J D Wetherspoon plc

Annual report and accounts 2009

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J D WETHERSPOON PLC • 30 • CELEBRATING THIRTY YEARS •

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

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Financial highlights

Revenue up 5.2% to £955.1m

Like-for-like sales up 1.2% and profits down 1.7%

Operating profit before exceptional items* up 7.2% to £97.0m

Operating profits down 13.9% to £75.1m

Operating margin before exceptional items* 10.2% (2008: 10.0%)

Operating margin 7.9% (2008: 9.6%)

Profit before tax before exceptional items* up 13.6% to £66.2m

Profits before tax down 16.9% to £45.0m

Earnings per share before exceptional items* up 18.1% to 32.6p

Earnings per share down 27.8% to 18.2p

Free cash flow per share 71.7p (2008: 50.6p)

39 pubs opened, 2 sold, creating a total of 731

*Exceptional items as disclosed in account note 5.

Chairman's statement and operating review

I am pleased to report a record year for the company in sales, profit before tax and exceptional items and free cash flow. The company was founded in 1979 – and this is the 26th year since incorporation in 1983. The table below outlines some key indicators of our performance during that period. As this demonstrates, earnings per share have grown by an average of 18.3% per annum, since our flotation in 1992, and free cash flow per share by an average of 22.9%.

'Record sales, profits before tax and exceptional items and free cash flow.'

Summary financials for the years ended 31 July 1984–2009

Financial year	Total sales £000	Profit before tax and exceptional items £000	Earnings per share (EPS) 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

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 financial years 1995–2000.
3. The above table has not been audited.

Like-for-like sales in the year under review increased by 1.2%, with total sales, including new pubs, increasing by £47.6 million to £955.1 million, a rise of 5.2% (2008: 2.1%). Operating profit before exceptional items increased by 7.2% to £97.0 million (2008: £90.5 million) and, after exceptional items, decreased by 13.9% to £75.1 million (2008: £87.2 million). Profit before tax and exceptional items increased by 13.6% to £66.2 million (2008: £58.2 million) and, after exceptional items, decreased by 16.9% to £45.0 million (2008: £54.2 million). Earnings per share before exceptional items increased by 18.1% to 32.6p (2008: 27.6p) and after exceptional items decreased by 27.8% to 18.2p (2008: 25.2p).

The operating margin, before exceptional items, interest and tax, increased to 10.2% (2008: 10.0%), with increases in energy, excise duty and labour costs being offset by reduced energy consumption, lower staff turnover and better buying, in several areas. The operating margin after exceptional items decreased to 7.9% (2008: 9.6%).

Net interest was covered 3.1 times by operating profit before exceptional items (2008: 2.8 times) and 2.4 times by operating profit after exceptional items (2008: 2.7 times). Total capital investment was £48.8 million in the period (2008: £60.9 million), with £37.8 million on new pub openings (2008: £48.6 million) and £11.0 million in current pubs (2008: £12.3 million).

Exceptional items before tax totalled £21.1 million (2008: £4.1 million). These related mainly to the impairment of trading pub assets of £6.5 million (2008: nil), the disposal of properties which we no longer intend to develop of £4.4 million (2008: £1.2 million), a one-off depreciation adjustment, following a review of our fixed-asset register, of £9.4 million (2008: nil) and major litigation costs, involving legal action against our former estate agents, Van de Berg, of £1.6 million (2008: £1.1 million).

Free cash flow, after capital investment of £11.0 million in current pubs, £6.0 million in respect of share purchases for employees under the company's share-based payment schemes and payments of tax and interest, increased by £28.1 million to £99.5 million (2008: £71.4 million). Free cash flow per share was 71.7p (2008: 50.6p).

Property

The company opened 39 pubs during the year, 13 of which were freehold, disposed of one pub and closed one other, resulting in a total estate of 731 pubs. In contrast with previous years, most new openings were of existing pubs, with rents and development costs being lower than historic trends. The average development cost for a new pub (excluding the cost of freeholds), in the year under review, was £0.85 million, compared with £1.5 million a year ago. The full-year depreciation charge was £45.1 million (2008: £45.1 million), and we currently expect next year to be a similar amount, assuming the same level of capital spend.

In the year ending July 2010, we intend to open approximately the same number of pubs as in the year under review.

Dividends

As previously outlined in the interim accounts, the board has decided not to pay a final dividend for the year under review, in order to redirect our cash flow towards debt reduction.

Taxation

The overall tax charge on pre-exceptional items is 31.7% (2008: 33.0% on a comparable basis adjusted for exceptional items). This rate is 0.5% lower than the rate shown in our interim results, owing to a lower-than-expected amount of non-qualifying depreciation. The standard UK tax rate is 28.0% (2008: 29.3%) and the difference between that rate and the company tax charge remains at 3.7% (2008: 3.7%), primarily due to the level of non-qualifying depreciation; this is partially offset by the deduction available for share-based payments for employees.

The current tax rate has fallen from the estimated 34.7% at the interim results to 32.4% (2008: 32.9% on a comparable basis adjusted for exceptional items).

Staff from Wetherspoon's pubs and head office raised a record £171,000 for CLIC Sargent – after competing in the annual Kick for CLIC Sargent football tournament.

No. 1 in the Good Beer Guide 2009

Wetherspoon had a record 173 pubs listed in the Campaign for Real Ale's (CAMRA) Good Beer Guide 2009.

700th pub!

Wetherspoon's chief operating officer, Paul Harbottle (pictured centre), cuts the ribbon to officially open the company's 700th pub.

Male and female staff at The Golden Lion, in Rochester, Kent, raised a total of £450 for charity – by dressing up in outrageous pink outfits.

World wine record

We are the Guinness World Record™ holder for the biggest wine-tasting event.

This is largely due to the 2009 Budget announcement which introduced accelerated current tax relief via 40% first-year allowances, up from 20%, on eligible capital expenditure incurred during the year ended 31 March 2010.

Financing

As at 26 July 2009, the company's total net borrowings were £388.2 million (2008: £439.6 million), a reduction of £51.4 million. Net borrowings have declined, notwithstanding 39 new pub openings costing £37.8 million and the payment of last year's final dividend of £10.4 million. Year-end net-debt-to-EBITDA has fallen to 2.73 times (2008: 3.35 times).

Total facilities have increased since the interim statements to £542.2 million, following agreement on a new banking facility of £20 million from Santander.

As previously indicated, the company intends to repay its US$140-million (£87-million) senior loan notes, due for renewal in September 2009, from cash flow and remaining facilities. At the balance sheet date, £310 million (2008: £395 million) was drawn under the £435-million revolving-loan facilities (including the Santander facility).

The company's main £435-million revolving facilities expire in December 2010. The company has one of the lowest net-debt-to-EBITDA ratios in the listed pub sector; this, combined with our strong free cash flow and improving financial performance, provides a sound basis, we believe, for refinancing at the end of the next calendar year.

We continue to anticipate commencing formal discussions by the end of this calendar year.

Further progress

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

We continue to advance in the area of traditional ales, a product unique to pubs, and have seen an uplift of 17% in the year. We stock over 600 guest beers throughout the year, from a wide selection of microbrewers. Over 96% of our estate is Cask Marque accredited and we currently have 193 pubs recommended in the CAMRA Good Beer Guide 2010 (Good Beer Guide 2009: 173 pubs) – an uplift of 12%, more than any substantial pub company. We ran the biggest real-ale festival in the world, during April 2009, selling 3.3 million pints over 20 days – an increase in like-for-like volumes of over 17%, compared with the same festival in 2008.

We are the only substantial pub company which opens all pubs for breakfast, selling over 715,000 breakfasts and coffees each week – more than most coffee shop chains. We continue to be the world's number-one seller of 'Tierra' – Lavazza's Rainforest-Alliance-certified sustainable coffee.

This combination of bar, food and coffee sales helps to ensure that pubs are busy throughout much of the week, maximising profits and employment opportunities, as well as generating volume growth for many of our suppliers.

Corporate responsibility

The company is the largest single fund-raiser for the CLIC Sargent charity (Caring for Children with Cancer), a partnership now in its seventh consecutive year, raising £2.6 million to date, with a pledge to raise a further £500,000 each year. During the last financial year, company employees and customers raised £532,875.

In 2009, the company has been included in the FTSE4Good index – for the eighth time. This identifies companies which meet globally recognised corporate responsibility standards, including environmental sustainability, as well as upholding and supporting universal human rights.

The company continues to concentrate on the energy-efficiency of our pubs. Last year, we achieved an 11% volume reduction in energy consumption, following the installation of 'smart' meters and a review of our operating practices.

11,000

Each year, we recycle over 11,000 tonnes of cans, cardboard, glass, oil and plastic

Historic hotel fit for a duke

The latest Wetherspoon hotel opened on 16 February in the delightful and popular seaside town of Minehead, in Somerset. Named after a local and national hero, The Duke of Wellington, this historic inn is full of character and set to enjoy a new future – following an extensive refurbishment.

Lawrence champions ale festival

Former England rugby captain and World Cup winner Lawrence Dallaglio pulls a pint of Greene King IPA with deputy manager Kate Chalkley at The Crosse Keys, in London's City area. Mr Dallaglio, the Suffolk-based brewery's official ambassador, was at the pub to support Wetherspoon's international beer festival.

Police and pub promote safer environments

The Greyhound pub, in Maidenhead, was chosen for the launch of an initiative, in the town, to counteract drugs. A joint project among licensing officers, the council and police is aimed at combating drugs in licensed premises.

'Staff retention is at our highest-ever level, with pub managers averaging over eight years' service, giving us, we believe, an advantage in our business.'

The company aims to reduce the amount of waste which it sends to landfill and other disposal sites, through a combination of packaging reduction and waste-product-recycling. We recycle ordinary materials, generated as a consequence of our daily business, such as aluminium cans, cooking oil, glass and paper. During the financial year, the company recycled 11,790 tonnes of waste, including 20 tonnes of aluminium, 3,333 tonnes of cardboard, 1,750 tonnes of cooking oil, 414 tonnes of paper, 231 tonnes of plastic and 42 tonnes of steel.

Glass-recycling will be a major focus for the current year. We generate over 30,000 tonnes of glass per annum. The company has joined forces with Biffa, our waste-disposal partner, to roll out glass-recycling across the estate. We successfully recycled 6,000 tonnes of glass in the year and aim to increase this to 75% of the glass supplied to our pubs.

Personnel and training

As always, the most important factors in successful pubs are the quality and motivation of those we employ. The company accordingly continues to believe that incentives for managers and staff, combined with excellent training schemes, are vital for future success.

In relation to training, the company held over 700 separate training courses in 2008, attended by 12,000 delegates, and promoted over 600 bar and kitchen staff to management positions. We have won many training awards over the years: in January 2009, we were awarded three further National Innkeeping Training Awards, from the British Institute of Innkeeping, including the 'Best Training Programme in Managed Estates'.

The company has also been recognised as an 'Age Positive' employer, by the Department for Work and Pensions, and recognised by the Corporate Research Foundation, in association with the Guardian newspaper, as one of 'Britain's Top Employers', for six consecutive years, including 2009.

In August 2009, we were awarded a funding contract with the Learning and Skills Council to offer a Level 2 Apprenticeship and Skills for Life qualification (numeracy and literacy). Over the next year or so, these qualifications will be made available to all employees. As part of this process, the company has signed the Skills Pledge – a voluntary public commitment, made by the company, to develop the skills of employees and support their working towards nationally recognised qualifications.

In addition, the Advanced Diploma in Leisure Retail Management, run in conjunction with Leeds Metropolitan University, is offered to all pub and area managers at Wetherspoon; to date, over one-third of all pub managers have completed the programme. 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 Leeds Metropolitan University, offering an alternative to full-time study.

Staff retention is at our highest-ever level, with pub managers averaging over eight years' service, giving us, we believe, an advantage in our business.

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

For the sixth year running, we featured in *Britain's Top 100 Employers* handbook, published by the Guardian.

Pub's whispering gallery

Conversations among customers carry at The Berkeley, in Bristol – thanks to the pub's whispering gallery. It is believed to be one of just a handful of pubs in the UK which have the distinctive feature. A whispering gallery is described as a 'gallery beneath a dome or vault, in which whispers can be heard clearly from other parts of the building'.

Mark's art sets the local scene

Artist Mark Warner shows off one of his paintings – 'Long Mynd towards Caer Caradoc'. It is one of four large paintings, on display at Montgomery's Tower, Shrewsbury.

Over one [illegible] pub managers have completed the Advanced Diploma [illegible] Management [illegible]

Bonuses
We continue to provide monthly bonuses for all of our pub staff, whatever their length of service. In this connection, the company awarded bonuses and shares (SIPs) for employees of £20.5 million in the year, an increase of 25% (2008: £16.4 million). More than 90% of the payments were made to employees below board level, with approximately 79% of payments made to employees working in our pubs.

Cash bonuses paid to pub managers and staff are based partly on service standards (verified by mystery visits) and partly on individual pub profits. Head-office cash bonuses are based on profits before tax.

In addition, all employees at pubs and head office are eligible for free shares, subject to a qualifying period. The free shares have replaced the share option scheme in recent years; since they are purchased by the company, these avoid dilution of current shareholders.

As well as free shares, directors and senior head-office managers receive share awards based on the increase in 'owners' earnings' which, as explained in the remuneration report, are based on the cash profits of the business, rather than profit before tax.

We believe this bonus system, which targets a wide variety of factors and is, for senior employees, based heavily on deferred share awards, to be more beneficial than a system with more narrowly based targets, such as earnings per share.

Tax and regulation
For some years, the government's approach to concerns about excessive alcohol consumption has been to increase both taxes and regulations for pubs. This has had the apparently desired effect of increasing the cost of drinking in pubs, compared with drinking at home or in public places. Coincidentally, there has been a huge increase in 'off-trade' sales of alcoholic drinks, combined with a decrease in sales volumes in pubs. We believe that the net effect of this has been to increase levels of 'unsupervised' drinking and directly contribute to many pubs' closure, at the same time exacerbating the problem of 'binge drinking'.

It is to be hoped that future government policy will be guided by a more pragmatic, and less doctrinaire, approach, so that pubs retain their historic importance in the national social life.

Current trading and outlook
In the six weeks to 6 September 2009, like-for-like sales increased by 1.2% and total sales by 5.8%.

The cost outlook for the company is better than for some recent years, with a minimum wage increase of 1.2% due in October 2009 and food cost inflation at lower levels. We have also agreed on improved buying prices in energy which will, on current consumption levels, save £5 million in the financial year ended July 2010.

We will look to maintain those improvements made in the year under review and, where sensible to do so, seek further improvements.

As in the recessions of the early 1980s and 1990s, the company has traded well by concentrating on the key ingredients of standards, service, staff training and incentives. As a result of our strong cash flow, our dedicated management team and our continuing efforts to improve the business, we remain confident of our future prospects.

Tim Martin
Chairman
11 September 2009

Wetherspoon's two pubs in Dundee have won awards for the facilities and services which they offer to customers with disabilities.

Coffee boosts charity's coffers

Generous pensioners at The Wheatsheaf Inn, Kilmarnock, are raising money for various charities, whenever they meet for a coffee. The group of ten meets regularly at the pub for a coffee and a chat. They have formed a group called 'Caffeine for Charity'. The group puts any change received, when they purchase a coffee, into a kitty.

We ran the biggest real-ale festival in the world, during April 2009.

Union Rooms' happy reunion highlights career opportunities

The Union Rooms, Newcastle, celebrated its 10th birthday with a special reunion of four employees whose Wetherspoon career started at the pub. The pub's current manager, John Hudson (pictured front), was joined by Guy Stoker, Jane Sexton, Anthony Buckley and Richard Leith (left to right).

Finance review for the 52 weeks ended 26 July 2009

Financial performance
The chairman's statement and operating review on pages 2 to 6 cover a comprehensive review of the financial results for the year just ended. The first half of the year showed strong bar and food sales growth. Bar sales growth continued into the second half, although food growth softened, as we traded against the national marketing campaign in the previous year. The area of real encouragement was around free cash flow which saw a significant growth, year on year.

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

Financial highlights	Reported results
■ Revenue £955.1m (2008: £907.5m)	+5.2%
■ Like-for-like sales	+1.2%
■ Operating profit before exceptional items £97.0m (2008: £90.5m)	+7.2%
■ Operating profit after exceptional items £75.1m (2008: £87.2m)	-13.9%
■ Operating margin before exceptional items 10.2% (2008: 10.0%)	+0.2%
■ Operating margin after exceptional items 7.9% (2008: 9.6%)	-1.7%
■ Profit before tax before exceptional items £66.2m (2008: £58.2m)	+13.6%
■ Profit before tax after exceptional items £45.0m (2008: £54.2m)	-16.9%
■ Earnings per share before exceptional items 32.6p (2008: 27.6p)	+18.1%
■ Earnings per share after exceptional items 18.2p (2008: 25.2p)	-27.8%
■ Free cash flow per share 71.7p (2008: 50.6p)	+41.7%

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
- Levels 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 decreased from £32.2 million to £30.8 million (excluding the fair value gain on financial derivatives). This decrease is driven by a fall in average net debt this year, reflecting the company's focus on debt reduction, while still managing to grow the business.

Wetherspoon named 'environmental hero'

Renowned botanist and environmental guru David Bellamy OBE presented Wetherspoon with a Green Heroes 2009 wall-shield award. The award was in recognition of the company's environmental project – national recycling and waste improvement initiative.

'We have the largest selection of world beers in the pub industry.'

A pint please, Canon

Canon Adrian Daffern of Coventry Cathedral is pictured with The Flying Standard's team leader Craig Gimson at the start of the pub's international beer festival.

Wetherspoon is a key supporter of pubwatch, with many of its pub managers playing an active role in their respective schemes.

The finance costs (excluding the fair value gain on derivatives) in the income statement were covered 3.1 times, compared with 2.8 in the previous year, on a pre-exceptional basis. Fixed-charge cover (net finance costs and net rent) was 1.5 times (2008: 1.6 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 2.0 times (2008: 2.2 times).

Taxation
A full analysis of the taxation charge for the year is set out in note 8 to the accounts.

	2009* %	2009 %	2008* %	2008 %
Corporation tax	32.4	47.6	32.5	34.6
Deferred tax	(0.7)	(3.8)	0.5	(0.2)
Total tax	31.7	43.8	33.0	34.4

*Excluding exceptional items.

The overall tax charge on pre-exceptional items is 31.7% (2008: 33.0% on a comparable basis adjusted for exceptional items). The UK standard tax rate is 28.0% (2008: 29.3%) and the difference between that rate and the company tax charge remains at 3.7% (2008: 3.7%).

Shareholders' return
Earnings per share increased by 18.1% to 32.6p (excluding exceptional items), with underlying free cash flow per share up 41.7% to 71.7p.

The middle-market quotation of the company's ordinary shares at the end of the financial year was 450.0p. The highest price during the year was 486.0p, while the lowest was 205.75p. The company's market capitalisation at 26 July 2009 was £625.4 million.

Financial position
Net borrowings (excluding cash flow hedges) at the year end amounted to £388.2 million. The key ratio of net debt compared with earnings before interest, tax, depreciation and amortisation (EBITDA) is 2.70 times, a significant decrease on the 3.3 times last year and at a level which allows the company significant operational flexibility.

At the balance sheet date, the company had £153.8 million of unutilised banking facilities and cash balances. This level of unused facilities, coupled with the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the company and allows for the future payment of debt, such as the £87 million US private placement, due in September 2009.

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

- UK banking facility £415 million
    - Matures December 2010
    - 10 participating lenders
    - £250-million floating- to fixed-rate swap expiring in 2014
    - £150-million floating- to fixed-rate swap until 2009, replaced by a new swap until 2016
    - Average interest cost of swaps is 5.74%, until 31 July 2009 and 5.47% thereafter

- US$140-million senior loan notes – £87 million
    - Matures September 2009
    - Fully hedged from foreign exchange movements

- New bilateral facilities of £20 million from Santander matures December 2010

- Total facilities £542 million (including overdraft)

A total of 13 members of staff from The Resolution, in Middlesbrough, took part in the town's annual road race for charity. Their collective fund-raising and sponsorship money raised an amazing £1,200 for CLIC Sargent.

The Battesford Court has been awarded the highest-possible score for the standard of its food hygiene. The pub, in Witham, Essex, achieved a five-star 'scores on the doors' rating from Braintree District Council.

£2.5 million

We have raised over £2.5 million for CLIC Sargent.

All Wetherspoon eggs proudly carry the British Lion Quality mark

We serve 100% free-range eggs and they are 100% British Lion Quality.
This combination has seen Wetherspoon's customers munch through over 14 million free-range British eggs in the last year.

■ Unutilised banking facilities and cash balances of £153.8 million as at 26 July 2009 (2008: £82.6 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 no foreign currency risk, given that the US senior loan notes are hedged into sterling. As the company has no trading requirements in any foreign currency, the overall treasury policy in this area is to ensure that there are no currency risks attached to any part of the business. The interest payments under the US senior loan notes are also covered by an interest-rate swap, resulting in a floating sterling interest payment throughout the term of the notes.

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

At the balance sheet date, the company had entered into fixed interest-rate swap agreements which fixed £400m of these borrowings at rates of between 5.40% and 6.46%. In addition, the company has entered into forward-starting swap agreements which replace the current £150-million swap agreements expiring in 2009. The effective weighted-average interest rate of the swap agreements entered into is 5.74% (2008: 5.74%), fixed for a weighted-average period of 4.3 years (2008: 5.3 years).

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

Under the scope of IAS 39, the basis swaps have been treated as fair value through profit or loss. Consequently, any loss or gain in the 'mark to market' valuation at the balance sheet date is included in the income statement within 'fair value gain/loss of financial derivatives'. The 'mark to market' valuation at the balance sheet date is £nil (2008: £794,000 loss).

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

The company holds US$140-million senior loan notes due in September 2009. It is the company's intention to repay this loan from cash flow and remaining facilities.

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.

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 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

Wetherspoon named a top British employer

The company is listed alongside 45 others in the book 'Britain's Top Employers 2009'. The book aims to 'identify, accredit and laud British companies with a demonstrable commitment to, and track record in, talent-management best practice, on an annual basis'.

'We are the world's number-one seller of Pimm's.'

A great British cheese for a great British dish

Tuck in to the great British tradition of a ploughman's at Wetherspoon – and you will be assured not only of a great-tasting British cheese, but also that you are directly supporting British farmers.

Currytastic – it's all the fashion

Pub manager Beryl Hardwick and two members of her staff were resplendent in saris as The Church House, in Wath upon Dearne, hosted a curry-tasting evening.

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 downturn in the economy may affect the company's performance. It is for this reason that the company continually assesses its customer offer, 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 its freehold sites since 1999, we do not believe that there is a material difference between the current market values and the book values held in the balance sheet. The company's primary focus is to trade from its estate successfully and to maximise the profitability of its pubs. The decline in property values has provided the company with opportunities to add to its estate portfolio. This year, the company has opened several pubs, with a significantly lower development cost per square foot than the company's historic average.

Inflationary cost increases

Inflationary pressures on the company's inputs pose a risk to margins. Once again, this is a risk faced by the entire industry in which the company operates. The company seeks to minimise the potential effects of this risk by continuing to foster mutually beneficial and long-term relationships with its suppliers, 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 a focus on delivering consistently high-quality service and products, within a well-maintained environment.

Supplier 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.

Keith Down
Finance Director
11 September 2009

The Baron Cadogan has been recommended by its local CAMRA branch for 'real ales of excellent quality'.

By George, it's a male choir

Customers at The Moon and Sixpence, in Hatch End, Harrow, were treated to a very patriotic and memorable St George's Day celebration. Members of The Harrow Apollo Male Choir (pictured) were on hand to entertain the regulars, with songs such as Land of Hope and Glory and Rule Britannia.

Wetherspoon has been named as winner of the 'best company' category in the retailers' Retailer of the Year awards.

Working for the community

The manager of The Silkstone Inn has been recognised for his commitment to helping the long-term unemployed to return to work. At his pub in Barnsley, pub manager Andrew Ibbotson (pictured centre) employs eight staff who had previously been long-term unemployed.

Directors, officers and advisers

Tim Martin Chairman, aged 54

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

John Hutson Chief Executive Officer, aged 44

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

Keith Down Finance Director and Company Secretary, aged 44

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

Paul Harbottle Chief Operating Officer, aged 41

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

Su Cacioppo Personnel and Legal Director, aged 42

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

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

John Herring Senior Non-Executive Director, aged 51

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

Elizabeth McMeikan Non-Executive Director, aged 47

Elizabeth was appointed to the board in 2005 and is a member of the audit, remuneration and nomination committees. Elizabeth is a graduate of Cambridge University. She is a non-executive director of Direct Wines Ltd and a Civil Service commissioner. 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 54

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

Sir Richard Beckett Non-Executive Director, aged 65

Sir Richard was appointed to the board in 2009 and is a member of the remuneration and nomination committees.

Sir Richard 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 has recently become a non-executive director of Mercantile Investment Trust plc.

Registered office
Wetherspoon House
Central Park
Reeds Crescent
Watford
WD24 4QL

Company number
1709784

Registrars
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Chartered accountants and statutory auditors
PricewaterhouseCoopers LLP

Solicitors
Macfarlanes

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

Financial advisers
Investec Securities

Stockbrokers
Investec Securities

Management board

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

Name	Age	Job title	Length of service
David Capstick	48	IT and Property Director	10 years
Kirk Davis	38	Deputy Finance Director	1 year
Martin Geoghegan	40	Operations Director	14 years
Rebecca Payton	38	Marketing and Catering Director	10 years

Income statement for the 52 weeks ended 26 July 2009

	Notes	52 weeks ended 26 July 2009 Before exceptional items Total £000	52 weeks ended 26 July 2009 Exceptional items (note 5) Total £000	52 weeks ended 26 July 2009 After exceptional items Total £000	52 weeks ended 27 July 2008 Before exceptional items Total £000	52 weeks ended 27 July 2008 Exceptional items (note 5) Total £000	52 weeks ended 27 July 2008 After Exceptional items Total £000
Revenue	3	**955,119**	**–**	**955,119**	907,500	–	907,500
Operating costs		**(858,118)**	**(21,920)**	**(880,038)**	(817,043)	(3,275)	(820,318)
Operating profit	4	**97,001**	**(21,920)**	**75,081**	90,457	(3,275)	87,182
Finance income	7	**336**	**–**	**336**	337	–	337
Finance costs	7	**(31,182)**	**–**	**(31,182)**	(32,566)	–	(32,566)
Fair value gain/(loss) on financial derivatives	7	**–**	**794**	**794**	–	(794)	(794)
Profit before taxation		**66,155**	**(21,126)**	**45,029**	58,228	(4,069)	54,159
Income tax expense	8	**(20,954)**	**1,224**	**(19,730)**	(19,219)	595	(18,624)
Profit for the period		**45,201**	**(19,902)**	**25,299**	39,009	(3,474)	35,535
Earnings per ordinary share	9	**32.6**		**18.2**	27.6		25.2
Fully diluted earnings per share	9	**32.6**		**18.2**	27.6		25.1

All activities relate to continuing operations.
The notes on pages 15 to 41 form an integral part of these financial statements.

Statement of recognised income and expense for the 52 weeks ended 26 July 2009

	Notes	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Cash flow hedges: (loss)/gain taken to equity		**(35,934)**	1,256
Tax on items taken directly to equity	8, 27	**10,062**	(350)
Net (loss)/gain recognised directly in equity		**(25,872)**	906
Profit for the year		**25,299**	35,535
Total recognised (loss)/income for the year		**(573)**	36,441

The notes on pages 15 to 41 form an integral part of these financial statements.

Cash flow statement for the 52 weeks ended 26 July 2009

	Notes	52 weeks ended 26 July 2009 £000	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000	52 weeks ended 27 July 2008 £000
Cash flows from operating activities					
Cash generated from operations	10	**171,850**	**171,850**	134,369	134,369
Interest received		**460**	**460**	268	268
Interest paid		**(35,317)**	**(35,317)**	(29,748)	(29,748)
Corporation tax paid		**(20,497)**	**(20,497)**	(17,974)	(17,974)
Purchase of own shares for share-based payments		**(6,003)**	**(6,003)**	(3,181)	(3,181)
Net cash inflow from operating activities		**110,493**	**110,493**	83,734	83,734
Cash flows from investing activities					
Purchase of property, plant and equipment		**(9,546)**	**(9,546)**	(10,909)	(10,909)
Purchase of intangible assets		**(1,453)**	**(1,453)**	(1,414)	(1,414)
Proceeds on sale of property, plant and equipment		**495**		793	
Investment in new pubs and pub extensions		**(36,899)**		(47,754)	
Purchase of lease premiums		**(931)**		(805)	
Net cash outflow from investing activities		**(48,334)**	**(10,999)**	(60,089)	(12,323)
Cash flows from financing activities					
Equity dividends paid	12, 27	**(10,439)**		(17,380)	
Proceeds from issue of ordinary shares	27	**580**		461	
Purchase of own shares	27	**–**		(12,031)	
(Repayments)/advances under bank loans	11	**(44,051)**		3,184	
Finance costs on new loan	11	**(208)**		–	
Finance lease principal payments	11	**(889)**		(479)	
Net cash outflow from financing activities		**(55,007)**		(26,245)	
Net increase/(decrease) in cash and cash equivalents	11	**7,152**		(2,600)	
Opening cash and cash equivalents	19	**16,452**		19,052	
Closing cash and cash equivalents	19	**23,604**		16,452	
Free cash flow	9		**99,494**		71,411
Free cash flow per ordinary share	9		**71.7p**		50.6p

The notes on pages 15 to 41 form an integral part of these financial statements.

Balance sheet as at 26 July 2009

	Notes	26 July 2009 £000	27 July 2008 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**773,903**	792,741
Intangible assets	14	**4,858**	4,417
Deferred tax assets	8	**10,766**	583
Other non-current assets	15	**7,969**	7,276
Total non-current assets		**797,496**	805,017
Current assets			
Inventories	16	**17,954**	15,896
Other receivables	17	**16,326**	13,489
Assets held for sale	18	**1,135**	93
Cash and cash equivalents	19	**23,604**	16,452
Total current assets		**50,019**	45,930
Total assets		**856,515**	850,947
Liabilities			
Current liabilities			
Trade and other payables	20	**(143,712)**	(115,379)
Financial liabilities	21	**(102,811)**	(900)
Current income tax liabilities		**(11,409)**	(10,457)
Derivative financial instruments	22	**(555)**	–
Total current liabilities		**(258,487)**	(126,736)
Non-current liabilities			
Financial liabilities	21	**(310,340)**	(444,040)
Derivative financial instruments	22	**(35,919)**	(14,692)
Deferred tax liabilities	8	**(77,633)**	(79,231)
Other liabilities	23	**(6,443)**	(5,701)
Total non-current liabilities		**(430,335)**	(543,664)
Net assets		**167,693**	180,547
Shareholders' equity			
Ordinary shares	26, 27	**2,779**	2,775
Share premium account	27	**142,456**	141,880
Capital redemption reserve	27	**1,646**	1,646
Hedging reserve	27	**(26,284)**	(412)
Retained earnings	27	**47,096**	34,658
Total shareholders' equity	27	**167,693**	180,547

The notes on pages 15 to 41 form an integral part of these financial statements.

The financial accounts on pages 12 to 41 were approved by the board on 11 September 2009 and signed on its behalf by:

John Hutson
Director

Keith Down
Director

Notes to the financial statements at 26 July 2009

1 Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 26 July 2009 were authorised for issue by the board of directors on 11 September 2009, and the balance sheet was signed on the board's behalf by J Hutson and K Down. J D Wetherspoon plc is a public limited company, incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Company's financial statements have been prepared in accordance with the EU-endorsed 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 in note 2.

2 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, as modified by available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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 26 July 2009; they have been consistently applied.

Financial risk factors are disclosed on pages 9 and 10.

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 of sale, to determine the recoverable amounts of cash-generating units (CGUs).

Fair value less costs of sale 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 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 of sale could give rise to an additional impairment provision.

Hedging
The Company applies assumptions on future transactions which would have an impact on future borrowings critical in the effectiveness calculations of its cash flow hedges. 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.

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. Interest is no longer capitalised on new pub developments, reflecting the fact that all cash invested in new pubs is now funded from organic cash flow.

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

Freehold land is not depreciated.

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

Short leasehold buildings are depreciated over the lease period.

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

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

As required by IAS 16, property, plant and equipment's expected useful lives 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 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 a CGU may be impaired. If there is any such indication or when annual impairment testing for a CGU is required, the Company makes an estimate of the CGU's recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs to sell and its value in use; this is determined for an individual CGU, unless the CGU does not generate cash inflows which are largely independent from those of other CGUs or groups of CGUs. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU 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 CGU. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired CGU.

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 there is any such indication, 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 CGU's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the CGU 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 CGU 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 CGU'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 is amortised over 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.

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.

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

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

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

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

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

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

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

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

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

- Where the temporary difference arises from an asset or liability in a transaction which, at the time of the transaction, affects neither accounting nor taxable profit or loss

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried-forward tax credits or tax losses can be utilised

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

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

Free cash flow
The calculation of free cash flow is based on the net cash generated by business activities after funding interest, tax, all other reinvestment in current pubs at the start of the period and the purchase of own shares under an 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 non-derivative financial assets with fixed or determinable payments which are not quoted in an active manner.

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

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or 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 cost and subsequently at amortised cost using the effective-interest method.

Bank loans and loan notes
Interest-bearing bank loans and loan notes are initially recorded at fair value of 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 and it meets the Company's risk-management objective strategy for undertaking the hedge and is expected to be highly effective. The Company designates certain derivatives as one of the following:

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

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

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

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

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

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

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.

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 and 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, which are treated as vesting, irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, being management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments which will ultimately vest or, in the case of an instrument, subject to a market condition, being treated as vesting as described previously. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

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

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

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

IFRIC 12 – Service Concession arrangements

IFRIC 13 – Customer loyalty programmes

IFRIC 14, IAS 19 – Limit on defined benefit asset, minimum funding requirements and their interaction.

Amendment to *IAS 39 – Financial instruments: Recognition and measurement; IFRS 7 – Financial instruments: Disclosures, on the reclassification of financial assets.*

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

IAS 1 (revised) – Presentation of financial statements
This standard requires the Company to choose whether to rename the primary statements and whether to present the new statement of comprehensive income as a single statement, replacing the income statement, or as two statements.

IAS 23 (amendment) – Borrowing costs
This standard requires an entity to capitalise borrowing costs directly attributable to the production or acquisition of a qualifying asset.

IFRS 8 – Operating segments
This standard is not relevant to the Company, as it operates only in a single segment (that of public houses) and single geography (United Kingdom).

Standards, interpretations and amendments which are not yet effective and not relevant to the Company's operations:

IFRS 2 (amendment) – Share-based payments

IFRS 3 (revised) – Business combinations

IAS 27 (revised) – Consolidated and separate financial statements

IAS 32 (amendment) – Financial instruments, presentation

IFRIC 15 – Agreements for the construction of real estate

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

3 Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Sales of food, beverages and net machine income	**955,119**	907,500

4 Operating profit – analysis of costs by nature

This is stated after charging/(crediting):	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Operating lease payments		
– minimum lease payment on land and buildings	**45,390**	43,453
– contingent rents on land and buildings	**13,136**	11,886
– equipment and vehicles	**534**	246
Repairs and maintenance	**28,713**	29,308
Rent receivable	**(709)**	(418)
Depreciation of property, plant and equipment (note 13)		
– owned assets	**42,998**	42,744
– assets held under finance lease	**985**	943
Amortisation of intangible assets (note 14)	**878**	1,160
Amortisation of non-current assets (note 15)	**235**	214
Share-based charges	**3,592**	3,630
Auditors' remuneration		
Audit services:		
– audit fees	**148**	141
– other services supplied pursuant to relevant legislation	**25**	24
– other services	**16**	18
Total auditors' fees	**189**	183

Analysis of continuing operations	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Revenue	**955,119**	907,500
Cost of sales	**(821,411)**	(779,706)
Gross profit	**133,708**	127,794
Administration costs		
– head-office costs	**(36,707)**	(37,337)
Operating profit before exceptional items	**97,001**	90,457
Exceptional items (note 5)	**(21,920)**	(3,275)
Operating profit after exceptional items	**75,081**	87,182

5 Exceptional items

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Operating items		
Restructuring costs	-	906
Impairment of property and fixed assets	**15,951**	-
Property-related disposals and write-offs	**4,404**	1,244
Litigation costs	**1,565**	1,125
Operating exceptional items	**21,920**	3,275
Non-operating items		
Fair value (gain)/loss on derivatives	**(794)**	794
Total exceptional items	**21,126**	4,069
Tax on exceptional items	**(1,224)**	(595)
	19,902	3,474

Included within impairment of property and fixed assets of £15,951,000 is a charge of £6,527,000, relating to an impairment review of the Company's assets as required under IAS 36 and £9,424,000, relating to a one-off depreciation adjustment.

Under the impairment review, each 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. This resulted in an impairment charge of £6,527,000.

During the year, management undertook a review of its fixed assets which identified that certain assets were not being depreciated in accordance with the company's accounting policy. This resulted in a one-off adjustment of £9,424,000 relating to previous years, made up of £9,288,000 within property, plant and equipment (note 13), £6,000 within intangibles (note 14) and £130,000 within current assets.

Property-related disposals and write-offs relate to one non-trading unit which was disposed of during the year and three additional non-trading units which management decided to sell, resulting in a charge to the income statement arising from the reduction of their book value to their fair value. Also included are abortive property costs on sites which management decided not to pursue. This resulted in a charge of £4,404,000.

Litigation costs of £1,565,000 related to legal action against the Company's former estate agents, Van de Berg.

6 Employee benefits expense

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Wages and salaries	**234,767**	218,995
Social Security costs	**15,456**	15,266
Pension costs	**1,488**	1,378
Share-based charges	**3,592**	3,630
	255,303	239,269

The average number of people directly employed in the business was as follows:	2009 Number	2008 Number
Full-time equivalents		
Managerial/administration	**3,199**	3,072
Hourly paid staff	**8,353**	8,463
	11,552	11,535

	2009 Number	2008 Number
Total employees		
Managerial/administration	**3,199**	3,072
Hourly paid staff	**17,158**	16,631
	20,357	19,703

Details of directors' emoluments are disclosed in the remuneration report on pages 53 to 59 and form part of these financial statements.

7 Finance income and costs

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Finance costs		
Interest payable on bank loans and overdrafts	**25,890**	25,300
Interest payable on US senior loan notes	**4,737**	6,704
Amortisation of bank loan issue costs	**334**	303
Interest payable on obligations under finance leases	**221**	259
Finance costs before fair value loss on financial derivatives	**31,182**	32,566
Fair value loss on financial derivatives	**–**	794
Total finance costs	**31,182**	33,360
Bank interest receivable	**(336)**	(337)
Fair value gain on financial derivatives	**(794)**	–
Total net finance costs	**30,052**	33,023

The fair value gain on financial derivatives relates to the 'mark to market' value of basis-swap derivatives taken out in the year ended 27 July 2008. This gain in the current year reverses the loss on financial derivatives charged in the year ended 27 July 2008. Further details are provided in note 22 on pages 35 to 38.

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Analysis of finance income and costs in categories in accordance with IAS 39		
Loans and receivables	**(336)**	(337)
Financial liabilities carried at amortised cost	**13,035**	24,743
Financial derivatives	**16,248**	7,510
Other financial expenses	**1,105**	1,107
Total net finance cost	**30,052**	33,023

8 Income tax expense

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 26 July 2009 Before exceptional items £000	**52 weeks ended 26 July 2009 After exceptional items £000**	52 weeks ended 27 July 2008 Before exceptional items £000	52 weeks ended 27 July 2008 After exceptional items £000
Current income tax:				
Current income tax charge	**21,438**	**21,449**	19,126	18,752
Total current income tax	**21,438**	**21,449**	19,126	18,752
Deferred tax:				
Origination and reversal of timing differences	**(484)**	**(1,719)**	93	(128)
Total deferred tax	**(484)**	**(1,719)**	93	(128)
Tax charge in the income statement	**20,954**	**19,730**	19,219	18,624
Tax relating to items charged or credited to equity				
Deferred tax				
Tax (credit)/charge on cash flow hedges	**(10,062)**	**(10,062)**	350	350
Tax (credit)/charge in the statement of recognised income and expense	**(10,062)**	**(10,062)**	350	350

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

8 Income tax expense continued

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 29.3%). The differences are reconciled below.

	52 weeks ended 26 July 2009 Before exceptional items £000	52 weeks ended 26 July 2009 After exceptional items £000	52 weeks ended 27 July 2008 Before exceptional items £000	52 weeks ended 27 July 2008 After exceptional items £000
Profit before income tax	**66,155**	**45,029**	58,228	54,159
Profit multiplied by the UK standard rate of corporation tax of 28% (2008: 29.3%)	**18,523**	**12,608**	17,059	15,869
Abortive acquisition costs and disposals	**123**	**1,356**	-	374
Other disallowables	**56**	**56**	55	55
Other allowable deductions	**(57)**	**(57)**	(35)	(35)
Non-qualifying depreciation	**2,951**	**8,618**	3,099	3,099
Deduction for share options and SIPs	**(448)**	**(448)**	(247)	(247)
Deferred tax on balance-sheet-only items	**(194)**	**(2,403)**	(712)	(491)
Total tax expense reported in the income statement	**20,954**	**19,730**	19,219	18,624

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.

8 Income tax expense continued

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

	52 weeks ended 26 July 2009 Before exceptional items £000	52 weeks ended 26 July 2009 After exceptional items £000	52 weeks ended 27 July 2008 Before exceptional items £000	52 weeks ended 27 July 2008 After exceptional items £000
Deferred tax liabilities				
Accelerated capital allowances	**66,075**	**66,827**	66,341	66,341
Revaluation of land and buildings	**5,507**	**3,298**	5,508	5,508
Other timing differences	**7,508**	**7,508**	7,603	7,382
Deferred tax liabilities	**79,090**	**77,633**	79,452	79,231
Deferred tax assets				
Capital losses carried forward	**686**	**686**	565	565
Deferred tax on items taken directly to equity	**18**	**10,080**	368	18
Deferred tax assets	**704**	**10,766**	933	583
Deferred tax in the income statement:				
Accelerated capital allowances	**(267)**	**485**	691	691
Origination and reversal of timing differences	**(95)**	**(2,082)**	(639)	(860)
Capital losses carried forward	**(122)**	**(122)**	41	41
Deferred tax charge/(income)	**(484)**	**(1,719)**	93	(128)

9 Earnings and free cash flow per share

Earnings per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £25,299,000 (2008: £35,535,000) by the weighted-average number of shares in issue during the year of 138,826,552 (2008: 141,247,914).

Diluted earnings per share has been calculated on a similar basis, taking account of 23,981 (2008: 129,049) potential dilutive shares under option, giving a weighted-average number of ordinary shares adjusted for the effect of dilution of 138,850,533 (2008: 141,376,963).

Earnings before exceptional items have been adjusted to reflect the exclusion of exceptional items and the fair value gain/loss on financial derivatives as per note 5.

	Earnings 52 weeks ended 26 July 2009 £000	Earnings 52 weeks ended 27 July 2008 £000	**Basic earnings per share 52 weeks ended 26 July 2009 pence**	Basic earnings per share 52 weeks ended 27 July 2008 pence	**Diluted earnings per share 52 weeks ended 26 July 2009 pence**	Diluted earnings per share 52 weeks ended 27 July 2008 pence
Earnings before exceptional items (note 5)	**45,201**	39,009	**32.6**	27.6	**32.6**	27.6
Earnings after exceptional items	**25,299**	35,535	**18.2**	25.2	**18.2**	25.1

Free cash flow per share

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

	52 weeks ended 26 July 2009	52 weeks ended 27 July 2008
Free cash flow (£000)	**99,494**	71,411
Free cash flow per share	**71.7p**	50.6p

10 Cash generated from operations

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Profit attributable to shareholders	**25,299**	35,535
Adjusted for:		
Tax	**19,730**	18,624
Exceptional items	**21,920**	3,275
Fair value (gain)/loss on financial derivatives	**(794)**	794
Amortisation of intangible assets	**878**	1,160
Depreciation of property, plant and equipment	**43,983**	43,687
Lease premium amortisation	**235**	214
Share-based charges	**3,592**	3,630
Interest receivable	**(336)**	(337)
Amortisation of bank loan issue costs	**334**	303
Interest payable	**30,848**	32,263
	145,689	139,148
Change in inventories	**(2,058)**	3,133
Change in receivables	**(2,689)**	(1,665)
Change in payables	**32,473**	(4,240)
Net cash inflow from operating activities before exceptional items	**173,415**	136,376
Outflow related to exceptional items	**(1,565)**	(2,007)
Net cash inflow from operating activities after exceptional items	**171,850**	134,369

11 Analysis of changes in net debt

	27 July 2008 £000	Cash flows £000	Non-cash movement £000	Reallocation £000	26 July 2009 £000
Cash at bank and in hand	16,452	7,152	–	–	**23,604**
Debt due less than one year	–	–	(13,360)	(88,485)	**(101,845)**
Debt due after one year	(442,205)	44,259	–	88,485	**(309,461)**
Derivative financial instrument					
– fair value hedge	(13,836)	–	13,360	–	**(476)**
Net borrowings	(439,589)	51,411	–	–	**(388,178)**
Finance lease creditor	(2,735)	889	–	–	**(1,846)**
	(442,324)	52,300	–	–	**(390,024)**
Derivative financial instrument					
– cash flow hedge	(62)	–	(35,934)	–	**(35,996)**
– fair value on financial derivatives	(794)	–	794	–	**–**
Net debt	(443,180)	52,300	(35,140)	–	**(426,020)**

12 Dividends paid and proposed

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final dividend for 2007/08: 7.6p (2006/07: 8.0p)	**10,439**	11,255
– interim for 2009: 0p (2008: 4.4p)	**–**	6,125
Dividends paid	**10,439**	17,380
Proposed for approval by shareholders at the AGM:		
– final dividend for 2008/09: 0p (2007/08: 7.6p)	**–**	10,439

The Company does not intend to recommend a final dividend for the year ended 26 July 2009.

13 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 29 July 2007	465,172	344,746	263,161	30,551	1,103,630
Additions	3,179	2,301	7,277	42,657	55,414
Transfers	34,364	3,626	6,027	(44,017)	–
Transfer to assets held for sale	–	(1,288)	(367)	–	(1,655)
Disposals	(270)	(189)	(1,094)	(652)	(2,205)
At 27 July 2008	502,445	349,196	275,004	28,539	1,155,184
Additions	14,683	9,169	15,940	6,767	46,559
Transfers	11,114	1,061	244	(12,419)	–
Transfer to/from assets held for sale	93	–	–	(3,036)	(2,943)
Disposals	–	(1,011)	(1,065)	(1,751)	(3,827)
Reclassification	(1,945)	3,898	(1,621)	–	332
At 26 July 2009	**526,390**	**362,313**	**288,502**	**18,100**	**1,195,305**
Depreciation and impairment:					
At 29 July 2007	48,774	70,816	201,771	–	321,361
Provided during the period	8,520	6,994	28,173	–	43,687
Transfer to assets held for sale	–	(1,288)	(367)	–	(1,655)
Disposals	–	(120)	(830)	–	(950)
At 27 July 2008	57,294	76,402	228,747	–	362,443
Provided during the period	10,754	12,488	20,741	–	43,983
Impairment loss and depreciation adjustment	877	6,811	8,127	–	15,815
Disposals	–	(135)	(871)	–	(1,006)
Reclassification	7,053	34,458	(41,344)	–	167
At 26 July 2009	**75,978**	**130,024**	**215,400**	**–**	**421,402**
Net book amount at 26 July 2009	**450,412**	**232,289**	**73,102**	**18,100**	**773,903**
Net book amount at 27 July 2008	445,151	272,794	46,257	28,539	792,741
Net book amount at 29 July 2007	416,398	273,930	61,390	30,551	782,269

13 Property, plant and equipment continued

Impairment loss and depreciation adjustment

Review of property, plant and equipment
During the year, a review of the fixed-asset register was undertaken. As a result, a one-off depreciation adjustment of £9,288,000 was taken in property, plant and equipment, following a review, by management, in respect of certain assets which were not being depreciated in line with the Company's accounting policy. At the same time, management has reclassified certain assets and certain accumulated depreciation to the correct statutory headings within property, plant and equipment, intangible assets and other non-current assets.

Impairment of property, plant and equipment
The Company considers each trading outlet to be a separate 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 future trading performance expected by management. There is a significant number of interconnected assumptions which underpin the value-in-use calculations. However, the underlying basis for the impairment model involves each CGU's projected cash flow for the financial year ending 25 July 2010, extrapolated to incorporate individual assumptions in respect of sales growth, gross margin and cost-savings for that specific CGU. In establishing the value of the CGU's future cash flows, the board has approved a set of overall projections which it considers to be prudent.

The discount rate employed by the Company this year of 10.0% (2008: 6.9%) reflects a move away from the Company's weighted-average cost of capital before tax to a different discount rate which is more reflective of the current economic climate and the industry as a whole. The board has approved the discount rate (which is applicable to all CGUs) and believes the rate to be prudent.

As a result of this exercise, impairment losses in 2009 were £6,527,000 (2008: nil).

Management believes that no reasonable change in any of the key assumptions; for example, the discount rate applied to each CGU would cause the carrying value of the CGU to exceed its recoverable amount.

Finance lease
The carrying value of fixed assets held under finance leases at 26 July 2009 included within equipment, fixtures and fittings was as follows:

	2009 £000	2008 £000
Cost	**4,838**	4,838
Accumulated depreciation	**(2,485)**	(1,500)
Net book amount	**2,353**	3,338

14 Intangible assets

	IT software £000
Cost:	
At 29 July 2007	11,164
Additions	2,011
At 27 July 2008	13,175
Additions	1,487
Reclassification	(328)
At 26 July 2009	**14,334**
Amortisation	
At 29 July 2007	7,598
Amortisation during the period	1,160
At 27 July 2008	8,758
Amortisation during the period	878
Amortisation adjustment	6
Reclassification	(166)
At 26 July 2009	**9,476**
Net book amount at 26 July 2009	**4,858**
Net book amount at 27 July 2008	4,417
Net book amount at 29 July 2007	3,566

Amortisation of £878,000 (2008: £1,160,000) is included in the cost of sales in the income statement.

As disclosed within property, plant and equipment (note 13), a review of the Company's fixed assets has also resulted in a one-off depreciation adjustment of £6,000 in intangible assets.

Included within the intangible assets are £2,350,000 of assets in the course of construction.

15 Other non-current assets

	Lease premiums £000
Cost:	
At 29 July 2007	8,014
Additions	805
At 27 July 2008	8,819
Additions	931
Reclassification	(4)
At 26 July 2009	**9,746**
Amortisation	
At 29 July 2007	1,329
Amortisation during the period	214
At 27 July 2008	1,543
Amortisation during the period	235
Reclassification	(1)
At 26 July 2009	**1,777**
Net book amount at 26 July 2009	**7,969**
Net book amount at 27 July 2008	7,276
Net book amount at 29 July 2007	6,685

16 Inventories

	2009 £000	2008 £000
Goods for resale at cost	**17,954**	15,896

17 Other receivables

	2009 £000	2008 £000
Other receivables	**3,006**	5,122
Prepayments and accrued income	**13,320**	8,367
	16,326	13,489

18 Assets held for resale

As at 26 July 2009, three units were classified as held for sale (2008: 1 unit).

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

	2009 £000	2008 £000
Property, plant and equipment	**1,135**	93

The total loss in writing these assets down to fair value less costs of sale has been included within exceptional items (note 5).

The one unit held on the balance sheet date 27 July 2008 is not expected to be sold within the next 12 months. As a result, this unit is no longer classified as held for sale at 26 July 2009 and has, accordingly, been transferred back to property, plant and machinery.

19 Cash and cash equivalents

	2009 £000	2008 £000
Cash at bank and in hand	**23,604**	16,452

Average maturity is nil days (2008: nil days).

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

20 Trade and other payables

	2009 £000	2008 £000
Trade payables	**73,770**	50,359
Other payables	**6,118**	4,265
Other tax and Social Security	**19,391**	21,235
Accruals and deferred income	**44,433**	39,520
	143,712	115,379

21 Financial liabilities

	2009 £000	2008 £000
Current		
Bank loans		
Overdraft	**15,103**	–
US$140-million senior loan notes 2009	**86,742**	–
Other		
Finance lease obligations less than one year	**966**	900
Total current financial liabilities	**102,811**	900
Non-Current		
Bank loans		
Variable rate facility 2010	**309,461**	368,822
US$140-million senior loan notes 2009	**–**	73,383
Other		
Finance lease obligations greater than one year	**879**	1,835
Total non-current financial liabilities	**310,340**	444,040

Included within finance lease obligations greater than one year is £832,000 relating to deposits due back to the Company.

22 Financial instruments

Capital risk management

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

In order to maintain or adjust 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 or 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 note on page 40) and monitors its capital on the basis of free cash flow per share (which is disclosed in the cash flow statement on page 13). 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 in the year under review.

Financial risks

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

a) Market risk

i) Foreign exchange risk

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

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

ii) Interest-rate risk

The Company's policy is to manage its cost of borrowings by using predominantly fixed rates, in order that the Company will 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 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 26 July 2009, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables unchanged, pre-tax profit for the year would have been reduced by £585,000 and equity increased by £20,900,000. The movement in equity arises from change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve.

b) Credit risk

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

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 to the supplier.

c) Liquidity risk

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

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

The following table analyses the Company's financial liabilities which will be settled on a net basis into relevant maturity groupings, based on the period remaining from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

22 Financial instruments continued

Maturity profile of financial liabilities

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
As at 26 July 2009							
Bank loans	3,338	325,442	–	–	–	–	328,780
US senior loan notes	88,539	–	–	–	–	–	88,539
Other long-term payables	558	527	527	527	542	4,320	7,001
Finance lease obligations	1,121	1,121	(110)	(33)	–	–	2,099
Derivatives	16,584	17,757	17,757	17,757	17,757	16,385	103,997

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

The Company has total UK-committed loan facilities of £435m (2008: £415m) which comprise a £415-million unsecured-term revolving-loan facility and a new bilateral agreement with Santander for £20 million, maturing in December 2010. All UK-committed loan facilities are at floating rates, based on LIBOR. The Company has entered into swap agreements which fix £400 million of these borrowings. Additionally, the Company has entered into forward-starting swap agreements which replace the £150-million swap agreements which expired on 31 July 2009. Before the expiration of the £150-million swap agreements, the effective weighted-average interest rate of all of the swap agreements entered into was 5.74% (2008: 5.74%), fixed for a weighted-average period of 4.3 years (2008: 5.3 years). On 1 August 2009, the effective weighted-average interest rate of the swap agreements became 5.47%.

At the balance sheet date, £310 million (2008: £395 million) was drawn down under the £415-million unsecured-term revolving-loan facilities, with interest rates set for periods of between one and six months, at which point monies are repaid and, if appropriate, redrawn.

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

The Company intends to repay its US$140-million senior loan notes from cash flow and current facilities.

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

	2009 £000	2008 £000
Analysis of interest-rate profile of the financial liabilities		
Floating-rate borrowings	**11,306**	42,205
Fixed-rate borrowings:		
– bank loans	**400,000**	400,000
– finance lease obligations greater than 1 year	**1,845**	2,735
	413,151	444,940

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

22 Financial instruments continued

Financial assets

Financial assets at the balance sheet date comprised:

	2009 £000	2008 £000
Cash and short-term deposits	**23,604**	16,452
Other receivables	**3,006**	5,122

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

Obligations under finance leases

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

	2009 £000	2008 £000
Within one year	**1,121**	1,121
In the second to fifth year, inclusive	**978**	2,099
	2,099	3,220
Less future finance charges	**(254)**	(485)
Present value of lease obligations	**1,845**	2,735
Less amount due for settlement within one year	**(966)**	(900)
Amount due for settlement in the second to fifth year, inclusive	**879**	1,835

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

Fair values

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

	2009 Book value £000	2009 Fair value £000	2008 Book value £000	2008 Fair value £000
Financial assets				
Loans and receivables				
Cash and cash equivalents	**23,604**	**23,604**	16,452	16,452
Other receivables	**3,006**	**3,006**	5,122	5,122
Financial liabilities				
Other financial liabilities				
Trade and other payables	**(143,712)**	**(143,712)**	(115,379)	(115,379)
Finance lease obligations	**(1,845)**	**(1,914)**	(2,735)	(3,026)
Short-term borrowings	**(15,103)**	**(15,103)**	–	–
Long-term borrowings	**(309,461)**	**(325,462)**	(368,822)	(364,772)
Liabilities at fair value through profit or loss				
Short-term borrowings	**(86,742)**	**(86,742)**	(73,383)	(73,383)
Derivatives				
Interest-rate, currency and basis swaps	**(36,474)**	**(36,474)**	(14,692)	(14,692)

22 Financial instruments continued

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.

Cash flow hedges
At 26 July 2009, the Company had fixed-rate swaps designated as hedges of floating-rate borrowings. The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to six months.

The cash flow hedge of the floating-rate borrowings were assessed to be highly effective; an unrealised loss of £35,934,000 (2008: a gain of £1,256,000), with a deferred tax credit of £10,062,000 (2008: a charge of £350,000) relating to the hedging instrument, is included in equity for the year.

Fair value hedge
At 26 July 2009, the Company held a cross-currency interest-rate swap in respect of the US$140-million senior loan notes. The effect of this transaction is to remove any exposure to currency risk, regarding the settlement of this financial liability in September 2009.

The fair value hedge of the US$140-million senior loan notes was assessed to be highly effective, with an unrealised loss of £476,000 (2008: £13,835,000), relating to the hedging instrument, included in current liabilities.

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

Under the scope of IAS 39, the basis swaps have been treated as fair value through profit or loss. Consequently, any loss or gain in the 'mark to market' valuation at the balance sheet date is included in the income statement within 'fair value gain/loss of financial derivatives'. During the year, a 'mark to market' gain of £794,000 was credited to the income statement, reversing the 'mark to market' loss on financial derivatives charged in the year ended 27 July 2008. At the balance sheet date, the basis swap had a 'mark to market' value of £nil (2008: loss of £794,000).

23 Other liabilities

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.

	2009 £000	2008 £000
Other liabilities	**6,443**	5,701

The weighted-average period to maturity of other liabilities is 15.8 years (2008: 16.5 years).

24 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

	2009 £000	2008 £000
Within one year	**57,997**	58,055
Between one and five years	**197,571**	212,451
After five years	**912,458**	855,392
	1,168,026	1,125,898

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 £23 million (2008: £33 million) is included in the table above.

25 Related-party disclosures

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

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

Key management compensation

	2009 £000	2008 £000
Salaries and short-term employee benefits	**3,111**	2,083
Post-employment pension and medical benefits	**216**	174
Termination benefits	**92**	391
Share-based charges	**1,648**	1,349
	5,067	3,997

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 which forms part of these financial statements.

26 Share capital

	Number of shares 000s	Share capital £000
At 29 July 2007	142,447	2,849
Allotments	159	3
Repurchase of shares	(3,835)	(77)
At 27 July 2008	138,771	2,775
Allotments	203	4
At 26 July 2009	**138,974**	**2,779**

The total authorised number of 2p ordinary shares is 500 million (2008: 500m). All issued shares are fully paid. Proceeds from the issuance of shares amounted to £580,000 (2008: £461,000).

27 Statement of changes in shareholders' equity

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
At 29 July 2007	2,849	141,422	1,569	(1,318)	28,085	**172,607**
Exercise of options	3	458	–	–	–	**461**
Repurchase of shares	(77)	–	77	–	(12,031)	**(12,031)**
Share-based payments	–	–	–	–	3,630	**3,630**
Purchase of shares held in trust	–	–	–	–	(3,181)	**(3,181)**
Profit for the year	–	–	–	–	35,535	**35,535**
Cash flow hedges: gain taken to equity	–	–	–	1,256	–	**1,256**
Tax on items taken directly to equity	–	–	–	(350)	–	**(350)**
Dividends	–	–	–	–	(17,380)	**(17,380)**
At 27 July 2008	2,775	141,880	1,646	(412)	34,658	**180,547**
Exercise of options	4	576	–	–	–	**580**
Share-based payments	–	–	–	–	3,592	**3,592**
Purchase of shares held in trust	–	–	–	–	(6,014)	**(6,014)**
Profit for the year	–	–	–	–	25,299	**25,299**
Cash flow hedges: loss taken to equity	–	–	–	(35,934)	–	**(35,934)**
Tax on items taken directly to equity	–	–	–	10,062	–	**10,062**
Dividends	–	–	–	–	(10,439)	**(10,439)**
At 26 July 2009	**2,779**	**142,456**	**1,646**	**(26,284)**	**47,096**	**167,693**

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

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 26 July 2009, the number of shares held in trust was 4,175,253, with a nominal value of £84,000 and a market value of £18,789,000, accounted for as treasury shares.

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

As at 26 July 2009, the Company had distributable reserves of £27.0 million (2008: £15.4 million).

28 Share-based payments

Movements in the year

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

(a) Executive Share Option Plan

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at beginning of the year	**17,000**	**167.0p**	262,647	296.5p
Lapsed in the year	**0**	**0p**	(164,071)	326.0p
Exercised in the year	**(17,000)**	**167.0p**	(81,576)	264.0p
Outstanding at the end of the year	**0**	**0p**	17,000	167.0p
Weighted-average contractual life remaining for share options outstanding at the year end	–		0.2 years	
Range of exercise prices for options outstanding at the year end				
– from	–		167.0p	
– to	–		167.0p	

(b) New Discretionary Share Option Scheme

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at beginning of the year	**384,035**	**328.4p**	456,887	328.5p
Lapsed in the year	**(25,654)**	**347.9p**	(28,928)	336.3p
Exercised in the year	**(154,576)**	**296.6p**	(43,924)	324.4p
Outstanding at the end of the year	**203,805**	**350.1p**	384,035	328.4p
Weighted-average contractual life remaining for share options outstanding at the year end	**1.3 years**		1.9 years	
Range of exercise prices for options outstanding at the year end				
– from	**333.8p**		191.5p	
– to	**361.0p**		361.0p	

(c) 2001 Executive Scheme

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at beginning of the year	**121,215**	**301.5p**	164,903	301.5p
Lapsed in the year	**(7,933)**	**301.5p**	(32,320)	301.5p
Exercised in the year	**(30,877)**	**301.5p**	(11,368)	301.5p
Outstanding at the end of the year	**82,405**	**301.5p**	121,215	301.5p
Weighted-average contractual life remaining for share options outstanding at the year end	**3.1 years**		4.1 years	
Exercise price for options outstanding at the year end	**301.5p**		301.5p	

At 26 July 2009, there were 378 members of the New Discretionary Share Option (NDSO) scheme, with average shareholdings of 539; there were 334 members of the 2001 executive (2001 scheme), with an average option-holding of 247.

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. The options in issue shown above include those of the directors shown on page 56.

Financial record for the five years ended 26 July 2009

	IFRS 2005 £000	IFRS 2006 £000	IFRS 2007 £000	IFRS 2008 £000	**IFRS 2009 £000**
Sales and results					
Revenue from continuing operations	809,861	847,516	888,473	907,500	**955,119**
Operating profit before exceptional items	71,506	83,616	91,113	90,457	**97,001**
Exceptional items	(7,380)	–	–	(3,275)	**(21,920)**
Finance income	232	124	206	337	**336**
Finance costs	(24,561)	(25,352)	(29,295)	(32,566)	**(31,182)**
Fair value profit/(loss) on financial derivatives	–	–	–	(794)	**794**
Profit for the period before taxation	39,797	58,388	62,024	54,159	**45,029**
Taxation	(13,867)	(18,487)	(15,190)	(18,624)	**(19,730)**
Profit for the year	25,930	39,901	46,834	35,535	**25,299**
Net assets employed					
Non-current assets	765,200	756,688	793,495	805,017	**797,496**
Net current liabilities	(100,978)	(81,701)	(78,731)	(80,806)	**(199,468)**
Non-current liabilities	(327,218)	(383,873)	(456,567)	(458,732)	**(346,259)**
Provision for liabilities and charges	(90,259)	(89,539)	(85,590)	(84,932)	**(84,076)**
Shareholders' funds	246,745	201,575	172,607	180,547	**167,693**
Ratios					
Operating margin (excluding exceptional items)	8.8%	9.9%	10.3%	10.0%	**10.2%**
Basic earnings per share (excluding exceptional items)	16.9p	24.1p	28.1p	27.6p	**32.6p**
Free cash flow per share	37.1p	42.1p	35.6p	50.6p	**71.7p**
Dividends per share (interim and final)	4.28p	4.70p	12.0p	12.0p	**0p**

Notes to the financial record

(a) The summary of accounts has been extracted from the annual audited financial statements of the Company for the five years shown.

(b) Figures for 2005 to 2009 are stated in compliance with IFRSs.

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 weeks ended 26 July 2009 which comprise the income statement, the statement of recognised income and expenses, the cash flow statement, the balance sheet 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 Directors' Responsibilities Statement set out on page 48, 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 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 Sections 495 to 497 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.

The maintenance and integrity of the company's Web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the Web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

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 26 July 2009 and of its profit and cash flows for the year 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 47 to 52, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

APaynter.

Andrew Paynter *(Senior Statutory Auditor)*
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 September 2009

Corporate social responsibility report

The company is a central part of the local communities in which it trades and proactively manages its responsibilities from both a corporate and social perspective. The board has made corporate social responsibility (CSR) a part of the daily culture of the business. The company's CSR plan identifies key areas covering: people; responsible retailing; community and charity; environment; ethical working; health and safety; good food.

The CSR group meets monthly to progress business initiatives outlined in the CSR plan. Minutes of these meetings are reported to, and reviewed by, the board.

People
The company aims to be an employer of choice in the UK, through its ongoing investment in award-winning training and development, policies on equality, a competitive remuneration package and the encouragement of employees to participate actively in the long-term business strategy. The company aims to set the industry benchmark in these areas – and to be the best.

Providing a great service to its customers starts with its employees, who are trained to the highest industry standards.

In relation to training, the company held over 700 separate training courses in 2008, attended by 12,000 delegates, and promoted over 600 bar and kitchen staff to management positions. The company has won many training awards over the years: in January 2009, the company was awarded three further National Innkeeping Training Awards, by the British Institute of Innkeeping, including the 'Best Training Programme in Managed Estates'.

In addition, the Advanced Diploma in Leisure Retail Management, run in conjunction with Leeds Metropolitan University, is offered to all pub and area managers at Wetherspoon; to date, over one-third of all pub managers have completed the programme. 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 Leeds Metropolitan University, offering an alternative to full-time study.

The quality and volume of the company's training courses ensure that employees feel motivated and supported, providing them with the necessary skills to carry out their jobs to a consistently high standard.

In August 2009, the company was awarded a funding contract with the Learning and Skills Council to offer a Level 2 Apprenticeship and Skills for Life qualification (numeracy and literacy). Over the next year or so, these qualifications will be made available to all employees. As part of this process, the company has signed the Skills Pledge – a voluntary public commitment, made by the company, to develop the skills of employees and support their working towards nationally recognised qualifications.

The company is committed to equal opportunities and the elimination of discrimination, harassment and victimisation of employees. This is achieved through the application of employment policies to ensure that individuals receive fair and consistent treatment. At the time of writing, 50% of the workforce is female and 50% male.

The company has also been recognised as an 'Age Positive' employer, by the Department for Work and Pensions, and has been recognised by the Corporate Research Foundation, in association with the Guardian newspaper, as one of 'Britain's Top Employers', for six consecutive years, including 2009.

The company continually benchmarks its remuneration package, to maintain its industry-leading qualities. In addition to market-competitive pay rates, the company's industry-leading bonus and share scheme is available to all employees, depending on their length of service. In this connection, the company awarded bonuses and shares (SIPs) of £20.5m in the year, an increase of 25% (2008: £16.4m). Of the payments, 91% were made to employees below board level, with approximately 79% of payments made to employees working in our pubs.

Responsible drinks retailing
As a retailer of alcoholic drinks, the company fully supports practices which promote responsible drinking and has developed several initiatives and policies to ensure that it acts in a highly responsible manner. The company does not participate in irresponsible retailing practices and avoids any actions which would be seen to encourage or condone irresponsible drinking. The company has established a 'code of conduct for responsible retailing' which details its approach in this area. This includes:

- taking all reasonable precautions to ensure that those under 18 years of age cannot buy or obtain alcoholic drinks. This is achieved through operating a Challenge 21 policy in all pubs, supported through staff training and monitored through regular audits to ensure compliance.
- ensuring that it does not serve alcohol to anyone who is believed to be intoxicated.
- not offering any promotions or incentives which encourage customers to drink irresponsibly.

The company seeks to develop close partnerships with local authorities and the police. All pubs are required to become a member of the local pubwatch scheme, if one exists, to assist in building relationships across the community. In many locations, a company pub manager chairs the scheme. Where there is no pubwatch scheme, the company will 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, the British Institute of Innkeeping and the Portman Group.

The company was the inaugural winner of the 'Responsible Drinks Retailing Award', partly sponsored by the Home Office, and also helps to fund charity organisations such as Responsible Drinks Retailing. In addition to this, several Wetherspoon pubs have been recognised, at gold, silver or bronze level, as the 'Best Bar None' for promoting a safe, secure environment.

Community and charity
Historically, pubs have always been a focal point of any community. The company's aim is to continue that tradition by supporting and building relationships with the local community, through employment, charitable giving and investment, while providing a convivial meeting place. Ensuring that the company provides full access to those with disabilities is a priority. Wherever possible, the company utilises local suppliers and businesses.

Charitable giving
The company is the largest single fund-raiser for the CLIC Sargent charity (Caring for Children with Cancer), a partnership now in its seventh consecutive year, raising £2.6 million to date, with a pledge to raise a further £500,000 each year. During the past financial year, company employees and customers raised £532,875.

The biggest individual fund-raising event is the annual Kick for CLIC Sargent five-a-side football tournament. This brings together over 100 football teams to compete in regional heats which culminate in the final stage of the tournament at Wembley stadium. Last year, this event was won by those from The Spread Eagle pub, Birmingham, and raised over £171,000.

Every pub is also encouraged to support a local charity, through fund-raising, sponsorship and volunteer work. The company makes further donations to local good causes, including sponsorships, raffle prizes, computers for schools and unwanted furniture for local institutions.

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

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

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

Energy-efficiency
The company recognises that energy consumption is unavoidable. However, it also acknowledges its responsibility for the resources which it uses and that good environmental management is an essential part of being a responsible business.

The company's energy group is responsible for maintaining a continual focus on improving its pubs' energy-efficiency. In 2008 and 2009, the company undertook an installation programme, ensuring that virtually all pubs have electricity smart meters. This has provided the company with the information to report and communicate energy consumption effectively. This has helped the business to make a significant reduction, of 11%, in like-for-like energy consumption.

To achieve this, the company regularly communicates ideas and initiatives to pubs about how they could reduce their energy consumption. This is supported by weekly management reporting to pubs, including energy consumption for the previous week, an energy-efficiency rating and 'energy-saving top tips'. Many of these top tips were generated through a company suggestion scheme. Staff are reminded to participate in the 'Save It' campaign – switching off lights and equipment, when not in use.

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

Recycling
The company aims to reduce the amount of waste which it sends to landfill or other disposal sites, through a combination of packaging reduction and the recycling of waste products. The company recycles ordinary materials, generated as a consequence of daily business. During the financial year, the company recycled 11,790 tonnes of waste, including 20 tonnes of aluminium, 3,333 tonnes

of cardboard, 1,750 tonnes of cooking oil, 414 tonnes of paper, 231 tonnes of plastic and 42 tonnes of steel.

Glass-recycling will be a major focus for the current year. The business generates over 30,000 tonnes of glass per annum. The company has joined forces with Biffa, its waste-disposal partner, to roll out glass-recycling across the estate. The company successfully recycled 6,000 tonnes of glass in the year and aims to increase this to 75% of the glass supplied to pubs.

In addition, the business has a dedicated supply chain for its food, bottled drinks and non-consumable products. This means that deliveries to pubs can be consolidated, with any recycling material returned to the company's recycling operation, on the return journey, thereby saving road miles. The company is also working with suppliers, over the course of the next year, to reduce packaging materials brought into the pubs. In 2008, the company won a Green Apple Award in environmental best practice for its efforts in recycling, from the Green Organisation.

Ethical working

The company carries out its business honestly, ethically and with respect for the rights and interests of all of those involved. The company expects relations with customers, suppliers and business partners to be mutually beneficial and expects its business practices and standards to be upheld.

Working with suppliers

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

The company seeks to ensure that both its own activities and those of its suppliers are socially and environmentally responsible. The company's environmental policy commits it to working with suppliers, contractors and partners to minimise environmental impact and to encourage sustainable sourcing and, wherever possible, to obtain products from across the UK. For example, eleven pubs in Scotland source fish locally for their pubs, while 100% British beef is used in its beef & Abbot Ale pie, chilli, cottage pie, lasagne, steak & kidney pudding and beef burger menu offerings.

The company is the single largest supporter of microbreweries in Great Britain and Northern Ireland and is regularly acclaimed for its commitment to real ale, actively supporting brewers of all sizes across the UK, to ensure that customers can enjoy a diverse range of real ales – which are a unique part of the UK's national heritage and culture. There are 193 Wetherspoon pubs listed in the CAMRA Good Beer Guide 2010, a larger proportion than that of any other pub company.

Health and safety

The health and safety of customers and employees is critical; therefore, the company looks to promote the highest standards of safety, throughout the business, by ensuring that employees attend appropriate training. Providing the correct training helps to ensure that pubs are operated within the law.

The pubs are regularly assessed for risks, with relevant solutions identified to address them. The pubs are regularly audited for safety.

Good food

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

The menu is coded, so that customers can easily see those dishes which contain 5% fat or less or count towards the five-a-day fruit and vegetable target. Specific information on the company Web site also provides information for those with food allergies or intolerances. Braille and large-print menus are also available in the pubs.

The company has strict specifications for all of its products, to ensure that high standards of quality and safety are met. For example, the sausages which the company sources from the award-winning Welsh Sausage Company contain only British pork, with no artificial colours or flavours; the company uses only dolphin-friendly tuna; the cod, haddock and salmon in its dishes are from recognised, sustainable fisheries.

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

The company is working closely with the Food Standards Agency (FSA) to reduce, over an 18-month period, the salt, saturated fats and sugar levels in its menu offering, in line with the latest FSA guidelines.

In 2009, the company became Eat Out magazine's winner in the best town & local pub category. In 2008, the company also became Eat Out magazine's winner of MenuMasters' 'Best Menu 2008' in the kids' category. This was in recognition of the work carried out to increase the organic, free-range and healthy products on the children's menu. In addition, the company serves 'Tierra' – Lavazza's Rainforest-Alliance-certified sustainable coffee. Also, at least 50% of the PG tips tea comes from 100% Rainforest-Alliance-certified farms.

Directors' report for the 52 weeks ended 26 July 2009

The directors present their report and audited accounts for the 52 weeks ended 26 July 2009.

Principal activities, business review and future developments
The principal activities of the company are the development and management of public houses. Details of progress and future developments are given on pages 2 to 6.

Results and dividends
The profit on ordinary activities for the year, after taxation, was £25,299,000.

As announced on 20 January 2009, the directors will not be proposing the payment of a final dividend.

Return of capital
At the annual general meeting of the company, held on 4 November 2008, the company was given authority to make market purchases of up to 20,815,733 of its own shares. During the year to 26 July 2009, no shares were purchased.

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 principal risks and uncertainties has been included within the finance review on pages 9 and 10.

The financial and non-financial key performance indicators (KPIs)
A review of the business, using financial and non-financial KPIs, has been included within the finance review on pages 7 to 10.

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 11 served throughout the financial year, except for Sir Richard Beckett (appointed 24 April 2009). John Hutson, Elizabeth McMeikan and John Herring retire by rotation, and Sir Richard Beckett was appointed by the directors in the year and offers himself for re-election. Details of the terms under which the directors, who were in office during the year, serve and their remuneration, together with their interests in the shares of the company, are given in the directors' remuneration report on pages 53 to 59.

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.

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

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 64.

Takeover directive disclosures
The company has an authorised share capital comprising 500 million ordinary shares of 2p each. As at 26 July 2009, total issued share capital comprised 138,974,009 fully paid-up shares of 2p each. The rights to these shares are set out in the company's articles of association. There are no restrictions on the transfer of these shares or their attached voting rights.

Details of significant shareholdings are set out on page 64.

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

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

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

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

The company has the power to issue and buy back shares as a result of resolutions passed at the annual general meeting in 2008. It is the company's intention to repeat these powers; the resolutions approving them are found in the notice of the annual general meeting for 2009.

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 on such lapse.

There are no 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 in respect of the annual report, the directors' remuneration report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU. 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 the period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates which are reasonable and prudent.
- state whether applicable IFRSs as adopted by the EU 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 disclose, with reasonable accuracy, the financial position of the company, at any time, to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulations. 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 corporate and financial information included on the company's Web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from that in other jurisdictions.

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

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.

Auditors

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

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

Policy on payment of suppliers
The company agrees on terms and conditions with all suppliers before business takes place and has a policy of paying agreed invoices in accordance with the terms of payment. Trade creditors at the year end represented 55 (2008: 44) days' purchases.

Political and charitable contributions
Contributions made by the company during the year, to various charities, including CLIC Sargent (Caring for Children with Cancer) totalled £68,833 (2008: £61,445). No political contributions were made. Further information about charitable contributions is disclosed in the corporate social responsibility report on pages 44 to 46.

Business at the annual general meeting
On pages 65 to 67 is a notice convening the annual general meeting of the company for 4 November 2009, at which shareholders will be asked, as items of special business, to give power to the directors to allot shares, to approve new articles of association, 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 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 26 July 2009.

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 53 to 59.

Resolutions 3 to 5 – Re-election of Mr Hutson, Ms McMeikan and Mr Herring as directors
The company's articles of association require one-third of the directors to retire from office at each annual general meeting. In addition, any director who has, at the annual general meeting, been in office for more than three years since his or her last appointment or re-appointment should also retire and may offer him or herself for re-election.

Brief biographical details of each of the directors standing for re-election may be found on page 11 and the company Web site. The re-election resolutions, which will be proposed as ordinary resolutions, are set out as resolutions 3, 4 and 5 in the notice of annual general meeting.

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

Resolution 6 – Election of Sir Richard Beckett as a director
Sir Richard Beckett was appointed as a new director of the company on 24 April 2009. 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. Sir Richard Beckett will therefore stand for election at this year's annual general meeting.

Brief biographical details of Sir Richard Beckett may be found on page 11 and the company Web site. The election resolution, which will be proposed as an ordinary resolution, is set out as resolution 6 in the notice of annual general meeting.

Sir Richard Beckett has extensive experience in regulatory and licensing matters, allowing him, subject to his election to the board, to contribute to the company's development. The board is therefore of the opinion that Sir Richard Beckett should be elected as a director at the annual general meeting.

Resolution 7 – Re-appointment of PricewaterhouseCoopers LLP as auditors

Resolution 7, set out in the notice of annual general meeting, which will be proposed as an ordinary resolution, proposes that PricewaterhouseCoopers LLP should be reappointed as the company's auditors and authorises the directors to determine their remuneration.

Resolution 8 – Authority to allot

The general authority previously given to the directors to allot 'relevant securities' will expire at the end of the annual general meeting, convened for 4 November 2009.

Accordingly, resolution 8, set out in the notice of 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 £917,228, representing approximately 33.3% of the nominal value of the ordinary shares currently in issue;

(B) up to a further aggregate nominal amount of £917,228, 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.

The Association of British Insurers (the 'ABI') has revised its guidelines on share allotments following a report of the Rights Issue Review Group. Based on the new 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 new guidelines provide that the amount of any authority above one-third must be applied to fully pre-emptive rights issues only and is valid for one year only.

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 9 – Adoption of new articles of association

It is proposed to adopt new articles of association (the 'New Articles') in order to update the company's current articles of association (the 'Current Articles') primarily to take account of the implementation of the Companies (Shareholders' Rights) Regulations 2009 (the 'Shareholders' Rights Regulations') and to reflect those provisions of the Companies Act 2006 which come into force on 1 October 2009. Resolution 9 will be proposed as a special resolution.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or, the Shareholders' Rights Regulations, have not been noted in the summary below. The amendments will, if approved, take effect from the end of the annual general meeting. The New Articles, showing all of the changes to the Current Articles, are available for inspection, as noted on pages 51 and 52 of this document.

Resolution 10 – 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 employees' share scheme) apply to the authorised, but 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 by the notice of annual general meeting. Accordingly, resolution 10, 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 8, 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 £138,974 (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 11 – Purchase of ordinary shares
In common with many other listed companies, the company proposes, once again, to seek an authority from shareholders to permit the company to purchase its own shares. Accordingly, resolution 11 will be proposed as a special resolution to authorise the company to make market purchases of up to 20,832,203 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 26 July 2009, there were outstanding options of 286,210 ordinary shares, representing 0.21% of the company's issued ordinary share capital. If the authority under resolution 11 were to be exercised in full, this percentage would increase to 0.24%.

Resolution 12 – 14 days' notice for general meetings
Changes made to the Companies Act 2006 by the Shareholder Rights' Regulations increase the notice period required for general meetings of the company to 21 days, unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual general meetings will continue to be held on at least 21 clear days' notice.

Before the coming into force of the Shareholder Rights' Regulations on 3 August 2009, the company was able to call general meetings (other than an annual general meeting) on 14 clear days' notice, without obtaining such shareholder approval. In order to preserve this ability, Resolution 12, which will be proposed as a special resolution, 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, for that meeting, available to all shareholders.

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 that all shareholders vote in favour of them, as each of the directors intends to do, in respect of his or her own beneficial holding.

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

1 The company's objects
The provisions regulating the operations of the company are currently set out in the company's memorandum and articles of association. The company's memorandum contains, among other things, the objects clause which sets out the scope of the activities which the company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares which each subscriber has agreed to take in the company. Under the Companies Act 2006, the objects clause and all other provisions which are contained in the memorandum of a company already in existence at 1 October 2009 are deemed to be contained in the company's articles of association, but the company may remove these provisions, by special resolution.

Further, the Companies Act 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have an objects clause. For this reason, the company is proposing to remove its objects clause, together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the company's articles of association as of 1 October 2009. Resolution 9 confirms the removal of these provisions for the company. As the effect of this resolution will be to remove the statement currently in the company's memorandum of association regarding limited liability, the New Articles also contain an express statement about shareholders' limited liability.

2 Articles which duplicate statutory provisions
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are, in the main, to be omitted in the New Articles. This is in line with the approach, advocated by the government, that statutory provisions should not be duplicated in a company's constitution.

3 Authorised share capital and unissued shares
The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital; the New Articles reflect this. Directors will still be limited as to the number of shares which they can, at any time, allot, because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

4 Redeemable shares
Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include, in its articles, the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided that they are so authorised by the articles. The New Articles contain such an authorisation. The company has no plans to issue redeemable shares, but, if it did so, the directors would need shareholders' authority to issue new shares in the usual way.

5 Authority to purchase own shares, consolidate and subdivide shares and reduce share capital
Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or subdivide its shares and to reduce its share capital or other undistributable reserves, as well as shareholders' authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006, a company will require only shareholders' authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been omitted in the New Articles.

6 Variation of class rights
The Current Articles contain provisions about the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have been amended, therefore, in the New Articles.

7 Provision for employees on cessation of business
The Companies Act 2006 provides that the powers of the directors of a company, to make provision for a person employed or formerly employed by the company or any of its subsidiaries, in connection with the cessation or transfer to any person of the whole, or part, of the undertaking of the company or that subsidiary, may be exercised by the directors only if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

8 Suspension of registration of share transfers
The Current Articles permit the directors to suspend the registration of share transfers. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles, to suspend the registration of transfers, is inconsistent with this requirement. Accordingly, this power has been omitted in the New Articles.

9 Voting by proxies on a show of hands
The Shareholders' Rights Regulations have amended the Companies Act 2006, so that it now provides that each proxy appointed by a member has one vote on a show of hands, unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against, if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

10 Notice of general meetings
The Shareholders' Rights Regulations amend the Companies Act 2006, to require the company to give 21 clear days' notice of general meetings, unless the company offers members an electronic voting facility and a special resolution, reducing the period of notice to not fewer than 14 clear days, has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to become consistent with the new requirements.

11 Adjournments for lack of quorum
Under the Companies Act 2006, as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

12 General
Generally, the opportunity has been taken to bring clearer language into the New Articles.

By order of the board

Keith Down
Company Secretary
11 September 2009

Directors' remuneration report for the 52 weeks ended 26 July 2009

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2009, the interest of directors in the company's shares and the fees of the non-executive directors. This report has been drawn up in accordance with, among other things, schedule B of the Combined Code, as set out in the Listing Rules of the UK Listing Authority ('Combined Code'). This report will be put to an advisory vote of the company's shareholders at the annual general meeting on 4 November 2009.

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.

Debra van Gene has sat on the committee for three years and took over as chair from John Herring, during the year. She does not chair any other committee of the board.

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.

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. Advice was not 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 the long-term interests of directors and senior executives with those of shareholders.
- incentivise directors and senior executives to perform at the highest 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 £20.5 million in the year, of which 91% were made to employees below board level. This amount is included in total wages and salaries in note 6 of these financial statements.

Overall reward levels are subject to the discretion of the remuneration committee and partly depend 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 a number of 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. 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.

Annual performance-related payments
It is the policy of the company to operate bonus arrangements, at all levels of staff, which are performance-related, the primary performance measures being profitability and operating standards. The executive directors participate in a management bonus scheme designed to incentivise business performance.

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 52.5% 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.

Annual growth in profits before tax, excluding unrealised exceptional items, in the year ended 26 July 2009, was 14%.

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 directors. 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 to 15% and directors and senior managers 20%. Extra SIPs do not qualify for the same tax benefits as the approved scheme. Awards to the directors in the year ended 26 July 2009 were 25% of annual salary.

Share options

The company has monitored the debate on the question of share options and, in particular, both the dilutive impact on current shareholders and the desire to create real employee shareholders, rather than simply option-holders. As a result, it has been decided not to issue any further options in the foreseeable future. The company has only one active option scheme, the 2001 executive scheme. It is not intended that grants be made under this scheme in the coming year. The New Discretionary Share Option scheme (NDSO) ceased to be active in 2008, although options within the scheme do not expire until 2012.

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 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

In the year ended 26 July 2009, owners' earnings increased by 8.7%. Owners' earnings per share increased by 10.6%; this is 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 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.

Benefits in kind

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

Chairman and directors' service contracts

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

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

Non-executive directors

With the exception of Sir Richard Beckett, who was appointed on 24 April 2009, the non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2008, 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 26 July 2009.

	Salary/fees	Performance bonus – cash	Share Incentive Plan – Shares	Performance bonus – 2005 Deferred Bonus Scheme – Shares	Taxable benefits	Taxable allowances	Pension contributions	Other	**Total 2009 £000**	Total 2008 £000
Chairman										
T R Martin	315	66	–	–	23	–	–	–	**404**	353
Executive directors										
J Hutson	397	83	95	127	1	15	48	–	**766**	758
K Down	249	52	61	80	1	13	30	–	**486**	702*
S Cacioppo	188	39	44	60	1	13	23	–	**368**	257*
P Harbottle	208	44	50	67	1	13	25	–	**408**	279*
Non-executive directors										
J Herring	65	–	–	–	–	–	–	–	**65**	62
E McMeikan	36	–	–	–	–	–	–	–	**36**	34
D van Gene	36	–	–	–	–	–	–	–	**36**	34
R Beckett**	10	–	–	–	–	–	–	–	**10**	–
Total	**1,504**	**284**	**250**	**334**	**27**	**54**	**126**	–	**2,579**	–
2008	1,154	79	191	657	24	38	86	711	–	2,940

*K Down, S Cacioppo and P Harbottle joined the board part way through 2008.
**R Beckett was appointed on 24 April 2009.

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 54) 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 on page 56.

The amount included with respect to the Share Incentive Plan reflects the value of the shares issued to the directors during the year. The amount included under the 2005 Deferred Bonus Scheme reflects the cash value of shares which will be awarded to directors in September 2009 and will vest as set out on page 54.

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

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

The interests of the directors in the shares of the company, as at 26 July 2009, were as follows:

Ordinary shares of 2p each, held beneficially	2009	2008
T R Martin	**32,809,934**	33,809,934
J Hutson	**55,451**	116,960
J Hutson – Share Incentive Plan	**66,613**	54,484
J Hutson – 2005 Deferred Bonus Scheme	**67,583**	9,944
K Down – Share Incentive Plan	**29,913**	11,595
K Down – 2005 Deferred Bonus Scheme	**105,730**	–
S Cacioppo	**23,265**	9,282
S Cacioppo – Share Incentive Plan	**35,011**	27,886
S Cacioppo – 2005 Deferred Bonus Scheme	**29,837**	4,281
P Harbottle	**20,614**	5,916
P Harbottle – Share Incentive Plan	**31,389**	21,971
P Harbottle – 2005 Deferred Bonus Scheme	**33,969**	3,891
J Herring	**6,000**	6,000
E McMeikan	**1,000**	1,000
D van Gene	**1,000**	1,000

There have not been any changes to these interests since 26 July 2009.

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

	27 July 2008	Options exercised	26 July 2009	Exercise price	Exercisable date	Expiry date	Scheme (see below)
J Hutson	2,500	2500(a)	–	268.0p	20/04/02	20/04/09	NDSO
	400	400(a)	–	333.8p	09/09/02	09/09/09	NDSO
	25,420	25,420(b)	–	356.5p	07/03/03	07/03/10	NDSO
	12,465	12,465(b)	–	361.0p	15/09/03	15/09/10	NDSO
	6,750	6,750(b)	–	343.6p	14/03/04	14/03/11	NDSO
	8,500	8,500(b)	–	339.0p	12/09/04	12/09/11	NDSO
	20,000	20,000(b)	–	301.5p	09/09/05	09/09/12	2001 scheme
	76,035	76,035	–				

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

(a) Mr Hutson exercised these options during the year for a gain of £3,315.32.
The market price on the date of exercising these options was 391.4p.

(b) Mr Hutson exercised these options during the year for a gain of £68,831.83.
The market price on the date of exercising these options was 433.1p.

Details of the year-end, the year-high and the year-low share price for the shares which are subject to the options detailed above can be found on page 64.

Share Incentive Plan – audited information

The interests of directors in share options have not changed since the financial year end. In addition to the interest in shares and share options disclosed on page 56, the following awards have been made of shares under the Share Incentive Plan during the year:

Name	Award date	Shares held in trust at 27 July 2008	Granted in the year	Vested in the year	Shares remaining in trust at 26 July 2009
John Hutson	26/03/04	990			990
	08/10/04	1,214			1,214
	30/09/05	9,539		8,517	1,022
	31/03/06	7,722		7,722	–
	29/09/06	5,753			5,753
	30/03/07	5,748			5,748
	17/09/07	6,044			6,044
	31/03/08	17,474			17,474
	17/09/08		16,188		16,188
	31/03/09		12,180		12,180
Keith Down	31/03/08	11,595			11,595
	17/09/08		10,644		10,644
	31/03/09		7,674		7,674
Paul Harbottle	30/09/05	3,610		2,708	902
	31/03/06	2,923		2,829	94
	29/09/06	2,210			2,210
	30/03/07	2,119			2,119
	17/09/07	2,633			2,633
	31/03/08	8,506			8,506
	17/09/08		8,513		8,513
	31/03/09		6,412		6,412
Su Cacioppo	26/03/04	881			881
	08/10/04	598			598
	30/03/05	594			594
	30/09/05	3,706		2,780	926
	31/03/06	3,370		3,295	75
	29/09/06	2,549			2,549
	30/03/07	2,447			2,447
	17/09/07	2,556			2,556
	31/03/08	11,185			11,185
	17/09/08		7,432		7,432
	31/03/09		5,768		5,768

The market price of the shares granted on 17 September 2008 was 281.83p.
The market price of the shares granted on 31 March 2009 was 404.5p.

The market price of shares which vested on 30 September 2008 was 229.55p.
The market price of shares which vested on 1 April 2009 was 421.26p.

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

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 54, one-third of the total award vests immediately, with the other two-thirds vesting over the following two years.

The overall position is as follows:

September 2006 Award – Tranche 3

	Total awarded	Previously vested	Vested in the year	Sold	Shares retained	Remaining in trust	Date vested	Market price at vesting date
J Hutson	15,256	10,170	5,086	2,086	3,000	–	19/09/08	291.50p
P Harbottle	5,819	3,878	1,941	796	1,145	–	19/09/08	291.50p
S Cacioppo	6,711	4,474	2,237	918	1,319	–	19/09/08	291.50p

The market price of the shares awarded on 18 September 2006 was 457.40p.

September 2007 Award – Tranche 2

	Total awarded	Previously vested	Vested in the year	Sold	Shares retained	Remaining in trust	Date vested	Market price at vesting date
J Hutson	7,286	2,428	2,428	996	1,432	2,420	18/09/08	296.36p
K Down	15,686	–	15,686	15,686	–	–	18/09/08	296.36p
P Harbottle	2,925	975	975	400	575	975	18/09/08	296.36p
S Cacioppo	3,065	1,021	1,021	419	602	1,023	18/09/08	296.36p

The market price of the shares awarded on 17 September 2007 was 573.40p.

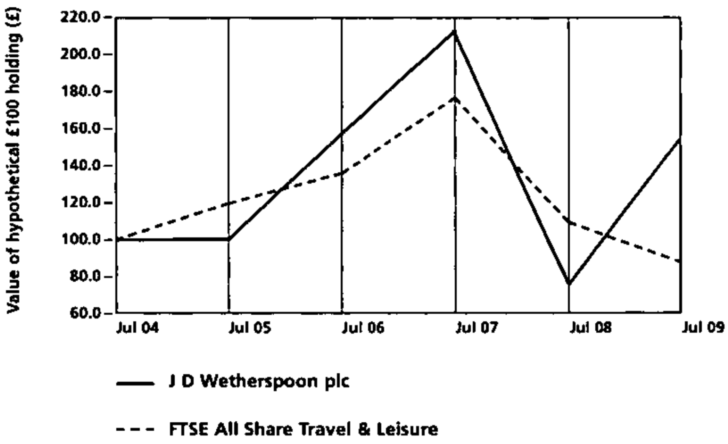
September 2008 Award – Tranche 1

	Total awarded	Vested in the year	Sold	Shares retained	Remaining in trust	Date vested	Market price at vesting date
J Hutson	97,729	32,576	32,576	–	65,153	18/09/08	296.36p
K Down	64,481	21,493	21,493	–	42,988	18/09/08	296.36p
P Harbottle	49,491	16,497	6,764	9,733	32,994	18/09/08	296.36p
S Cacioppo	43,220	14,406	5,907	8,499	28,814	18/09/08	296.36p

The market price of the shares awarded on 17 September 2008 was 279.15p.

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 2004, based on 30-trading-day average values



On behalf of the board:
Debra van Gene
Chair of the remuneration committee

11 September 2009

Corporate governance

Introduction
Effective governance is at the core of the company's ability to operate successfully in 731 pubs in England, Northern Ireland, Scotland and Wales. The company's established governance framework is overseen by the board of directors, which is ultimately responsible to the company's shareholders.

Statement of compliance
The company is committed to the highest standards of corporate governance, as set out in Section 1 of the Combined Code 2008 on Corporate Governance (the 'Code'). The board believes that the company has been compliant throughout the year ended 26 July 2009, with the following exceptions:

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

Following the appointment of two new executive directors in 2008, Paul Harbottle and Su Cacioppo, the number of independent non-executive directors did not equal that of the executives in the whole year under review. Sir Richard Beckett was appointed to the board on 23 April 2009. The board considers that the collective know-how and experience of the independent non-executive directors, during this period, provided a balanced mix of skills which matched the needs of the business and were sufficient to ensure proper governance of the company, which comprises an organically grown, single business, producing clear, transparent results. The board is mindful of its composition, and a recruitment process, led by the nomination committee, is under way to address the balance of executive and non-executive directors. This process is expected to be completed by the time of the next interim report.

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

John Herring continues in his role of senior independent director. In this role specifically, he is an additional contact point for shareholders, particularly where concerns of the shareholders are unable to be resolved through normal channels or when such channels would be inappropriate. In this role, he also monitors the performance of the chairman on behalf of the board.

Biographies of all non-executive and executive directors are provided on page 11 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. Formal evaluation of the board and individual members, together with appraisals, take place annually, conducted by the chairman and deputy chairman, with any training and development needs evaluated as part of the process. Site visits are arranged regularly to enable non-executive directors to see the operations of the business, at first hand.

All directors are provided with comprehensive papers in advance of all board meetings and regularly attend key meetings 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 opposite.

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 executive directors 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	Implementing and monitoring compliance with board policies
Management of chief executive's contract, appraisal and remuneration by way of making recommendations to the remuneration committee	Timely and accurate reporting of the above to the board
Providing support to executive directors and senior managers of the company	Recruiting and managing senior managers in the business
Providing the 'ethos' and 'vision' of the company	Developing and maintaining effective risk-management and regulatory controls
Providing operational presence across the estate	Maintaining primary relationships with shareholders and investors
	Chairing the management board responsible for implementing the company strategy

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

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

During the year ended 26 July 2009, 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 26 July 2009; attendance of the directors and non-executives, where appropriate, is shown below.

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

*Keith Down (in his role of finance director) and Su Cacioppo (in her role as personnel and legal director) attend audit committee meetings by invitation, to provide additional detail on any relevant matters.

Matters reserved for the board

The following matters are reserved for the board:

- Board and management
  - Structure and senior management responsibilities
  - Nomination of directors
  - Appointment of chairman and company secretary
- Strategic matters
  - Strategic, financing or adoption of new business plans, in respect of any material aspect of the company
- Business control
  - Agreement of code of ethics and business practice
  - Internal audit
  - Authority limits for heads of department
- Operating budgets
  - The entry into finance and operating leases of a certain capital value
  - Investments and capital projects exceeding set value
  - Changes in major supply contracts
- Finance
  - Raising new capital and confirmation of major facilities
  - Specific risk-management policies, including insurance, hedging and borrowing limits
  - Final approval of annual and interim accounts and accounting policies
  - Appointment of external auditors
- Legal matters
  - Consideration of regular reports on material issues relating to any litigation affecting the company
  - Institution of legal proceedings where costs exceed certain values
- Secretarial
  - Call of all shareholder meetings
  - Delegation of board powers
  - Disclosure of directors' interests
- General
  - Board framework of executive remuneration and costs
  - Any other matters not within the terms of reference of any committee of the board
  - Any other matter as determined from time to time by the board

Board committees

Audit committee

The committee is chaired by John Herring and includes Elizabeth McMeikan and Debra van Gene. Representatives of the company's external auditors, PricewaterhouseCoopers LLP, attend audit committee meetings at the half year and year end. Under the terms of the 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 the overseeing of the independent external auditors, including review of the external audit, its cost and effectiveness
- Reviews the scope and nature of the work to be performed by the external auditors, before audit commences
- Reviews the half-year and annual financial statements
- Ensures compliance with accounting standards
- Ensures compliance with Stock Exchange, legal and regulatory requirements
- Monitors the integrity of the financial statements and formal announcements relating to the financial performance of the company
- Considers the findings of the internal audit report and management's 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 £41,000 (2008: £42,000). The use of PricewaterhouseCoopers LLP for non-audit work is monitored regularly, to achieve the necessary independence and objectivity of the auditors.

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 includes John Herring, Elizabeth McMeikan and Sir Richard Beckett. The directors' report on remuneration is set out on pages 53 to 59. Under the terms of the Code, one of the members of the committee was not independent.

Nomination committee

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

During the year under review, the appointment process was followed, when Sir Richard Beckett was appointed.

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

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

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

- An 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

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

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

Internal control
During the year, the company and the board continued to support and invest in resources 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 accords 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 the retail units
- Monitoring systems which control the company 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, including a review of risks facing the business
- Risk-management process, identifying key risks facing the business (Company Risk Register)

The company has key controls, as follows:

- Clearly defined authority limits and controls over cash-handling, purchasing commitments and capital expenditure
- Comprehensive budgeting process, with a detailed 12-month operating plan and a mid-term financial plan, both approved by the board
- Business results are reported weekly (for key times), with a monthly comprehensive report in full and compared with budget
- Forecasts are prepared regularly throughout the year, for review by the board
- Complex treasury instruments are not used; decisions on treasury matters are reserved by the board
- 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

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

Keith Down
Company Secretary
11 September 2009

Information for shareholders

Ordinary shareholdings at 26 July 2009

Shares of 2p each	Number of shareholders	% of total shareholders	Number of shares	% of total shares held
Up to 2,500	4,585	87.66	2,264,302	1.63
2,501 to 10,000	335	6.40	1,522,356	1.10
10,001 to 250,000	247	4.72	14,579,741	10.49
250,001 to 500,000	25	0.48	8,549,884	6.15
500,001 to 1,000,000	20	0.38	15,147,963	10.90
Over 1,000,000	19	0.36	96,909,763	69.73
	5,231	**100**	**138,974,009**	**100**

Substantial shareholdings
In addition to certain of the directors' shareholdings set out on page 56, the company has been notified of the following substantial holdings in the share capital of the company at 11 September 2009:

	Number of ordinary shares	% of share capital
Schroders plc	15,010,247	10.80%
Old Mutual Asset Managers	6,985,700	5.03%
AEGON UK group of companies	5,173,599	3.72%

Share prices

27 July 2008	231.25p
Low	205.75p
High	486.00p
26 July 2009	450.00p

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

You will be able to:
- view all 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.

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

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

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

Notice of annual general meeting

This information is important and requires your immediate attention

If you are in any doubt 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 Wednesday 4 November 2009 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 26 July 2009.

2 To receive and approve the directors' remuneration report for the year ended 26 July 2009.

3 To re-elect John Hutson as a director.

4 To re-elect Elizabeth McMeikan as a director.

5 To re-elect John Herring as a director.

6 To elect Sir Richard Beckett as a director.

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

Special business
To consider and, if thought fit, to pass the following resolutions, in the case of the resolution numbered 8 as an ordinary resolution and, in the case of the resolutions numbered 9, 10, 11 and 12, as special resolutions.

8 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 £917,228; 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 £917,228 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 make an offer or agreement which would or might require Relevant Securities in pursuance of such offer or agreement as if this authority had not expired.

9 THAT:
(A) the articles of association of the company be amended by deleting all the provisions of the company's memorandum of association which, by virtue of section 28 of the Act, are to be treated as part of the company's articles of association;

(B) the articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the articles of association of the company in substitution for, and to the exclusion of, the existing articles of association.

10 THAT:
subject to the passing of resolution 8 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 8 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 8, 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;

(ii) otherwise than pursuant to sub-paragraph (i) above up to an aggregate nominal amount of £138,974, but the company may 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 8' were omitted.

11 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 20,832,203;

(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.

12 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

Keith Down
Company Secretary
11 September 2009

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 2 November 2009, 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 has such a right but 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 can 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 auditor's report and the conduct of the audit) that are 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 auditor 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 at 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 such answer need be given if (a) to do so would interfere unduly with the progress of 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:

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

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

(c) copies of the proposed new Articles of Association of the company and comparison documents showing all proposed changes.

11 Only those members registered in the register of members of the company as at 10am on 2 November 2009 (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.

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