J D Wetherspoon plc

ANNUAL REPORT AND ACCOUNTS 2011

Wetherspoon owns and operates pubs throughout the UK. The company aims to provide customers with good-quality food and drinks, 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.

In order to facilitate the reading of the annual report and accounts, the document has been split into two sections. Section 1 contains the main financial information for the financial year, including the chairman's statement the income statement and other key documents. Section 2 contains the rest of the documents, including the directors' and remuneration reports, as well as remaining reports and documentation.

Contents

SECTION 1

SECTION 2

Financial calendar

Annual general meeting
3 November 2011

Interim report for 2012
March 2012

Year end
29 July 2012

Preliminary announcement for 2012
September 2012

Report and accounts for 2012
October 2012

SECTION 1

FINANCIAL HIGHLIGHTS

Revenue up 7.6% to £1,072m

Like-for-like sales up 2.1% and profit down 1.2%

Operating profit before exceptional items* up 2.3% to £102.3m

Operating profit up 8.3% to £96.9m

Operating margin before exceptional items* 9.5% (last year: 10.0%)

Operating margin 9.0% (last year: 9.0%)

Profit before tax and exceptional items* down 5.9% to £66.8m

Profit before tax up 1.5% to £61.4m

Earnings per share before exceptional items* down 1.9% to 35.3p

Basic earnings per share up 17.2% to 35.4p

Free cash flow per share 59.7p (last year: 52.9p)

50 pubs opened, 2 sold, creating a total of 823

*Exceptional items as disclosed in account note 3.

'Record sales and operating profit'

I am pleased to report a year of further progress for the company, with record sales and operating profit, although profit before tax was lower than last year, as a result of higher interest charges. The company was founded in 1979 – and this is the 28th year since incorporation in 1983. The table below outlines some key indicators of our performance during that period. As this demonstrates, since our flotation in 1992, earnings per share have grown by an average of 16.8% per annum and free cash flow per share by an average of 19.2%.

'Operating profit before exceptional items increased by 2.3% to £102.3 million…'

Summary accounts for the years ended July 1984 to 2011

Financial year	Total sales £000	Profit before tax and exceptional items £000	Earnings per share before exceptional items pence	Free cash flow £000	Free cash flow per share pence
1984	818	(7)	0.0		
1985	1,890	185	0.2		
1986	2,197	219	0.2		
1987	3,357	382	0.3		
1988	3,709	248	0.3		
1989	5,584	789	0.6	915	0.4
1990	7,047	603	0.4	732	0.4
1991	13,192	1,098	0.8	1,236	0.6
1992	21,380	2,020	1.9	3,563	2.1
1993	30,800	4,171	3.3	5,079	3.9
1994	46,600	6,477	3.6	8,284	5.1
1995	68,536	9,713	4.9	13,506	7.4
1996	100,480	15,200	7.8	20,972	11.2
1997	139,444	17,566	8.7	28,027	14.4
1998	188,515	20,165	9.9	28,448	14.5
1999	269,699	26,214	12.9	40,088	20.3
2000	369,628	36,052	11.8	49,296	24.2
2001	483,968	44,317	14.2	61,197	29.1
2002	601,295	53,568	16.6	71,370	33.5
2003	730,913	56,139	17.0	83,097	38.8
2004	787,126	54,074	17.7	73,477	36.7
2005	809,861	47,177	16.9	68,774	37.1
2006	847,516	58,388	24.1	69,712	42.1
2007	888,473	62,024	28.1	52,379	35.6
2008	907,500	58,228	27.6	71,411	50.6
2009	955,119	66,155	32.6	99,494	71.7
2010	996,327	71,015	36.0	71,344	52.9
2011	1,072,014	66,781	35.3	78,818	59.7

Notes

Adjustments to statutory numbers

1. Where appropriate, the EPS, as disclosed in the statutory accounts, have been recalculated to take account of share splits, the issue of new shares and capitalisation issues.
2. Free cash flow per share excludes dividends paid which were included in the free cash flow calculations in the reported accounts for the years 1995–2000.
3. The weighted average number of shares, EPS and free cash flow per share have been adjusted for 2010 and 2011, to exclude treasury shares held in trust for employee share schemes.
4. Before 2005, the accounts were prepared under UKGAAP. All accounts from 2005 to date have been prepared under IFRS.
5. The above table has not been audited.

Like-for-like sales in the year under review increased by 2.1%, with total sales, including new pubs, increasing by £75.7 million to £1,072.0 million, a rise of 7.6% (2010: 4.3%). Like-for-like bar sales increased by 1.7% (2010: decreased by 0.8%), like-for-like food sales increased by 4.2% (2010: increased by 0.1%) and machine sales decreased by 3.9% (2010: increased by 12.1%).

Operating profit before exceptional items increased by 2.3% to £102.3 million (2010: £100.0 million) and, after exceptional items, increased by 8.3% to £96.9 million (2010: £89.5 million). The operating margin, before exceptional items, decreased to 9.5% (2010: 10.0%), mainly as a result of increases in bar and food costs, labour and utilities. The operating margin after exceptional items was 9.0% (2010: 9.0%).

Profit before tax and exceptional items decreased by 5.9% to £66.8 million (2010: £71.0 million) and, after exceptional items, increased by 1.5% to £61.4 million (2010: £60.5 million). Earnings per share before exceptional items decreased by 1.9% to 35.3p (2010: 36.0p), while basic earnings after exceptional items increased by 17.2% to 35.4p (2010: 30.2p).

Net interest was covered 2.9 times by operating profit before exceptional items (2010: 3.4 times) and 2.7 times by operating profit after exceptional items (2010: 3.1 times). Total capital investment was £126.0 million in the period (2010: £81.8 million), with £87.6 million on new pub openings (2010: £57.7 million) and £38.4 million on existing pubs (2010: £24.1 million). The proportion of freehold pubs within new openings increased as did the number of conversions from unlicensed premises, which increased the average cost per new pub. At existing pubs, costs also increased, as we completed the installation of a new EPOS system and accelerated the number of refurbishments.

Exceptional items before tax totalled £5.4 million (2010: £10.6 million). The exceptional items relate to the impairment of trading pub assets of £4.4 million (2010: £10.6 million), an insurance excess payment (in respect of a pub which suffered a fire) of £0.3 million and a loss on the disposal of two undeveloped properties of £0.7 million. The total impairment provision is now £22.9 million on our asset base of £1.4 billion.

Free cash flow, after capital investment of £38.4 million on existing pubs (2010: £24.1 million), £5.8 million in respect of share purchases for employees under the company's share-based payment schemes (2010: £6.1 million) and payments of tax and interest, increased by £7.5 million to £78.8 million (2010: £71.3 million). Free cash flow per share was 59.7p (2010: 52.9p).

Property

The company opened 50 pubs during the year, 34 of which were freehold, and closed two others, resulting in a total estate of 823 pubs at the financial year end. The average development cost for a new pub (excluding the cost of freeholds), in the financial year under review, was £1.21 million, compared with £0.86 million a year ago, mainly as a result of an increased number of conversions from unlicensed premises. The full-year depreciation charge was £44.4 million (2010: £43.7 million).

We currently intend to open an approximately similar number of pubs in the year ending July 2012 as opened in the year under review.

Taxation

The overall tax charge (including deferred tax) on pre-exceptional items before taking into account the effect of the tax-rate change on deferred tax is 30.2% (2010: 31.6%). The UK standard weighted average tax rate for the period is 27.3% (2010: 28%). The difference between that rate and the company tax is 2.9% (2010: 3.6%), due primarily to the level of non-qualifying depreciation (depreciation which does not qualify for tax relief); this is partially offset by the deduction available for share-based payments for employees.

The current tax rate (excluding deferred tax) has fallen to 28.7% (2010: 30.6%). This is due mainly to the decrease in the UK standard average tax rate for the period by 0.7% and also the increase in qualifying capital expenditure during the period.

Financing

As at 24 July 2011, the company's total net bank borrowings (excluding finance leases and derivatives) were £429.8 million (2010: £379.5 million), an increase of £50.3 million. Net debt including finance leases (but excluding derivatives) was £437.7 million (2010: £388.4 million), an increase of £49.3 million. Net debt excluding derivatives has increased, owing to 50 new pub openings costing £87.6 million, reinvestment of £38.4 million, share buybacks of £32.8 million and the dividend payments of £5.2 million. Year-end net-debt-to-EBITDA was 2.98 times (2010: 2.70 times).

As at 24 July 2011, the company had £120.2 million (2010: £170.5 million) of unutilised banking facilities and cash balances, with total facilities of £550.0 million (2010: £550.0 million). Following the year end, the company concluded an amendment and restatement of its existing banking facility. The new non-amortising £555-million four-year-and-eight-month facility, expiring in March 2016, was put in place, with a syndicate of nine existing lenders. Total facilities now available, including an overdraft, are £575.0 million. The company's existing swap arrangements remain in place.

Dividends and return of capital
The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p per share, on 23 November 2011, to those shareholders on the register on 21 October 2011, giving a total dividend for the year of 12.0p per share (2010: 12.0p dividend per share and 7.0p special dividend per share paid, giving a total dividend of 19.0p per share). The dividend is covered 3.0 times (2010: 2.9 times, excluding special dividend and exceptional items) by earnings.

During the year, 7,585,000 shares (representing approximately 5.0% of the issued share capital) were purchased by the company for cancellation, at a total cost of £32.8 million, representing an average cost per share of 428p.

Further progress
We continue to try to make improvements in all areas of the business and have created approximately 2,800 directly employed jobs in the year, with many additional jobs created, in the process, by our many suppliers.

The company held over 1,000 separate training courses in 2010/11, attended by over 11,000 delegates, and promoted over 2,200 staff to shift leader or management positions.

Bonuses paid to employees in the year totalled £22.6 million (2010: £22.5 million), 98% of which were paid to employees below board level, with 87% paid to employees working in our pubs.

Local authorities have created a 'Scores on the Doors' system which awards between zero and five stars, according to the cleanliness and safety standards found in pubs and catering establishments. Our average score (www.scoresonthedoors.org.uk) is 4.27 which is, we believe, the highest of any substantial pub company. Of our pubs, 86% now have scores of four or five stars – and we aim to continue to improve in this important area.

For many years, Wetherspoon has been the main corporate sponsor of the charity CLIC Sargent (caring for children with cancer and their families). We raised £1,080,612 in the year, bringing our total raised for the charity to approximately £4.6 million.

General taxation and regulation
In the period under review, Wetherspoon made a profit after tax of £46.8 million, but total taxes paid to the government were over £453.1 million, including VAT of £204.8 million, excise duty of £120.2 million, PAYE and National Insurance of £65.2 million, property taxes of £41.7 million and corporation tax of £21.2 million.

'..like-for-like sales increased by 0.4%, and total sales increased by 6.7%.'

We believe that the current level of tax levied on the pub industry is unsustainable and is directly leading to the closure of many pubs, which have become uncompetitive in relation to neighbouring countries and to supermarkets. Supermarkets pay no VAT on food sales, whereas pubs pay 20%, creating a tax disparity between supermarkets and pubs. In addition, the cash tax per pint of beer paid by supermarkets is far less than that paid by pubs. This tax disadvantage has inevitably led to an increase in beer sales from supermarkets and a consequent decline in pubs' beer sales. In addition, British pubs and restaurants now suffer a huge competitive disadvantage, compared with those of our nearest major neighbour France, which levies far lower levels of excise duty and VAT. We also pay far higher levels of VAT in pubs than is the case for Ireland. Both France and Ireland have recently reduced their VAT levels and, paradoxically, have had considerable success in generating jobs and taxes, as a result.

Current trading and outlook
As indicated above, the biggest danger to the pub industry is the tax disparity between supermarkets and pubs, creating a serious and unsustainable competitive disadvantage. In addition, our pubs pay far higher VAT than those of our nearest neighbours, Ireland and France, as well as having the second highest rates of excise duty on beer and wine in Europe.

In the six weeks to 4 September 2011, like-for-like sales increased by 0.4%, and total sales increased by 6.7%.

The well-documented increases in areas such as utilities and bar and food supplies, combined with ongoing pressure on consumers' income continue to make this a tough trading environment. Nonetheless, given our resilient sales, profit and cash flow, together with the potential to open further new pubs, the board is aiming for a reasonable outcome in the current financial year.

Tim Martin
Chairman
9 September 2011

Financial performance

The chairman's statement and operating review on pages 3 to 5 cover a comprehensive review of the financial results for the year just ended. Bar sales grew marginally in the first half of the year and continued to improve in the second half of the year, following a variety of marketing initiatives. By comparison, food sales were strong in the first half of the year, owing to a new menu launch and 7am opening. However, the second half of the year saw sales soften as we traded over strong comparatives from the previous 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 £1,072.0m (2010: £996.3m)	+7.6%
Like-for-like sales	+2.1%
Operating profit before exceptional items £102.3m (2010: £100.0m)	+2.3%
Operating profit after exceptional items £96.9m (2010: £89.5m)	+8.3%
Operating margin before exceptional items 9.5% (2010: 10.0%)	–0.5%
Operating margin after exceptional items 9.0% (2010: 9.0%)	0.0%
Profit before tax before exceptional items £66.8m (2010: £71.0m)	–5.9%
Profit before tax after exceptional items £61.4m (2010: £60.5m)	+1.5%
Earnings per share before exceptional items 35.3p (2010: 36.0p)	–1.9%
Basic earnings per share after exceptional items 35.4p (2010: 30.2p)	+17.2%
Free cash flow per share 59.7p (2010: 52.9p)	+12.9%

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 £29.0 million to £35.5 million (excluding the fair value gain on financial derivatives). The increase in finance costs is driven primarily by the full-year impact of the bank deal which was signed in March 2010. The bank facility from March 2010 attracted a higher bank margin on the company's debt. The finance costs (excluding the fair value gain on derivatives) in the income statement were covered 2.9 times, compared with 3.4 times in the previous year, on a pre-exceptional basis. Fixed-charge cover (net finance costs and net rent) was 1.6 times (2010: 1.7 times). Excluding depreciation, amortisation, fair value gain on derivatives and lease premiums' amortisation, fixed-charge cover (net finance costs and net rent), on a cash basis, was 2.1 times (2010: 2.1 times).

Taxation

A full analysis of the taxation charge for the year is set out in note 6 to the accounts.

	2011*	**2011**	2010*	2010
	%	**%**	%	%
Corporation tax	**28.7**	**31.2**	30.6	35.9
Deferred tax	**1.5**	**1.6**	1.0	1.2
Total tax before impact of tax-rate change	**30.2**	**32.8**	31.6	37.1
Deferred tax – impact of tax-rate change	**(8.3)**	**(9.0)**	(3.9)	(4.6)
Total tax	**21.9**	**23.8**	27.7	32.5

*Excluding exceptional items.

The overall tax charge (including deferred tax) on pre-exceptional items, before taking into account the effect of the tax-rate change on deferred tax, is 30.2% (2010: 31.6%). The UK standard weighted average tax rate for the period is 27.3% (2010: 28%), and the difference between that rate and the company tax is 2.9% (2010: 3.6%), owing primarily to the level of non-qualifying depreciation (depreciation which does not qualify for tax relief); this is partially offset by the deduction available for share-based payments for employees.

The current tax rate (excluding deferred tax) has fallen to 28.7% (2010: 30.6%). This is due mainly to the decrease in the UK standard average tax rate for the period by 0.7% and also the increase in qualifying capital expenditure during the period.

Shareholders' return

Earnings per share decreased by 1.9% to 35.3p (excluding exceptional items), with underlying free cash flow per share up 12.9% to 59.7p.

The middle-market quotation of the company's ordinary shares at the end of the financial year was 434.5p. The highest price during the year was 473.0p, while the lowest was 389.1p. The company's market capitalisation at 24 July 2011 was £571.8 million.

Financial position

Net debt excluding derivatives at the year end amounted to £437.7 million. The key ratio of net debt compared with earnings before interest, tax, depreciation and amortisation (EBITDA) is 2.98 times, compared with 2.70 times last year and at a level which allows the company significant operational flexibility.

At the balance sheet date, the company had £120.2 million of unutilised banking facilities and cash balances. This level of unutilised 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 and allows for future expansion and ongoing payment of a dividend.

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

- UK banking facility £530 million
  - Matures March 2014
  - 11 participating lenders
  - £250-million floating- to fixed-rate swap expiring in 2014
  - £150-million floating- to fixed-rate swap expiring in 2016
  - Average interest cost of swaps was 5.47% excluding the banks' margin

- Overdraft facility of £20 million

- Total facilities £550 million (including overdraft)

- Following the year end, the company concluded an amendment and restatement of its existing banking facility. The new non-amortising £555-million four-year-and-eight-month facility, expiring in March 2016, was put in place, with a syndicate of nine existing lenders. Total facilities now available, including an overdraft, are £575.0 million.

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 seen no significant foreign currency risk and has no trading requirements in any foreign currency. The overall treasury policy in this area is to ensure that there are minimum currency risks attached to any part of the business.

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 £400 million of these borrowings at rates of between 5.40% and 5.67%. The effective weighted average interest rate of the swap agreements entered into is 5.47% (2010: 5.47%), fixed for a weighted average period of 3.9 years (2010: 4.9 years).

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 two weeks.

The company monitors its overall level of financial gearing weekly. Short- and medium-term forecasts show underlying levels of gearing which remain within the company's targets.

Further information on other financial matters, including the directors' review of regulatory risks, health and safety, the economic outlook, cost increases and other matters can be found in section 2.

Kirk Davis
Finance Director
9 September 2011

INCOME STATEMENT for the 52 weeks ended 24 July 2011

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 24 July 2011 Before exceptional items Total £000	52 weeks ended 24 July 2011 Exceptional items (note 3) Total £000	52 weeks ended 24 July 2011 After exceptional items Total £000	52 weeks ended 25 July 2010 Before exceptional items Total £000	52 weeks ended 25 July 2010 Exceptional items (note 3) Total £000	52 weeks ended 25 July 2010 After exceptional items Total £000
Revenue	1	**1,072,014**	**–**	**1,072,014**	996,327	–	996,327
Operating costs		**(969,705)**	**(5,389)**	**(975,094)**	(896,314)	(10,557)	(906,871)
Operating profit	2	**102,309**	**(5,389)**	**96,920**	100,013	(10,557)	89,456
Finance income	5	**36**	**–**	**36**	16	–	16
Finance costs	5	**(35,564)**	**–**	**(35,564)**	(29,014)	–	(29,014)
Profit before taxation		**66,781**	**(5,389)**	**61,392**	71,015	(10,557)	60,458
Income tax expense	6	**(14,600)**	**–**	**(14,600)**	(19,680)	–	(19,680)
Profit for the year		**52,181**	**(5,389)**	**46,792**	51,335	(10,557)	40,778
Earnings per ordinary share	7	**35.3p**		**35.4p**	36.0p		30.2p

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 24 July 2011

	Notes	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Interest-rate swaps: income (loss) taken to equity	20	**3,511**	(25,393)
Tax on items taken directly to equity	6	**(2,466)**	6,856
Net gain/(loss) recognised directly in equity		**1,045**	(18,537)
Profit for the year		**46,792**	40,778
Total comprehensive income for the year		**47,837**	22,241

CASH FLOW STATEMENT for the 52 weeks ended 24 July 2011

J D Wetherspoon plc, company number: 1709784

	Notes	**52 weeks ended 24 July 2011 £000**	**52 weeks ended 24 July 2011 £000**	52 weeks ended 25 July 2010 £000	52 weeks ended 25 July 2010 £000
Cash flows from operating activities					
Cash generated from operations	8	**178,197**	**178,197**	153,405	153,405
Interest received		**39**	**39**	9	9
Interest paid		**(34,020)**	**(34,020)**	(30,252)	(30,252)
Corporation tax paid		**(21,215)**	**(21,215)**	(21,617)	(21,617)
Gaming machine VAT receipt		**–**		14,941	
Purchase of own shares for share-based payments		**(5,783)**	**(5,783)**	(6,129)	(6,129)
Net cash inflow from operating activities		**117,218**	**117,218**	110,357	95,416
Cash flows from investing activities					
Purchase of property, plant and equipment		**(31,787)**	**(31,787)**	(21,778)	(21,778)
Purchase of intangible assets		**(6,613)**	**(6,613)**	(2,294)	(2,294)
Proceeds on sale of property, plant and equipment		**1,100**		170	
Investment in new pubs and pub extensions		**(86,793)**		(53,804)	
Purchase of lease premiums		**(825)**		(3,935)	
Net cash outflow from investing activities		**(124,918)**	**(38,400)**	(81,641)	(24,072)
Cash flows from financing activities					
Equity dividends paid	10	**(5,211)**		(26,174)	
Proceeds from issue of ordinary shares		**225**		523	
Purchase of own shares	24	**(32,759)**		–	
Advances under bank loans	9	**49,962**		87,586	
Repayment of US private placement		**–**		(86,742)	
Advances under finance leases		**–**		9,092	
Finance costs on new loan	9	**–**		(7,626)	
Finance lease principal payments	9	**(2,908)**		(2,898)	
Net cash inflow/(outflow) from financing activities		**9,309**		(26,239)	
Net increase in cash and cash equivalents	9	**1,609**		2,477	
Opening cash and cash equivalents	17	**26,081**		23,604	
Closing cash and cash equivalents	17	**27,690**		26,081	
Free cash flow	7		**78,818**		71,344
Free cash flow per ordinary share	7		**59.7p**		52.9p

BALANCE SHEET as at 24 July 2011

J D Wetherspoon plc, company number: 1709784

	Notes	24 July 2011 £000	25 July 2010 £000
Assets			
Non-current assets			
Property, plant and equipment	11	**881,271**	810,714
Intangible assets	12	**11,525**	6,700
Deferred tax assets	6	**15,569**	17,597
Other non-current assets	13	**10,520**	10,001
Total non-current assets		**918,885**	845,012
Current assets			
Inventories	14	**21,488**	19,911
Other receivables	15	**21,623**	19,727
Assets held for sale	16	**70**	–
Cash and cash equivalents	17	**27,690**	26,081
Total current assets		**70,871**	65,719
Total assets		**989,756**	910,731
Liabilities			
Current liabilities			
Trade and other payables	18	**(189,777)**	(162,553)
Financial liabilities	19	**(3,129)**	(2,829)
Current income tax liabilities		**(9,457)**	(11,501)
Total current liabilities		**(202,363)**	(176,883)
Non-current liabilities			
Financial liabilities	19	**(462,254)**	(411,643)
Derivative financial instruments	20	**(57,880)**	(61,391)
Deferred tax liabilities	6	**(71,448)**	(75,579)
Other liabilities	21	**(24,766)**	(23,094)
Total non-current liabilities		**(616,348)**	(571,707)
Net assets		**171,045**	162,141
Shareholders' equity			
Ordinary shares	24	**2,632**	2,783
Share premium account		**143,199**	142,975
Capital redemption reserve		**1,798**	1,646
Hedging reserve		**(43,410)**	(44,821)
Retained earnings		**66,826**	59,558
Total shareholders' equity		**171,045**	162,141

The notes on pages 12 to 32 form an integral part of these financial statements.

The financial statements, on pages 8 to 41, approved by the board of directors and authorised for issue on 9 September 2011, are signed on its behalf by:

John Hutson
Director

Kirk Davis
Director

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	**Total £000**
At 26 July 2009		**2,779**	**142,456**	**1,646**	**(26,284)**	**47,096**	**167,693**
Profit for the year						40,778	**40,778**
Interest-rate swaps: loss taken to equity	20				(25,393)		**(25,393)**
Tax on items taken directly to equity	6				6,856		**6,856**
Total comprehensive profit					(18,537)	40,778	**22,241**
Exercise of options	24	4	519				**523**
Share-based payments	4					3,987	**3,987**
Purchase of shares held in trust						(6,129)	**(6,129)**
Dividends	10					(26,174)	**(26,174)**
At 25 July 2010		**2,783**	**142,975**	**1,646**	**(44,821)**	**59,558**	**162,141**
Profit for the year						46,792	**46,792**
Interest-rate swaps: profit taken to equity	20				3,511		**3,511**
Tax on items taken directly to equity	6				(2,100)	(366)	**(2,466)**
Total comprehensive profit					1,411	46,426	**47,837**
Exercise of options	24	1	224				**225**
Repurchase of shares		(152)		152		(32,759)	**(32,759)**
Share-based payments	4					4,595	**4,595**
Purchase of shares held in trust						(5,783)	**(5,783)**
Dividends	10					(5,211)	**(5,211)**
At 24 July 2011		**2,632**	**143,199**	**1,798**	**(43,410)**	**66,826**	**171,045**

The balance classified as share capital includes those proceeds arising on issue of the company's equity share capital, comprising 2p ordinary shares and the cancellation of shares repurchased by the company.

The capital redemption reserve arose from the purchase of the company's 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 24 July 2011, the number of shares held in trust was 5,038,173 (2010: 4,556,097), with a nominal value of £100,800 (2010: £91,000) and a market value of £21,890,862 (2010: £19,518,320) which are accounted for as treasury shares.

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

Tax on items taken directly to equity includes an adjustment of £366,000 to accurately reflect the deferred tax position on interest-rate swaps.

As at 24 July 2011, the company had distributable reserves of £23.4 million (2010: £14.7 million).

1 Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Sales of food, beverages, hotel rooms and machine income	**1,072,014**	996,327

2 Operating profit before exceptional items – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Operating lease payments	**64,463**	62,341
Repairs and maintenance	**36,241**	34,233
Rent receivable	**(565)**	(392)
Depreciation of property, plant and equipment (note 11)	**42,866**	42,620
Amortisation of intangible assets (note 12)	**1,223**	811
Amortisation of non-current assets (note 13)	**306**	268
Share-based charges (note 4)	**4,595**	3,987
Auditors' remuneration		
Audit services:		
– audit fees	**150**	152
– other services supplied pursuant to relevant legislation	**28**	26
– other services	**105**	10
Total auditors' fees	**283**	188

Analysis of continuing operations	**52 weeks ended 24 July 2011 £000**	52 weeks ended 25 July 2010 £000
Revenue	**1,072,014**	996,327
Cost of sales	**(927,045)**	(856,908)
Gross profit	**144,969**	139,419
Administration costs		
– head-office costs	**(42,660)**	(39,406)
Operating profit before exceptional items	**102,309**	100,013
Exceptional items (note 3)	**(5,389)**	(10,557)
Operating profit after exceptional items	**96,920**	89,456

3 Exceptional items

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Operating items		
Property impairment	**4,410**	10,557
Insurance excess	**250**	–
Loss on disposal of property, plant and equipment	**729**	–
Operating exceptional items	**5,389**	10,557

During the year under review, an exceptional charge of £4,410,000 (2010: £10,557,000) relates to the impairment of property and fixed assets, following a review of the company's assets, as required under IAS 36.

Under the impairment review, each cash-generating unit (CGU) is reviewed for its recoverable amount, determined as being the higher of its fair value less costs to sell and its value in use.

Property-related disposals and write-offs are in respect of the loss on disposal of two sites, together with an insurance excess paid in respect of one site damaged by fire.

4 Employee benefits expense

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Wages and salaries	**273,685**	250,261
Social Security costs	**18,609**	16,649
Pension costs	**1,668**	1,598
Share-based charges (note 25)	**4,595**	3,987
	298,557	272,495

Included in the table above is compensation paid to directors for loss of office of £367,000.

The average number of people directly employed in the business, including directors, was as follows:

	2011 Number	2010 Number
Full-time equivalents		
Managerial/administration	**3,454**	3,342
Hourly paid staff	**9,557**	8,617
	13,011	11,959

	2011 Number	2010 Number
Total employees		
Managerial/administration	**3,828**	3,709
Hourly paid staff	**20,239**	17,468
	24,067	21,177

Directors' emoluments

	2011 £000	2010 £000
Aggregate emoluments (excluding share-based payments)	**1,478**	1,918
Contributions to a defined contribution scheme	**95**	126
	1,573	2,044

Retirement benefits are accruing to 3 (2010: 4) directors under a defined contribution scheme.

Details of directors' emoluments are disclosed in the remuneration report on pages 54 to 59; these form part of these financial statements.

5 Finance income and costs

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Finance costs		
Interest payable on bank loans and overdrafts	**33,143**	26,789
Interest payable on US senior loan notes	**–**	437
Amortisation of bank loan issue costs	**1,948**	1,227
Interest payable on obligations under finance leases	**473**	561
Total finance costs	**35,564**	29,014
Bank interest receivable	**(36)**	(16)
Total finance income	**(36)**	(16)
Total net finance costs	**35,528**	28,998

Further details are provided in account note 20.

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Analysis of finance income and costs in categories in accordance with IAS 39		
Loans and receivables	**(36)**	(16)
Financial liabilities carried at amortised cost	**16,136**	9,327
Financial derivatives	**18,751**	18,983
Other financial expenses	**677**	704
Total net finance costs	**35,528**	28,998

6 Income tax expense

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Current income tax:		
Current income tax charge	**19,169**	21,709
Total current income tax	**19,169**	21,709
Deferred tax:		
Origination and reversal of temporary differences	**980**	746
Impact of change in UK tax rate	**(5,549)**	(2,775)
Total deferred tax	**(4,569)**	(2,029)
Tax charge in the income statement	**14,600**	19,680
Tax relating to items charged or credited to equity		
Deferred tax:		
Tax charge (credit) on interest-rate swaps	**2,100**	(6,856)
Tax charge (credit) in the statement of comprehensive income	**2,100**	(6,856)

Exceptional items had no effect on the tax charge in the income statement for the current or previous financial year.

6 Income tax expense continued

(b) Reconciliation of the total tax charge

The tax expense after exceptional items in the income statement for the year is lower (2010: higher) than the standard rate of corporation tax in the UK of 27.3% (2010: 28%). The differences are reconciled below.

	52 weeks ended 24 July 2011 Before exceptional items £000	**52 weeks ended 24 July 2011 After exceptional items £000**	52 weeks ended 25 July 2010 Before exceptional items £000	52 weeks ended 25 July 2010 After exceptional items £000
Profit before income tax	**66,781**	**61,392**	71,015	60,458
Profit multiplied by the UK standard rate of corporation tax of 27.3% (2010: 28%)	**18,253**	**16,780**	19,884	16,928
Abortive acquisition costs and disposals	**309**	**309**	156	156
Other disallowables	**95**	**95**	120	120
Other allowable deductions	**(92)**	**(92)**	(57)	(57)
Non-qualifying depreciation	**2,849**	**4,322**	3,459	6,415
Deduction for share options and SIPs	**(338)**	**(338)**	(1,139)	(1,139)
Deferred tax on balance-sheet-only items	**(927)**	**(927)**	32	32
Adjustment in respect of change in tax rate	**(5,549)**	**(5,549)**	(2,775)	(2,775)
Total tax expense reported in the income statement	**14,600**	**14,600**	19,680	19,680

The main factor which causes the company's tax rate to be higher than the UK standard rate of corporation tax is non-qualifying depreciation.

On 1 April 2012, the UK standard rate of corporation tax is set to fall to 25%.

6 Income tax expense continued

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

Deferred tax liabilities	Accelerated tax depreciation £000	Revaluation of land and buildings £000	Other temporary differences £000	Total £000
At 26 July 2009	66,827	3,298	7,508	77,633
Credited to the income statement	(744)	(314)	(996)	(2,054)
At 25 July 2010	66,083	2,984	6,512	75,579
Credited to the income statement	(3,253)	(355)	(523)	(4,131)
At 24 July 2011	**62,830**	**2,629**	**5,989**	**71,448**

Deferred tax assets	Capital losses carried forward £000	Basic swap £000	Total £000
At 26 July 2009	685	10,080	10,765
Credited to the income statement	(24)	–	(24)
Charged to other comprehensive income	–	6,856	6,856
At 25 July 2010	661	16,936	17,597
Credited to the income statement	438	–	438
Charged to other comprehensive income	–	(2,466)	(2,466)
At 24 July 2011	**1,099**	**14,470**	**15,569**

The Finance (No.3) Bill 2010–11 received royal assent before the balance sheet date of 24 July 2011. It included legislation to reduce the main rate of corporation tax to 25%, with effect from 1 April 2012. The lower rate of 25% has been used to determine the overall net deferred tax liability, as the temporary differences are expected to reverse at the lower rate.

The March 2011 budget announced a further 1% reduction in the main rate of corporation tax. A lower rate of 26% from 1 April 2011 was enacted in July 2011, with the intention remaining for the rate to reduce further, by 1% per annum, to 23% by 1 April 2014. These further proposed rate reductions to 24% and 23% had not been substantively enacted at the balance sheet date and are, therefore, not included in the financial statements. The proposed reductions in the rate are expected to be enacted separately each year. The impact of the further changes in rate, from 25% to 23%, would be a £4.4 million increase in profits for the year. The overall effect of the changes applied to the deferred tax balances at 24 July 2011 would be to increase profits for the year by £5.6 million (being £2.8 million in July 2012 and £2.8 million in July 2013) and increase other comprehensive losses by £1.2 million (being £0.6 million in July 2012 and £0.6 million in July 2013).

7 Earnings and cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders, of £46,792,000 (2010: £40,778,000), by the weighted average number of shares in issue during the year, of 132,019,936 (2010: 134,902,108).

The weighted average number of shares has been adjusted to exclude treasury shares held in respect of the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme.

Earnings before exceptional items per share has been calculated before exceptional items detailed in note 3 and takes account of 23,250 (2010: 59,032) potential dilutive shares under option, giving a weighted average number of ordinary shares, adjusted for the effect of dilution, of 132,043,186 (2010: 134,961,140).

Adjusted earnings excludes an adjustment of £5,549,000 (2010: £2,775,000), in respect of the corporation tax-rate change and exceptional items.

Earnings per share	**Earnings 52 weeks ended 24 July 2011 £000**	Earnings 52 weeks ended 25 July 2010 £000	**Earnings per share 52 weeks ended 24 July 2011 pence**	Earnings per share 52 weeks ended 25 July 2010 pence
Basic earnings/diluted earnings	**46,792**	40,778	**35.4**	30.2
Adjusted earnings before exceptional items	**46,632**	48,560	**35.3**	36.0
Adjusted earnings after exceptional items	**41,243**	38,003	**31.2**	28.2

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, corporation 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.

Free cash flow per share	**52 weeks ended 24 July 2011**	52 weeks ended 25 July 2010
Free cash flow (£000)	**78,818**	71,344
Free cash flow per share	**59.7p**	52.9p

8 Cash generated from operations

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Profit attributable to shareholders	**46,792**	40,778
Adjusted for:		
Tax	**14,600**	19,680
Impairment charge	**4,410**	10,557
Loss on disposal of property, plant and equipment	**979**	–
Amortisation of intangible assets	**1,223**	811
Depreciation of property, plant and equipment	**42,866**	42,620
Lease premium amortisation	**306**	268
Share-based charges	**4,595**	3,987
Interest receivable	**(36)**	(16)
Amortisation of bank loan issue costs	**1,948**	1,227
Interest payable	**33,616**	27,787
	151,299	147,699
Change in inventories	**(1,577)**	(1,957)
Change in receivables	**(1,896)**	(3,401)
Change in payables	**30,371**	11,064
Net cash inflow from operating activities	**178,197**	153,405

9 Analysis of changes in net debt

	At 25 July 2010 £000	Cash flows £000	Non-cash movement £000	At 24 July 2011 £000
Cash in hand	26,081	1,609	–	**27,690**
Debt due after one year (note 20)	(405,612)	(49,962)	(1,948)	**(457,522)**
Bank borrowing	(379,531)	(48,353)	(1,948)	**(429,832)**
Finance lease creditor – due less than one year	(2,829)	2,908	(3,208)	**(3,129)**
Finance lease creditor – due after one year	(6,031)	–	1,299	**(4,732)**
Net borrowings	(388,391)	(45,445)	(3,857)	**(437,693)**
Derivative – interest-rate swaps (note 20)	(61,391)	–	3,511	**(57,880)**
Net debt	(449,782)	(45,445)	(346)	**(495,573)**

10 Dividends paid and proposed

	52 weeks ended 24 July 2011 £000	52 weeks ended 25 July 2010 £000
Declared and paid during the year: Dividends on ordinary shares: – interim for 2010/11: 4.0p (2009/10: 19.0p)	**5,211**	26,174
Dividends paid	**5,211**	26,174
Proposed for approval by shareholders at the AGM: – final dividend for 2010/11: 8.0p (2009/10: 0.0p)	**10,402**	–

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ending 24 July 2011.

11 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 26 July 2009	526,390	362,313	288,502	18,100	1,195,305
Additions	6,566	2,633	16,576	62,174	87,949
Transfers	20,839	20,169	13,348	(54,356)	–
Transfer from assets held for sale	–	–	–	3,038	3,038
Disposals	(96)	(2,469)	(2,364)	(279)	(5,208)
At 25 July 2010	553,699	382,646	316,062	28,677	1,281,084
Additions	15,167	3,401	28,655	75,485	122,708
Transfers	58,728	6,791	13,431	(78,950)	–
Transfer to assets held for sale	–	–	–	(611)	(611)
Disposals	(2,848)	(1,387)	(2,185)	(1,496)	(7,916)
At 24 July 2011	**624,746**	**391,451**	**355,963**	**23,105**	**1,395,265**
Depreciation and impairment:					
At 26 July 2009	75,978	130,024	215,400	–	421,402
Provided during the period	10,204	12,375	20,041	–	42,620
Impairment loss and depreciation adjustment	1,674	6,775	992	–	9,441
Disposals	(7)	(2,294)	(2,012)	–	(4,313)
Transfer from assets held for sale	–	–	–	1,220	1,220
At 25 July 2010	87,849	146,880	234,421	1,220	470,370
Provided during the period	12,118	9,906	20,842	–	42,866
Impairment loss	2,231	2,031	148	–	4,410
Disposals	(395)	(798)	(1,639)	(820)	(3,652)
Reclassification	1,503	(1,503)	–	–	–
At 24 July 2011	**103,306**	**156,516**	**253,772**	**400**	**513,994**
Net book amount at 24 July 2011	**521,440**	**234,935**	**102,191**	**22,705**	**881,271**
Net book amount at 25 July 2010	465,850	235,766	81,641	27,457	810,714
Net book amount at 26 July 2009	450,412	232,289	73,102	18,100	773,903

11 Property, plant and equipment continued

Impairment of property, plant and equipment

The company considers each trading outlet to be a separate cash-generating unit (CGU), with each CGU 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 performance anticipated by management. There is a significant number of interconnected assumptions which underpins the value-in-use calculations. However, the underlying basis for the impairment model involves each CGU's projected cash flow for the 52 weeks ending 22 July 2012, extrapolated to incorporate individual assumptions, in respect of sales growth, gross margin and cost-savings for that specific CGU. The pre-tax discount rate employed by the company this year was 10% (2010: 10%).

The board approved the discount rate, considering it to be prudent, yet reflective of the current economic climate.

As a result of this exercise, an impairment loss of £4,410,000 (2010: £10,557,000) was charged to operating costs in the income statement.

Of the previous year's charge, £9,441,000 is reflected in the table above, while £1,117,000 relates to other non-current assets, as described in note 13.

Management believes that a reasonable change in any of the key assumptions, for example the discount rate applied to each CGU, could cause the carrying value of the CGU to exceed its recoverable amount, but that the change would be immaterial.

Finance leases

The carrying value of fixed assets held under finance leases at 24 July 2011, included within equipment, fixtures and fittings, was as follows:

	2011 £000	2010 £000
Cost	**13,399**	13,915
Accumulated depreciation	**(7,862)**	(5,456)
Net book amount	**5,537**	8,459

12 Intangible assets

	IT software costs £000
Cost:	
At 26 July 2009	14,334
Additions	2,653
At 25 July 2010	16,987
Additions	6,049
Disposals	(49)
At 24 July 2011	**22,987**
Amortisation	
At 26 July 2009	9,476
Amortisation during the period	811
At 25 July 2010	10,287
Amortisation during the period	1,223
Disposals	(48)
At 24 July 2011	**11,462**
Net book amount at 24 July 2011	**11,525**
Net book amount at 25 July 2010	6,700
Net book amount at 26 July 2009	4,858

Amortisation of £1,223,000 (2010: £811,000) is included in the cost of sales in the income statement.

Included within the intangible assets is £5,819,000 of assets in the course of development (2010: £903,000).

Finance lease

The carrying value of fixed assets held under finance leases at 24 July 2011, included within intangible assets, was as follows:

	2011 £000	2010 £000
Cost	**1,909**	–
Accumulated depreciation	**–**	–
Net book amount	**1,909**	–

The company has entered into a contract for the design and implementation of an ERP system. Commitments in terms of this agreement total £2.3m.

13 Other non-current assets

	Lease premiums £000
Cost:	
At 26 July 2009	9,746
Additions	3,636
Disposals	(219)
At 25 July 2010	13,163
Additions	825
At 24 July 2011	**13,988**
Amortisation	
At 26 July 2009	1,777
Amortisation during the period	268
Impairment charge (note 11)	1,117
At 25 July 2010	3,162
Amortisation during the period	306
At 24 July 2011	**3,468**
Net book amount at 24 July 2011	**10,520**
Net book amount at 25 July 2010	10,001
Net book amount at 26 July 2009	7,969

14 Inventories

	2011 £000	2010 £000
Goods for resale at cost	**21,488**	19,911

15 Other receivables

	2011 £000	2010 £000
Other receivables	**4,429**	5,936
Prepayments and accrued income	**17,194**	13,791
	21,623	19,727

At the balance sheet date, the company was exposed to a maximum credit risk of £4.4 million, of which £198,000 was overdue. The company holds no collateral for these receivables, and no impairment to receivables was deemed necessary at the balance sheet date.

16 Assets held for resale

As at 24 July 2011, one unit was classified as held for sale (2010: 0 units).

The major classes of assets held, comprising the unit classified as held for sale, were as follows:

	2011 £000	2010 £000
Property, plant and equipment	**70**	–

A total loss of £541,000, in writing this asset down to fair value less costs to sell, has been included within exceptional items (note 3).

It is expected that this unit will be disposed of by public auction early in the new financial year.

17 Cash and cash equivalents

	2011 £000	2010 £000
Cash at bank and in hand	**27,690**	26,081

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

	2011 £000	2010 £000
Trade payables	**94,713**	87,757
Other payables	**5,878**	5,737
Other tax and Social Security	**30,099**	21,999
Accruals and deferred income	**59,087**	47,060
	189,777	162,553

19 Financial liabilities

	2011 £000	2010 £000
Current		
Finance lease obligations	**3,129**	2,829
Non-current		
Bank loans		
Variable-rate facility	**457,522**	405,612
Other		
Finance lease obligations	**4,732**	6,031
Total non-current financial liabilities	**462,254**	411,643

20 Financial instruments

For a discussion on capital risk management, please refer to section 2 on page 42. Also discussed in section 2 on page 43 are the financial risks associated with financial instruments, including credit risk and liquidity risk.

The table below 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.

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 24 July 2011							
Bank loans	15,397	15,397	489,703	–	–	–	520,497
Other long-term payables	729	698	698	698	698	5,215	8,736
Finance lease obligations	3,480	2,856	2,171	–	–	–	8,507
Trade and other payables	159,678	–	–	–	–	–	159,678
Derivatives	18,553	18,553	18,553	10,248	6,986	115	73,008

	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
At 25 July 2010							
Bank loans	12,969	12,969	12,969	423,208	–	–	462,115
Other long-term payables	641	642	642	642	642	4,741	7,950
Finance lease obligations	3,281	2,817	2,193	1,678	–	–	9,969
Trade and other payables	140,554	–	–	–	–	–	140,554
Derivatives	18,884	18,884	18,884	18,884	10,246	7,247	93,029

At the balance sheet date, the company had total UK committed loan facilities of £550 million (2010: £550 million) which comprised a £530-million unsecured-term revolving-loan facility and an overdraft facility of £20 million, maturing in March 2014. All UK-committed loan facilities are at floating rates, based on LIBOR. The company has entered into swap agreements which fix £400 million. The effective weighted average of all of the swap agreements entered into is 5.47% (2010: 5.47%), fixed for a weighted average period of 3.9 years (2010: 4.9 years).

At the balance sheet date, £480 million (2010: £415 million) was drawn down under the £530-million unsecured-term revolving-loan facility, with interest rates set for periods of between one and six months, at which points monies are repaid and, if appropriate, redrawn.

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, is set out in the following table.

	2011 £000	2010 £000
Analysis of interest-rate profile of the financial liabilities		
Floating-rate borrowings	**57,522**	5,612
Fixed-rate borrowings:		
– bank loans	**400,000**	400,000
– finance lease obligations	**7,861**	8,860
	465,383	414,472

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

Obligations under finance leases

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

	2011 £000	2010 £000
Within one year	**3,481**	3,281
In the second to fifth year, inclusive	**5,026**	6,688
	8,507	9,969
Less future finance charges	**(646)**	**(1,109)**
Present value of lease obligations	**7,861**	8,860
Less amount due for settlement within one year	**(3,480)**	(2,829)
Amount due for settlement during the second to fifth year, inclusive	**4,381**	6,031

All finance lease obligations are in respect of various equipment and software used in the business. No escalation clauses are included in the agreements.

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.

	2011 Book value £000	2011 Fair value £000	2010 Book value £000	2010 Fair value £000
Financial assets				
Loans and receivables				
Cash and cash equivalents	**27,690**	**27,690**	26,081	26,081
Other receivables	**4,429**	**4,429**	5,936	5,936
Financial liabilities				
Other financial liabilities				
Trade and other payables	**(159,678)**	**(159,678)**	(140,554)	(140,554)
Finance lease obligations	**(7,861)**	**(8,328)**	(8,860)	(9,334)
Long-term borrowings	**(457,522)**	**(495,060)**	(405,612)	(416,969)
Derivatives				
Interest-rate, currency and basis swaps	**(57,880)**	**(57,880)**	(61,391)	(61,391)

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

Interest-rate swaps

At 24 July 2011, 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 interest-rate swaps of the floating-rate borrowings were assessed to be effective; a cumulative loss of £57,880,000 (2010: a loss of £61,391,000), with a deferred tax credit of £14,470,000 (2010: a credit of £16,570,000), relating to the hedging instrument, is included in equity. A gain of £3,511,000 for the year (2010: loss of £25,395,000) is reflected in equity.

Fair value of financial assets and liabilities

Effective from 27 July 2009, the company adopted the amendment to IFRS 7 for financial instruments which are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

– Quoted prices in active markets for identical assets or liabilities (level 1)
– Inputs other than quoted prices included in level 1 which are observable for the asset or liability, either directly or indirectly (level 2)
– Inputs for the asset or liability which are not based on observable market data (level 3)

The fair value of the cash flow hedge of £57.9 million is considered to be level 2. All other financial assets and liabilities are measured in the balance sheet at amortised cost.

21 Other liabilities

	2011 £000	2010 £000
Operating lease incentives and provisions	**9,819**	8,153
Amount held in respect of gaming machine settlement under appeal by HMRC	**14,947**	14,941
	24,766	23,094

Included in 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.

The weighted average period to maturity of operating lease incentives is 16.1 years (2010: 16.3 years).

Also included is an amount held in respect of the company's gaming machine VAT claim. A decision was released during the previous financial year in respect of Rank plc's gaming claim, and this latest ruling fell in the taxpayer's favour. As a result, the company was able to further pursue its own gaming claim which was submitted in January 2006. HMRC made a repayment of the existing claim, subject to the company providing a guarantee to HMRC that, in the event that the existing decision be overturned in a higher court, the amount will be repayable in full. HMRC lodged an appeal with the European Court of Justice in respect of Rank plc's decision and this was heard on 30 June 2011; a decision is expected by the end of the calendar year. The company is holding the repayment amount of £14,947,000 as a liability, until the Rank plc case has reached its final conclusion.

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.

The minimum contractual operating lease commitments fall due as follows:

Land and building

	2011 £000	2010 £000
Within one year	**60,736**	59,030
Between one and five years	**228,286**	224,132
After five years	**916,432**	952,502
	1,205,454	1,235,664

The company has operating lease commitments, with rentals determined in relation to sales. An estimate of the future minimum rental payments under such leases of £58 million (2010: £52 million) is included above.

23 Related-party disclosures

No transactions have been entered into with related parties during the year.

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

Key management compensation

	2011 £000	2010 £000
Salaries and short-term employee benefits	**2,578**	3,357
Post-employment pension benefits	**154**	199
Termination benefits	**366**	–
Share-based charges	**350**	420
	3,448	3,976

For additional information about directors' emoluments, please refer to the directors' remuneration report.

Directors' interests in employee share plans
Details of the shares held by executive members of the board of directors are included in the remuneration report on pages 54 to 59 which forms part of these financial statements.

24 Share capital

	Number of shares 000s	Share capital £000
At 26 July 2009	138,974	2,779
Allotments	151	4
At 25 July 2010	139,125	2,783
Allotments	68	1
Repurchase of shares	(7,585)	(152)
At 24 July 2011	**131,608**	**2,632**

The total authorised number of 2p ordinary shares is 500 million (2010: 500 million). All issued shares are fully paid. Proceeds from the issuance of shares amounted to £225,000 (2010: £523,000).

During the year, 7,585,000 shares (representing approximately 5% of the issued share capital) were repurchased by the company for cancellation, at a cost of £32.6 million, excluding stamp duty, representing an average cost per share of 428p.

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

While the memorandum and articles of association allow for preferred, deferred or special rights to attach to ordinary shares, no shares carried such rights at the balance sheet date.

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) New Discretionary Share Option Scheme (NDSO)

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the year	**67,296**	**339.0**	203,805	350.1
Lapsed in the year	**(5,568)**	**339.0**	(4,617)	352.9
Exercised in the year	**(48,238)**	**339.0**	(131,892)	353.3
Outstanding at the end of the year	**13,490**	**339.0**	67,296	343.7
Weighted average contractual life remaining for share options outstanding at the year end	**0.1 year**		0.8 year	
Exercise price for options outstanding at the year end	**339.0p**		339.0p	

(b) 2001 Executive Scheme (2001 scheme)

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the year	**60,110**	**301.5**	82,405	301.5
Lapsed in the year	**(2,960)**	**301.5**	(2,991)	301.5
Exercised in the year	**(19,695)**	**301.5**	(19,304)	301.5
Outstanding at the end of the year	**37,455**	**301.5**	60,110	301.5
Weighted average contractual life remaining for share options outstanding at the year end	**1.1 years**		2.1 years	
Exercise price for options outstanding at the year end	**301.5p**		301.5p	

25 Share-based payments continued

At 24 July 2011, there were 26 members of the NDSO scheme, with average shareholdings of 519; there were 176 members of the 2001 scheme, with average option-holdings of 213.

The exercise of an option under the NDSO and 2001 scheme will, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance conditions. 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.

Fair value of share-based payments is determined with reference to market prices.

26 Events after the balance sheet date

Following the year end, the company concluded an amendment and restatement of its existing banking facility. The new non-amortising £555-million four-year-and-eight-month facility, expiring in March 2016, was put in place, with a syndicate of nine existing lenders. Total facilities now available, including an overdraft, are £575.0 million.

FINANCIAL RECORD for the five years ended 24 July 2011

	2007 £000	2008 £000	2009 £000	2010 £000	**2011 £000**
Sales and results					
Revenue from continuing operations	888,473	907,500	955,119	996,327	**1,072,014**
Operating profit before exceptional items	91,113	90,457	97,001	100,013	**102,309**
Exceptional items	–	(3,275)	(21,920)	(10,557)	**(5,389)**
Finance income	206	337	336	16	**36**
Finance costs	(29,295)	(32,566)	(31,182)	(29,014)	**(35,564)**
Fair value loss on financial derivatives	–	(794)	794	–	**–**
Profit on ordinary activities before taxation	62,024	54,159	45,029	60,458	**61,392**
Taxation	(15,190)	(18,624)	(19,730)	(19,680)	**(14,600)**
Profit for the year	46,834	35,535	25,299	40,778	**46,792**
Net assets employed					
Non-current assets	793,495	805,017	797,496	845,012	**918,885**
Net current liabilities	(78,731)	(80,806)	(199,468)	(111,164)	**(131,492)**
Non-current liabilities	(456,567)	(458,732)	(346,259)	(473,034)	**(520,134)**
Deferred tax and other liabilities	(85,590)	(84,932)	(84,076)	(98,673)	**(96,214)**
Shareholders' funds	172,607	180,547	167,693	162,141	**171,045**

Ratios					
Operating margin (excluding exceptional items)	10.3%	10.0%	10.2%	10.0%	**9.5%**
Basic earnings per share (excluding exceptional items)	28.1p	27.6p	32.6p	36.0p*	**35.3p***
Free cash flow per share	35.6p	50.6p	71.7p	52.9p	**59.7p**
Dividends per share (interim and final)	12.0p	12.0p	0p	19.0p	**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.

*The weighted average number of shares has been adjusted to exclude treasury shares held in respect of the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme.

SECTION 2

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 24 July 2011 were authorised for issue by the board of directors on 9 September 2011, and the balance sheet was signed on the board's behalf by J Hutson and K Davis. 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 IFRSs and IFRIC interpretations as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Company are set out on pages 37 to 41.

ACCOUNTING POLICIES

Basis of preparation
The financial statements of the Company have been prepared in accordance with IFRSs as adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for the revaluation of financial instruments and share-based payments.

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 24 July 2011; they have been consistently applied.

Critical accounting estimates and judgements
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 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. The areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements are disclosed below.

Insurance provision
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.

Impairment of property, plant and equipment
The Company determines whether property, plant and equipment is impaired by estimating a unit's value in use and fair value less costs to sell, to determine the recoverable amounts of cash-generating units (CGUs).

Fair value less costs to sell is determined using external and internal estimates of the value of the Company's CGUs. The value in use is calculated using the estimated earnings and cash flows derived by management estimates and applying a suitable pre-tax discount rate to these cash flows.

Any changes in the level of forecast earnings or cash flows, the discount rate applied or the estimate in fair value less costs to sell could give rise to an additional impairment provision.

Hedging
The Company applies assumptions on future transactions which could have an impact on those future borrowings which are critical in the effectiveness calculations of its interest-rate swaps. If these transactions were not to occur, it may result in all or part of the cumulative gain or loss which was originally reported in equity being transferred to the income statement.

Taxation
Significant judgement is required to determine the provision for taxes, as the tax treatment for some transactions cannot be fully determined, until a formal resolution has been reached with the tax authorities. Tax benefits are not recognised until it is probable that the benefit will be obtained.

Deferred tax
Deferred tax assets and liabilities require management's judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets and liabilities should be recognised, with consideration given to the timing and level of future taxable income and any future tax-planning strategies.

Segmental reporting
The Company reports in one business segment (that of public houses) and one geographical segment (being the United Kingdom). Given the immaterial size of the Company's hotel business, this has not been separately disclosed as a business segment.

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.

Property, plant and equipment
Property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation and any impairment in value. Cost of assets includes acquisition costs, as well as other directly attributable costs in bringing the asset into a working condition.

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 three 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's expected useful life and residual values are reviewed annually.

The carrying values of property, plant and equipment 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 the 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 CGU'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.

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 to 10 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.

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. Lease premiums are disclosed as other non-current assets.

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 any costs of disposal, 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 and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation's amount.

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 revenue is recognised after deducting sales-based taxes. All costs in relation to machine sales are included in cost of sales.

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, and the asset depreciation is charged in line with the accounting policy for property, plant and equipment.

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.

The Company also has contingent rentals payable, based on turnover. These are charged to operating profit at the higher of minimum contractual obligations under the agreements or based as a percentage of turnover.

Lease incentives

Lease incentives are recognised as a reduction of rental expense to the break clause.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the requirements under IAS 23, for the capitalisation of borrowing costs relating to assets, are met.

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 at the balance sheet date.

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 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.

Free cash flow

The calculation of free cash flow is based on the net cash generated by business activities after funding interest, corporation tax, all other reinvestment in current pubs at the start of the period and the purchase of own shares under the employee share-based plan.

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. Loans and receivables are classified as 'other receivables' on the balance sheet.

Other receivables

Other receivables are initially recognised at fair value and carried at amortised cost 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 one month or under. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above. Bank overdrafts are shown within current financial liabilities on the balance sheet.

Financial liabilities
The Company classifies its financial liabilities in the following categories: at fair value through profit or loss and 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. Financial liabilities with a designated hedge may also be categorised as financial liabilities at fair value through profit or loss. 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 are initially recognised at fair value and subsequently at amortised cost, using the effective-interest method.

Bank loans and loan notes
Interest-bearing bank loans and loan notes are recorded initially at fair value of consideration 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 Company 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.

Hedge accounting is used only where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, 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:

Interest-rate swaps
Hedges are classified as Interest-rate swaps where they hedge exposure to cash flow variability which is attributable to either a particular risk associated with a recognised asset or liability or a forecast transaction.

For interest-rate swaps, 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.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Foreign currencies
Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing 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. All contributions are in respect of a defined contribution scheme.

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).

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 finance leases, borrowings, cash and cash equivalents.

Share-based charges
The Company has an employee share incentive plan which awards shares to qualifying employees; there is also a deferred bonus scheme which awards shares to directors and senior managers, subject to specific performance criteria.

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. These 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.

New standards, amendments and interpretations effective in the current year:

Annual improvements 2009: This is a collection of amendments to 12 standards as part of the IASB programme of annual improvements. The standards affected are:

- IFRS 2 – 'Share-based payments'
- IFRS 5 – 'Non-current assets held for sale and discontinued operations'
- IFRS 8 – 'Operating segments'
- IAS 1 – 'Presentation of financial statements'
- IAS 7 – 'Statement of cash flows'
- IAS 17 – 'Leases'
- IAS 18 – 'Revenue'
- IAS 36 – 'Impairment of assets'
- IAS 38 – 'Intangible assets'
- IAS 39 – 'Financial instruments: Recognition and measurement'
- IFRIC 9 – 'Reassessment of embedded derivatives'
- IFRIC 16 – 'Hedges of a net investment in foreign operation'

The adoption of these amendments had no impact on the Company's results or financial position.

Standards, amendments and interpretations effective in the current year, but not relevant to the Company:

Amendment to IAS 32: 'Financial instruments: Presentation on classification or rights issues'

Amendments to IFRS 2: 'Share-based payments' on group cash-settled transactions

IFRIC 19: 'Extinguishing financial liabilities with equity instruments'

Standards and interpretations which are not yet effective and have not been early adopted by the Company:

IFRS 7: Financial instruments: Disclosures on derecognising

Amendment to IAS 12: 'Income taxes'

Amendment to IAS 19: 'Employee Benefits'

IFRS 13: 'Fair value measurement'

IAS 24 (revised): 'Related-party disclosures'

Annual improvements 2010

IFRS 9: 'Financial instruments', on 'Classification and measurement'

The above standards and interpretations are not expected to have significant impact on the Company's results or financial position.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

In the course of normal business, the Company continually assesses significant risks faced and takes action to mitigate the potential impacts.

The following risks, while not intended to be a comprehensive analysis, constitute (in the opinion of the board) the principal risks and uncertainties 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. In particular, 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, risks 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 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 continued period of weak economic growth may affect the Company's performance. It is for this reason that the Company continually assesses its customer offering, to ensure that it delivers quality products at good value, in a welcoming environment. In achieving this, the Company will ensure that it remains competitively placed in the market in which it operates.

Property values have been affected by the economic downturn; this, consequently, can have an impact on the value of the Company's assets. However, given that the Company has not revalued freehold sites since 1999, we do not believe that there is a material difference between the current market values and the book values held on the balance sheet. The Company's primary focus is to trade from its estate successfully and to maximise the profitability of its pubs. The continuing weak property market provides the Company with further opportunities to add to its estate portfolio. This year, the Company has opened 50 pubs, with a lower development cost per square foot than the Company's historic average.

Cost increases

Inflationary pressures on the Company's inputs pose a risk to margins. The Company seeks to minimise the potential effects of this risk by continuing to foster mutually beneficial and long-term relationships with its suppliers, while working hard across the business to continue to drive down costs in all areas and achieve productivity gains, so as to minimise the effect of any price increases.

Operational risks

Reputational risk

The Company is aware that, in operating in a consumer-facing business, its business reputation, built over many years, can be damaged in a significantly shorter timeframe. As such, there is an ever-present focus on improving controls to ensure that the Company operates its business model through focus on delivering consistently high-quality service and products, within a well-maintained environment.

Supply-chain risks

Food and drink sales account for a significant proportion of sales; therefore, it is fundamental to our operations that we should be able to supply our pubs with the required goods and services to operate. As a company, we work closely with our third-party suppliers, producers and supply-chain partners to ensure that our relationships with them are positive, at all times.

Head office and 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.

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 debt and equity levels (together referred to as capital), the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, adjust the investment in new properties and sell assets to reduce debt.

The Company considers its capital to be its allotted share capital and its reserves (which are disclosed on the statement of changes in shareholders' equity on page 11) and monitors its capital on the basis of free cash flow per share (which is disclosed in the cash flow statement on page 9). 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. All covenants were complied with during the year under review.

Financial risks

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange 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 only in the UK, so substantially all transactions are denominated in sterling; therefore, the Company does not suffer from significant foreign-exchange risk.

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 not be 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 had borrowed at the fixed rates directly. 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 24 July 2011, 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 £490,000 and equity increased by £15,039,000. 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. The Company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

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 significantly the majority of revenue is cash-based.

At the balance sheet date, the Company was exposed to a maximum credit risk of £4.4 million, of which £198,000 was overdue. The Company holds no collateral for these receivables, and no impairment to receivables was deemed necessary at the balance sheet date.

Where there are risks, the Company's policies 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 who can demonstrate an appropriate payment history and suitable credit-worthiness. Sundry income is predominantly derived from the Company's 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 business, 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 creditors, while monitoring that the Company is within its banking covenants.

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 24 July 2011 which comprise the Income Statement, the Cash Flow Statement, the Balance Sheet, the Statement of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 24 July 2011 and of its profit and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 60 to 64 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 51, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 September 2011

The Company aims to be an important part of the local communities in which it trades, managing its responsibilities from both corporate and social perspectives. The Company's corporate social responsibility plan identifies four areas: people; responsible retailing; community and charity; the environment.

People

The Company aims to be a highly regarded employer, through its investment in training and development, policies on equality, a competitive remuneration package and the encouragement of employees to participate actively in business strategy.

The Company created over 2,800 new jobs in 2010/11 and is working with government agencies to offer jobs to the long-term unemployed. We placed 121 candidates into permanent employment, helping to save substantial amounts in benefits.

In relation to training, the Company held over 1,000 separate training courses in 2010/11, attended by over 11,000 delegates, and promoted over 2,200 staff to shift leader or management positions.

In addition, the professional diploma in leisure retail management, run in conjunction with Leeds Metropolitan University, is offered to all pub managers and area managers. We believe this diploma to have been the first in-house programme in the licensed trade which allows employees to gain a professional qualification while working. The programme was extended to include a 'degree top-up', also in conjunction with the university.

The quality and volume of the Company's training courses help to create motivation and to provide employees with the necessary skills to carry out their jobs to a consistently high standard. All employees are now able to participate in e-learning, through a dedicated employee Web site.

The Company has increased the range of nationally recognised qualifications available to employees. As well as the apprenticeship programme, employees can also gain access to three new qualifications: a level 2 NVQ diploma in beverage services, a level 2 NVQ diploma in kitchen services and a level 2 apprenticeship in customer service, developed specifically for 16- to 17-year-olds.

The Company is committed to equal opportunities and the elimination of discrimination, harassment and victimisation of employees. Of our workforce, 51% is female and 49% male.

The Company has also been recognised as an 'Age Positive' employer, by the Department for Work and Pensions. It has also been recognised by the Corporate Research Foundation, in association with The Guardian newspaper, as one of 'Britain's Top Employers', for eight consecutive years, including 2011.

The Company regularly benchmarks its remuneration packages. In addition to competitive pay rates, the Company has created a bonus scheme for all employees. In this connection, the Company awarded bonuses and shares (SIPs) for employees of £22.6 million in the year, an increase of 0.5% (2010: £22.5 million). Of the payments, 98% were made to employees below board level, with approximately 87% of payments made to employees working in our pubs. In addition to this, all employees are able to join the Company health plan and pension plan, as well as obtain tax-efficient childcare vouchers.

Responsible retailing

Responsible drinks retailing

The Company supports practices which promote sensible drinking and has established a 'code of conduct for responsible retailing', outlining its approach in this area.

We also seek to develop partnerships with local authorities and the police. All pubs are requested to become a member of the local pubwatch (a scheme to promote a safe and responsible drinking environment). In a number of locations, a Company pub manager chairs the scheme and, where there is no pubwatch, we try to work with the local police and council to establish one. A Company representative sits on the National Pubwatch committee – and the business financially supports the Drinkaware Trust and the British Institute of Innkeeping.

The Company was the inaugural winner of the 'Responsible Drinks Retailing Award', jointly sponsored by the Home Office and Morning Advertiser. In 2009, the Company won the award for the second time.

We encourage our pubs to enter the 'Best Bar None' schemes (run by local authorities and the police, to encourage good behaviour in town centres), promoting a safe and secure environment.

Food information and quality

The Company aims to improve the quality of its food offering continually and to provide customers with the required information about our product range, to allow them to make informed decisions about their food consumption. This includes nutritional information for all dishes, via our Web site and a printed leaflet, available in pubs.

The Company endeavours to ensure strict specifications for all of its products, so that high standards of quality are met. For example, the sausages which the Company sources from the Welsh Sausage Company contain only British pork, with no artificial colours or flavours; the Company uses only dolphin-friendly tuna; the haddock, cod and salmon in our dishes are sourced from recognised, sustainable fisheries; all fishcakes are made with oak-smoked, line-caught, sustainable haddock; we use only British Lion Quality free-range eggs and cook with virtually trans-fat-free oil.

All of the Company's food suppliers are accredited by the British Retail Consortium.

The Company is working with the Food Standards Agency (FSA) and its suppliers to reduce the salt, saturated fats and sugar levels in its menu offering, in line with the latest FSA guidelines.

Working with suppliers
The Company usually seeks to promote long-term relationships with its suppliers and supports UK farming, using British chips and British beef in its beef burgers, lasagne, chilli con carne, steak & kidney pudding and beef & Abbot Ale pie.

Where practicable, the Company works with suppliers, contractors and partners to minimise environmental impact and encourage sustainable sourcing.

The Company supports brewers of all sizes, across the UK and Ireland, so that customers can enjoy a diverse range of real ales. Wetherspoon has supported the revival of microbrewers through real-ale festivals, exhibitions, meet-the-brewer events and the promotion and stocking of their beers. Every pub endeavours to have at least four ales available at all times, of which two are locally sourced. There are 239 Wetherspoon pubs listed in the CAMRA Good Beer Guide 2012 (2011: 235) – a larger proportion than any other pub company.

The Company seeks to carry out its business honestly, ethically and with respect for the rights and interests of all of those involved. The Company endeavours to ensure that relations with customers, suppliers and business partners are mutually beneficial and expects its business practices and standards to be upheld.

Health and safety
The Company seeks to promote high standards of safety, throughout the business, by endeavouring to ensure that employees attend appropriate training. Pubs are regularly assessed for risks, with relevant solutions identified to address them. Pubs are also regularly audited for safety. Of our pubs, 86% now have scores of four or five stars, for the 'Scores on the Doors' system which awards between zero and five stars – a local authority scheme to measure good practice in these areas.

We have signed a Primary Authority Partnership (under the Local Business Regulation Office scheme) for Health & Safety, Food Safety and Trading Standards, with Reading Borough Council.

Community

Historically, pubs have always been a focal point of any community and we aim to continue that tradition by supporting and building relationships with the local community, through employment and the provision of services and investment in the local area. We aim to ensure that we provide full access for those with disabilities.

The Company is the largest single corporate fund-raiser for the CLIC Sargent charity (caring for children with cancer and their families), a partnership now in its eighth consecutive year, raising over £4.6 million to date, with a pledge to raise a further £1 million annually. During the past financial year, we have raised £1,080,612.

Environment

The environment
The Company encourages measures which promote recycling and reduced energy consumption. It is the Company's policy to:

- minimise the extent of the environmental impact, where reasonably practicable.
- conserve energy through minimising consumption and maximising efficiency.
- promote efficient purchasing which will both minimise waste and allow materials to be recycled.
- adopt efficient waste-management strategies which reduce the amount of waste going to landfill or other disposal sites.
- seek to minimise any emissions or effluents which may cause environmental damage.

Over the past 12 months, the Company has complemented its policy with several initiatives, including areas around energy-efficiency, recycling, ethical working and health & safety.

Energy-efficiency
The Company recognises that energy consumption is unavoidable, but understands that we have a responsibility for those resources which we use and that good environmental management is an essential part of being a responsible business.

In the last year, we have been working with Carbon Statement to measure each pub's carbon footprint. Carbon Statement produces a weekly carbon emissions report for each pub, detailing the amount of carbon dioxide (CO_2) emitted by each pub, through energy usage and waste disposal, as well as the CO_2 emission reduction through recycling. Carbon Statement has also assisted us in ensuring that we comply with the government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which started in April 2010.

The Company also aims to ensure that, when new pubs are developed or current ones upgraded, equipment and processes are introduced to minimise ongoing energy consumption.

Sustainability – reduce, reuse, recycle

The Company aims to reduce the amount of waste going to landfill and other disposal sites, through a combination of packaging reduction, reusing packaging and the recycling of waste products.

Reduce

The Company continues to work with suppliers, to reduce packaging materials brought into the pubs. This leads to fewer deliveries and reduces the required number of road miles.

Reuse

Old uniforms and personal protective equipment are sent to The Fire Fighters Charity, where they are reused either in the UK or internationally.

Where possible, some electrical equipment is transferred among pubs, by our distribution fleet, to help to reuse equipment.

Recycle

During the financial year 2010/11, the Company recycled 7,470 tonnes of waste, an increase of 15% on the previous year. This included 42 tonnes of aluminium, 4,457 tonnes of cardboard and paper, 2,460 tonnes of cooking oil, 391 tonnes of plastic and 120 tonnes of steel.

Glass-recycling will continue to be a major focus for the current year. The business generates over 15,000 tonnes of glass per annum and we have joined forces with Biffa, our waste-disposal partner, to roll out glass-recycling across the estate. The Company successfully recycled 10,447 tonnes of glass in this financial year and aims to increase this to 90% of the glass supplied to pubs. We have recently commenced a glass-crushing trial, in an effort to improve this area further.

In addition, the business has a dedicated supply chain for its food, bottled drinks and non-consumable products, so that material can be returned to the Company's recycling operation, reducing the required number of road miles. In 2009, the Company was awarded a Certificate of Environmental Achievement by Daventry District Council, in recognition of the excellent waste-minimisation progress achieved to date.

Anaerobic waste-recycling

We are trialling an anaerobic digestion solution in 30 of our pubs, with the aim of reducing, by 85%, the amount of their food waste going to landfill. This will be introduced nationally, if the trial proves to be a success.

Su Cacioppo
Personnel and Legal Director
9 September 2011

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 56

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 46

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.

Kirk Davis Finance Director and Company Secretary, aged 40

Joined the Company in 2008 as deputy finance director and was appointed as company secretary in October 2010 and became finance director in March 2011. He previously worked for Tesco plc and qualified as a chartered management accountant in 2004.

Su Cacioppo Personnel and Legal Director, aged 44

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.

She worked in several operational roles in the Company, before being appointed as personnel director in 1999 and personnel and legal director in 2006.

John Herring Senior Non-Executive Director, aged 53

Appointed to the board in 1997 and is chairman of the audit and nomination committees and a member of the remuneration committee. He qualified as a chartered accountant with Deloittes in the early 1980s and subsequently became a director within the corporate finance division of Kleinwort Benson. He is a non-executive director of Workplace Systems plc, Edinburgh Woollen Mills Limited and several other private companies.

Elizabeth McMeikan Non-Executive Director, aged 49

Appointed to the board in 2005 and is a member of the audit, remuneration and nomination committees. She is a graduate of Cambridge University. She is a non-executive director of several privately owned companies and chairs the Membership Selection Panel for Network Rail. She also holds several independent positions in government and Whitehall.

Elizabeth 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 56

Appointed to the board in 2006 and is the remuneration committee chair and a member of the audit and nomination committees. She 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.

Sir Richard Beckett Non-Executive Director, aged 67

Appointed to the board in 2009 and is a member of the audit, remuneration and nomination committees.

He was called to the bar in 1965 and took silk in 1987. He was one of the pre-eminent practitioners in regulatory and licensing matters. He is also a non-executive director of Mercantile Investment Trust plc.

Management board
The management board comprises John Hutson, Kirk Davis, Su Cacioppo and the following:

David Capstick IT and Property Director, aged 50

Joined the Company in 1998 and is a graduate of the University of Surrey. He previously worked for Allied Domecq, as well as having worked in other areas of the hospitality industry, such as hotels and outside catering companies.

He was appointed to the management board in 2003.

Martin Geoghegan Operations Director, aged 42

Joined the Company in May 1994, having previously worked for Safeway plc. He worked in several operational roles, before being appointed as operations director in 2004.

Rebecca Payton Marketing and Catering Director, aged 40

Joined the Company in 1997. She is a graduate of Brighton University and previously worked for Gardener Merchant (now Sodexho).

She worked in several operational roles and headed up the catering team, before being appointed as marketing and catering director in 2007.

Registered office
Wetherspoon House
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WD24 4QL

Company number
1709784

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Independent auditors
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Solicitors
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Bankers
Abbey National Treasury Services plc
Bank of Tokyo-Mitsubishi UFJ
Barclays Bank plc
BNP Paribas
Crédit Industriel et Commercial
HSBC Bank plc
Lloyds TSB Bank plc
Svenska Handelsbanken AB
The Royal Bank of Scotland plc

Financial advisers
Investec Securities

Stockbrokers
Investec Securities

The directors present their report and audited accounts for the 52 weeks ended 24 July 2011.

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 3 to 5.

Results and dividends

The profit on ordinary activities for the year, after taxation, was £46,792,000 or 35.4p per share.

The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p per share, on 23 November 2011, to those shareholders on the register on 21 October 2011, giving a total dividend for the year of 12.0p per share.

Return of capital

At the annual general meeting of the Company, held on 4 November 2010, the Company was given authority to make market purchases of up to 20,854,868 of its own shares. During the year to 24 July 2011, 7,585,000 shares were purchased, with a nominal value of £151,700 for a total consideration of £32.6 million excluding stamp duty. This represented 5% of the called-up share capital.

Land

In the opinion of the directors, the market value of land and buildings is not significantly different from the book value.

Principal risks and uncertainties

A review of the Company's financial risks and treasury policies has been included in the finance review on page 7. A further discussion of the risks and uncertainties facing the Company is included in section 2 on pages 42 and 43.

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

A review of the business, using financial and non-financial KPIs, has been included in the finance review on pages 6 and 7.

Significant contractual or other arrangements

The only contractual arrangement regarded by the Company as essential to its business is with DHL which provides logistic services at the Company's distribution centre in Daventry.

Directors

The directors listed on page 48, other than Kirk Davis, served throughout the financial year and up to the date of signing the financial statements. Mr Davis was appointed as a director on 11 March 2011 and served from that date until the end of the financial year and up to the date of signing the financial statements.

In accordance with the Company's articles of association: (i) Kirk Davis, who was appointed to the board since the last annual general meeting, is required to retire and (ii) Su Cacioppo and Debra van Gene are required to retire by rotation. However, pursuant to the terms of the UK Corporate Governance Code, all of the directors of the Company are to be subject to election by shareholders every year. Accordingly, all members of the board, other than John Herring (and not just those required to do so by the Company's articles of association) will retire and seek re-election at this year's AGM. John Herring has decided to retire from the board and will not seek re-election at the AGM.

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 54 to 59.

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

Third-party indemnity 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. Third-party indemnity insurance was in place at the date of approval of the financial statements.

Interest in contracts

No director has any material interest in any contractual agreement, other than an employment contract, subsisting during or at the end of the year, which is or may be significant to 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 65.

Takeover directive disclosures

The Company has an authorised share capital comprising 500 million ordinary shares of 2p each. As at 24 July 2011, total issued share capital comprised 131,608,138 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 given on page 65.

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.

The Company has the power to issue and buy back shares as a result of resolutions passed at the annual general meeting in 2010. It is the Company's intention to renew these powers; the resolutions approving them are found in the notice of the annual general meeting for 2011.

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

There are no other significant agreements to which the Company is party which may be subject to 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
The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates which are reasonable and prudent.
- state whether applicable IFRSs, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and which disclose, with reasonable accuracy, the financial position of the Company, at any time, and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, with regard to the company financial statements, with Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company 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 Company's Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in the section 'directors, officers and advisers', confirms that, to the best of his or her knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company.
- the directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties which it faces.
- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware.
- each of the directors has taken all of the steps which he or she ought to have taken as a director, in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of disclosure of information to auditors
In accordance with Section 418 of the Companies Act 2006, 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.

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. For this reason, they continue to adopt the going-concern basis in preparing the Company's financial statements.

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 pub staff participate in incentive bonus schemes related to sales, profits 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 56 (2010: 56) days' purchases.

Political and charitable contributions
At pub level, the Company supports local community initiatives and charitable causes through the appropriate use of marketing investment. The Company also supports CLIC Sargent (caring for children with cancer and their families) and has helped to raise £1,080,612 in the current year. It also provides advice and marketing support to the charity, at no cost. The Company has not made any political or charitable donations in the year.

Business at the annual general meeting
On pages 67 to 69 is a notice convening the annual general meeting of the Company for 3 November 2011, at which shareholders will be asked, as items of special business, to give power to the directors to allot shares, to give power to the directors to disapply the pre-emption requirements of section 561 of the Companies Act 2006, to give power to the directors to make market purchases of ordinary shares in the capital of the Company, subject to certain conditions, and to retain the ability to hold general meetings on 14 clear days' notice. The notice also sets out details of the ordinary business to be conducted at the annual general meeting. Set out below is an explanation of the effect and purpose of the resolutions proposed.

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 24 July 2011.

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 54 to 59.

Resolutions 3–8: Re-election of Mr Martin, Mr Hutson, Ms Cacioppo, Ms van Gene, Ms McMeikan and Sir Richard Beckett 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 reappointment should also retire and may offer him or herself for re-election.

However, the UK Corporate Governance Code now provides that all directors of FTSE 350 companies should be subject to annual election by shareholders. Accordingly, all members of the board, other than John Herring (and not just those required to do so pursuant to the Company's articles of association) will retire and seek re-election at this year's annual general meeting. John Herring has decided to retire from the board, after serving as a director for 14 years, and will not seek re-election at the AGM.

Brief biographical details of each of the directors standing for re-election may be found on page 48 and on the Company's Web site. The re-election resolutions are set out as resolutions 3, 4, 5, 6, 7 and 8 in the notice of annual general meeting.

Mr Martin, Mr Hutson, Ms Cacioppo, Ms van Gene, Ms McMeikan and Sir Richard Beckett 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 chairman confirms that, following performance evaluation, the directors' performance continues to be effective and demonstrates commitment to their respective roles, including time commitments for board and committee meetings. The board is therefore of the opinion that Mr Martin, Mr Hutson, Ms Cacioppo, Ms van Gene, Ms McMeikan and Sir Richard Beckett should be re-elected at the annual general meeting.

Resolution 9: Election of Mr Kirk Davis as director
Mr Davis was appointed as a new director of the Company on 11 March 2011. Under the Company's articles of association, when the board appoints a new director, that director must stand for election at the next annual general meeting. Mr Davis will therefore stand for election at this year's annual general meeting.

Brief biographical details of Mr Davis can be found on page 48 and on the Company's Web site. The election resolution will be proposed as an ordinary resolution and is set out as resolution 9 in the notice of annual general meeting.

Mr Davis has extensive experience of the Company and in business generally, allowing him, subject to his re-election to the board, to contribute to the Company's development. The board is therefore of the opinion that Mr Davis should be elected at the annual general meeting.

Resolution 10: Reappointment of PricewaterhouseCoopers LLP as auditors
Resolution 10, set out in the notice of annual general meeting, proposes that PricewaterhouseCoopers LLP be reappointed as the Company's auditors and authorises the directors to determine their remuneration.

Resolution 11: Authority to allot
The Companies Act 2006 prevents directors of a public company from allotting unissued shares, other than pursuant to an employee share scheme, without the authority of shareholders in a general meeting. In certain circumstances, this could be unduly restrictive. The general authority previously given to the directors to allot 'relevant securities' will expire at the end of the annual general meeting convened for 3 November 2011.

Accordingly, resolution 11 in the notice of the annual general meeting will be proposed as an ordinary resolution to authorise the directors (pursuant to section 551 of the Companies Act 2006) to allot ordinary shares in the capital of the Company:

(A) up to an aggregate nominal amount of £876,510, representing approximately 33.3% of the nominal value of the ordinary shares currently in issue.

(B) up to a further aggregate nominal amount of £876,510, representing approximately 33.3% of the nominal value of the ordinary shares currently in issue, provided that they are offered by way of a rights issue in favour of ordinary shareholders.

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.

The Association of British Insurers revised its guidelines on share allotments, in 2010, following a report of the Rights Issue Review Group. Based on the guidelines, the limit on the directors' authority to allot shares under section 551 of the Companies Act 2006 may be increased from one-third to two-thirds of the Company's issued share capital. The guidelines provide that the amount of any authority above one-third must be applied to fully pre-emptive rights issues only and should be valid for one year only. If the Company makes an allotment pursuant to such additional authority, the ABI will expect that all directors will stand for re-election at the next annual general meeting following the decision to make the allotment in question.

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: Disapplication of pre-emption rights
The provisions of section 561 of the Companies Act 2006 (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 employee share scheme) apply to the unissued ordinary shares of the Company to the extent that they are not disapplied, pursuant to sections 570 and 573 of the Companies Act 2006.

The current disapplication of these statutory pre-emption rights will expire at the end of the annual general meeting convened for 3 November 2011. Accordingly, resolution 13, 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 offers of equity securities by way of rights issue, open offer or similar arrangements (save that, in the case of an allotment pursuant to the authority in paragraph (B) of resolution 11, such allotment shall be by way of rights issue only); second, in relation to the allotment of equity securities for cash, up to a maximum aggregate nominal amount of £131,608 (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 13: Purchase of ordinary shares
In common with many other listed companies, the Company proposes, once again, to seek an authority from shareholders to permit it to purchase its own shares. Accordingly, resolution 13 will be proposed as a special resolution to authorise the Company to make market purchases of up to 19,728,060 shares, 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 an ordinary share 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 24 July 2011, there were outstanding options over 50,945 ordinary shares, representing 0.04% of the Company's issued ordinary share capital. If the authority under resolution 13 were to be exercised in full, this would increase to 0.05%.

Resolution 14: 14 days' notice for general meetings
Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days, unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. Resolution 14 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Annual general meetings will continue to be held on at least 21 clear days' notice.

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

Kirk Davis
Company Secretary
9 September 2011

This report outlines the Company's policy on executive remuneration and gives details of directors' pay and pensions for 2011, 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, the UK Corporate Governance Code 2010 (the 'Code'). This report will be put to an advisory vote of the Company's shareholders at the annual general meeting on 3 November 2011.

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

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. In the year ended 24 July 2011, the committee met five times.

No member of the committee has any personal financial interest, other than as a shareholder, in the matters to be decided by the committee. None of the executive directors attended a meeting on matters relating to his or her own remuneration.

The committee has access to advice from external consultants, as appropriate. No external advice was sought during the year.

Remuneration policy
The aim of the Company's remuneration policy is to:
- provide those packages required to attract, retain and motivate directors and senior executives of high quality.
- align directors and senior executives' long-term interests with those of shareholders.
- incentivise directors and senior executives to perform to a high level.

Packages within the leisure retailing industry (and in those markets from which the Company recruits) are monitored, to ensure that remuneration remains competitive and encourages appropriate behaviour and performance levels.

In fixing remuneration, note is also taken of the remuneration structure throughout the organisation. For example, the Company awarded bonuses and shares for employees of £22.6 million in the year, 98% of which were made to employees below board level. This amount is included in total wages and salaries in note 4 to these financial statements.

Overall reward levels are subject to the discretion of the remuneration committee and depend partly on the achievement of corporate performance targets and partly on the performance of the individual. The Company measures the performance of the executive directors in respect of several main areas, including:

- Annual growth in profits before tax
- Annual growth in owners' earnings (cash profits) per share
- Standards of service and amenity in the pubs
- The number and quality of pub calls carried out by each executive director

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

Salary
Salaries and other benefits are determined annually in September. The remuneration committee aims to take a fair and commonsense approach, following a review of the individual's performance and by reference to the industry and consideration of other comparisons and reports. The review in September 2010 concluded that there would be an increase of 3% in base salary for executive directors.

Annual performance-related payments
It is the policy of the Company to operate bonus arrangements, at all staff levels, which are performance-related, the primary performance measures being sales, profitability and operating standards.

The executive directors participate in a management bonus scheme, designed to incentivise business performance. This is based on profitability and operating standards, as well as personal contribution to annual strategic company priorities. Company priorities in the year to 24 July 2011 focused on the successful expansion of the company estate as well as reinvestment in current properties, retention of key staff and maintenance of morale and performance through a difficult trading period.

The financial targets are based on annual growth in profits before tax, excluding unrealised exceptional items, multiplied by a factor of 1.5. This bonus is paid in cash after the end of the financial year to which it relates. The maximum bonus attainable represents 50% of salary for the year. Unrealised exceptional items usually represent asset write-downs, such as impairment, which become realised only at the point when a pub is closed or when land is legally sold.

As annual profits before tax, excluding unrealised exceptional items, in the year ending 24 July 2011, were lower than the previous year, no element of the bonus based on profitability was awarded. Company employees from all levels received annual bonuses of between 5% and 12% based on operating standards, and executive directors received 12%, following the successful opening of 50 new pubs, a programme of £38.4 million refurbishment, maintenance of all key service levels and retention of staff.

The executive directors also receive bonuses in shares under the Share Incentive Plan and the 2005 Deferred Bonus Scheme, as described below.

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, including bar and kitchen staff. The Company established a share incentive plan (incorporating an HM Revenue & Customs (HMRC)-approved element), with effect from 1 August 2003, as a replacement for previous share option schemes. This approved 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.

Shares will not vest for at least three years under this plan. The HMRC-approved element of this plan allows for tax-free returns, if held for over five years, thus providing a long-term incentive for employees. The cost of the shares will be reflected in the Company's income statement for financial years over the period in which they vest.

As an additional incentive, the Company offers extra SIPs under this scheme to higher grades of employee. Pub managers receive an extra 5% annual award, head-office staff 10–15% and directors and senior managers 20%. Extra SIPs do not qualify for the same tax benefits as those under the approved scheme. Awards to directors in the year ended 24 July 2011 were 25% of annual salary.

In addition to the above, in November 2009, the Company commenced offering partnership shares under the Share Incentive Plan. The scheme allows all employees (including directors) to use their pre-tax salary to buy shares in the Company, on a monthly basis, using up to 10% (with a maximum of £1,500 a year) of their pre-tax pay. The shares will not vest for at least three years and, if held for over five years, allow for tax-free returns.

2005 Deferred Bonus Scheme
In addition to the current Share Incentive Plan available to all employees, the Company introduced a deferred bonus scheme, with a view to incentivising and promoting share ownership by key senior managers, including executive directors, following shareholders' approval at the annual general meeting held on 10 November 2005. The remuneration committee believes that this incentive encourages consistent long-term performance, rather than reliance on more narrowly based targets.

Bonus awards are 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, bonus awards are based on the increase in owners' earnings (cash profits) per share, over the previous financial year. Participants are entitled to an amount up to 3% of their annual base salary for every 1% increase in owners' earnings per share. The Company has focused on owners' earnings as a key performance measurement, over recent years, and believes that linking incentives for senior managers to the growth in cash profits will align the interests of shareholders generally with those of executives in the Company. The maximum bonus to be earned under this scheme is capped at 100% of annual base salary.

Owners' earnings are calculated as follows:

Profit before tax (excluding unrealised exceptional items)

Add:	Depreciation and amortisation
Less:	Cash reinvestment in current properties
Less:	Cash tax
Equals:	Owners' earnings

Owners' earnings per share are calculated on the weighted average number of shares in issue.

Bonus awards are satisfied in shares. One-third of a participant's shares will vest to the participant on calculation of the amount of the award, one-third will vest after one year and the remaining third will vest to the participant after two years (in each case, subject to the participant's being 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.

In the year ended 24 July 2011, because of higher cash reinvestment in current properties and lower profits, owners' earnings per share did not increase and therefore no award was made.

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 policies 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
Su Cacioppo	–	10 March 2008
Kirk Davis	–	11 March 2011

Non-executive directors

The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2010, 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, and 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 24 July 2011.

	Salary/fees	Performance bonus – cash	Taxable benefits	Taxable allowances	**Sub-total**	Pension contributions	Share Incentive Plan – shares	Performance bonus – 2005 Deferred Bonus Scheme – shares	**Total 2011 £000**	Total 2010 £000
Chairman										
T R Martin	324	24	27	–	**375**	–	–	–	**375**	394
Executive directors										
J Hutson	411	51	1	13	**476**	49	103	–	**628**	656
K Davis (3)	74	9	1	5	**89**	9	19	–	**117**	–
S Cacioppo	195	25	1	11	**232**	23	49	–	**304**	319
K Down (1)	64	3	–	1	**68**	8	16	–	**92**	415
P Harbottle (2)	54	3	–	1	**58**	6	13	–	**77**	351
Non-executive directors										
J Herring	67	–	–	–	**67**	–	–	–	**67**	65
E McMeikan	37	–	–	–	**37**	–	–	–	**37**	36
D van Gene	39	–	–	–	**39**	–	–	–	**39**	36
R Beckett	37	–	–	–	**37**	–	–	–	**37**	36
Total	**1,302**	**115**	**30**	**31**	**1,478**	**95**	**200**	**–**	**1,773**	**–**
2010	1,538	288	29	63	1,918	126	264	–	**–**	2,308

Taxable benefits include the provision of a company car allowance 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 Plan and 2005 Deferred Bonus Scheme (described on page 55) include 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 each 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 pension contributions are made in respect of defined contribution pension arrangements.

(1) Keith Down ceased to be a director on 31 October 2010. In addition to his basic salary above, he received a payment under the terms of his contract of £197,122, with total emoluments for the year ended 24 July 2011 being £289,093.

(2) Paul Harbottle ceased to be a director on 31 October 2010. In addition to his basic salary above, he received a payment under the terms of his contract of £169,509, with total emoluments for the year ended 24 July 2011 being £246,916.

(3) Kirk Davis was appointed a director on 11 March 2011.

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

The interests of the directors in the shares of the Company, as at 24 July 2011, were as follows:

Ordinary shares of 2p each, held beneficially	**2011**	2010
T R Martin	**32,815,473**	32,815,473
J Hutson	**34,801**	60,548
J Hutson – Share Incentive Plan	**76,116**	75,344
J Hutson – 2005 Deferred Bonus Scheme	**8,375**	8,375
K Davis	**–**	–
K Davis – Share Incentive Plan	**17,790**	–
K Davis – 2005 Deferred Bonus Scheme	**2,526**	2,526
S Cacioppo	**36,809**	40,137
S Cacioppo – Share Incentive Plan	**37,836**	39,934
S Cacioppo – 2005 Deferred Bonus Scheme	**3,973**	3,973
J Herring	**6,000**	6,000
E McMeikan	**1,000**	1,000
D van Gene	**1,000**	1,000
R Beckett	**2,000**	2,000

There have been no changes to these interests since 24 July 2011.

Directors' interests in share options:
There were no share options outstanding for directors during the year.

Share Incentive Plan – audited information
In addition to the interest in shares disclosed above, the following awards have been made of shares, during the year, under the Share Incentive Plan:

Name	Award date	Shares held in trust at 25 July 2010	Granted in the year	Vested in the year	Shares remaining in trust at 24 July 2011
John Hutson	26/03/04	990			990
	08/10/04	1,214			1,214
	30/09/05	1,022			1,022
	29/09/06	590			590
	17/09/07	6,044		5,526	518
	31/03/08	17,474		17,474	–
	17/09/08	16,188			16,188
	31/03/09	12,180			12,180
	24/09/09	10,085			10,085
	31/03/10	9,557			9,557
	23/09/10		11,658		11,658
	31/03/11		11,764		11,764
	Partnership shares*		350		350
Kirk Davis	31/03/09	3,384			3,384
	24/09/09	3,277			3,277
	31/03/10	3,225			3,225
	23/09/10		3,934		3,934
	31/03/11		3,970		3,970
Su Cacioppo	26/03/04	881			881
	08/10/04	598			598
	30/03/05	594			594
	30/09/05	926			926
	31/03/06	75			75
	29/09/06	590			590
	17/09/07	2,556		2,038	518
	31/03/08	11,185		11,185	–
	17/09/08	7,432			7,432
	31/03/09	5,768			5,768
	24/09/09	4,790			4,790
	31/03/10	4,539			4,539
	23/09/10		5,537		5,537
	31/03/11		5,588		5,588

The market price of the shares awarded on 23 September 2010 was 428.87p.
The market price of the shares awarded on 31 March 2011 was 435.65p.

*The market price of shares which vested on 17 September 2010 was 425.83p.
The market price of shares which vested on 31 March 2011 was 420.19p.

John Hutson is a participant in the Partnership Share scheme and acquired 350 shares between August 2010 and July 2011. The market price of the shares awarded ranged from 395.2p to 450.0p.

'Vested in the year' indicates the transfer of the beneficial ownership of the shares from the trust to the director.

During the year, the executive directors received shares which vested under the Share Incentive Plan. The value of the shares, calculated on the mid-market price on the date of the award maturity, was £152,632.

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 55, 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 2009 Award – Tranche 3

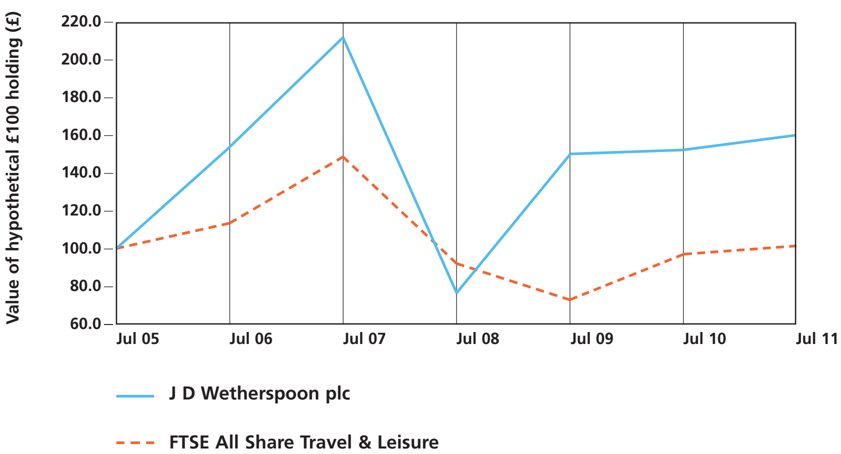
	Total awarded	Previously vested	Vested	Sold	Shares retained	Remaining in trust
J Hutson	25,121	16,746	–	–	–	8,375
K Davis	7,576	5,050	–	–	–	2,526
S Cacioppo	11,915	7,942	–	–	–	3,973

The above are due to vest on 17 September 2011.

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 July 2005, based on 30-trading-day average values



On behalf of the board:
Debra van Gene
Chair of the Remuneration Committee

9 September 2011

Introduction
Effective governance is at the core of the Company's ability to operate successfully in 823 pubs in England, Northern Ireland, Scotland and Wales. The Company's established governance framework is overseen by the board of directors, which is ultimately answerable to the Company's shareholders.

Statement of compliance
The Company is committed to high standards of corporate governance, as set out in the UK Corporate Governance Code 2010 (the 'Code'). The board believes that the Company has been compliant throughout the year ended 24 July 2011, with the following exceptions:

John Herring has served more than 14 years on the board and so may not be considered independent under the Code (Section B.1.1). 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, 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.

A full version of the UK Corporate Governance Code 2010 is available on the official Web site of the Financial Reporting Council (www.frc.org.uk).

The board of directors
The primary responsibility of the board is to ensure that the Company's strategy 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
- Kirk Davis, finance director and company secretary
- 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
- Sir Richard Beckett, non-executive director

John Herring informed the Company on 8 September 2011 of his decision not to seek re-election as a director at the annual general meeting. John Herring currently serves as senior independent director and will continue in this role until the annual general meeting. The board will consider the appointment of an additional non-executive director to replace Mr Herring. The board will also appoint one of the non-executive directors to be the senior independent director, following Mr Herring's retirement from the board, although no decision has yet been taken.

The role of the senior independent director is to provide an additional contact point for shareholders, in particular where any concerns of shareholders are unable to be resolved through normal channels or when such channels are inappropriate. The senior independent director also monitors the performance of the chairman, on behalf of the board.

Biographies of all non-executive and executive directors are provided on page 48 and 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. Regular discussions and meetings take place regarding the performance of the board – and the performance of individual executive directors is discussed regularly by the chairman and the non-executive directors. Site visits are arranged regularly to enable non-executive directors to see the operations of the business, at first hand.

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 below.

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 that 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 and ensuring that adequate time is available for discussion of agenda items	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
Making directors aware of shareholders' concerns	Chairing the management board responsible for implementing the Company strategy
Ensuring that a culture of openness and debate exists in the Company	
Leadership of the board and setting its agenda	

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, including operational highlights.

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. However, in line with the Code, all of the directors of the Company are to be subject to election by shareholders every year. Accordingly, all members of the board, other than John Herring (and not just those required to do so by the Company's articles of association) will retire and seek re-election at this year's AGM. John Herring has decided to retire from the board and will not seek re-election at the AGM.

During the year ended 24 July 2011, 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 were also discussed. The directors concluded that the board and its committees continue to work effectively.

In accordance with the 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 24 July 2011; attendance of the directors and non-executives, where appropriate, is shown on page 62.

Number of meetings held in the year	Board 8	Audit 4	Remuneration 5	Nomination 4
Tim Martin	7	N/A	N/A	N/A
John Hutson**	8	N/A	1	N/A
Kirk Davis*	7	3	N/A	N/A
Su Cacioppo* **	8	4	1	N/A
John Herring	7	4	5	4
Elizabeth McMeikan	7	4	5	4
Debra van Gene	7	4	5	4
Sir Richard Beckett	7	3	4	4
Keith Down*	1	1	N/A	N/A
Paul Harbottle	1	N/A	N/A	N/A

*Kirk Davis and Keith Down (in their role of finance director) and Su Cacioppo (in her role as personnel and legal director) attended audit committee meetings by invitation, to provide additional detail on any relevant matters. Keith Down attended only one meeting during the year under review.

**John Hutson and Su Cacioppo were invited to attend one remuneration meeting during the year.

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, Debra van Gene and Sir Richard Beckett. 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 Code, one of the members of the committee was not independent.

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

- Assumes direct responsibility for the appointment, compensation, resignation, dismissal and 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.

During the year, the Company made limited use of specialist teams from PricewaterhouseCoopers LLP, relating to accounting and tax services. The fees paid to PricewaterhouseCoopers LLP for non-audit services were £132,000 (2010: £36,000). The use of PricewaterhouseCoopers LLP for non-audit work is monitored regularly, to achieve the necessary independence and objectivity of the auditors. Where the auditors provide non-audit services, their objectivity and independence are safeguarded by the use of different teams.

Following a review by the audit committee, the board agreed, in September 2011, to recommend to shareholders, at the annual general meeting, the reappointment of the external auditors for a period of one year.

The audit committee assesses the ongoing effectiveness of the external auditors and audit process, on the basis of meetings and internal review with finance and other senior executives. In reviewing the independence of the external auditors, the audit committee considers several factors. These include the standing, experience and tenure of the external auditors, the nature and level of services provided and confirmation from the external auditors that they have complied with relevant UK independence standards.

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

Remuneration committee

The Company's remuneration committee is chaired by Debra van Gene and comprises John Herring, Elizabeth McMeikan and Sir Richard Beckett. The directors' report on remuneration is set out on pages 54 to 59. Under the terms of the Code, one of the members of the committee was not independent.

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

Nomination committee

The non-executive directors John Herring, Debra van Gene, Elizabeth McMeikan and Sir Richard Beckett meet regularly and consider, amongst other matters, board appointments and the re-election of directors. No director is involved in any decision about his or her own re-appointment. In carrying out these activities, the non-executive directors follow the guidelines of the Institute of Chartered Secretaries Association (ICSA) and comply with the UK Corporate Governance Code 2010.

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 are reserved for consideration by 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 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
- The capital structure of the Company is described in note 24 to the accounts

Risk management
The board is responsible for the Company's risk-management process.

The internal audit department, in conjunction with the management of the business functions, produces a risk register annually. This register has been compiled by the business following feedback from senior management from the key business functions.

The identified risks are assessed based on the likelihood of a risk occurring and the potential impact to the business, should the risk occur. The head of internal audit determines and reviews the risk assessment process and will communicate the timetable annually.

The risk register is presented to the audit committee every six months, with a schedule of audit work agreed on, on a rolling basis. The purpose of this work is to review, on behalf of the Company and board, those key risks and the systems of control necessary to manage such risks. The results of this work are reported back to relevant senior management and the audit committee. Where recommendations are made for changes in systems or processes to reduce risk, internal audit will follow up regularly to ensure that the recommendations are implemented.

A summary of the financial risks and treasury policies can be found on page 7. A more comprehensive list of risks and uncertainties is on pages 42 and 43.

Board diversity
In line with the Davies report, released earlier in the year, recommending a minimum representation of 25% females on FTSE 350 boards by 2015, the board confirms that it is meeting best practice.

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 Company culture. 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, assessments and management of significant risks took place throughout the year under review and up to the date of the approval of the annual report and accord with the Turnbull Guidance (Guidance on Internal Control).

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

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

The Company has key controls, as follows:

- Clearly defined authority limits and controls over cash-handling, purchasing commitments and capital expenditure
- Comprehensive budgeting process, with a detailed 12-month operating plan and a mid-term financial plan, both approved by the board
- Business results are reported weekly, with a comprehensive report compared with budget and the previous year
- 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
- 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
- Regular evaluation of processes and controls in relation to the Company's financial reporting requirements

The directors confirm that they have reviewed the effectiveness of the system of internal control. Directors' insurance cover is maintained.

Kirk Davis
Company Secretary
9 September 2011

INFORMATION FOR SHAREHOLDERS

Ordinary shareholdings at 24 July 2011

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	4,888	90.09	2,305,965	1.76
2,501–10,000	309	5.69	1,424,825	1.08
10,001–250,000	180	3.32	10,182,074	7.74
250,001–500,000	21	0.39	7,994,125	6.07
500,001–1,000,000	10	0.18	7,820,288	5.94
Over 1,000,000	18	0.33	101,880,861	77.41
	5,426	**100**	**131,608,138**	**100**

Substantial shareholdings

In addition to the directors' shareholdings set out on page 57, the Company has been notified of the following substantial holdings in the share capital of the Company at 9 September 2011:

	Number of ordinary shares	% of share capital
Sanderson Asset Management Ltd	18,462,384	14.03
Threadneedle	13,384,175	10.17
Schroders	9,853,498	7.49
OppenheimerFunds Inc	7,000,000	5.32

Share prices

25 July 2010	428.4p
Low	389.1p
High	473.0p
24 July 2011	434.5p

Shareholders' enquiries

The Company's registrars, Computershare Investor Services plc, keep the Company's register of shareholders up to date, distribute statutory documents and administer the payment of dividends. If you have a query regarding your shareholding, please contact the registrars directly, either online or by telephone: 0870 707 1091

Computershare's investor centre gives access to view your holdings online. To register, click on 'investor centre' on the Computershare home page and follow the instructions: **www.uk.computershare.com/investor**

You will be able to:
- view all of your holding details for companies registered with Computershare.
- view the market value of your portfolio.
- update your contact address and personal details.
- access current and historical market prices.
- access trading graphs.
- add additional shareholdings to your portfolio.

Electronic communications

The Company has introduced innovative ways of communicating with shareholders electronically via eTree, an environmental incentive programme. We actively encourage you to play your part in reducing our impact on the environment and elect to be notified by e-mail when your communications are available online. Sign up to receive e-communications using eTree and we will donate £1 on your behalf to the Woodland Trust, the UK's leading woodland conservation charity, for its 'Tree for All' programme.

By providing your e-mail address, you will no longer receive paper copies of this annual report or any other shareholders' communications which are available electronically. Instead, you will receive e-mails advising you when and how to access online documents.

Please submit your e-mail address by visiting the eTree Web site: **www.etreeuk.com/jdwetherspoon**

Annual reports

If you do require further paper copies of this annual report, these are available from the company secretary, at the registered office. Telephone requests can be made: 01923 477777

This annual report is also available on the Company's Web site: www.jdwetherspoon.co.uk/investors

If you would like to contact us:

J D Wetherspoon plc, Wetherspoon House, Central Park, Reeds Crescent, Watford, WD24 4QL

Telephone: 01923 477777

E-mail: investorqueries@jdwetherspoon.co.uk

NOTICE OF ANNUAL GENERAL MEETING

This information is important and requires your immediate attention.

If you are in any doubt as to 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 Thursday 3 November 2011 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 24 July 2011.

2 To receive and approve the directors' remuneration report for the year ended 24 July 2011.

3 To re-elect Tim Martin as a director.

4 To re-elect John Hutson as a director.

5 To re-elect Su Cacioppo as a director.

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

7 To re-elect Elizabeth McMeikan as a director.

8 To re-elect Sir Richard Beckett as a director.

9 To elect Kirk Davis as a director.

10 To reappoint 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 resolution numbered 11 as an ordinary resolution and, in the case of the resolutions numbered 12, 13 and 14, as special resolutions.

11 THAT:
in place of all existing authorities, the directors be generally and unconditionally authorised, pursuant to section 551 of the Companies Act 2006 (the 'Act'), to exercise all the powers of the Company:

(A) to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Relevant Securities'), up to a maximum aggregate nominal amount of £876,510; and further

(B) to allot Relevant Securities comprising equity securities (within the meaning of section 560(1) of the Act) up to an aggregate nominal amount of £876,510 in connection with an offer by way of a rights issue in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares, but subject to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;

for a period expiring (unless previously revoked, varied or renewed) on the date which is 15 months from the date of the passing of this resolution or, if sooner, the end of the next annual general meeting of the Company, but the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after this authority expires and the directors may allot Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

12 THAT:
subject to the passing of resolution 11 above and in place of all existing powers, the directors be generally empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 11 as if section 561(1) of the Act did not apply to such allotment, provided that this power shall expire on the date which is 15 months from the date of the passing of this resolution or, if sooner, the end of the next annual general meeting of the Company. This power shall be limited to the allotment of equity securities:

(i) in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement, save that, in the case of an allotment pursuant to the authority conferred by paragraph (B) of resolution 11, such offer shall be by way of rights issue only) in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of ordinary shares, but subject to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(ii) otherwise than pursuant to sub-paragraph (i) above up to an aggregate nominal amount of £131,608, but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after this power expires and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Act as if, in the first paragraph of this resolution, the words 'pursuant to the authority conferred by resolution 11' were omitted.

13 THAT:
the Company be and is hereby authorised, pursuant to section 701 of the Act, to make market purchases (as defined by section 693(4) 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 19,728,060.

(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.

14 THAT:
general meetings (other than any annual general meeting) of the Company may be called on not less than 14 clear days' notice.

By order of the board

Kirk Davis
Company Secretary
9 September 2011

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 or at the following electronic address www.eproxyappointment.com not later than 10am on 1 November 2011, 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 Act 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 Any corporation which is a member may appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.

7 Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a Web site a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) which is to be laid before the annual general meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such Web site publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a Web site, under section 527 of the Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the Web site. The business which may be dealt with at the annual general meeting includes any statement which the Company has been required, under section 527 of the Act, to publish on a Web site.

8 A copy of this notice, and other information required by section 311A of the Act, can be found on the Company's Web site: www.jdwetherspoon.co.uk

9 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting, but no answer to any such question need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a Web site in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

10 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, copies of the non-executive directors' letters of appointment to the Company.

11 Only those members registered on the register of members of the Company as at 10am on 1 November 2011 (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.

12 You may not use any electronic address provided in this notice of annual general meeting for communicating with the Company for any purposes other than those expressly stated.

J D Wetherspoon plc
Wetherspoon House, Central Park
Reeds Crescent, Watford, WD24 4QL

01923 477777
www.jdwetherspoon.co.uk

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Printed by Banner Managed Communication
English language advice by www.future-perfect.co.uk