11 September 2009 **PRESS RELEASE**

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 52 weeks ended 26 July 2009)

RECORD SALES, PROFITS BEFORE TAX AND EXCEPTIONAL ITEMS AND FREE CASH FLOW

Financial Highlights

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

Tim Martin, chairman of J D Wetherspoon plc, comments:

"I am pleased to report a record year for the company in sales, profit before tax and exceptional items and free cash flow. We generated free cash flow of £99.5 million, a 39.4% increase on £71.4 million last year. The company opened 39 pubs during the year, resulting in a total estate of 731 pubs.

"Our approach remains one of trying to make lots of small improvements in diverse areas of the business, creating momentum in the services and facilities offered to customers, as well as sales and profits for the company. Our combination of bar, food and coffee sales helps to ensure that pubs are busy throughout much of the week, maximising profits and employment opportunities, as well as generating volume growth for many of our suppliers.

"As previously indicated, the company intends to repay its US$140-million (£87-million) private placement, due for renewal in September 2009, from cash flow and remaining facilities. The company has one of the lowest net-debt-to-EBITDA ratios in the listed pub sector.

"In the six weeks to 6 September 2009, like-for-like sales increased by 1.2% and total sales by 5.8%. As a result of our strong cash flow, our dedicated management team and our continuing efforts to improve the business, we remain confident of our future prospects."

Enquiries:

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Photographs are available at: www.newscast.co.uk

Notes to editors

1. J D 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.
2. Visit our Web site: www.jdwetherspoon.co.uk
3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of inherent uncertainties in economic trends and business risks.
4. The next interim management statement will be issued on 4 November 2009.

2009 CHAIRMAN'S STATEMENT AND OPERATING REVIEW

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

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

Summary financials for the years ended 31 July 1984–2009

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

Notes

Adjustments to statutory numbers

1. Where appropriate, the EPS as disclosed in the statutory accounts, have been recalculated to take account of share splits, the issue of new shares and capitalisation issues.
2. Free cash flow per share excludes dividends paid which were included in the free cash flow calculations in the reported accounts for the years 1995–2000.
3. The above table has not been audited.

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

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

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

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

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

Property

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

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

Dividends

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

Taxation

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

The current tax rate has fallen from the estimated 34.7% at the interim results to 32.4% (2008: 32.9% on a comparable basis adjusted for exceptional items). This is largely due to the 2009 Budget announcement which introduced accelerated current tax relief via 40% first-year allowances, up from 20%, on eligible capital expenditure incurred during the year ended 31 March 2010.

Financing

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

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

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

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

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

Further progress

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

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

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

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

Corporate responsibility

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

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

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

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

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

Personnel and training

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

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

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

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

In addition, the Advanced Diploma in Leisure Retail Management, run in conjunction with Leeds Metropolitan University, is offered to all pub and area managers at Wetherspoon; to date, over one-third of all pub managers have completed the programme. We believe this diploma to have been the first in-house programme in the licensed trade which allows employees to gain a professional qualification while working. The programme was extended to include a 'degree top-up', also in conjunction with Leeds Metropolitan University, offering an alternative to full-time study.

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

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

Bonuses

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

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

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

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

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

Tax and regulation

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

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

Current trading and outlook

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

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

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

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

Tim Martin
Chairman
11 September 2009

INCOME STATEMENT for the 52 weeks ended 26 July 2009

	Notes	**52 weeks ended 26 July 2009 Before exceptional items Total £000**	**52 weeks ended 26 July 2009 Exceptional items (note 3) Total £000**	**52 weeks ended 26 July 2009 After exceptional items Total £000**	52 weeks ended 27 July 2008 Before exceptional items Total £000	52 weeks ended 27 July 2008 Exceptional items (note 3) Total £000	52 weeks ended 27 July 2008 After Exceptional items Total £000
Revenue		**955,119**	**–**	**955,119**	907,500	–	907,500
Operating costs		**(858,118)**	**(21,920)**	**(880,038)**	(817,043)	(3,275)	(820,318)
Operating profit	**2**	**97,001**	**(21,920)**	**75,081**	90,457	(3,275)	87,182
Finance income	**4**	**336**	**–**	**336**	337	–	337
Finance costs	**4**	**(31,182)**	**–**	**(31,182)**	(32,566)	–	(32,566)
Fair value gain/(loss) on financial derivatives	**4**	**–**	**794**	**794**	–	(794)	(794)
Profit on ordinary activities before taxation		**66,155**	**(21,126)**	**45,029**	58,228	(4,069)	54,159
Income tax expense	**5**	**(20,954)**	**1,224**	**(19,730)**	(19,219)	595	(18,624)
Profit for the period		**45,201**	**(19,902)**	**25,299**	39,009	(3,474)	35,535
Earnings per ordinary share	**6**	**32.6**		**18.2**	27.6		25.2
Fully diluted earnings per share	**6**	**32.6**		**18.2**	27.6		25.1

All activities relate to continuing operations.

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

	Notes	**52 weeks ended 26 July 2009 £000**	52 weeks ended 27 July 2008 £000
Cash flow hedges: (loss)/gain taken to equity	**13**	**(35,934)**	1,256
Tax on items taken directly to equity	**5,13**	**10,062**	(350)
Net (loss)/gain recognised directly in equity		**(25,872)**	906
Profit for the year		**25,299**	35,535
Total recognised (loss)/gain for the year		**(573)**	36,441

CASH FLOW STATEMENT for the 52 weeks ended 26 July 2009

	Notes	**52 weeks ended 26 July 2009 £000**	**52 weeks ended 26 July 2009 £000**	52 weeks ended 27 July 2008 £000	52 weeks ended 27 July 2008 £000
Cash flows from operating activities					
Cash generated from operations	**7**	**171,850**	**171,850**	134,369	134,369
Interest received		**460**	**460**	268	268
Interest paid		**(35,317)**	**(35,317)**	(29,748)	(29,748)
Corporation tax paid		**(20,497)**	**(20,497)**	(17,974)	(17,974)
Purchase of own shares for share-based payments		**(6,003)**	**(6,003)**	(3,181)	(3,181)
Net cash inflow from operating activities		**110,493**	**110,493**	83,734	83,734
Cash flows from investing activities					
Purchase of property, plant and equipment		**(9,546)**	**(9,546)**	(10,909)	(10,909)
Purchase of intangible assets		**(1,453)**	**(1,453)**	(1,414)	(1,414)
Proceeds on sale of property, plant and equipment		**495**		793	
Investment in new pubs and pub extensions		**(36,899)**		(47,754)	
Purchase of lease premiums		**(931)**		(805)	
Net cash outflow from investing activities		**(48,334)**	**(10,999)**	(60,089)	(12,323)
Cash flows from financing activities					
Equity dividends paid	**9,13**	**(10,439)**		(17,380)	
Proceeds from issue of ordinary shares	**13**	**580**		461	
Purchase of own shares	**13**	**–**		(12,031)	
(Repayments)/advances under bank loans	**8**	**(44,051)**		3,184	
Finance costs on new loan	**8**	**(208)**		–	
Finance lease principal payments	**8**	**(889)**		(479)	
Net cash outflow from financing activities		**(55,007)**		(26,245)	
Net increase/(decrease) in cash and cash equivalents		**7,152**		(2,600)	
Opening cash and cash equivalents		**16,452**		19,052	
Closing cash and cash equivalents		**23,604**		16,452	
Free cash flow	**6**		**99,494**		71,411
Free cash flow per ordinary share	**6**		**71.7p**		50.6p

BALANCE SHEET as at 26 July 2009

	Notes	26 July 2009 £000	27 July 2008 £000
Assets			
Non-current assets			
Property, plant and equipment	**10**	**773,903**	792,741
Intangible assets	**11**	**4,858**	4,417
Deferred tax assets		**10,766**	583
Other non-current assets	**12**	**7,969**	7,276
Total non-current assets		**797,496**	805,017
Current assets			
Inventories		**17,954**	15,896
Other receivables		**16,326**	13,489
Assets held for sale		**1,135**	93
Cash and cash equivalents		**23,604**	16,452
Total current assets		**59,019**	45,930
Total assets		**856,515**	850,947
Liabilities			
Current liabilities			
Trade and other payables		**(143,712)**	(115,379)
Financial liabilities		**(102,811)**	(900)
Current income tax liabilities		**(11,409)**	(10,457)
Derivative financial instruments		**(555)**	–
Total current liabilities		**(258,487)**	(126,736)
Non-current liabilities			
Financial liabilities		**(310,340)**	(444,040)
Derivative financial instruments		**(35,919)**	(14,692)
Deferred tax liabilities		**(77,633)**	(79,231)
Other liabilities		**(6,443)**	(5,701)
Total non-current liabilities		**(430,335)**	(543,664)
Net assets		**167,693**	180,547
Shareholders' equity			
Ordinary shares		**2,779**	2,775
Share premium account		**142,456**	141,880
Capital redemption reserve		**1,646**	1,646
Hedging reserve		**(26,284)**	(412)
Retained earnings		**47,096**	34,658
Total shareholders' equity	**13**	**167,693**	180,547

1. Authorisation of financial statements and statement of compliance with IFRSs

The preliminary announcement for the 52 week period ended 26 July 2009 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The principle accounting policies applied in the preparation of this preliminary announcement are consistent with those described in the 2008 annual report and accounts available within the investors section of the company's Web site: www.jdwetherspoon.co.uk

These preliminary statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. They have, however, been extracted from the statutory accounts for the period ended 26 July 2009 on which an unqualified report has been made by the company's auditors.

The 2008 statutory accounts have been filed with Registrar of Companies. The 2009 statutory accounts will be sent to shareholders in October 2009 and will be filed with Registrar of Companies, following their adoption at the forthcoming annual general meeting.

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

This is stated after charging/(crediting):

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Operating lease payments		
– minimum lease payment on land and buildings	**45,390**	43,453
– contingent rents on land and buildings	**13,136**	11,886
– equipment and vehicles	**534**	246
Repairs and maintenance	**28,713**	29,308
Rent receivable	**(709)**	(418)
Depreciation of property, plant and equipment (note 10)		
– owned assets	**42,998**	42,744
– assets held under finance lease	**985**	943
Amortisation of intangible assets (note 11)	**878**	1,160
Amortisation of non-current assets (note 12)	**235**	214
Share-based charges	**3,592**	3,630

3. Exceptional items

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

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

Under the impairment review, each cash-generating unit (CGU) is reviewed for its recoverable amount determined as being the higher of its fair value less costs to sell and its value in use. This resulted in an impairment charge of £6,527,000.

During the year, management undertook a review of its fixed assets which identified that certain assets were not being depreciated in accordance with the company's accounting policy. This resulted in a one-off adjustment of £9,424,000, relating to previous years. In the year, £792,000 of the depreciation charge related to the restatement of asset lives.

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

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

4. Finance income and costs

	52 weeks ended 26 July 2009 £000	52 weeks ended 27 July 2008 £000
Finance costs		
Interest payable on bank loans and overdrafts	**25,890**	25,300
Interest payable on US senior loan notes	**4,737**	6,704
Amortisation of bank loan issue costs	**334**	303
Interest payable on obligations under finance leases	**221**	259
Finance costs before fair value loss on financial derivatives	**31,182**	32,566
Fair value loss on financial derivatives	**–**	794
Total finance costs	**31,182**	33,360
Bank interest receivable	**(336)**	(337)
Fair value gain on financial derivatives	**(794)**	–
Total finance income	**(1,130)**	(337)
Total net finance costs	**30,052**	33,023

The fair value gain on financial derivatives relates to the 'mark to market' value of basis-swap derivatives taken out in the year ended 27 July 2008. This gain in the current year reverses out the loss on financial derivatives charged in the year ended 27 July 2008.

5. Taxation

Tax charged in the income statement

	52 weeks ended 26 July 2009 Before exceptional items £000	**52 weeks ended 26 July 2009 Exceptional items £000**	**52 weeks ended 26 July 2009 After exceptional items £000**	52 weeks ended 27 July 2008 Before exceptional items £000	52 weeks ended 27 July 2008 Exceptional items £000	52 weeks ended 27 July 2008 After exceptional items £000
Current income tax:						
Current income tax charge/(credit)	**21,438**	**11**	**21,449**	19,126	(374)	18,752
Total current income tax	**21,438**	**11**	**21,499**	19,126	(374)	18,752
Deferred tax:						
Origination and reversal of timing differences	**(484)**	**(1,235)**	**(1,719)**	93	(221)	(128)
Total deferred tax	**(484)**	**(1,235)**	**(1,719)**	93	(221)	(128)
Tax charge/(credit) in the income statement	**20,954**	**(1,224)**	**19,730**	19,219	(595)	18,624
Tax relating to items charged or credited to equity						
Deferred tax:						
Tax (credit)/charge on cash flow hedges	**(10,062)**	**–**	**(10,062)**	350	–	350
Tax (credit)/charge in the statement of recognised income and expense	**(10,062)**	**–**	**(10,062)**	350	–	350

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

6. Earnings and cash flow per share

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

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

Earnings before exceptional items have been adjusted to reflect the exclusion of exceptional items and the fair value gain/ loss on financial derivatives as per note 3.

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

Free cash flow per share

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

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

7. Cash generated from operations

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

8. Analysis of changes in net debt

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

9. Dividends paid and proposed

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

The company intends not to recommend a final dividend for the year ended 26 July 2009.

10. Property, plant and equipment

	Freehold and long leasehold property £000	Short leasehold property £000	Equipment, fixtures and fittings £000	Expenditure on unopened properties £000	Total £000
Cost:					
At 29 July 2007	465,172	344,746	263,161	30,551	1,103,630
Additions	3,179	2,301	7,277	42,657	55,414
Transfers	34,364	3,626	6,027	(44,017)	–
Transfer to assets held for sale	–	(1,288)	(367)	–	(1,655)
Disposals	(270)	(189)	(1,094)	(652)	(2,205)
At 27 July 2008	502,445	349,196	275,004	28,539	1,155,184
Additions	14,683	9,169	15,940	6,767	46,559
Transfers	11,114	1,061	244	(12,419)	–
Transfer to assets held for sale	93	–	–	(3,036)	(2,943)
Disposals	–	(1,011)	(1,065)	(1,751)	(3,827)
Reclassification	(1,945)	3,898	(1,621)	–	332
At 26 July 2009	**526,390**	**362,313**	**288,502**	**18,100**	**1,195,305**
Depreciation and impairment:					
At 29 July 2007	48,774	70,816	201,771	–	321,361
Provided during the year	8,520	6,994	28,173	–	43,687
Transfer to assets held for sale	–	(1,288)	(367)	–	(1,655)
Disposals	–	(120)	(830)	–	(950)
At 27 July 2008	57,294	76,402	228,747	–	362,443
Provided during the year	10,754	12,488	20,741	–	43,983
Impairment loss and depreciation adjustment	877	6,811	8,127	–	15,815
Disposals	–	(135)	(871)	–	(1,006)
Reclassification	7,053	34,458	(41,344)		167
At 26 July 2009	**75,978**	**130,024**	**215,400**	**–**	**421,402**
Net book amount at 26 July 2009	**450,412**	**232,289**	**73,102**	**18,100**	**773,903**
Net book amount at 27 July 2008	445,151	272,794	46,257	28,539	792,741
Net book amount at 29 July 2007	416,398	273,930	61,390	30,551	782,269

Impairment of property, plant and equipment

The company considers each trading outlet to be a separate CGU, with each CGU reviewed annually for indicators of impairment.

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

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

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

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

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

11. Intangible assets

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

12. Other non-current assets

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

13. Statement of changes in shareholders' equity

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

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