J D Wetherspoon plc

Annual report and accounts 2003

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.

Contents

Financial calendar

Annual General Meeting
11 November 2003

Final dividend for 2003
28 November 2003

Interim report for 2004
March 2004

Interim dividend for 2004
May 2004

Year end
25 July 2004

Preliminary announcement for 2004
September 2004

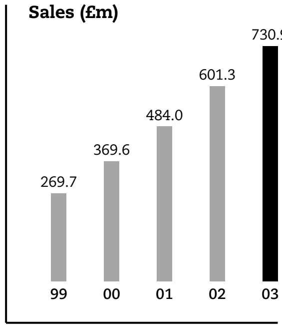
Report and accounts for 2004
October 2004

Designed by WLG Design
Printed by Perivan Group

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

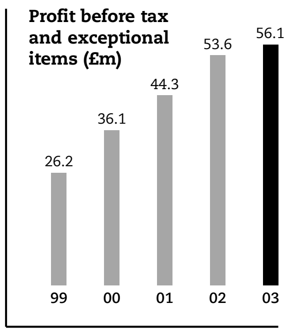
Telephone 01923 477777
www.jdwetherspoon.co.uk

Financial highlights



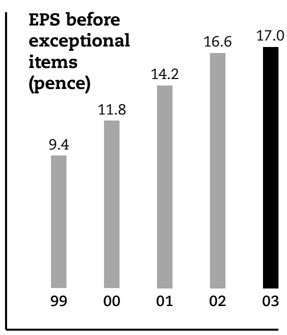
Turnover up 22% to

£730.9m



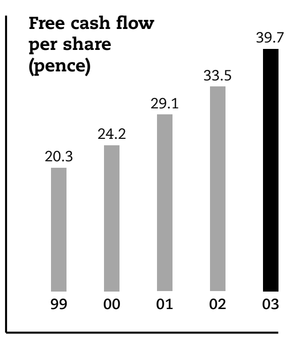
Profit before tax (before exceptional items) up 5% to

£56.1m



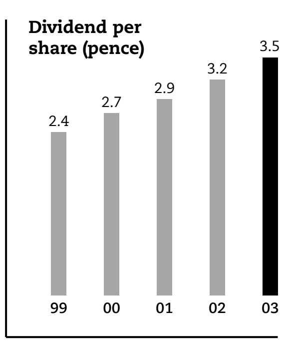
Earnings per share (before exceptional items) up 2% to

17.0p



Free cash flow per share up 19% to

39.7p



Dividend per share increased by 10% to

3.54p

I am pleased to report another year of progress for Wetherspoon. Sales increased by £129.6 million to £730.9 million, a rise of 22%. Operating profit increased by 7% to £75.0 million, and profit before tax (before exceptional items) rose by 5% to £56.1 million. Earnings per share (before exceptional items) increased by 2% to 17.0p.

I am pleased to report another year of progress for Wetherspoon. Sales increased by £129.6 million to £730.9 million, a rise of 22%. Operating profit increased by 7% to £75.0 million, and profit before tax (before exceptional items) rose by 5% to £56.1 million. Earnings per share (before exceptional items) increased by 2% to 17.0p.

..cash flow per share of 39.7p, more than double earnings per share...

Cash outflow in respect of capital investment was £95.0 million, and net gearing at the year end was 97% (2002: 98%). Net interest was covered 4.0 times (2002: 4.2 times) by operating profit. Operating margins were 10.3%, compared with 11.7% last year, mainly as a result of higher labour and other pub costs.

Free cash flow, after payments of tax, interest and capital investment of £15.9 million in existing pubs, increased by 19% to £85.1 million, resulting in free cash flow per share of 39.7p, more than double earnings per share. Free cash flow in the period was enhanced by lower-than-usual investment in existing pubs, offset by a cash tax charge which rose, as expected, from 16% to 24% of profits.

Economic profit after cash tax, calculated by adding depreciation to profit after tax (before exceptional items) and subtracting capital expenditure on existing pubs, increased by 12% to £70.1 million, with capital investment in existing pubs at 2.2% of turnover, compared with 3.1% of turnover in the previous period.

During the year, the company sold 18 pubs for a net cash consideration of £10.7 million, giving rise to a loss on disposal of £2.7 million. We have also written down the value in the balance sheet by £1.0 million on two non-trading properties purchased for development which we now intend to sell. This has led to a total exceptional loss in the year of £3.7 million before taxation.

We opened 45 pubs during the year, compared with 87 in the previous year. The total number of pubs now operated by us is 638, including 3 opened since the year end. The new pubs are in a variety of locations throughout Britain and Northern Ireland and have opened at initial sales levels which are encouraging for the future. Like-for-like sales increased by 4%, although like-for-like profits declined by 1%, principally as a result of higher costs for labour, repairs and insurance.

The number of Lloyds pubs increased to 50 and these pubs continue to show positive sales growth.

The company continues to try to upgrade every area of the business.

DIVIDENDS

The board proposes, subject to shareholders' consent, to pay a final dividend of 2.33p per share on 28 November 2003 to those shareholders on the register on 31 October 2003, bringing the total dividend for the year to 3.54p per share, a 10% increase on the previous year. At this level, dividends will be covered 4.8 times by earnings (before exceptional items), compared with 5.2 times in 2002. The company has decided to cease offering a scrip alternative to dividends, now and for the foreseeable future.

All of our capital expenditure on new pub developments was financed by organic-free cash flow...

FINANCE

The company had £87.9 million of unutilised banking facilities and £15.2 million of cash as at the balance sheet date. Total facilities are now £412 million. The increase in cash flow relative to capital expenditure means that the company is in a strong position to finance future growth. All of our capital expenditure on new pub developments was financed by organic-free cash flow in the year under review.

RETURN OF CAPITAL

Towards the end of the year, 8,245,000 shares (representing approximately 4% of the issued share capital) were purchased by the company for cancellation at a cost of £20.1 million, representing an average cost per share of 243p. £17.4 million of the cost was an outflow in the year under review, with the balance settled in the first week of the new financial year. As a result, we expect earnings per share to be enhanced in the future.

REGULATION AND TAXATION

In the last few years, the pub business, in common with many other businesses, has seen an increase in taxation and red tape. The government has decided to hand over responsibility for pub licences from the magistrate's court to local authorities; this will involve a substantial increase in fees and other regulatory costs. In addition, there have been considerable increases in taxation, including excise duty, which will cost approximately £2 million in the current financial year, and an increase in stamp duty for new leasehold properties, which will cost approximately £500,000 per annum. These tax increases are in addition to the more highly publicised increases, such as those affecting national insurance contributions.

Pubs currently pay approximately 40% of their turnover in taxes of one kind or another, and further increases in this burden will mean that pubs become less competitive and more expensive, relative to an evening at home.

PEOPLE

I would like to thank, again, our employees, partners and suppliers for their dedicated work in creating another year of progress for the company.

As a result of our strong cash flow, our track record over many years and our excellent management team, I remain confident of our future prospects.

CURRENT TRADING AND OUTLOOK

In August like-for-like sales increased by 3.5%, and total company sales increased by 12%. Profits, both in the current year and going forward, are likely to be impacted by regulatory and employee cost increases.

Whereas we continue to see opportunities for profitable expansion, the uncertainty created by increased red tape and taxation means that it is prudent to reduce the rate of that expansion, so that the level of capital investment for the foreseeable future remains approximately in line with our free cash flow. We have 7 sites in the course of construction, 33 with the necessary permission for development, a further 10 on which terms have been agreed and 99 currently in negotiation.

As a result of our strong cash flow, our track record over many years and our excellent management team, I remain confident of our future prospects.

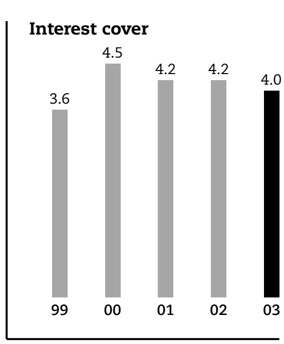
Tim Martin
Chairman
5 September 2003

SALES AND OPERATING PROFIT

In the year under review, total sales increased by 22% to £730.9 million. Bar sales increased by 19%, with a 33% increase in food sales which now represent 23% of total revenue. Operating profit increased by 7% to £75.0 million, and profit before tax (before exceptional items) of £56.1 million, represents a 5% increase on the previous year. Net operating margins, excluding interest, were 10.3%, compared with 11.7% in the previous year. Further information on the performance of the business is given in the chairman's statement and operating review on pages 2 to 4.

INTEREST

The net interest charge during the year increased from £16.5 million to £18.8 million, reflecting the continued investment in new pub developments. Interest capitalised shows a reduction from the previous year, from £2.3 million to £2.0 million. The interest charge to the profit and loss account was covered 4.0 times (before exceptional items), in line with the previous year. Fixed-charge cover (interest and rent) was also in line with last year, at 1.9 times. Excluding depreciation, fixed charge cover (interest and rent) on a cash basis was 2.7 times (2002: 2.8).



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 (FRS19) requires a full provision for future tax liabilities, excluding any potential future benefit from ongoing capital investment. This results in an overall tax charge for the year of 35%, in line with the previous year. The amount of corporation tax to be paid on the results for the year is 24% before the impact of exceptional items, compared with the previous year's 16%, owing primarily to a lower level of benefit from accelerated capital allowances on new pub developments.

EXCEPTIONAL ITEMS

The company reported an exceptional loss during the year of £3.7 million. This comprised a loss on the disposal of 18 public houses of £2.7 million, together with a provision of £1.0 million in respect of anticipated losses on two non-trading properties.

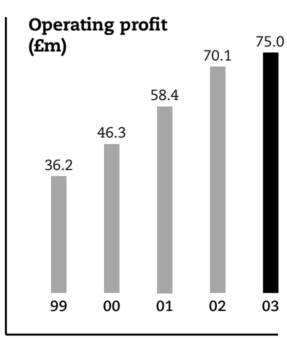
SHAREHOLDERS' RETURN

Earnings per share (before exceptional items) increased by 2% to 17.0p. The underlying free cash flow per share increased by 19% to 39.7p, more than double earnings per share.

The proposed final dividend of 2.33p per share, together with the interim dividend of 1.21p per share already paid, represents a 10% increase. The total dividend per share will be covered 4.8 times by earnings per share (before exceptional items), compared with 5.2 times in the previous year. The company has maintained its previous policy of regular increases in dividends, while maintaining sufficient cash to fund capital expenditure. Shareholders' funds at the year end were £318.6 million.

The company purchased £20.1 million of its own shares during the year, of which £2.7 million was settled in the first week of the new financial year. These transactions represented a share buyback and cancellation of approximately 4% of the share capital in issue prior to the commencement of the buyback.

The middle market quotation of the company's ordinary shares at the end of the financial year was 233.5p. The highest price during the year was 327.5p, while the lowest was 159.0p. The company's market capitalisation at 27 July 2003 was £484 million.



CASH FLOW

As set out on page 21, the company continues to generate significant amounts of cash, with a net cash inflow from operating activities of £130.6 million, an increase of 15% on the previous year. Free cash flow in the year, which is defined as cash from operations after deducting non-capitalised interest, taxation and the purchase of fixed assets for existing pubs, increased from £71.4 million to £85.1 million. This level of free cash flow covered all our investment in new pub openings, producing a net cash inflow, before financing, of £11.1 million.

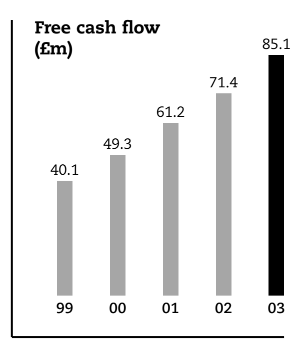
CAPITAL INVESTMENT

45 new pubs were opened during the year, compared with 87 in the previous year. The cash outflow, with respect to these new pubs, totalled £79.1 million, including capitalised interest. Investment in existing pubs was £15.9 million, representing 2.2% of sales, compared with 3.1% of sales in the previous financial year.

FINANCIAL POSITION

Net debt at the year end amounted to £308.9 million, representing a balance sheet gearing ratio of 97%. Excluding the cumulative impact of the reduction in shareholders' funds, owing to the adoption of FRS19 deferred taxation, the underlying level of balance sheet gearing is 81%, which compares with the previous year's 82%.

At the balance sheet date, the company had £103.1 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 existing available bank facilities were increased during the year, with the addition of an extra £85 million of capacity to the previously agreed facility, taking into account the £25 million of repayments made during the year.



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 its business. The interest payments under the US senior loan notes are also covered by an interest-rate swap, resulting in a floating sterling interest payment throughout the term of the notes.

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

At the balance sheet date, the company had entered into forward-starting fixed interest-rate swap agreements over a total of £150 million of borrowings, covering a six-year period at an average rate of interest (excluding bank margin) of 6.46%. At the balance sheet date, the company had £97 million active fixed-rate swaps, all drawn from the forward-starting agreement which, together with the remaining £53 million of the forward-starting agreement, ensures that broadly 50% of borrowings are covered by swaps for the foreseeable future, 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.

Jim Clarke
Finance Director
5 September 2003

Directors, officers and advisers

Tim Martin Executive Chairman, aged 48

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 Managing Director, aged 38

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 Domeq.

Jim Clarke Finance Director, aged 43

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

Suzanne Baker Commercial Director, aged 40

Suzanne joined the company in 1992 and was appointed to the board in 1997. She has previously worked with Grand Metropolitan plc.

John Herring Senior Independent Non-Executive Director, aged 45

John was appointed to the board in 1997 and is chairman of the audit committee, the remuneration committee and the nomination committee. A chartered accountant, he is an associate of Corbett Keeling Ltd. He is a non-executive director of Kensington Group plc and Workplace-Systems plc and is a former director of Kleinwort Benson Securities Ltd.

Tony Lowrie Non-Executive Director, aged 61

Tony was appointed to the board in 1987 and is a member of the audit committee, the remuneration committee and the nomination committee. He is a managing director of ABN AMRO Bank NV and a former chairman of ABN AMRO Asia Securities.

Brian Jervis Non-Executive Director, aged 68

Brian was appointed to the board in 1991 and is a member of the audit committee, the remuneration committee and the nomination committee. A chartered secretary, Brian is a former director of John Govett and Co Ltd.

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

Valuers

Christie & Co

Solicitors

Macfarlanes

Bankers

The Royal Bank of Scotland plc
Bank of Scotland
National Australia Bank Ltd
Scotiabank Europe plc
Allied Irish Banks plc
Dresdner Bank AG

Financial Advisers

Dresdner Kleinwort Wasserstein Limited

Stockbrokers

Dresdner Kleinwort Wasserstein Securities Limited

Directors' report for the year ended 27 July 2003

The directors present their report and audited accounts for the year ended 27 July 2003.

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 4.

Results and dividends
The profit on ordinary activities (including exceptional items) for the year, after taxation, was £34,044,000.

On 28 November 2003, the company proposes to pay a final dividend for the year ended 27 July 2003 of 2.33 pence per share to shareholders on the share register as at the close of business on 31 October 2003.

Profit retained for the financial year amounted to £26,610,000 and will be transferred to reserves.

Return of capital
At the Annual General Meeting of the company held on 7 November 2002, the company was given authority to make market purchases of up to 21,461,670 of its own shares. In May 2003, the company commenced a programme of purchasing its own ordinary shares for cancellation. A total of 8,245,000 shares has been purchased at an average cost of 243p per share, representing approximately 4% of the issued share capital. Accordingly, as at 27 July 2003, the authority given to the company at the last Annual General Meeting remained outstanding in relation to 13,216,670 shares. The aggregate consideration paid for these purchases was £20,058,790, of which £17,369,000 was settled during the financial year. As a result of the share buyback programme, the company expect earnings per share to be enhanced, in both the current and future years.

The company has decided, in light of the share buyback programme, to terminate its scrip dividend scheme. Shareholders will continue to be entitled to receive full cash dividends. Cash balances carried forward under the scrip dividend scheme will be paid to shareholders with the final dividend for the year under review.

Directors
The directors listed on page 8 served throughout the financial year. Mr Hutson, Mr Clarke and Mrs Baker 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 director's remuneration report on pages 12 to 15.

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 36.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on a going-concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 July 2003 and that applicable accounting standards have been followed.

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

The directors are responsible for the maintenance and integrity of the company's Web site: www.jdwetherspoon.co.uk. 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 legislation in other jurisdictions.

Auditors
Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) on 1 January 2003, PricewaterhouseCoopers resigned on 10 February 2003, and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.
A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the company (having previously been appointed by the board of directors to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers) will be proposed at the Annual General Meeting.

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

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

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

The company has established a range of policies, covering issues such as diversity, employee's 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 44 (2002: 46) days' purchases.

Political and charitable contributions
Contributions made by the company during the year, for charitable purposes, were £40,320 (2002: £10,999). No political contributions were made.

Business at the Annual General Meeting
On pages 37 and 38 is a notice convening the Annual General Meeting of the company for 11 November 2003, at which shareholders will be asked, as items of special business, to give power to the directors to allot shares, to give power to the directors to disapply the pre-emption requirements of section 89 of the Companies Act 1985 and to give power to the directors to make market purchases of ordinary shares in the capital of the company, subject to certain conditions. The notice also sets out details of the ordinary business to be conducted at the Annual General Meeting.

Approval of the directors' remuneration report
Under the Directors' Remuneration Report Regulations 2002, which became law in August 2002, listed companies are now required to put a resolution to shareholders at each Annual General Meeting to approve 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 director's remuneration report, set out on pages 12 to 15.

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

Brief biographical details of each of the directors standing for re-election may be found on page 8. The re-election resolutions are set out as resolutions 4 to 6 in the notice of Annual General Meeting.

Re-appointment of PricewaterhouseCoopers LLP as auditors
Resolution 7, set out in the notice of Annual General Meeting, proposes that PricewaterhouseCoopers LLP should be re-appointed 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 11 November 2003.

Accordingly, resolution 8, set out in the notice of meeting, will be proposed as an ordinary resolution to authorise the directors (pursuant to section 80 of the Companies Act 1985) to allot ordinary shares in the capital of the company up to a maximum nominal amount of £1,350,000, being approximately 33% of the nominal value of the ordinary shares currently in issue. The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of the passing of the resolution or the conclusion of the Annual General Meeting held to approve the report and accounts for the year ending 25 July 2004.

The directors will exercise such authority to allot shares only when satisfied that it is in the interests of the company to do so. They have no present intention, however, of exercising the authority, except in connection with the issue of shares under the company's share option schemes.

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

The existing disapplication of these statutory pre-emption rights will expire at the end of the Annual General Meeting convened by the notice of meeting. Accordingly, resolution 9, as set out in the notice of 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 £207,000 (representing approximately 5% of the nominal value of the ordinary shares of the company currently in issue).

The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of passing of the resolution or the conclusion of the Annual General Meeting held to approve the report and accounts for the year ending 25 July 2004.

Repurchase of ordinary shares
In common with many other listed companies, the company proposes, once again, to seek an authority from shareholders to permit the company to purchase its own shares. Accordingly, resolution 10 will be proposed as a special resolution to authorise the company to make market purchases of up to 15% of the company's current issued ordinary share capital at prices not less than the nominal value of an ordinary share and not exceeding 105% of the average of the middle market quotations for the five business days before each purchase (exclusive of expenses). The authority will last until the earlier of 30 April 2005 and the conclusion of the next Annual General Meeting of the company. The directors envisage that purchases would be made only after considering the effects on earnings per share and the benefits for shareholders generally.

As at 22 September 2003, there were outstanding options over 9,666,633 ordinary shares, representing 4.7% of the company's issued ordinary share capital. If the authority under resolution 10 were to be exercised in full, this percentage would increase to 5.5%.

By order of the board

Jim Clarke
Company Secretary
5 September 2003

Directors' remuneration report for the year ending 27 July 2003

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2003, 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 11 November 2003.

Composition and role of the remuneration committee
The remuneration committee is appointed by the board and comprises John Herring (chairman), Brian Jervis and Tony Lowrie, all of whom are considered by the company to be independent non-executive directors.

The committee performs an annual review covering all 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 for executive directors.

The committee has access to advice from external consultants, as appropriate.

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 represents 35% of year-end salary.

■ 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 pensions scheme.

■ Share schemes/share incentive plan
The company's policy on share incentives under its various employee share schemes has been and continues to be, to distribute them widely across the company's pub staff and head office employees. In this way, the company seeks to encourage and motivate those key employees involved at all levels of the company and, in particular, those employees who have direct interface with the public. There are no specific share option arrangements for directors, although the company allows executive directors, with the exception of the executive chairman, to participate in the save-as-you-earn scheme, the discretionary share option schemes and the share incentive plan. Currently discretionary grants of share options extend to all employees satisfying certain eligibility criteria. Details about the participation of each of the executive directors in each of the schemes can be found on page 14.

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

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

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

The all-employee share option plan (AESOP) has been operated to grant modest levels of options to all staff meeting certain eligibility criteria; as such, there are no performance conditions attached to the exercise of an option under it. The executive directors do not participate in this plan.

With the exception of the five year save-as-you-earn issue in February 1999, options under all of the other schemes are not normally exercisable for a period of three years from the date of grant.

Options granted under the save-as-you-earn scheme (SAYE) require a savings contract to be entered into for three or five years and for options to be exercised within six months of the termination of that savings contract. The save-as-you-earn scheme is open to all employees satisfying certain eligibility criteria.

The company has monitored the current debate on the question of share options and, in particular, both the dilutive impact on existing shareholders and the desire to create real employee shareholders rather than simply optionholders. As a result, it has been decided not to issue any further options. The company is in the process of establishing 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 share incentive plan provides qualifying employees, including executive directors (normally those who have given at least 18 months' service), with allocations of shares in the company each year. The value of shares to be awarded will be between 5% and 15% of annual salary. Shares will not vest for three years under this plan and the cost of the shares will be reflected in the company's profit and loss account for the year end 25 July 2004 and subsequent years. Awards of shares will not be made unless certain predetermined profit hurdles have been reached during the year.

■ **Benefits in kind**

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

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, save for Tim Martin, who must give one year's 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
Suzanne Baker	2 February 1998

Non-executive directors

The non-executive directors hold their positions pursuant to letters of appointment dated 1 November 2002 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 27 July 2003.

	Salary/fees	Performance bonus	Taxable benefits	Expense allowances	Pension contributions	**Total 2003 £000**	Total 2002 £000
Executive directors							
T R Martin	353	53	15	–	–	**421**	427
J Hutson	223	33	2	14	22	**294**	290
J Clarke	159	37	2	12	16	**226**	209
S Baker	113	19	1	13	12	**158**	157
Non-executive directors							
J Herring	31	–	–	–	–	**31**	25
B R Jervis	27	–	–	–	–	**27**	25
A C Lowrie	27	–	–	–	–	**27**	25
Total	**933**	**142**	**20**	**39**	**50**	**1,184**	1,158
2002	861	196	38	21	42	**–**	–

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 expense allowances.

Directors' interests in shares
The interests of the directors in the shares of the company, as at 27 July 2003, were as follows:

Ordinary shares of 2p each, held beneficially	**2003**	2002
T R Martin	**32,997,807**	32,896,665
B R Jervis	**34,549**	34,180
A C Lowrie – personal	**8,471,619**	6,062,160
– in trust	**–**	3,347,862
J Herring	**6,000**	6,000
J Hutson	**57,812**	56,994
J Clarke	**13,489**	13,298
S Baker	**24,319**	23,974

There have not been any changes to these interests since 27 July 2003.

Audited information:
Share options are granted under the various share option schemes at an excercise 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, with the exception of grants under the save-as-you-earn scheme (granted at a 20% discount).
Directors' share options under the various executive share option schemes comprise:

	28 July 2002	Granted in year	**27 July 2003**	Exercise price	Exercisable date	Expiry date	Scheme (see below)
J Hutson	50,000		**50,000**	78.4p	25/10/97	25/10/04	ESOP
	15,000		**15,000**	92.4p	17/04/98	17/04/05	ESOP
	50,000		**50,000**	127.2p	16/11/98	16/11/05	ESOP
	49,750		**49,750**	244.2p	03/01/00	03/01/07	ESOP
	10,000		**10,000**	237.0p	10/04/00	10/04/07	ESOP
	40,000		**40,000**	299.0p	05/10/00	05/10/07	ESOP
	49,000		**49,000**	326.0p	16/04/01	16/04/08	ESOP
	14,000		**14,000**	167.0p	25/10/01	25/10/08	ESOP
	10,613		**10,613**	159.0p	01/02/04	01/08/04	SAYE (5yr)
	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
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
	3,166		**3,166**	300.0p	01/06/05	01/12/05	SAYE (3yr)
	–	17,000	**17,000**	301.5p	09/09/05	09/09/12	2001
S Baker	25,000		**25,000**	92.4p	17/04/98	17/04/05	ESOP
	50,000		**50,000**	127.2p	16/11/98	16/11/05	ESOP
	37,250		**37,250**	244.2p	03/01/00	03/01/07	ESOP
	10,000		**10,000**	237.0p	10/04/00	10/04/07	ESOP
	24,500		**24,500**	299.0p	05/10/00	05/10/07	ESOP
	91		**91**	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	NDSO
	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
	3,166		**3,166**	300.0p	01/06/05	01/12/05	SAYE (3yr)
	–	17,000	**17,000**	301.5p	09/09/05	09/09/12	2001

ESOP – executive share option scheme
NDSO – new discretionary share option scheme
SAYE – save-as-you-earn scheme
2001 – 2001 scheme

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

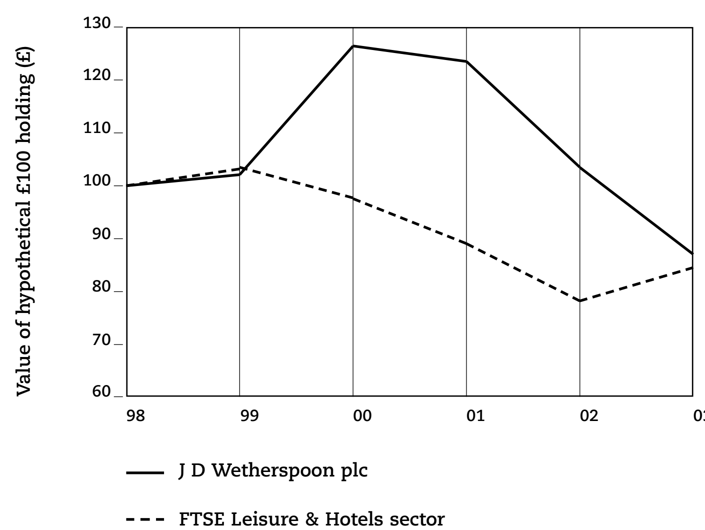
		Number	Date awarded	Market price at award date	Market price at vesting date	Scheme
J Hutson	– vested interests	400	09/09/99	334.5p	301.5p	NDSO
	– vested interests	25,420	07/03/00	384.0p	165.0p	NDSO
	– awards	20,000	09/09/02	301.5p	–	2001
J Clarke	– vested interests	400	09/09/99	334.5p	301.5p	NDSO
	– vested interests	11,230	07/03/00	384.0p	165.0p	NDSO
	– awards	17,000	09/09/02	301.5p	–	2001
S Baker	– vested interests	400	09/09/99	334.5p	301.5p	NDSO
	– vested interests	11,230	07/03/00	384.0p	165.0p	NDSO
	– awards	17,000	09/09/02	301.5p	–	2001

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 36.

The interests of directors in share options have not changed since the financial year end. No amounts are payable for the options detailed above at the time of their grant, with the exception of options under the SAYE scheme.

Performance graph
The adjacent graph shows the percentage change in total shareholder return (with dividends reinvested) of a holding of the company's shares against a hypothetical holding of shares in the FTSE Leisure and Hotels 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 1998, based on 30-day trading day average values.



On behalf of the board:

John Herring
Chairman of the remuneration committee
5 September 2003

Corporate social responsibility report

Corporate social responsibility
The company recognises the importance of corporate social responsibility (CSR); as such, the board has established a CSR steering group chaired by the commercial director.

Details of the company's employment policies can be found in the directors' report on page 10.

The company recognises the importance of environmental and social issues and, throughout its commercial activities and operations, is committed to fostering the preservation and protection of the environment, while recognising its wider social responsibility. The company is also committed to improving its environmental policy continuously, in respect of the commercial activity of owning and managing public houses across the United Kingdom. The company continuously reviews any significant risks to which it may be exposed and the policies which it adopts to address them.

It is the policy of the company to:

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

These aims are incorporated and developed within the company's Environmental Management System which is implemented throughout the business.

Following the introduction of the above system, significant progress has been made by the company on waste management, with successful initiatives in three areas:

■ The company's commitment to glass-recycling, instead of sending to landfill, is illustrated by an extension of the Valpak glass-recycling scheme which reduced waste by 2%.
■ The company, over the last year, has successfully introduced a trial scheme under which cardboard is collected from the pubs for onward recycling.
■ The company has introduced grease-removal equipment to reduce the amount of grease going into the public sewers from our kitchens' waste water.

Each of these initiatives will be extended across our estate over future months.

The company is committed to energy conservation and has focused, in the year under review, on several design initiatives such as sensors to turn taps on and off. Our strategy in this area will evolve more fully in the next twelve months.

The company acknowledges that the role which suppliers play in helping us to achieve our business goals and objectives extends to our social and environmental responsibilities. By regularly communicating our approach and expectations, through meetings and our partners' conference, we believe that a shared approach to addressing the issues will ensure rapid identification of the risks and opportunities in our supply chain.

The environmental policy is reviewed at least annually by the board of directors, so as to ensure that it reflects the business's needs and addresses all current and relevant environmental issues.

The company once again participated in the annual survey by EIRIS (Ethical Investment Research Service) and, for the third consecutive year, was included in the FTSE4Good index, designed to identify those companies with good records in corporate social responsibility.

The main selection criteria cover three areas:

■ working towards environmental sustainability
■ developing positive relationships with stakeholders
■ upholding and supporting universal human rights

Corporate governance

The company is committed to the highest standards of corporate governance as set out in section 1 of the Combined Code. This report sets out how the principles identified in the Combined Code have been applied to the company.

Statements of compliance
The company complied with the requirements of section 1 of the Combined Code throughout the year.

The board of directors
The board is made up of Tim Martin, the executive chairman, John Hutson, the managing director, two other executive directors and three non-executive directors. The senior independent non-executive director is John Herring. The members of the board are described on page 8, and the board considers that all the non-executive directors are independent of the executive team and of the company, which provides a good balance for the proper governance of the company. The board meets formally at least eight times each year, with other meetings as appropriate, and has a formal schedule of matters reserved to it for decision. Directors are given appropriate and timely information for each board meeting, including monthly reports on the current financial and trading position of the business.

The roles of the executive chairman and the managing director are separately held and are so defined as to ensure a clear division of responsibilities.

All directors have access to independent professional advice, if required, at the company's expense. The directors' responsibilities, in respect of the financial statements, are detailed on page 9.

On appointment, all executive directors undertake a comprehensive induction programme covering all aspects of the company's operations. Formal appraisals take place bi-annually, with any training and development needs evaluated as part of that process.

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

Nomination committee
A formal nomination committee has been established, comprising all the non-executive directors, chaired by John Herring. 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.

Audit committee
The audit committee comprises all the non-executive directors and is chaired by John Herring. The committee meets at least three times a year with the external auditors and one or more executive directors, as appropriate. The audit committee, which has written terms of reference, is responsible for reviewing the company's internal controls, risk-management procedures and the audit process, both internally and externally, and seeks to ensure that the financial and non-financial information supplied to shareholders is complete and accurate, presenting a balanced assessment of the company's position. The committee reviews the objectivity and independence of the external auditors and also considers the scope of their work and their fees.

Particular attention is paid to the engagement of the company's auditors on non-audit work. This is reflected in the fact that the company's auditors during the year received payment only for audit services and a review of the interim statements. For several years, the company has separated the provision of taxation compliance from the provision of audit services.

Communications with shareholders
Representatives of the company have regular meetings and dialogue with institutional shareholders. The Annual General Meeting is considered to be an important forum for communicating with private shareholders, allowing them to raise questions with the board.

Going concern
The directors have made enquiries into the adequacy of the company's financial resources, through a review of the company's budget and medium-term financial plan, including capital expenditure plans and cash flow forecasts, and have satisfied themselves that the company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the company's financial statements.

Risk assessment
To ensure that the company has an ongoing process for identifying, evaluating and managing the significant risks faced by the company, the board has established a risk-management group which contains senior representatives from all aspects of the business and is chaired by the finance director. This group is responsible for the administration of a risk register which looks at all areas of the business and formulates detailed action plans to mitigate any risks identified.

On behalf of the board, the audit committee reviews the effectiveness of the risk-management group and, where appropriate, identifies any matters requiring specific consideration by the board. Similarly, the audit committee reviews the scope of the work undertaken by the internal audit department and receives regular updates on its work and findings and monitors the implementation of recommended actions.

This process has been in place throughout the year under review and up to the date of approval of the annual report and accounts. It has been regularly reviewed by the board and accords with the Combined Code.

Internal control

The directors acknowledge their responsibility for the company's system of internal control, which can be defined as the controls established in order to provide reasonable assurance that the assets have been protected against unauthorised use, that proper accounting records have been maintained and that the financial information which is produced is reliable. Such a system can, however, provide only reasonable and not absolute assurance against material misstatement or loss. The directors recognise that, in attaining long-term shareholder value, they are responsible for providing a return which is consistent with a responsible assessment and mitigation of risks.

The key procedures in place to enable this responsibility to be discharged are as follows:

- A comprehensive budgeting process is in place, with a detailed operating plan for 12 months and a mid-term financial plan, both approved by the board. Business results are reported weekly for key items and monthly in full and compared with budget. Forecasts are prepared regularly throughout the year, for review by the board.
- Clearly defined authority limits and controls are in place over cash-handling, purchasing commitments and capital expenditure.
- A retail audit function monitors the control of cash, stock and operating procedures in operating units. A separate internal audit function also looks at the overall business risks facing the company and reviews general business processes.
- Complex treasury instruments are not used. Decisions on treasury matters are reserved for the board.
- The directors confirm that they have reviewed the effectiveness of the system of internal control.

Independent auditors' report to the members of J D Wetherspoon plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the note of historical cost profits and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement and operating review, the finance review, the corporate social responsibility report and the corporate governance statement.

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

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements 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 auditable part of the directors' remuneration report 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.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs at 27 July 2003 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
5 September 2003

Profit and loss account for the year ended 27 July 2003

	Notes	Before exceptional items 2003 £000	Exceptional items (note 4) 2003 £000	After exceptional items 2003 £000	2002 £000
Turnover		**730,913**	**–**	**730,913**	601,295
Operating profit	2	**74,983**	**–**	**74,983**	70,085
Loss on disposal of tangible fixed assets	4	**–**	**(3,688)**	**(3,688)**	–
Net interest payable	5	**(18,844)**	**–**	**(18,844)**	(16,517)
Profit on ordinary activities before taxation	6	**56,139**	**(3,688)**	**52,451**	53,568
Tax on profit on ordinary activities	7	**(19,744)**	**1,337**	**(18,407)**	(18,152)
Profit on ordinary activities after taxation		**36,395**	**(2,351)**	**34,044**	35,416
Dividends	8	**(7,434)**	**–**	**(7,434)**	(6,902)
Retained profit for the year	20	**28,961**	**(2,351)**	**26,610**	28,514
Earnings per ordinary share	9	**17.0p**		**15.9p**	16.6p
Fully diluted earnings per ordinary share	9	**16.9p**		**15.9p**	16.4p

All activities relate to continuing operations.

The company has no recognised gains and losses, other than the profit above and therefore no separate statement of recognised gains and losses has been presented.

Note of historical cost profits

	2003 £000	2002 £000
Reported profit on ordinary activities before taxation	**52,451**	53,568
Difference between historical cost depreciation charge and actual depreciation charge for the year, calculated on the revalued amount	**606**	673
Realisation of property surplus/(deficits) of previous years	**341**	(235)
Historical cost profit on ordinary activities before taxation	**53,398**	54,006
Historical cost profit for the year retained after taxation and dividends	**27,557**	28,952

Cash flow statement for the year ended 27 July 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Net cash inflow from operating activities	10	130,565	130,565	113,700	113,700
Returns on investments and servicing of finance					
Interest received		109	109	53	53
Interest paid – existing pubs		(19,379)	(19,379)	(17,346)	(17,346)
Interest paid and capitalised into new pubs		(1,872)		(2,254)	
Net cash outflow from returns on investment and servicing of finance		(21,142)		(19,547)	
Taxation					
Corporation tax paid		(10,277)	(10,277)	(6,311)	(6,311)
Capital expenditure and financial investment					
Purchase of tangible fixed assets for existing pubs		(15,896)	(15,896)	(18,726)	(18,726)
Proceeds of sale of tangible fixed assets		10,732		412	
Purchase of own shares for ESOP trust		(153)		–	
Investment in new pubs and pub extensions		(77,275)		(132,096)	
Net cash outflow from capital expenditure and financial investment		(82,592)		(150,410)	
Equity dividends paid		(5,438)		(4,445)	
Net cash inflow/(outflow) before financing		11,116		(67,013)	
Financing					
Issue of ordinary shares		233		5,750	
Purchase of own shares		(17,369)		–	
Advances under bank loans		7,527		65,037	
Advances under US senior loan notes		44		44	
Net cash (outflow)/inflow from financing		(9,565)		70,831	
Increase in cash	11	1,551		3,818	
Free cash flow	9		85,122		71,370
Cash flow per ordinary share	9		39.7p		33.5p

Balance sheet at 27 July 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	13	**773,823**	745,041
Current assets			
Stocks		**9,601**	8,594
Debtors due after more than one year	14	**8,448**	7,682
Debtors due within one year	14	**9,017**	8,237
Investments	15	**301**	203
Cash		**15,160**	13,609
		42,527	38,325
Creditors due within one year	16	**(135,361)**	(122,919)
Net current liabilities		**(92,834)**	(84,594)
Total assets less current liabilities		**680,989**	660,447
Creditors due after more than one year	17	**(299,942)**	(292,915)
Provisions for liabilities and charges	18	**(62,419)**	(57,399)
Total net assets		**318,628**	310,133
Capital and reserves			
Called up share capital	19	**4,149**	4,292
Share premium account	20	**126,739**	124,819
Capital redemption reserve	20	**165**	–
Revaluation reserve	20	**22,439**	23,386
Profit and loss account	20	**165,136**	157,636
Equity shareholders' funds	20	**318,628**	310,133

The accounts on pages 20 to 34
were approved by the board on 5 September 2003
and signed on its behalf by:

Tim Martin
Jim Clarke
Directors

1 Principal accounting policies

The financial statements are prepared under the historical cost convention, as modified by the revaluation of property, and in accordance with applicable accounting standards.

A summary of the more important accounting policies, which are being applied consistently, is set out below.

Turnover

The company's operations comprise pub retailing and the provision of lodge accommodation in the United Kingdom. Turnover excludes value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost or historic valuation less accumulated depreciation.

Depreciation is calculated so as to write off the cost or valuation of a fixed asset on a straight-line basis over its estimated useful life, taking account of expected residual values, based on prices prevailing at the date of acquisition or subsequent valuation, using the following rates:

Freehold and long leasehold property	50 years
Leasehold property	Life of lease or 50 years
Renovations of properties already trading, fixtures and fittings, computer equipment	At rates from 10% – 33% pa

Depreciation commences when the relevant public house begins trading.

Valuation of properties

Following the adoption of FRS15 in the year ended 30 July 2000, the company stopped its policy of cyclically revaluing its properties. In accordance with the transitional rules of FRS15, all properties are now shown at cost or, where a valuation has been applied prior to 2 August 1999, at that valuation.

The carrying values of tangible fixed assets are reviewed for impairment, if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account.

Capitalised interest

Interest costs relating to the financing of the development of a public house are capitalised on costs capitalised before the public house is substantially complete, at a rate of 6.1% (2002: 6.5%) which represents the weighted average cost of related borrowings. Capitalisation of interest ceases when the relevant public house commences business.

Stocks

Stocks are held for resale and are stated at the lower of invoiced cost and net realisable value.

Deferred taxation

Deferred tax is recognised on all timing differences which have originated, but not reversed, at the balance sheet date. Timing differences represent accumulated differences between the company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. Deferred tax liabilities and assets are not discounted.

Pensions

The company makes contributions to defined contribution personal pension schemes, the costs of which are accounted for as they become due.

Operating leases

The costs of operating leases in respect of land and buildings and other assets are charged on a straight-line basis over the lease term, except where, on acquisition of a property, a reverse premium or capital contribution is granted by the lessor. Where such amounts arise, they are released to profit from the date on which the pub opened through to the date of the first rent review to market value, usually on the fifth anniversary of the lease.

Financial instruments

The company uses derivative instruments to hedge its exposure to fluctuations in interest rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts. Receipts and payments on interest-rate instruments are recognised on an accruals basis, over the life of the instrument.

Monetary liabilities denominated in foreign currencies are retranslated at the rate fixed by the relevant forward exchange contract. Unrecognised gains and losses on financial instruments are not accounted for in the profit and loss account.

Investments in own shares

In accordance with UITF 13, the assets of the employee share option plan (ESOP) trust and qualifying employee share trust (QUEST) are included in the company's financial statements. Own shares are classified as current asset investments, at cost. Any costs incurred in the ESOP trust and QUEST are charged to the profit and loss account as incurred. Both the ESOP trust and QUEST have waived their right to any dividend.

2 Analysis of continuing operations

	2003 £000	2002 £000
Turnover	**730,913**	601,295
Cost of sales	**(621,894)**	(503,699)
Gross profit	**109,019**	97,596
Administrative expenses	**(34,036)**	(27,511)
Operating profit	**74,983**	70,085

Cost of sales includes distribution costs and all pub operating costs.

3 Employee information

The average weekly number of persons employed during the year was as follows:

	2003 Number	2002 Number
Total employees		
Managerial/administration	**3,806**	3,424
Hourly paid staff	**10,497**	8,696
	14,303	12,120

	2003 Number	2002 Number
Full-time equivalents		
Managerial/administration	**3,806**	3,424
Hourly paid staff	**5,541**	4,469
	9,347	7,893

Employment costs were:

	2003 £000	2002 £000
Wages and salaries	**167,460**	132,771
Social security costs	**11,102**	9,762
Other pension costs	**447**	328
Total direct costs of employment	**179,009**	142,861
Less: wages and salaries capitalised	**–**	(1,105)
	179,009	141,756

A detailed numerical analysis of directors' remuneration and share options forms part of these accounts. This analysis is included in the directors' remuneration report on pages 12 to 15 and shows the highest-paid director and the number of directors accruing benefits under money-purchase personal pension schemes.

4 Exceptional items

	2003 £000	2002 £000
Non-operating items:		
Net loss on disposal of trading properties	**2,732**	–
Provision against future disposal of non trading properties	**956**	–
	3,688	–

5 Net interest payable

	2003 £000	2002 £000
Interest payable on bank loans and overdraft	**16,758**	14,255
Interest payable on US senior loan notes	**4,850**	5,277
Less:		
Interest capitalised	**(1,954)**	(2,266)
Interest receivable	**(810)**	(749)
Charge to profit and loss account	**18,844**	16,517

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2003 £000	2002 £000
Depreciation	**43,209**	36,343
Repairs and maintenance	**19,568**	14,960
Auditors' remuneration for: audit	**82**	72
: other services*	**14**	14
Rent receivable	**(457)**	(344)
Loss/(profit) on disposal of fixed assets	**2,732**	(24)
Provision against future disposal of non trading properties	**956**	–
Operating lease rentals:		
– property rents	**41,493**	34,494
– equipment and vehicles	**587**	783

*Payment is in relation to a review of the interim statements as part of the half year results announcement.

7 Taxation

a) Analysis of current period tax charge

	2003 £000	2003 £000	2002 £000	2002 £000
Current tax				
UK corporation tax on profits before exceptional items	**13,317**		9,299	
Advance corporation tax	**–**		(743)	
		13,317		8,556
Current tax on exceptional items		**70**		–
Total current tax (note 7(b))		**13,387**		8,556
Deferred tax				
Origination and reversal of timing differences	**6,427**		9,596	
Movement arising from disposals (exceptional items)	**(1,407)**		–	
Total deferred tax		**5,020**		9,596
Total tax charge		**18,407**		18,152

b) Factors affecting current period tax charge

The UK standard rate of corporation tax is 30% (2002: 30%), whereas the current tax assessed for the financial year ended 27 July 2003, as a percentage of profit before tax and exceptional items is 24% (2002: 16%); including exceptional items, this rises to 26%. The reasons for this difference are explained below:

	2003 £000	2003 %	2002 £000	2002 %
Profit on ordinary activities before tax	**52,451**		53,568	
Current tax on profit on ordinary activities calculated at the standard rate of corporation tax in the UK of 30%	**15,735**	**30**	16,070	30
Accelerated capital allowances	**(5,884)**	**(11)**	(8,266)	(16)
Capitalised interest allowable for tax purposes	**(472)**	**(1)**	(586)	(1)
QUEST contributions allowable for tax purposes	**–**	**–**	(228)	–
Disposals	**1,107**	**2**	–	–
Other allowable deductions	**(182)**	**–**	(106)	–
Expenses not deductible for tax purposes	**3,083**	**6**	2,415	4
UK corporation tax for the year	**13,387**	**26**	9,299	17
Advance corporation tax	**–**	**–**	(743)	(1)
Current tax charge for period (note 7(a))	**13,387**	**26**	8,556	16

c) Factors which may affect future tax charges

Current levels of investment ensure that capital allowance claims exceed depreciation; while this will continue, the company would expect the excess of capital allowances over depreciation to diminish over time.

No provision has been made for deferred tax on gains recognised on revaluing properties to their market value. Such tax would become payable only if the properties were sold without it being possible to claim roll-over relief. The total amount unprovided for is approximately £6 million. At present, it is not envisaged that any tax will become payable, in respect of such properties, in the foreseeable future.

8 Dividends

	2003 £000	2002 £000
Interim paid of 1.21p per share (2002: 1.10p)	**2,600**	2,353
Final proposed of 2.33p per share (2002: 2.12p)	**4,834**	4,549
	7,434	6,902

9 Earnings and cash flow per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation of £34,044,000 (2002: £35,416,000) and on 214,312,883 (2002: 213,202,101) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the period.

Earnings per share before exceptional items is calculated as follows:

	Earnings £000 2003	Earnings £000 2002	Earnings per share (p) 2003	Earnings per share (p) 2002
Earnings and basic earnings per share	**34,044**	35,416	**15.9**	16.6
Exceptional costs, net of tax	**2,351**	–	**1.1**	–
Earnings and earnings per share before exceptional items	**36,395**	35,416	**17.0**	16.6

Fully diluted earnings per share has been calculated in accordance with FRS14 and is after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the fully diluted calculation is 214,725,340 (2002: 215,316,001).

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 on existing pubs, tax and all other reinvestment in pubs open at the start of the period ('free cash flow'). It is calculated before taking account of proceeds from property disposals and 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.

10 Net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	**74,983**	70,085
Profit on disposal of fixed assets	**–**	(24)
Depreciation of tangible fixed assets	**43,209**	36,343
Change in stocks	**(1,007)**	(1,091)
Change in debtors	**(944)**	(1,395)
Change in creditors	**14,324**	9,782
	130,565	113,700

11 Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
Increase in cash in the year	**1,551**	3,818
Cash inflow from increase in debt financing	**(7,571)**	(65,081)
Movement in net debt during the period	**(6,020)**	(61,263)
Opening net debt	**(302,840)**	(241,577)
Closing net debt	**(308,860)**	(302,840)

12 Analysis of net debt

	2002 £000	Cash flow £000	Non-cash movement £000	2003 £000
Cash at bank and in hand	13,609	1,551	–	**15,160**
Debt due within one year	(24,831)	24,831	(24,799)	**(24,799)**
Debt due after one year	(291,618)	(32,402)	24,799	**(299,221)**
Net debt	(302,840)	(6,020)	–	**(308,860)**

13 Tangible fixed assets

	Freehold and long leasehold property £000	Short leasehold property £000	Equipment, fixtures and fittings £000	Expenditure on unopened properties £000	Total £000
Cost or valuation					
At 29 July 2002	364,041	293,762	183,240	33,038	874,081
Reclassification	18,245	2,674	–	(20,919)	–
Additions	27,741	15,374	29,408	13,388	85,911
Disposals	(12,791)	–	(4,012)	–	(16,803)
At 27 July 2003	**397,236**	**311,810**	**208,636**	**25,507**	**943,189**
Depreciation					
At 29 July 2002	14,272	33,386	81,382	–	129,040
Charge for the year	6,875	8,117	28,217	–	43,209
Provision	–	–	–	456	456
Disposals	(1,235)	–	(2,104)	–	(3,339)
At 27 July 2003	**19,912**	**41,503**	**107,495**	**456**	**169,366**
Net book value					
At 27 July 2003	**377,324**	**270,307**	**101,141**	**25,051**	**773,823**
At 28 July 2002	349,769	260,376	101,858	33,038	745,041

Included in the cost of fixed assets at 27 July 2003 is £17,304,000 (2002: £15,569,000) of capitalised interest. Additions include capitalised interest before tax relief of £1,954,000 (2002: £2,266,000).

Reclassifications represent the transfer of development costs incurred on properties completed in the year from unopened properties to other fixed asset captions.

Where the company's properties have been subject to revaluation in previous financial periods, they have been valued on an existing-use basis by Christie & Co, a specialist licensed property-valuer.

13 Tangible fixed assets continued

Excluding the effects of revaluation, properties, if stated at cost, would be:

	Freehold and long leasehold property £000	Short leasehold property £000	Total £000
Cost	380,091	290,025	670,116
Depreciation	14,051	30,498	44,549
Net book value 27 July 2003	**366,040**	**259,527**	**625,567**
Net book value 28 July 2002	345,818	241,316	587,134

The valuations were performed during financial years as follows:

	Freehold and long leasehold property £000	Short leasehold property £000	Total £000
Net book value of revalued properties:			
31 July 1997 and prior	20,115	20,537	40,652
31 July 1998	5,997	63,016	69,013
31 July 1999	2,121	45,477	47,598
	28,233	129,030	157,263
Net book value of properties held at cost	349,091	141,277	490,368
Net book value	**377,324**	**270,307**	**647,631**

14 Debtors

	2003 £000	2002 £000
Amounts falling due after more than one year:		
Other debtors (note 21)	**8,448**	7,682
Amounts falling due within one year:		
Other debtors	**519**	1,183
Prepayments	**8,498**	7,054
	9,017	8,237

15 Investments

	2003 £000	2002 £000
Own shares held in ESOP trust	**252**	162
Own shares held in QUEST	**49**	41
	301	203

During 2001, the company established an ESOP trust as a hedge against possible future national insurance liabilities on employee share options. Own shares held represent the cost of shares in the company held by the trustee of the ESOP trust. As at 27 July 2003, the trust held 108,038 shares with a market value of £252,000. All costs relating to the scheme are dealt with in the profit and loss account as they are incurred. The ESOP trust has waived its right to any dividends.

The market value of shares held by the QUEST at 27 July 2003 was £49,000. Under the trust deed, dividends have been waived on the shares held by the QUEST, and all costs relating to the scheme are dealt with in the profit and loss account as they accrue.

16 Creditors due within one year

	2003 £000	2002 £000
Bank loans (note 21)	**24,799**	24,831
Trade creditors	**53,066**	54,352
Corporation tax	**7,792**	4,682
Other tax and social security	**22,616**	12,716
Other creditors	**3,875**	3,987
Dividend payable	**4,834**	4,549
Accruals and deferred income	**18,379**	17,802
	135,361	122,919

17 Creditors due after more than one year

	2003 £000	2002 £000
Bank loans repayable by instalments (note 21)	**212,274**	204,715
US senior loan notes repayable in a single instalment in 2009 (note 21)	**86,947**	86,903
	299,221	291,618
Other creditors (note 21)	**721**	1,297
	299,942	292,915

18 Provisions for liabilities and charges

	2003 £000	2002 £000
Deferred tax		
Accelerated capital allowances	**54,151**	49,602
Other timing differences	**8,268**	7,797
Full provision for deferred tax	**62,419**	57,399
Provision at start of year	**57,399**	47,803
Deferred tax charge in profit and loss account for year	**5,020**	9,596
Provision at end of year	**62,419**	57,399

The factors which influence the timing of subsequent reversals of the company's deferred tax provision are detailed in note '7(c) Factors which may affect future tax charges'.

19 Called up share capital

	2003 £000	2002 £000
Authorised:		
500,000,000 ordinary shares of 2p each (2002: 500,000,000)	**10,000**	10,000
Allotted and fully paid:		
207,456,573 ordinary shares of 2p each (2002: 214,616,701)	**4,149**	4,292

102,828 ordinary shares were issued during the year, on the exercise of share options.

5,672 shares were issued under the QUEST arrangements.

976,372 ordinary shares were allotted in connection with the offer to shareholders of a scrip dividend alternative to the 2002 final and 2003 interim dividends.

8,245,000 ordinary shares were purchased by the company and cancelled during the year. Further details are provided in the directors' report on page 9.

20 Capital, reserves and shareholders' funds

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000	**2003 Shareholders' funds £000**	2002 Shareholders' funds £000
At start of year	4,292	124,819	–	23,386	157,636	**310,133**	273,839
Allotments	22	1,920	–	–	–	**1,942**	7,739
Transfer	–	–	–	(947)	947	**–**	–
Purchase of shares	(165)	–	165	–	(20,057)	**(20,057)**	–
Profit for the year	–	–	–	–	34,044	**34,044**	35,416
Dividends	–	–	–	–	(7,434)	**(7,434)**	(6,902)
QUEST transfer	–	–	–	–	–	**–**	41
At end of year	**4,149**	**126,739**	**165**	**22,439**	**165,136**	**318,628**	310,133

21 Financial instruments

The company's objectives and policies on the use of financial instruments, including derivatives, can be found in the finance review on page 7 under the heading 'financial risks and treasury policies'. Amounts dealt with in this note exclude short-term assets and liabilities, except cash and bank loans repayable in one year or less.

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 with regard to the settlement of this financial liability in 2009. There is no foreign currency exposure.

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.

	2003 £000	2002 £000
Floating-rate borrowings	**227,020**	231,449
Fixed-rate borrowings	**97,000**	85,000
Non-interest-bearing liabilities	**721**	1,297
	324,741	317,746

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% (2002: 7.08%) and which are fixed for a weighted average period of 6.0 years (2002: 2.6 years). In addition to the existing £97 million swaps, the company also has undrawn forward-starting swaps which fix £53 million of borrowings for a seven-year period at an average rate of interest (excluding bank margin) of 6.46%.

The weighted average period to maturity of non-interest-bearing liabilities is 2.1 years (2002: 2.2 years).

Financial assets

Financial assets at the balance sheet date comprised:

	2003 £000	2002 £000
Cash and short-term deposits	**15,160**	13,609
Debtors due after one year	**8,448**	7,682
Total financial assets	**23,608**	21,291

All cash and short-term deposits are floating-rate financial assets, earning interest at commercial rates.
The long-term debtor, representing deferred proceeds on a sale & leaseback arrangement, earns interest at 10% compound until repayment in September 2004.

21 Financial instruments continued

Maturity profile of financial liabilities

	Total £000	Bank loans (note 17) £000	US senior notes (note 17) £000	Other long-term creditors £000
Between one and two years	155,356	154,928	–	428
Between two and five years	50,161	49,868	–	293
After five years	94,425	7,478	86,947	–
Due after more than one year	299,942	212,274	86,947	721
Due within one year	24,799	24,799	–	–
Total at 27 July 2003	**324,741**	**237,073**	**86,947**	**721**
Between one and two years	25,503	24,828	–	675
Between two and five years	175,545	174,923	–	622
After five years	91,867	4,964	86,903	–
Due after more than one year	292,915	204,715	86,903	1,297
Due within one year	24,831	24,831	–	–
Total at 28 July 2002	317,746	229,546	86,903	1,297

The company has total UK committed loan facilities of £325 million which comprise a drawn £100-million unsecured term-loan facility, repayable within five years of the balance sheet date, a £130-million unsecured revolving-loan facility maturing in 2004, a £15-million unsecured revolving-loan facility, maturing in 2011, together with an £80-million unsecured revolving-loan facility, maturing in 2008. All UK committed loan facilities are at floating rates based on LIBOR. The company has entered into swap agreements which fix £97 million of these borrowings at a rate of 6.46% (excluding bank margin). At the balance sheet date, £138 million was drawn down under the revolving-loan facilities, with interest rates set for periods of between one week and six months, at which point monies are repaid and, if appropriate, redrawn. The undrawn facility expires in more than two years.

In addition to the UK facilities, in September 1999, the company issued $140 million unsecured US senior notes due in 2009, carrying a fixed rate of interest of 8.48%. The company entered into currency and swap agreements covering the duration of these notes which remove all US dollar exposure and convert the interest rate to one based on LIBOR.

Fair values

The table below compares, by category, the book value and fair values of the company's financial assets and liabilities as at 27 July 2003.

	2003 Book value £000	**2003 Fair value £000**	2002 Book value £000	2002 Fair value £000
Financing instruments				
Cash deposits	**15,160**	**15,160**	13,609	13,609
Debtors due after one year	**8,448**	**8,714**	7,682	8,336
Long-term borrowings	**(299,221)**	**(311,344)**	(291,617)	(303,455)
Other long-term creditors	**(721)**	**(656)**	(1,297)	(1,163)
Derivative instruments				
Interest-rate and currency swaps	**–**	**(1,705)**	–	5,063

The fair value of derivative instruments is calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

21 Financial instruments continued

Unrecognised gains and losses on interest rate and currency swaps

	Gains £000	Losses £000	Net gains/(losses) £000
Unrecognised gains/losses at 28 July 2002	16,034	(10,971)	5,063
Gains/losses arising in previous years which were recognised in 2003	(2,503)	3,149	646
Gains/losses arising before 29 July 2002 not recognised in 2003	**13,531**	**(7,822)**	**5,709**
Gains/losses arising in 2003 not recognised during 2003	3,049	(10,463)	(7,414)
Unrecognised gains/losses at 27 July 2003	**16,580**	**(18,285)**	**(1,705)**
Of which:			
Gains/losses expected to be recognised in less than one year	2,927	(4,399)	(1,472)
Gains/losses expected to be recognised after more than one year	13,653	(13,886)	(233)
	16,580	**(18,285)**	**(1,705)**

22 Financial commitments

	2003 £000	2002 £000
Capital expenditure contracted, but not provided for	**7,975**	19,772

23 Lease commitments

	2003 £000	2002 £000
The company operates several leasehold public houses and occupies leasehold office accommodation. The total annual rental due under these leases in the next twelve months is as follows:		
Expiry between one and two years	**–**	1,052
Expiry between two and five years	**–**	887
Expiry in greater than five years	**44,363**	38,355
	44,363	40,294
The annual rentals pertaining to other leases, primarily motor vehicles, are as follows:		
Expiry within one year	**127**	69
Expiry between one and two years	**112**	365
Expiry between two and five years	**64**	153
	303	587

24 Share options

	28 July 2002	Granted	Exercised	Lapsed	**27 July 2003**	Exercise price per share	Exercisable from	Expiry date
ESOP scheme								
Date granted								
April 1993	7,565	–	–	7,565	**–**	49.6p	30/04/96	30/04/03
April 1994	7,500	–	–	–	**7,500**	69.4p	18/04/97	18/04/04
October 1994	75,000	–	–	–	**75,000**	78.4p	25/10/97	25/10/04
April 1995	52,500	–	6,250	–	**46,250**	92.4p	17/04/98	17/04/05
November 1995	185,500	–	7,500	3,250	**174,750**	127.2p	16/11/98	16/11/05
April 1996	17,900	–	625	150	**17,125**	176.0p	11/04/99	11/04/06
January 1997	231,720	–	–	–	**231,720**	244.2p	03/01/00	03/01/07
April 1997	71,250	–	–	–	**71,250**	237.0p	10/04/00	10/04/07
October 1997	212,930	–	–	5,250	**207,680**	299.0p	05/10/00	05/10/07
April 1998	300,530	–	–	14,417	**286,113**	326.0p	16/04/01	16/04/08
October 1998	275,900	–	–	–	**275,900**	167.0p	25/10/01	25/10/08
	1,438,295	–	14,375	30,632	**1,393,288**			
SAYE scheme								
Date granted								
February 1999 (3yr)	9,789	–	9,545	244	**–**	159.0p	01/02/02	01/08/02
February 1999 (5yr)	403,482	–	–	37,779	**365,703**	159.0p	01/02/04	01/08/04
January 2002 (3yr)	1,040,313	–	–	336,050	**704,263**	300.0p	01/06/05	01/12/05
	1,453,584	–	9,545	374,073	**1,069,966**			
AESOP								
Date granted								
December 1996	163,450	–	13,500	1,675	**148,275**	243.0p	15/12/99	15/12/06
April 1997	30,750	–	1,250	–	**29,500**	234.5p	12/04/00	12/04/07
October 1997	210,500	–	4,375	13,500	**192,625**	301.0p	08/10/00	08/10/07
April 1998	245,225	–	–	21,650	**223,575**	326.0p	16/04/01	16/04/08
	649,925	–	19,125	36,825	**593,975**			
NDSO scheme								
Date granted								
December 1998	435,495	–	39,000	6,000	**390,495**	191.5p	17/12/01	17/12/08
April 1999	958,000	–	30,328	109,500	**818,172**	268.0p	20/04/02	20/04/09
September 1999	284,700	–	–	34,800	**249,900**	333.8p	09/09/02	09/09/09
March 2000	1,386,273	–	–	198,273	**1,188,000**	356.5p	07/03/03	07/03/10
September 2000	882,243	–	–	138,509	**743,734**	361.0p	15/09/03	15/09/10
March 2001	602,405	–	–	105,895	**496,510**	343.6p	14/03/04	14/03/11
September 2001	1,319,070	–	–	226,955	**1,092,115**	339.0p	12/09/04	12/09/11
	5,868,186	–	69,328	819,932	**4,978,926**			
2001 scheme								
Date granted								
September 2002	–	2,192,917	–	305,796	**1,887,121**	301.5p	09/09/05	09/09/12

At 27 July 2003, there were 79 members of the executive share option scheme (ESOP), with average option holdings of 17,637 shares; there were 849 members of the SAYE scheme, with average holdings of 1,260 shares; there were 377 members of the all-employee company share option plan (AESOP), with average holdings of 1,576 shares; there were 2,089 members of the new discretionary share option scheme (NDSO), with average holdings of 2,383 shares and there were 4,157 members of the 2001 scheme, with average option holdings of 454.

The exercise of an option under the ESOP scheme, the NDSO scheme and the 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 increases by at least the increase in the RPI. In respect of the NDSO scheme and the 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 is available to all staff, there are no performance conditions attached to the exercise of options under it. The options in issue shown above include those of the directors shown on page 14.

Financial record for the five years ended 27 July 2003

	1999 £000	2000 £000	2001 £000	2002 £000	**2003 £000**
Sales and results					
Turnover from continuing operations	269,699	369,628	483,968	601,295	**730,913**
Operating profit from continuing operations	36,226	46,278	58,380	70,085	**74,983**
Net interest payable	(10,012)	(10,226)	(14,063)	(16,517)	**(18,844)**
Profit on ordinary activities before exceptional items and taxation	26,214	36,052	44,317	53,568	**56,139**
Exceptional items	22,450	–	–	–	**(3,688)**
Taxation	(7,730)	(11,996)	(14,457)	(18,152)	**(18,407)**
Profit after taxation	40,934	24,056	29,860	35,416	**34,044**
Dividends	(4,809)	(5,599)	(6,185)	(6,902)	**(7,434)**
Retained profit for the year	36,125	18,457	23,675	28,514	**26,610**
Net assets employed					
Fixed assets	370,148	504,996	625,903	745,041	**773,823**
Net current assets/(liabilities)	16,440	(8,499)	(50,680)	(84,594)	**(92,834)**
Non current liabilities	(180,592)	(213,979)	(253,581)	(292,915)	**(299,942)**
Provision for liabilities and charges	(25,477)	(35,688)	(47,803)	(57,399)	**(62,419)**
	180,519	246,830	273,839	310,133	**318,628**
Shareholders' funds	180,519	246,830	273,839	310,133	**318,628**
Ratios					
Operating margin	13.4%	12.5%	12.1%	11.7%	**10.3%**
Basic earnings per share (before exceptional items)	9.4p	11.8p	14.2p	16.6p	**17.0p**
Free cash flow per share	20.3p	24.2p	29.1p	33.5p	**39.7p**
Dividends per share	2.43p	2.67p	2.93p	3.22p	**3.54p**

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) All of the above figures have been adjusted to reflect the impact of adopting FRS19 deferred taxation.

Information for shareholders

Ordinary shareholdings at 27 July 2003

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	5,442	85.59	3,232,948	1.56
2,501 to 10,000	523	8.23	2,417,748	1.16
10,001 to 250,000	309	4.86	16,327,747	7.87
250,001 to 500,000	27	0.42	9,032,986	4.35
500,001 to 1,000,000	21	0.33	15,530,260	7.49
Over 1,000,000	36	0.57	160,914,884	77.57
	6,358	**100.00**	**207,456,573**	**100.00**

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 5 September 2003:

	Number of ordinary shares	Percentage of share capital %
The Capital Group Companies, Inc	34,648,816	16.70
Federated Investors Inc	22,878,704	11.03
Fidelity International Ltd	22,839,542	11.01
Legal and General Investment Management Limited	7,017,244	3.38

Share prices

28 July 2002	283.5p
Low	159.0p
High	327.5p
27 July 2003	233.5p

Annual reports

Further copies of this annual report are available from the company secretary, at the registered office.
Telephone requests can be made on 01923 477764.

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

Copies can also be obtained through the Financial Times' annual reports service.
For details, see the London share service pages of the Financial Times.

If you would like to contact us, please write to J D Wetherspoon plc, Wetherspoon House, Central Park, Reeds Crescent, Watford, WD24 4QL or telephone us on 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 Tuesday 11 November 2003 at 10.00am for the following purposes:

Ordinary business
1 To receive the report of the directors and the audited accounts of the company for the financial year ended 27 July 2003.

2 To receive and approve the directors' remuneration report for the year ended 27 July 2003.

3 To declare a final dividend for the year ended 27 July 2003 of 2.33 pence per ordinary share of 2 pence in the capital of the company.

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

5 To re-elect Mr J Clarke as a director.

6 To re-elect Mrs S Baker as a director.

7 To re-appoint PricewaterhouseCoopers LLP as auditors of the company (having previously been appointed by the board of directors to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers) and to authorise the directors to fix their remuneration.

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

8 THAT:
(A) the directors be and are hereby generally and unconditionally authorised, pursuant to section 80 of the Companies Act 1985 ('the Act'), to exercise all or any powers of the company to allot relevant securities (as defined in that section) to such persons, at such times and on such terms as they think proper, up to a maximum nominal amount of £1,350,000 during the period ('the period of authority') from the date of the passing of this resolution until the earlier of:

(i) fifteen 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 25 July 2004;

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

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

9 THAT:
conditionally, on the passing of the resolution numbered 8 above, 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 fifteen 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 25 July 2004 (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 sub paragraph (i) above) of equity securities for cash, up to an aggregate nominal amount of £207,000.

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

(i) the maximum number of ordinary shares which may be purchased is 31,097,740;

(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 25 July 2004 and 30 April 2005, 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

22 September 2003

Registered Office:

Wetherspoon House
Central Park
Reeds Crescent
Watford
WD24 4QL

Notes:

1 A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the company.

2 A form of proxy is enclosed which holders of ordinary shares in the company are invited to complete and return in the envelope provided. Completion and return of the form of proxy, in accordance with the instructions on it, will not prevent such shareholders from attending and voting at the Annual General Meeting in person, should they so wish.

3 To be valid for the Annual General Meeting, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is executed or a notarially certified copy of such authority must be deposited at the offices of the company's registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, not later than 10.00am on 9 November 2003, being 48 hours before the time appointed for the holding of the Annual General Meeting.

4 There are, available for inspection at the registered office of the company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) and there will be available for inspection at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting:

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

(b) the register of directors' interests.

5 Only those shareholders registered in the register of members of the company as at 10.00am on 9 November 2003 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).