J D WETHERSPOON PLC

ANNUAL REPORT AND ACCOUNTS 2007

WETHERSPOON OWNS AND OPERATES PUBS THROUGHOUT THE UK. THE COMPANY AIMS TO PROVIDE CUSTOMERS WITH GOOD-QUALITY FOOD AND DRINK, SERVED BY WELL-TRAINED AND FRIENDLY STAFF, AT REASONABLE PRICES. THE PUBS ARE INDIVIDUALLY DESIGNED, AND THE COMPANY AIMS TO MAINTAIN THEM IN EXCELLENT CONDITION.

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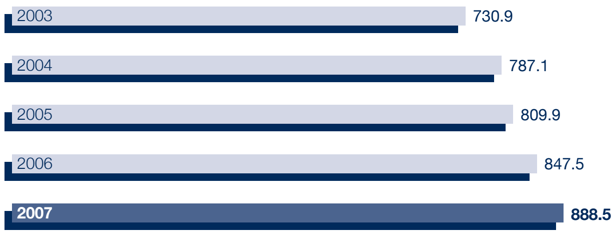
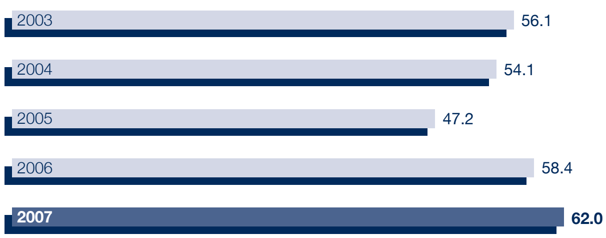
FINANCIAL HIGHLIGHTS

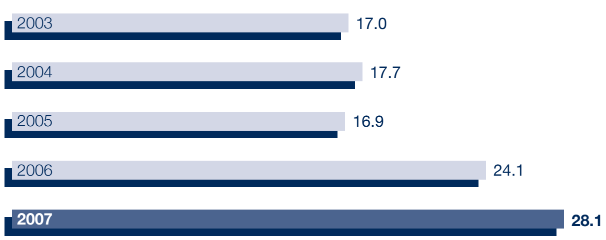
Revenue (£m)



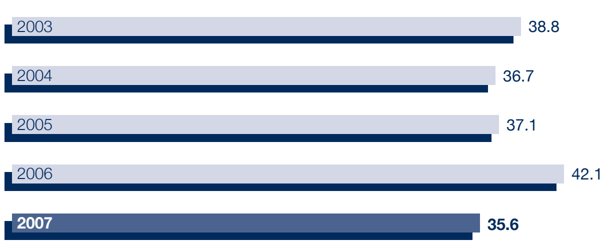
Profit before tax (excluding exceptionals) (£m)



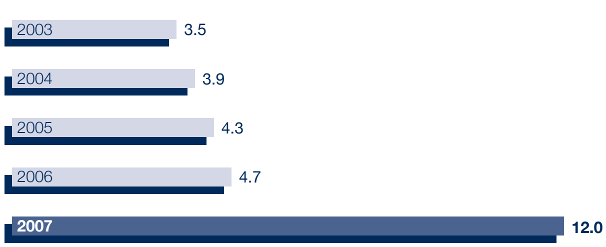
Earnings per share (excluding exceptionals) (pence)



Free cash flow per share (pence)



Dividend per share (pence)



Revenue up 5% to

£888.5m

Excluding 53rd week last year: +7%

Operating profits up 9% to

£91.1m

Excluding 53rd week last year: +12%

Operating margin

10.3% (last year 9.9%)

Like for like sales **5.6%** and profits **7.0%**

Profits before tax up 6% to

£62.0m

Excluding 53rd week last year: +9%

Earnings per share up 17% to

28.1p (i)

Excluding 53rd week last year: +20%

Earnings per share up 32% to

31.8p (ii)

Free cash flow per share

35.6p (last year 42.1p)

Dividend per share

12p (last year 4.7p)

18 pubs opened, 4 sold, creating a total of

671

(i) Excluding benefit of change in corporation tax rate.
(ii) Including benefit of change in corporation tax rate.

CHAIRMAN'S STATEMENT AND OPERATING REVIEW

I am pleased to report another year of good progress for the company. Sales for the year increased by £41.0 million to £888.5 million, a rise of 5% (+7.0%)*. Operating margins were 10.3%, compared with 9.9% in the previous year. Operating profit increased by 9% (+12%)* to £91.1 million and profit before tax by 6% (+9%)* to £62.0 million. Earnings per share increased by 17% (+20%)* to 28.1p, excluding the one-off benefit in the year, resulting from the change in corporation tax rates. Statutory earnings per share, including the benefits of the tax change, increased by 32% to 31.8p (2006: 24.1p).

Average sales per pub increased by 5.5% in the year under review, with like-for-like sales increasing by 5.6%.

Net interest was covered 3.1 times (2006: 3.3 times) by operating profit. Free cash flow, after payments of tax, interest, share purchases under the company's share plans and capital investment of £24.0 million in existing pubs, was £52.4 million (2006: £69.7 million), resulting in free cash flow per share of 35.6p (2006: 42.1p). This reduction in free cash flow was mainly due to increases in tax, interest and reinvestment in existing pubs, the latter resulting from the provision of additional outside facilities, in connection with the nationwide ban on smoking in public places.

Sales for the year increased by £41.0 million to £888.5 million…

*Excluding 53rd week in the previous financial year.

We opened 18 pubs during the year, compared with 9 in the previous year. The total number of pubs now operated by the company is 671. We intend to open about 30 pubs in the year ending July 2008 and anticipate having sufficient properties in the course of acquisition and development to be able to continue this rate of expansion in future years.

Dividends

The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p per share on 23 November 2007 to those shareholders on the register on 26 October 2007, bringing the total dividend for the year to 12.0p per share (covered 2.3 times by earnings per share), compared with 4.7p the previous year.

Finance

The company had £88.4 million (2006: £136.6 million) of unutilised banking facilities and cash balances as at the balance sheet date, with total facilities of £522.2 million (2006: £492.2 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 which 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, 13,184,049 shares (representing approximately 9% of the issued share capital) were purchased by the company for cancellation, at a cost of £77.0 million, representing an average cost per share of 584p.

Further progress

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

In recent years, we have endeavoured to increase sales in areas such as coffee, food (especially breakfasts), wine, real ales and specialist spirits.

Coffee sales continue to increase; we are now the number-one seller of Lavazza in the world. In addition, we are the only major pub company to open all pubs for breakfast at 9am daily, selling approximately 250,000 breakfasts each week. Fetzer Coldwater Creek, our Californian house wine, is the biggest brand by volume in the on-trade, in spite of the fact that it is sold only in Wetherspoon pubs. In contrast to many pub companies, our concentration on real ales has resulted in double-digit like-for-like volume increases.

..we are the only major pub company to open all pubs for breakfast at 9am daily…

In the course of the past 18 months, we have been concentrating on the sale of Pimm's in our pubs, in the summer months, and now sell more of this product than any other company worldwide.

Food now accounts for more than 30% of our sales, compared with 17% 10 years ago; including those bar purchases made in association with table meals, diners now account for approximately two-thirds of our sales.

We continue to concentrate on recycling and believe that we recycle more than any other pub company. In the year under review, we recycled 3,113 tonnes of cardboard, 1,621 tonnes of cooking oil, 232 tonnes of paper, 80 tonnes of plastic and 30 tonnes of aluminium. In addition, we have commenced a pilot scheme on glass-recycling which we hope to extend to all of our pubs in due course.

Board changes

Jim Clarke, Finance Director, has informed the board of his intention to leave the company. He will continue to work at J D Wetherspoon until the end of October 2007; the board has initiated a thorough process to identify a suitable successor.

Jim has made a significant contribution to the development of the business, leaving J D Wetherspoon on a strong financial footing. I wish him well in his future career.

People

The most important factor in successful pubs is good customer service. Wetherspoon continues to provide a comprehensive employee training system which has won many awards, over the years, from the relevant training bodies. In addition, we provide monthly bonuses for all of our pub staff, whatever their length of service in the company; in the year under review, we spent a total of £19 million on monthly bonuses and share awards for employees. I would like to thank our employees, partners and suppliers, once again, for their excellent work in the past year.

..our concentration on real ales has resulted in double-digit like-for-like volume increases…

Current trading and outlook

Legislation banning smoking in pubs in Wales and Northern Ireland was introduced in the spring of 2007, followed by a ban in England at the beginning of July. Like-for-like sales in July were +5.3%. In August, like-for-like sales were +1.1%, with strong food sales offset by slowing bar sales. In Scotland, where a ban has been in place since March 2006, sales and margins were under considerable pressure for approximately the first 6 months, before staging an encouraging recovery in the year under review. Given the smoking bans and our experience in Scotland, our outlook for like-for-like sales for the 2008 financial year remains cautious, as it involves more uncertainty than usual, although we have no doubt that this legislation will be to the long-term benefit of the licensed trade. With regard to costs, we believe that the outlook for the current financial year is approximately neutral, with a decline in utilities charges being offset by higher payments for interest and wages.

We continue our efforts to improve the business. For example, we are introducing a new menu in October and also planning Britain's largest-ever real-ale festival, taking place on 1–18 November and featuring 50 ales from Britain's regional and microbrewers.

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

Tim Martin

Chairman

7 September 2007

FINANCE REVIEW for the 52 weeks ended 29 July 2007

Financial performance

The chairman's statement and operating review on pages 2 to 4 cover a comprehensive review of the financial results for the year just ended. The first half of the year witnessed a strong underlying financial performance, against a relatively weak period in the previous year. As previously indicated, the overall level of growth was more muted in the second half. Nevertheless, the overall performance for the financial year is encouraging, with good sales momentum resulting in an improvement in our net operating margin for the second consecutive year. This was achieved, despite the disruption to the business, owing to the preparation for the introduction of non-smoking legislation.

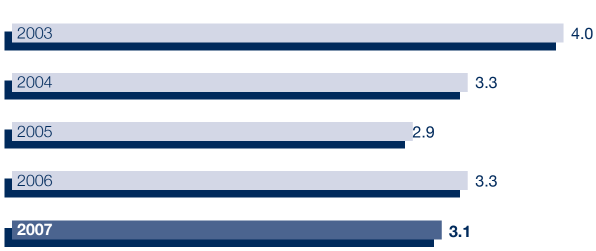
Business review

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 +5.6%
- Like-for-like profit growth +7.0%
- Average sales per pub week (including VAT) – record level at £30,600
- Operating margin up from 9.9% to 10.3%
- Earnings per share up 20%* to 28.1p*
- Free cash flow £52.4m (2006: £69.7m)
- Free cash flow per share 35.6p (2006: 42.1p)
- Cash return on capital 12.2% (2006: 12.0%)
- Cash return on equity 15.5% (2006: 14.8%)

*Excluding one-off tax credit this year and 53rd week last year.

Interest cover



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

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

General standards

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

People

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

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

Finance costs

The net finance costs during the year increased from £25.2 million to £29.1 million. This increase is largely driven by the significant cash outflow with regard to the share buyback programme. The finance costs in the income statement were covered 3.1 times, compared with 3.3 in the previous year. Fixed-charge cover (net finance costs and net rent) was 1.8 times (2006: 1.8 times). Excluding depreciation, amortisation and lease premiums amortisation, fixed-charge cover (net finance costs and net rent), on a cash basis, was 2.3 times (2006: 2.3 times).

Taxation

A full analysis of the taxation charge for the year is set out in note 7 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 24.5% (2006: 31.7%). The overall tax charge for the year under review is affected by the reduction, due in April 2008, in the overall rate of corporation tax, from 30% to 28%, following the Finance Act 2007. As a result of this change, all deferred tax assets and liabilities have been restated to 28%. Excluding this impact, the underlying position is broadly in line with the previous year which can be summarised as follows:

	2007	**2007**	2006
	%	**%***	%
Corporation tax	**29.8**	**29.8**	30.9
Deferred tax	**(5.3)**	**3.5**	0.8
Total tax	**24.5**	**33.3**	31.7

*Excluding one-off benefit of tax rate change.

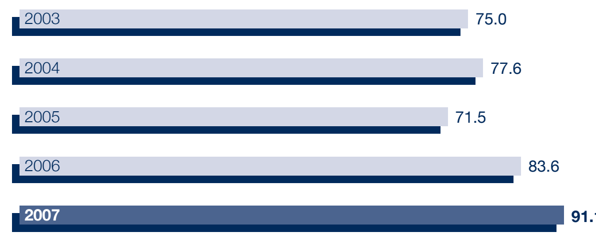
Shareholders' return

Earnings per share increased by 20% to 28.1p, with underlying free cash flow per share of 35.6p.

The proposed final dividend of 8.0p per share, together with the interim dividend of 4.0p per share already paid, compares with 4.7p in the previous year. This significant increase in the underlying level of dividend brings the company's dividend cover in line with the rest of the leisure sector. The total dividend per share will be covered 2.3 times by earnings per share excluding one-off deferred tax credit, compared with 5.1 times in the previous year. Shareholders' funds at the year end were £172.6 million.

The company purchased £77.0 million of its own shares during the year. These transactions represented a share buyback and cancellation of 9% of the share capital in issue at the start of the financial year.

Operating profit (£m)



The middle-market quotation of the company's ordinary shares at the end of the financial year was 576.5p. The highest price during the year was 772.5p, while the lowest was 428.0p. The company's market capitalisation at 29 July 2007 was £821.2 million.

Financial position

Net debt (excluding cash flow hedges) at the year end amounted to £433.8 million. The key ratio of net debt compared with EBITDA is 3.2 times, a slight increase on the 2.8 times last year, although still at a level which allows the company significant operational flexibility.

At the balance sheet date, the company had £88.4 million of unutilised banking facilities and cash balances. This level of unused facilities, coupled with the continuing strong cash generation, provides a significant cushion against any future changes in the expected cash flow position of the company.

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

- UK banking facility £415m
  - Matures December 2010
  - 10 participating lenders

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

- Total facilities £522m (including overdraft)

Financial risks and treasury policies

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

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

The company's policy, regarding 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 two-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

The last few years have seen the introduction of significant changes in the regulatory environment facing the pub industry. These have included the introduction of the new licensing regulations in November 2005 and also the implementation of non-smoking legislation covering all of the areas in which we trade.

As previously stated, it is the company's view that the introduction of non-smoking will be beneficial for the industry in the long run, although there is the possibility of some disruption to short-term sales and profits.

Apart from the trading risks faced by the company, the other key risks are to do mostly with the potential for regulatory change to the pub environment.

Jim Clarke
Finance Director
7 September 2007

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 52

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 42

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 47

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 49

John was appointed to the board in 1997 and is chairman of the audit, remuneration and the nomination committees. John is a chartered accountant and was previously a director of Kleinwort Benson Securities Ltd. He is a non-executive director of EAT plc and a number of other private companies.

Elizabeth McMeikan Non-Executive Director, aged 45

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

Debra van Gene Non-Executive Director, aged 52

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

Registered Office

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

Management board

The management board comprises John Hutson, Jim Clarke and the following:

Name	Age	Job title	Length of service
Su Cacioppo	40	Personnel & Legal Director	16 years
David Capstick	46	IT & Property Director	9 years
Julie Centracchio	41	Deputy Finance Director	4 years
Martin Geoghegan	38	Operations Director	13 years
Paul Harbottle	39	Chief Operating Officer	3 years
Rebecca Payton	36	Marketing and Catering Director	9 years
Nathan Wall	41	Operations Director	10 years

DIRECTORS' REPORT for the 52 weeks ended 29 July 2007

The directors present their report and audited accounts for the 52 weeks ended 29 July 2007.

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 year, after taxation, was £46,834,000.

On 23 November 2007, the company proposes to pay a final dividend for the year ended 29 July 2007 of 8.0p per share to shareholders on the share register as at the close of business on 26 October 2007. Together with the interim dividend of 4.0p per share paid on 25 May 2007, this brings the total expected dividend for the year to 12.0p per share.

Return of capital

At the annual general meeting of the company, held on 8 November 2006, the company was given authority to make market purchases of up to 23,066,338 of its own shares. During the year to 29 July 2007, a total of 13,184,049 shares (including 7,294,049 purchased before the 2006 AGM) were purchased at an average cost of 584p per share. As at 29 July 2007, the authority given to the company at the last annual general meeting remained outstanding in relation to 17,176,338 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. Mr Hutson, Mrs McMeikan and Mr Herring retire by rotation and offer themselves for re-election. Details of the terms under which the directors, who were in office during the year, serve and their remuneration, together with their interests in the shares of the company, are given in the directors' remuneration report on pages 12 to 17.

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 48.

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

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

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

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

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

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company, to enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 1985 and Article 4 of the IAS 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; they have satisfied themselves that the company will continue in operational existence for the foreseeable future. This is based on reviewing the detailed profit and cash flow plans for the relevant period. For this reason, they continue to adopt the going-concern basis in preparing the company's financial statements.

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

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

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

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

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

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

Internal communications seek to ensure that staff are well informed about the company's progress, through the use of regular newsletters, 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 47 (2006: 46) days' purchases.

Political and charitable contributions
Contributions made by the company during the year, for charitable purposes, were £45,736 (2006: £44,127). No political contributions were made.

Business at the annual general meeting
On pages 49 and 50 is a notice convening the annual general meeting of the company for 7 November 2007, at which shareholders will be asked, as items of special business, to give power to the directors to allot shares, to authorise the company to send or supply documents or information to members by making them available on a Web site or by other electronic means, 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 17.

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

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

Mr Hutson, Mrs McMeikan and Mr Herring all have extensive experience of the company, allowing them, subject to their re-election to the board, to contribute to the company's development. The board is therefore of the opinion that Mr Hutson, Mrs McMeikan and Mr Herring should be re-elected at the 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 7 November 2007.

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 £940,000, 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 passing the resolution or the conclusion of the annual general meeting held to approve the report and accounts for the year ending 27 July 2008.

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.

Electronic communication
Communication by electronic means, resolution 9, set out in the notice of annual general meeting, will be proposed as a special resolution to authorise the company to send or supply documents or information to members by making them available on a Web site or by other electronic means.

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 10, as set out in the notice of annual general meeting, will be proposed as a special resolution to permit directors to allot shares without the application of these statutory pre-emption rights, first, in relation to 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 £142,000 (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 the resolution or the conclusion of the annual general meeting held to approve the report and accounts for the year ending 27 July 2008.

Purchase of ordinary shares
In common with many other listed companies, the company proposes, once again, to seek an authority from shareholders to permit the company to purchase its own shares. Accordingly, resolution 11 will be proposed as a special resolution to authorise the company to make market purchases of up to just under 15% of the company's current issued ordinary share capital, at prices not less than the nominal value of an ordinary share and not exceeding 105% of the average of the middle-market quotations for an ordinary share for the five business days before each purchase (exclusive of expenses). The authority will last until the earlier of 30 April 2009 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 7 September 2007, there were outstanding options over 922,770 ordinary shares, representing 0.6% of the company's issued ordinary share capital. If the authority under resolution 11 were to be exercised in full, this percentage would increase to 0.8%.

By order of the board

Jim Clarke
Company Secretary
7 September 2007

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2007, 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 7 November 2007.

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 was used during the year.

Remuneration policy

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

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

■ Salary

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

■ Annual performance-related payments

It is the policy of the company to operate bonus arrangements, at all levels of staff, which are performance-related, the primary performance measures being profitability and operating standards. The executive directors participate in a management bonus scheme, designed to incentivise senior management in the achievement of financial and personal targets. The financial targets are based on annual growth in profits before tax. The maximum bonus attainable under normal circumstances represents 35% of year-end salary. The executive directors also receive bonuses in shares under the Share Incentive Plan and the 2005 Deferred Bonus Scheme as described on page 13.

■ Pension provision

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

■ Share schemes/Share Incentive Plan

The company's policy on share incentives under its various employee share schemes has been, and continues to be, to distribute them widely across the company's pub staff and head-office employees. In this way, the company seeks to encourage and motivate those key employees involved at all levels of the company and, in particular, those employees who have a direct interface with the public. There are no specific share option arrangements for directors, although the company allows executive directors, with the exception of the chairman, to participate in the Share Incentive Plan and the 2005 Deferred Bonus Scheme. In the past, discretionary grants of share options have been extended to all employees, including directors satisfying certain eligibility criteria. These arrangements have been largely replaced by the new Share Incentive Plan and the 2005 Deferred Bonus Scheme described on page 13. Details about the participation of each of the executive directors in each of the above schemes can be found on pages 14 to 16.

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 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 current shareholders and the desire to create real employee shareholders, rather than simply option-holders. As a result, it has been decided not to issue any further options in the foreseeable future (other than any options which may be granted in recruitment situations under the 2001 scheme). The company established a new Share Incentive Plan (incorporating an Inland Revenue-approved element), with effect from 1 August 2003, as a replacement for any new share option issues. This plan is an 'all-employee plan', providing qualifying employees, including executive directors (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 2006 and March 2007, awards were 20% of salary. Shares will not vest for three years under this plan; the cost of the shares will be reflected in the company's income statement for financial years over the period in which they vest.

2005 Deferred Bonus Scheme
Following approval of shareholders at the annual general meeting held on 10 November 2005, the company introduced a deferred bonus scheme, with a view to incentivising and promoting share ownership by key senior managers, including executive directors. The current Share Incentive Plan is available to all employees in the pubs and head office who satisfy a minimum length of service 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, at the discretion of the remuneration committee, to executive directors, general managers and certain other senior employees annually.

Under the scheme, the remuneration committee sets performance targets each year, based on the financial performance of the company. For the financial year ended 29 July 2007, 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 focused on cash profits as a key performance measurement over recent years and believes that linking the incentives for senior managers to the growth in cash profits will align the interests of shareholders generally with executives 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).

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

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

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

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

Non-executive directors
The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2006 with terms 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 29 July 2007.

	Salary/fees	Performance bonus – cash	Share Incentive Plan – shares	2005 Deferred Bonus Scheme – shares	Taxable benefits	Taxable allowances	Pension contributions	**Total 2007 £000**	Total 2006 £000
Chairman									
T R Martin	314	37	–	–	20	–	–	**371**	386
Executive directors									
J Hutson	345	58	72	35	1	15	39	**565**	557
J Clarke	223	32	47	–	1	14	27	**344**	386
S Baker (1) (3)	–	–	–	–	–	–	–	**–**	95
Non-executive directors									
J Herring	71	–	–	–	–	–	–	**71**	93
E McMeikan	32	–	–	–	–	–	–	**32**	31
D van Gene	32	–	–	–	–	–	–	**32**	13
B R Jervis (2)	–	–	–	–	–	–	–	**–**	8
Total	**1,017**	**127**	**119**	**35**	**22**	**29**	**66**	**1,415**	**–**
2006	985	231	112	117	20	36	68	–	1,569

(1) Resigned 20/12/05
(2) Resigned 10/11/05

(3) 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 on page 13), 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 2007 and will vest as set out in the notes above.

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

Directors' interests in shares
Non-audited information:
The interests of the directors in the shares of the company, as at 29 July 2007, were as follows:

Ordinary shares of 2p each, held beneficially	**2007**	2006
T R Martin	**32,022,807**	32,622,807
J Hutson	**95,947**	78,693
J Hutson – Share Incentive Plan	**50,624**	44,222
J Hutson – 2005 Deferred Bonus Scheme	**10,171**	
J Clarke	**18,910**	13,489
J Clarke – Share Incentive Plan	**34,894**	30,602
J Clarke – 2005 Deferred Bonus Scheme	**6,908**	
J Herring	**6,000**	6,000
E McMeikan	**1,000**	–
D van Gene	**1,000**	–

There have not been any changes to these interests since 29 July 2007.

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:

	30 July 2006	Options exercised	**29 July 2007**	Exercise price	Exercisable date	Expiry date	Scheme (see below)
J Hutson	49,750	(49,750) (a)	**–**	244.2p	03/01/00	03/01/07	ESOP
	10,000	(10,000) (b)	**–**	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
	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
	404,598	(59,750)	**344,848**				

ESOP – Executive Share Option Scheme
NDSO – New Discretionary Share Option Scheme
2001 – 2001 executive share option scheme
(a) Mr Hutson exercised this option during the year for a gain of £203,875.50.
The market price on the date of exercising the option was 654p.
(b) Mr Hutson exercised this option during the year for a gain of £50,440.00.
The market price on the date of exercising the option was 741.5p.

Details of the year-end, the year-high and the year-low share price for the shares which are subject to the options detailed above can be found on page 48.

Share Incentive Plan – audited information:

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

	Number of shares awarded in the year and still subject to awards at 29/07/07	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	5,753	29/09/06	507.83p	29/09/09
	5,748	30/03/07	744.33p	30/03/10
J Clarke	3,910	29/09/06	507.83p	29/09/09
	3,726	30/03/07	744.33p	30/03/10

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 29/07/07	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
	9,539	30/09/05	293.5p	30/09/08
	7,722	31/03/06	374.7p	31/03/09
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
	6,473	30/09/05	293.5p	30/09/08
	5,240	31/03/06	374.7p	31/03/09

Shares which matured in the financial year were as follows:

	Matured	Sold	Shares retained	Remaining in trust	Date sold	Market price at sale date
J Hutson	6,089	2,095	3,004	990	26/03/07	743p
J Clarke	4,334	1,376	1,968	990	26/03/07	743p

The above shares were sold to cover the tax and national insurance on the unapproved shares awarded on 26 March 2004. The remaining balance was retained as shares.

2005 Deferred Bonus Scheme

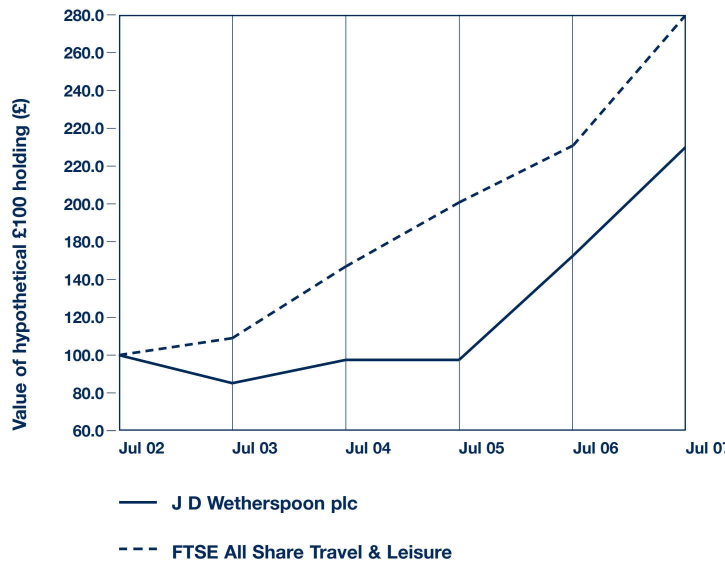
The first award of shares under the 2005 deferred bonus scheme was made in September 2006. As set out above, one-third of the total award vests immediately, with the other two-thirds vesting over the following two years.

The overall position is as follows:

	Total awarded	Vested	Sold	Shares retained	Remaining in trust	Date sold	Market price at sale date
J Hutson	15,256	5,085	2,085	3,000	10,171	18/09/07	484p
J Clarke	10,361	3,453	–	3,453	6,908	–	–

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

Growth in the value of a hypothetical £100 holding since 28 July 2002, based on 30-trading-day average values



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

7 September 2007

CORPORATE SOCIAL RESPONSIBILITY REPORT

Supporting our people, their communities, the environment, nominated charities and businesses with which we interact.

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

A CSR group encompassing members of staff from our pubs and head office, meets monthly to progress initiatives and ensure that communication and momentum are maintained. Minutes of these meetings are reported to the plc board.

Our people

People are our greatest asset, and we are very proud of the recognition which we have received from independent bodies which have awarded us in this area. Last year, for the fifth year running, we featured in Britain's Top 100 Employers handbook, published by The Guardian.

In addition, we seek to develop staff through effective and award-winning training and development, through a positive working environment and by a competitive remuneration package.

We aim to set industry standards. Recently, we developed the Advanced Diploma in Leisure Retail Management, a qualification offered in association with Nottingham Trent University. This vital training programme has been made available to all of our pub and head-office managers, giving them the opportunity to gain a vocation-related qualification. With our association with Nottingham Trent University, we have been able to extend this course to those managers who are interested in a BA (Hons) degree in Licensed Retail Management.

We pride ourselves in being at the forefront for training for managed house pub companies, recently winning again the Supreme Award from the British Institute of Innkeeping (BII), making this three consecutive years.

Financial benefits to our colleagues include a share incentive plan (SIP). The company allocates shares to employees, free of charge, twice a year. An industry-leading bonus scheme is available to all employees, rewarding them for their contribution to the success in the business.

We have recently been recognised for our work in eliminating discrimination in the workplace, particularly where age discrimination is concerned. We are the first employer in the industry to remove our retirement age; in October 2006, we received an award from the Employers Forum on Age for 'Leading Our Sector' in this arena.

Community

Our pubs are central to most of the communities in which we trade. Our involvement with these communities ranges from partnerships with local authorities to sponsorship of local sports teams.

Access to our pubs is a priority for us, with our efforts to bring a top-quality service to those with disabilities being recognised by charities, local agencies and national government. All of our pubs are regularly audited for accessibility. We work closely with the Employers' Forum on Disability to ensure that we improve facilities in our pubs continuously for our employees and our customers. Where possible, we work closely with local suppliers and support local businesses.

Responsible drinks retailing

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

Partnerships with local authorities and police

We have developed close partnerships with local authorities and police. All of our managers are encouraged to become members of Pubwatch. Where no scheme exists, we endeavour to be instrumental in setting one up. As a company, we are a member of National Pubwatch and a key member of The Drinkaware Trust. Both of these bodies aim to promote a sensible and responsible approach to retailing alcohol. J D Wetherspoon has a 'Responsible Alcohol Retailing Policy' which details our approach in this area. This can be found on the company's Web site.

Challenge 21 national campaign

J D Wetherspoon operates the Challenge 21 policy in all of our pubs. To ensure the effective implementation of this campaign, we provide support and training to all of our staff. This training is backed up with refresher courses (last completed in November 2006) and regular audits, to ensure compliance.

Customer management

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

J D Wetherspoon was the first pub company to work directly with the Security Industry Authority (SIA). As a consequence, we can ensure that all of our door staff are accredited and SIA-badged, thereby reducing the risk to our customers. We have also extended the SIA relationship to include training for our staff. As part of our internal shift manager training programme, all managers are trained in how to deal effectively with potential conflict situations.

Environment
Environmental and social issues are very important to J D Wetherspoon. It is our policy to:

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

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

Recycling
J D Wetherspoon recycles ordinary materials generated as a consequence of its daily business, such as glass, aluminium cans, paper and cooking oil.

In 2006/07, J D Wetherspoon recycled 5,076 tonnes of waste (1,621 tonnes of cooking oil; 3,113 tonnes of cardboard; 30 tonnes of aluminium; 80 tonnes of plastic; 232 tonnes of paper). Our objective is to recycle 10,000 tonnes a year by 2010.

In June 2007, we began fuelling one of our delivery vehicles on 100% bioDiesel. This Diesel is produced from recycling cooking oil previously used to cook meals in our pubs. This is thought to be the first of its kind in the UK. If the trial is successful, we will be converting more of our delivery fleet to run on bioDiesel throughout 2007/08.

Glass-recycling is a major focus and challenge for 2007/08. We generate 30,000 tonnes of glass annually. Glass-recycling is not available nationally to the extent required by us, so we are trialling an initiative supported by the government of collecting glass from our pubs on our delivery vehicles and returning to Daventry for recycling.

To reduce the volume of glass generated at the pubs, we implemented a bag-in-box wine dispense system. This has enabled us to remove 7.2 million glass bottles from our pubs and hence from the waste stream.

J D Wetherspoon's dedicated distribution depot is based in Daventry. In order to save 170,000 road miles per year, deliveries to Scotland are now trunked by train to a Scottish outbase.

J D Wetherspoon has been recognised for its efforts in recycling and received awards at two of the UK's major recycling events.

■ National Recycling Awards 2005:
Best Retail Recycling Initiative – Highly Commended
■ The Chartered Institute of Logistics & Transport, Annual Awards for Excellence 2006: Environmental Improvement category – Second Place

Energy-efficiency
J D Wetherspoon has an Energy Savings Group, which meets to maintain a constant focus on improving the energy-efficiency of our pubs. Ideas and initiatives are communicated weekly to pubs via a management action pack.

We have set ourselves a target to reduce business-wide usage of energy and water by 5%. In order to monitor our success against this objective, we are installing smart meters in all of our pubs.

Additional actions to achieve our goals include:
■ introducing high-tech taps into each new opening saves 400 litres of water every single day – that's a total saving of over 4 million litres annually. Overall water consumption has reduced by 17%.
■ using specialist motor-controllers on our air-handling units, to help us to achieve savings of up to 27% on energy usage in new openings.
■ installing specialist controls on our fridges and freezers, giving reductions of 12% on the energy used in all of our new openings.
■ making our distribution centre carbon-neutral over the next 12 months, by installing solar panels and wind turbines.

In conjunction with the Carbon Trust, we have designed and built a pub in Melton Mowbray (opening planned for September 2007), incorporating much of the up-to-date technology available, to minimise its environmental impact.

Charities
J D Wetherspoon continues to remain committed to its nominated charity CLIC Sargent (Caring for Children with Cancer). This commitment is demonstrated by its pledge to raise £2 million. During the past 12 months, J D Wetherspoon's employees and customers have raised £397,687 which has contributed to the overall total raised by the company, since its association with this charity, of £1,712,044.

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

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

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

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

Food practices
J D Wetherspoon has steadily grown a reputation for great food. We aim to provide a range of menu items which appeals to our broad range of customers. We recently won the MenuMasters award for the 'best menu' in the town & city bar category, awarded by the Dewberry Brothers.

Much of our food is sourced in the UK, with strict specifications for all of our products, ensuring that high standards of quality and safety are met, eg our cod is sourced from recognised sustainable fisheries; our Lincolnshire sausages contain only British pork, no artificial colours or flavours and have won several prestigious awards.

We use high-quality ingredients and are proudly offering regional dishes and locally sourced ingredients, eg farm-assured British beef & Abbot Ale pie; our seasonal vegetables are 100% British.

We feature food dishes which contain 5% fat or less, for those customers seeking a healthier choice. We have switched our cooking oil to a non-hydrogenated and virtually trans-fat-free product, choosing a brand which also keeps the saturated fats level below the 20% recommended by the World Health Organisation. To help our customers to make an informed choice about our menu items, we have introduced a 'food facts' section on our company Web site. Information includes calories, fat, protein, sodium, carbohydrate and the fibre content of dishes. Specific information is also provided on our Web site for those with food allergies or intolerances.

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

Our award-winning children's menu includes three main meals using only organic ingredients. In addition, all of our teas and coffees are offered with organic milk. J D Wetherspoon supports Compassion in World Farming (CIWF) and the use of cage-free eggs. In 2007, we received a 'Good Egg' award for commitment to using free-range eggs.

Employment practices
As a company, we are committed to equality of opportunity and to the elimination of direct and indirect discrimination, harassment and victimisation of employees, job applicants, customers and contractors alike. We actively promote equal opportunities throughout the organisation through the application of employment policies which ensure that individuals receive treatment which is fair, equitable and consistent.

For the seventh consecutive year, J D Wetherspoon has been included in the FTSE4Good Index, designed to identify those companies with good records in corporate social responsibility.

CORPORATE GOVERNANCE

Effective governance is at the core of J D Wetherspoon's ability to operate successfully in 671 pubs in England, Wales, Northern Ireland and Scotland. J D Wetherspoon's established governance framework is overseen by the board of directors, which is ultimately responsible to J D Wetherspoon's shareholders.

Statement of compliance

The company is committed to the highest standards of corporate governance, as set out in Section 1 of the Combined Code ('the Code'). The board believes that the company has been fully compliant throughout the year ended 29 July 2007, with the exception of John Herring, who has served more than nine years on the board and so may not be considered independent under the Code. The board considers that his performance as a non-executive director continues to be effective. He contributes significantly as a director through his individual skills and his considerable knowledge and experience of the group. He also continues to demonstrate strong independence in the manner in which he discharges his responsibilities as a director. Consequently, the board has concluded that, despite his length of tenure, there is no association with management which could compromise his independence.
John intends to offer himself annually for re-election to the board.

The board of directors

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

The board comprises the following members:

- Tim Martin, chairman
- John Hutson, chief executive officer
- Jim Clarke, finance director and company secretary
- John Herring, non-executive deputy chairman and senior non-executive director
- Elizabeth McMeikan, non-executive director
- Debra van Gene, non-executive director

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

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

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

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

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

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

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

During the year ended 29 July 2007, non-executive directors met without the chairman and provided feedback to the chairman following their meetings. Topics covered include succession-planning, the provision of information to the board and the overall effectiveness of the board. The directors concluded that the board and its committees continue to work effectively.

In accordance with the Code and corporate governance best practice, the board has several established committees as set out below. The board met eight times during the year ended 29 July 2007; attendance of the directors and non-executives, where appropriate, is shown below.

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

*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 shareholder meetings
- Delegation of board powers
- Disclosure of directors' interests

General

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

Board committees

Audit committee
The committee is chaired by John Herring and comprises Elizabeth McMeikan and Debra van Gene. Representatives of the company's external auditors, PricewaterhouseCoopers LLP, attend audit committee meetings at the half year and year end. One of the members of the committee was not independent, under the terms of the Code.

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

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

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

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

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

Remuneration committee
The company's remuneration committee is chaired by John Herring and comprises Debra van Gene and Elizabeth McMeikan. The directors' report on remuneration is set out on pages 12 to 17. One of the members of the committee was not independent, under the terms of the Code.

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. One of the members of the committee was not independent, under the terms of the Code.

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

Company secretary
All directors have access to the advice of the company secretary, 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 are circulated to shareholders.
- Any significant changes in shareholder movement are notified to the board by the company secretary, when necessary.
- The company secretary maintains procedures and agreements in place for all announcements to the City.
- There is 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's 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 functions of the committee are 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.
- To maintain a risk register for each area of the business and review quarterly.
- To review the effectiveness of the company's risk-management process.
- To 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 the culture of the company. The board is responsible for maintaining a sound system of internal control and reviewing its effectiveness. The function can only manage, rather than eliminate entirely the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. Ongoing reviews and assessments took place continually throughout the year under review and up to the date of the approval of the annual report.

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

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

The company has key controls in place, as follows:

- Clearly defined authority limits and controls over cash-handling, purchasing commitments and capital expenditure.
- Comprehensive budgeting process in place, with a detailed operating 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.
- Regular reviews of the amount of external insurance which it obtains, bearing in mind the availability of such cover, its costs and the likelihood of the risks involved.
- Directors insurance cover is maintained.

Jim Clarke
Company Secretary
7 September 2007

INDEPENDENT AUDITORS' REPORT to the members of J D Wetherspoon plc

We have audited the financial statements of J D Wetherspoon plc for the 52 week period ended 29 July 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 29 July 2007 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
7 September 2007

INCOME STATEMENT for the 52 weeks ended 29 July 2007

	Notes	52 weeks ended 29 July 2007 Total £000	53 weeks ended 30 July 2006 Total £000
Revenue	3	**888,473**	847,516
Operating costs		**(797,360)**	(763,900)
Operating profit	4	**91,113**	83,616
Finance income	6	**206**	124
Finance costs	6	**(29,295)**	(25,352)
Profit before tax		**62,024**	58,388
Tax expense	7	**(15,190)**	(18,487)
Profit for the year		**46,834**	39,901
Earnings per share (pence)	8		
Earnings per ordinary share		**31.8**	24.1
Adjusted earnings per ordinary share (excluding one-off benefit to tax charge)		**28.1**	24.1
Fully diluted earnings per share		**31.6**	24.0
Adjusted fully diluted earnings per share (excluding one-off benefit to tax charge)		**27.9**	24.0

All activities relate to continuing operations.

STATEMENT OF RECOGNISED INCOME AND EXPENSE for the 52 weeks ended 29 July 2007

	Notes	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Cash flow hedges: gain taken to equity		**5,833**	4,871
Tax on items taken directly to equity	7	**(1,777)**	(1,462)
Net gain recognised directly in equity		**4,056**	3,409
Profit for the year		**46,834**	39,901
Total recognised income for the year		**50,890**	43,310

CASH FLOW STATEMENT for the 52 weeks ended 29 July 2007

	Notes	**52 weeks ended 29 July 2007 £000**	**52 weeks ended 29 July 2007 £000**	53 weeks ended 30 July 2006 £000	53 weeks ended 30 July 2006 £000
Cash flows from operating activities					
Cash generated from operations	9	**124,933**	**124,933**	133,366	133,366
Interest received		**189**	**189**	290	290
Interest paid		**(27,610)**	**(27,610)**	(23,441)	(23,441)
Refinancing cost paid		**–**	**–**	(1,412)	(1,412)
Corporation tax paid		**(19,598)**	**(19,598)**	(14,812)	(14,812)
Purchase of own shares for share-based payments		**(1,489)**	**(1,489)**	(3,469)	(3,469)
Net cash inflow from operating activities		**76,425**	**76,425**	90,522	90,522
Cash flows from investing activities					
Purchase of property, plant and equipment and intangible assets for existing pubs		**(24,046)**	**(24,046)**	(20,810)	(20,810)
Proceeds of sale of property, plant and equipment		**4,768**		4,645	
Investment in new pubs and pub extensions		**(51,951)**		(16,766)	
Net cash outflow from investing activities		**(71,229)**		(32,931)	
Cash flows from financing activities					
Equity dividends paid	11	**(10,295)**		(7,367)	
Proceeds from issue of ordinary shares		**5,927**		6,974	
Purchase of own shares		**(77,015)**		(78,683)	
Advances under bank loans		**76,135**		304,504	
Repayments under bank loans		**–**		(280,000)	
Finance lease principal payments		**(1,988)**		–	
Net cash outflow from financing activities		**(7,236)**		(54,572)	
Net (decrease)/increase in cash and cash equivalents	10	**(2,040)**		3,019	
Opening cash and cash equivalents		**21,092**		18,073	
Closing cash and cash equivalents		**19,052**		21,092	
Free cash flow	8		**52,379**		69,712
Free cash flow per ordinary share	8		**35.6p**		42.1p

BALANCE SHEET as at 29 July 2007

	Notes	29 July 2007 £000	30 July 2006 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**782,269**	743,826
Intangible assets	13	**3,566**	2,858
Other non-current assets	14	**6,685**	6,974
Deferred income tax asset	7	**975**	3,030
Total non-current assets		**793,495**	756,688
Current assets			
Inventories	15	**19,029**	13,688
Other receivables	16	**11,761**	10,027
Cash and cash equivalents	17	**19,052**	21,092
Total current assets		**49,842**	44,807
Assets held for sale		**848**	2,431
Total assets		**844,185**	803,926
Liabilities			
Current liabilities			
Trade and other payables	18	**(119,183)**	(118,130)
Financial liabilities	19	**(559)**	–
Current income tax liabilities		**(9,679)**	(10,809)
Total current liabilities		**(129,421)**	(128,939)
Non-current liabilities			
Financial liabilities	20	**(440,232)**	(368,717)
Derivative financial instruments	20	**(16,335)**	(15,156)
Deferred tax liabilities	7	**(79,400)**	(82,958)
Provisions and other liabilities	22	**(6,190)**	(6,581)
Total non-current liabilities		**(542,157)**	(473,412)
Net assets		**172,607**	201,575
Shareholders equity			
Ordinary shares	23	**2,849**	3,076
Share premium account	24	**141,422**	135,532
Capital redemption reserve	24	**1,569**	1,305
Retained earnings	24	**26,767**	61,662
Total shareholders' equity	24	**172,607**	201,575

The financial accounts on pages 26 to 46 were approved by the board on 7 September 2007 and signed on its behalf by:

John Hutson
Director

Jim Clarke
Director

1 Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 29 July 2007 were authorised for issue by the board of directors on 7 September 2007, and 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 in accordance with the EU-endorsed International Financial Reporting Standards (IFRSs) and IFRIC Interpretations as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

The Company's financial statements are presented in sterling, with all values 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 29 July 2007, which have been consistently applied.

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

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

Freehold land is not depreciated.

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

Short leasehold buildings are depreciated over the period of the lease.

Equipment, fixtures and fittings are depreciated over 5 to 10 years.

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

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

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

Impairment
At each reporting date, the Company assesses whether there is an indication that 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 previous years. Such reversal is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis, over its remaining useful life.

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

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

Computer software – 3 years

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

2 Accounting policies continued

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

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

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

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

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

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

Lease incentive
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.

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 attributable to either 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 it is expected to be highly effective.

2 Accounting policies continued

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 roll-over or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to 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 and gains, and losses from both are 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.

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 comprise 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 which affect the reported amounts of income, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events which are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates. The value of these items is such that any variation in the estimates used are unlikely to have a significant effect on the amounts recognised in the financial statements.

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

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

Financial risk factors are disclosed in the finance review on pages 5 to 7.

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

2 Accounting policies continued

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, with any cost not yet recognised in the income statement for the award being 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 have been issued by the IASB; they 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 7	Financial Instruments: Disclosures*	1 January 2007
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures**	1 January 2007
IFRS 8	Operating Segments**	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 10	Interim Financial Reporting and Impairment**	1 November 2006
IFRIC 12	Service Concession Arrangements**	1 January 2008
IFRIC 14 IAS 19	The limit on a defined benefit asset, minimum funding requirement and their interaction**	1 January 2008
IFRIC 13	Customer loyalty programmes	1 July 2008

*This standard requires additional disclosures to be made for financial instruments. There will be no impact at the reported amounts of financial instruments as a result of adopting this financial statement.
** The impact on the Company's financial statements is not expected to be material.

The new accounting standards which have come into effect in the year had no material impact on these accounts.

3 Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Sales of food and beverages	**888,473**	847,516

4 Operating profit

This is stated after charging:	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Operating lease payments		
– minimum lease payment	**41,796**	42,106
– contingent rents	**10,388**	10,702
– equipment and vehicles	**203**	195
Repairs and maintenance	**35,572**	32,948
Rent receivable	**(327)**	(545)
Depreciation of property, plant and equipment (note 12)		
– owned assets	**41,997**	42,127
– assets held under finance leases	**557**	–
Amortisation of intangible assets (note 13)	**1,044**	1,079
Amortisation of non-current assets	**348**	187
Share-based payments	**3,014**	2,480
Profit on disposal of trading properties	**(1,281)**	–
Impairment of fixed assets	**876**	–
Auditors' fees		
Audit services:		
– audit fees	**131**	134
– other services supplied pursuant to such legislation	**34**	38
– other services	**3**	–
Total auditors' fees	**168**	172
Analysis of continuing operations		
Revenue	**888,473**	847,516
Cost of sales	**(762,153)**	(731,040)
Gross profit	**126,320**	116,476
Administration costs		
– head-office costs	**(35,207)**	(32,860)
Operating profit	**91,113**	83,616

5 Employee benefits expense

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Wages and salaries	**211,263**	200,240
Social Security costs	**14,537**	13,741
Pension costs	**1,429**	1,223
Share-based payments	**3,014**	2,480
	230,243	217,684

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

	2007 Number	2006 Number
Full-time equivalents		
Managerial/administration	**3,081**	3,569
Hourly paid staff	**8,812**	7,988
	11,893	11,557

	2007 Number	2006 Number
Total employees		
Managerial/administration	**3,081**	3,569
Hourly paid staff	**13,885**	12,946
	16,966	16,515

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

Key management compensation

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Salaries and short-term employee benefits	**1,974**	1,835
Post-employment pension and medical benefits	**130**	115
Termination benefits	**–**	214
Share-based payments	**304**	421
	2,408	2,585

Details of directors’ emoluments are disclosed in the remuneration report on pages 12 to 17.

6 Finance income and costs

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Finance costs		
Interest payable on bank loans and overdrafts	**22,685**	19,465
Interest payable on US senior loan notes	**6,027**	5,711
Amortisation of bank loan issue costs	**474**	176
Interest payable on obligations under finance leases	**109**	–
Finance costs	**29,295**	25,352
Bank interest receivable	**(206)**	(124)
Total net finance cost	**29,089**	25,228

7 Taxation

(a) Tax on profit on ordinary activities

Tax charged in the income statement

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Current income tax:		
Current income tax charge	**18,470**	18,065
Total current income tax	**18,470**	18,065
Deferred tax:		
Origination and reversal of timing differences	**2,192**	422
Adjustment in respect of a change in tax rate	**(5,472)**	–
Total deferred tax	**(3,280)**	422
Tax charge in the income statement	**15,190**	18,487
Tax relating to items charged or credited to equity		
Deferred tax		
Tax charge on revaluation of cash flow hedges	**1,633**	1,462
Adjustment in respect of a change in tax rate	**144**	–
Tax charge in the statement of recognised income and expense	**1,777**	1,462

7 Taxation continued

(b) Reconciliation of the total tax charge

The tax expense in the income statement for the year is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are reconciled below.

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Accounting profit before income tax	**62,024**	58,388
Accounting profit multiplied by the UK standard rate of corporation tax of 30% (2006 – 30%)	**18,607**	17,516
Abortive acquisition costs and disposals	**144**	254
Other disallowables	**42**	45
Other allowable deductions	**(86)**	(10)
Non-qualifying depreciation	**3,015**	2,910
Deduction for share options and SIPs	**(889)**	(2,165)
Deferred tax on balance sheet only items	**(171)**	(63)
Adjustment in respect of change in tax rate	**(5,472)**	–
Total tax expense reported in the income statement	**15,190**	18,487

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Deferred tax liability		
Accelerated capital allowances	**65,651**	67,921
Revaluation of land and buildings	**5,709**	6,550
Other timing differences	**8,040**	8,487
Deferred tax liability	**79,400**	82,958
Deferred tax asset		
Capital losses carried forward	**606**	885
Deferred tax on items taken directly to equity	**369**	2,145
Deferred tax asset	**975**	3,030
Deferred tax in the income statement:		
Accelerated capital allowances	**2,257**	1,687
Origination and reversal of timing differences	**(284)**	(1,940)
Capital losses carried forward	**219**	675
Adjustment in respect of a change in tax rate	**(5,472)**	–
Deferred tax expense	**(3,280)**	422

A one-off credit has been recognised in the accounts to reflect the changes in deferred tax balances arising from a reduction in corporate tax rates in the United Kingdom which have been substantively enacted at the balance sheet date.

8 Earnings and cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £46,834,000 (2006: £39,901,000) by the weighted average number of shares in issue during the year of 147,256,488 (2006: 165,694,582).

Diluted earnings per share has been calculated on a similar basis, taking account of 910,449 (2006: 545,980) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 148,166,937 (2006: 166,240,832).

An adjusted earnings per share has also been included to reflect the impact of the deferred taxation credit arising from the corporation tax rate change.

Earnings per share

	Earnings 52 weeks ended 29 July 2007 £000	Earnings 53 weeks ended 30 July 2006 £000	**Basic earnings per share 52 weeks ended 29 July 2007 pence**	Basic earnings per share 53 weeks ended 30 July 2006 pence	**Diluted earnings per share 52 weeks ended 29 July 2007 pence**	Diluted earnings per share 53 weeks ended 30 July 2006 pence
Profit for the year	**46,834**	39,901	**31.8**	24.1	**31.6**	24.0
Adjusted profit for the year (excluding one-off benefit to tax charge)	**41,362**	39,901	**28.1**	24.1	**27.9**	24.0

Free cash flow per share

The calculation of free cash flow per share is based on the net cash generated by business activities and available for investment in new pub developments and extensions to 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, inflows and outflows of financing from outside sources and dividend payments and is based on the same number of shares in issue as that for the calculation of basic earnings per share.

9 Cash generated from operations

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Profit attributable to shareholders	**46,834**	39,901
Adjusted for:		
Tax	**15,190**	18,487
Amortisation of intangible assets	**1,044**	1,079
Depreciation of property, plant and equipment	**42,554**	42,127
Lease premium amortisation	**348**	187
Share-based payments	**3,014**	2,480
Interest income	**(206)**	(124)
Interest expense	**28,821**	25,176
Amortisation of bank loan issue costs	**474**	176
Impairment of fixed assets	**876**	–
Net profit on disposal and anticipated disposal of trading properties	**(1,281)**	–
	137,668	129,489
Change in inventories	**(5,341)**	(911)
Change in receivables	**(1,717)**	2,003
Change in payables	**(5,677)**	2,785
Net cash inflow from operating activities	**124,933**	133,366

10 Analysis of changes in net debt

	30 July 2006 £000	Cash flows £000	Non-cash movement £000	**29 July 2007 £000**
Cash at bank and in hand	21,092	(2,040)	–	**19,052**
Debt due after one year	(368,717)	(76,135)	7,012	**(437,840)**
Derivative financial instrument – fair value hedge	(8,005)	–	(7,012)	**(15,017)**
	(355,630)	(78,175)	–	**(433,805)**
Derivative financial instrument – cash flow hedge	(7,151)	–	5,833	**(1,318)**
	(362,781)	(78,175)	5,833	**(435,123)**

11 Dividends paid and proposed

	52 weeks ended 29 July 2007 £000	53 weeks ended 30 July 2006 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend for 2005/06: 3.1p (2004/05: 2.82p)	**4,537**	4,749
Interim for 2007: 4.0p (2006: 1.6p)	**5,758**	2,618
Dividends paid	**10,295**	7,367
Proposed for approval by shareholders at the AGM:		
Final dividend for 2006/07: 8.0p (2005/06: 3.1p)	**11,396**	4,537

On 23 November 2007, the Company intends to recommend a final dividend of 8.0 pence per share, for the year ended 29 July 2007 to shareholders on the register at close of business on 26 October 2007. These accounts do not reflect this dividend payable.

12 Property, plant and equipment

	Freehold and long leasehold property £000	Short leasehold property £000	Equipment, fixtures and fittings £000	Expenditure on unopened properties £000	Total £000
Cost:					
At 24 July 2005	432,306	327,163	228,193	11,585	999,247
Additions	7,069	10,134	12,403	9,107	38,713
Transfers	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
Additions	19,677	8,853	30,087	26,313	84,930
Transfers	11,019	1,094	157	(12,270)	–
Transfer to assets available for sale	(994)	–	(258)	–	(1,252)
Disposals	(825)	(1,804)	(3,343)	(399)	(6,371)
At 29 July 2007	**465,172**	**344,746**	**263,161**	**30,551**	**1,103,630**
Depreciation and impairment:					
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
Provided during the year	7,509	7,092	27,953	–	42,554
Transfer to assets available for sale	(133)	–	(174)	–	(307)
Impairment loss	533	630	–	(287)	876
Disposals	(59)	(1,022)	(3,178)	–	(4,259)
At 29 July 2007	**48,774**	**70,816**	**201,771**	**–**	**321,361**
Net book amount at 29 July 2007	**416,398**	**273,930**	**61,390**	**30,551**	**782,269**
Net book amount at 30 July 2006	395,371	272,487	59,348	16,620	743,826
Net book amount at 24 July 2005	398,779	270,475	72,944	11,172	753,370

The carrying value of fixed assets held under finance leases at 29 July 2007 included within equipment, fixtures and fittings was as follows:

	2007 £000	2006 £000
Cost	**4,491**	–
Accumulated depreciation	**(557)**	–
	3,934	–

Impairment of property, plant and equipment

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

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

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

The discount rate employed is the Company's estimated weighted average cost of capital before tax and reflects the relevant risks of the assets being tested for impairment. The discount rate used for 2006/07 is 5.8% (2005/06 is 5.6%).

The resultant impairment losses in 2006/07 were £876,000 as shown in the table above.

13 Intangible assets

	IT software costs £000
Cost:	
At 24 July 2005	10,436
Additions	1,221
Disposals	(2,243)
At 30 July 2006	9,414
Additions	1,767
Disposals	(17)
At 29 July 2007	**11,164**
Amortisation	
At 24 July 2005	7,280
Amortisation during the year	1,079
Disposals	(1,803)
At 30 July 2006	6,556
Amortisation during the year	1,044
Disposals	(2)
At 29 July 2007	**7,598**
Net book amount at 29 July 2007	**3,566**
Net book amount at 30 July 2006	2,858
Net book amount at 24 July 2005	3,156

Amortisation of £1,044,000 (2006: £1,079,000) is included within the cost of sales in the income statement.

14 Other non-current assets

	2007 £000	2006 £000
Leasehold premiums	**6,685**	6,974

15 Inventories

	2007 £000	2006 £000
Finished goods at cost	**19,029**	13,688

16 Other receivables

	2007 £000	2006 £000
Other receivables	**3,953**	3,327
Prepayments and accrued income	**7,808**	6,700
	11,761	10,027

17 Cash and cash equivalents

	2007 £000	2006 £000
Cash at bank and in hand	**19,052**	21,092

Average maturity is nil days (2006: nil days).

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

18 Trade and other receivables

	2007 £000	2006 £000
Trade payables	**58,084**	57,637
Other payables	**4,805**	6,569
Other tax and social security	**18,233**	22,373
Accruals and deferred income	**38,061**	31,551
	119,183	118,130

19 Financial liabilities

	2007 £000	2006 £000
Current		
Finance lease obligations less than 1 year	**559**	–
Bank loans		
Variable rate facility 2010	**365,639**	289,503
$140,000,000 US senior loan notes 2009	**72,201**	79,214
Other		
Finance lease obligations greater than 1 year	**2,392**	–
	440,232	368,717
Total financial liabilities	**440,791**	368,717

20 Financial instruments

Interest-rate and currency risks of financial liabilities

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

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.

	2007 £000	2006 £000
Floating-rate borrowings	**287,840**	218,717
Fixed-rate borrowings:		
– Bank loans	**150,000**	150,000
– Finance lease obligations greater than 1 year	**2,392**	–
	440,232	368,717

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:

	2007 £000	2006 £000
Cash and short-term deposits	**19,052**	21,092

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

Maturity profile of financial liabilities

As at 29 July 2007	Within 1 Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	More than 5 years	Total
Bank loans	–	–	–	365,639	–	–	365,639
US senior loan notes	–	–	72,201	–	–	–	72,201
Other long-term payables	494	494	492	479	478	4,247	6,684
Finance lease obligations	559	826	889	955	(278)	–	2,951

As at 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 payables	489	494	494	492	479	4,622	7,070

The Company has total UK committed loan facilities of £415 million (2006: £385 million) which comprise a £415-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, £380 million (2006: £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.

In addition to the UK facilities, in September 1999, the Company issued $140 million unsecured US senior loan 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.

20 Financial instruments continued

Obligations under finance leases

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

	2007 £000
Within one year	**818**
In the second to fifth year inclusive	**2,814**
	3,632
Less future finance charges	**(681)**
Present value of lease obligations	**2,951**
Less amount due for settlement within one year	**(559)**
Amount due for settlement within second to fifth years inclusive	**2,392**

The Company entered into finance lease agreements, during the year, for coffee machines used in the Company's business.

Fair values

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

	2007 Book value £000	2007 Fair value £000	2006 Book value £000	2006 Fair value £000
Financing instruments				
Cash deposits	**19,052**	**19,052**	21,092	21,092
Long-term borrowings	**(437,840)**	**(452,857)**	(368,717)	(376,721)
Derivative instruments				
Interest-rate and currency swaps	**(16,335)**	**(16,335)**	(15,156)	(15,156)
Other				
Finance lease obligations	**(2,951)**	**(2,951)**	–	–

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 29 July 2007, 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% (2006: 6.46%), fixed for a weighted average period of 2 years (2006: 3 years).

The cash flow hedge of the floating-rate borrowings were assessed to be highly effective and an unrealised gain of £5,833,000, with a deferred tax charge of £1,633,000, relating to the hedging instrument, is included in equity.

Fair value hedge

At 29 July 2007, the Company held a cross-currency interest-rate swap in respect of the $140 million US senior loan notes. The effect of this transaction is to remove any exposure to currency risk, regarding the settlement of this financial liability in 2009.

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

21 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.

	2007 £000	2006 £000
Within one year	**53,361**	53,198
Between one and five years	**203,089**	211,948
After five years	**887,195**	927,708
	1,143,645	1,192,854

The Company has operating lease commitments with rentals determined in relation to sales. An estimate of the future rental payables under such leases of £36 million (2006: £47 million) is included above.

22 Provisions and other liabilities

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

	2007 £000	2006 £000
Other liabilities	**6,190**	6,581

The weighted average period to maturity of other liabilities is 17.1 years (2006: 17.9 years).

23 Share capital

	Number of Shares 000s	Share Capital £000
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
Allotments	1,855	37
Purchase of shares	(13,184)	(264)
At 29 July 2007	**142,447**	**2,849**

The total authorised number of 2p ordinary shares is 500 million (2006: 500 million). All issued shares are fully paid.

During the year, 13,184,049 shares (representing approximately 9% of the issued share capital) were purchased by the Company for cancellation, at a cost of £77 million, representing an average cost per share of 584p.

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

24 Statement of changes in shareholders' equity

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
At 25 July 2005	3,458	128,607	874	105,391	**238,330**
Exercise of options	49	6,925	–	–	**6,974**
Repurchase 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**
Exercise of options	37	5,890	–	–	**5,927**
Repurchase of shares	(264)	–	264	(77,015)	**(77,015)**
Share-based payments	–	–	–	3,014	**3,014**
Purchase of shares held in trust	–	–	–	(1,489)	**(1,489)**
Profit for the year	–	–	–	46,834	**46,834**
Cash flow hedges: gain taken to equity	–	–	–	5,833	**5,833**
Tax on items taken directly to equity	–	–	–	(1,777)	**(1,777)**
Dividends	–	–	–	(10,295)	**(10,295)**
At 29 July 2007	**2,849**	**141,422**	**1,569**	**26,767**	**172,607**

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

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

Shares acquired in relation to the employee Share Incentive Plan 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.

25 Share-based payments

Movements in the year

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

(a) Employee Share Option Scheme

	2007 Number	**2007 WAEP**	2006 Number	2006 WAEP
Outstanding at beginning of the year	**426,352**	**277.3**	1,066,064	242.8p
Lapsed in the year	**(4,725)**	**299.0**	(79,900)	305.1p
Exercised in the year	**(158,980)**	**244.9**	(559,812)	207.7p
Outstanding at the end of the year	**262,647**	**296.5**	426,352	277.3p
Weighted average contractual life remaining for share options outstanding at the year end	**0.7 years**		1.5 years	
Range of exercise prices for options outstanding at the year end				
– from	**167.0p**		167.0p	
– to	**326.0p**		326.0p	

25 Share-based payments continued

(b) New Discretionary Share Option

	2007 Number	2007 WAEP	2006 Number	2006 WAEP
Outstanding at beginning of the year	**1,618,778**	**334.5**	3,562,933	328.6p
Lapsed in the year	**(23,404)**	**331.4**	(698,749)	336.6p
Exercised in the year	**(1,138,487)**	**336.9**	(1,245,406)	316.6p
Outstanding at the end of the year	**456,887**	**328.5**	1,618,778	334.5p
Weighted average contractual life remaining for share options outstanding at the year end	**2.9 years**		4.0 years	
Range of exercise prices for options outstanding at the year end				
– from	**191.5p**		191.5p	
– to	**361.0p**		361.0p	

(c) 2001 Scheme

	2007 Number	2007 WAEP	2006 Number	2006 WAEP
Outstanding at beginning of the year	**578,735**	**301.5**	1,337,649	301.5p
Lapsed in the year	**(14,722)**	**301.5**	(283,460)	301.5p
Exercised in the year	**(399,110)**	**301.5**	(475,454)	301.5p
Outstanding at the end of the year	**164,903**	**301.5**	578,735	301.5p
Weighted average contractual life remaining for share options outstanding at the year end	**5.1 years**		6.1 years	
Exercise price for options outstanding at the year end	**301.5p**		301.5p	

(d) All-Employee Share Option Plan

	2007 Number	2007 WAEP	2006 Number	2006 WAEP
Outstanding at beginning of the year	**206,075**	**293.5**	438,675	294.3p
Lapsed in the year	**(8,767)**	**253.0**	(54,875)	297.1p
Exercised in the year	**(158,975)**	**291.1**	(177,725)	294.4p
Outstanding at the end of the year	**38,333**	**312.6**	206,075	293.5p
Weighted average contractual life remaining for share options outstanding at the year end	**0.4 years**		1.2 years	
Exercise price for options outstanding at the year end				
– from	**301.0p**		234.5p	
– to	**326.0p**		326.0p	

At 29 July 2007, there were 16 members of the Executive Share Option (ESOP) scheme, with average option-holdings of 16,415 shares; there were 44 members of the All-Employee Share Option (AESOP) plan, with average holdings of 871 shares; there were 601 members of the New Discretionary Share Option (NDSO) scheme, with average holdings of 760 shares; there were 515 members of the 2001 scheme, with average option-holdings of 320.

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.

FINANCIAL RECORD for the five years ended 29 July 2007

	UK GAAP 2003 £000	UK GAAP 2004 £000	IFRS 2005 £000	IFRS 2006 £000	**IFRS 2007 £000**
Sales and results					
Revenue from continuing operations	730,913	787,126	809,861	847,516	**888,473**
Operating profit	74,983	77,628	71,506	83,616	**91,113**
Exceptional items	(3,688)	(7,758)	(7,380)	–	**–**
Finance income	810	592	232	124	**206**
Finance costs	(19,654)	(24,146)	(24,561)	(25,352)	**(29,295)**
Profit on ordinary activities before taxation	52,451	46,316	39,797	58,388	**62,024**
Taxation	(18,407)	(17,042)	(13,867)	(18,487)	**(15,190)**
Profit for the year	34,044	29,274	25,930	39,901	**46,834**
Net assets employed					
Fixed assets	773,823	783,574	765,200	756,688	**793,495**
Net current liabilities	(93,135)	(105,864)	(100,978)	(81,701)	**(78,731)**
Non-current liabilities	(299,942)	(322,512)	(327,218)	(383,873)	**(456,567)**
Provision for liabilities and charges	(62,419)	(66,244)	(90,259)	(89,539)	**(85,590)**
Shareholders' funds	318,327	288,954	246,745	201,575	**172,607**
Ratios					
Operating margin	10.3%	9.9%	8.8%	9.9%	**10.3%**
Basic earnings per share (excl. exceptional items)	17.0p	17.7p	16.9p	24.1p	**28.1p**
Free cash flow per share	38.8p	36.7p	37.1p	42.1p	**35.6p**
Dividends per share (interim and final)	3.54p	3.89p	4.28p	4.70p	**12.0p**

Notes to the financial record

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

(b) Figures for 2005 to 2007 are stated in compliance with IFRSs; 2002 to 2004 are reported under UK GAAP.

INFORMATION FOR SHAREHOLDERS

Ordinary shareholdings at 29 July 2007

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	3,846	86.82%	1,949,604	1.37%
2,501 to 10,000	322	7.27%	1,492,293	1.05%
10,001 to 250,000	197	4.45%	10,651,719	7.48%
250,001 to 500,000	22	0.50%	7,897,557	5.54%
500,001 to 1,000,000	20	0.45%	13,471,187	9.46%
Over 1,000,000	23	0.52%	106,984,728	75.10%
	4,430	**100%**	**142,447,088**	**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 10 August 2007:

	Number of ordinary shares	% of share capital
Schroder Investment Management	23,024,619	16.16
Sanderson Asset Management	12,331,100	8.66
Nordea Investment Management	11,128,487	7.81
Barclays Global Investors	6,670,140	4.68
Liontrust Asset Management	6,586,708	4.62
Legal & General Investment Management	5,556,163	3.90
Investec Asset Management	4,346,033	3.05

Share prices

30 July 2006	445.0p
Low	428.0p
High	772.5p
29 July 2007	576.5p

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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 7 November 2007 at 10.00am for the following purposes:

Ordinary business

1 To receive the reports of the directors, the auditors and the audited accounts of the company for the financial year ended 29 July 2007.

2 To receive and approve the directors' remuneration report for the year ended 29 July 2007.

3 To declare a final dividend for the year ended 29 July 2007 of 8.0 pence per ordinary share of 2.0 pence in the capital of the company.

4 To re-elect Mr John Hutson as a director.

5 To re-elect Mrs Elizabeth McMeikan as a director.

6 To re-elect Mr John Herring 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, 10 and 11, 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 £940,000 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 27 July 2008;

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

the company may send or supply documents or information to members by making them available on a Web site or by other electronic means and this resolution shall supersede and modify any provision of the company's articles of association to the extent that it is inconsistent with this resolution.

10 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 27 July 2008 (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 £142,000.

11 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 21,367,000; and

(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 27 July 2008 and 30 April 2009, 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
7 September 2007

Registered Office:

Wetherspoon House
Central Park
Reeds Crescent
Watford
WD24 4QL

Notes:

1 A member entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him or her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by 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 5 November 2007, 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 beforehand 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; and

(b) the register of directors' interests.

5 Only those shareholders registered in the register of members of the company as at 10am on 5 November 2007 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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