Executive and other Executive Directors and the Company Secretary. The June and November meetings also cover the approval of the preliminary and interim financial results respectively and the March meeting deals with the approval of an annual budget. In November an additional 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 constantly monitors the quality of the Board papers. The duties of the Board and its Committees are set out in their terms of reference (which are reviewed annually) and there is a formal list of Matters Reserved for the Board (which is also regularly reviewed). This distinguishes between matters reserved for Board and Executive Committee discussion. Examples of matters reserved for Board decisions are the determination of strategy, approval of major acquisitions or disposals and budget approvals. Examples of matters delegated to the Executive Committee are approval of significant contracts and revisions to health and safety policy. The Board met formally on seven occasions during the year under review. All Directors attended all of these meetings.

The three independent Non Executive Directors meet several times a year, under the leadership of the Senior Independent Director, without the Executive Directors present. Where necessary the three independent Non Executive Directors will discuss matters directly with the Chairman. The independent 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 have attended a variety of training courses through the year and both the Board and the Executive Committee visit Company premises as part of the Board meeting programme.

The division of responsibilities between the Chairman and the Chief Executive is set out in writing and was discussed and approved by the Board. The division is designed to ensure that there is a clear split between the Chairman's role in running the Board and the Chief Executive's role in running the Company's business. The Chairman does not have any other significant commitments which constrain his ability to fulfil his role.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board evaluation

The processes for Board evaluation include the aforementioned evaluation of the Chairman by the independent Non Executive Directors, the appraisal of the Chief Executive by the Chairman, the appraisal of the other Executive Directors by the Chief Executive and the appraisal of the three independent 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 after their appointment.

C. 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 M J Turner, to deal with all executive business of the Company not specifically reserved for the Board or Board Committees.

The **Nominations Committee** consists of J S Espey, R R Spinney and A G F Fuller, who is Chairman. It is responsible for nominating candidates for appointment as Directors, for approval by the Board. There were no meetings of the Committee during the year under review since there were no vacancies on the Board and accordingly there is nothing to report in terms of the work of the Committee or the appointment process. The Board is satisfied that appropriate processes are in place should there be new appointments to deal with and that succession plans are in place. Should there be a new appointment to the Board, the Chairman would ensure that a full, formal and tailored induction programme was put in place.

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 request.

D. AUDIT AND ACCOUNTABILITY

The **Audit Committee** of the Board is chaired by N R MacAndrew, FCA who was formerly chief financial officer of Schroders plc and who thus brings recent and relevant financial experience to the Committee. The other Committee members are R R Spinney and J S Espey, both of whom have served on a number of other audit committees. 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 and receives reports on risk management and internal audit. In September the key focus is a review of all aspects of the performance of the external auditors and agreeing the scope for the next external audit. A further report on internal audit is reviewed at this meeting and the Committee also looks at its own effectiveness. At the November meeting the focus is on the interim report and agreeing the year end audit plan. At the January meeting the key items are the fees and independence of the external auditors. Another report on internal audit is given.

Auditors

The Company's auditors provide services in relation to routine tax compliance and specialised advice on property acquisitions and disposals, because their long knowledge of the Company's affairs provides relevant advice at effective cost. It is Company policy to seek third party quotations if the auditors are offered the opportunity to provide any other non-audit services. The auditors also audit the pension fund but with a different partner out of a different office, at a fee which was subject to open tender. 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. There is in place a "whistle blowing" policy which allows staff to raise any concerns in confidence.

The Committee met four times during the year and all Committee members attended all meetings. The Committee's terms of reference are available on request.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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, in conjunction with 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 "Internal Control: Guidance for Directors on the Combined Code" (which is known as the Turnbull guidance) 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 are now held in addition to the workshops in order to assess the effectiveness of the controls identified and to confirm the necessary action points.

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

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

The Company employs internal retail business auditors within Fuller's Inns and stock auditors within the Beer Company. In addition, the finance department is charged with responsibility for the rolling programme of internal audits referred to above, conducted under the supervision of qualified accountants. The Audit Committee and the Board annually review the desirability of employing a dedicated internal audit resource and have again concluded that it is more effective to continue with the current internal audit arrangements described.

E. 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 Chief Executive and the Finance Director to hold these meetings and they are joined by the operational Executive Directors in making the preliminary and interim announcements to the City. The Chairman is the key contact with the Company's family 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. None of the Directors, other than the Chairman, Chief Executive and Finance Director, have had such contact during the year, as all major shareholders have indicated that they are satisfied with current arrangements. The Senior Independent Director and the other independent 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 Annual General Meeting to communicate in particular with private investors and the format of the Annual General Meeting is designed with this in mind. Institutional investors are encouraged to attend the meeting, where all shareholders have the opportunity to meet the Board.

DIRECTORS' REMUNERATION REPORT

The principal purpose of this report for the 53 weeks ended 2 April 2005 is to inform shareholders of Fuller'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 Directors' Remuneration Report Regulations 2002 ("the Regulations"), the Listing Rules and the revised Combined Code on Corporate Governance ("the Code"). The information contained in and accompanying the tables on pages 23, 27 to 28 and 30, in the description of non-cash emoluments in section a) and in the options and the Long Term Incentive Plan ("LTIP") performance criteria outlined in sections c) and d), is subject to audit in accordance with the Regulations.

An ordinary resolution will be put to shareholders at the Annual General Meeting on 26 July 2005 inviting them to consider and approve this report.

REMUNERATION COMMITTEE

Membership of the Committee is restricted to independent, Non Executive Directors and it meets no less than twice a year. Its members are R R Spinney (Chairman), J S Espey and N R MacAndrew. Members of the Committee have no personal financial interest in the Company, other than as shareholders and Directors. The Committee had three formal meetings in the year under review and all Committee members were present at all meetings.

Details of the payments made to Non Executive Directors are set out on page 23.

The Committee appointed and is provided with independent advice from external consultants. Ernst & Young LLP (the Company's auditors and tax advisers) advised in connection with the Company's share option schemes, providing interpretation of the rules and practical guidance thereon. However, with effect from April 2005 BDO Stoy Hayward LLP took over that role. Other advisors are Inbucon Limited, who are advising the Company on the new Savings Related Share Option Scheme (details of which are set out in the Chairman's letter to shareholders of 24 June 2005) and Herbert Smith and Nabarro Nathanson who advise the Company on matters relating to the Executive Directors' contracts and pensions. None of these firms provide any other services to the Company.

The Chairman of the Company, A G F Fuller and Chief Executive, M J Turner, may be invited to attend meetings and advise, as appropriate, on the remuneration and performance of Executive Directors and other related matters, although no Director is present when his or her own position is being considered.

The Committee is advised internally by the Company Secretary, M L 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. In 2002 Hewitt, Bacon and Woodrow was appointed to review extensively all aspects of Directors' remuneration. A key feature of their recommendations was to increase the proportion of performance related remuneration to non performance related remuneration. Since that policy was adopted Executive Directors have received a substantial proportion of their remuneration linked to performance measures. This includes bonuses, LTIPs and share options.

In overall terms the non performance related elements of the Directors' packages remain the most significant. However, in terms of providing motivation to the Executive Directors to improve shareholder value, the Committee believes that the performance related elements are the most important.

Executive Directors' remuneration will be the subject of regular review in accordance with this policy in the current and following years. 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. There were no changes in policy during the financial year.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

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. Other non-cash benefits to Executive Directors include private healthcare, in some cases fully expensed company cars, product allowances and in two cases, children's educational assistance. Some of these benefits are also extended to other employees. The Directors may purchase and maintain cars at their own expense with a non-pensionable adjustment to salary.

b) Annual Performance Related 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.

Executives can 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 buying in of shares by the Company is one of the factors which has improved pre-tax pre-exceptional earnings per share and has had a positive impact on the level of bonus paid.

The target for the bonus, which is set in March each year, includes the cost of the bonus itself. The 2005 scheme for Executive Directors provided a bonus opportunity of a maximum of 50 per cent of base salary.

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	Fees £000	Consultancy £000	Benefits in kind £000	Bonus £000	Total 2005 £000	Total 2004 £000
A G F FULLER	–	22	43	36	–	101	98
M J TURNER	204	–	–	32	50	286	339
T J M TURNER	142	–	–	23	30	195	212
P A CLARKE	134	–	–	23	33	190	212
R J ROBERTS	150	–	–	13	39	202	220
S EMENY	183	–	–	2	35	220	224
J S ESPEY	–	29	–	1	–	30	26
R R SPINNEY	–	35	–	1	–	36	29
N R MACANDREW	–	33	–	1	–	34	29
TOTAL	813	119	43	132	187	1,294	1,389

c) Share Option Schemes and the Share Incentive Plan

The Company encourages Executive Directors, senior management and indeed all 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.

The Company has two Inland Revenue approved Executive Share Option Schemes (the "Approved Schemes"). No further grants can be made under the older scheme, which expired in 1998. The continuing scheme incorporates performance targets and restrictions and was approved by shareholders at an Extraordinary General Meeting in December 1998. Under the Approved Schemes, senior executives and other staff may be issued share options up to the Inland Revenue maximum value of £30,000 at any one time.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Options do not vest unless pre-exceptional earnings per share ("EPS") exceed the Retail Price Index ("RPI") by at least nine per cent over the three year vesting period. 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 per cent 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, EPS must exceed 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 per cent of the award will vest. If EPS exceed RPI by more than 21 per cent, 100 per cent 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.

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 EPS 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 EPS calculations provided by the Company.

The Company also operates a Savings Related Share Option Scheme (the "SAYE Scheme"), which is available to all parent Company employees. Under the SAYE Scheme, options are granted over the Company's £1 'A' ordinary shares at a discount of 20 per cent 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 at 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. This scheme expires this year and, as outlined in the Chairman's letter of 24 June 2005, it is proposed to replace it with a similar scheme.

All parent Company employees with not less than five months service in November in any year, are eligible to receive free £1 'A' ordinary shares in December of that year through an Inland Revenue Approved Share Incentive Plan (the "SIP"). The amount of shares awarded is based on length of service and base salary. The maximum value of the shares allowable under the SIP in any one year is £3,000. Performance conditions are not applied to the SIP. The SIP replaced the Company's Inland Revenue Approved Profit Sharing Scheme, under which many Company employees still hold shares.

Details of all options issued to Executive Directors and exercised by them during the year are given in the table on page 27 and details of all options issued to employees are on page 48.

d) Long Term Incentive Plan

Shareholders approved the LTIP in December 1998. The aim of the LTIP is to align the efforts of Directors and senior managers with the Company's objective of creating shareholder value and increasing EPS in the longer term. The performance conditions for the LTIP were chosen accordingly and the inclusion of an EPS based measure also ensures that awards only become exercisable against a background of a sustained real increase in the financial performance of the Company. Grants made before May 2003 are based on EPS, which relates to 50 per cent of the shares in an award; and Total Shareholder Return ("TSR"), which relates to the other 50 per cent of the shares in an award. Grants made after May 2003 are based on EPS only.

For awards based on EPS and TSR, the average growth in EPS is compared with the growth in inflation over the performance period. The performance period covers three financial years starting from the year of the grant. No EPS payouts are made if the EPS growth fails to exceed the RPI by more than six per cent over the period. If this is achieved 10 per cent of this award will vest. For the maximum of 50 per cent of the shares to be awarded, EPS would need to exceed the RPI by 50 per cent or more over the period. The TSR of a share in the Company is compared with the TSR of each share in a comparator group of companies over the performance period. No TSR payouts will be made if the Company's TSR is below that of the median company. If this is achieved, 25 per cent of this award will vest. For the maximum of 50 per cent of the shares to be awarded the Company's TSR would need to be in the upper quartile.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

For awards based on EPS only, the average growth in 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 EPS payouts are made if the EPS growth fails to exceed the RPI by at least six per cent over the period. For a 100 per cent award of shares to be made, EPS would need to exceed the RPI by 21 per cent or more over the period.

For both sets of performance conditions the assessment as to whether these have been met is relatively straightforward. The Remuneration Committee determines whether the EPS performance condition has been met using the EPS 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 EPS calculations provided by the Company. BDO Stoy Hayward LLP independently calculate the TSR position of the Company in relation to the comparator companies and refer this to the Committee.

Where TSR is measured, the Company's performance is compared against a number of other companies from the Brewing and Leisure sector. There is only one outstanding LTIP which has a TSR element and its comparator companies are as follows:

LTIP 5 Young & Co's Brewery, Hardy & Hansons, Greene King, Enterprise Inns, Scottish & Newcastle, Burtonwood Brewery, JD Wetherspoon, Yates Group, SFI Group, Belhaven Group and Wolverhampton & Dudley.

The performance period for this LTIP grant has now ended, and the Remuneration Committee has determined that a vesting of one half of the TSR element of the award will take place.

Under the LTIP, discretionary annual awards of 'A' and 'B' ordinary shares may be granted up to a value representing 70 per cent of a participant's salary in any one year. However, the amount vesting is on a scaled basis depending on the extent to which the performance criteria are met. If shares vest, participants may be invited to re-deposit up to half of their shares (or such lower amount determined by the Committee) for a further three year period. The Company will then make a matched share award up to the number of shares deposited. Both the deposited shares and the matched share award will be released to the participant in full after three years providing no shares have been sold and the participant is still employed by the Company. Details of the awards and the matched share awards made during the year to Directors are given in the table on page 28.

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

<i>Date</i>	<i>'A' ordinary shares £</i>	<i>'B' ordinary shares £</i>
17 December 1998	4.600	0.460
6 July 1999	5.525	0.553
20 June 2000	4.000	0.400
27 June 2001	5.225	0.523
24 June 2002	5.200	0.520
25 June 2003	5.300	0.530
5 July 2004	6.550	0.655

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' SHAREHOLDINGS

	Changes by 26 May 2005		2 April 2005		27 March 2004	
	Beneficial	Non beneficial	Beneficial	Non beneficial	Beneficial	Non beneficial
A G F FULLER						
'A' ordinary £1	-	-	26,359	100,000	26,359	100,000
'B' ordinary 10p	-	-	2,038,629	3,829,005	2,038,629	3,819,086
'C' ordinary £1	-	-	574,400	500,944	574,400	500,944
1st preference £1	-	-	9,679	4,839	9,679	4,839
2nd preference £1	-	-	94	-	94	-
M J TURNER						
'A' ordinary £1	-	-	121,636	111,904	118,726	111,904
'B' ordinary 10p	-	-	1,689,555	1,539,889	1,676,981	1,539,889
'C' ordinary £1	-	-	398,120	298,207	398,120	298,207
2nd preference £1	-	-	22,967	45,791	22,967	45,791
T J M TURNER						
'A' ordinary £1	-	-	89,881	111,904	88,431	111,904
'B' ordinary 10p	-	-	1,754,199	1,539,889	1,735,228	1,539,889
'C' ordinary £1	-	-	502,821	298,207	502,821	298,207
2nd preference £1	-	-	22,916	45,791	22,916	45,791
P A CLARKE						
'A' ordinary £1	(3,208)	-	9,843	-	8,741	-
'B' ordinary 10p	-	-	46,751	225,299	43,219	249,834
R J ROBERTS						
'A' ordinary £1	-	-	11,146	-	9,310	-
'B' ordinary 10p	-	-	35,549	-	28,345	-
S EMENY						
'A' ordinary £1	-	-	10,664	-	8,103	-
'B' ordinary 10p	-	-	53,683	-	42,854	-
J S ESPEY						
'A' ordinary £1	-	-	4,000	-	4,000	-
R R SPINNEY						
'A' ordinary £1	-	-	500	-	500	-
N R MACANDREW						
'A' ordinary £1	-	-	10,000	-	10,000	-

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' SHARE OPTIONS

At 27 March 2004	Exercised	Lapsed	Issued	At 2 April 2005	Exercise price £	Date from which exercisable	Expiry date	Type	Cost of options under Savings Related Share Option Schemes £	Price at exercise date £	Notional gain on exercise £
M J TURNER											
2,951	-	-	-	2,951	3.43	1/9/05	1/3/06	S	10,122	-	-
1,552	-	-	-	1,552	4.27	1/9/07	1/3/08	S	6,619	-	-
5,660	-	-	-	5,660	5.30	25/6/06	25/6/13	A	-	-	-
1,672	-	-	-	1,672	5.50	17/7/08	17/7/13	U	-	-	-
-	-	-	6,235	6,235	6.58	5/7/07	4/7/14	U	-	-	-
11,835	-	-	6,235	18,070							
T J M TURNER											
983	-	-	-	983	3.43	1/9/05	1/3/06	S	3,372	-	-
1,607	-	-	-	1,607	4.20	1/9/06	1/3/07	S	6,749	-	-
1,552	-	-	-	1,552	4.27	1/9/07	1/3/08	S	6,619	-	-
5,660	-	-	-	5,660	5.30	25/6/06	25/6/13	A	-	-	-
-	-	-	3,771	3,771	6.58	5/7/07	4/7/14	U	-	-	-
9,802	-	-	3,771	13,573							
P A CLARKE											
6,521	-	-	-	6,521	4.60	24/12/01	23/12/08	A	-	-	-
772	(772)	-	-	-	4.37	1/9/04	5/11/04	S	3,374	7.43	2,358
1,567	-	-	-	1,567	4.25	1/9/06	1/3/07	S	6,660	-	-
4,600	-	-	-	4,600	5.50	17/7/08	17/7/13	U	-	-	-
-	-	-	4,106	4,106	6.58	5/7/07	4/7/14	U	-	-	-
-	-	-	505	505	5.22	1/9/07	1/3/08	S	2,636	-	-
13,460	(772)	-	4,611	17,299							
R J ROBERTS											
5,692	(5,692)	-	-	-	5.27	11/7/99	9/7/04	A	-	6.70	8,140
2,248	-	-	-	2,248	4.25	1/9/08	1/3/09	S	9,554	-	-
4,872	-	-	-	4,872	5.50	17/7/08	17/7/13	U	-	-	-
-	-	-	4,349	4,349	6.58	5/7/07	4/7/14	U	-	-	-
-	-	-	1,252	1,252	5.22	1/9/07	1/3/08	S	6,535	-	-
12,812	(5,692)	-	5,601	12,721							
S EMENY											
3,739	-	-	-	3,739	3.43	1/9/05	1/3/06	S	12,825	-	-
5,769	-	-	-	5,769	5.20	25/6/05	24/6/12	A	-	-	-
899	-	-	-	899	4.25	1/9/08	1/3/09	S	3,821	-	-
5,654	-	-	-	5,654	5.50	17/7/08	17/7/13	U	-	-	-
-	-	-	4,897	4,897	6.58	5/7/07	4/7/14	U	-	-	-
16,061	-	-	4,897	20,958							
TOTAL	63,970	(6,464)	-	25,115	82,621						

KEY: A - Approved Executive Share Option Scheme

S - Savings Related Share Option Scheme

U - Unapproved Senior Executive Share Option Scheme

DIRECTORS' REMUNERATION REPORT (CONTINUED)

DIRECTORS' OPTIONS ANALYSED BY EXERCISE PRICE (£)

Exercise price (£)	At 27 March 2004	Exercised	Lapsed	Issued	At 2 April 2005
3.43	7,673	-	-	-	7,673
4.20	1,607	-	-	-	1,607
4.25	4,714	-	-	-	4,714
4.27	3,104	-	-	-	3,104
4.37	772	(772)	-	-	-
4.60	6,521	-	-	-	6,521
5.20	5,769	-	-	-	5,769
5.22	-	-	-	1,757	1,757
5.27	5,692	(5,692)	-	-	-
5.30	11,320	-	-	-	11,320
5.50	16,798	-	-	-	16,798
6.58	-	-	-	23,358	23,358
TOTAL	63,970	(6,464)	-	25,115	82,621

The market price of the shares at 2 April 2005 was £8.625 and the range during the year was from £6.20 to £8.775.

DIRECTORS' LONG TERM INCENTIVE PLAN ALLOCATION

	Total held at 27 March 2004	Granted during year	Original awards vested	Matching awards granted	Matching awards vested	Lapsed during year	Total held at 2 April 2005	Monetary value of vest* £000
M J TURNER								
'A' ordinary £1	29,986	10,015	(3,464)	1,732	(1,565)	(4,375)	32,329	36
'B' ordinary 10p	74,968	25,038	(8,662)	4,331	(3,912)	(10,936)	80,827	9
T J M TURNER								
'A' ordinary £1	17,064	6,058	(1,376)	688	(732)	(1,738)	19,964	15
'B' ordinary 10p	42,661	15,145	(3,441)	1,720	(1,831)	(4,344)	49,910	4
P A CLARKE								
'A' ordinary £1	16,954	6,595	(1,413)	706	-	(1,783)	21,059	9
'B' ordinary 10p	42,388	16,488	(3,532)	1,766	-	(4,460)	52,650	2
R J ROBERTS								
'A' ordinary £1	20,099	6,986	(1,945)	972	(936)	(2,456)	22,720	21
'B' ordinary 10p	50,253	17,465	(4,864)	2,432	(2,340)	(6,140)	56,806	5
S EMENY								
'A' ordinary £1	25,860	7,865	(3,205)	1,602	(1,126)	(4,046)	26,950	30
'B' ordinary 10p	64,656	19,664	(8,012)	4,006	(2,817)	(10,116)	67,381	8

*The market price on the date of original award vesting was £6.45 and on the date of matching award vesting was £8.65.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

e) Service Contracts

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

The Company's policy on liquidated damages is that each Executive Director is entitled to liquidated damages of two years' worth of salary and benefits (without any reduction for mitigation) in full and final settlement of all rights he may have under the service agreement in the event of a hostile takeover if, in the following six months, he gives notice to terminate his employment, his employment is terminated with or without notice or he is constructively dismissed as determined by an Employment Tribunal or Court.

Similar damages are payable in the event of a hostile or recommended takeover by or a recommended takeover of the Company, if he is removed from the Board of the Company within six months or if he is not appointed to the board of the holding company within two months or he is then removed within six months of the takeover and following a reconstruction or a business sale if he is constructively dismissed, dismissed without notice or ceases to be or is appointed to the holding company's board within six months. Although in certain circumstances these notice periods are not in compliance with the Code, the Remuneration Committee believes that Executive Directors, (a) should not enter into protracted negotiations (with cost implications) if their contract is terminated; and (b) should act in the best interests of shareholders if there is a takeover, and so provides a package sufficient to ensure that this happens.

SERVICE CONTRACT TABLE

	<i>Date of contract</i>	<i>Notice period</i>
M J TURNER	1 June 1997	12 months
T J M TURNER	1 June 1997	12 months
P A CLARKE	1 June 1997	12 months
R J ROBERTS	1 June 1997	12 months
S EMENY	13 January 1999	12 months

NON EXECUTIVE DIRECTORS' ARRANGEMENTS

	<i>Term expires</i>
A G F FULLER	July 2007
R R SPINNEY	March 2006
J S ESPEY	July 2007
N R MACANDREW	September 2006

f) Pensions

The Executive Directors of the Company who served during the year, with the exception of R J Roberts and S Emeny, are members of the non-contributory defined benefit Directors' Pension Plan.

P A Clarke is affected by the Inland Revenue earnings cap on approved pension benefits but has been 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.

S Emeny and R J Roberts are members of the defined benefit main Company Pension Plan on a non-contributory basis. In addition, they receive a contractual salary supplement representing 17.5 per cent of the excess of their base salary over the earnings cap.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

In accordance with the requirements of the Listing Rules, Directors' pension entitlements under defined benefit plans are shown below. The Regulations 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.

LISTING RULES REQUIREMENT

This 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.

	Increase in accrued pension (excluding inflation) ¹ £	Total accrued pension at end of period ² £	Transfer value of increase (net of member contributions) ³ £
M J TURNER	5,416	114,643	59,396
T J M TURNER	2,620	77,359	28,764
P A CLARKE	6,849	71,042	116,391
R J ROBERTS	1,698	3,683	14,591
S EMENY	1,698	3,683	10,096

¹ Increase in accrued pension (excluding inflation) ~ this is the accrued pension at the year end less the accrued pension at the start of the year adjusted for inflation over the year.

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

³ Transfer value of increase net of member contributions ~ this is the transfer value of the accrued pension at the end of the year less the transfer value of the accrued pension at the start of the year adjusted for inflation calculated by reference to transfer value factors at the year end. The transfer values are calculated using the basis in force at the end of the year. Therefore there is no distortion caused by changes in monetary conditions or changes to the transfer basis.

DIRECTORS' REMUNERATION REPORT REGULATIONS

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

	Increase in accrued pension ¹ £	Total accrued pension at end of period ² £	Transfer value at start of period ³ £	Transfer value at end of period ⁴ £	Transfer value equivalent of increase (net of member contributions) ⁵ £
M J TURNER	8,700	114,643	1,259,479	1,473,480	214,001
T J M TURNER	4,867	77,359	937,198	1,081,864	144,666
P A CLARKE	8,779	71,042	1,059,006	1,310,793	251,787
R J ROBERTS	1,758	3,683	15,800	31,876	16,076
S EMENY	1,758	3,683	10,928	22,040	11,112

¹ Increase in accrued pension ~ this is the accrued pension at the year end less the accrued pension at the start of the year (as disclosed last year), without adjustment for inflation.

² Total accrued pension at end of year ~ this is the same figure as the Listing Rules requirement.

³ Transfer value at start of year ~ this is the transfer value of the accrued pension at the start of the year (as disclosed last year).

⁴ Transfer value of end of year ~ this is the transfer value of the accrued pension at the end of the year.

⁵ Transfer value equivalent of increase (net of member contributions) ~ this is the difference between the two transfer values less any member contributions in the year. Unlike the Listing Rules requirement, this shows the difference between the transfer value as published last year and the transfer value 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 Executives

The remuneration of Non Executives is determined by the Executive Board Committee and consists of fees for their services in connection with the Board as shown on page 23. The Chairman also receives a consultancy fee for additional services and advice provided to the Company.

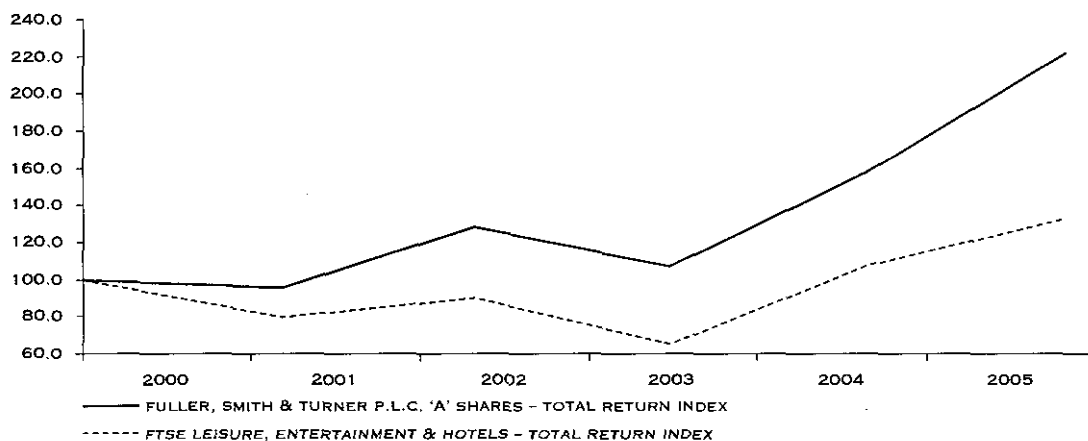
The Non Executives do not have service contracts, are not members of the Company's pension plans (apart from the Chairman who is in receipt of a Company pension) and do not participate in any bonus, share option or other profit or long term incentive scheme. Non Executive Directors' appointments are reviewed at between one to three year intervals and are renewable as shown above.

Non Executive Directors receive non-cash benefits in the form of product allowances and the reimbursement of travel and other business related expenses. The Chairman also benefits from private healthcare, the Company car scheme and accommodation.

h) Performance Graph

The graph below shows a comparison of the TSR for the Company's listed 'A' ordinary shares for the last five financial years against the TSR for the companies comprised in the Leisure, Entertainment & Hotels Index. The Company is a constituent of this Index and therefore it is an appropriate choice for this report.

TOTAL SHAREHOLDER RETURN



SOURCE: DATASTREAM

On behalf of the Board

R R Spinney

Chairman, Remuneration Committee

24 June 2005

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FULLER SMITH & TURNER P.L.C.

We have audited the Group's financial statements for the year ended 2 April 2005 which comprise the Group Profit and Loss Account, Group Balance Sheet, Parent Company Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Group Historical Cost Profits and Losses, Accounting Policies and the related notes 1 to 27. These financial statements have been prepared on the basis of 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, including the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards as set out in the Statement of Directors' Responsibilities in relation to the financial statements. The Directors are also responsible for preparing the Directors' Remuneration Report.

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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 audited part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 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. This other information comprises Chairman's Statement, Chief Executive's Review of Operations, Directors' Report, Corporate Governance Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 audited part of the Directors' Remuneration Report 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.

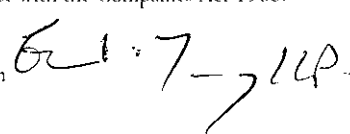
OPINION

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 2 April 2005 and of the profit of the Group for the year then ended; and
- 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.

Ernst & Young LLP
Registered Auditor, London

24 June 2005



ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain land and buildings. They are also prepared in accordance with applicable accounting standards. FRS 17 has been implemented in accordance with the transitional arrangements of the standard.

CHANGE IN ACCOUNTING POLICY

During the year the Company adopted UITF Abstract 37 "Purchases and sales of own shares" and UITF Abstract 38, "Accounting for ESOP trusts", together with the consequent amendments to UITF Abstract 17 "Employee Share Schemes". As a result, the investment in own shares, previously held in fixed assets, is now shown as a deduction from shareholders' funds. Charges to the profit and loss account for share based schemes are added back to reserves and hence do not affect net assets until such time as the shares are purchased. The new accounting policy has not had a material impact on the current year profit and loss charge, nor has it been necessary to adjust prior period charges. The combined effect of this change in accounting policy has been to increase net assets as at 27 March 2004 by £7,000. This comprised a reduction in fixed asset investments of £244,000 offset by a net reduction in creditors of £251,000. The total investment in own shares of £1,222,000 was reclassified as a deduction from shareholders' funds and offset by an adjustment to the profit and loss account reserve of £1,229,000.

CONSOLIDATION

The financial statements represent the operations of the Group for the 53 week (2004: 52 week) period. The Group financial statements comprise the consolidated results of Fuller Smith & Turner P.L.C. and its subsidiary undertakings (all of which are companies).

TANGIBLE FIXED ASSETS

The Company's accounting policy for freehold and long-leasehold land and buildings is as follows:

- freehold properties have not been revalued since 27 March 1999. The gross value of all previously revalued assets still held at 2 April 2005 has been carried forward from earlier periods, in accordance with the transitional arrangements under FRS 15; and
- freehold and long leasehold buildings are depreciated down to their estimated residual value over their estimated useful economic lives. Land is not depreciated.

Brewery buildings and all other fixed assets are shown at cost net of depreciation.

Depreciation at 2% p.a. on a straight line basis is provided on all freehold and long leasehold buildings. Short leasehold property is amortised within the term of the lease if less than 50 years. All other tangible fixed assets are depreciated evenly at rates varying between 4% and 33 1/3% p.a. based on their expected useful lives.

Under FRS 11, "Impairment of fixed assets", asset values are reviewed for impairment if events indicate that the carrying value of the fixed asset may not be recoverable.

STOCKS

Stocks are valued at the lower of cost and net realisable value. The cost of own beer consists of materials with the addition of relevant overhead expenses.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and

ACCOUNTING POLICIES (CONTINUED)

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, 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 dealt with in the determination of profit for the financial year.

PENSION BENEFITS

The Group operates defined benefit pension plans for eligible employees administered by Trustees. Contributions to these schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The schemes are subject to periodic valuation by a qualified actuary. Variations identified as a result of the valuations are amortised over the average expected remaining working lives of the employees in proportion to their expected payroll costs.

OPERATING LEASES

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

DERIVATIVES

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable receivable or commitment. It must involve the same currency as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction itself has been reflected in the Group's accounts.

EMPLOYEE SHARE INCENTIVE PLAN

The Group has an employee Share Incentive Plan which awards shares to employees based on the reported profits of the Group for the year. Shares to be awarded and those which 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 shareholders' funds in the Company and Group balance sheets. The charge to the profit and loss account is based on the intrinsic value of the award, that is the market price on the date of the award.

LONG TERM INCENTIVE PLAN

The Group has a Long Term Incentive Plan which awards shares to directors and senior executives subject to specific performance criteria. Shares to be awarded are held at cost by an employee share ownership trust and shown as a deduction from shareholders' funds in the Company and Group balance sheets. The charge to the profit and loss account is based on the intrinsic value of the award, that is the market price on the date of the award. The values are expensed over the vesting period, based on the Group's estimate of shares that will eventually vest taking into account expected leavers and performance criteria.

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 shareholders' funds in the Company and Group balance sheets.

GROUP PROFIT AND LOSS ACCOUNT
FOR THE 53 WEEKS ENDED 2 APRIL 2005

	Note	53 weeks to 2 April 2005 £000	52 weeks to 27 March 2004 £000
TURNOVER	1	147,483	140,322
Operating costs	2	(127,806)	(121,524)
OPERATING PROFIT		19,677	18,798
Non-operating exceptional profits	4	232	2,369
Interest payable (net)	5	(1,863)	(1,940)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,046	19,227
Taxation	6	(5,788)	(5,408)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		12,258	13,819
Preference dividends		(120)	(120)
ATTRIBUTABLE TO EQUITY SHAREHOLDERS		12,138	13,699
Ordinary dividends	7	(4,142)	(3,904)
RETAINED PROFIT FOR THE FINANCIAL YEAR		7,996	9,795

EARNINGS PER SHARE			
PER £1 'A' ORDINARY SHARE OR UNQUOTED £1 'C' ORDINARY SHARE			
		Pence	Pence
Basic	8	54.16	60.63
Diluted	8	53.68	60.35
Normalised basis	8	53.13	49.84

EARNINGS PER SHARE			
PER UNQUOTED 10P 'B' ORDINARY SHARE			
		Pence	Pence
Basic	8	5.42	6.06
Diluted	8	5.37	6.04
Normalised basis	8	5.31	4.98

The results above are all in respect of continuing operations of the Group.

BALANCE SHEETS
2 APRIL 2005

	Note	Group 2005 £000	Restated Group 2004 £000	Company 2005 £000	Restated Company 2004 £000
TANGIBLE FIXED ASSETS	9	203,285	196,511	203,285	196,511
FIXED ASSET INVESTMENTS	10	-	-	177	177
		203,285	196,511	203,462	196,688
CURRENT ASSETS					
Stocks	11	4,426	4,269	4,426	4,269
Debtors	12	15,260	11,462	15,260	11,462
Investments	13	-	6,064	-	6,064
Cash, at bank and in hand	25	4,610	3,909	4,610	3,909
		24,296	25,704	24,296	25,704
CREDITORS: amounts falling due within one year	14	28,722	30,713	28,871	30,861
NET CURRENT LIABILITIES		(4,426)	(5,009)	(4,575)	(5,157)
TOTAL ASSETS LESS CURRENT LIABILITIES		198,859	191,502	198,887	191,531
CREDITORS: amounts falling due after more than one year					
Debenture stock	15	27,006	26,995	27,006	26,995
PROVISIONS FOR LIABILITIES AND CHARGES	16	5,527	4,734	5,527	4,734
		166,326	159,773	166,354	159,802

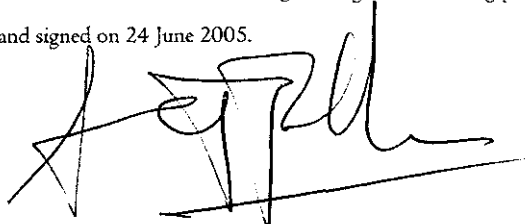
CAPITAL AND RESERVES

Called up share capital:	17				
Equity		22,831	22,748	22,831	22,748
Non equity		1,600	1,600	1,600	1,600
Share premium account	19	4,150	3,820	4,150	3,820
Revaluation reserve	19	28,937	28,993	28,937	28,993
Capital redemption reserve	19	2,902	2,902	2,902	2,902
Own shares	19	(3,530)	(1,222)	(3,530)	(1,222)
Profit and loss account	19	109,436	100,932	109,464	100,961
TOTAL SHAREHOLDERS' FUNDS	20	166,326	159,773	166,354	159,802

The balance sheets for 2004 have been restated following a change in accounting policy, as set out on page 33.

Approved by the Board and signed on 24 June 2005.

A G F Fuller, CBE
Chairman



GROUP CASH FLOW STATEMENT
FOR THE 53 WEEKS ENDED 2 APRIL 2005

	Note	53 weeks to 2 April 2005 £000	Restated 52 weeks to 27 March 2004 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	26,004	29,564
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Preference dividends paid		(120)	(120)
Interest received		336	233
Interest paid		(2,188)	(2,164)
		(1,972)	(2,051)
TAXATION			
Corporation tax paid		(5,413)	(4,953)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(18,503)	(17,235)
Receipts from sales of tangible fixed assets		674	5,866
		(17,829)	(11,369)
EQUITY DIVIDENDS PAID		(3,956)	(3,736)
TOTAL NET CASH (OUTFLOW)/INFLOW BEFORE THE USE OF LIQUID RESOURCES AND FINANCING		(3,166)	7,455
MANAGEMENT OF LIQUID RESOURCES[†]		6,064	(5,429)
FINANCING			
Issue of equity shares		413	625
Repurchase of equity shares		(2,751)	(3,145)
Sale of treasury shares		141	–
		(2,197)	(2,520)
MOVEMENT IN CASH IN THE YEAR	25	701	(494)

[†] Management of liquid resources is the movement in current asset investments, namely cash on short term deposit at financial institutions.

The cash flow statement for the year end 27 March 2004 has been restated following a change in accounting policy, as set out on page 33.

**OTHER PRIMARY STATEMENTS
FOR THE 53 WEEKS ENDED 2 APRIL 2005**

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no gains or losses in the current or prior year other than those reported in the profit and loss account on page 35.

GROUP HISTORICAL COST PROFITS AND LOSSES

	<i>53 weeks to 2 April 2005 £000</i>	<i>52 weeks to 27 March 2004 £000</i>
Reported profit on ordinary activities before taxation	18,046	19,227
Realisation of property revaluation movements of previous years	56	(690)
Historical cost profit on ordinary activities before taxation	18,102	18,537
Historical cost profit for the year retained after taxation	8,052	9,105

NOTES TO THE FINANCIAL STATEMENTS

1. TURNOVER	2005 £000	2004 £000
Turnover – continuing operations	147,483	140,322

Turnover is the total of external sales, rent and royalties receivable, exclusive of Value Added Tax and includes exports of £1,419,000 (2004: £1,273,000).

2. OPERATING COSTS	2005 £000	2004 £000
Raw materials and beer duty	19,553	18,542
Change in stocks of finished goods and beer in progress	28	530
Staff costs	35,099	33,658
Repairs to properties	5,351	4,540
Depreciation of owned assets	8,556	8,886
Operating lease rentals – plant and machinery	613	759
– land and buildings	4,966	4,775
Auditors' remuneration	169	166
Other income	(166)	(40)
Other operating charges including purchases of finished goods	53,637	49,708
	127,806	121,524

A) AUDITORS' REMUNERATION	2005 £000	2004 £000
Audit services – statutory audit	85	81
– audit related regulatory reporting	1	1
Further assurance services	8	8
Tax services – compliance	64	58
– advisory	38	19
	196	167
Less: relating to disposal of properties and charged to exceptional non-operating profits	–	(1)
Less: deferred costs (included within prepayments)	(27)	–
	169	166

B) STAFF COSTS*	2005 £000	2004 £000
Wages and salaries	31,459	30,195
Social security	2,645	2,493
Pension benefits	1,514	1,470
	35,618	34,158
Less recharged to repairs	(519)	(500)
	35,099	33,658

* Includes Executive Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. OPERATING COSTS (CONTINUED)

C) AVERAGE NUMBER OF EMPLOYEES*	2005 Number	2004 Number
The average number of persons employed by the Group (including part-time staff) was as follows:		
Fuller's Inns	1,810	1,817
Beer Company	239	246
Central Services	43	42
	2,092	2,105

* Includes Executive Directors.

D) DIRECTORS' EMOLUMENTS	2005 £000	2004 £000
Aggregate emoluments	1,294	1,389
Gains on share options exercised	10	4
Gains on long term incentive plan awards	139	37

E) HIGHEST PAID DIRECTOR	2005 £000	2004 £000
Aggregate emoluments	286	339
Gains on share options exercised	-	-
Gains on long term incentive plan awards	45	9
Defined benefit scheme, accrued pension at end of year	115	106

Further details are provided in the Directors' Remuneration Report and notes on pages 22 to 31.

3. SEGMENTAL ANALYSIS

The Group's business segments are Fuller's Inns, which comprises managed pubs and hotels and tenanted pubs, and the Beer Company, which comprises brewing and distribution of beer, wines and spirits.

Full details are given in the Chief Executive's Review of Operations on pages 6 to 13.

	Fuller's Inns 2005 £000	Fuller's Inns 2004 £000	Beer Company 2005 £000	Beer Company 2004 £000	Total 2005 £000	Total 2004 £000
TOTAL SALES	101,426	97,047	68,863	65,462	170,289	162,509
Inter-segment sales	-	-	(22,806)	(22,187)	(22,806)	(22,187)
Sales to third parties	101,426	97,047	46,057	43,275	147,483	140,322
SEGMENTAL PROFIT	15,877	15,300	8,194	7,773	24,071	23,073
Net central costs					(4,394)	(4,275)
Operating profit					19,677	18,798
Non-operating exceptional profits					232	2,369
Interest payable (net)					(1,863)	(1,940)
Profit on ordinary activities before taxation					18,046	19,227
ASSETS EMPLOYED						
Segmental assets	174,894	167,029	21,996	19,212	196,890	186,241
Unallocated net liabilities*					(30,564)	(26,468)
Total net assets					166,326	159,773

* Unallocated net liabilities represent the net of dividends, debentures, corporation tax, cash at bank and assets held under central management.

Assets employed as at 27 March 2004 have been restated following a change in accounting policy, as set out on page 33.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. NON-OPERATING EXCEPTIONAL ITEMS	2005 £000	2004 £000
Net profit on disposal of properties	232	2,369

Non-operating exceptional items generated net cash proceeds of £529,000 (2004: £5,726,000). This includes £428,000 (2004: £nil) in respect of insurance claims. A further £1,575,000 was received after the year end (included within other debtors at the year end).

5. NET INTEREST PAYABLE	2005 £000	2004 £000
Bank loans and overdrafts	-	2
Other interest payable	2,199	2,171
	2,199	2,173
Interest receivable on short term deposits and investments	(336)	(233)
	1,863	1,940

6. TAXATION

Corporation tax and deferred tax has been provided as follows:

	2005 £000	2004 £000
TAX ON NORMALISED PROFITS		
Current tax:		
UK corporation tax	4,922	4,955
Tax under-provided in prior years	5	63
	4,927	5,018
Deferred tax charge:		
Origination and reversal of timing differences	914	617
Tax over-provided in prior years	(53)	(159)
	861	458
Total tax on normalised profits	5,788	5,476
TAX ON EXCEPTIONAL PROFITS		
Current tax charge	68	78
Deferred tax credit	(68)	(146)
	-	(68)
Total current tax	4,995	5,096
Total deferred tax	793	312
TOTAL TAX CHARGE	5,788	5,408
Effective tax rate	32.1%	28.1%
Effective rate on normalised profits	32.5%	32.5%

Normalised profits are profits after interest before exceptional non-operating profits.

The deferred tax provision has not been discounted to its present value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. TAXATION (CONTINUED)

FACTORS AFFECTING THE CURRENT TAX CHARGE

The tax assessed on the profit on ordinary activities for the year is not the same as the standard rate of corporation tax in the UK of 30% (2004: 30%).

The differences are reconciled below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	18,046	19,227
Tax at current UK corporation tax rate of 30% (2004: 30%)	5,414	5,768
Items not deductible for tax purposes – profits on disposal of properties	(70)	(779)
– other	491	477
Capital allowances in excess of depreciation	(651)	(343)
Other timing differences	(194)	(90)
Tax under-provided in previous years	5	63
	4,995	5,096

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Based on current capital expenditure plans, the Group expects to be able to continue to claim capital allowances in excess of depreciation in future years.

No provision has been made for deferred tax on gains recognised revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is estimated at £7.3 million (2004: £8.1 million). At present, it is not envisaged that any such tax will become payable in the foreseeable future.

The Company has capital losses of £1.8 million (2004: £1.5 million) which are available indefinitely for offset against future capital gains. Deferred tax assets have not been recognised in respect of these losses because at present it is unclear whether suitable gains will arise in the foreseeable future to utilise these losses.

7. ORDINARY DIVIDENDS	2005 Pence	2004 Pence	2005 £000	2004 £000
Interim – paid	5.36	5.10	1,202	1,149
Final – proposed	13.10	12.21	2,940	2,755
	18.46	17.31	4,142	3,904

The pence figures above are for the £1 'A' ordinary shares and unquoted £1 'C' ordinary shares. The unquoted 10p 'B' shares carry dividend rights of 1/10 of those applicable to the £1 '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 shares held as treasury shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. EARNINGS PER SHARE	2005 £000	2004 £000
Profit attributable to equity shareholders	12,138	13,699
Non-operating exceptional items net of tax	(232)	(2,437)
Normalised earnings attributable to equity shareholders	11,906	11,262

	Number	Number
Weighted average share capital	22,411,000	22,595,000
Dilutive outstanding options	202,000	106,000
Adjusted weighted average share capital	22,613,000	22,701,000

EARNINGS PER SHARE PER £1 'A' ORDINARY SHARE OR UNQUOTED £1 'C' ORDINARY SHARE	Pence	Pence
Basic	54.16	60.63
Diluted	53.68	60.35
Normalised basis	53.13	49.84

EARNINGS PER SHARE PER UNQUOTED 10P 'B' ORDINARY SHARE	Pence	Pence
Basic	5.42	6.06
Diluted	5.37	6.04
Normalised basis	5.31	4.98

The calculation is based on earnings (after deducting preference dividends) and on the weighted average ordinary share capital. Normalised earnings exclude all post tax exceptional non-operating profits. A normalised basis earnings per share is given to show the underlying performance of the Company. The movement in the exceptional items can often distort the basic number.

9. TANGIBLE FIXED ASSETS	Freehold & leasehold properties £000	Plant machinery & vehicles £000	Containers fixtures & fittings £000	Total £000
GROUP & COMPANY				
Cost or valuation at 28 March 2004	163,186	20,913	71,219	255,318
Additions	9,736	1,075	6,652	17,463
Disposals	(2,623)	(844)	(19,137)	(22,604)
COST OR VALUATION AT 2 APRIL 2005	170,299	21,144	58,734	250,177
Depreciation at 28 March 2004	8,906	11,245	38,656	58,807
Charge for the year	1,318	1,412	5,826	8,556
Relating to disposals	(1,289)	(811)	(18,371)	(20,471)
DEPRECIATION AT 2 APRIL 2005	8,935	11,846	26,111	46,892
NET BOOK VALUE AT 2 APRIL 2005	161,364	9,298	32,623	203,285
Net book value at 27 March 2004	154,280	9,668	32,563	196,511

Accumulated depreciation at 28 March 2004 includes impairment charges in prior years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (CONTINUED)

Until March 1999 freehold licensed properties were valued on an open-market value for existing use basis in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. A sample of these properties was revalued as at 27 March 1999 by Gardham, Bowerman and Boccock, Chartered Surveyors. The results of the sample valuations were applied by the Directors, where appropriate to freehold licensed premises. Net surpluses arising on revaluation were taken to the revaluation reserve.

Valuations of fixed assets at March 1999 have been carried forward without amendment apart from additions at cost, disposals or reductions in value under FRS 11, "Impairment of fixed assets". The current basis of valuation of fixed assets is as described in the Accounting Policies on page 33.

In accordance with FRS 11, any potential write downs in valuation of fixed assets and exceptional operating charges have been calculated using forecast cash flows for the properties in question. The discount rate applied of 7% is based upon the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the relevant unit.

GROUP & COMPANY	2005 £000	2004 £000
Land and buildings at cost or valuation comprise:		
Properties last revalued in 1999 (date from which valuations frozen)	101,340	98,935
Properties last revalued in 1990	2,752	2,824
Properties stated at cost (or earliest ascribed value)	66,207	61,427
	170,299	163,186

Items included above at open market value have an historic cost of £55,118,000 (2004: £52,869,000), therefore the total historic cost of freehold and leasehold properties is £121,325,000 (2004: £114,296,000). The depreciation charge for the year would have been reduced by £79,000 (2004: £76,000) if it had been on historic cost.

	Gross 2005 £000	Net 2005 £000	Gross 2004 £000	Net 2004 £000
Leaseholds included under properties are as follows:				
Long leaseholds	6,071	5,576	6,058	5,601
Short leaseholds with less than 50 years unexpired	13,981	8,633	15,923	10,061
	20,052	14,209	21,981	15,662

10. FIXED ASSET INVESTMENTS

COMPANY - INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Cost at 28 March 2004 and 2 April 2005	354
Provision at 28 March 2004 and 2 April 2005	(177)
NET BOOK VALUE AT 28 MARCH 2004 AND 2 APRIL 2005	177

Principal subsidiary undertaking	Holding	Proportion held	Nature of business
Griffin Catering Services Limited	Ordinary	100% (indirect)	Managed houses service company

The above company is registered and operates in England and Wales.

The Company has a number of other non-trading, wholly owned subsidiaries which are not disclosed here as they do not affect the Group's results or assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
11. STOCKS				
Raw materials, beer in progress	781	654	781	654
Beer, wines and spirits	2,568	2,524	2,568	2,524
Stock at retail outlets	1,077	1,091	1,077	1,091
	4,426	4,269	4,426	4,269

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

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
12. DEBTORS				
Trade debtors	9,384	8,451	9,384	8,451
Other debtors	2,395	604	2,395	604
Prepayments and accrued income	3,481	2,407	3,481	2,407
	15,260	11,462	15,260	11,462

Amounts falling due after more than one year included in other debtors above are:

Loans to customers	330	387	330	387
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Included within prepayments and accrued income for the Company and Group is £1,259,000 (2004: £470,000) in respect of pension contribution payments made in advance of their recognition in the profit and loss account.

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
13. CURRENT ASSET INVESTMENTS				
Deposits at financial institutions	-	6,064	-	6,064

	Group 2005 £000	Restated Group 2004 £000	Company 2005 £000	Restated Company 2004 £000
14. CREDITORS FALLING DUE WITHIN ONE YEAR				
Trade creditors	10,571	10,705	10,571	10,705
Amounts due to subsidiary undertakings	-	-	149	148
Corporation tax	2,306	2,724	2,306	2,724
Other tax and social security	5,534	5,330	5,534	5,330
Other creditors	2,580	3,667	2,580	3,667
Accruals	4,791	5,533	4,791	5,533
Outstanding dividend	2,940	2,754	2,940	2,754
	28,722	30,713	28,871	30,861

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
15. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR				
Debenture stock:				
11.50% 1st Mortgage Debenture Stock 2010	1,250	1,250	1,250	1,250
10.70% 1st Mortgage Debenture Stock 2023	6,000	6,000	6,000	6,000
6.875% Debenture Stock 2028 (1st floating charge)	19,871	19,865	19,871	19,865
Less issue costs	(115)	(120)	(115)	(120)
	27,006	26,995	27,006	26,995

Analysis of repayments:

Debenture stock repayable after five years	27,006	26,995	27,006	26,995
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The debenture stocks are secured on specified fixed and floating assets of the Company.

	March 2004 £000	Utilised £000	Charged in accounts £000	April 2005 £000
16. PROVISIONS FOR LIABILITIES AND CHARGES				

GROUP & COMPANY

Deferred taxation	4,734	—	793	5,527
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ANALYSIS OF DEFERRED TAXATION

GROUP & COMPANY

Accelerated capital allowances			5,628	5,013
Other timing differences			(101)	(279)
			5,527	4,734

17. SHARE CAPITAL	First 6% cumulative preference share of £1 each	Second 8% cumulative preference share of £1 each	'A' & 'C' ordinary shares of £1 each	'B' ordinary share of 10p each	Total
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AUTHORISED SHARE CAPITAL:

NUMBER AUTHORISED	Number 000s	Number 000s	Number 000s	Number 000s	Number 000s
AT 2004 AND 2005	400	1,200	25,000	50,000	76,600
MONETARY AMOUNT	£000	£000	£000	£000	£000
AT 2004 AND 2005	400	1,200	25,000	5,000	31,600

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. SHARE CAPITAL	<i>First 6% cumulative preference share of £1 each</i>	<i>Second 8% cumulative preference share of £1 each</i>	<i>'A' & 'C' ordinary shares of £1 each</i>	<i>'B' ordinary share of 10p each</i>	<i>Total</i>
ISSUED AND FULLY PAID:					
NUMBER IN ISSUE	<i>Number 000s</i>	<i>Number 000s</i>	<i>Number 000s</i>	<i>Number 000s</i>	<i>Number 000s</i>
At 2004	400	1,200	19,001	37,469	58,070
Share options exercised	—	—	83	—	83
AT 2005	400	1,200	19,084	37,469	58,153
MONETARY AMOUNT	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 2004	400	1,200	19,001	3,747	24,348
Share options exercised	—	—	83	—	83
AT 2005	400	1,200	19,084	3,747	24,431

During the year under the terms of the Savings Related Share Option Scheme, 7,976 £1 'A' ordinary shares were issued at an average price of £4.27 and under the terms of the Executive Share Option Schemes, 75,171 £1 'A' ordinary shares were issued at an average price of £5.05. The shares issued under these option schemes resulted in a cash inflow of £413,000 (2004: £625,000), of which £330,000 (2004: £470,000) is represented by a movement in the share premium account.

EQUITY SHARE CAPITAL	<i>2005 £000</i>	<i>2004 £000</i>
'A' ordinary shares of £1 each	13,079	12,995
'B' ordinary shares of 10p each	3,747	3,747
'C' ordinary shares of £1 each	6,005	6,006
	22,831	22,748
NON-EQUITY SHARE CAPITAL	<i>2005 £000</i>	<i>2004 £000</i>
First 6% cumulative preference shares of £1 each	400	400
Second 8% cumulative preference shares of £1 each	1,200	1,200
	1,600	1,600

The first 6% cumulative preference shares of £1 each are entitled to first payment of: a fixed cumulative dividend; and on winding up a return on 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.

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' ordinary shares have 1/10 of the nominal value of 'A' and 'C' ordinary shares). All classes of ordinary shares carry one vote each.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. SHARE OPTIONS

Share options have been granted to employees under 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 as follows:

<i>Exercisable in/between</i>	<i>Number of A' ordinary shares under option</i>	<i>Exercise price £</i>
2005 and 2008	15,700	4.60
2005 and 2010	6,250	4.00
2005 and 2011	21,972	5.23
2005 and 2012	26,920	5.20
2006 and 2013	92,725	5.30
2007 and 2014	17,359	6.55
2008 and 2013*	16,798	5.50
2007 and 2014*	23,358	6.58
	221,082	

* *Unapproved schemes.*

Share options have been granted to employees under the Savings Related Share Option Scheme.

Outstanding options are as follows:

<i>Exercisable at</i>	<i>Number of A' ordinary shares under option</i>	<i>Exercise price £</i>
September 2005	50,948	3.43
September 2005	29,226	4.27
September 2006	35,578	4.20
September 2006	51,847	4.25
September 2007	42,973	4.27
September 2007	36,350	5.22
September 2008	33,927	4.25
September 2009	46,080	5.22
	326,929	

The market value of the shares at 2 April 2005 was £8.625.

Options under the Savings Related Share Option Scheme are granted at a discount of 20% to the prevailing market price. The Company has taken advantage of the exemption for such schemes in UITF Abstract 17 and not recorded any charge in respect of such grants.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. RESERVES AND OWN SHARES	Share premium account £000	Revaluation reserve £000	Capital redemption reserve £000	Own shares £000	Profit and loss account £000
GROUP					
At 28 March 2004 (as previously reported)	3,820	28,993	2,902	–	99,703
Change in accounting policy	–	–	–	(1,222)	1,229
At 28 March 2004 (restated)	3,820	28,993	2,902	(1,222)	100,932
Premium on shares issued in the year	330	–	–	–	–
Shares purchased including treasury shares	–	–	–	(2,751)	–
Shares released including treasury shares	–	–	–	443	(302)
Amount realised on property disposals	–	(56)	–	–	56
Accrued share-based payments	–	–	–	–	754
Retained profit for the year	–	–	–	–	7,996
AT 2 APRIL 2005	4,150	28,937	2,902	(3,530)	109,436
COMPANY					
At 28 March 2004 (as previously reported)	3,820	28,993	2,902	–	99,732
Change in accounting policy	–	–	–	(1,222)	1,229
At 28 March 2004 (restated)	3,820	28,993	2,902	(1,222)	100,961
Premium on shares issued in the year	330	–	–	–	–
Shares purchased including treasury shares	–	–	–	(2,751)	–
Shares released including treasury shares	–	–	–	443	(302)
Amount realised on property disposals	–	(56)	–	–	56
Accrued share-based payments	–	–	–	–	754
Retained profit for the year	–	–	–	–	7,995
AT 2 APRIL 2005	4,150	28,937	2,902	(3,530)	109,464

OWN SHARES

Own shares relates to shares held by independently managed employee share ownership trusts ("ESOT"s) together with the Company's holding of treasury shares. Shares are purchased by the ESOT's 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 option schemes. The shares held by the LTIP ESOT were previously shown in investments. The shares held by the SIP ESOT were previously not shown in the balance sheet (as they have been allocated to recipients). Treasury shares and the ESOT shares are now shown as a deduction from shareholders' funds in accordance with UITF 37 and 38. 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 allocated SIP shares, are excluded from earnings and net assets per share calculations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. RESERVES AND OWN SHARES (CONTINUED)

NUMBER	Treasury shares	LTIP ESOT		SIP ESOT	Total	
	'A' ordinary £1 shares	'A' ordinary £1 shares	'B' ordinary 10p shares	'A' ordinary £1 shares	'A' ordinary £1 shares	'B' ordinary 10p shares
At 28 March 2004	–	155,946	329,829	55,937	211,883	329,829
Shares purchased	330,000	–	102,972	47,365	377,365	102,972
Shares released	(34,255)	(23,984)	(59,970)	(9,193)	(67,432)	(59,970)
AT 2 APRIL 2005	295,745	131,962	372,831	94,109	521,816	372,831
MONETARY AMOUNT	£000	£000	£000	£000	£000	£000
At 28 March 2004	–	723	165	334	1,057	165
Shares purchased	2,330	–	74	347	2,677	74
Shares released	(234)	(119)	(29)	(61)	(414)	(29)
AT 2 APRIL 2005	2,096	604	210	620	3,320	210
Market value at 2 April 2005	2,551	1,138	322	812	4,501	322

	2005 £000	Restated 2004 £000
20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Shareholders' funds at the beginning of the year as previously reported	159,766	151,155
Accounting policy change (see page 33)	7	(118)
Restated shareholders' funds at the beginning of the year	159,773	151,037
Profit on ordinary activities after taxation	12,258	13,819
Dividends – preference	(120)	(120)
– ordinary	(4,142)	(3,904)
New share capital subscribed	413	625
Shares repurchased and cancelled	–	(1,809)
Other own shares purchased including treasury shares	(2,751)	(473)
Sale of treasury shares	141	–
Accrued share based payments	754	598
Net movement in shareholders' funds	6,553	8,736
SHAREHOLDERS' FUNDS AT THE END OF THE YEAR	166,326	159,773
Shareholders' funds comprise:		
Equity interests	164,726	158,173
Non-equity interests	1,600	1,600
	166,326	159,773

Non-equity interests reflect the cost of the non-redeemable cumulative preference shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985 a separate profit and loss account has not been prepared. The profit dealt with in the financial statements of the Parent Company was £12,257,000 (2004: £13,818,000). There was no dividend from subsidiary companies during the current year (2004: *Nil*).

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
22. GUARANTEES AND FUTURE COMMITMENTS				
Capital commitments – authorised, contracted but not provided for	3,416	634	3,416	634

The Company has accepted various duty deferment bonds in connection with Customs and Excise. The total outstanding commitment at 2 April 2005 was £20,000 (2004: £20,000).

23. OPERATING LEASE COMMITMENTS

At 2 April 2005 the Group was committed to making the following payments during the next year in respect of operating leases:

	Land & buildings 2005 £000	Land & buildings 2004 £000	Other 2005 £000	Other 2004 £000
Leases which expire:				
Within one year	7	66	165	167
Between two and five years	505	430	241	313
After five years	4,576	4,642	-	-
	5,088	5,138	406	480

24. PENSION COMMITMENTS

The Group operates two defined benefit pension schemes, both of which are funded by the payment of contributions to separately administered trust funds. The contributions to these schemes are determined with the advice of an independent qualified actuary.

A) SSAP 24 DISCLOSURES

The Company accounts for its pension schemes using SSAP 24, as set out in the accounting policy note on page 34. The amounts charged to the profit and loss account are based on the periodic valuations by the actuary. The most recent valuation of the Principal Scheme was at July 2002. The projected unit method was used and the main assumptions were that the investment return would be 7% per annum, that salary increases would average 3.5% per annum and that pensions in payment would increase on average at 2.5% per annum. As at the valuation date the market value of the assets was £10.63 million. The actuarial value of these assets represented 79% of the value of the benefits accruing to members after allowing for expected future increases in earnings. The Group is paying additional contributions to meet Minimum Funding requirements in the period required by the appropriate legislation. The cash contribution rate for this scheme during the year was 14.5% of pensionable salaries. This scheme was closed to new members in April 2005 and a new defined contribution scheme will be established from 1 August 2005.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. PENSION COMMITMENTS (CONTINUED)

The most recent valuation of the Senior Staff Scheme was at July 2001. The July 2004 valuation is in the process of being finalised. The attained age method was used and the main assumptions were that the investment return would be 7% per annum, that salary increases would average 5% per annum and that pensions would increase on average at 3% per annum. As at the valuation date the market value of the assets was £9.46 million. The actuarial value of these assets represented 91% of the value of the benefits accruing to members after allowing for future expected increases in earnings. The Group is paying additional contributions to meet Minimum Funding requirements in the period required by the appropriate legislation. The cash contribution rate for this scheme throughout the year was 136% of pensionable salaries. The Senior Staff Scheme was closed to new members in 1992.

The total amount charged to the profit and loss account in the year for these schemes under SSAP 24 was £1,188,000 (2004: £1,189,000). This represented 12% (2004: 12%) of pensionable salaries.

B) FRS 17 DISCLOSURES

The Company has yet to adopt FRS 17 in full and the disclosures set out below are given in accordance with the transitional provisions of the Standard. The periodic valuations have been updated to 2 April 2005 by the independent qualified actuary. The value of the schemes' liabilities has been determined by the actuary based on the results of the most recent actuarial valuations updated to the balance sheet date and the following assumptions for both schemes:

	2005 % per annum	2004 % per annum	2003 % per annum
Rate of increase in salaries	3.4%	3.4%	3.0%
Rate of increase in pensions in payment	2.9%	2.9%	2.5%
Rate of revaluation of pensions in deferment	2.9%	2.9%	2.5%
Inflation assumption	2.9%	2.9%	2.5%
Discount rate	5.3%	5.7%	5.5%

The expected long term rates of return and the assets of the schemes as at 2 April 2005:

	Expected long term return rate 2005	Value as at April 2005 £000	Expected long term return rate 2004	Value as at March 2004 £000	Expected long term return rate 2003	Value as at March 2003 £000
Equities	7.00%	21,339	7.00%	17,370	7.00%	12,551
Bonds – Government	4.50%	1,843	4.70%	1,137	4.50%	1,338
Bonds – Corporate	5.30%	847	5.70%	698	5.00%	1,190
Property	7.00%	647	7.00%	1,121	7.00%	549
Cash	4.75%	230	4.00%	181	4.00%	601
Insurance policies	5.30%	876	5.30%	817	5.30%	788
TOTAL MARKET VALUE OF ASSETS		25,782		21,324		17,017
Present value of schemes' liabilities		(39,037)		(32,632)		(29,531)
Net deficit in the schemes		(13,255)		(11,308)		(12,514)
Related deferred tax asset		3,976		3,392		3,754
NET PENSION LIABILITY		(9,279)		(7,916)		(8,760)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. PENSION COMMITMENTS (CONTINUED)

The following disclosures are given for information only and show amounts which would have been reflected in net assets, reserves, the profit and loss account and statement of total recognised gains and losses had FRS 17 been implemented in full in the current period. Note that as both schemes are now closed to new members, excluding any change in contribution rates, the current service cost, under the projected credit method, will increase over time as a percentage of salary as members approach retirement although the overall cost should decrease as the total number of members decreases.

	2005 £000	Restated 2004 £000	Restated 2003 £000
IMPACT ON NET ASSETS			
Net assets before pension assets and liabilities	166,326	159,773	151,037
Net pension prepayment under SSAP 24	(881)	(470)	–
Net pension liability under FRS 17	(9,279)	(7,916)	(8,760)
NET ASSETS AFTER PENSIONS	156,166	151,387	142,277
	2005 £000	Restated 2004 £000	Restated 2003 £000
IMPACT ON RESERVES			
Profit and loss reserve excluding pensions	109,436	100,932	93,081
Net pension prepayment under SSAP 24	(881)	(470)	–
Net pension liability under FRS 17	(9,279)	(7,916)	(8,760)
PROFIT AND LOSS RESERVE AFTER PENSIONS	99,276	92,546	84,321
	2005 £000	2004 £000	2003 £000
ANALYSIS OF THE AMOUNT CHARGEABLE TO OPERATING PROFIT			
Current service cost	(1,094)	(919)	(929)
TOTAL OPERATING CHARGE	(1,094)	(919)	(929)
	2005 £000	2004 £000	2003 £000
ANALYSIS OF THE AMOUNT CHARGEABLE TO OTHER FINANCE INCOME			
Expected return on pension scheme assets	1,431	1,103	1,532
Interest on pension scheme liabilities	(1,860)	(1,624)	(1,661)
NET RETURN	(429)	(521)	(129)
	2005 £000	2004 £000	2003 £000
AMOUNT RECOGNISABLE IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES ("STRGL")			
Actual return less expected return on pension scheme assets	894	2,460	(6,374)
Experience (losses)/gains arising on the scheme liabilities	(505)	438	(715)
Changes in assumptions underlying the present value of the scheme liabilities	(2,790)	(1,965)	995
ACTUARIAL (LOSS)/GAIN RECOGNISED IN STRGL	(2,401)	933	(6,094)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. PENSION COMMITMENTS (CONTINUED)

	2005 £000	2004 £000	2003 £000
MOVEMENT IN DEFICIT IN THE YEAR			
Deficit in schemes at beginning of the year	(11,308)	(12,514)	(6,498)
Movement in the year:			
Current service cost	(1,094)	(919)	(929)
Contributions	1,977	1,713	1,136
Other finance cost	(429)	(521)	(129)
Actuarial (loss)/gain in STRGL	(2,401)	933	(6,094)
DEFICIT IN SCHEMES AT END OF THE YEAR	(13,255)	(11,308)	(12,514)
HISTORY OF EXPERIENCE GAINS AND LOSSES			
Difference between actual and expected returns on assets (£000)	894	2,460	(6,374)
% of scheme assets	3.5%	11.5%	(37.5%)
Experience gains and losses on liabilities (£000)	(505)	438	(715)
% of scheme liabilities	(1.3%)	1.3%	(2.4%)
Total amount recognised in STRGL (£000)	(2,401)	933	(6,094)
% of scheme liabilities	(6.2%)	2.9%	(20.6%)

	2005 £000	Restated 2004 £000
25. CASH FLOW STATEMENT		
RECONCILIATION OF OPERATING PROFIT TO NET INFLOW FROM OPERATING ACTIVITIES		
Operating profit	19,677	18,798
Depreciation	8,556	8,886
Loss on disposal of tangible fixed assets	62	60
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION	28,295	27,744
WORKING CAPITAL AND NON-CASH MOVEMENTS		
Increase in stocks	(157)	(429)
Increase in debtors	(2,211)	(904)
(Decrease)/increase in creditors	(677)	2,555
Accrued share based payments	754	598
NET CASH INFLOW FROM OPERATING ACTIVITIES	26,004	29,564

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. CASH FLOW STATEMENT (CONTINUED)

	2003 £000	2004 £000
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Movement in cash in the year	701	(494)
Cash (inflow)/outflow from the movement in liquid resources	(6,064)	5,429
Amortisation of issue costs and unwinding of issue discount	(11)	(10)
Movement in net debt in the year	(5,374)	4,925
Net debt at beginning of the year	(17,022)	(21,947)
Net debt at end of the year	(22,396)	(17,022)

	March 2004 £000	Cash flow £000	Other non-cash movements £000	April 2005 £000
ANALYSIS OF NET DEBT				
Cash, at bank and in hand	3,909	701	-	4,610
Debenture stock	(26,995)	-	(11)	(27,006)
Current asset investments	6,064	(6,064)	-	-
TOTAL	(17,022)	(5,363)	(11)	(22,396)

26. RELATED PARTY TRANSACTIONS

During the year, the Company incurred £145,000 (2004: £67,000) rent on a property leased from Hammerson plc on an arm's length basis. R R Spinney, a Non Executive Director of the Company, is the chairman of Hammerson plc. The lease was entered into prior to Mr Spinney joining the Board of Fuller's and was reassigned after the year end.

27. FINANCIAL INSTRUMENTS

The Group's financial instruments include debentures, preference shares, cash, short and long term deposits and forward foreign exchange contracts. The main purpose of the financial instruments is to finance the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, arising directly from its operations, which have not been included in the following numerical disclosures other than those due after more than one year or required for foreign currency disclosures.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing these are regularly reviewed and agreed by the Board.

INTEREST RATE RISK

The Group's only significant interest bearing liabilities are debentures and preference shares, both of which carry fixed rates. The Group's uncommitted overdraft facility carries a variable rate of interest, but is seldom used and hence any bank interest payable is not material to the Group.

The Group receives interest at variable rates from its cash deposits, which varies according to the size and duration of the deposit and prevailing market rates. The Group seeks to maximise returns whilst retaining sufficient funds to meet operational needs. Such returns do not form a significant part of the Group's funding and hence variations in the interest rate do not represent a risk to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

It is the Group's policy to finance its business by means of internally generated funds and to finance capital projects by means of long term fixed rate borrowings. Additional short term flexibility is achieved through the use of overdraft facilities. As at the year end the Group had an undrawn facility of £10 million (2004: £5 million). This facility is reviewed annually in January.

FOREIGN CURRENCY RISK

The Group has transactional currency exposures principally in US dollars, Euros and Australian dollars. Such exposures arise from sales or purchases in currencies other than Sterling. Group policy requires that all purchases and sales are covered by forward purchase or sale of appropriate currency. Occasionally currency is purchased in anticipation of future purchase orders: such purchases can only be made with Executive Committee approval. In both cases the amounts involved are small, and at any time the Group's currency exposure is minimal.

As at 2 April 2005 the Group had forward contracts open to sell US\$250,000, to buy €2,385,000 and to buy AUD78,000. These have a Sterling equivalent of £132,000, £1,690,000 and £32,000 respectively (2004: open contracts with a Sterling equivalent of £473,000) and a net loss of £54,000 (2004: gain of £3,000) when comparing the contractual rates with the year end exchange rates.

As at 2 April 2005 the only material foreign currency assets or liabilities were the following bank deposits:

	2005 £000	2004 £000
Euros	83	179
US dollars	21	59
Australian dollars	16	57

INTEREST RATE PROFILE

All of the Group's debentures carry interest at a fixed rate.

	2005	2004
Weighted average interest rate (%)	7.94	7.94
Weighted average period for which rate is fixed (years)	21.1	22.1

The Group's cash at bank and short term deposits of £4.6 million (2004: £10.0 million) earn interest at variable rates based on LIBOR. Loans to customers are interest-free. The average interest rate for preference shares, which are not redeemable, is 7.5%.

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of book values and fair values of all the Group's financial assets and liabilities.

	Book value 2005 £000	Fair value 2005 £000	Book value 2004 £000	Fair value 2004 £000
Deposits at financial institutions	-	-	6,064	6,064
Cash	4,610	4,610	3,909	3,909
Loans to customers	345	345	407	407
Preference shares	(1,600)	(1,554)	(1,600)	(1,812)
Debenture stock	(27,006)	(30,446)	(26,995)	(30,212)
Forward exchange contracts	-	(54)	-	3

Market values have been used to determine the fair value of deposits at financial institutions, the quoted debenture, forward exchange contracts and preference shares. The fair value of all other items has been calculated by calculating the expected future cash flows at prevailing interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS (CONTINUED)

MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the debentures is given in note 15. The preference shares are irredeemable.

HEDGES

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. There were no material unrecognised gains or losses on financial instruments used for hedging at 2 April 2005 or 27 March 2004.

FIVE YEARS' PROGRESS

	2001 £m	2002 £m	2003 £m	2004 ³ £m	2005 £m
PROFIT AND LOSS					
TURNOVER	128.1	132.4	137.6	140.3	147.5
Operating profit ¹	16.8	16.7	18.4	18.8	19.7
Interest payable (net)	(1.2)	(1.8)	(2.0)	(1.9)	(1.9)
NORMALISED PROFIT	15.6	14.9	16.4	16.9	17.8
Exceptional profit/(loss) ²	3.7	(5.1)	0.6	2.3	0.2
PRE-TAX PROFIT	19.3	9.8	17.0	19.2	18.0
Taxation	(5.0)	(4.0)	(5.3)	(5.4)	(5.8)
Preference dividends	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
EARNINGS	14.2	5.7	11.6	13.7	12.1
Ordinary dividends	(3.6)	(3.8)	(3.7)	(3.9)	(4.1)
Retained for investment in the business	10.6	1.9	7.9	9.8	8.0
ASSETS EMPLOYED					
Fixed assets	179.5	188.8	191.1	196.5	203.3
Stocks	4.0	3.8	3.8	4.3	4.4
Debtors	10.6	11.5	10.5	11.5	15.2
Cash and current asset investments	16.5	7.3	5.1	10.0	4.6
	210.6	211.4	210.5	222.3	227.5
Current liabilities	(27.5)	(26.2)	(27.9)	(30.8)	(28.7)
	183.1	185.2	182.6	191.5	198.8
Long term finance	(27.0)	(27.0)	(27.0)	(27.0)	(27.0)
Provisions for liabilities and charges	(3.7)	(3.7)	(4.4)	(4.7)	(5.5)
NET ASSETS EMPLOYED	152.4	154.5	151.2	159.8	166.3
	2001	2002	2003	2004 ³	2005
PER £1 'A' ORDINARY SHARE					
Normalised earnings	42.69p	40.07p	45.59p	49.84p	53.13p
Basic earnings	56.82p	22.90p	48.04p	60.63p	54.16p
Dividends	14.38p	15.17p	16.12p	17.31p	18.46p
Net assets	£5.97	£6.04	£6.52	£7.02	£7.34
GEARING RATIO	6.9%	12.7%	14.5%	10.7%	13.5%
GROSS CAPITAL EXPENDITURE (£ MILLION)	30.2	26.2	12.0	18.3	17.5
AVERAGE NUMBER OF EMPLOYEES	2,037	2,067	2,160	2,105	2,092

¹ Operating profit is shown before exceptional costs in 2002 of £1.4 million.

² All exceptional profits and losses including those reported in ¹ above and profits/(losses) on sales of assets and businesses.

³ Asset employed restated, see page 33.

DIRECTORS AND ADVISERS
AS AT 24 JUNE 2005

PRESIDENT

J F Russell-Smith

DIRECTORS

A G F Fuller, CBE, Chairman *

M J Turner, FCA, Chief Executive

T J M Turner

P A Clarke, FCA

R J Roberts

J S Espey*

S Emeny

R R Spinney*

N R MacAndrew, FCA*

* *Non-Executive*

**SECRETARY AND
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SHAREHOLDERS' INFORMATION

2005 DIARY

1 July

Record Date

Preference dividends payable

26 July

Annual General Meeting

Hock Cellar, Griffin Brewery

29 July

Final dividend payable

25 November

Interim results announcement

2006 DIARY

January

Preference dividends payable

Interim dividend payable

June

Preliminary results announcement

SHAREHOLDER PRIVILEGES

Shareholders owning more than £100 equivalent of nominal stock can buy beer, wine and spirits from the Brewery Store in Chiswick at preferential prices.

For full details contact Christine Hooper on 020 8996 2091.

REDESIGNATION OF 'C' SHARES

'C' ordinary shares can be redesignated as 'A' ordinary shares within 30 days of the preliminary and interim announcements. Contact the Company Secretariat for further details on 020 8996 2115.

SHAREGIFT

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

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