J D Wetherspoon plc

Annual report and accounts 2006

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 calendar

Annual general meeting
8 November 2006

Final dividend for 2006
24 November 2006

Interim report for 2007
March 2007

Interim dividend for 2007
May 2007

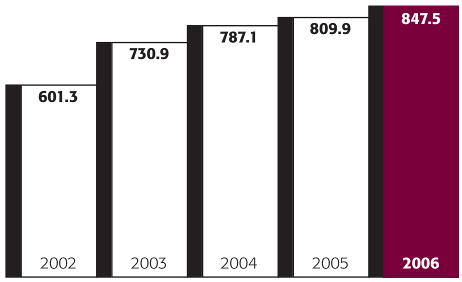
Year end
29 July 2007

Preliminary announcement for 2007
September 2007

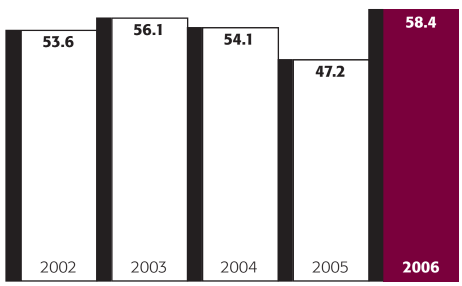
Report and accounts for 2007
October 2007

Financial highlights

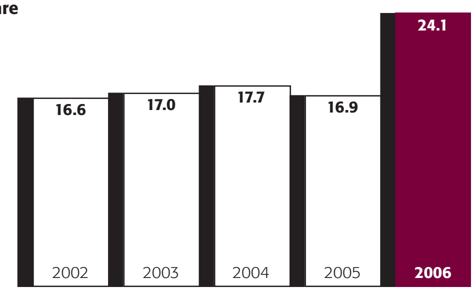
Revenue (£m)*



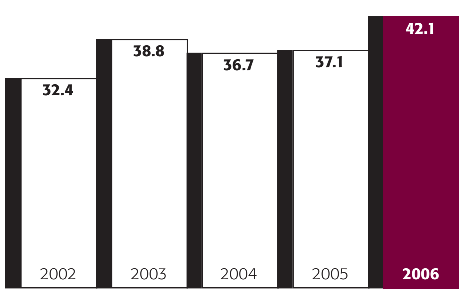
Profit before tax (excluding exceptionals) (£m)*



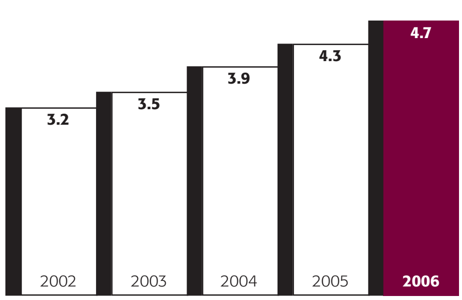
Earnings per share (excluding exceptionals) (pence)*



Free cash flow per share (pence)



Dividend per share (pence)



* Figures for 2005 have been restated to comply with IFRS, 2002–2004 are reported under UK GAAP.

Revenue up 5% to

£847.5m

Excluding 53 week: +2.5%

Operating margin**

9.9%

(2005: 8.8%)

Profit before tax up 24%** to

£58.4m

Excluding 53 week: +20%

Earnings per share up 43%** to

24.1p

Excluding 53 week: +38%

Free cash flow

£69.7m

(2005: £68.8m)

Free cash flow per share

42.1p

(2005: 37.1p)

Dividend per share increased by

10%

9 pubs opened, 7 sold, creating a total of

657

** Excluding exceptional items

Chairman's statement and operating review

I am pleased to report a year of good progress for the company. Sales for the year increased by £37.7 million to £847.5 million, a rise of 5% (+2.5%)*. Helped by good cost control, operating margins were 9.9%, compared with 8.8% in the previous year. Operating profit increased by 17% (+14%)* to £83.6 million, and profit before tax by 24% (+20%)* to £58.4 million. Earnings per share increased by 43% (+38%)* to 24.1p.

Net interest was covered 3.3 times (2005: 2.9 times) by operating profit. Free cash flow, after payments of tax, interest, share purchases under the company's share plans and capital investment of £20.8 million in existing pubs, increased by 1% to £69.7 million, resulting in free cash flow per share of 42.1p (2005: 37.1p).

Earnings per share increased by 43% to 24.1p…

We opened 9 pubs during the year, compared with 13 in the previous year. The total number of pubs now operated by the company is 657. Average sales per pub increased by 3% in the year under review, with like-for-like sales increasing by 2%. We intend to open about 15 pubs in the current year.

**Excluding the benefit from the 53rd week, with increases based on 2005 results, before exceptional items.*

Dividends

The board proposes, subject to shareholders' consent, to pay a final dividend of 3.1p per share on 24 November 2006 to those shareholders on the register on 27 October 2006, bringing the total dividend for the year to 4.7p per share, a 10% increase on the previous year.

Finance

The company had £116.6 million (2005: £53.1 million) of unutilised banking facilities and cash balances as at the balance sheet date, with total facilities of £472.2 million (2005: £387.2 million). The year's capital expenditure on new pub developments was more than covered by free cash flow. In the current financial year, any cash surplus the company generates, after capital expenditure and dividends, will be available for debt reduction, share buybacks or a combination of both.

Return of capital

During the year, 21,560,000 shares (representing approximately 12% of the issued share capital) were purchased by the company for cancellation, at a cost of £78.7 million, representing an average cost per share of 365p.

Further progress

The company continues to try to make improvements in every area of the business. In the 2006 Good Beer Guide published by CAMRA, 120 of the company's pubs received nominations – a greater number, we believe, than any other pub company.

The company has also made strenuous efforts, in recent years, to enhance its reputation as a 'responsible' retailer and in 2006, was named 'Responsible Drinks Retailer of the Year', by the trade publication the Morning Advertiser. Wetherspoon is the only substantial pub company which does not, for example, offer a discount for double measures of spirits; does not permit 2-for-1, or similar offers; offers food from 9am to 10pm, every day.

..in 2006 was named 'Responsible Drinks Retailer of the Year'...

In the area of training, Wetherspoon continues to lead the way in the UK pub industry. We have been nominated in several categories for the forthcoming Institute of Innkeeping awards, and 38 of our employees have recently graduated with a diploma in Leisure Retail Management from Nottingham Trent University. As well as concentrating on high standards of training, the Wetherspoon incentive system for pub employees spent £13 million in bonuses in the year under review, and purchased £3.5 million of our own shares for employees under our employee share plan scheme.

Wetherspoon is aware of its responsibilities to the environment and was one of three finalists in the National Recycling Awards for 2005. During the year, we recycled 2,300 tonnes of cardboard, 1,420 tonnes of cooking oil, 230 tonnes of paper, 70 tonnes of plastic and 27 tonnes of aluminium.

We have also been keen to promote the sales of non-alcoholic drinks in our pubs. A major push on coffee in the last 18 months, means that our UK coffee sales now approximately match those of Caffè Nero in volume and are about a quarter of those of Starbucks. We believe that we now have approximately 6 per cent of the UK 'chain' coffee market. In a similar area, Wetherspoon has pioneered the availability of breakfasts across all our pubs and now sells approximately 200,000 breakfasts per week.

Non-smoking

We continue to open non-smoking pubs and now have a total of 92, representing 14% of our estate. Wetherspoon has strongly supported the principle of pubs becoming non-smoking and is confident about the company's medium- and long-term prospects in this environment. Typically, however, the short-term effect of a change to non-smoking results in a drop in sales and profits.

We converted 17 pubs in England and Wales to non-smoking, in the first half of the period under review, and their sales declined by 6.5% (on a like-for-like basis) in the second half of the year. In the remainder of our non-smoking pubs in England and Wales, a like-for-like picture is difficult to quantify, as pubs were converted to non-smoking at different times during the previous 6 months. Overall, we believe that sales started to improve in those pubs after the initial 12 months, but remain below the levels of 2 years ago and represent a mixed picture.

In our 39 pubs in Scotland, like-for-like sales over the last quarter (May–July 2006), declined by 0.3%, and pub operating profits, before head office costs, declined by 11%.

Although the adjustment to a non-smoking environment can be difficult, the company is confident that the long-term benefits will outweigh the short-term issues.

In the area of training, Wetherspoon continues to lead the way in the UK pub industry…

Board changes

Suzanne Baker resigned from the board on 20 December 2005 after 13 years at the company, and we would like to thank her very much for her efforts.

The company would like to welcome Debra van Gene, who was appointed a non-executive director on 1 March 2006.

People

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

International Financial Reporting Standards (IFRS)

These accounts are the first accounts prepared under International Financial Reporting Standards (IFRS). This has involved restating the previous year and has significantly changed the layout of the financial accounts. A separate press release was issued in January 2006, restating the previous year's results under IFRS.

Current trading and outlook

The company has had an encouraging start to the new financial year, with continued sales improvements, combined with a tight grip on costs.

We continue with our efforts to improve the business and have, for example, recently introduced an enhanced range of bottled beers, wines and spirits and are about to introduce an upgraded menu. We continue to invest in our pubs, with plans to spend around £15m on a new cooling system for draught beers, designed to produce lower temperatures of dispense than are currently achieved by any major pub company.

In addition, we continue to invest heavily in repairs and improvements to our pubs and in head office and pub IT systems. The concentration on both investment and improvement in the business will help to put the company in a strong position for the smoking ban in England, Wales and Northern Ireland, expected in the course of the next year.

As a result of our strong cash flow and our dedicated management team, we remain confident of our prospects.

Tim Martin

Chairman

8 September 2006

Finance review for the 53 weeks ended 30 July 2006

Financial performance

The Chairman's statement and operating review on pages 2 to 4 outlines the company's overall strategy and covers a comprehensive review of the financial results for the year just ended. The overall performance in the year reflects an improving trend in underlying sales momentum, coupled with an increase in our net operating margin, due partly to an improvement in our gross margin percentage and the benefits of initiatives, in the previous financial year, on labour and other costs.

Business review

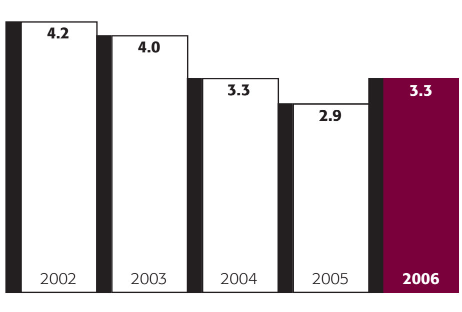
The key issues facing the company are covered in the Chairman's statement and operating review. The key performance indicators (KPIs) which the company uses to monitor its overall financial position can be summarised as follows:

- Like-for-like sales growth +2%*
- Like-for-like profit growth +5.9%*
- Average sales per pub week (including VAT) – record level at £29,000*
- Operating margin up from 8.8% to 9.9%
- Earnings per share up 43% to 24.1p
- Free cash flow £69.7m (2005: £68.8m)
- Free cash flow per share 42.1p (2005: 37.1p)
- Cash return on capital 11.9% (2005: 11.7%)
- Cash return on equity 14.7% (2005: 14.4%)

*Excluding the benefit from the 53rd week.

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

Interest cover



The KPIs applied by the business, in each of these areas, are as follows:

General standards

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

People

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

It is not appropriate, in the opinion of the directors, to report actual statistics on these indicators, owing to commercial sensitivity.

Finance costs

The net finance costs during the year increased from £24.3 million to £25.2 million. This increase is driven largely by the significant cash outflow with regard to the share buyback programme. The finance costs to the profit and loss account were covered 3.3 times, compared with 2.9 in the previous year. Fixed-charge cover (net finance costs and net rent) was 1.8 times (2005: 1.7 times). Fixed-charge cover (net finance costs and net rent), on a cash basis, was 2.3 times (2005: 2.3 times).

Taxation

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

As previously reported, the accounting standard on the provision for deferred taxation requires a full provision for future tax liabilities, excluding any potential future benefit from ongoing capital investment. This results in an overall tax charge of 31.7% (2005: 33.5%). The amount of corporation tax to be paid on the results for the year, is 30.9% (2005: 30.2% excluding exceptional items).

Shareholders' return

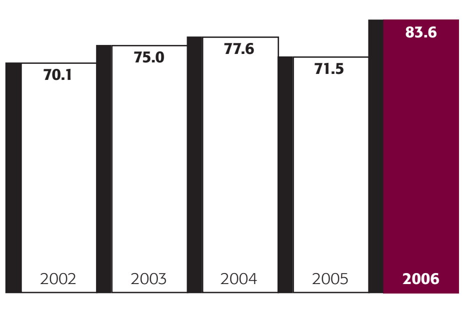
Earnings per share increased by 43% to 24.1p, with underlying free cash flow per share increasing by 13% to 42.1p.

The proposed final dividend of 3.1p per share, together with the interim dividend of 1.6p per share already paid, represents a 10% increase on the previous year. The total dividend per share will be covered 5.1 times by earnings per share, compared with 4.1 times in the previous year. The company has maintained its previous policy of regular increases in dividends, while maintaining sufficient cash to fund capital expenditure. Shareholders' funds at the year end were £201.6 million.

The company purchased £78.7 million of its own shares during the year. These transactions represented a share buyback and cancellation of 12% of the share capital in issue at the start of the financial year. The current share buyback programme has now been in place for four financial years, during which time the company has spent approximately £193m on buying in approximately 30% of the equity in place at the start of the programme.

The middle-market quotation of the company's ordinary shares at the end of the financial year was 445.0p. The highest price during the year was 446.0p, while the lowest was 275.5p. The company's market capitalisation at 30 July 2006 was £686 million.

Operating profit (£m)



Financial position

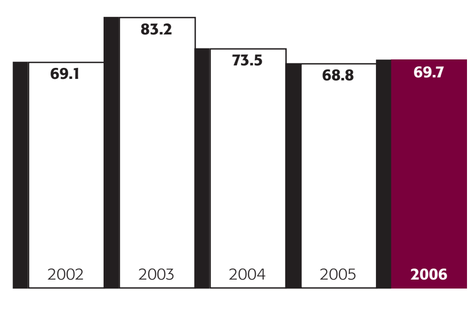
Net debt (excluding cash flow hedges) at the year end amounted to £355.6 million, representing a balance sheet gearing ratio of 176% (2005: 135%). Excluding the cumulative impact of the reduction in shareholders' funds, owing to deferred taxation, the underlying level of balance sheet gearing is 126%, which compares with the previous year's 101%.

At the balance sheet date, the company had £116.6 million of unutilised banking facilities and cash balances. This level of unused facilities, coupled with the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the company. The company restructured its UK banking facilities during the year. The facilities were increased to £385m (in addition to the $140m US private placement) and also introduced several of new banks into the facility. In addition, the underlying terms were improved and the maturity extended.

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.

Free cash flow (£m)



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

The company's policy, with regard to interest-rate risk, 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 over a total of £150 million of borrowings, covering a three-year period at an average rate of interest (excluding bank margin) of 6.46%. The board continues to explore current market opportunities in this area.

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

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

Risks and uncertainties facing the company

There have been several significant changes in the regulatory environment facing pub companies, in recent times; in particular, the introduction of the new licensing regulations in November 2005 – generally have been implemented without any disruption to our business. The overall financial impact is broadly neutral, with some modest sales benefit from extended hours being off set by minor increases in costs.

The other key issue is non-smoking, with a smoking ban having been implemented in Scotland on 26 March 2006. Overall sales in Scotland, since the ban, have been broadly in line with the same period a year ago, although profits have reduced, owing to the change in sales mix and some increase in operating costs. Our overall view is that it is too early to judge the final outcome with non-smoking in Scotland, until we have seen the impact over a winter period.

Non-smoking legislation is planned for England and Wales at some point in the summer of 2007. In the long run, this change is inevitable, in our view, and it is the company's view that the overall impact on our business will be minimal. In the short term, however, as customers get used to the new environment, there will undoubtedly be a period of uncertainty with regard to overall revenues and underlying profits.

International financial reporting standards

These accounts are the first accounts prepared under International Financial Reporting Standards (IFRS). This has involved restating the previous year and has significantly changed the layout of the financial accounts and changes in accounting policies. Details of accounting policy changes are referred to in note 27.

A separate press release was issued in January 2006 restating the previous years under IFRS; a full explanation of the impact on the current year is set out in note 27. These changes have no impact on the underlying cash flow of the company.

Jim Clarke
Finance Director
8 September 2006

Directors, officers and advisers

Tim Martin Chairman, aged 51

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 41

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.

Jim Clarke Finance Director and Company Secretary, aged 46

Jim joined the company and was appointed to the board in 1998, having previously worked for David Lloyd Leisure (a division of Whitbread plc) and HP Bulmer Holdings plc. He is a graduate of Stirling University and qualified as a chartered accountant in 1984.

John Herring Senior Non-Executive Director, aged 48

John was appointed to the board in 1997 and is chairman of the audit committee, the remuneration committee and the nomination committee. He is a non-executive director of Kensington Group plc and EAT plc and is a former director of Kleinwort Benson Securities Ltd.

Elizabeth McMeikan Non-Executive Director, aged 44

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

Debra van Gene Non-Executive Director, aged 51

Debra was appointed to the Board in March 2006 and is a member of the remuneration and nomination committees. After graduating from Oxford University, Debra spent the first seventeen years of her career in client service and general management, in top-twenty companies in the advertising industry. She was a board director of DMB&B and deputy managing director of Butterfield Day Devito Hockney. For the past eleven years, she has worked in the executive search industry. She was a partner at Heidrick & Struggles and now runs her own company, Debra van Gene Associates Ltd, of which she is managing director.

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

Registered Auditors

PricewaterhouseCoopers LLP

Solicitors

Macfarlanes

Bankers

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

Financial Advisers

Dresdner Kleinwort

Stockbrokers

Dresdner Kleinwort

The directors present their report and audited accounts for the 53 weeks ended 30 July 2006.

Principal activities and business review
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 7.

Results and dividends
The profit on ordinary activities for the period, after taxation, was £39,901,000.

On 24 November 2006, the company proposes to pay a final dividend for the period ended 30 July 2006 of 3.1p pence per share, to shareholders on the share register as at the close of business on 27 October 2006. Together with the interim dividend of 1.6p per share paid on 26 May 2006, this brings the total dividend for the year to 4.7p per share.

Return of capital
At the annual general meeting of the company, held on 10 November 2005, the company was given authority to make market purchases of up to 25,931,578 of its own shares. During the period to 30 July 2006, a total of 21,560,000 shares (including 3,925,000 purchased before 2005 AGM) have been purchased at an average cost of 365p per share. As at 30 July 2006, the authority given to the company at the last annual general meeting remained outstanding in relation to 8,296,578 shares. As a result of the share buyback programme, the company expects earnings per share to be enhanced, in both the current and future years.

Directors
The directors listed on page 8 served throughout the financial year, with the exception of Ms van Gene, who was appointed during the year. Mrs Baker resigned as a director of the company on 20 December 2005; Mr Jervis resigned as a director of the company on 10 November 2005. Mr Martin and Mr Herring retire by rotation and offer themselves for re-election. In addition, Ms van Gene will also offer herself for re-election, in accordance with the company's articles of association. 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 12 to 16.

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

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

Company's shareholders
Details of the company's shareholders, including those beneficial interests notified to the company as accounting for over 3% of the issued share capital, are given on page 46.

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

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the 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 Web site. It is stated clearly on the Web site that information published on the Internet is accessible in many countries and that legislation in the United Kingdom, governing the preparation and dissemination of financial information, may differ from that in other jurisdictions.

Going concern
The directors have made enquiries into the adequacy of the company's financial resources, through a review of the company budget and medium-term financial plan, including capital

expenditure plans and cash flow forecasts, and have satisfied themselves that the company will continue in operational existence for the foreseeable future. This is based on reviewing the detailed profit and cash flow plans for the relevant period. For this reason, they continue to adopt the going-concern basis, in preparing the company's financial statements.

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

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

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

A heavy emphasis is placed on training programmes for all levels of staff; this highlights the importance placed by the company on providing 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 & conditions and of employment personnel & 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, monthly videos 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 46 (2005: 45) days' purchases.

Political and charitable contributions
Contributions made by the company during the year, for charitable purposes, were £44,127 (2005: £27,537). No political contributions were made.

Business at the annual general meeting
On pages 47 and 48 is a notice convening the annual general meeting of the company for 8 November 2006, at which shareholders will be asked, as items of special business, to give power to the directors to allot shares, to give power to the directors to disapply the pre-emption requirements of section 89 of the Companies Act 1985 and to give power to the directors to make market purchases of ordinary shares in the capital of the company, subject to certain conditions. The notice also sets out details of the ordinary business to be conducted at the annual general meeting.

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 12 to 16.

Re-election of Mr Martin, Mr Herring and Ms van Gene 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 8. The re-election resolutions are set out as resolutions 4 to 6 in the notice of annual general meeting.

Re-appointment of PricewaterhouseCoopers LLP as auditors
Resolution 7, set out in the notice of annual general meeting, proposes that PricewaterhouseCoopers LLP should be reappointed as the company's auditors and authorises the directors to determine their remuneration.

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 8 November 2006.

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 80 of the Companies Act 1985) to allot ordinary shares in the capital of the company, up to a maximum nominal amount of £1,015,000, being approximately 33% of the nominal value of the ordinary shares currently in issue. The company does not currently hold any shares in treasury. The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of the passing of the resolution or the conclusion of the annual general meeting held to approve the report and accounts for the year ending 29 July 2007.

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.

Disapplication of pre-emption rights

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

The existing 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 9, as set out in the notice of annual general meeting, will be proposed as a special resolution to permit directors to allot shares without the application of these statutory pre-emption rights, first, in relation to rights issues and, secondly, in relation to the issue of ordinary shares in the capital of the company for cash up to a maximum aggregate nominal amount of £153,000 (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 of the resolution or the conclusion of the annual general meeting held to approve the report and accounts for the year ending 29 July 2007.

Repurchase 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 for cancellation. Accordingly, resolution 10 will be proposed as a special resolution to authorise the company to make market purchases of up to 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 the five business days before each purchase (exclusive of expenses). The authority will last until the earlier of 30 April 2007 or 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 8 September 2006, there were outstanding options over 2,829,940 ordinary shares, representing 1.8% of the company's issued ordinary share capital. If the authority under resolution 10 were to be exercised in full, this percentage would increase to 2.2%.

By order of the board

Jim Clarke
Company Secretary
8 September 2006

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2006, 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 8 November 2006.

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

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

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

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

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

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

■ Annual performance-related payments
It is the policy of the company to operate bonus arrangements, at all levels of staff, which are performance-related, the primary performance measures being profitability and operating standards. The executive directors participate in a management bonus scheme, designed to incentivise senior management in the achievement of financial and personal targets. The financial targets are based on annual growth in profits before tax. The maximum bonus attainable under normal circumstances represents 35% of year-end salary. The executive directors also receive bonuses in shares under the Share Incentive Plan and the 2005 Deferred Bonus Scheme as described further 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 and, in particular, those employees who have direct interface with the public. There are no specific share option arrangements for directors, although the company allows executive directors, with the exception of the chairman, to participate in the Share Incentive Plan and the 2005 Deferred Bonus Scheme. In the past, discretionary grants of share options have been extended to all employees, including directors, satisfying certain eligibility criteria. These arrangements have been largely replaced by the new Share Incentive Plan and the 2005 Deferred Bonus Scheme described below. Details about the participation of each of the executive directors in each of the above schemes can be found on page 15.

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

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

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

The All-Employee Share Option Plan (AESOP) has been operated to grant modest levels of options to all staff meeting certain eligibility criteria. As such, there are no performance conditions attached to the exercise of an option under it. It is not currently intended to grant any further options under this plan.

The company has monitored the debate on the question of share options and, in particular, both the dilutive impact on existing shareholders and the desire to create real employee shareholders, rather than simply option-holders. As a result, it has been decided not to issue any further options in the foreseeable future (other than those which may be granted in recruitment situations under the 2001 scheme). The company established a new Share Incentive Plan (incorporating an Inland Revenue-approved element), with effect from 1 August 2003, as a replacement for any new share option issues. This plan is an 'all-employee plan', providing qualifying employees, including executive directors (normally those who have given at least 18 months' service), with bonuses in the form of shares in the company twice each year. The value of shares to be awarded will have regard to performance over the preceding half year; it is intended that awards made on any occasion will be up to 25% of annual salary. For awards made in September 2005 and March 2006, awards were between 5% and 20% of salary. Shares will not vest for three years under this plan, and the cost of the shares will be reflected in the company's profit and loss account for financial years over the period in which they vest.

2005 Deferred Bonus Scheme

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

Under the scheme, the remuneration committee will set performance targets each year, based on the financial performance of the company. For the financial year ended on 30 July 2006, the bonus awards are based on the increase in cash profits per share over the previous financial year. Participants will be entitled to an amount equal to 2% of their annual base salary for every 1% increase in cash profits per share. The company has, over recent years, focused on cash profits as a key performance measurement and believes that linking the incentives for senior managers to the growth in cash profits will align the interests of shareholders generally with executives within the company. It is envisaged that the maximum bonus to be earned under this scheme would be capped at 100% of annual base salary.

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

It is envisaged that all shares required under the scheme will be 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, fuel, life assurance and private medical insurance.

Chairman and directors' service contracts

The chairman and executive directors are employed on rolling contracts, requiring the company to give one year's notice of termination, while the director may give six months' notice (chairman may give twelve 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 is in accordance with best industry practice. The commencement dates for the service contracts were as follows:

Tim Martin	–	20 October 1992
John Hutson	–	2 February 1998
Jim Clarke	–	2 March 1998

Non-executive directors

The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2005, with terms of 12 months. The only exception is Debra van Gene, who was appointed on 1 March 2006, 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.

Directors' remuneration

Audited information:

The table below shows a breakdown of the various elements of directors' remuneration for the year ended 30 July 2006.

	Salary/fees	Performance bonus – cash	Share Incentive Plan – shares	2005 Deferred Bonus Scheme – Shares	Taxable benefits	Taxable allowances	Pension contributions	**Total 2006 £000**	Total 2005 £000
Chairman									
T R Martin	283	85	–	–	18	–	–	**386**	206
Executive directors									
J Hutson	291	87	57	70	1	16	35	**557**	407
J Clarke	198	59	39	47	1	14	28	**386**	282
S Baker (1) (5)	68	–	16	–	–	6	5	**95**	229
Non-executive directors									
J Herring	93	–	–	–	–	–	–	**93**	90
E McMeikan	31	–	–	–	–	–	–	**31**	10
D van Gene (2)	13	–	–	–	–	–	–	**13**	–
B R Jervis (3)	8	–	–	–	–	–	–	**8**	30
A C Lowrie (4)	–	–	–	–	–	–	–	**–**	20
Total	**985**	**231**	**112**	**117**	**20**	**36**	**68**	**1,569**	**–**
2005	973	64	118	–	9	44	66	–	1,274

(1) Resigned 20/12/05
(2) Appointed 01/03/06
(3) Resigned 10/11/05
(4) Resigned 23/03/05

(5) Mrs Baker ceased to be a director on 20 December 2005. In addition to the basic salary above, Mrs Baker received a payment of £194,000 in respect of compensation for loss of office, together with a company pension contribution of £20,000 to bring her total emoluments for the year ended 30 July 2006 to £309,000.

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

The performance bonus in the table includes the value of bonuses paid in shares under the company's Share Incentive Plan and 2005 Deferred Bonus Scheme (described above), which are subject to forfeiture on cessation of employment, in certain circumstances. These shares are also included in the relevant director's interest shown in the table below.

The amount included with respect to the Share Incentive Plan reflects the value of the shares issued to the directors during the year. The amount included under the 2005 Deferred Bonus Scheme reflects the cash value of shares which will be issued to the directors in September 2006 and will vest as set out in the notes above.

Directors' interests in shares

Non-audited information:

The interests of the directors in the shares of the company, as at 30 July 2006, were as follows:

Ordinary shares of 2p each, held beneficially	**2006**	2005
T R Martin	**32,622,807**	32,997,807
J Hutson	**78,693**	84,693
J Hutson – Share Incentive Plan	**44,222**	26,961
J Clarke	**13,489**	13,489
J Clarke – Share Incentive Plan	**30,602**	18,889
J Herring	**6,000**	6,000
E McMeikan	**–**	–
D van Gene	**–**	–

There have not been any changes to these interests since 30 July 2006.

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:

	24 July 2005	Options exercised	Options lapsed	**30 July 2006**	Exercise price	Exercisable date	Expiry date	Scheme (see below)
J Hutson	50,000	(50,000) (a)	–	**–**	127.2p	16/11/98	16/11/05	ESOP
	49,750	–	–	**49,750**	244.2p	03/01/00	03/01/07	ESOP
	10,000	–	–	**10,000**	237.0p	10/04/00	10/04/07	ESOP
	40,000	–	–	**40,000**	299.0p	05/10/00	05/10/07	ESOP
	49,000	–	–	**49,000**	326.0p	16/04/01	16/04/08	ESOP
	14,000	(14,000) (b)	–	**–**	167.0p	25/10/01	25/10/08	ESOP
	2,500	–	–	**2,500**	268.0p	20/04/02	20/04/09	NDSO
	400	–	–	**400**	333.8p	09/09/02	09/09/09	NDSO
	25,420	–	–	**25,420**	356.5p	07/03/03	07/03/10	NDSO
	12,465	–	–	**12,465**	361.0p	15/09/03	15/09/10	NDSO
	6,750	–	–	**6,750**	343.6p	14/03/04	14/03/11	NDSO
	8,500	–	–	**8,500**	339.0p	12/09/04	12/09/11	NDSO
	20,000	–	–	**20,000**	301.5p	09/09/05	09/09/12	2001 scheme
J Clarke	107,362	–	–	**107,362**	326.0p	16/04/01	16/04/08	ESOP
	23,000	–	–	**23,000**	167.0p	25/10/01	25/10/08	ESOP
	2,500	–	–	**2,500**	268.0p	20/04/02	20/04/09	ESOP
	400	–	–	**400**	333.8p	09/09/02	09/09/09	NDSO
	11,230	–	–	**11,230**	356.5p	07/03/03	07/03/10	NDSO
	6,371	–	–	**6,371**	361.0p	15/09/03	15/09/10	NDSO
	3,450	–	–	**3,450**	343.6p	14/03/04	14/03/11	NDSO
	8,500	–	–	**8,500**	339.0p	12/09/04	12/09/11	NDSO
	17,000	–	–	**17,000**	301.5p	09/09/05	09/09/12	2001 scheme

ESOP – Executive Share Option Scheme
NDSO – New Discretionary Share Option Scheme
2001 – 2001 executive share option scheme
(a) Mr J Hutson exercised this option during the year for a gain of £82,650. The market price on the date of exercising the option was 293.0p.
(b) Mr J Hutson exercised this option during the year for a gain of £17,570. The market price on the date of exercising the option was 293.0p.
(c) Mrs S Baker, who left office during the year exercised options on 50,000 shares on 16/11/05 for a gain of £89,525 and was permitted to exercise outstanding options following her departure for a gain of £180,324. The market price on the date of exercising the options was 395.0p.

Interests in the schemes which vested during the year were as follows:

	Number	Date awarded	Market price at award date	Market price at vesting date	Scheme
J Hutson	20,000	09/09/02	301.5p	291.0p	2001 Scheme
J Clarke	17,000	09/09/02	301.5p	291.0p	2001 Scheme

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 46.

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 15, the following awards have been made of shares under the Share Incentive Plan during the year:

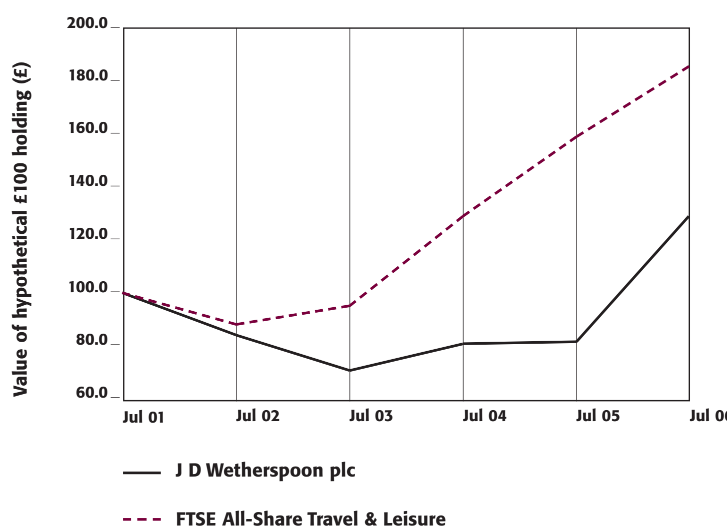
	Number of shares awarded in the year and still subject to awards at 30/07/06	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	9,539	30/09/05	293.5p	30/09/08
	7,722	31/03/06	374.7p	31/03/09
J Clarke	6,473	30/09/05	293.5p	30/09/08
	5,240	31/03/06	374.7p	31/03/09

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

	Number of shares awarded in the year and still subject to awards at 30/07/06	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	6,089	26/03/04	303.0p	26/03/07
	10,120	08/10/04	247.0p	08/10/07
	10,752	30/03/05	255.7p	30/03/08
J Clarke	4,334	26/03/04	303.0p	26/03/07
	7,205	08/10/04	247.0p	08/10/07
	7,350	30/03/05	255.7p	30/03/08

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 27 July 2001, based on 30 trading day average values



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

8 September 2006

Corporate social responsibility report

Supporting the people, communities and business around us

Corporate Social Responsibility (CSR) is evolving within J D Wetherspoon to become part of the day-to-day culture. Reinforced by regular meetings chaired by the commercial director, J D Wetherspoon actively fosters the preservation and protection of the environment, while recognising the wider social responsibility carried by our business, throughout our commercial and operational activities.

J D Wetherspoon's influence on the local community is strong, as such, this influence carries a level of responsibility which we take very seriously. Over the past twelve months, we have gained recognition from both national and local organisations, in several areas relating to the environment and our corporate responsibilities.

Examples of awards received in 2006 include:

- Winner of the 2005 Responsible Drinks Retailing Award, sponsored by the Morning Advertiser. This award recognises companies which have made a significant contribution towards the Alcohol Harm Reduction Strategy introduced by the government in 2004. J D Wetherspoon won this award in 2005 for its approach towards timed drinking offers and the responsible selling of alcohol.
- Age Positive Employer Champion 2005. We are the first pub company to be recognised, by the Department of Work and Pensions, for employing a mix-age workforce. The award is designed to promote the benefits of employing those of all ages and tackle age discrimination in the work place.
- Winner of the Menu Masters 2005 kids' category, sponsored by the Food Development Association (FDA). J D Wetherspoon won this award in 2005 for the quality, range and nutritional value of its children's menu.
- Runner-up in the National Recycling Awards 2005. In the category of best retailer initiative, J D Wetherspoon was recognised and highly commended for the recycling initiative at our national distribution centre based in Daventry.

It is the policy of the company to:

- minimise the extent of the environmental impact of its operations, as far as is reasonably practicable.
- strive to minimise any emissions or effluent which may cause environmental damage.
- 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 to other disposal sites.
- raise awareness of environmental issues among all of its employees and suppliers/partners.
- ethically source products, with an understanding of the environmental impact at the place of origin.
- minimise the environmental impact of transport, by ensuring that maximum use is made of our fleet of delivery vehicles, by collecting products from our suppliers, wherever possible.

J D Wetherspoon has ensured that significant progress continues to be made across all of previously listed areas. Initiatives in progress include:

- The Green Pub – the development of a pub is planned in Melton Mowbray, to be completed by the end of 2007. This pub, which is a new-build, has been designed and will incorporate all of the available technological features and designs to minimise the environmental impact on the planet. The aim will be for this pub to consume 50% less energy than similar pubs of its size.
- Organic milk, free-range eggs, 100% British beef burgers and locally sourced regional dishes have all been added to J D Wetherspoon's menu over recent years.
- In 2005, several J D Wetherspoon pubs were surveyed by the Carbon Trust. These surveys identified a series of energy-saving opportunities, all of which will be implemented during autumn 2006.
- A water-management system introduced into the urinals at our pubs has reduced overall water consumption by 20%.
- Pub recycling – in 2005/2006, J D Wetherspoon was able to recycle:
  – 1,420 tonnes of used cooking oil.
  – 2,300 tonnes of cardboard.
  – 27 tonnes of aluminium.
  – 70 tonnes of plastic.
  – 230 tonnes of paper.

Over the next twelve months, this will be extended to include ink cartridges and glass.

J D Wetherspoon remains committed to its nominated charity CLIC Sargent. Since its association with this charity, J D Wetherspoon has raised £1,330,591.36. Over the past twelve months, we have raised £425,646.68 that has been included in this total.

The environmental policy is reviewed at least annually by the board of directors, so as to ensure that it reflects the needs of the business and addresses all current and relevant environmental issues. For the sixth consecutive year, J D Wetherspoon has been included in the FTSE4Good Index, designed to identify those companies with good records in corporate social responsibility. The main selection criteria cover three areas:

- Working towards environmental sustainability
- Developing positive relationships with stakeholders
- Upholding and supporting Universal Human Rights

Corporate governance

Statement of compliance
The company is committed to the highest standards of corporate governance, as set out in Section 1 of the Combined Code. The board believes that the company has been fully compliant throughout the year ended 30 July 2006, with the exception of the following:

■ Only two non-executive directors presently serve on the audit committee and one is considered non-independent under the code. The company has recruited two new independent non-executive directors over the last 18 months to complement the current board structure.

■ Although the non-executive deputy chairman is considered to be non-independent under the code, owing to the length of service, the board considers that the benefits and experience John Herring brings to the company outweighs any technical issue with regard to non-independence.

The board of directors
The primary responsibility of the board is to ensure that the strategy for J D Wetherspoon's business is appropriate and implemented effectively. The matters which are reserved to the board and the authorities delegated to management are contained within the matters reserved for the board schedule, as well as within 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
■ Jim Clarke, finance director and company secretary
■ John Herring, non-executive deputy chairman and senior director
■ Elizabeth McMeikan, non-executive director
■ Debra van Gene, non-executive director

Suzanne Baker resigned from the board on 20 December 2005; Brian Jervis resigned from the board on 10 November 2005. Debra van Gene was appointed to the board on 1 March 2006.

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

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

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

Chairman's responsibility	Chief executive's responsibility
Delegated responsibility of authority to exchange contracts on behalf of the company	Develop and maintain effective management controls, planning and performance measurements
Provide support, advice and feedback to the chief executive	Develop and maintain an effective organisational structure
Support the company strategy and encourage the chief executive with development of the strategy	External and internal communications, in conjunction with the chairman, on any issues facing the company
Maintain relations with investors	Implement and monitor compliance with board policies
Chair general meetings, board meetings, operational meetings and agree board agendas	Timely and accurate reporting of the above to the board
Manage chief executive's contract, appraisal and remuneration by way of making recommendations to the remuneration committee	Recruit and manage senior managers within the business
Provide support to executive directors and senior managers of the company	Develop and maintain effective risk management and regulatory controls
Provide the 'ethos' and 'vision' of the company	Maintain primary relationships with shareholders
Provide operational presence across the estate	Chair the management board responsible for implementing the company strategy

Information is normally furnished to all board members in the week before a board meeting, to enable the directors to consider the issues for discussion and to request clarification or additional information.

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 30 July 2006, non-executive directors met without the chairman to consider his performance and provided feedback to the chairman following their meetings.

In accordance with the Combined Code and corporate governance best practice, the board has several established committees as set out below. The board met seven times during the year ended 30 July 2006, with the attendance of the directors and non-executives, where appropriate, shown below.

Number of meetings held in the year	Board 7	Audit 3	Remuneration 1	Nomination 1
Tim Martin	6	n/a	n/a	n/a
John Hutson	7	n/a	n/a	n/a
Jim Clarke	7	3*	n/a	n/a
John Herring	7	3	1	1
Elizabeth McMeikan	5	3	1	1
Debra van Gene	2	n/a	–	–

*Jim Clarke, in his role of finance director, attends audit committee meetings by invitation, to provide additional detail on any relevant financial matters.

Matters reserved for the board
The following matters are reserved for the board:

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

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

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

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

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

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

Secretarial
- Call of all shareholders' 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. 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 two members of the committee was not independent and the further third position is acknowledged as being vacant.

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

- The scope and nature of the work to be performed by the external auditors, before the audit commenced
- A full review of the half-year and annual financial statements
- Compliance with accounting standards
- Compliance with stock exchange, legal and regulatory requirements
- The integrity of the financial statements and formal announcements, relating to the financial performance of the company
- The findings of the internal audit report and management responses at the half year and year end

■ The effectiveness of internal control systems
■ Final review of the company's statement on internal control systems, before endorsement by the board
■ Any aspect of the accounts or the company's control and audit procedures, the interim and final audits and any other matters the auditor may consider
■ Ensuring that all matters, if appropriate, were raised and brought to the attention of the board
■ 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. The audit committee chairman, John Herring, is available at the annual general meeting of the company, to answer questions on financial control and reporting.

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

Particular attention is paid to the engagement of the company's auditors on non-audit work. For several years, the company has separated the provision of taxation compliance from the provision of audit services.

Remuneration committee

The company remuneration committee is chaired by John Herring and comprises Debra van Gene and Elizabeth McMeikan. The directors' report on remuneration is set out on pages 12 to 16. Under the terms of the code, one of the three members of the committee was not independent.

Nomination committee

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

The process which led to the appointment of Debra van Gene as a non-executive director was led by the chairman of the nomination committee.

Company secretary

All directors have access to the advice of the company secretary, who is 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:

■ The 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 notified to the board by the company secretary, as and when required
■ The company secretary maintains 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, Jim Clarke, chairs the company risk management committee, comprising senior management within the business. The committee meets four times a year and reports twice yearly to the audit committee. The key function of the committee is set out below.

■ To review on behalf of the company and the board the key risks which have an impact on the business and systems of control necessary to manage such risks
■ Maintain a risk register for each area of the business and review quarterly
■ Review the effectiveness of the company's risk-management process
■ Report to the board twice yearly and as necessary any identified risk and mitigation plans implemented

Internal control

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

The company has an internal audit function which is discharged as follows:
■ Adequate regular audits of the company stock
■ Unannounced visits to the retail units
■ Monitoring systems which control the company cash

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

The directors confirm that they have reviewed the effectiveness of the system of internal control.

We have audited the financial statements of J D Wetherspoon plc for the 53 week period ended 30 July 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in Chairman's Statement and operating review and the Finance review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

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

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

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

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 July 2006 and of its profit and cash flows for the period then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
8 September 2006

Income statement for the 53 weeks ended 30 July 2006

	Notes	**53 weeks ended 30 July 2006 Total £000**	52 weeks ended 24 July 2005 Before exceptional items £000	52 weeks ended 24 July 2005 Exceptional items (note 5) £000	52 weeks ended 24 July 2005 After exceptional items £000
Revenue	3	**847,516**	809,861	–	809,861
Operating costs		**(763,900)**	(738,355)	(7,380)	(745,735)
Operating profit	4	**83,616**	71,506	(7,380)	64,126
Net finance costs	7	**(25,228)**	(24,329)	–	(24,329)
Profit before tax		**58,388**	47,177	(7,380)	39,797
Tax expense	8	**(18,487)**	(15,787)	1,920	(13,867)
Profit for the year		**39,901**	31,390	(5,460)	25,930
Earnings per share (pence)	9				
Earnings per ordinary share		**24.1**	16.9		14.0
Fully diluted earnings per share		**24.0**	16.9		14.0

All activities relate to continuing operations.

Statement of recognised income and expense for the 53 weeks ended 30 July 2006

	Notes	**53 weeks ended 30 July 2006 £000**	52 weeks ended 24 July 2005 £000
Cash flow hedges: gain taken to equity		**4,871**	–
Tax on items taken directly to equity	8	**(1,462)**	–
Net gain recognised directly in equity		**3,409**	–
Profit for the year		**39,901**	25,930
Total recognised income for the year		**43,310**	25,930

Cash flow statement for the 53 weeks ended 30 July 2006

	Notes	**53 weeks ended 30 July 2006 £000**	**53 weeks ended 30 July 2006 £000**	52 weeks ended 24 July 2005 £000	52 weeks ended 24 July 2005 £000
Cash flows from operating activities					
Cash generated from operations	10	**133,366**	**133,366**	123,460	123,460
Interest received		**290**	**290**	3,598	43
Interest paid		**(23,441)**	**(23,441)**	(24,108)	(24,108)
Refinancing cost paid		**(1,412)**	**(1,412)**	–	–
Corporation tax paid		**(14,812)**	**(14,812)**	(12,632)	(12,632)
Purchase of own shares for Share Incentive Plan		**(3,469)**	**(3,469)**	(3,816)	(3,816)
Net cash inflow from operating activities		**90,522**	**90,522**	86,502	82,947
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets for existing pubs		**(20,810)**	**(20,810)**	(14,173)	(14,173)
Proceeds of sale of property, plant and equipment		**4,645**		8,547	
Investment in new pubs and pub extensions		**(16,766)**		(24,495)	
Net cash out flow from investing activities		**(32,931)**		(30,121)	
Cash flows from financing activities					
Equity dividends paid	12	**(7,367)**		(7,520)	
Issue of ordinary shares		**6,974**		271	
Purchase of own shares		**(78,683)**		(45,718)	
Advances under bank loans		**304,504**		29,999	
Repayments under bank loans		**(280,000)**		(25,000)	
Net cash outflow from financing activities		**(54,572)**		(47,968)	
Net increase in cash and cash equivalents	11	**3,019**		8,413	
Opening cash and cash equivalents		**18,073**		9,660	
Closing cash and cash equivalents		**21,092**		18,073	
Free cash flow	9		**69,712**		68,774
Free cash flow per ordinary share	9		**42.1p**		37.1p

Balance sheet as at 30 July 2006

	Notes	2006 £000	2005 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**743,826**	753,370
Intangible assets	14	**2,858**	3,156
Other non-current assets	15	**10,004**	8,674
Total non-current assets		**756,688**	765,200
Current assets			
Inventories	16	**13,688**	12,777
Trade and other receivables	17	**10,027**	12,195
Cash and cash equivalents	18	**21,092**	18,073
Total current assets		**44,807**	43,045
Assets held for sale		**2,431**	1,691
Total assets		**803,926**	809,936
Liabilities			
Current liabilities			
Trade and other payables	19	**(118,130)**	(113,158)
Financial liabilities	20	**–**	(25,000)
Current income tax liabilities		**(10,809)**	(7,556)
Total current liabilities		**(128,939)**	(145,714)
Non-current liabilities			
Financial liabilities	20	**(368,717)**	(319,518)
Other financial liability	21	**–**	(7,700)
Derivative financial instruments	21	**(15,156)**	–
Deferred tax liabilities	8	**(82,958)**	(83,211)
Provisions and other liabilities	23	**(6,581)**	(7,048)
Total non-current liabilities		**(473,412)**	(417,477)
Net assets		**201,575**	246,745
Shareholders' equity			
Ordinary shares	24	**3,076**	3,458
Share premium account	25	**135,532**	128,607
Capital redemption reserve	25	**1,305**	874
Retained earnings	25	**61,662**	113,806
Total shareholders' equity	25	**201,575**	246,745

The financial statements on pages 22 to 44 were approved by the board on 8 September 2006 and signed on its behalf by:

John Hutson
Jim Clarke
Directors

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 30 July 2006 were authorised for issue by the board of directors on 8 September 2006; the balance sheet was signed on the board's behalf by J Hutson and J Clarke. 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 under the historical cost convention, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

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

Segmental reporting

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 July 2006.

Property, plant and equipment

As permitted by IFRS 1, the Company has elected to use the UK GAAP revaluations before the date of transition to IFRS as deemed cost at the date of transition. Property, plant and equipment are stated at cost or deemed cost at transition to IFRS, 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 and long leasehold property are depreciated to their estimated residual values over periods up to 50 years.

Renovations of properties already trading, fixtures and fittings and computer equipment are depreciated at rates of 10%–33% per annum.

Depreciation commences when the relevant public house begins trading.

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

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

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

Intangible assets

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

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

Computer software – 3 years

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

Inventories

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

Provisions

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

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

Exceptional items

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

Revenue recognition

Generally, 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 principally derived from the sale of goods (drink and food sales: recognised at the point at which the goods are provided) and the rendering of services (machine income: net takings recognised as earned or received).

Leases

Leases where the lessor retains substantially all 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 are recognised as a reduction of rental income over the lease term.

Lease premiums

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

Borrowing costs

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

Income taxes

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

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

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

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

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

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

Financial instruments

As explained in note 27 the Company has not restated comparative amounts on first applying IAS 32 and IAS 39, as permitted in paragraph 36A of IFRS 1.

Derivative financial instruments

Derivative financial instruments used by the Company are stated at fair value on initial recognition and at subsequent balance sheet dates. Hedges are classified as cash flow hedges, where they hedge exposure to variability in cash flows, which is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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 the hedge is expected to be highly effective.

Cash flow hedges

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 profit or loss. 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 profit or loss. If the hedging instrument expires or is sold, terminated or exercised, without replacement or rollover, 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 profit or loss.

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, with gains and losses from both taken to profit or loss. 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.

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

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

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

Borrowings
Borrowings are initially recognised at fair value of the consideration received, net of any directly associated 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 using the effective interest method.

Foreign currencies
Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of transactions. 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 defined contribution schemes are recognised in the income statement in the period in which they become payable.

Critical accounting estimates and judgements
The preparation of financial statements under IFRS requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors including expectations of future events that 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.

Further details are set out in each relevant accounting policies and detailed notes to the financial statements.

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

Share-based payments
The Company has an employee Share Incentive Plan, which awards shares to qualifying employees based on the reported profits of the Company for the year, and a Deferred Bonus Scheme which awards shares to directors and senior managers, subject to specific performance criteria.

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

No expense is recognised for awards which do not ultimately vest, except for awards where vesting is conditional on a market condition; these are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and is the management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments which will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting, as described above. 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, and any cost not yet recognised in the income statement for the award is expensed 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 issued by the IASB not effective for the current period and not adopted by the Company
The following standards and interpretations issued by the IASB, become effective after the current year end and have not been early adopted by the Company:

International Accounting Standards (IAS/IFRS)		Effective date, periods commencing
IFRS 1	Amendment relating to IFRS 6 – Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 4	Insurance Contracts (Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts)	1 January 2006
IFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 6	Amendment relating to IFRS 6 – Exploration for and Evaluation of Mineral Resources	1 January 2006
IFRS 7	Financial Instruments: Disclosures*	1 January 2007
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 19	Amendment to IAS 19 – Employee Benefits Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 21	Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates, Net Investment in a Foreign Operation	1 January 2006
IAS 39	Fair Value Option	1 January 2006
IAS 39	Amendment to IAS 39 – Transition and Initial Recognition of Financial Assets and Financial Liabilities (Day 1 profits)	1 January 2006
IAS 39	Cash Flow Hedge Accounting	1 January 2006
IAS 39	Amendment IAS 39 and IFRS 4 – Financial Guarantee Contracts	1 January 2006

International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 4	Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 7	Applying the Restatement Approach under IAS 29 'Financial Reporting in Hyperinflationary Economies'	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006

*This standard requires additional disclosures to be made for financial instruments and is to be adopted by the Company during the year ended 29 July 2007. There will be no impact at the reported amounts of financial instruments as a result of adopting this financial statement.

3 Revenue

Revenue disclosed in the income statement is analysed as follows:	**53 weeks ended 30 July 2006 £000**	52 weeks ended 24 July 2005 £000
Sales of goods and services	**847,516**	809,861

4 Operating profit

This is stated after charging:	**53 weeks ended 30 July 2006 £000**	52 weeks ended 24 July 2005 £000
Operating lease payments:		
– property rents	**52,808**	48,786
– equipment and vehicles	**195**	280
Repairs and maintenance	**32,948**	29,003
Rent receivable	**(545)**	(766)
Depreciation of property, plant and equipment (note 13)	**42,127**	44,213
Amortisation of intangible assets (note 14)	**1,079**	2,851
Amortisation of non-current assets	**187**	192
Share based-payments	**2,480**	985
Auditors' fees		
Audit services:		
– statutory audit	**114**	110
– audit-related regulatory reporting	**63**	50
Total auditors' fees	**177**	160

4 Operating profit continued

Analysis of continuing operations

	53 weeks ended 30 July 2006 Total £000	52 weeks ended 24 July 2005 Before exceptional items £000	52 weeks ended 24 July 2005 Exceptional items (Note 5) £000	52 weeks ended 24 July 2005 After exceptional items £000
Revenue	**847,516**	809,861	–	809,861
Cost of sales	**(731,040)**	(707,786)	(6,521)	(714,307)
Gross profit	**116,476**	102,075	(6,521)	95,554
Administration costs				
– Head-office costs	**(32,860)**	(30,569)	(859)	(31,428)
Operating profit	**83,616**	71,506	(7,380)	64,126

Cost of sales includes all pub operating costs

5 Exceptional items

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Continuing activities:		
Distribution start-up costs	–	2,984
Restructuring costs	–	859
Impairment of property, plant and equipment	–	1,068
Net loss on disposal of property, plant and equipment	–	2,469
Total exceptional items	**–**	7,380

Distribution start-up costs

Distribution start-up costs are exceptional as they arose with the establishing of our distribution arrangements.

Net loss on disposal of property, plant and equipment

Gains and losses on property, plant and equipment are classified as exceptional, on the basis that they arise from transactions to dispose of assets other than at the end of their usual expected life or at values significantly different from their previously assessed residual. As such, the amounts earned or charged in any given year are not indicative of a trend in financial performance.

Impairment of property, plant and equipment

The impairment of assets relate to cash-generating units (CGUs) being written down to the lower of the CGUs' carrying amount or recoverable amount.

6 Employee benefits expense

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Wages and salaries	**200,240**	194,826
Social security costs	**13,741**	13,486
Pension costs	**1,223**	959
Share-based payments	**2,480**	985
	217,684	210,256

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

	2006 Number	2005 Number
Full-time equivalents		
Managerial/administration	**3,569**	3,920
Hourly paid staff	**7,988**	7,818
	11,557	11,738

	2006 Number	2005 Number
Total employees		
Managerial/administration	**3,569**	3,920
Hourly paid staff	**12,946**	14,219
	16,515	18,139

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

Key management compensation

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Salaries and short-term employee benefits	**1,835**	1,498
Post-employment pension and medical benefits	**115**	102
Termination benefits	**214**	–
Share-based payments	**421**	176
	2,585	1,776

Details of directors' emoluments are disclosed in the remuneration report on pages 12 to 16.

7 Net finance costs

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Finance costs		
Interest payable on bank loans and overdrafts	**22,407**	18,837
Interest payable on US senior loan notes	**2,769**	5,724
Amortisation of bank loan issue costs	**176**	–
Finance costs	**25,352**	24,561
Bank interest receivable	**(124)**	(232)
Total net finance cost	**25,228**	24,329

8 Taxation

a) Tax on profit on ordinary activities

Tax charged in the income statement

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Current income tax:		
Current income tax charge	**18,065**	14,270
Current tax on exceptional items	**–**	(1,150)
Total current income tax	**18,065**	13,120
Deferred tax:		
Origination and reversal of timing differences	**422**	1,517
Movement arising on disposals (exceptional items)	**–**	(770)
Total deferred tax	**422**	747
Tax charge in the income statement	**18,487**	13,867
Tax relating to items charged or credited to equity		
Deferred tax:		
Tax charge on revaluation of cash flow hedges	**1,462**	–
Tax charge in the statement of recognised income and expense	**1,462**	–

b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is more than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are reconciled below.

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Accounting profit before income tax	**58,388**	39,797
Accounting profit multiplied by the UK standard rate of corporation tax of 30% (2005 – 30%)	**17,516**	11,939
Abortive acquisition costs and disposals	**254**	142
Other disallowables	**45**	253
Other allowable deductions	**(10)**	(18)
Non qualifying depreciation	**2,910**	1,757
Deduction for share options and SIPs	**(2,165)**	(901)
Deferred tax on balance sheet only items	**(63)**	695
Total tax expense reported in the income statement	**18,487**	13,867

8 Taxation continued

c) Deferred tax

The deferred tax in the balance sheet is as follows:

	2006 £000	2005 £000
Deferred tax liability		
Accelerated capital allowances	**67,921**	66,234
Revaluation of land and buildings	**6,550**	6,766
Other timing differences	**8,487**	10,211
Deferred tax liability	**82,958**	83,211
Deferred tax asset		
Capital losses carried forward	**885**	1,560
Deferred tax on items taken directly to equity	**2,145**	–
Deferred tax asset	**3,030**	1,560
Deferred tax in the income statement:		
Accelerated capital allowances	**1,687**	1,251
Origination and reversal of timing differences	**(1,940)**	140
Capital losses carried forward	**675**	(644)
Deferred tax expense	**422**	747

9 Earnings and cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £39,901,000 (2005: £25,930,000) by the weighted average number of shares in issue during the year of 165,694,582 (2005: 185,524,467).

Diluted earnings per share has been calculated on a similar basis, taking account of 545,980 (2005: 236,187) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 166,240,832 (2005: 185,760,654).

Adjusted earnings per share excludes the effect of exceptional items and is presented to show the underlying performance of the Company on both a basic and dilutive basis.

Adjusted earnings per share

	Earnings 53 weeks ended 30 July 2006 £000	Earnings 52 weeks ended 24 July 2005 £000	Basic earnings per share 53 weeks ended 30 July 2006 pence	Basic earnings per share 52 weeks ended 24 July 2005 pence	Diluted earnings per share 53 weeks ended 30 July 2006 pence	Diluted earnings per share 52 weeks ended 24 July 2005 pence
Profit for the year	**39,901**	25,930	**24.1**	14.0	**24.0**	14.0
Exceptional items after taxation	**–**	5,460	**–**	2.9	**–**	2.9
Profit before exceptionals	**39,901**	31,390	**24.1**	16.9	**24.0**	16.9

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 existing 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 and inflows and outflows of financing from outside sources, dividend payments and is based on the same number of shares in issue as that for the calculation of basic earnings per share.

10 Cash generated from operations

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Profit attributable to shareholders	**39,901**	25,930
Adjusted for:		
Tax	**18,487**	13,867
Amortisation of intangible assets	**1,079**	2,851
Depreciation of property, plant and equipment	**42,127**	44,213
Lease premium amortisation	**187**	192
Distribution start-up costs	**–**	2,984
Restructuring costs	**–**	859
Impairment of property, plant and equipment	**–**	1,068
Net loss on disposal and anticipated disposal of trading properties	**–**	2,306
Net loss on disposal and anticipated disposal of non-trading properties	**–**	163
Share-based payments	**2,480**	985
Interest income	**(124)**	(232)
Interest expense	**25,176**	24,561
Amortisation of bank loan issue costs	**176**	–
	129,489	119,747
Change in inventories	**(911)**	(768)
Change in receivables	**2,003**	(247)
Change in payables	**2,785**	8,571
Net cash inflow from operating activities pre exceptional	**133,366**	127,303
Outflow related to exceptional items	**–**	(3,843)
Net cash inflow from operating activities	**133,366**	123,460

11 Analysis of changes in net debt

	25 July 2005 £000	Cash flows	Non-cash movement £000	30 July 2006 £000
Cash at bank and in hand	18,073	3,019	–	**21,092**
Debt due within one year	(25,000)	–	25,000	**–**
Debt due after one year	(328,843)	(24,504)	(15,370)	**(368,717)**
Derivative financial instrument – fair value hedge	1,625	–	(9,630)	**(8,005)**
	(334,145)	(21,485)	–	**(355,630)**
Derivative financial instrument – cash flow hedge	(12,022)	–	4,871	**(7,151)**
	(346,167)	(21,485)	4,871	**(362,781)**

12 Dividends paid and proposed

	53 weeks ended 30 July 2006 £000	52 weeks ended 24 July 2005 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend for 2004/05: 2.82p (2003/04: 2.56p)	**4,749**	4,839
Interim for 2006: 1.6p (2005: 1.46p)	**2,618**	2,681
Dividends paid	**7,367**	7,520
Proposed for approval by shareholders at the AGM:		
Final dividend for 2005/06: 3.1p (2004/05: 2.82p)	**5,137**	4,749

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 26 July 2004	415,334	322,865	217,215	17,993	973,407
Reclassification	8,182	1,103	–	(9,285)	–
Additions	10,929	3,363	14,493	3,349	32,134
Transfer to assets available for sale	(1,073)	(168)	(2,926)	–	(4,167)
Disposals	(1,066)	–	(589)	(472)	(2,127)
At 24 July 2005	432,306	327,163	228,193	11,585	999,247
Additions	7,069	10,134	12,403	9,107	38,713
Reclassification	2,454	603	5	(3,062)	–
Transfer to assets available for sale	(2,604)	144	(336)	–	(2,796)
Disposals	(2,930)	(1,441)	(3,747)	(723)	(8,841)
At 30 July 2006	**436,295**	**336,603**	**236,518**	**16,907**	**1,026,323**
Depreciation and impairment:					
At 26 July 2004	26,140	47,346	127,799	–	201,285
Provided during the year	7,538	7,400	29,275	–	44,213
Transfer to assets available for sale	(73)	874	(1,445)	–	(644)
Impairment loss	–	1,068	–	413	1,481
Disposals	(78)	–	(380)	–	(458)
At 24 July 2005	33,527	56,688	155,249	413	245,877
Provided during the year	7,715	7,431	26,981	–	42,127
Transfer to assets available for sale	(109)	7	(422)	–	(524)
Disposals	(209)	(10)	(4,638)	(126)	(4,983)
At 30 July 2006	**40,924**	**64,116**	**177,170**	**287**	**282,497**
Net book amount at 30 July 2006	**395,371**	**272,487**	**59,348**	**16,620**	**743,826**
Net book amount at 24 July 2005	398,779	270,475	72,944	11,172	753,370
Net book amount at 26 July 2004	389,194	275,519	89,416	17,993	772,122

Impairment of property, plant and equipment

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

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

The Company estimates value in use using a discounted cash flow model.

The discount rate employed is the Company's estimated weighted average cost of capital before tax and reflects the relevant risks of the assets being tested for impairment. The discount rate used for 2005/06 is 5.6%.

The resultant impairment losses in 2004/05 were £1,481,000 as shown in the table above.

14 Intangible assets

	Computer software £000
Cost:	
At 26 July 2004:	8,260
Additions	2,176
At 24 July 2005	10,436
Additions	1,221
Disposals	(2,243)
At 30 July 2006	**9,414**
Amortisation	
At 26 July 2004	4,429
Amortisation during the year	2,851
At 24 July 2005	7,280
Amortisation during the year	1,079
Disposals	(1,803)
At 30 July 2006	**6,556**
Net book amount at 30 July 2006	**2,858**
Net book amount at 24 July 2005	3,156
Net book amount at 26 July 2004	3,831

15 Non-current assets

	2006 £000	2005 £000
Leasehold premiums	**6,974**	7,114
Deferred tax asset	**3,030**	1,560
	10,004	8,674

16 Inventories

	2006 £000	2005 £000
Finished goods at cost	**13,688**	12,777

17 Trade and other receivables

	2006 £000	2005 £000
Amounts falling due within one year		
Other debtors	**3,327**	2,666
Prepayments and accrued income	**6,700**	9,529
	10,027	12,195

18 Cash and cash equivalents

	2006 £000	2005 £000
Cash at bank and in hand	**21,092**	18,073

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £21,092,000 (2005: £18,073,000).

19 Trade and other payables

	2006 £000	2005 £000
Trade creditors	**57,637**	54,025
Other creditors	**6,569**	5,493
Other tax and social security	**22,373**	22,224
Accruals and deferred income	**31,551**	31,416
	118,130	113,158

20 Financial liabilities

	2006 £000	2005 £000
Current		
Short-term borrowings	**–**	25,000
	–	25,000
Bank loans		
Variable rate facility 2005	**–**	240,000
Variable rate facility 2010	**289,503**	–
US $140 million senior loan notes 2009	**79,214**	79,518
	368,717	319,518

21 Financial instruments

Interest-rate and currency risks of financial liabilities
The Company has entered into 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, with regard to the settlement of this financial liability in 2009.

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.

	2006 £000	2005 £000
Floating-rate borrowings	**218,717**	194,518
Fixed-rate borrowings	**150,000**	150,000
Other financial liability	**–**	7,700
	368,717	352,218

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

Financial assets
Financial assets at the balance sheet date comprised:

	2006 £000	2005 £000
Cash and short-term deposits	**21,092**	18,073

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

Maturity profile of financial liabilities

Period ended 30 July 2006	Within 1 Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	More than 5 years	Total
Bank loans	–	–	–	–	289,503	–	289,503
US senior loan notes	–	–	–	79,214	–	–	79,214
Other long-term creditors	–	–	–	–	–	–	–

Year ended 24 July 2005	Within 1 Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	More than 5 years	Total
Bank loans	25,000	25,000	25,000	25,000	165,000	–	265,000
US senior loan notes	–	–	–	–	79,518	–	79,518
Other long-term creditors	–	–	–	–	7,700	–	7,700

The Company has total UK committed loan facilities of £385 million which comprise a £385-million unsecured-term revolving-loan facility, maturing in 2010. All UK committed loan facilities are at floating rates based on LIBOR. The Company has entered into swap agreements which fix £150 million of these borrowings at a rate of 6.46% (excluding bank margin). At the balance sheet date, £310 million was drawn down under the revolving-loan facilities, with interest rates set for periods of between one month and six months, at which point monies are repaid and, if appropriate, redrawn. The undrawn facility expires in more than four years.

In addition to the UK facilities, in September 1999, the Company issued US $140 million unsecured senior notes due in 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 and convert the interest rate to one based on LIBOR.

In order to comply, in the comparative period, with UK GAAP for its hedging transaction and with IAS 21, the Company has grossed up its balance sheet, so that the US $140-million senior loan notes, translated at year-end rate, are presented separately from the deferred gains, in respect of the hedging instrument disclosed as other financial liabilities on the face of the balance sheet.

21 Financial instruments continued

Fair values

The table below compares, by category, the book value and fair values of the Company's financial assets and liabilities as at 30 July 2006.

	2006 Book value £000	2006 Fair value £000	2005 Book value £000	2005 Fair value £000
Financing instruments				
Cash deposits	**21,092**	**21,092**	18,073	18,073
Short-term borrowings	**–**	**–**	(25,000)	(25,000)
Long-term borrowings	**(368,717)**	**(376,721)**	(319,518)	(328,848)
Other long-term creditors	**–**	**–**	(7,700)	–
Derivative instruments				
Interest-rate and currency swaps	**(15,156)**	**(15,156)**	–	(10,397)

Fair value of long-term borrowings include movement on the fair value hedge.
The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

Cash flow hedges

At 30 July 2006, the Company has 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 fixed-rate borrowings comprise floating-rate borrowings hedged using fixed-rate swaps with an effective weighted average interest rate (excluding bank margin) of 6.46% (2005: 6.46%) and which are fixed for weighted average period of 3.0 years (2005: 4.0 years).

The cash flow hedge of the floating rate borrowings was assessed to be highly effective and an unrealised gain of £4,871,000, with a deferred tax charge of £1,461,000 relating to the hedging instrument is included in equity.

Fair value hedge

At 30 July 2006, 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, with regard to the settlement of this financial liability in 2009.

The fair value hedge of the US $140 million senior loan notes was assessed to be highly effective and an unrealised loss of £8,005,000 relating to the hedging instrument is included in non-current liabilities.

22 Financial commitments

The Company has entered into commercial leases on certain properties. The terms of the leases vary but typically 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.

Future minimum rentals payable under non-cancellable operating leases:	2006 £000	2005 £000
Within one year	**53,198**	48,653
Between one and five years	**211,948**	193,948
After five years	**927,708**	831,686
	1,192,854	1,074,287

23 Provisions and other liabilities

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

	2006 £000	2005 £000
Other liabilities	**6,581**	7,048

The weighted average period to maturity of other liabilities is 17.9 years (2005: 18.7 years).

24 Share capital

	Number of Shares 000s	Share Capital £000
At 26 July 2004	189,164	3,783
Allotments	168	4
Purchase of shares	(16,455)	(329)
At 24 July 2005	172,877	3,458
Allotments	2,459	49
Purchase of shares	(21,560)	(431)
At 30 July 2006	**153,776**	**3,076**

The total authorised number of 2p ordinary shares is 500 million (2005: 500 million).

25 Statement of changes in shareholders' equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
At 26 July 2004	3,783	128,340	545	141,489	**274,157**
Exercise of options	4	267	–	–	**271**
Share-based payments	–	–	–	985	**985**
Purchase of shares held in trust	–	–	–	(3,817)	**(3,817)**
Purchase of shares	(329)	–	329	(43,261)	**(43,261)**
Profit for the year	–	–	–	25,930	**25,930**
Dividends	–	–	–	(7,520)	**(7,520)**
At 25 July 2005	3,458	128,607	874	113,806	**246,745**
Effect of adoption of IAS 32 and IAS 39	–	–	–	(12,022)	**(12,022)**
Tax on items taken directly to equity	–	–	–	3,607	**3,607**
At 25 July 2005 (restated)	3,458	128,607	874	105,391	**238,330**
Exercise of options	49	6,925	–	–	**6,974**
Re-purchase of shares	(431)	–	431	(78,683)	**(78,683)**
Share-based payments	–	–	–	2,480	**2,480**
Purchase of shares held in trust	–	–	–	(3,469)	**(3,469)**
Profit for the year	–	–	–	39,901	**39,901**
Cash flow hedges: gain taken to equity	–	–	–	4,871	**4,871**
Tax on items taken directly to equity	–	–	–	(1,462)	**(1,462)**
Dividends	–	–	–	(7,367)	**(7,367)**
At 30 July 2006	**3,076**	**135,532**	**1,305**	**61,662**	**201,575**

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

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

Shares acquired in relation to the employee Share Incentive Plan are held in trust, until such time as the awards vest.

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.

26 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) Save As You Earn

	2006 Number	**2006 WAEP**	2005 Number	2005 WAEP
Outstanding at the beginning of the year	**56,734**	**300.0p**	480,248	296.0p
Lapsed in the year	**(56,734)**	**300.0p**	(419,269)	296.9p
Exercised in the year	**–**		(4,245)	159.0p
Outstanding at the end of the year	**–**		56,734	300.0p
Number of options in the closing balance which were granted before 7 November 2002	**–**		56,734	300.0p
Weighted average contractual life remaining for share options outstanding at the year end	**–**		0.4 years	
Exercise price for options outstanding at the year end			300.0p	

b) Employee Share Option Scheme

	2006 Number	**2006 WAEP**	2005 Number	2005 WAEP
Outstanding at the beginning of the year	**1,066,064**	**242.8p**	1,186,583	235.1p
Lapsed in the year	**(79,900)**	**305.1p**	(28,019)	293.2p
Exercised in the year	**(559,812)**	**207.7p**	(92,500)	128.9p
Outstanding at the end of the year	**426,352**	**277.3p**	1,066,064	242.8p
Weighted average contractual life remaining for share options outstanding at the year end	**1.5 years**		2.1 years	
Range of exercise prices for options outstanding at the year end				
– from	**167.0p**		127.2p	
– to	**326.0p**		326.0p	

c) New Discretionary Share Option

	2006 Number	**2006 WAEP**	2005 Number	2005 WAEP
Outstanding at the beginning of the year	**3,562,933**	**328.6p**	4,132,589	326.3p
Lapsed in the year	**(698,749)**	**336.6p**	(501,656)	327.5p
Exercised in the year	**(1,245,406)**	**316.6p**	(68,000)	193.8p
Outstanding at the end of the year	**1,618,778**	**334.5p**	3,562,933	328.6p
Exercisable at end of the year	**1,618,778**	**334.5p**	3,562,933	328.6p
Weighted average contractual life remaining for share options outstanding at the year end	**4.0 years**		4.9 years	
Range of exercise prices for options outstanding at the year end				
– from	**191.5p**		191.5p	
– to	**361.0p**		361.0p	

d) 2001 Scheme

	2006 Number	2006 WAEP	2005 Number	2005 WAEP
Outstanding at the beginning of the year	**1,337,649**	**301.5p**	1,547,353	301.5p
Lapsed in the year	**(283,460)**	**301.5p**	(209,704)	301.5p
Exercised in the year	**(475,454)**	**301.5p**	–	–
Outstanding at the end of the year	**578,735**	**301.5p**	1,337,649	301.5p
Weighted average contractual life remaining for share options outstanding at the year end	**6.1 years**		7.1 years	
Exercise price for options outstanding at the year end	**301.5p**		301.5p	

e) All-Employee Share Option Plan

	2006 Number	2006 WAEP	2005 Number	2005 WAEP
Outstanding at the beginning of the year	**438,675**	**294.3p**	506,725	295.4p
Lapsed in the year	**(54,875)**	**297.1p**	(64,675)	305.5p
Exercised in the year	**(177,725)**	**294.4p**	(3,375)	239.9p
Outstanding at the end of the year	**206,075**	**293.5p**	438,675	294.3p
Weighted average contractual life remaining for share options outstanding at the year end	**1.2 years**		5.1 years	
Exercise price for options outstanding at the year end	**293.5p**		294.3p	

At 30 July 2006, there were 18 members of the Executive Share Option (ESOP) scheme, with average option-holdings of 23,686 shares; there were 141 members of the All-Employee Share Option (AESOP) plan, with average holdings of 1,425 shares; there were 695 members of the New Discretionary Share Option (NDSO) scheme, with average holdings of 2,245 shares; there were 1,357 members of the 2001 scheme, with average option-holdings of 413.

The exercise of an option under the ESOP, NDSO and 2001 scheme will, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance conditions. In respect of the ESOP scheme, options are exercisable only on condition that the earnings per share of the Company, between the date of grant of an option and the date of exercise, increase by at least the increase in the RPI. In respect of the NDSO and 2001 scheme, options are exercisable three years after they have been granted and only if the Company's normalised earnings per share (excluding exceptional items), over any three-year period, have exceeded the growth in the RPI by an average of at least 3% per annum. As the AESOP plan and the SAYE scheme are available to all staff, there are no performance conditions attached to the exercise of options under them. The options in issue shown above include those of the directors shown on page 15.

The different categories of share options are described in detail on page 12.

27 Transition to IFRS

For all periods up to and including the year ended 24 July 2005, the Company prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 30 July 2006, are the first the Company is required to prepare in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 24 July 2005. In preparing these financial statements, the Company has started from an opening balance sheet as at 26 July 2004, the Company's date of transition to IFRS, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS. This note explains the principal adjustments made by the Company in restating its UK GAAP balance sheet as at 26 July 2004 and its previously published UK GAAP financial statements for the year ended 24 July 2005.

First-time adoption

The Company has applied IFRS 1 first-time adoption of international financial reporting standards, to provide a starting point for reporting under IFRSs. The Company's date of transition to IFRS is 26 July 2004, with all comparative information for the 2006 financial statements restated to reflect the adoption of IFRSs, except where otherwise required or permitted under IFRS 1. IFRS 1 requires an entity to comply with each IFRS, effective at the reporting date for its first full set of IFRS financial statements. As a general principle, IFRS 1 requires the standards effective at the reporting date to be applied retrospectively. However, retrospective application is prohibited in some areas, particularly where retrospective application would require judgements by management about past conditions, after the outcome of the particular transaction is already known. Several limited optional exemptions from full retrospective application of IFRSs are granted where the cost of compliance is deemed to exceed the benefits to users of the financial statements. Where applicable, the options selected by management are set out in the explanatory notes below.

IAS 32 financial instruments: disclosure and presentation and IAS 39 financial instruments: recognition and measurement have not been applied to the financial statements for the year ended 24 July 2005, which form the comparative period to the Company's first IFRS-compliant accounts. As a consequence, the relevant 2005 figures are stated under UK GAAP. The Company has applied IAS 32 and IAS 39 prospectively, with effect from 25 July 2005. The impact of IAS 32 and IAS 39 on the opening balances, after taking account of tax at 25 July 2005, is to reduce the Company equity by £8,415,000.

27 Transition to IFRS continued

Property, plant and equipment
Where items of property, plant and equipment have previously been revalued, the revalued amount at 26 July 2004 has been deemed to be the cost at 26 July 2004. These reflect revaluations made up to 1999.

Share-based payments
No charges were calculated for share options, as no share options were granted after 7 November 2002.

Impact of changes
The financial impact on the income statement and balance sheet are highlighted below. The transition from UK GAAP to IFRS is, in effect, a change in the underlying accounting policies of the Company; as such it has no impact on the actual cash flows of the Company.

Restatement of cash flow statement from UK GAAP to IFRS
The transition from UK GAAP to IFRS has no effect on the reported cash flows generated by the Company. The IFRS cash flow statement is presented in a different format from that required under UK GAAP, with cash flows split into three categories of activities: operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

In preparing the cash flow under IFRS, cash and cash equivalents include cash at bank and cash in hand and short-term deposits.

Key accounting policy changes affecting the income statement
The impact of these policy changes on previously reported results is reflected in the financial restatements from UK GAAP to IFRS, following the policy changes.

1 Deferred tax
UK GAAP requires deferred tax to be provided for on all timing differences which have originated, but not reversed, at the balance sheet date. The exception is for gains arising on the revaluation or disposal of assets, where the taxable gain can be rolled over into replacement assets with a tax charge arising only when the replacement asset is sold.

Under IAS 12 income taxes, the Company is required to account for deferred tax on all temporary differences between the tax base and carrying value of assets and liabilities. Although FRS 19 requires deferred tax to be provided on most timing differences, it differs from IAS 12, in that the latter requires provision to be made for deferred tax in respect of rolled-over gains on property disposals.

2 Leases
Under UK GAAP, lease incentives on leases where the lessor retains substantially all of the risks and benefits of ownership of the asset are recognised as a reduction in rent paid over the period up to the first rent review. Under IFRS, lease incentives on leases where the lessor retains substantially all of the risks and benefits of ownership of the asset are recognised as a reduction in rent paid over the lease term.

3 Depreciation on property, plant and equipment
Under IAS 16, residual values are based on prices current at the balance sheet date, whereas, under previous UK GAAP, residual values were based on prices at the date of acquisition or later revaluation.

Changes to residual values are accounted for prospectively, but first-time adopters should adjust residual values of their assets at the date of transition to IFRS and then use the amended depreciation which this implies, from the date of transition.

Key accounting policy changes affecting the balance sheet
1 Dividend accrual
In accordance with IAS 10 events after the balance sheet date, dividends recommended by the board are not recognised in the financial statements, until they are paid or approved by shareholders. Under UK GAAP, such dividends were accrued in the period to which they related; as such they are shown as a deduction from profits to arrive at retained earnings. Under IFRS, dividends are shown as a release of reserves, rather than an appropriation of profit in the income statement.

2 Deferred tax
IAS 12 income taxes require deferred tax to be provided on revalued assets and realised capital gains rolled-over. The Company is no longer revaluing assets, and the brought-forward liability has been charged against the opening retained earnings. These liabilities are offset by a deferred tax asset, in respect of brought-forward capital losses. Under UK GAAP, there was generally no requirement to provide for tax on rolled-over gains or in respect of asset revaluations.

3 Other reclassifications
a) All premiums on acquisition of leasehold property were classified as fixed assets under UK GAAP. Where these premiums could be considered to be advance rent, they do not meet the definition of a fixed asset, under IAS 16 property, plant and equipment and so have been reclassified as other non-current assets. For these premiums, amortisation previously charged and included within Company depreciation, is reclassified as rent.

b) As the Company is proposing to treat the carrying values of property on transition as deemed costs, as permitted by IFRS 1 first-time adoption of IFRSs, the historic revaluation reserve has been reclassified as part of retained earnings. This does not affect distributable profits.

IFRS income statement for the year ended 24 July 2005	UK GAAP £000	Depreciation £000	Lease incentives £000	Deferred tax £000	IFRS £000
Revenue	809,861				809,861
Operating costs	65,473	901	221		66,595
Loss on disposal of tangible fixed assets	(2,469)				(2,469)
Net interest payable	(24,329)				(24,329)
Profit on ordinary activities before taxation	38,675	901	221		39,797
Tax on profit on ordinary activities	(14,371)			504	(13,867)
Profit on ordinary activities after taxation	24,304	901	221	504	25,930

27 Transition to IFRS continued

Company reconciliation of equity as at 25 July 2004

	UK GAAP £000	Final dividends £000	Deferred tax £000	Fixed assets reclassification £000	Receivables due after more than one year £000	Revaluation reserve £000	Lease incentives £000	IFRS £000
Non-current assets								
Property, plant and equipment	783,574			(11,452)				772,122
Other non-current assets			1,709	7,621	9,005			18,335
Intangible assets				3,831				3,831
	783,574	–	1,709	–	9,005	–	–	794,288
Current assets								
Inventories	12,009							12,009
Assets available for sale	1,933							1,933
Debtors due after more than one year	9,005				(9,005)			–
Trade and other receivables within one year	13,966							13,966
Cash and cash equivalents	9,660							9,660
	46,573	–	–	–	(9,005)	–	–	37,568
Current liabilities								
Trade and other payables	(120,370)	4,843					(80)	(115,607)
Financial liabilities	(25,000)							(25,000)
Current income tax liabilities	(7,067)							(7,067)
	(152,437)	4,843	–	–	–	–	(80)	(147,674)
Non-current liabilities								
Financial liabilities	(322,219)							(322,219)
Deferred tax liabilities	(66,244)		(16,373)					(82,617)
Provisions and other liabilities	(293)						(4,896)	(5,189)
	(388,756)	–	(16,373)	–	–	–	(4,896)	(410,025)
Net assets	288,954	4,843	(14,664)	–	–	–	(4,976)	274,157
Shareholders' equity								
Ordinary shares	3,783							3,783
Share premium account	128,340							128,340
Revaluation reserve	23,117					(23,117)		–
Capital redemption reserve	545							545
Retained earnings	133,169	4,843	(14,664)			23,117	(4,976)	141,489
Total shareholders' equity	288,954	4,843	(14,664)	–	–	–	(4,976)	274,157

27 Transition to IFRS continued

Company reconciliation of equity as at 24 July 2005

	UK GAAP £000	Final dividends £000	Deferred tax £000	Fixed assets reclassification £000	Residual value £000	Revaluation reserve £000	Lease incentives £000	IFRS £000
Non-current assets								
Property, plant and equipment	762,739			(10,270)	901			753,370
Other non-current assets			1,560	7,114				8,674
Intangible assets				3,156				3,156
	762,739	–	1,560	–	–	–	–	765,200
Current assets								
Inventories	12,777							12,777
Assets available for sale	1,691							1,691
Trade and other receivables	12,195							12,195
Cash and cash equivalents	18,073							18,073
	44,736	–	–	–	–	–	–	44,736
Current liabilities								
Trade and other payables	(118,373)	4,871					344	(113,158)
Financial liabilities	(25,000)							(25,000)
Current income tax liabilities	(7,556)							(7,556)
	(150,929)	4,871	–	–	–	–	344	(145,714)
Non-current liabilities								
Financial liabilities	(327,218)							(327,218)
Deferred tax liabilities	(67,495)		(15,716)					(83,211)
Provisions and other liabilities	(1,949)						(5,099)	(7,048)
	(396,662)	–	(15,716)	–	–	–	(5,099)	(417,477)
Net assets	259,884	4,871	(14,156)	–	901	–	(4,755)	246,745
Shareholders' equity								
Ordinary shares	3,458							3,458
Share premium account	128,607							128,607
Revaluation reserve	22,554					(22,554)		–
Capital redemption reserve	874							874
Retained earnings	104,391	4,871	(14,156)		901	22,554	(4,755)	113,806
Total shareholders' equity	259,884	4,871	(14,156)	–	901	–	(4,755)	246,745

Financial record for the five years ended 30 July 2006

	UK GAAP 2002 £000	UK GAAP 2003 £000	UK GAAP 2004 £000	2005 £000	**2006 £000**
Sales and results					
Revenue from continuing operations	601,295	730,913	787,126	809,861	**847,516**
Operating profit	70,085	74,983	77,628	71,506	**83,616**
Net finance costs	(16,517)	(18,844)	(23,554)	(24,329)	**(25,228)**
Profit on ordinary activities before taxation	53,568	56,139	54,074	47,177	**58,388**
Exceptional items	–	(3,688)	(7,758)	(7,380)	**–**
Tax expense	(18,152)	(18,407)	(17,042)	(13,867)	**(18,487)**
Profit for the year	35,416	34,044	29,274	25,930	**39,901**
Net assets employed					
Non-current assets	745,041	773,823	783,574	765,200	**756,688**
Net current liabilities	(84,797)	(93,135)	(105,864)	(100,978)	**(81,701)**
Non-current liabilities	(292,915)	(299,942)	(322,512)	(327,218)	**(383,873)**
Provision for liabilities and charges	(57,399)	(62,419)	(66,244)	(90,259)	**(89,539)**
Shareholders' funds	309,930	318,327	288,954	246,745	**201,575**
Ratios					
Operating margin	11.7%	10.3%	9.9%	8.8%	**9.9%**
Basic earnings per share (excluding exceptional items)	16.6p	17.0p	17.7p	16.9p	**24.1p**
Free cash flow per share	32.4p	38.8p	36.7p	37.1p	**42.1p**
Dividends per share (interim and final)	3.22p	3.54p	3.89p	4.28p	**4.70p**

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 have been restated to comply with IFRS, 2002–2004 are reported under UK GAAP.

Information for shareholders

Ordinary shareholdings at 30 July 2006

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	4,037	86.63%	2,133,687	1.39%
2,501 to 10,000	362	7.77%	1,664,630	1.08%
10,001 to 250,000	200	4.29%	11,500,566	7.48%
250,001 to 500,000	25	0.54%	8,567,635	5.57%
500,001 to 1,000,000	15	0.32%	10,197,724	6.63%
Over 1,000,000	21	0.45%	119,711,343	77.85%
	4,660	**100%**	**153,775,585**	**100%**

Substantial shareholdings
In addition to certain of the directors' shareholdings set out on page 14, the Company has been notified of the following substantial holdings in the share capital of the Company at 15 August 2006:

	Number of ordinary shares	% of share capital
Nordea Bank	11,164,002	7.26
Sanderson Asset Management	10,849,846	7.06
Schroder Investment Management	10,755,607	6.99
Hermes Pension Management	10,573,765	6.88
AEGON Asset Management	10,480,041	6.82
Legal and General Investment Management	5,883,432	3.83

Share prices	
25 July 2005	276.0p
Low	275.5p
High	446.0p
30 July 2006	445.0p

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

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

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

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the company will be held at The Crosse Keys, 9 Gracechurch Street, London, EC3V 0DR on Wednesday 8 November 2006 at 10.00am for the following purposes:

Ordinary business

1 To receive the report of the directors and the audited accounts of the company for the financial year ended 30 July 2006.

2 To receive and approve the directors' remuneration report for the year ended 30 July 2006.

3 To declare a final dividend for the year ended 30 July 2006 of 3.1 pence per ordinary share of 2 pence in the capital of the company.

4 To re-elect Mr Martin as a director.

5 To re-elect Mr Herring as a director.

6 To re-elect Ms van Gene as a director

7 To re-appoint PricewaterhouseCoopers LLP as 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 and 10, as special resolutions.

8 THAT:

(A) the directors be and are hereby generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985 ('the Act'), to exercise all or any powers of the company to allot relevant securities (as defined in that section) to such persons, at such times and on such terms as they think proper, up to a maximum nominal amount of £1,015,000 during the period ('the period of authority') from the date of the passing of this resolution until the earlier of:

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

(ii) the conclusion of the annual general meeting of the company held to approve the report and accounts of the company for the financial year of the company ending on 29 July 2007;

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

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

9 THAT

conditionally, on the passing of the resolution numbered 8 above and in place of all existing powers, the directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash, pursuant to the authority conferred by the resolution numbered 8 above, as if section 89(1) of the Act did not apply to such allotment, such power to expire (unless previously varied, revoked or renewed by the company in general meeting) at the earlier of 15 months from the date of passing of this resolution and the conclusion of the annual general meeting of the company held to approve the report and accounts of the company for the financial year of the company ending on 29 July 2007 (save that the directors shall be entitled, before such expiry, to make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such an offer or agreement, as if the power conferred by this resolution had not expired) and to be limited to:

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

(ii) the allotment (otherwise than as referred to in subparagraph (i) above) of equity securities for cash, up to an aggregate nominal amount of £153,000.

10 THAT

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

(i) the maximum number of ordinary shares which may be purchased is 23,066,338;

(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 London 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; and

(iii) this authority (unless previously revoked, varied or renewed) will expire at the earlier of the conclusion of the next annual general meeting of the company held to approve the report and accounts of the company for the financial year of the company ending on 29 July 2007 and 30 April 2008, except that the company may, before such authority expires, enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiry of the authority.

By order of the board

Jim Clarke
Company Secretary

8 September 2006

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 and, on a poll, vote instead of him or her. A proxy need not be a member of the company.

2 A form of proxy is enclosed which holders of ordinary shares in the company 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 shareholders 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 instrument appointing a proxy and the power of attorney or other authority (if any) under which it is executed or a notarially certified copy of such authority must be deposited at the offices of the company's registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, not later than 10.00am on 6 November 2006, being 48 hours before the time appointed for the holding of the annual general meeting.

4 There are available for inspection at the registered office of the company 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 prior to and until the conclusion of the annual general meeting:

(a) copies of the directors' service agreements with the company, other than those agreements expiring or determinable by the company without payment of compensation within one year;

(b) the register of directors' interests; and

5 Only those shareholders registered in the register of members of the company as at 10.00am on 6 November 2006 shall be entitled to attend or vote at the 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 (regulation 41 of the Uncertificated Securities Regulations 2001).

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