J D WETHERSPOON PLC

ANNUAL REPORT AND ACCOUNTS

Two thousand and eight

2008

Wetherspoon owns and operates pubs throughout the UK. The company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the company aims to maintain them in excellent condition.

Contents

Financial calendar

Annual general meeting
4 November 2008

Final dividend for 2008
21 November 2008

Interim report for 2009
March 2009

Interim dividend for 2009
May 2009

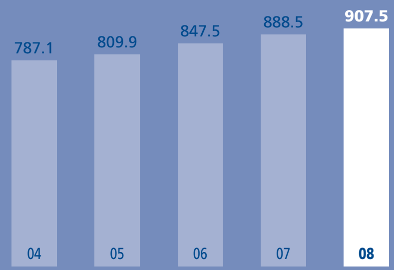
Year end
26 July 2009

Preliminary announcement for 2009
September 2009

Report and accounts for 2009
October 2009

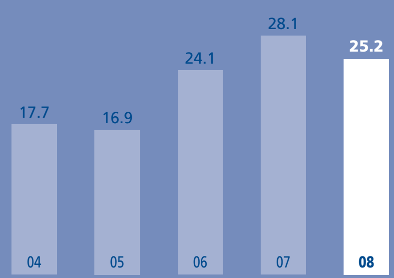
Financial highlights

Revenue (£m)



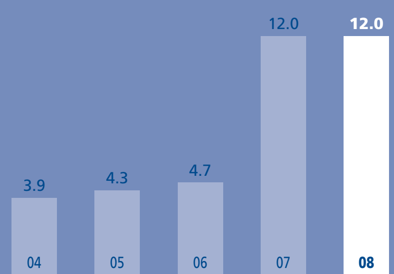
Profit before tax (excluding exceptionals) (£m)

Earnings per share (excluding exceptionals) (pence)



Free cash flow per share (pence)

Dividend per share (pence)



Revenue up 2% to **£907.5m**
(last year: +5%)

Operating profits down 4% to **£87.2m**
(last year: +9%)

Operating margin **9.6%**
(last year: 10.3%)

Like-for-like sales **-1.1%** and profits **-6.6%**

Profits before tax down 13% to **£54.2m**
(last year: +6%)

Adjusted profits before tax down 11% to **£55.0m** (i)

Statutory earnings per share down 21% to **25.2p** (last year: +32%)

Adjusted earnings per share down 9% to **25.7p** (ii)

Free cash flow per share **50.7p**
(last year 35.6p)

Dividend per share **12p**
(last year: 12p)

23 pubs opened, 0 sold, creating a total of **694**

(i) Profits before tax excluding the fair value loss on financial derivatives.
(ii) Earnings excluding fair value loss in FY08 and excluding the benefit of change in the corporation tax rate in FY07.

Chairman's statement and operating review

The year under review is the first following the smoking ban in England in July 2007. Total sales increased by £19.0 million to £907.5 million, a rise of 2% (2007: 5%). We achieved an increase in LFL food sales (up 8%) combined with an anticipated decline in LFL bar sales (down by 4%), resulting in an overall LFL sales decline of 1%. Including those bar purchases made in association with table meals, diners now account for approximately two-thirds of sales.

A consequence of this shift in sales towards food was a slight decline in operating margin, from 10.3% in the previous year to 9.6%, resulting from food margins being lower than bar margins and higher labour costs. Operating profit decreased by 4% to £87.2 million (2007: £91.1m). Profit before tax (excluding a non-cash 'mark to market' loss, in respect of interest rate swaps of £0.8m) decreased by 11% to £55.0 million (2007: £62.0m). Earnings per share decreased by 9% to 25.7p (2007: 28.1p), excluding the 'mark to market' loss and the benefit resulting from the change in corporation tax rates last year.

Net interest (excluding the fair value loss on derivatives) was covered 2.7 times (2007: 3.1 times) by operating profit. Free cash flow, after payments of tax, interest, share purchases under the company's share plans and capital investment of £12.3 million in existing pubs (2007: £24.0m), was £71.7 million (2007: £52.4m), resulting in record free cash flow per share of 50.7p (2007: 35.6p). Capital expenditure in the year under review was lower, since the previous year saw higher investment in gardens and kitchens in anticipation of the smoking ban. In addition, the working capital movement improved by £10 million in the year.

We achieved an increase in LFL food sales (up 7.9%)…

During the year the company financed cash dividend payments of £17.4 million, share buybacks of £12.0 million and expenditure of £48.6 million on new pubs and site acquisitions, with net borrowings increasing slightly by £5.8 million to £439.6 million (2007: £433.8m).

Property

The company opened 23 pubs during the year, compared with 18 in the previous year, resulting in a total estate of 694. We currently intend to open around 30 pubs in the year ending July 2009 and anticipate having sufficient properties in the course of acquisition and development to be able to continue this rate of expansion in future.

Property prices and rent-review settlements appear to have declined significantly in the course of the year. These reasonable property prices will clearly create opportunities for profitable investment by Wetherspoon in the future.

Dividends, return of capital

The board proposes, subject to shareholders' consent, to pay a final dividend of 7.6p per share, on 21 November 2008, to those shareholders on the register on 24 October 2008, giving an unchanged total dividend for the year of 12.0p per share. Dividend is covered 2.1 times (2007: 2.3 times excluding the one-off benefit to tax change) by earnings per share.

During the year 3,835,000 shares (representing approximately 2.7% of the issued share capital) were purchased by the company for cancellation, at a cost of £12.0 million, representing an average cost per share of 314p.

Taxation

The overall tax charge for the year is 34.4% (2007: 33.3% comparable basis adjusted for change in the deferred tax rate from 30% to 28%). The increase is largely due to a reduced tax credit from employee share schemes.

Finance

The company had £82.6 million (2007: £88.4m) of unutilised banking facilities and cash balances as at 27 July 2008, with total facilities of £522.2 million (2007: £522.2m). The year's capital expenditure on new pub developments was more than covered by free cash flow. The company remains in a sound financial position.

Further progress

As indicated in previous years, our approach is to try to make lots of small improvements in diverse areas of the business, creating momentum in the services and facilities offered to customers, as well as sales and financial momentum for the company.

In the area of real ale, we stock over 600 guest beers throughout the year, from breweries across the UK, Ireland and other countries. We are in the course of training more than 1,500 staff, in association with local breweries and Cask Marque, in order to continue sales growth in this area. Currently, 131 of our pubs are recommended in the CAMRA Good Beer Guide 2007 – more pubs, and a higher percentage of the estate, than any other substantial company. We ran the biggest real-ale festival in the world during April 2008, selling 2.5 million pints over 18 days – an increase in LFL volumes of over 7%, compared with the same festival in 2007.

We ran the biggest real-ale festival in the world during April 2008…

We also ran a wine festival during May and June, selling over 495,000 equivalent bottles of wine – an increase of 20% on the same period last year. During the festival, we broke the Guinness world record for the largest multiple-location wine tasting event, with over 17,500 participants.

We introduced Coors Light, which is now our third best selling lager, and have become the largest retailer of this product in the UK. This helped return draught lager sales, adversely affected by the smoking ban, to growth in the 4th quarter, demonstrating the company's capability in terms of nationwide product launches, following similar successes with Kopparberg cider, Pimm's and Lavazza coffee, for example.

Food accounted for 29% of our sales during the year, compared with 27% in the previous year, 17% 11 years ago, and 5% at flotation in 1992. Including those bar purchases made in association with table meals, diners now account for approximately two-thirds of sales. Food sales per pub, per week, for the year were £8,800 incl. VAT. (2007: £8,200). In the light of our competitive prices, we believe that we sell more meals per pub, per week, than any other substantial pub company.

Coffee and tea sales continue to increase, up 6.6% in total to average 443,000 servings per week. We are now the world's number-one seller of 'Tierra', Lavazza's sustainable coffee from Rainforest Alliance.

We also won Eat Out magazine's winner of 'MenuMasters 2008 Best Kids Menu' award, recognising the work which we have carried out to increase organic and free range products on the menu.

In both food and bar sales, it remains our aim to continue to provide the highest-quality products at competitive prices, and to introduce a limited range of new brands, in association with our suppliers, in the course of future months and years.

Recycling

We continue to concentrate on recycling and believe that we recycle more than any other pub company. In 2007/08, we recycled 5,281 tonnes of waste (an increase of 4%), including 3,136 tonnes of cardboard, 1,616 tonnes of cooking oil, 95 tonnes of plastic, 19 tonnes of aluminium and 415 tonnes of paper. Pubs' recycling has exceeded 16,000 tonnes over the last four years.

Glass-recycling has been given greater emphasis; together with our partner, Biffa, we successfully recycled 5,000 tonnes in 2007/08, representing over 23% of the glass waste which we generate.

We were recognised for our efforts in recycling and received the High Street Recycling Champion award 2007 from letsrecycle.com.

Government taxation and regulation

The pub industry, in common with many businesses, has been strongly affected by increases in taxation and regulation in recent years. In the current financial year, we continue to estimate that increases in excise duty on alcoholic drinks, minimum wage related costs and increased statutory holiday entitlements will amount to £16 million. Energy increases, which clearly have an inflationary effect, receive widespread attention from economists and the media. It is interesting to note that the effects of government legislation on our business have a far greater impact, and are, therefore, more inflationary than energy increases.

Licensing

It is the company's policy to work closely with a variety of organisations, including local authorities and the police, to improve behaviour in association with pub visits. We strongly support Pubwatch, an organisation bringing together licensees and the police, which has been extremely successful in improving standards of behaviour in many town and city centres. As a company, we are also a member of National Pubwatch and The Drinkaware Trust, and support the activities of the Portman Group.

We operate the Challenge 21 policy in all of our pubs. In order to ensure effective implementation of this campaign we provide support and training to all of our staff and carry out regular audits of our performance.

People

The most important factor in successful pubs is good customer service. Wetherspoon continues to provide a comprehensive employee training system which has won many awards, over the years, from the relevant training bodies. This year our National Diploma in Leisure Retail Management Course, operated in conjunction with Nottingham Trent University, won an award as part of the National Innkeeping Training Awards and we featured in Britain's Top 100 Employers handbook, as published by *The Guardian*, for the fifth consecutive year.

We encourage internal promotion, with many pub managers starting as bar staff and many area managers being promoted from pub manager. Outstanding examples are Su Cacioppo, our personnel and legal director, having started her career as a trainee pub manager 17 years ago, and John Hutson, our chief executive, who started as an area manager around the same time.

In addition, we provide monthly bonuses for all of our pub staff, whatever their length of service in the company. In the year under review, we spent a total of £16 million on bonuses and share awards for employees.

I would like to thank our employees, partners and suppliers, once again, for their excellent work in the past year.

Current trading and outlook

In the five weeks to 31 August 2008, LFL sales increased by 1.1% and total sales by 5.5%, making this August our busiest ever.

In common with many pub and restaurant businesses, we continue to expect a considerable increase in the current year in expenditure relating to energy, food, labour and tax. We hope to offset this by improvements in every area of the business and by increases in sales. In order to achieve a similar trading performance this year we currently estimate we would need LFL sales of around 3%.

In a traumatic year for the pub industry following the smoking ban, Wetherspoon has again demonstrated that concentrating on customer service, standards, and placing emphasis on staff training and incentives, are the key ingredients to long term success, especially during a downturn in the general economy.

As a result of our strong cash flow, our dedicated management team and our efforts to improve every area of the business, we remain confident of our prospects.

Tim Martin
Chairman
5 September 2008

Finance review for the 52 weeks ended 27 July 2008

Financial performance

The chairman's statement and operating review on pages 2 to 4 cover a comprehensive review of the financial results for the year just ended. The first half of the year showed strong food sales, although not enough to offset the impact of the smoking ban on bar sales. The second half saw stronger sales, with bar sales recovering slightly. The area of real encouragement was around free cash flow which saw a significant growth, year on year.

Business review

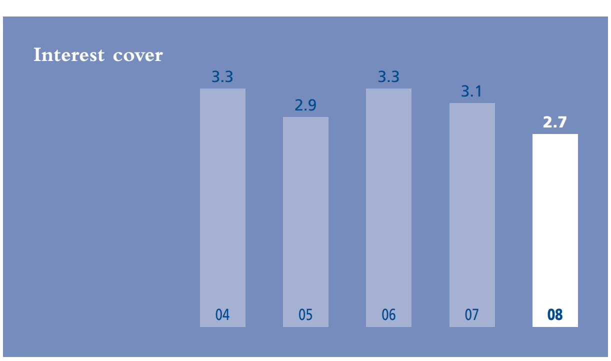
The key issues facing the company are covered in the chairman's statement and operating review. The key performance indicators (KPIs) which the company uses to monitor its overall financial position can be summarised as follows:

Financial highlights	Reported results
■ Revenue £907.5m	+2%
■ Operating profits £87.2m	-4%
■ Operating margin 9.6%	-0.7%
■ Adjusted profit before tax £55.0m	-11%*
■ Statutory profit before tax £54.2m	-13%
■ Adjusted earnings per share 25.7p	-9%**
■ Statutory earnings per share 25.2p	-21%
■ Free cash flow per share 50.7p (2007: 35.6p)	+42%

*Excluding fair value loss on derivatives of £0.8m.

**Excluding fair value loss on derivatives in FY08 and excluding the benefit of change in the corporation tax rate in FY07.

The non-financial KPIs monitored by the company can be divided into two components, being general standards (including environmental matters) and people.



The KPIs applied by the business in each of these areas are in line with previous years and are as follows:

General standards
- Mystery visitors programme
- Food-quality audits
- Food-delivery-times-monitoring
- General business audit and standards review
- Level of customer complaints
- External environmental audits

People
- Employee turnover levels
- Annual employee satisfaction survey
- Regular employee liaison groups
- Level of sickness and absence

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

Finance costs

The net finance costs during the year increased from £29.1 million to £32.2 million (excluding the fair value loss on derivatives). This increase is driven largely by an increase in average net debt this year, reflecting the full-year impact of last year's significant cash outflow, with regard to share buybacks. The finance costs (excluding the fair value loss on derivatives) in the income statement were covered 2.7 times, compared with 3.1 in the previous year. Fixed-charge cover (net finance costs and net rent) was 1.6 times (2007: 1.8 times). Excluding depreciation, amortisation, fair value loss on derivatives and lease premiums amortisation, fixed-charge cover (net finance costs and net rent), on a cash basis, was 2.2 times (2007: 2.3 times).

Taxation

A full analysis of the taxation charge for the year is set out in note 7 to the accounts.

	2008 %	2007 %	2007* %
Corporation tax	**34.6**	29.8	29.8
Deferred tax	**(0.2)**	(5.3)	3.5
Total tax	**34.4**	24.5	33.3

*Excluding one-off benefit of tax-rate change.

The tax charge for the year has increased from 33.3% (excluding one-off benefit of tax rate change) to 34.6%. The increase is largely due to a reduced tax credit from employee share schemes.

Shareholders' return

Earnings per share decreased by 9% to 25.7p (excluding the fair value loss on financial derivatives and a one-off benefit of tax-rate change in the previous year), with underlying free cash flow per share up 42% to 50.7p.

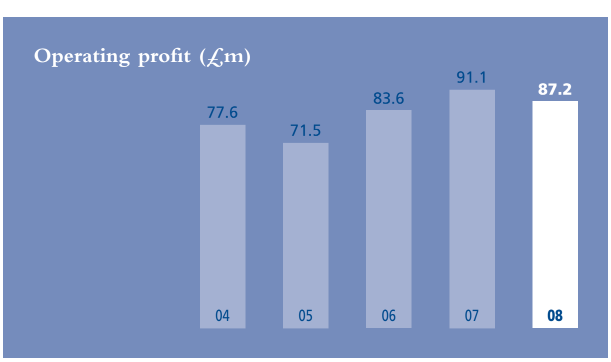
The proposed final dividend of 7.6p per share, together with the interim dividend of 4.4p per share already paid, brings the total dividend to 12.0p, the same as the previous year. The total dividend per share will be covered 2.1 times by earnings per share, compared with 2.3 times in the previous year. Shareholders' funds at the year end were £180.5 million.

The company purchased 3.8 million of its own shares during the year. These transactions represented a share buyback and cancellation of 2.7% of the share capital in issue at the start of the financial year.

The middle-market quotation of the company's ordinary shares at the end of the financial year was 231.30p. The highest price during the year was 608.00p, while the lowest was 167.75p. The company's market capitalisation at 29 July 2007 was £321.0 million.

Financial position

Net borrowings (excluding cash flow hedges) at the year end amounted to £439.6 million. The key ratio of net debt compared with earning before interest, tax, depreciation and amortisation (EBITDA) is 3.3 times, a slight increase on the 3.2 times last year, although still at a level which allows the company significant operational flexibility.



At the balance sheet date, the company had £82.6 million of unutilised banking facilities and cash balances. This level of unused facilities, coupled with the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the company.

The company's overall facilities at the balance sheet date are as follows:

- UK banking facility £415m
  - Matures December 2010
  - 10 participating lenders
  - £250m swap expiring in 2014
  - £150m swap until 2009 replaced by a new swap until 2016
  - Average interest cost of swaps is 5.74%

- US private placement $140m – £87m
  - Matures September 2009
  - Fully hedged from foreign exchange movements

- Total facilities £522m (including overdraft)

- Unutilised banking facilities and cash balances of £82.6m as at 27 July 2008 (2007: £88.4m)

Financial risks and treasury policies

The company's main treasury risks relate to the availability of funds to meet its future requirements and fluctuations in interest rates. The treasury policy of the company is determined and monitored by the board.

The company has no foreign currency risk, given that the US senior loan notes are hedged into sterling. The impact of this is that there is no exposure to movements in the exchange rate between sterling and the dollar. As the company has no trading requirements in any foreign currency, the overall treasury policy in this area is to ensure that there are no currency risks attached to any part of our business. The interest payments under the US senior loan notes are also covered by an interest-rate swap, resulting in a floating sterling interest payment throughout the term of the notes.

The company's interest-rate risk policy is to monitor and review anticipated levels of expansion and expectations on future interest rates, in order to hedge the appropriate level of borrowings by entering into fixed- and floating-rate agreements, as appropriate.

At the balance sheet date, the company had entered into fixed interest-rate swap agreements which fixed £400m of these borrowings at rates between 5.40% and 6.46%. In addition, the company has entered into forward-starting swap agreements which replaces the current £150-million swap agreements expiring in 2009. The effective weighted average interest rate of the swap agreements entered into is 5.74% (2007: 6.48%), fixed for a weighted average period of 5.3 years (2007: 2 years).

During the year, the company entered into forward-starting-basis swaps, which locked the favourable arbitrage between the one-month LIBOR rates and the three- to six-month LIBOR rates at the time of entering the swaps, over the contractual period between August 2008 and September 2009.

Under the scope of IAS 39, the basis swaps have been treated as fair value through profit or loss. Consequently, any loss or gain in the 'mark to market' valuation at the balance sheet date is included in the income statement within 'fair value gain/loss of financial derivatives'. At the balance sheet date, the basis swap had a 'mark to market' loss of £794,000. It is the company's intention to hold the basis-swap derivative to maturity; consequently, the company's cumulative net gain or loss at the end of the contract will be £nil.

The company monitors its cash resources through short-, medium- and long-term cash-forecasting. Surplus cash is pooled into an interest-bearing account or placed on short-term deposit for periods of between one and three months.

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

Risks and uncertainties facing the company

In the course of normal business, the company continually assesses significant risks faced and takes action to minimise the potential impact of these risks.

The following risks, while not intended to be a comprehensive analysis, constitute (in the opinion of the board), the principal risks currently facing the company:

Regulatory risks

Regulation of the sale of alcohol

As a result of the high level of regulation in the industry in which the company operates, any changes to regulation may have an impact on the business, for example, owing to the regulatory authority's intention to increase alcohol duties over the foreseeable future, there is a risk that the company's sales and margins may face increasing pressure. These are, however, a risk faced by the entire industry in which the company operates.

Health and safety

It is important to provide a safe environment in which the company's employees work, as well as safe facilities for our patrons to enjoy. Therefore, the company has policies to ensure that all reasonable standards of health and safety are met. These include a process by which risks are identified in a timely manner and remedied accordingly, including a comprehensive training programme to assist employees in this regard.

Economic and market conditions

Economic outlook

Since the company operates in the retail sector, any downturn in the economy may affect the company's performance. It is for this reason that the company continues to assess and improve its offering on an ongoing basis, thus ensuring that it is always competitively placed in the market in which it operates.

Inflationary cost increases

Inflationary pressures on the company's inputs pose a risk to margins. Once again, this is a risk faced by the entire industry in which the company operates. The company seeks to minimise the potential effects of this risk by continuing to foster mutually beneficial and long-term relationships with its suppliers, so as to minimise the effect of any price increases.

Social issues

There is concern about a minority of people who misbehave when drinking alcoholic products. It is the company's policy to work closely with a variety of organisations, including local authorities and the police, to improve behaviour in association with pub visits. We strongly support Pubwatch, an organisation bringing together licensees and the police, which has been extremely successful in improving standards of behaviour in many town and city centres. As a company, we are also a member of National Pubwatch and The Drinkaware Trust, and support the activities of the Portman Group.

Operational risks

Head office & distribution centre

Any disasters at the company's head office (in Watford) or its distribution centre (in Daventry) could seriously disrupt its day-to-day operations. Various measures have been undertaken by the company, including a comprehensive disaster-recovery plan, seeking to minimise the potential impact of any such incidents.

Information technology

The company's daily operations are increasingly reliant on its information technology systems. Any prolonged or significant failure of these systems could pose a risk to trading. The company seeks to minimise this risk by ensuring that there are policies and procedures to ensure protection of hardware, software and information by various means, including a disaster-recovery plan, a system of backups and external hardware and software support.

Keith Down
Finance Director
5 September 2008

Directors, officers and advisers

Tim Martin Chairman, aged 53

Tim founded the business in 1979, having previously studied law at Nottingham University and qualified as a barrister. He became chairman in 1983.

John Hutson Chief Executive Officer, aged 43

John joined the company in 1991 and was appointed to the board in 1996. He is a graduate of Exeter University and previously worked with Allied Domecq.

Keith Down Finance Director and Company Secretary, aged 43

Keith joined the company and was appointed to the board in 2008, having previously worked for Tesco plc. He is a graduate of Leicester University and qualified as a chartered accountant in 1991.

Paul Harbottle Chief Operating Officer, aged 40

Paul joined the company in 2003 and was appointed to the board in 2008. He is a graduate of Reading University and previously worked for the National Freight Consortium and Rank Hovis McDougall.

Su Cacioppo Personnel and Legal Director, aged 41

Su joined the company in 1991 and was appointed to the board in 2008. She is a graduate of South Bank University and London Guildhall University and previously worked for Courage Ltd and Allied Leisure.

Su worked in several operational roles in J D Wetherspoon, before being appointed as personnel director in 1999 and personnel and legal director in 2006.

John Herring Senior Non-Executive Director, aged 50

John was appointed to the board in 1997 and is chairman of the audit, remuneration and nomination committees. He is a non-executive director of EAT plc and several other private companies.

Elizabeth McMeikan Non-Executive Director, aged 46

Liz was appointed to the board in 2005 and is a member of the audit, remuneration and the nomination committees. Liz is a graduate of Cambridge University. She is a non-executive director of Direct Wines Ltd and a Civil Service commissioner. Liz previously worked for Tesco plc for 12 years in a wide variety of commercial and operational roles, both in the UK and overseas.

Debra van Gene Non-Executive Director, aged 53

Debra was appointed to the board in March 2006 and is a member of the audit, remuneration and nomination committees. Debra is a graduate of Oxford University. She spent 17 years in the advertising industry, ending as deputy managing director of Butterfield Day Devito Hockney. Since then, she has worked in the executive search industry. She was a partner at Heidrick and Struggles and now runs her own company, Debra van Gene Associates Ltd, of which she is managing director.

Registered office

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Watford
WD24 4QL

Company number

1709784

Registrars

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Bristol
BS99 7NH

Registered auditors

PricewaterhouseCoopers LLP

Solicitors

Macfarlanes

Bankers

Bank of Ireland
Bank of Tokyo-Mitsubishi
Bayerische Landesbank
BNP Paribas
Crédit Industriel et Commercial
Dresdner Bank AG
Landesbank Baden-Württemberg
Lloyds TSB Bank plc
Mizuho Corporate Bank
The Royal Bank of Scotland plc

Financial advisers

Dresdner Kleinwort

Stockbrokers

Dresdner Kleinwort

Management board

The management board comprises John Hutson, Keith Down, Su Cacioppo, Paul Harbottle and the following:

Name	*Age*	*Job title*	*Length of service*
David Capstick	47	IT & Property Director	10 years
Julie Centracchio	42	Operations Director	5 years
Martin Geoghegan	39	Operations Director	14 years
Rebecca Payton	37	Marketing and Catering Director	10 years

Directors' report

The directors present their report and audited accounts for the 52 weeks ended 27 July 2008.

Principal activities, business review and future developments

The principal activities of the company are the development and management of public houses. Details of progress and future developments are given on pages 2 to 8.

Results and dividends

The profit on ordinary activities for the year, after taxation, was £35,535,000.

On 21 November 2008, the company proposes to pay a final dividend for the period ended 27 July 2008 of 7.6p per share to shareholders on the share register at the close of business on 24 October 2008. Together with the interim dividend of 4.4p per share paid on 30 May 2008, this brings the total expected dividend for the year to 12.0p per share.

Return of capital

At the annual general meeting of the company, held on 7 November 2007, the company was given authority to make market purchases of up to 21,367,000 of its own shares. During the year to 27 July 2008, a total of 3,835,000 shares was purchased at an average cost of 314p per share. As at 27 July 2008, the authority given to the company at the last annual general meeting remained outstanding in relation to 17,532,000 shares. As a result of the share buyback programme, the company expects earnings per share to be enhanced, in both the current and future years.

The financial and non-financial key performance indicators (KPIs)

A review of the business using financial and non-financial KPIs has been included within the finance review on pages 5 to 8.

Directors

The directors listed on page 9 served throughout the financial year, apart from Keith Down (appointed 7 January 2008), Paul Harbottle and Su Cacioppo (appointed 10 March 2008) and Jim Clarke (resigned 30 October 2007). Tim Martin, Debra van Gene and John Herring retire by rotation, and Keith Down, Su Cacioppo and Paul Harbottle were appointed by the directors in the year and offer themselves for re-election. Details of the terms under which the directors, who were in office during the year, serve and their remuneration, together with their interests in the shares of the company, are given in the directors' remuneration report on pages 17 to 23.

No director has any material interest in any contractual agreement, subsisting during or at the end of the year, which is or may be significant to the company.

Insurance against the liabilities of directors and officers of the company was in place throughout the year, in respect of their duties as directors and officers of the company.

Company's shareholders

Details of the company's shareholders, including those beneficial interests notified to the company as accounting for over 3% of the issued share capital, are given on page 58.

Small related party disclosure

On 29 April 2008, the company issued a circular for the purpose of convening an extraordinary general meeting of the company, to be held on 3 June 2008, to consider breaches of the Companies Act 1985 which had occurred in relation to (i) the payment of the final dividend paid by the company to holders of its ordinary shares in November 2007 (the 'November Dividend'); and (ii) the purchase by the company of one million of its own shares in March 2008 (the 'March Repurchase').

At the extraordinary general meeting, a resolution was passed which ensured that the company's shareholders and directors were not prejudiced by the technical breaches of the Companies Act 1985, and the shareholders approved the company entering into (i) a deed of release, for no consideration in favour of its past and present directors releasing them from claims arising out of the payment of the November Dividend and the March Repurchase; and (ii) a deed of release for no consideration in favour of its shareholders, releasing them from claims arising out of the payment of the November Dividend. Following the extraordinary general meeting these deeds of release were entered into.

The release of the past and present directors from any potential liability in connection with both the November Dividend and March Repurchase is considered to be smaller related party transactions as defined by the Listing Rules of the UK Listing Authority.

The shares which were invalidly purchased pursuant to the March Repurchase were subsequently repurchased on 16 April 2008 from the company's brokers, at the same prices at which they would have been purchased had the March Repurchase not been invalid.

Takeover directive disclosures

The company has an authorised share capital comprising 500 million ordinary shares of 2p each. As at 27 July 2008, total issued share capital comprised 138,771,000 fully paid-up shares of 2p each. The rights to these shares are set out in the company's articles of association. There are no restrictions on the transfer of these shares or their attached voting rights.

Details of significant shareholdings are set out on page 58.

No person holds shares with specific rights regarding control of the company.

The company operates an employee share incentive plan. However, no specific rights with respect to the control of the company are attached to these shares. In addition, the company operates a deferred bonus scheme, whereby, should a takeover occur, all shares held in trust would be transferred to the employee immediately.

The company is not aware of any agreements among holders of securities known to the company which may result in restrictions on the transfer of securities or voting rights.

All appointments to the board are recommended by the nominations committee and are made in accordance with the provisions of the articles of association.

The company has the power to issue and buy back shares as a result of resolutions passed at the annual general meeting in 2007. It is the company's intention to repeat these powers and the resolutions approving them are found in the notice of the annual general meeting for 2008.

In the event of a change of control, the company is obliged to notify its main bank lenders of such. The lenders shall not be obliged to fund any new borrowing requests; facilities will lapse 10 days after the change of control, if terms on which they can continue have not been agreed. Any borrowings, including accrued interest, will become immediately repayable on such lapse.

There are no other significant agreements to which the company is party which may be subject to a change of control provisions.

There are no agreements among the company's directors or employees which provide for compensation for loss of office or employment which occurs because of a takeover bid.

Statement of directors' responsibilities in respect of the annual report, the directors' remuneration report and the financial statements

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements, in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates which are reasonable and prudent.
- state whether the financial statements comply with IFRSs as adopted by the European Union.
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the company, at any time, to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from that in other jurisdictions.

The work carried out by the auditors does not involve consideration of these matters; accordingly, the auditors accept no responsibility for any changes which may have occurred to the financial statements since they were initially presented on the company's Web site. It is stated clearly on the Web site that information published on the Internet is accessible in many countries and that legislation in the United Kingdom, governing the preparation and dissemination of financial information, may differ from that in other jurisdictions.

Going concern

The directors have made enquiries into the adequacy of the company's financial resources, through a review of the company's budget and medium-term financial plan, including capital expenditure plans and cash flow forecasts; they have satisfied themselves that the company will continue in operational existence for the foreseeable future. This is based on reviewing the detailed profit and cash flow plans for the relevant period. For this reason, they continue to adopt the going-concern basis in preparing the company's financial statements.

Auditors

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

Statement of disclosure of information to auditors

In accordance with Section 234A of the Companies Act 1985, the directors report that, so far as they are aware, all relevant audit information has been disclosed to the company's auditors. The directors have taken all of the steps which they ought to have taken as directors, in order to establish that the company's auditors are aware of that information.

Employment policies

Only through the skill and commitment of the company's employees will its objectives be met. All staff are encouraged to make a real commitment to the company's success and to progress to more senior roles as they, themselves, develop.

A heavy emphasis is placed on training programmes for all levels of staff; this highlights the importance placed by the company on providing a high level of service to its customers.

In selecting, training and promoting staff, the company has to take account of the physically demanding nature of much of its work. The company is committed to equality of opportunity and to the elimination of discrimination in employment. The company aims to create and maintain a working environment, terms and conditions of employment and personnel and management practices which ensure that no individual receives less favourable treatment on the grounds of his or her race, religion, nationality, ethnic origin, age, disability, gender, sexual orientation or marital status. Employees who become disabled will be retained, where possible, and retrained, where necessary.

The company has established a range of policies, covering issues such as diversity, employees' well-being and equal opportunities, aimed at ensuring that all employees are treated fairly and consistently.

Internal communications seek to ensure that staff are well informed about the company's progress, through the use of regular newsletters and briefings at staff meetings, at which employees' views are discussed and taken into account.

All staff participate in incentive bonus schemes related to profitability and/or service standards.

Policy on payment of suppliers
The company agrees on terms and conditions with all suppliers before business takes place and has a policy of paying agreed invoices in accordance with the terms of payment. Trade creditors at the year end represented 44 (2007: 47) days' purchases.

Political and charitable contributions
Contributions made by the company during the year, to various charities, including CLIC Sargent (Caring for Children with Cancer), were £61,445 (2007: £45,736). No political contributions were made. Further information about charitable contributions are disclosed in the corporate social responsibility report on page 25.

Business at the annual general meeting
On pages 59 and 60 is a notice convening the annual general meeting of the company for 4 November 2008, at which shareholders will be asked, as items of special business, to approve new articles of association, to give power to the directors to allot shares, to give power to the directors to disapply the pre-emption requirements of section 89 of the Companies Act 1985 and to give power to the directors to make market purchases of ordinary shares in the capital of the company, subject to certain conditions. The notice also sets out details of the ordinary business to be conducted at the annual general meeting and to approve the adoption of the new J D Wetherspoon plc 2008 Sharesave Plan. Set out below is an explanation of the effect and purposes of the proposed resolutions.

Resolution 1 – Receive and adopt the audited accounts
The directors recommend that the company adopt the reports of the directors and the auditors and the audited accounts of the company for the year ended 27 July 2008.

Resolution 2 – Approval of the directors' remuneration report
Resolution 2 in the notice of annual general meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the directors' remuneration report, set out on pages 17 to 23.

Resolution 3 – Declaration of a final dividend
The company paid an interim dividend of 4.4p per share on 30 May 2008. The directors recommend a final dividend of 7.6p per share, bringing the total dividend for the year to 12.0p per share. Subject to final approval by shareholders, the final dividend will be paid to shareholders on the register at close of business on 24 October 2008.

Resolutions 4–9 – Re-election of Mr Martin, Ms van Gene, Mr Herring, Mr Down, Mr Harbottle and Mrs Cacioppo as directors
The company's articles of association require one-third of the directors to retire from office at each annual general meeting. In addition, any director who has, at the annual general meeting, been in office for more than three years since his or her last appointment or re-appointment should also retire and may offer him or herself for re-election. The company's articles of association also require those directors who were appointed during the year to retire and stand for re-election.

Brief biographical details of each of the directors standing for re-election may be found on page 9. The re-election resolutions are set out as resolutions 4, 5, 6, 7, 8 and 9 in the notice of annual general meeting.

Mr Martin, Ms van Gene, Mr Herring, Mr Down, Mrs Cacioppo and Mr Harbottle all have extensive experience of the company or in business generally, allowing them, subject to their re-election to the board, to contribute to the company's development. The board is of the opinion therefore that Mr Martin, Ms van Gene, Mr Herring, Mr Down, Mrs Cacioppo and Mr Harbottle should be re-elected at the annual general meeting.

Resolution 10 – Re-appointment of PricewaterhouseCoopers LLP as auditors
Resolution 10, set out in the notice of annual general meeting, proposes that PricewaterhouseCoopers LLP should be reappointed as the company's auditors and authorises the directors to determine their remuneration.

Resolution 11 – Authority to allot
The general authority previously given to the directors to allot 'relevant securities' will expire at the end of the annual general meeting, convened for 4 November 2008.

Accordingly, resolution 11, set out in the notice of annual general meeting, will be proposed as an ordinary resolution to authorise the directors (pursuant to section 80 of the Companies Act 1985) to allot ordinary shares in the capital of the company, up to a maximum nominal amount of £915,892, being approximately 33% of the nominal value of the ordinary shares currently in issue. The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of passing the resolution or the conclusion of the annual general meeting held to approve the report and accounts for the year ending 26 July 2009.

The directors will exercise such authority to allot shares only when satisfied that it is in the interests of the company to do so. They have no present intention, however, of exercising the authority, except in connection with the issue of shares under the company's share option schemes.

Resolution 12 – Adoption of new articles of association
This resolution, which will be proposed as a special resolution, asks the shareholders to approve the adoption of new articles of association of the company which have been amended primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the current articles of association is set out on pages 15 and 16. The amendments will, if approved, take effect from the end of the annual general meeting. The proposed new articles of association are available for inspection as noted on page 60 of this document.

Resolution 13 – Sharesave Plan
This resolution concerns the company's proposal to introduce a new UK HMRC-approved Save As You Earn plan, the J D Wetherspoon plc 2008 Sharesave Plan (the 'Sharesave Plan'). Resolution 13 sets out the full resolution to approve the Sharesave Plan. Resolution 13 will be proposed as an ordinary resolution.

A summary of the main provisions of the Sharesave Plan are set out below.

1. Introduction
The Sharesave Plan replaces the J D Wetherspoon plc 1998 Sharesave Scheme which will cease to operate from 3 November 2008.

The Sharesave Plan will provide for the grant of options by the company or the trustee as appropriate, to subscribe for, or to purchase, ordinary shares in the company. The Sharesave Plan will be submitted for approval by HMRC under Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 ('ITEPA'). The board of directors of the company retains the right to make such changes to the Sharesave Plan as may be necessary or expedient to obtain such approval.

The Sharesave Plan will be administered by the board of directors of the company or a duly authorised committee (the 'Committee').

2. Eligibility
All UK-resident and ordinarily resident employees and full-time executive directors of the company and its subsidiaries (whose earnings from office or employment are general earnings (or would be, if there were any) to which sections 15 to 21 of ITEPA apply for a tax year in which the employee is ordinarily resident in the UK) who have completed a specified minimum period of employment (not exceeding five years) will be eligible to participate. The Committee has the discretion to allow other employees to participate.

3. Grant of options
The Committee may issue invitations to apply for options during a period of 42 days following the date on which the Sharesave Plan is formally approved by HMRC, and thereafter 42 days following the day after the announcement of the company's results in any year, the lifting of any restriction which prohibits the making of invitations or at any time when the Committee resolves that exceptional circumstances exist which justify the making of invitations.

Options will be granted within 30 days of the date by reference to which invitations are issued and by which the exercise will be determined. The exercise price will be set at not less than the higher of (i) in the case of an option to subscribe, the nominal value of an ordinary share and (ii) the closing middle-market quotation as derived from the Stock Exchange Daily Official List on the dealing day immediately before the invitation date (if scaling down is necessary, the period is 42 days). In the event that the company is no longer listed on the said list, the market value will be determined and agreed with HMRC Shares and Assets Valuation.

In the event that applications for options exceed the number of shares available, the Committee shall scale down the applications.

Employees may, at the discretion of the Committee, be invited to apply for 3- or 5-year options. All options will be granted on condition that employees enter into a linked contractual savings scheme with the savings provider nominated by the Committee and approved by HMRC.

Employees must save between £5 and £250 per month under such a contract (or such other limit as is introduced under such contracts from time to time), such sums to be deducted from the relevant employee's pay. The number of ordinary shares subject to an option will be determined by the level of contributions to the savings contract and the bonus earned (if any) on maturity of the savings contract.

Both the number of ordinary shares and the exercise price may be adjusted by the Committee with the agreement of HMRC to take account of any rights issue, capitalisation, subdivision, consolidation of shares, reduction of share capital or other variation of the company's share capital.

4. Exercise of options
Usually, options may be exercised no earlier than the date on which a bonus is payable under the relevant savings contract (the 'Bonus Date') and no later than six months after the Bonus Date. Any option not so exercised will usually lapse. Options may also be exercised earlier than the Bonus Date, for a limited period, on the occurrence of certain other events set out in the rules of the Sharesave Plan. These include events

such as a participant ceasing to be an employee owing to death, injury, ill health, disability, redundancy or retirement. Options will also become exercisable on a change of control, reconstruction or voluntary winding-up of the company, on the date on which a participant's employing company ceases to be under the control of the company or on a sale or transfer of a business or part of business to which it relates. Exercises will not be permitted where it would be in breach of the requirements of Schedule 3 to ITEPA. On a change of control or reconstruction of the company, an option may, with the consent of the company acquiring control, be released in consideration of the grant of equivalent rights over shares of the acquiring company or company associated with it.

Options which are not exercised within the prescribed time periods following such events will usually lapse. Options will also lapse if a participant ceases to be employed by the company other than in the circumstances outlined above. Options will also lapse on the bankruptcy of a participant or permanent discontinuance of making savings contributions.

5. Limitations on grant

In any 10-year period, the aggregate number of ordinary shares which may be issued or is issuable or treasury shares which remain re-issuable under the Sharesave Plan and any other employee share plan established by the company or any group company may not exceed 10% of the issued ordinary share capital of the company.

6. Administration and amendment

The Committee will administer the Sharesave Plan and may delegate such administration to other persons as it sees fit. The savings contract provider will administer the operation of the savings contract. The Committee may amend the rules of the Sharesave Plan in any respect, provided that:

(a) no alteration or addition to the advantage of any current participant or person eligible to participate in the Sharesave Plan may be made to certain provisions of the Sharesave Plan without prior approval of the shareholders of the company in general meeting, unless such alteration is a minor amendment to benefit the administration of the Sharesave Plan, to take account of any changes in legislation or to obtain or maintain favourable (or avoid unfavourable) tax, exchange control or regulatory treatment of the company, subsidiary or any participant.

(b) after formal approval and while the Sharesave Plan is approved and is intended to remain approved, no amendment to key features shall have effect until approved by HMRC. A key feature is a feature which is necessary to comply with Schedule 3 to ITEPA and the relevant legislation.

(c) where any change will have a material adverse effect on participants, such change may not be effective, unless a majority of the participants so affected agrees in writing to the change.

The Committee may, at any time without further formality, establish further plans to apply in non-UK territories, governed by rules similar to the Sharesave Plan, but modified to take account of local rules, regulations and practice, provided that any ordinary shares issued or issuable under such plans shall be treated as counting against any limits on overall participation in the Sharesave Plan.

7. Voting, dividend, transfer and other rights

Until options are exercised, participants have no voting or other rights in respect of the ordinary shares under their option(s). Shares issued or transferred under the Sharesave Plan shall rank pari passu in all respects with ordinary shares already in issue, except that they will not rank for any dividend or other distribution paid or made by reference to a record date before the date of allotment or transfer. Application will be made to the UK Listing Authority for the admission of such shares to the Official List and to trading on the London Stock Exchange plc's market for listed securities. Options are not transferable or assignable. Any benefits provided under the Sharesave Plan will not be pensionable.

8. Termination

The Sharesave Plan may be terminated at any time by a resolution of the Committee and shall, in any event, terminate on the tenth anniversary of the date on which the Sharesave Plan is approved by the company in general meeting. Termination shall not affect participants' outstanding rights.

Note

This explanatory note summarises the main features of the Sharesave Plan, but does not form part of its rules and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. A copy of the draft rules will be available for inspection at the registered office address of the company and at the offices of Macfarlanes LLP, 20 Cursitor Street, London, EC4A 1LT during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this circular up to and including the date of the annual general meeting and at the place of the annual general meeting from at least 15 minutes beforehand and until the conclusion of the annual general meeting. The Committee reserves the right, up to the time of the annual general meeting, to make such amendments and additions as it considers necessary or desirable, provided that such amendments and/or additions do not conflict in any material respect with the summary above.

Resolution 14 – Disapplication of pre-emption rights

The provisions of section 89 of the Companies Act 1985 (which confer on shareholders rights of pre-emption in respect of the allotment of 'equity securities' which are, or are to be, paid up in cash, other than by way of allotment to employees under an employees' share scheme) apply to the authorised, but unissued, ordinary shares of the company to the extent that they are not disapplied, pursuant to section 95 of the Companies Act 1985.

The current disapplication of these statutory pre-emption rights will expire at the end of the annual general meeting convened by the notice of annual general meeting. Accordingly, resolution 14, as set out in the notice of annual general meeting, will be proposed as a special resolution to permit directors to allot shares without the application of these statutory pre-emption rights, first, in relation to rights issues and, secondly, in relation to the issue of ordinary shares in the capital of the company for cash up to a maximum aggregate nominal amount of £138,771 (representing approximately 5% of the nominal value of the ordinary shares of the company currently in issue).

The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of passing the resolution and the conclusion of the next annual general meeting of the company.

Resolution 15 – Purchase of ordinary shares
In common with many other listed companies, the company proposes, once again, to seek an authority from shareholders to permit the company to purchase its own shares. Accordingly, resolution 15 will be proposed as a special resolution to authorise the company to make market purchases of up to 20,815,733, just under 15% of the company's current issued ordinary share capital, at prices not less than the nominal value of an ordinary share and not exceeding 105% of the average of the middle-market quotations for ordinary shares for the five business days before each purchase (exclusive of expenses). The authority will last until the earlier of 15 months from the date of passing the resolution and the conclusion of the next annual general meeting of the company. The directors envisage that purchases would be made only after considering the effects on earnings per share and the benefits for shareholders generally.

As at 5 September 2008, there were outstanding options over 522,250 ordinary shares, representing 0.38% of the company's issued ordinary share capital. If the authority under resolution 15 were to be exercised in full, this percentage would increase to 0.44%.

Recommendation
The directors believe that the resolutions which are to be proposed at the annual general meeting are in the best interests of the company and its shareholders as a whole and recommend all shareholders to vote in favour of them, as each of the directors intends to do in respect of his or her own beneficial holding.

By order of the board

Keith Down
Company Secretary
5 September 2008

Explanatory notes of principal changes to the company's articles of association

1. General
The proposed amendments to the current articles of association of the company ('the Current Articles') reflect recent changes in the law, following the bringing into force of certain provisions of the Companies Act 2006. In addition, generally, the opportunity has been taken to bring clearer language into the new articles of association proposed to be adopted by the company ('the New Articles'). The main changes introduced in the New Articles are detailed below.

2. Articles which duplicate statutory provisions
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are amended in the main, to bring them in line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions and provisions regarding the period of notice required to convene general meetings. In addition, certain provisions in the Current Articles which duplicate provisions contained in the Companies Act 2006 are to be removed from the New Articles. Examples include provisions about the requirement to keep accounting records and to lay accounts before the company in general meeting and provisions regarding the appointment of auditors and the right of the auditors to attend general meetings of the company. The main changes made to reflect this approach are detailed below.

3. Form of resolution
The Current Articles contain a provision that, where, for any purpose, an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended, as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. In addition, other references in the Current Articles to extraordinary resolutions are being removed.

4. Convening annual and other general meetings
The provisions in the Current Articles, dealing with the convening of general meetings and the length of notice required to convene general meetings, are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting (other than an annual general meeting) to consider a special resolution can be convened on 14 days' notice, whereas 21 days' notice had previously been required.

5. Votes of members
Under the Companies Act 2006, proxies are entitled to vote on a show of hands, whereas, under the Current Articles, proxies are entitled to vote on a poll only. Multiple proxies may be appointed, provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

6. Conflicts of interest
The Companies Act 2006 sets out directors' general duties which largely codify the current law, but with some changes. Under the Companies Act 2006, a director must avoid a situation where he has, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new article 68 would give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors with no interest in the matter being considered will be able to take the relevant decision; secondly, in taking the decision the directors must act in a way which they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation, if they consider this to be appropriate.

It is also proposed that the New Articles should contain provisions about confidential information, attendance at board meetings and availability of board papers, to protect a director from being in breach of duty, if a conflict of interest or potential conflict of interest arises. These provisions will apply only where the position giving rise to the potential conflict has previously been authorised by the directors. It is the board's intention to report annually on the company's procedures for ensuring that the board's powers to authorise conflicts are operated effectively.

7. Accounting provisions
The provisions in the Current Articles requiring the board to keep accounting records, to lay accounts before the company in general meetings and certain provisions about the appointment of auditors and the right of the auditors to attend general meetings of the company have been removed, as these are contained in the Companies Act 2006.

8. Electronic and Web communications
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or Web site communications. At last year's annual general meeting, the company passed a resolution to authorise the company to send or supply documents or information to members by making them available on a Web site or by other electronic means. The New Articles continue to allow communications to members in electronic form and via the company's Web site. Before the company can communicate with a member by means of Web site communication, the relevant member must be asked individually by the company to agree that the company may send or supply documents or information to him or her by means of a Web site, and the company must have either received a positive response or received no response within the period of 28 days beginning with the date on which the request was sent. The company will notify the member (either in writing or by other permitted means) when a relevant document or information is placed on the Web site and a member can always request a hard copy version of the document or information.

9. Directors' indemnities and loans to fund expenditure
The Companies Act 2006 has, in some areas, widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company which is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the current exemption, allowing a company to provide money for the purpose of funding a director's defence in court proceedings, now expressly covers regulatory proceedings and applies to associated companies.

Directors' remuneration report for the 52 weeks ended 27 July 2008

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2008, the interest of directors in the company's shares and the fees of the non-executive directors. This report has been drawn up in accordance with, among other things, schedule B of the Combined Code, as set out in the Listing Rules of the UK Listing Authority ('Combined Code'). This report will be put to an advisory vote of the company's shareholders at the annual general meeting on 4 November 2008.

Composition and role of the remuneration committee
The remuneration committee is appointed by the board and comprises John Herring (chairman), Elizabeth McMeikan and Debra van Gene.

The committee meets throughout the year and performs an annual review, covering elements of executive directors' remuneration. In addition, it approves all contractual and other compensation arrangements for the executive directors. The remuneration committee also approves any grant of share options and annual performance-related payments (whether in shares or cash) for executive directors.

The committee has access to advice from external consultants, as appropriate. None was used during the year.

Remuneration policy
The aim of the company's remuneration policy is to provide the packages required to attract, retain and motivate directors and senior executives of high quality.

The following comprises the components of the remuneration of all executive directors:

Salary
Salaries and other benefits are determined annually after a review of the individual's performance, by reference to industry and other comparisons and consideration of reports from specialist consultants.

Annual performance-related payments
It is the policy of the company to operate bonus arrangements, at all levels of staff, which are performance-related, the primary performance measures being profitability and operating standards. The executive directors participate in a management bonus scheme, designed to incentivise senior management in the achievement of financial and personal targets. The financial targets are based on annual growth in profits before tax. The maximum bonus attainable under normal circumstances represents 35% of the salary for the year. The executive directors also receive bonuses in shares under the Share Incentive Plan and the 2005 Deferred Bonus Scheme as described on pages 17 and 18.

Pension provision
The company makes contributions to personal pension schemes on behalf of all staff who opt to participate in these schemes, including executive directors and senior executives. It does not operate any defined benefit pension schemes.

Share schemes/Share Incentive Plan
The company's policy on share incentives under its various employee share schemes has been, and continues to be, to distribute them widely across the company's pub staff and head-office employees. In this way, the company seeks to encourage and motivate those key employees involved at all levels of the company and, in particular, those employees who have a direct interface with the public. There are no specific share option arrangements for directors, although the company allows executive directors, with the exception of the chairman, to participate in the Share Incentive Plan and the 2005 Deferred Bonus Scheme. In the past, discretionary grants of share options have been extended to all employees, including directors satisfying certain eligibility criteria. These arrangements have been largely replaced by the new Share Incentive Plan and the 2005 Deferred Bonus Scheme described on pages 17 and 18. Details about the participation of each of the executive directors in each of the above schemes can be found on pages 21 to 23.

The rules of the company's three discretionary share option schemes, the Executive Share Option (ESOP) plan, the New Discretionary Share Option (NDSO) scheme and the 2001 Executive Scheme (2001 scheme) require certain performance criteria to be met before an option can be exercised. In the case of the ESOP (under which no further grants will be made), options are exercisable only on condition that the earnings per share of the company, between the date of grant of an option and the date of an exercise, increase by at least the increase in RPI.

Both the NDSO scheme and the 2001 scheme require normalised earnings per share (excluding exceptional items) to exceed the growth in RPI, over any three-year period, by an average of at least 3% per annum. It is not intended that grants be made under these schemes in the coming year.

These performance targets were set in line with remuneration trends when the schemes were introduced and are easily understood by participants. Performance against these targets is measured by reference to government statistics for RPI and the company's accounts for earnings per share growth.

The company has monitored the debate on the question of share options and, in particular, both the dilutive impact on current shareholders and the desire to create real employee shareholders, rather than simply option-holders. As a result, it has been decided not to issue any further options in the foreseeable future (other than any options which may be granted in recruitment situations under the 2001 scheme). The company established a new share incentive plan (incorporating an Inland Revenue-approved element), with effect from 1 August 2003, as a replacement for any new share option issues. This plan is an 'all-employee plan', providing qualifying employees, including executive directors (usually those who have given at least 18 months' service), with bonuses in the form of shares in the company, twice each year. The value of shares to be awarded will have regard to performance over the preceding half year; it is intended that awards made on any occasion will be up to 25% of annual salary. For awards made in September 2007 and March 2008, awards were up to 25% of salary. Shares will not vest for three years under this plan; the cost of the shares will be reflected in the company's income statement for financial years over the period in which they vest.

2005 Deferred Bonus Scheme

Following approval of shareholders at the annual general meeting held on 10 November 2005, the company introduced a deferred bonus scheme, with a view to incentivising and promoting share ownership by key senior managers, including executive directors. The current Share Incentive Plan is available to all employees in the pubs and head office who satisfy a minimum length of service. The remuneration committee has reviewed the overall level of share incentives, with particular regard to what would be normal practice in this area. The remuneration committee believes that additional incentives are relevant for key senior managers. Bonus awards will be made under the scheme annually, at the discretion of the remuneration committee, to executive directors, general managers and certain other senior employees.

Under the scheme, the remuneration committee sets performance targets each year, based on the financial performance of the company. For the financial year ended 27 July 2008, the bonus awards are based on the increase in cash profits per share over the previous financial year. Participants will be entitled to an amount up to 3% of their annual base salary for every 1% increase in cash profits per share. The company has focused on cash profits as a key performance measurement over recent years and believes that linking the incentives for senior managers to the growth in cash profits will align the interests of shareholders generally with executives in the company. It is envisaged that the maximum bonus to be earned under this scheme would be capped at 100% of annual base salary.

Bonus awards will be satisfied in shares. One-third of a participant's shares will be provided to the participant on calculation of the amount of the award, one-third will be released to the participant after one year and one-third will be released to the participant after two years (in each case, subject to the participant continuing to be employed at the release date).

The shares required under the scheme are purchased in the market by an employee benefit trust funded by the company.

Benefits in kind

A range of taxable benefits is available to executive directors. These benefits comprise principally the provision of a company car allowance, life assurance and private medical insurance.

Chairman and directors' service contracts

The executive directors are employed on rolling contracts, requiring the company to give up to one year's notice of termination, while the director may give six months' notice. In the event of termination of employment with the company, without the requisite period of notice, executive directors' service contracts provide for the payment of a sum equivalent to the net value of salary and benefits to which the executive would have been entitled during the notice period. The executive is required to mitigate his or her loss and such mitigation may be taken into account in any payment made. The company's policy on the duration of directors' service contracts, notice periods and termination payments are all in accordance with best industry practice. The commencement dates for the executive directors' service contracts were as follows:

Tim Martin	–	20 October 1992
John Hutson	–	2 February 1998
Keith Down	–	7 January 2008
Su Cacioppo	–	10 March 2008
Paul Harbottle	–	10 March 2008

Non-executive directors

The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2007, with a term of 12 months.

The non-executive directors are entitled to the fees to which they would have been entitled up to the end of their term, if their appointment is terminated early. They do not participate in the company's bonus or share schemes. Their fees are determined by the executive directors, following consultation with professional advisers, as appropriate.

External appointments

The company has not released any executive directors to serve as a non-executive director elsewhere.

Directors' remuneration
Audited information:
The table below shows a breakdown of the various elements of directors' remuneration for the year ended 27 July 2008.

	Salary/fees	Performance bonus – cash	Share Incentive Plan – shares	Performance bonus – 2005 Deferred Bonus Scheme – shares	Taxable benefits	Taxable allowances	Pension contributions	Other	**Total 2008 £000**	Total 2007 £000
Chairman										
T R Martin	315	16	–	–	22	–	–	–	**353**	371
Executive directors										
J Hutson	364	36	80	218	1	15	44	–	**758**	565
J Clarke (1)	56	3	–	–	1	3	7	391	**461**	344
K Down (2)	137	11	30	180	–	8	16	320	**702**	–
S Cacioppo (3)	71	6	44	121	–	6	9	–	**257**	–
P Harbottle (4)	81	7	37	138	–	6	10	–	**279**	–
Non-executive directors										
J Herring	62	–	–	–	–	–	–	–	**62**	71
E McMeikan	34	–	–	–	–	–	–	–	**34**	32
D van Gene	34	–	–	–	–	–	–	–	**34**	32
Total	**1,154**	**79**	**191**	**657**	**24**	**38**	**86**	**711**	**2,940**	**–**
2007	1,017	127	119	35	22	29	66	–	–	1,415

(1) Jim Clarke ceased to be a director on 31 October 2007. In addition to his basic salary above, he received compensation of £391,346 for loss of office, total emoluments for the year ended 27 July 2008 being £460,669.21,
(2) Keith Down was appointed as a director on 7 January 2008. Included in 'Other' is an award, made on appointment of £320,000, £53,000 of which has been paid in cash during the year. The balance relates to 5 equal share awards which vest between 2008 and 2012.
(3) Su Cacioppo was appointed a director on 10 March 2008.
(4) Paul Harbottle was appointed a director on 10 March 2008.

Taxable benefits include the provision of a company car and health cover. Directors may opt for a taxable allowance in lieu of a company car, shown above under taxable allowances.

The company's Share Incentive Plans and 2005 Deferred Bonus Scheme (described on pages 17 and 18) in the table includes the full-year value of bonuses paid in shares, subject to forfeiture on cessation of employment, in certain circumstances. These shares are also included in the relevant director's interest shown in the table below.

The amount included with respect to the Share Incentive Plan reflects the value of the shares issued to the directors during the year. The amount included under the 2005 Deferred Bonus Scheme reflects the cash value of shares which will be awarded to the directors in September 2008 and will vest as set out in the notes above.

The pension contributions are made in respect of defined contribution pension arrangements.

Directors and connected persons' interests in shares – non-audited information:

The interests of the directors in the shares of the company, as at 27 July 2008, were as follows:

Ordinary shares of 2p each, held beneficially	**2008**	2007
T R Martin	**33,809,934**	32,022,807
J Hutson	**116,960**	95,947
J Hutson – Share Incentive Plan	**54,484**	50,624
J Hutson – 2005 Deferred Bonus Scheme	**9,944**	10,171
K Down – Share Incentive Plan	**11,595**	–
S Cacioppo	**9,282**	–
S Cacioppo – Share Incentive Plan	**27,886**	–
S Cacioppo – 2005 Deferred Bonus Scheme	**4,281**	–
P Harbottle	**5,916**	–
P Harbottle – Share Incentive Plan	**21,971**	–
P Harbottle – 2005 Deferred Bonus Scheme	**3,891**	–
J Herring	**6,000**	6,000
E McMeikan	**1,000**	1,000
D van Gene	**1,000**	1,000

There have not been any changes to these interests since 27 July 2008.

Directors' interests in share options – audited information:

Share options are granted under the various share option schemes at an exercise price based on the average share price over a number of days preceding the grant. The number of days used is detailed in the rules for each scheme. Share options are not granted at a discount. Directors' share options under the various executive share option schemes comprise:

	29 July 2007	Options exercised	Options lapsed	**27 July 2008**	Exercise price	Exercisable date	Expiry date	Scheme (see below)
J Hutson	40,000	40,000 (a)	–	**–**	299.0p	05/10/00	05/10/07	ESOP
	49,000	–	49,000	**–**	326.0p	16/04/01	16/04/08	ESOP
	2,500	–	–	**2,500**	268.0p	20/04/02	20/04/09	NDSO
	400	–	–	**400**	333.8p	09/09/02	09/09/09	NDSO
	25,420	–	–	**25,420**	356.5p	07/03/03	07/03/10	NDSO
	12,465	–	–	**12,465**	361.0p	15/09/03	15/09/10	NDSO
	6,750	–	–	**6,750**	343.6p	14/03/04	14/03/11	NDSO
	8,500	–	–	**8,500**	339.0p	12/09/04	12/09/11	NDSO
	20,000	–	–	**20,000**	301.5p	09/09/05	09/09/12	2001 scheme
	165,035	40,000	49,000	**76,035**				

ESOP – Executive Share Option Plan
NDSO – New Discretionary Share Option Scheme
2001 Scheme – 2001 Executive Scheme

(a) Mr Hutson exercised this option during the year for a gain of £104,600.00.
The market price on the date of exercising these options was 560.5p.

Details of the year-end, the year-high and the year-low share price for the shares which are subject to the options detailed above can be found on page 58.

Share Incentive Plan – audited information:
The interests of directors in share options have not changed since the financial year end. In addition to the interest in shares and share options disclosed above, the following awards have been made of shares under the Share Incentive Plan during the year:

Approved	Number of shares awarded in the year and still subject to awards at 27/07/08	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	518	17/09/07	579.0p	17/09/10
K Down	1,156	31/03/08	259.31p	31/03/11
P Harbottle	518	17/09/07	579.0p	17/09/10
S Cacioppo	518	17/09/07	579.0p	17/09/10

Unapproved	Number of shares awarded in the year and still subject to awards at 27/07/08	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	5,526	17/09/07	579.0p	17/09/10
	17,474	31/03/08	259.31p	31/03/11
K Down	10,439	31/03/08	259.31p	31/03/11
P Harbottle	2,115	17/09/07	579.0p	17/09/10
	8,506	31/03/08	259.31p	31/03/11
S Cacioppo	2,038	17/09/07	579.0p	17/09/10
	11,185	31/03/08	259.31p	31/03/11

Shares subject to awards at the beginning of the financial year were as follows:

Approved	Number of shares awarded in the year and still subject to awards at 27/07/08	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	990	26/03/04	302.75p	26/03/07
	1,214	08/10/04	247.0p	08/10/07
	1,022	30/09/05	293.5p	30/09/08
	590	29/09/06	507.83p	29/09/09
P Harbottle	902	30/09/05	293.5p	30/09/08
	94	31/03/06	374.67p	31/03/09
	522	29/09/06	507.83p	29/09/09
	26	30/03/07	740.33p	30/03/10
S Cacioppo	881	26/03/04	302.75p	26/03/07
	598	08/10/04	247.0p	08/10/07
	594	30/03/05	255.75p	30/03/08
	926	30/09/05	293.5p	30/09/08
	75	31/03/06	374.67p	31/03/09
	590	29/09/06	507.83p	29/09/09

Unapproved	Number of shares awarded in the year and still subject to awards at 27/07/08	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	8,517	30/09/05	293.5p	30/09/08
	7,722	31/03/06	374.67p	31/03/09
	5,163	29/09/06	507.83p	29/09/09
	5,748	30/03/07	740.33p	30/03/10
P Harbottle	2,708	30/09/05	293.5p	30/09/08
	2,829	31/03/06	374.67p	31/03/09
	1,658	29/09/06	507.83p	29/09/09
	2,093	30/03/07	740.33p	30/03/10
S Cacioppo	2,780	30/09/05	293.5p	30/09/08
	3,295	31/03/06	374.67p	31/03/09
	1,959	29/09/06	507.83p	29/09/09
	2,447	30/03/07	740.33p	30/03/10

Shares which matured in the financial year were as follows:

	Matured	Sold	Shares retained	Remaining in trust	Date sold	Market price at sale date
J Hutson	8,906	3,657	5,249	–	10/10/07	560.0p
	10,752	4,420	6,332	–	01/04/08	277.52p
P Harbottle	3,036	1,251	1,785	–	10/10/07	560.0p
	3,049	1,261	1,788	–	01/04/08	277.52p
S Cacioppo	1,796	742	1,054	–	10/10/07	560.0p
	3,921	1,619	2,302	–	01/04/08	277.52p

The above shares were sold to cover tax and National Insurance on the unapproved shares awarded on 8 October 2004 and 30 March 2005. The remaining balance was retained as shares.

2005 Deferred Bonus Scheme

The first award of shares under the 2005 Deferred Bonus Scheme was made in September 2006. As set out on page 18, one-third of the total award vests immediately, with the other two-thirds vesting over the following two years.

The overall position is as follows:

September 2006 Award – Tranche 2

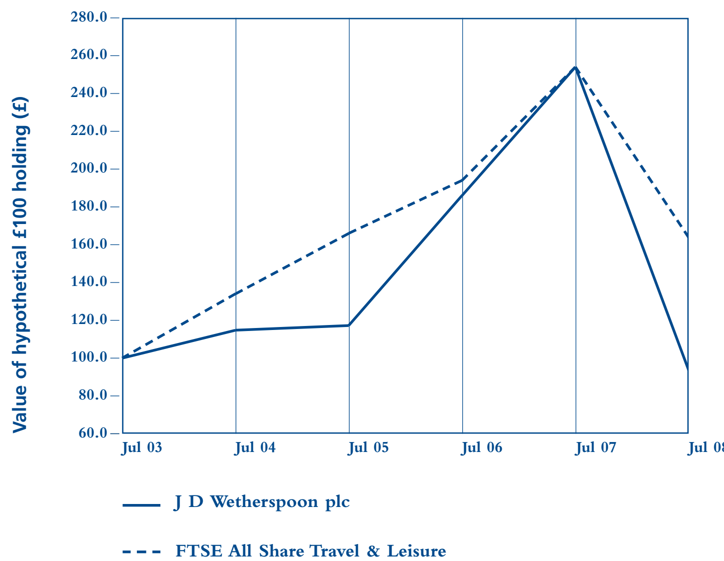
	Total awarded	Previously Vested	Vested	Sold	Shares retained	Remaining in trust	Date sold	Market price at sale date
J Hutson	15,256	5,085	5,085	2,085	3,000	5,086	19/09/07	557p
P Harbottle	5,819	1,939	1,939	795	1,144	1,941	19/09/07	557p
S Cacioppo	6,711	2,237	2,237	918	1,319	2,237	19/09/07	557p

September 2007 Award – Tranche 1

	Total awarded	Vested in trust	Sold	Shares retained	Remaining	Date sold	Market price at sale date
J Hutson	7,286	2,428	996	1,432	4,858	17/09/07	555.115p
P Harbottle	2,925	975	400	575	1,950	17/09/07	555.115p
S Cacioppo	3,065	1,021	419	602	2,044	17/09/07	555.115p

Performance graph – non-audited information: This graph shows the total shareholder return (with dividends reinvested) of a holding of the company's shares against a hypothetical holding of shares in the FTSE All Share Travel & Leisure sector index for each of the last five financial years. The directors selected this index, as it contains most of the company's competitors and is considered to be the most appropriate index for the company.

Growth in the value of a hypothetical £100 holding since 28 July 2003, based on 30-trading-day average values



On behalf of the board:
John Herring
Chairman of the remuneration committee

5 September 2008

Corporate social responsibility report

We are running a sustainable and profitable business by supporting our people, their communities, the environment, nominated charities and businesses with which we interact.

All over the UK, J D Wetherspoon is a central part of local communities, bringing benefits to millions of people in their daily life, through social enjoyment or direct/indirect employment.

The backbone of our growth has been the provision of the highest standards in all of our outlets, but we also understand that our role in society doesn't begin and end simply by serving quality food and drink.

The board of J D Wetherspoon has made corporate social responsibility (CSR) a part of the daily culture of the business.

A CSR plan has been developed, through engagement with staff, and approved by the board. The plan identifies five key areas: our people; community and charity; energy and the environment; ethical working; health. The plan sets out to communicate the following in each area: our aim; objectives and measurements; key achievements; ongoing priorities.

The personnel and legal director, responsible for CSR, chairs the CSR group, encompassing members of staff from our pubs and head office. The group will meet monthly to progress initiatives set out in the CSR plan and ensure that communication and momentum are maintained. Minutes of these meetings will be reported to the plc board.

Our people

We aim to be an employer of choice in the UK, through our ongoing investment in training, development and rewards, together with our employees' involvement in the long-term business plan.

Employees are our greatest asset, and we seek to develop staff through effective and award-winning training and development, through a positive working environment and by a competitive remuneration package.

We aim to set industry benchmarks and to be the best.

This has been demonstrated by the recognition which we have received from awarding bodies in these areas. We lead the way in training for managed house pub companies. In 2007, we were awarded the 'best training scheme run by institutions of further and higher education in partnership with the licensed retail industry' by the British Institute of Innkeeping (BII).

Last year, for the fifth consecutive year, we featured in Britain's Top 100 Employers handbook, as published by *The Guardian*.

We benchmark our pay & reward strategy continually, to ensure that our total package is above the industry standard. Financial benefits to our colleagues include a share incentive plan in which the company allocates shares to employees twice a year – free of charge. An industry-leading bonus scheme is available to all employees, rewarding them for their contribution to the business's success. In the year under review, we spent a total of £16 million on bonuses and share awards for employees.

Employment practices

As a company, we are committed to equality of opportunity and to the elimination of direct and indirect discrimination, harassment and victimisation of employees, job applicants, customers and contractors alike.

We promote equal opportunities actively throughout the organisation, through the application of employment policies which ensure that individuals receive fair, equitable and consistent treatment.

Community

Historically, pubs have always been a focal point of any community. Our aim is to continue that tradition by supporting and building relationships with the local community, through employment, charitable giving and investment.

Access to our pubs is a priority for us. Our efforts to bring a top-quality service to those with disabilities have been recognised by charities, local agencies and national government. All of our pubs are regularly audited for accessibility.

Where possible, we work closely with local suppliers and support local businesses.

Responsible drinks retailing

As a retailer of alcoholic drinks, J D Wetherspoon fully supports practices which promote responsible drinking and has developed several initiatives and policies to ensure that it acts in a highly responsible manner.

J D Wetherspoon does not participate in irresponsible retailing practices and avoids any actions which would be seen to encourage or condone irresponsible drinking.

We have a 'code of conduct for responsible retailing' which details our approach in this area. This can be found on the company's Web site.

Partnerships with local authorities and police

We have developed close partnerships with local authorities and police. We always join Pubwatch, where possible, with several pub managers chairing the scheme in their respective local area. If no scheme exists, we endeavour to be instrumental in setting one up. As a company, we are a member of National Pubwatch and a key member of The Drinkaware Trust. Both of these bodies aim to promote a sensible and responsible approach to the retailing of alcohol. We also support the Portman Group.

Challenge 21 national campaign
J D Wetherspoon takes all reasonable precautions to ensure that people under 18 years cannot buy or obtain alcoholic drinks.

We operate the Challenge 21 policy in all of our pubs. To ensure effective implementation of this campaign, we provide support and training to all of our staff and carry out regular audits to ensure compliance.

Customer management
As a retailer of alcohol, all employees of J D Wetherspoon do their utmost to create a safe and convivial atmosphere for customers and colleagues.

As part of our internal shift manager training programme, all managers are trained in how to deal with conflict situations effectively.

Charities
J D Wetherspoon continues to remain committed to its nominated charity CLIC Sargent (Caring for Children with Cancer), a partnership now in its sixth year. This commitment is demonstrated by achieving our target, in December 2007, to raise £2 million. We have pledged to raise a further £500,000 in the calendar year 2008. During the past financial year, J D Wetherspoon's employees and customers have raised £446,693; this has contributed to the overall total raised by the company since its association with this charity to £2,160,884.

Every pub is also encouraged to support a local charity. The company makes further donations, via our charity committee, to local good causes, including sponsorships, raffle prizes, computers for schools and unwanted furniture for local institutions.

Energy and the environment
J D Wetherspoon is committed to fostering the preservation and protection of the environment, while recognising our wider social responsibility. It is the company's policy to:

- minimise the extent of the environmental impact of its operations, as far as is reasonably practicable.
- conserve energy through minimising consumption and maximising efficiency.
- minimise the use of materials which may be harmful to the environment.
- promote efficient purchasing which will both minimise waste and allow materials to be recycled, where appropriate.
- adopt efficient waste-management strategies which reduce the amount of waste going to landfill or other disposal sites.
- embrace the use of recycled materials and ensure that materials or waste generated by the business are recycled, where appropriate.
- strive to minimise any emissions or effluents which may cause environmental damage.
- raise awareness of environmental issues among all of its employees and suppliers/partners.
- ensure appropriate training, in environmental issues, of all employees.

Over the past 12 months, we have complemented our policy with several initiatives, including:

Recycling
J D Wetherspoon aims to reduce the amount of waste which it sends to landfill sites, through a combination of packaging reduction and recycling of waste products. We recycle ordinary materials, generated as a consequence of our daily business, such as glass, aluminium cans, paper and cooking oil.

During the financial year, J D Wetherspoon recycled 5,281 tonnes of waste (1,616 tonnes of cooking oil, 3,136 tonnes of cardboard, 19 tonnes of aluminium, 95 tonnes of plastic and 415 tonnes of paper).

Glass-recycling has been a major focus and challenge for the year. We generate 30,000 tonnes of glass per annum. J D Wetherspoon has joined forces with Biffa to roll out glass-recycling across the estate. J D Wetherspoon successfully recycled 5,000 tonnes of glass in the year, the aim by 2009 being to recycle 75% of the glass supplied to pubs.

To reduce the volume of glass generated in our pubs, we implemented a bag-in-box wine-dispense system. We have reduced the number of bottles in our supply chain by 3.5 million as a result.

J D Wetherspoon has a dedicated supply chain for its food, bottled drinks and non-consumable products. This means that we can consolidate our deliveries to our pubs and, on the return journey, bring any recycling material back to our dedicated recycling operation, thereby saving road miles.

We were recognised in 2007 for our efforts in recycling and named as the 'high-street recycling champion' by letsrecycle.com.

Energy-efficiency
J D Wetherspoon understands that it has a responsibility for the resources which it uses and that good environmental management is an essential part of being a responsible business. The company's Energy Group, chaired by the finance director, is responsible for maintaining a constant focus on improving the energy-efficiency of our pubs. Ideas and initiatives are communicated weekly to pubs, with each pub awarded an energy-efficiency rating, based on its total energy cost per square foot.

During the financial year, we installed 'smart' electricity meters in 327 pubs, complementing our current portfolio of 170 pubs with half-hourly electricity meters, so that we can monitor and accurately control the energy used. We aim to install smart meters in a further 85 pubs during the next financial year.

In 2007, in conjunction with the Carbon Trust, we opened our greenest pub, in Melton Mowbray, incorporating all of the most up-to-date technology available, to minimise the environmental impact, and aiming to use 50% less energy than a traditional pub of similar size

We are committed to reducing the amount of energy which we use and we have set up a group to champion energy-savings at pub level.

Ethical business practices

We carry out our business honestly, ethically and with respect for the rights and interests of all those people involved. We expect relations with customers, suppliers and business partners to be mutually beneficial and expect our business practices and standards to be upheld, while the relationship continues.

Working with suppliers

J D Wetherspoon promotes long-term relationships with its suppliers, working closely with them to maintain the integrity and continuity of service expected by our customers.

We wish to ensure that both our own activities and those of our suppliers are socially and environmentally responsible. Our policies on social, environmental and ethical issues have been developed; in particular, the environmental policy already commits us to working with our suppliers, contractors and partners to minimise our environmental impact and to encourage ecologically sustainable and, where possible, local sourcing of products and services.

Health

J D Wetherspoon has steadily grown a reputation for great food. We aim to improve the quality of our food offers continuously and provide our customers with the information and range of products to allow them to make informed decisions about their food consumption. We aim to provide a range of menu items which appeals to our broad spectrum of customers.

Much of our food is sourced in the UK. We have strict specifications for all of our products to ensure that high standards of quality and safety are met. For example, our sausages come from the award-winning Welsh Sausage Company and contain only British pork, with no artificial colours or flavours; we use only dolphin-friendly tuna; the cod and haddock used in our fish and chips are from recognised, sustainable fisheries.

We use high-quality ingredients and are proudly offering regional dishes and locally sourced ingredients. For example, farm-assured British beef is used in our beef and Abbot Ale pie, lasagne and cottage pie. Our chips are made from 100% British potatoes. We use only free-range eggs and support Compassion in World Farming (CIWF) and the use of cage-free eggs.

In 2007, we switched to using 'virtually trans-fat-free cooking oil', with a saturated fat level below 20%. We are working closely with the Food Standards Agency (FSA) to reduce the salt, saturated fats and sugar levels in our dishes, in line with the latest FSA guidelines, over an 18-month period.

To help our customers to make an informed choice about our menu items, an 'about us' booklet, including food fact information, is available in all of our pubs – and detailed nutritional information is provided on our Web site. Our menu is coded, so that customers can easily see those dishes which count towards the 'five-a-day' target. Specific information on our Web site is also provided for those with food allergies or intolerances.

All of our food suppliers are British Retail Consortium-accredited bodies and are independently audited by EFSIS annually.

We were also Eat Out magazine's winner of MenuMasters' 'best menu 2008' kids' category, in recognition of the work which we have carried out to increase organic and free-range products on the menu. In addition, we serve 'Tierra' – Lavazza's Rainforest-Alliance-certified sustainable coffee – and our Twinings tea is ethically sourced.

Corporate governance

Introduction
Effective governance is at the core of J D Wetherspoon's ability to operate successfully in 694 pubs in England, Northern Ireland, Scotland and Wales. J D Wetherspoon's established governance framework is overseen by the board of directors, which is ultimately responsible to J D Wetherspoon's shareholders

Statement of compliance
The company is committed to the highest standards of corporate governance, as set out in Section 1 of the Combined Code 2006 (the '2006 Code'). The board believes that the company has been fully compliant throughout the year ended 27 July 2008, with the following exceptions.

John Herring has served more than nine years on the board and so may not be considered independent under the 2006 Code. The board considers that his performance as a non-executive director continues to be effective. He contributes significantly as a director through his individual skills, his considerable knowledge and experience of the company and relevant financial expertise. He also continues to demonstrate strong independence in the manner in which he discharges his responsibilities as a director. Consequently, the board has concluded that, despite his length of tenure, there is no association with management which could compromise his independence. John intends to offer himself annually for re-election to the board.

Following the appointment of two new executive directors Paul Harbottle and Su Cacioppo on 10 March 2008, the number of independent non-executive directors did not equal that of the executives in the whole year under review. The board considers that the collective know-how and experience of the independent non-executive directors over this period provided a balanced mix of skills which matched the needs of the business and were sufficient to ensure proper governance of the company, which comprises an organically grown, single business, producing clear, transparent results. The board is however mindful of its composition and will keep this position under review.

The board of directors
The primary responsibility of the board is to ensure that the strategy for J D Wetherspoon's business is appropriate and implemented effectively. Those matters reserved for the board and the authorities delegated to management are contained in the 'matters reserved for the board' schedule, as well as in the various policies covering such matters as treasury management, capital expenditure approvals, legal matters, internal audit and risk management.

The board comprises the following members:

- Tim Martin, chairman
- John Hutson, chief executive officer
- Keith Down, finance director and company secretary
- Paul Harbottle, chief operating officer
- Su Cacioppo, personnel and legal director
- John Herring, non-executive deputy chairman and senior non-executive director
- Elizabeth McMeikan, non-executive director
- Debra van Gene, non-executive director

Biographies of all non-executive and executive directors can be viewed on the company's Web site: www.jdwetherspoon.co.uk

On appointment to the board, every director is provided with a comprehensive induction programme, covering all aspects of the company's operations. Formal evaluation of the board and individual members, together with appraisals, take place annually, conducted by the chairman and deputy chairman, with any training and development needs evaluated as part of the process. Site visits are arranged regularly to enable non-executive directors to see, at first hand, the operations of the business.

All directors are provided with comprehensive papers in advance of all board meetings and attend key meetings regularly in the organisation. In addition, directors attend impromptu meetings with senior managers in the business.

There is a clear and documented division of responsibilities between the chairman and the chief executive officer.
The division is set out overleaf.

Chairman's responsibility	Chief executive's responsibility
The chairman is responsible for the smooth running of the board and ensuring that all directors are fully informed of matters relevant to their roles	The chief executive is responsible for the smooth daily running of the business
Delegated responsibility of authority from the company to exchange of contracts within controlled procedures	Developing and maintaining effective management controls, planning and performance measurements
Providing support, advice and feedback to the chief executive	Maintaining and developing an effective organisational structure
Supporting the company strategy, and encouraging the chief executive with development of the strategy	External and internal communications in conjunction with the chairman, on any issues facing the company
Chairing general meetings, board meetings, operational meetings and agreeing on board agendas	Implementing and monitoring compliance with board policies
Management of chief executive's contract, appraisal and remuneration by way of making recommendations to the remuneration committee	Timely and accurate reporting of the above to the board
Providing support to executive directors and senior managers of the company	Recruiting and managing senior managers in the business
Providing the 'ethos' and 'vision' of the company	Developing and maintaining effective risk-management and regulatory controls
Providing operational presence across the estate	Maintaining primary relationships with shareholders and investors
	Chairing the management board responsible for implementing the company strategy

All directors are provided with, and have full and timely access to, information which enables them to make informed decisions on corporate and business issues, including operational and financial performance. In particular, the board receives monthly information on the financial trading performance of the company and a comprehensive finance report which includes operational highlights. All directors receive sales and margin information for the company, weekly, by trading unit.

The articles require that one-third of the directors retire by rotation, subject to the requirement that each director seek re-election every three years.

During the year ended 27 July 2008, non-executive directors met without the chairman and provided feedback to the chairman following their meetings. The overall effectiveness of the board was the primary topic, although succession-planning and the provision of information to the board was also discussed. The directors concluded that the board and its committees continue to work effectively.

In accordance with the 2006 Code and corporate governance best practice, the board has several established committees as set out below. The board met eight times during the year ended 27 July 2008; attendance of the directors and non-executives, where appropriate, is shown below.

Number of meetings held in the year	Board 8	Audit 3	Remuneration 2	Nomination 2
Tim Martin	7	N/A	N/A	N/A
John Hutson	6	N/A	N/A	N/A
Jim Clarke*	1	1*	N/A	N/A
John Herring	8	3	2	2
Elizabeth McMeikan	8	3	2	2
Debra van Gene	5	1	2	2
Keith Down*	5	2*	N/A	N/A
Su Cacioppo	3	N/A	N/A	N/A
Paul Harbottle	3	N/A	N/A	N/A

*Jim Clarke and Keith Down, in their roles of finance director, attends audit committee meetings by invitation, to provide additional detail on any relevant financial matters.

Matters reserved for the board

The following matters are reserved for the board:

■ Board and management
- □ Structure and senior management responsibilities
- □ Nomination of directors
- □ Appointment of chairman and company secretary

■ Strategic matters
- □ Strategic, financing or adoption of new business plans, in respect of any material aspect of the company

■ Business control
- □ Agreement of code of ethics and business practice
- □ Internal audit
- □ Authority limits for heads of department

■ Operating budgets
- □ The entry into finance and operating leases of a certain capital value
- □ Investments and capital projects exceeding set value
- □ Changes in major supply contracts

■ Finance
- □ Raising new capital and confirmation of major facilities
- □ Specific risk-management policies, including insurance, hedging and borrowing limits
- □ Final approval of annual and interim accounts and accounting policies
- □ Appointment of external auditors

■ Legal matters
- □ Consideration of regular reports on material issues relating to any litigation affecting the company
- □ Institution of legal proceedings where costs exceed certain values

■ Secretarial
- □ Call of all shareholder meetings
- □ Delegation of board powers
- □ Disclosure of directors' interests

■ General
- □ Board framework of executive remuneration and costs
- □ Any other matters not within the terms of reference of any committee of the board
- □ Any other matter as determined from time to time by the board

Board committees

Audit committee

The committee is chaired by John Herring and comprises Elizabeth McMeikan and Debra van Gene. Representatives of the company's external auditors, PricewaterhouseCoopers LLP, attend audit committee meetings at the half year and year end. Under the terms of the 2006 Code, one of the members of the committee, John Herring, was not independent, as explained on page 27.

In respect of the role of the audit committee, it effectively performs the following:

- ■ Assumes direct responsibility for the appointment, compensation, resignation, dismissal and the overseeing of the independent external auditors, including review of the external audit, its cost and effectiveness
- ■ Reviews the scope and nature of the work to be performed by the external auditors, before audit commences
- ■ Reviews the half-year and annual financial statements
- ■ Ensures compliance with accounting standards
- ■ Ensures compliance with stock exchange, legal and regulatory requirements
- ■ Monitors the integrity of the financial statements and formal announcements relating to the financial performance of the company
- ■ Considers the findings of the internal audit report and management responses at the half year and year end
- ■ Reviews the effectiveness of internal control systems
- ■ Final review of the company's statement on internal control systems, before endorsement by the board
- ■ Reviews any aspect of the accounts or the company's control and audit procedures, the interim and final audits and any other matters which the auditors may consider
- ■ Ensures that all matters, if appropriate, were raised and brought to the attention of the board
- ■ Reviews all risk-management systems adopted and implemented by the company

The minutes of all meetings of the committee are circulated by the secretary of the committee to all members of the board. At the annual general meeting of the company, the audit committee's chairman, John Herring, is available to answer questions on financial control and reporting.

The audit committee is aware of the company's process regarding whistle-blowing and has reviewed its effectiveness.

The terms of reference of the audit committee are available on request.

Remuneration committee

The company's remuneration committee is chaired by John Herring and comprises Debra van Gene and Elizabeth McMeikan. The directors' report on remuneration is set out on pages 17 to 23. Under the terms of the 2006 Code, one of the members of the committee was not independent.

Nomination committee

A formal nomination committee has been established, comprising John Herring (chairman), Debra van Gene and Elizabeth McMeikan. The nomination committee meets as appropriate and considers all possible board appointments and also the re-election of directors, both executive and non-executive. No director is involved in any decision about his or her own re-appointment. Under the terms of the 2006 Code, one of the members of the committee was not independent.

During the year under review, the appointment process was followed when Keith Down, Paul Harbottle and Su Cacioppo were appointed.

The process to replace Jim Clarke as Finance Director began with an evaluation of the balance of skills, knowledge and experience required for the role, representing the views of the board and an external search consultant. A description of the role and capabilities was prepared and a list of candidates identified. An exhaustive interviewing process was then followed involving executive and non-executive directors and senior management. This culminated in the appointment of Keith Down on 7 January 2008.

The internal promotion of Paul Harbottle and Su Cacioppo reflects the commitment of the company to developing talent and succession-planning within the business.

The terms of reference of the nomination committee are available on request.

Company secretary

All directors have access to the advice of the company secretary, responsible to the board for ensuring that procedures are followed. The appointment and removal of the company secretary is reserved for the consideration of the board as a whole. Procedures are in place for seeking independent professional advice, at the company's expense.

Relations with shareholders

The board takes considerable measures to ensure that all board members are kept aware of both the views of major shareholders and changes in the major shareholdings of the company. Efforts made to accomplish effective communication include:

- Annual general meeting, considered to be an important forum for shareholders to raise questions with the board
- Regular feedback from the company's stockbrokers
- Interim, full and ongoing announcements circulated to shareholders
- Any significant changes in shareholder movement being notified to the board by the company secretary, when necessary
- The company secretary maintaining procedures and agreements in place for all announcements to the City
- A programme of regular meetings between investors and directors of the company, including the senior independent director, as appropriate

Risk management

The board is responsible for the company's risk-management process. The finance director, Keith Down, chairs the company's risk-management committee, comprising senior management within the business. The committee meets at least monthly to add new risks which have been identified between meetings and to review risks previously identified, on a rolling basis. It also reports twice yearly to the audit committee. The key functions of the committee includes:

- Reviewing, on behalf of the company and the board, the key risks which have an impact on the business and systems of control necessary to manage such risks.
- Maintaining a risk register for each area of the business and reviewing quarterly.
- Reviewing the effectiveness of the company's risk-management process.
- Reporting to the board twice yearly, and as necessary, any identified risk and mitigation plans implemented.

Internal control

During the year, the company and the board continued to support and invest in resource to provide an internal audit and risk-management function. The system of internal control and risk mitigation is deeply embedded in the operations and the culture of the company. The board is responsible for maintaining a sound system of internal control and reviewing its effectiveness. The function can only manage, rather than entirely eliminate the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss. Ongoing reviews and assessments took place throughout the year under review and up to the date of the approval of the annual report.

The company has an internal audit function which is discharged as follows:

- Regular audits of the company stock
- Unannounced visits to the retail units
- Monitoring systems which control the company cash
- Health & safety visits, ensuring compliance with the company procedures
- Reviewing and assessing the impact of legislative and regulatory change
- Annually reviewing the company's strategy, including a review of risks facing the business
- Risk-management process, identifying key risks facing the business (Company Risk Register)

The company has key controls, as follows:

- Clearly defined authority limits and controls over cash-handling, purchasing commitments and capital expenditure
- Comprehensive budgeting process in place, with a detailed operating 12-month plan and a mid-term financial plan, both approved by the board
- Business results are reported weekly (for key times), with a monthly comprehensive report in full and compared with budget
- Forecasts are prepared regularly throughout the year, for review by the board
- Complex treasury instruments are not used; decisions on treasury matters are reserved by the board
- The directors confirm that they have reviewed the effectiveness of the system of internal control
- Regular reviews of the amount of external insurance which it obtains, bearing in mind the availability of such cover, its costs and the likelihood of the risks involved
- Directors' insurance cover is maintained

Keith Down
Company Secretary
5 September 2008

Independent auditors' report to the members of J D Wetherspoon plc

We have audited the financial statements of J D Wetherspoon plc for the 52 week period ended 27 July 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the Combined Code 2006 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 company's corporate governance procedures or its risk and control procedures.

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

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 27 July 2008 and of its profit and cash flows for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 September 2008

Income statement for the 52 weeks ended 27 July 2008

	Notes	52 weeks ended 27 July 2008 Total £000	52 weeks ended 29 July 2007 Total £000
Revenue	3	**907,500**	888,473
Operating costs		**(820,318)**	(797,360)
Operating profit	4	**87,182**	91,113
Finance income	6	**337**	206
Finance costs	6	**(32,566)**	(29,295)
Fair value loss on financial derivatives	6	**(794)**	–
Profit before tax		**54,159**	62,024
Income tax expense	7	**(18,624)**	(15,190)
Profit for the year		**35,535**	46,834
Earnings per share (pence)	8		
Earnings per ordinary share		**25.2**	31.8
Adjusted earnings per ordinary share (excluding one-off benefit to tax charge in 2007)		**25.2**	28.1
Fully diluted earnings per share		**25.1**	31.6
Adjusted fully diluted earnings per share (excluding one-off benefit to tax charge in 2007)		**25.1**	27.9

All activities relate to continuing operations.

Statement of recognised income and expense for the 52 weeks ended 27 July 2008

	Notes	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Cash flow hedges: gain taken to equity		**1,256**	5,833
Tax on items taken directly to equity	7, 24	**(350)**	(1,777)
Net gain recognised directly in equity		**906**	4,056
Profit for the year		**35,535**	46,834
Total recognised income for the year		**36,441**	50,890

Cash flow statement for the 52 weeks ended 27 July 2008

	Notes	52 weeks ended 27 July 2008 £000	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000	52 weeks ended 29 July 2007 £000
Cash flows from operating activities					
Cash generated from operations	9	**134,369**	**134,369**	124,933	124,933
Interest received		**268**	**268**	189	189
Interest paid		**(29,488)**	**(29,488)**	(27,610)	(27,610)
Corporation tax paid		**(17,974)**	**(17,974)**	(19,598)	(19,598)
Purchase of own shares for share-based payments	24	**(3,181)**	**(3,181)**	(1,489)	(1,489)
Net cash inflow from operating activities		**83,994**	**83,994**	76,425	76,425
Cash flows from investing activities					
Purchase of property, plant and equipment, intangible assets and non-current assets for current pubs		**(12,323)**	**(12,323)**	(24,046)	(24,046)
Proceeds of sale of property, plant and equipment		**793**		4,768	
Investment in new pubs and pub extensions		**(48,559)**		(51,951)	
Net cash outflow from investing activities		**(60,089)**	**(12,323)**	(71,229)	(24,046)
Cash flows from financing activities					
Equity dividends paid	11	**(17,380)**		(10,295)	
Proceeds from issue of ordinary shares		**461**		5,927	
Purchase of own shares	24	**(12,031)**		(77,015)	
Advances under bank loans	10	**3,184**		76,135	
Finance lease principal payments		**(739)**		(1,988)	
Net cash outflow from financing activities		**(26,505)**		(7,236)	
Net decrease in cash and cash equivalents	10, 17	**(2,600)**		(2,040)	
Opening cash and cash equivalents	17	**19,052**		21,092	
Closing cash and cash equivalents	17	**16,452**		19,052	
Free cash flow	8		**71,671**		52,379
Free cash flow per ordinary share	8		**50.7p**		35.6p

Balance sheet as at 27 July 2008

	Notes	27 July 2008 £000	29 July 2007 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**792,741**	782,269
Intangible assets	13	**4,417**	3,566
Deferred income tax assets	7	**583**	975
Other non-current assets	14	**7,276**	6,685
Total non-current assets		**805,017**	793,495
Current assets			
Inventories	15	**15,896**	19,029
Other receivables	16	**13,489**	11,761
Assets held for sale		**93**	848
Cash and cash equivalents	17	**16,452**	19,052
Total current assets		**45,930**	50,690
Total assets		**850,947**	844,185
Liabilities			
Current liabilities			
Trade and other payables	18	**(115,379)**	(119,183)
Financial liabilities	19	**(900)**	(559)
Current income tax liabilities		**(10,457)**	(9,679)
Total current liabilities		**(126,736)**	(129,421)
Non-current liabilities			
Financial liabilities	19	**(444,040)**	(440,232)
Derivative financial instruments	20	**(14,692)**	(16,335)
Deferred tax liabilities	7	**(79,231)**	(79,400)
Provisions and other liabilities	21	**(5,701)**	(6,190)
Total non-current liabilities		**(543,664)**	(542,157)
Net assets		**180,547**	172,607
Shareholders' equity			
Ordinary shares	23	**2,775**	2,849
Share premium account	24	**141,880**	141,422
Capital redemption reserve	24	**1,646**	1,569
Retained earnings	24	**34,246**	26,767
Total shareholders' equity	24	**180,547**	172,607

The financial accounts on pages 32 to 56 were approved by the board on 5 September 2008 and signed on its behalf by:

John Hutson
Director

Keith Down
Director

1 Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 27 July 2008 were authorised for issue by the board of directors on 5 September 2008, and the balance sheet was signed on the board's behalf by J Hutson and K Down. J D Wetherspoon plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Company's financial statements have been prepared in accordance with the EU-endorsed International Financial Reporting Standards (IFRSs) and IFRIC Interpretations as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

Basis of preparation

The financial statements of J D Wetherspoon plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The Company's financial statements are presented in sterling, with all values rounded to the nearest thousand pounds (£000), except where otherwise indicated.

The accounting policies which follow, set out those policies which apply in preparing the financial statements for the year ended 27 July 2008; they have been consistently applied.

Segmental reporting

The Company trades in one business segment (that of public houses) and one geographical segment (being the United Kingdom).

Property, plant and equipment

Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and any impairment in value. Interest is no longer capitalised on new pub developments, reflecting the fact that all cash invested in new pubs is now funded from organic cash flow.

Depreciation is calculated on a straight-line basis, over the estimated useful life of the asset as follows:

Freehold land is not depreciated.

Freehold buildings are depreciated to their estimated residual values over periods of 50 years.

Short leasehold buildings are depreciated over the lease period.

Equipment, fixtures and fittings are depreciated over 3 to 10 years.

Unopened properties are not depreciated until such time as economic benefits are derived.

As required by IAS 16, property, plant and equipment expected useful lives and residual values are reviewed annually.

The carrying values of property, plant and equipment's are reviewed for impairment, if events or changes in circumstances indicate that their carrying values may not be recoverable. Any impairment in the value of property, plant and equipment is charged to the income statement.

Profits and losses on disposal of property, plant and equipment reflect the difference between net selling price and the carrying amount at the date of disposal and are recognised in the income statement.

Impairment

At each reporting date, the Company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's fair value less costs to sell and its value in use; this is determined for an individual asset, unless the asset does not generate cash inflows which are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

2 Accounting policies continued

An assessment is made at each reporting date about whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount which would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis, over its remaining useful life.

Intangible assets
Intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful life, as follows:

Computer software – 3 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Assets held for sale
Where the value of an asset will be recovered through a sale transaction, rather than continuing use, the asset is classified as held for sale. Assets held for sale are valued at the lower of book value and fair value, less costs to sell, and are no longer depreciated.

Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of finished goods includes appropriate overheads. Cost is calculated on the basis of 'first in, first out', with net realisable value being the estimated selling price, less any costs of disposal.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect is material, provisions are discounted to present value, using a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Exceptional items
The Company presents, on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the event giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with previous periods and to better assess trends in financial performance.

Revenue recognition
Revenue is the value of goods and services sold to third parties as part of the Company's trading activities, after deducting discounts and sales-based taxes.

Revenue is recognised when the significant risks and rewards of ownership are transferred. Revenue represents amounts derived principally from the sale of goods (drink and food sales: recognised at the point at which the goods are provided) and the rendering of services (machine income: net takings recognised as earned or received).

Leases
Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the lower of their fair value and the present value of future lease payments. The corresponding liability is included in the balance sheet as a finance lease payable. Lease payments are apportioned between finance charges and reduction of the lease payable so as to obtain a constant rate of interest on the remaining balance of the liability. Finance charges are charged as an expense to the income statement.

Leases where the lessor retains substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Rental payments in respect of operating leases are charged against operating profit, on a straight-line basis, over the period of the lease.

Lease incentives
Lease incentives are recognised as a reduction of rental income over the lease term.

Lease premiums
Payments made on entering into or acquiring leaseholds which are accounted for as operating leases represent prepaid lease payments. These are amortised on a straight-line basis, over the lease term.

Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred.

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws which are enacted or substantively enacted by the balance sheet date.

2 Accounting policies continued

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from an asset or liability in a transaction which, at the time of the transaction, affects neither accounting nor taxable profit or loss
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried-forward tax credits or tax losses can be utilised

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

Income tax is charged or credited directly to equity, if it relates to items which are credited or charged to equity. Otherwise, income tax is recognised in the income statement.

Financial instruments
Financial assets and liabilities are recognised on the date on which the Company becomes party to the contractual provisions of the instrument giving rise to the asset or liability.

Financial assets
The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'fair value gain/loss on financial derivatives' in the period in which they arise.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Other receivables
Other receivables (excluding prepayments and accrued income) are non-derivative financial assets with fixed or determinable payments which are not quoted in an active manner.

Other receivables are recognised and carried at original invoice amount, less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off, when identified.

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Financial liabilities
The Company classifies its financial liabilities in the following categories: at fair value through profit and loss or other financial liabilities. The classification depends on the purpose for which the financial liabilities were acquired.

a) Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified in this category, if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading, unless they are designated as hedges. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date.

b) Other financial liabilities
Other financial liabilities are measured at fair value on initial recognition and subsequently measured at amortised cost, using the effective-interest method.

Trade and other payables
Trade and other payables, which excludes other tax and Social Security and deferred income, are initially recognised at cost and subsequently at amortised cost using the effective-interest method.

Bank loans and loan notes
Interest-bearing bank loans and loan notes are initially recorded at fair value of considerations received net of direct issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the income statement over the period of the bank loans, using the effective-interest method.

Bank loans and loan notes are classified as current liabilities, unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments and hedging activities
Derivative financial instruments used by the Company are stated at fair value on initial recognition and at subsequent balance sheet dates.

2 Accounting policies continued

Hedge accounting is used only where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship and it meets the Company's risk-management objective strategy for undertaking the hedge and is expected to be highly effective. The company designates certain derivatives as one of the following:

Cash flow hedges
Hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows, attributable to either a particular risk associated with a recognised asset or liability or a forecast transaction.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement within 'fair value gain/loss on financial derivatives'. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or roll-over or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the income statement.

Fair value hedges
For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is remeasured at fair value and gains and losses from both are taken to the income statement within 'fair value gain/loss on financial derivatives'. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The Company discontinues fair value hedge accounting, if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation.

Derivatives at fair value through profit or loss
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any of these derivative instruments are recognised immediately in the income statement within 'fair value gain/loss on financial derivatives'.

Foreign currencies
Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of transaction. Monetary assets and liabilities are translated at the year-end exchange rates, with the resulting exchange differences taken to the income statement, except where hedge accounting is applied.

Retirement benefits
Contributions to personal pension schemes are recognised in the income statement in the period in which they fall due.

Dividends
Dividends recommended by the board, but unpaid at each period end, are not recognised in the financial statements until they are paid (in the case of the interim dividend) or approved by shareholders at the annual general meeting (in the case of the final dividend).

Critical accounting estimates and judgements
The preparation of financial statements under IFRS requires management to make estimates and assumptions which affect the reported amounts of income, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events which are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

A provision for public liability insurance is made for the estimated exposure of the Company to claims. This has been based on experience of historical claims.

Further details are set out in each relevant accounting policy and in detailed notes to the financial statements for the areas which have required significant estimates and assumptions, namely impairment, share-based payments and the provision of taxation.

Financial risk factors are disclosed in note 20 on pages 50 to 53.

Changes in net debt
Changes in net debt are both the cash and non-cash movements of the year, including movements in derivative financial instruments, of financial liabilities and cash and cash equivalents.

Share-based payments
The Company has an employee share incentive plan, which awards shares to qualifying employees based on the reported profits of the Company for the year, and a deferred bonus scheme, which awards shares to directors and senior managers, subject to specific performance criteria.

2 Accounting policies continued

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

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

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

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

Impact of new accounting standards, amendments and interpretations to current standards adopted in the year

IFRS 7 – Financial instruments: disclosures
Effective for annual periods beginning on or after 1 January 2007, this standard introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments or the disclosures relating to taxation and trade and other payables.

IAS 1 – Presentation of financial statements – capital disclosures
Effective for annual periods beginning on or after 1 January 2007, this standard introduces new disclosures relating to capital management and has no classification or measurement impact on the Company's financial statements.

IFRIC 10 – Interim financial reporting and impairment
This interpretation has had no impact on the timing or recognition of impairment losses, as the Company has already accounted for such transactions using principles consistent with IFRIC 10.

Interpretations to current standards, effective in the financial period, but not relevant to the Company

The following interpretation is mandatory for accounting periods beginning on or after 1 January 2007, but is not relevant to the Company's operations:

IFRIC 11, IFRS 2 – Group and treasury share transactions

Standards and amendments to current standards which are not yet effective and have not been early adopted by the Company

The following standards and amendments to current standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008, but have not been early adopted by the Company:

IAS 23 – Amendments: Borrowing costs
Effective from 1 January 2009, this standard requires an entity to capitalise borrowing costs directly attributable to the production or acquisition of a qualifying asset. The impact of this amendment is not expected to have a material effect on the Company's financial statements, as expenditure on new pub developments is funded from free cash flow.

IFRS 8 – Operating segments
Effective for annual periods beginning on or after 1 January 2009, this statement seeks to align the segment reporting with requirements of the US standard SFAS 131. IFRS 8 is not relevant to the Company as it operates only in a single segment (that of public houses) and single geography (United Kingdom).

Interpretations to current standards which are not yet effective and not relevant to the Company's operations

The following interpretations to current standards have been published and are mandatory for accounting periods beginning on or after 1 January 2008, but are not relevant to the Company's operations:

IFRIC 12 – Service concession arrangements

IFRIC 13 – Customer loyalty programmes

IFRIC 14 – The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 15 – Agreements for the construction of real estate

IFRIC 16 – Hedges of a net investment in a foreign operation

3 Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Sales of food, beverages and machine income	**907,500**	888,473

4 Operating profit

This is stated after charging/(crediting):

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Operating lease payments		
– minimum lease payment on land and buildings	**43,453**	41,796
– contingent rents on land and buildings	**11,886**	10,388
– equipment and vehicles	**246**	203
Repairs and maintenance	**29,308**	35,572
Rent receivable	**(418)**	(327)
Depreciation of property, plant and equipment (note 12)		
– owned assets	**42,744**	41,997
– assets held under finance lease	**943**	557
Amortisation of intangible assets (note 13)	**1,160**	1,044
Amortisation of non-current assets	**214**	348
Share-based payments	**3,630**	3,014
Loss/(profit) on disposal of fixed assets	**1,268**	(1,281)
Impairment of fixed assets	**–**	876
Auditors' remuneration		
Audit services:		
– audit fees	**141**	131
– other services supplied pursuant to relevant legislation	**24**	34
– other services	**18**	3
Total auditors' fees	**183**	168
Analysis of continuing operations		
Revenue	**907,500**	888,473
Cost of sales	**(780,953)**	(762,153)
Gross profit	**126,547**	126,320
Administration costs		
– head-office costs	**(39,365)**	(35,207)
Operating profit	**87,182**	91,113

5 Employee benefits expense

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Wages and salaries	**218,995**	211,263
Social Security costs	**15,266**	14,537
Pension costs	**1,378**	1,429
Share-based payments	**3,630**	3,014
	239,269	230,243

The average number of persons directly employed in the business was as follows:	2008 Number	2007 Number
Full-time equivalents		
Managerial/administration	**3,072**	3,081
Hourly paid staff	**8,463**	8,812
	11,535	11,893

	2008 Number	2007 Number
Total employees		
Managerial/administration	**3,072**	3,081
Hourly paid staff	**16,631**	13,885
	19,703	16,966

As required by IAS 24, the following information is disclosed about key management compensation:

Key management compensation	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Salaries and short-term employee benefits	**2,083**	1,974
Post-employment pension and medical benefits	**174**	130
Termination benefits	**391**	–
Share-based payments	**1,349**	304
	3,997	2,408

Details of directors' emoluments are disclosed in the remuneration report on pages 17 to 23.

6 Finance income and costs

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Finance costs		
Interest payable on bank loans and overdrafts	**25,300**	22,685
Interest payable on US senior loan notes	**6,704**	6,027
Amortisation of bank loan issue costs	**303**	474
Interest payable on obligations under finance leases	**259**	109
Finance costs before fair value loss on financial derivatives	**32,566**	29,295
Fair value loss on financial derivatives	**794**	–
Total finance costs	**33,360**	29,295
Bank interest receivable	**(337)**	(206)
Total net finance cost	**33,023**	29,089

The fair value loss on financial derivatives relates to the 'mark to market' value of basis-swap derivatives taken out during the year. Over the life of the basis-swap derivatives, which run from August 2008 to September 2009, the Company's cumulative fair value gain/loss on this financial derivative will be £nil, as it is the Company's intention to hold this to maturity. Further details are provided in note 20 on pages 50 to 53.

	2008 £000	2007 £000
Analysis of finance income and costs in categories in accordance with IAS 39		
Loans and receivables	**(337)**	(234)
Financial liabilities carried at amortised cost	**24,743**	20,157
Liabilities at fair value through profit or loss	**7,510**	7,709
Other financial expenses	**1,107**	1,457
Total net finance cost	**33,023**	29,089

7 Income tax expense

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Current income tax:		
Current income tax charge	**18,752**	18,470
Total current income tax	**18,752**	18,470
Deferred tax:		
Origination and reversal of timing differences	**(128)**	2,192
Impact of change in UK tax rate	**–**	(5,472)
Total deferred tax	**(128)**	(3,280)
Tax charge in the income statement	**18,624**	15,190
Tax relating to items charged or credited to equity		
Deferred tax		
Tax charge on cash flow hedges	**350**	1,633
Impact of change in UK tax rate	**–**	144
Tax charge in the statement of recognised income and expense	**350**	1,777

On 1 April 2008, the UK standard rate of corporation tax changed from 30% to 28%.

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 29.3% (2007: 30%). The differences are reconciled below.

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Profit before income tax	**54,159**	62,024
Profit multiplied by the UK standard rate of corporation tax of 29.3% (2007: 30%)	**15,869**	18,607
Abortive acquisition costs and disposals	**374**	144
Other disallowables	**55**	42
Other allowable deductions	**(35)**	(86)
Non-qualifying depreciation	**3,099**	3,015
Deduction for share options and SIPs	**(247)**	(889)
Deferred tax on balance-sheet-only items	**(491)**	(171)
Adjustment in respect of change in tax rate	**–**	(5,472)
Total tax expense reported in the income statement	**18,624**	15,190

7 Income tax expense continued

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Deferred tax liability		
Accelerated capital allowances	**66,341**	65,651
Revaluation of land and buildings	**5,508**	5,709
Other timing differences	**7,382**	8,040
Deferred tax liabilities	**79,231**	79,400
Deferred tax assets		
Capital losses carried forward	**565**	606
Deferred tax on items taken directly to equity	**18**	369
Deferred tax assets	**583**	975
Deferred tax in the income statement:		
Accelerated capital allowances	**691**	2,257
Origination and reversal of timing differences	**(860)**	(284)
Capital losses carried forward	**41**	219
Adjustment in respect of a change in tax rate	**–**	(5,472)
Deferred tax income	**(128)**	(3,280)

8 Earnings and cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £35,535,000 (2007: £46,834,000) by the weighted average number of shares in issue during the year of 141,247,914 (2007: 147,256,488).

Diluted earnings per share has been calculated on a similar basis, taking account of 129,049 (2007: 910,449) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 141,376,963 (2007: 148,166,937).

Adjusted earnings per share have also been included to reflect the impact of the deferred taxation credit arising from the change in the United Kingdom standard rate of corporation tax and to reflect the exclusion of the fair value loss on financial derivatives.

Earnings per share

	Earnings 52 weeks ended 27 July 2008 £000	Earnings 52 weeks ended 29 July 2007 £000	**Basic earnings per share 52 weeks ended 27 July 2008 pence**	Basic earnings per share 52 weeks ended 29 July 2007 pence	**Diluted earnings per share 52 weeks ended 27 July 2008 pence**	Diluted earnings per share 52 weeks ended 29 July 2007 pence
Profit for the year	**35,535**	46,834	**25.2**	31.8	**25.1**	31.6
Adjusted profit for the year (excluding one-off benefit to tax charge in 2007)	**35,535**	41,362	**25.2**	28.1	**25.1**	27.9
Adjusted profit for the year (excluding fair value loss on financial derivatives)	**36,329**	46,834	**25.7**	31.8	**25.5**	31.8

Free cash flow per share

The calculation of free cash flow per share is based on the net cash generated by business activities and available for investment in new pub developments and extensions to current pubs, after funding interest, tax, all other reinvestment in pubs open at the start of the period and the purchase of own shares under the employee Share Incentive Plan ('free cash flow'). It is calculated before taking account of proceeds from property disposals, inflows and outflows of financing from outside sources and dividend payments and is based on the same number of shares in issue as that for the calculation of basic earnings per share.

9 Cash generated from operations

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Profit attributable to shareholders	**35,535**	46,834
Adjusted for:		
Tax	**18,624**	15,190
Amortisation of intangible assets	**1,160**	1,044
Depreciation of property, plant and equipment	**43,687**	42,554
Lease premium amortisation	**214**	348
Impairment of fixed assets	**–**	876
Net loss/(profit) on disposal or anticipated disposal of trading properties	**1,268**	(1,281)
Share-based payments	**3,630**	3,014
Interest income	**(337)**	(206)
Amortisation of bank loan issue costs	**303**	474
Interest expense	**32,263**	28,821
Fair value loss on financial derivatives	**794**	–
	137,141	137,668
Change in inventories	**3,133**	(5,341)
Change in receivables	**(1,665)**	(1,717)
Change in payables	**(4,240)**	(5,677)
Net cash inflow from operating activities	**134,369**	124,933

10 Analysis of changes in net debt

	29 July 2007 £000	Cash flows £000	Non-cash movement £000	**27 July 2008 £000**
Cash at bank and in hand	19,052	(2,600)	–	**16,452**
Debt due after one year	(437,840)	(3,184)	(1,181)	**(442,205)**
Derivative financial instrument				
– fair value hedge	(15,017)	–	1,181	**(13,836)**
Net borrowings	(433,805)	(5,784)	–	**(439,589)**
Derivative financial instrument				
– cash flow hedge	(1,318)	–	1,256	**(62)**
– fair value on financial derivatives	–	–	(794)	**(794)**
Net debt	(435,123)	(5,784)	462	**(440,445)**

11 Dividends paid and proposed

	52 weeks ended 27 July 2008 £000	52 weeks ended 29 July 2007 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final dividend for 2006/07: 8.0p (2005/06: 3.1p)	**11,255**	4,537
– interim for 2008: 4.4p (2007: 4.0p)	**6,125**	5,758
Dividends paid	**17,380**	10,295
Proposed for approval by shareholders at the AGM:		
– final dividend for 2007/08: 7.6p (2006/07: 8.0p)	**10,547**	11,396

On 4 November 2008, the Company intends to recommend a final dividend of 7.6 pence per share, for the year ended 27 July 2008 to shareholders on the register at close of business on 24 October 2008. These financial statements do not reflect this dividend payable.

12 Property, plant and equipment

	Freehold and long leasehold property £000	Short leasehold property £000	Equipment, fixtures and fittings £000	Expenditure on unopened properties £000	Total £000
Cost:					
At 30 July 2006	436,295	336,603	236,518	16,907	1,026,323
Additions	19,677	8,853	30,087	26,313	84,930
Transfers	11,019	1,094	157	(12,270)	–
Transfer to assets available for sale	(994)	–	(258)	–	(1,252)
Disposals	(825)	(1,804)	(3,343)	(399)	(6,371)
At 29 July 2007	465,172	344,746	263,161	30,551	1,103,630
Additions	3,179	2,301	7,277	42,657	55,414
Transfers	34,364	3,626	6,027	(44,017)	–
Transfer to assets available for sale	–	(1,288)	(367)	–	(1,655)
Disposals	(270)	(189)	(1,094)	(652)	(2,205)
At 27 July 2008	**502,445**	**349,196**	**275,004**	**28,539**	**1,155,184**
Depreciation and impairment:					
At 30 July 2006	40,924	64,116	177,170	287	282,497
Provided during the year	7,509	7,092	27,953	–	42,554
Transfer to assets available for sale	(133)	–	(174)	–	(307)
Impairment loss	533	630	–	(287)	876
Disposals	(59)	(1,022)	(3,178)	–	(4,259)
At 29 July 2007	48,774	70,816	201,771	–	321,361
Provided during the year	8,520	6,994	28,173	–	43,687
Transfer to assets available for sale	–	(1,428)	(233)	–	(1,661)
Disposals	–	(120)	(824)	–	(944)
At 27 July 2008	**57,294**	**76,262**	**228,887**	**–**	**362,443**
Net book amount at 27 July 2008	**445,151**	**272,934**	**46,117**	**28,539**	**792,741**
Net book amount at 29 July 2007	416,398	273,930	61,390	30,551	782,269
Net book amount at 30 July 2006	395,371	272,487	59,348	16,620	743,826

The carrying value of fixed assets held under finance leases at 27 July 2008 included within equipment, fixtures and fittings was as follows:

	2008 £000	2007 £000
Cost	**4,838**	4,491
Accumulated depreciation	**(1,500)**	(557)
Net book amount	**3,338**	3,934

Impairment of property, plant and equipment

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

In assessing whether an asset has been impaired, the carrying amount of the CGU is compared with its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In the absence of any information about the fair value of a CGU, the recoverable amount is deemed to be its value in use.

The Company estimates value in use using a discounted cash flow model, based on the expected future trading pattern.

The discount rate employed is the Company's estimated weighted average cost of capital before tax and reflects the relevant risks of the assets being tested for impairment. The discount rate applied to all CGUs for the year is 6.9% (2007: 5.8%).

The resultant impairment losses in 2008 were £nil (2007: £876,000) as shown in the table above.

13 Intangible assets

	IT software costs £000
Cost:	
At 30 July 2006:	9,414
Additions	1,767
Disposals	(17)
At 29 July 2007	11,164
Additions	2,011
At 27 July 2008	**13,175**
Amortisation	
At 30 July 2006	6,556
Amortisation during the year	1,044
Disposals	(2)
At 29 July 2007	7,598
Amortisation during the year	1,160
At 27 July 2008	**8,758**
Net book amount at 27 July 2008	**4,417**
Net book amount at 29 July 2007	3,566
Net book amount at 30 July 2006	2,858

Amortisation of £1,160,000 (2007: £1,044,000) is included in the cost of sales in the income statement.

14 Other non-current assets

	2008 £000	2007 £000
Leasehold premiums	**7,276**	6,685

15 Inventories

	2008 £000	2007 £000
Goods for resale at cost	**15,896**	19,029

16 Other receivables

	2008 £000	2007 £000
Other receivables	**5,122**	3,953
Prepayments and accrued income	**8,367**	7,808
	13,489	11,761

17 Cash and cash equivalents

	2008 £000	2007 £000
Cash at bank and in hand	**16,452**	19,052

Average maturity is nil days (2007: nil days).

Cash at bank earns interest at floating rates, based on daily bank deposit rates. There is no difference between the fair value and book value of cash and cash equivalents.

18 Trade and other payables

	2008 £000	2007 £000
Trade payables	**50,359**	58,084
Other payables	**4,265**	4,805
Other tax and Social Security	**21,235**	18,233
Accruals and deferred income	**39,520**	38,061
	115,379	119,183

19 Financial liabilities

	2008 £000	2007 £000
Current		
Finance lease obligations less than 1 year	**900**	559
Bank loans		
Variable rate facility 2010	**368,822**	365,639
$140,000,000 US senior loan notes 2009	**73,383**	72,201
Other		
Finance lease obligations greater than 1 year	**1,835**	2,392
Total non-current financial liabilities	**444,040**	440,232

20 Financial instruments

Capital risk management

When managing capital, the Company's objectives are to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, adjust the investment in new properties or sell assets to reduce debt.

The Company considers its capital to be its allotted share capital and monitors its capital on the basis of free cash flow per share which is disclosed in the cash flow statement on page 33. In generating free cash flow, the Company uses the cash to provide returns for shareholders by investing in new acquisitions, to buy back shares, to pay dividends or to reduce the Company's debt, while ensuring that the Company has enough funds to meet its working capital requirements and to comply with its banking covenants.

Financial risks

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk-management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposure.

a) Market risk

i) Foreign exchange risk

The Company operates predominantly in the UK, so substantially all transactions are denominated in sterling; therefore, the Company does not suffer from significant currency risk.

The Company has entered into a cross-currency swap in respect of the $140-million US senior loan notes. The effect of this transaction is to remove any exposure to currency risk, regarding the settlement of this financial liability in 2009.

ii) Interest-rate risk

The Company's policy is to manage its cost of borrowings by using predominantly fixed rates, in order that the Company is not exposed to cash flow interest-rate risks.

The Company manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Company raises long-term borrowings at floating rates and swaps them into fixed rates which are lower than those available if the Company were to borrow directly at the fixed rates. Under the interest-rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-contract rates and floating-rate interest amounts, calculated by reference to the agreed notional amounts.

During the year ended 27 July 2008, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax profit for the year would have been reduced by £1,453,000 and equity increased by £21,700,000. The movement in equity arises from change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve.

b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to receivables, principally on income received from sublets and sundry income. The Company does not have significant concentration of credit risk, as the majority of revenues is cash-based.

Where there are risks, the Company's polices are aimed at minimising losses. Cash deposits with financial institutions and derivative transactions are permitted with investment-grade financial institutions only. On income received from sublets, the Company seeks to offer leases to tenants which can demonstrate an appropriate payment history and suitable credit-worthiness. Sundry incomes are derived predominantly from our current suppliers, so any potential credit risks are mitigated by offsetting against the liability with the supplier.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Owing to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts on the Company's liquidity reserve on the basis of expected cash flow, through an assessment of short-, medium- and long-term forecasts. In monitoring the cash flow, a key management priority is to ensure that there are enough funds to meet its creditors, while monitoring that the Company is within its banking covenants.

The table on page 51 analyses the Company's financial liabilities which will be settled on a net basis into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

20 Financial instruments continued

Maturity profile of financial liabilities

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
As at 27 July 2008							
Bank loans	20,837	20,837	363,436	–	–	–	405,110
US senior loan notes	7,396	88,535	–	–	–	–	95,931
Other long-term payables	492	492	462	461	461	3,826	6,194
Finance lease obligations	1,121	1,121	1,121	(110)	(33)	–	3,220
Derivatives	(2,477)	(1,707)	(1,306)	(1,306)	(1,306)	(2,476)	(10,578)

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
As at 29 July 2007							
Bank loans	21,312	21,312	21,312	338,010	–	–	401,946
US senior loan notes	7,396	7,396	88,535	–	–	–	103,327
Other long-term payables	494	494	492	479	478	4,247	6,684
Finance lease obligations	1,078	1,078	1,078	550	(152)	–	3,632
Derivatives	(1,664)	(1,664)	(375)	–	–	–	(3,703)

The Company has total UK-committed loan facilities of £415 million (2007: £415m) which comprise a £415-million unsecured-term revolving-loan facility, maturing in December 2010. All UK-committed loan facilities are at floating rates, based on LIBOR. The Company has entered into swap agreements which fix £400 million of these borrowings at rates between 5.40% and 6.46%. In addition, the Company has entered into forward-starting swap agreements which replace the current £150-million swap agreements expiring in 2009. The effective weighted average interest rate of the swap agreements entered into is 5.74% (2007: 6.48%), fixed for a weighted average period of 5.3 years (2007: 2 years).

At the balance sheet date, £395 million (2007: £380m) was drawn down under the revolving-loan facilities, with interest rates set for periods of between one and six months, at which point monies are repaid and, if appropriate, redrawn.

In addition to the UK facilities, in September 1999, the Company issued $140 million of unsecured US senior loan notes due in September 2009, carrying a fixed rate of interest of 8.48%. The Company entered into currency and swap agreements covering the duration of these notes which remove all US dollar exposure by fixing the exchange rate at a weighted average of £1:$1.605 and converting the interest rate to one based on LIBOR.

The Company has commenced its review of the options available to it in replacing all or part of the US senior loan notes. From discussions with its syndicated banks, the Company is confident that funding will be available to achieve this and to ensure that there will be sufficient loan facilities to meet its forward financial commitments.

Interest-rate and currency risks of financial liabilities

An analysis of the interest-rate profile of the financial liabilities, after taking account of all interest-rate swaps and the cross-currency swap on US senior loan notes, is set out in the following table.

	2008 £000	2007 £000
Analysis of interest-rate profile of the financial liabilities		
Floating-rate borrowings	**42,205**	287,840
Fixed-rate borrowings:		
– bank loans	**400,000**	150,000
– finance lease obligations greater than 1 year	**1,835**	2,392
	444,040	440,232

The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to six months.

20 Financial instruments continued

Financial assets

Financial assets at the balance sheet date comprised:

	2008 £000	2007 £000
Cash and short-term deposits	**16,452**	19,052
Other receivables	**5,122**	3,953

All cash and short-term deposits are floating-rate financial assets, earning interest at commercial rates.

Obligations under finance leases

The minimum lease payments under finance leases fall due as follows:

	2008 £000	2007 £000
Within one year	**1,121**	818
In the second to fifth year, inclusive	**2,099**	2,814
	3,220	3,632
Less future finance charges	**(485)**	(681)
Present value of lease obligations	**2,735**	2,951
Less amount due for settlement within one year	**(900)**	(559)
Amount due for settlement in the second to fifth year, inclusive	**1,835**	2,392

The Company's finance lease agreements are for coffee machines used in the Company's business.

Fair values

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

	2008 Book value £000	2008 Fair value £000	2007 Book value £000	2007 Fair value £000
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**16,452**	**16,452**	19,052	19,052
Trade and other receivables	**5,122**	**5,122**	3,953	3,953
Financial liabilities				
Other financial liabilities				
Trade and other payables	**(115,379)**	**(115,379)**	(119,183)	(119,183)
Finance lease obligations	**(2,735)**	**(3,026)**	(2,951)	(3,531)
Long-term borrowings	**(368,822)**	**(364,772)**	(365,639)	(434,514)
Liabilities at fair value through profit or loss				
Long-term borrowings	**(73,383)**	**(73,383)**	(72,201)	(72,201)
Derivatives				
Interest-rate, currency and basis swaps	**(14,692)**	**(14,692)**	(16,335)	(16,335)

The fair value of finance leases has been calculated by discounting the expected cash flows at the year end's prevailing interest rates.

The fair value of derivatives has been calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

The fair value of borrowings has been calculated by discounting the expected future cash flows at the year end's prevailing interest rates.

20 Financial instruments continued

Cash flow hedges

At 27 July 2008, the Company had fixed-rate swaps designated as hedges of floating-rate borrowings. The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to six months.

The cash flow hedge of the floating-rate borrowings were assessed to be highly effective; an unrealised gain of £1,256,000 (2007: £5,833,000), with a deferred tax charge of £350,000 (2007: £1,777,000) relating to the hedging instrument, is included in equity for the year.

Fair value hedge

At 27 July 2008, the Company held a cross-currency interest-rate swap in respect of the $140-million US senior loan notes. The effect of this transaction is to remove any exposure to currency risk, regarding the settlement of this financial liability in September 2009.

The fair value hedge of the $140-million US senior loan notes was assessed to be highly effective, with an unrealised loss of £13,835,000 (2007: 15,017,000), relating to the hedging instrument, included in non-current liabilities.

Other derivatives

During the year, the Company entered into forward-starting-basis-swaps which locked the favourable arbitrage between the one-month LIBOR rates and the three- to six-month LIBOR rates, at the time of entering the swaps, over the contractual period between August 2008 and September 2009.

Under the scope of IAS 39, the basis swaps have been treated as fair value through profit or loss. Consequently, any loss or gain in the 'mark to market' valuation at the balance sheet date is included in the income statement within 'fair value gain/loss of financial derivatives'. At the balance sheet date, the basis swap had a 'mark to market' loss of £794,000. It is the Company's intention to hold the basis-swap derivative to maturity, and consequently, the Company's cumulative net fair value gain or loss at the end of the contract will be £nil.

21 Provisions and other liabilities

Included in provisions and other liabilities are lease incentives on leases where the lessor retains substantially all of the risks and benefits of ownership of the asset. The lease incentives are recognised as a reduction in rent paid over the lease term, resulting in deferred income recognised on the balance sheet.

	2008 £000	2007 £000
Other liabilities	**5,701**	6,190

The weighted average period to maturity of other liabilities is 16.5 years (2007: 17.1 years).

22 Financial commitments

The Company has entered into commercial leases on certain properties. The terms of the leases vary. However, on inception, a property lease will be for a period of up to 30 years. Most property leases have upwards-only rent reviews, based on open-market rent at the time of the review.

Land and building

	2008 £000	2007 £000
Within one year	**58,055**	53,361
Between one and five years	**212,451**	203,089
After five years	**855,392**	887,195
	1,125,898	1,143,645

The Company has operating lease commitments with rentals determined in relation to sales. An estimate of the future rental payments under such leases of £53 million (2007: £36m) is included above.

23 Share capital

	Number of shares 000s	Share capital £000
At 30 July 2006	153,776	3,076
Allotments	1,855	37
Repurchase of shares	(13,184)	(264)
At 29 July 2007	142,447	2,849
Allotments	159	3
Repurchase of shares	(3,835)	(77)
At 27 July 2008	**138,771**	**2,775**

The total authorised number of 2p ordinary shares is 500 million (2007: 500m). All issued shares are fully paid.

During the year, 3,835,000 shares (representing approximately 3% of the issued share capital) were purchased by the Company for cancellation, at a cost of £12.0 million, representing an average cost per share of 314p.

The effect of the buyback programme is to enhance earnings per share in the current and future years.

24 Statement of changes in shareholders' equity

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
At 30 July 2006	3,076	135,532	1,305	61,662	**201,575**
Exercise of options	37	5,890	–	–	**5,927**
Repurchase of shares	(264)	–	264	(77,015)	**(77,015)**
Share-based payments	–	–	–	3,014	**3,014**
Purchase of shares held in trust	–	–	–	(1,489)	**(1,489)**
Profit for the year	–	–	–	46,834	**46,834**
Cash flow hedges: gain taken to equity	–	–	–	5,833	**5,833**
Tax on items taken directly to equity	–	–	–	(1,777)	**(1,777)**
Dividends	–	–	–	(10,295)	**(10,295)**
At 29 July 2007	2,849	141,422	1,569	26,767	**172,607**
Exercise of options	3	458	–	–	**461**
Repurchase of shares	(77)	–	77	(12,031)	**(12,031)**
Share-based payments	–	–	–	3,630	**3,630**
Purchase of shares held in trust	–	–	–	(3,181)	**(3,181)**
Profit for the year	–	–	–	35,535	**35,535**
Cash flow hedges: gain taken to equity	–	–	–	1,256	**1,256**
Tax on items taken directly to equity	–	–	–	(350)	**(350)**
Dividends	–	–	–	(17,380)	**(17,380)**
At 27 July 2008	**2,775**	**141,880**	**1,646**	**34,246**	**180,547**

The balance classified as share capital includes the proceeds arising on issue of the Company's equity share capital, comprising 2p ordinary shares and the cancellation of shares purchased during the year.

Capital redemption reserve arose from the purchase of own share capital.

Shares acquired in relation to the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 27 July 2008, the number of shares held in trust was 3,288,653, with a nominal value of £66,000 and a market value of £7,605,000.

Hedging gain/loss arises from the movement of fair value in the Company's derivative instruments, in line with the accounting policy disclosed in note 2.

As at 27 July 2008, the Company had distributable reserves of £15,400,000 (2007: £7m).

25 Share-based payments

Movements in the year

The following table illustrates the number and weighted average exercise prices ('WAEP') of, and movements in, each category of share options during the year. The significance of options granted before 7 November 2002 is that they have been excluded from the IFRS 2 share-based payment charge, on the basis of their date of grant. No options were granted after 7 November 2002.

(a) Executive Share Option Plan

	2008 Number	2008 WAEP	2007 Number	2007 WAEP
Outstanding at beginning of the year	**262,647**	**296.5**	426,352	277.3
Lapsed in the year	**(164,071)**	**326.0**	(4,725)	299.0
Exercised in the year	**(81,576)**	**264.0**	(158,980)	244.9
Outstanding at the end of the year	**17,000**	**326.0**	262,647	296.5
Weighted average contractual life remaining for share options outstanding at the year end	**0.2 years**		0.7 years	
Range of exercise prices for options outstanding at the year end				
– from	**167.0p**		167.0p	
– to	**167.0p**		326.0p	

(b) New Discretionary Share Option Scheme

	2008 Number	2008 WAEP	2007 Number	2007 WAEP
Outstanding at beginning of the year	**456,887**	**328.5**	1,618,778	334.5
Lapsed in the year	**(28,928)**	**336.3**	(23,404)	331.4
Exercised in the year	**(43,924)**	**324.4**	(1,138,487)	336.9
Outstanding at the end of the year	**384,035**	**328.4**	456,887	328.5
Weighted average contractual life remaining for share options outstanding at the year end	**1.9 years**		2.9 years	
Range of exercise prices for options outstanding at the year end				
– from	**191.5p**		191.5p	
– to	**361.0p**		361.0p	

(c) 2001 Executive Scheme

	2008 Number	2008 WAEP	2007 Number	2007 WAEP
Outstanding at beginning of the year	**164,903**	**301.5**	578,735	301.5
Lapsed in the year	**(32,320)**	**301.5**	(14,722)	301.5
Exercised in the year	**(11,368)**	**301.5**	(399,110)	301.5
Outstanding at the end of the year	**121,215**	**301.5**	164,903	301.5
Weighted average contractual life remaining for share options outstanding at the year end	**4.1 years**		5.1 years	
Exercise price for options outstanding at the year end	**301.5p**		301.5p	

25 Share-based payments continued

(d) All-Employee Share Option Plan

	2008 Number	2008 WAEP	2007 Number	2007 WAEP
Outstanding at beginning of the year	**38,333**	**312.6**	206,075	293.5
Lapsed in the year	**(15,733)**	**326.0**	(8,767)	253.0
Exercised in the year	**(22,600)**	**303.4**	(158,975)	291.1
Outstanding at the end of the year	**–**		38,333	312.6
Weighted average contractual life remaining for share options outstanding at the year end	**–**		0.4 years	
Exercise price for options outstanding at the year end				
– from	**–**		301.0p	
– to	**–**		326.0p	

At 27 July 2008, there was one member of the Executive Share Option (ESOP) plan, with average option-holdings of 17,000 shares; there were 501 members of the New Discretionary Share Option (NDSO) scheme, with average holdings of 766 shares; there were 393 members of the 2001 Executive scheme (2001 scheme), with average option-holdings of 308.

The exercise of an option under the ESOP, NDSO and 2001 scheme will, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance conditions. In respect of the ESOP scheme, options are exercisable only on condition that the earnings per share of the Company, between the date of grant of an option and the date of exercise, increase by at least the increase in the RPI. In respect of the NDSO and 2001 scheme, options are exercisable three years after they have been granted and only if the Company's normalised earnings per share (excluding exceptional items), over any three-year period, have exceeded the growth in the RPI by an average of at least 3% per annum. As the AESOP plan and the SAYE scheme are available to all staff, there are no performance conditions attached to the exercise of options under them. The options in issue shown above include those of the directors shown on page 20.

Financial record for the five years ended 27 July 2008

	UK GAAP 2004 £000	UK GAAP 2005 £000	IFRS 2006 £000	IFRS 2007 £000	**IFRS 2008 £000**
Sales and results					
Revenue from continuing operations	787,126	809,861	847,516	888,473	**907,500**
Operating profit	77,628	71,506	83,616	91,113	**87,182**
Exceptional items	(7,758)	(7,380)	–	–	**–**
Finance income	592	232	124	206	**337**
Finance costs	(24,146)	(24,561)	(25,352)	(29,295)	**(32,566)**
Fair value loss on financial derivatives	–	–	–	–	**(794)**
Profit on ordinary activities before taxation	46,316	39,797	58,388	62,024	**54,159**
Taxation	(17,042)	(13,867)	(18,487)	(15,190)	**(18,624)**
Profit for the year	29,274	25,930	39,901	46,834	**35,535**
Net assets employed					
Non-current assets	783,574	765,200	756,688	793,495	**805,017**
Net current liabilities	(105,864)	(100,978)	(81,701)	(78,731)	**(80,806)**
Non-current liabilities	(322,512)	(327,218)	(383,873)	(456,567)	**(458,732)**
Provision for liabilities and charges	(66,244)	(90,259)	(89,539)	(85,590)	**(84,932)**
Shareholders' funds	288,954	246,745	201,575	172,607	**180,547**
Ratios					
Operating margin	9.9%	8.8%	9.9%	10.3%	**9.6%**
Basic earnings per share (excl. exceptional items)	17.7p	16.9p	24.1p	28.1p	**25.2p**
Free cash flow per share	36.7p	37.1p	42.1p	35.6p	**50.7p**
Dividends per share (interim and final)	3.89p	4.28p	4.70p	12.0p	**12.0p**

Notes to the financial record

(a) The summary of accounts has been extracted from the annual audited financial statements of the Company for the five years shown.
(b) Figures for 2005 to 2008 are stated in compliance with IFRSs; 2004 figures are reported under UK GAAP.

Information for shareholders

Ordinary shareholdings at 27 July 2008

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	4,429	87.53	2,266,300	1.63
2,501 to 10,000	367	7.25	1,682,604	1.21
10,001 to 250,000	208	4.11	10,792,665	7.78
250,001 to 500,000	19	0.38	6,481,070	4.67
500,001 to 1,000,000	18	0.36	12,983,126	9.36
Over 1,000,000	19	0.38	104,565,791	75.35
	5,060	**100**	**138,771,556**	**100**

Substantial shareholdings

In addition to certain of the directors' shareholdings set out on page 20, the Company has been notified of the following substantial holdings in the share capital of the Company at 27 July 2008:

	Number of ordinary shares	% of share capital
Chase Nominees Limited	23,233,268	16.74%
Nortrust Nominees Limited	15,203,627	10.96%
State Street Nominees Limited	5,435,226	3.92%
Vidacos Nominees Limited	5,010,625	3.61%
HSBC Global Custody Nominee (UK Limited)	3,172,732	2.29%

Share prices

29 July 2007	576.50p
Low	167.75p
High	608.00p
27 July 2008	231.25p

Shareholding on line

Computershares' Investor Centre gives access to view your holdings on line. To register click on Investor Centre on the Computershare home page **www.computershare.com** and follow the instructions.

You will be able to:

- view all your holding details for companies registered with Computershare.
- view your portfolio market value.
- update your contact address and personal details online.
- access current and historical market prices.
- access trading graphs.
- add extra shareholdings to your portfolio.

Annual reports

Further copies of this annual report are available from the company secretary, at the registered office.
Telephone requests can be made: 01923 477777

This annual report is also available on our Web site: www.jdwetherspoon.co.uk

If you would like to contact us:
J D Wetherspoon plc, Wetherspoon House, Central Park, Reeds Crescent, Watford, WD24 4QL
Telephone: 01923 477777

Notice of annual general meeting

This information is important and requires your immediate attention

If you are in any doubt about what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in J D Wetherspoon plc, please forward this document and the accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the annual general meeting of J D Wetherspoon plc (the 'Company') will be held at The Crosse Keys, 9 Gracechurch Street, London, EC3V 0DR on Tuesday 4 November 2008 at 10am for the following purposes:

Ordinary business

To resolve as ordinary resolutions:

1 To receive and adopt the reports of the directors and the auditors and the audited accounts of the Company for the year ended 27 July 2008.

2 To receive and approve the directors' remuneration report for the year ended 27 July 2008.

3 To declare a final dividend for the year ended 27 July 2008 of 7.6 pence per ordinary share of 2.0 pence each in the capital of the Company.

4 To re-elect Tim Martin as a director.

5 To re-elect Debra van Gene as a director.

6 To re-elect John Herring as a director.

7 To re-elect Keith Down as a director.

8 To re-elect Su Cacioppo as a director.

9 To re-elect Paul Harbottle as a director.

10 To re-appoint PricewaterhouseCoopers LLP as the auditors of the Company and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions, in the case of the resolutions numbered 11 and 13 as ordinary resolutions and, in the case of the resolutions numbered 12, 14 and 15, as special resolutions.

11 THAT:

(A) the directors be and are hereby generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985 (the 'Act'), to exercise all or any powers of the Company to allot relevant securities (as defined in that section) to such persons, at such times and on such terms as they think proper, up to a maximum nominal amount of £915,892 during the period (the 'Period of Authority') from the date of the passing of this resolution until the earlier of:

(i) 15 months from the date of the passing of this resolution;

(ii) the conclusion of the next annual general meeting of the Company;

on which date such authority will expire, unless previously varied, revoked or renewed by the Company in general meeting (save that, during the Period of Authority, the directors shall be entitled to make an offer or agreement which would or might require relevant securities to be allotted in pursuance of such an offer or agreement, as if the authority conferred by this resolution had not expired);

(B) the authority to allot, given to the directors by this resolution, be in substitution for any and all authorities previously conferred on the directors for the purposes of section 80 of the Act, without prejudice to any allotments made pursuant to the terms of such authorities.

12 THAT

the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be and are hereby adopted as the articles of association of the Company in substitution for, and to the exclusion of, the current articles of association.

13 THAT

the J D Wetherspoon plc 2008 Sharesave Plan (the 'Sharesave Plan'), the principal terms of which are set out on pages 13 and 14 of the directors' report, a copy of the rules of which is produced to this meeting and initialled by the chairman of the meeting for the purpose of identification, be and is hereby adopted and established and that the directors be and are hereby authorised to do all such acts and things as they may consider necessary or desirable to carry the Sharesave Plan into effect, including consequential changes to obtain the approval of HMRC and to take account of the requirements of the London Stock Exchange plc, to establish any further plans for the benefit of overseas-based employees on the Sharesave Plan, but modified to take account of local tax, exchange control or securities laws in countries outside the UK, provided that the ordinary shares of the Company made available under any such further plans are treated as counting as appropriate against any limits on individual or overall participation in the Sharesave Plan.

14 THAT

subject to the passing of the resolution numbered 11 above and in place of all current powers, the directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) to 94(3A) of the Act) for cash, pursuant to the authority conferred by the resolution numbered 11 above, as if section 89(1) of the Act did not apply to such allotment, such power to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the earlier of 15 months from the date of passing of this resolution and the conclusion of the next annual general meeting of the Company (save that the directors shall be entitled, before such expiry, to make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such an offer or agreement, as if the power conferred by this resolution had not expired) and to be limited to:

(i) the allotment of equity securities for cash in connection with or pursuant to an issue or offer, by way of rights, open offer or otherwise in favour of the holders of equity securities, where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be) to the respective number of equity securities held by them on the record date for such allotment, subject only to such exceptions, exclusions or other arrangements which are, in the opinion of the directors, necessary or expedient to deal with fractional entitlements or legal, regulatory or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any other stock exchange or otherwise in any territory;

(ii) the allotment (otherwise than as referred to in subparagraph (i) above) of equity securities for cash, up to an aggregate nominal amount of £138,772.

15 THAT
the Company be and is hereby authorised, pursuant to section 166 of the Act, to make market purchases (as defined by section 163(3) of the Act) of ordinary shares in the capital of the Company, on such terms and in such manner as the directors of the Company shall determine, subject to the following conditions:

(i) the maximum number of ordinary shares which may be purchased is 20,815,733;

(ii) the price at which ordinary shares may be purchased shall not exceed 105% of the average of the middle-market quotations for the ordinary shares (as derived from the Stock Exchange Daily Official List) for the five business days preceding the date of purchase and shall not be less than the nominal value, from time to time, of an ordinary share, in both cases exclusive of expenses;

(iii) this authority (unless previously revoked, varied or renewed) will expire at the earlier of 15 months from the date of passing of this resolution and the conclusion of the next annual general meeting of the Company, except that the Company may, before such authority expires, enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiry of the authority.

By order of the board

Keith Down
Company Secretary
5 September 2008

Registered office:

Wetherspoon House
Central Park
Reeds Crescent
Watford
WD24 4QL

Notes:
1 A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.

2 A form of proxy is enclosed which members are invited to complete and return in the envelope provided. Completion and return of the form of proxy, in accordance with the instructions on it, will not prevent such members from attending and voting at the annual general meeting in person, should they so wish.

3 To be valid for the annual general meeting, the form of proxy and the power of attorney or other authority (if any) under which it is executed or a notarised copy of such authority must be deposited at the offices of the Company's registrars (Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH) not later than 10am on 2 November 2008, being 48 hours before the time appointed for holding the annual general meeting.

4 Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

5 The statement of the rights of members in relation to the appointment of proxies in notes 1, 2 and 3 above does not apply to Nominated Persons. The rights described in those notes can be exercised only by members of the Company.

6 There are available for inspection at Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) and there will be available for inspection at the place of the annual general meeting from at least 15 minutes beforehand and until the conclusion of the annual general meeting:

(a) copies of the executive directors' service agreements with the Company;

(b) copies of the non-executive directors' letters of appointment with the Company;

(c) copies of the proposed new articles of association of the Company and comparison documents showing all proposed changes;

(d) a copy of the proposed J D Wetherspoon plc 2008 Sharesave Plan.

7 Only those members registered on the register of members of the Company as at 10am on 2 November 2008 (or, in the case of any adjournment, 48 hours before the time of the adjourned meeting) shall be entitled to attend or vote at the annual general meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

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