

J D Wetherspoon plc

Annual Report
1994

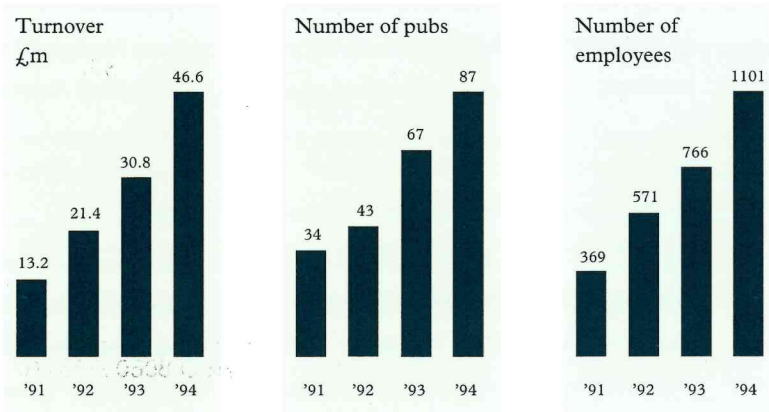
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is the fastest growing listed independent licensed retailer in the UK whose aim is to develop large managed operating units in principal population centres throughout the country.



	1994	1993
Earnings per share	18.2p	14.1p
Dividends per share	6.6p	5.4p

IS PIZZA HUT A PARTNER? YES

21.77

14.87



Tim Martin *Chairman*

Results and dividends

I am pleased to report that the Company made good progress in the financial year ended 31 July 1994. Turnover increased by 51 per cent to £46 million and profits before tax increased by 55 per cent to £6.5 million. Net gearing at the year end was 22 per cent and interest was covered 3.5 times. Earnings per share increased by 29 per cent to 18.2p.

The Board proposes, subject to shareholders' consent, to pay a final dividend of 4.4p net on the ordinary shares bringing the full year dividend to 6.6p net (1993: 5.4p), an increase of 22 per cent which is covered 2.6 times by earnings.

Review

At the beginning of the year under review, there were 67 pubs in our estate, 66 of which were inside the M25. These outlets have performed well with the like for like sales increasing by 3 per cent for the year as a whole having increased by 7 per cent in the second half.

In the year under review, the Company opened 20 pubs in line with its business plan.

The new outlets have made a very promising

start and have all traded profitably after taking account of finance charges. Four are outside the M25 and these in particular have performed strongly, achieving significantly higher average sales than our London estate.

In March the Company raised £22.7 million through a successful one for four Rights Issue, in which shareholders took up 95 per cent of their entitlements.

Management changes

During the year, the Board decided to divide the roles of Chairman and Managing Director, which I had combined since the Company's incorporation. I am therefore pleased to welcome Mark McQuater as the new Managing Director. He qualified as a Chartered Accountant with Peat Marwick and has previous experience in the drinks industry with Scottish and Newcastle Breweries plc and in investment banking with NatWest Markets. He has overall responsibility for general management and systems development, enabling me to concentrate on medium to long term Company strategy and the identification and development of new sites.

The operating structure has been further strengthened by the creation of a management committee headed by the

Managing Director and also comprising the Finance Director and the principal senior managers within the retail department. The role of the committee is to review and direct the day to day operational management of the Company.

Keith Lunn stood down as a Director after the year end and I would like to thank him for his contribution in the last four years and to wish him well in the future.

Prospects

As a result of the high average turnover of our pubs and the rate of new pub openings, I believe that the Company is in a strong position to negotiate advantageous terms from beer and catering suppliers, helped in the latter case by the successful introduction of a central distribution system in March 1994.

Bar sales, as I indicated above, strengthened significantly in the second half and that trend has continued in the first two months of this financial year. Catering sales, which were particularly strong during the worst of the recession, continue to enjoy good growth and fruit machine income has also been buoyant. Sales in the current year will also benefit from a full year's contribution from the 20 pubs opened in the year under review and from a

part year's contribution from a number of sites under development, three of which have already opened to the public.

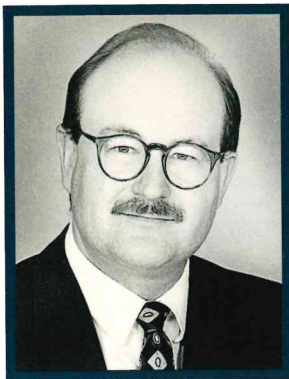
As I indicated in my statement at the last year end, the Company is continuing to acquire sites in London in areas in which we are not currently represented but is also acquiring town centre sites in other parts of the UK. The Company now has a total of 13 sites with the necessary planning and licensing permissions for conversion into pubs and in addition, we have a large number of promising sites under investigation. As a result of the high quality of our existing estate, the new developments in the pipeline and the strength of our management team, I remain very confident of our future prospects.

Our success in the last year reflects a team effort by all our employees and I would like to thank them sincerely for their dedicated efforts in building a strong platform for future growth.

Tim Martin
Chairman

6 October 1994

Managing Director's review



Mark McQuater
Managing Director

I am pleased to present my first report as Managing Director for a year which saw the Company make important progress in its main spheres of activity.

New Licensed Premises

The Company continued to develop the majority of its pubs from shops and other unlicensed premises. We opened a total of 20 new outlets in the year, which, as well as being larger than the average of our previously opened sites, incorporated a number of improvements including substantially upgraded kitchens and

ventilation systems. We also continued to expand beyond our historical trading area of Greater London and opened new pubs in Norwich, Leigh-On-Sea, Chesham and Reading and are extremely encouraged with their performance. So far in the new financial year we also opened new developments in Bournemouth, Southend and Southfields, South London with excellent initial trading levels. In addition, a number of development sites for which the Company has obtained new pub licences are in the course of construction.

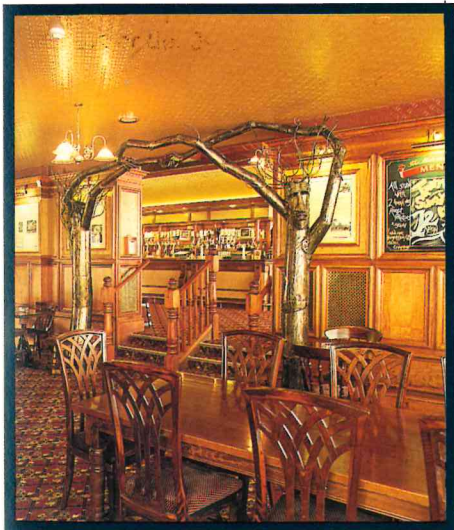
The 16 pubs opened within the M25 were



The Fox on the Hill,
Dulwich, a former
Bass pub, opened
November 1993.

largely located in South and East London where we are under represented. "The Moon on the Hill" in Sutton and "The Great Spoon of Ilford" are good examples of large town centre developments in these areas which have immediately found strong customer support.

During the year the Company invested capital of £23.2 million, primarily in new developments, but also in refurbishing some older pubs. This was funded through a combination of operational cashflow, enhanced debt facilities and latterly through the Rights Issue in March this year.



The Moon on the Hill, Sutton, formerly an Alders department store, opened December 1993.

Catering

Our catering operation has been considerably upgraded over the year including the introduction of a system of central distribution which enhances buying power and enables us to offer the same menu nationwide. Food sales as a percentage of turnover increased by approximately one third during the year.

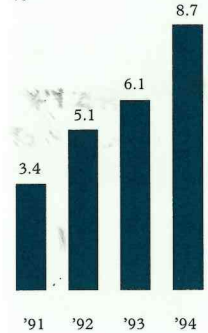
Financial controls

All our pubs have now been converted to a single Electronic Point of Sale (EPOS) system, whereas we operated two systems until recently, giving strong central control over stock, pricing and takings records. During the year we have also introduced on-line personal computers into each Pub, further enhancing the information and control environment in the Company.

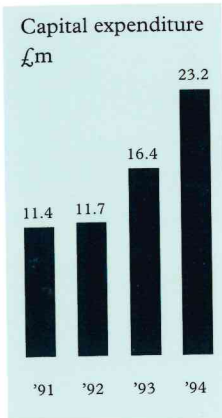
Employee training

As well as our staff training centre in Finchley, we opened, as shareholders will be aware, a new catering training facility at Wanstead during the year and this has been highly beneficial especially in the light of our pace of expansion. At both training centres we ran a total of 260 separate training courses.

Operating profit
£m



Operating profit	8.7	191.2
Operating expenses	(73.7)	166.2
Operating profit	1.4	25.0
Operating profit	(41.2)	14.8



during the year and this number will increase in the current year as a result of an improved training scheme for hourly paid staff.

During the year we continued to strengthen our Management Team both by internal promotions and by recruitment. We have recently reorganised our Retail Department to prepare for future expansion and our Area Managers currently run on average nine pubs each, substantially below the industry norm, enabling the Company to focus on high standards of service and paving the way for future growth.

Prospects

As a result of our continuing efforts to improve our Management systems and to strengthen our Management Team I believe the Company is very well positioned for future expansion.

Mark McQuater
Managing Director

6 October 1994



The Moon and Stars, Romford, formerly a Pizza Hut, opened May 1994.

Directors' biographies

The Directors are as follows:

Tim R Martin

Chairman

Tim Martin graduated with a degree in law and was called to the Bar in 1980. He formed the business in December 1979 and has been Chairman and Managing Director of the Company since 1 August 1983. In May of this year the role of Managing Director was separated allowing him to concentrate on the Company's strategy and new site development.

Mark R McQuater

Managing Director

Mark McQuater was appointed Managing Director on 23 May 1994. He is an Economics graduate of Edinburgh University and a member of the Institute of Chartered Accountants of Scotland. He previously worked for Scottish and Newcastle Breweries plc in the Corporate Development team and joined the Company from the investment bank Natwest Markets where he was Local Director in their Scottish venture capital office.

H Christina D McLellan

Legal Director and Company Secretary

After graduating from Oxford University, Christina McLellan began her career in local government housing and town planning. She was called to the Bar in 1979 and practised as a barrister for three years before leaving to take up a partnership in a firm of solicitors specialising in litigation and property law. She joined the Company in December 1987 as Legal Director and Company Secretary.

J Martin Scott

Finance Director

Martin Scott qualified as an Associate Member of the Chartered Institute of Management Accountants in 1984 and was employed for six years in a number of financial positions within Allied-Lyons plc, most recently as senior financial executive of Ind Coope Limited. He joined the Company in January 1990.

Brian R Jervis

Non-Executive Director

Brian Jervis is a Chartered Secretary and was appointed a Non-Executive Director of the Company in August 1991. He is a former director of John Govett & Co. Limited and now has a consultancy agreement with that company which is the manager of Govett Strategic Investment Trust plc, a major shareholder in the Company.

Tony C Lowrie

Non-Executive Director

Tony Lowrie was appointed a Non-Executive Director of the Company in June 1987. He is Chairman of H.G. Asia Securities Limited.

Ray R Martin

Non-Executive Director

Ray Martin, who is Tim Martin's father, worked in the brewing industry for Guinness plc from 1961 to 1988 and his last post was as Marketing Director of Guinness Malaysia. He worked as an executive director of the Company for six years before retiring and becoming a non-executive director during the year.

Directors and advisers

Directors

T R Martin *Chairman*
M R McQuater *Managing Director*
H C D McLellan
J M Scott
B R Jarvis*
A C Lowrie*
R R Martin*

*Non-Executive

Secretary and Registered Office

H C D McLellan
735 High Road
North Finchley
London N12 0BP

Registered No: 1709784

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London WC2N 6NN

Solicitors

Titmuss Sainer Dechert
2 Serjeants' Inn
London EC4Y 1LT

Valuers

Business Mergers & Acquisitions Limited
162 Regent Street
London W1R 5TB



The Moon and Sixpence, Hatch End, formerly a bank, opened September 1991.

Bankers

Bank of Scotland
Central Banking Services
2 Robertson Avenue
Edinburgh EH11 1PZ

The Royal Bank of Scotland plc
Edinburgh West End Office
142-144 Princes Street
Edinburgh EH2 4EQ

Barclays Bank Plc
Cheapside Business Centre
Atlas House
1-7 King Street
London EC2V 8AU

Financial Adviser

Kleinwort Benson Limited
20 Fenchurch Street
London EC3P 3DB

Stockbroker

Kleinwort Benson Securities Limited
20 Fenchurch Street
London EC3P 3DB

Registrars

Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU



The Hamilton Hall,
Liverpool Street
Station, formerly the
ballroom of the Great
Eastern Hotel, opened
November 1991.

The George, Croydon,
formerly a furniture
store, opened
February 1993.



List of public houses

- The Bankers Draft**
80 High Street, Eltham, London SE9
- The Bankers Draft**
36-38 Friern Barnet Road, Southgate, London N11
- * **The Barking Dog**
61 Station Parade, Barking, Essex
- The Beaten Docket**
50-56 Cricklewood Broadway, London NW2
- The Bee Hive**
407-409 Brixton Road, London SW9
- * **The Bell Hotel**
5 Orford Hill, Norwich, Norfolk
- The Bird In Hand**
35 Dartmouth Road, Forest Hill, London SE23
- The Blacking Bottle**
122-126 High Street, Edgeware, Middlesex
- The Camdens Head**
456 Bethnal Green Road, London E2
- The Coliseum**
Manor Park Road, Harlesden, London NW10
- The Crown & Sceptre**
2a Streatham Hill, London SW2
- The Dog**
17-19 Archway Road, London N19
- The Drum**
557-559 Lea Bridge Road, London E10
- The Elbow Room**
503-505 High Road, Tottenham, London N17
- The Elbow Room**
22 Topsfield Parade, Tottenham Lane, London N8
- * **The Elms**
London Road, Leigh-on-Sea, Essex
- * **The Foxley Hatch**
8-9 Russell Hill Road, Purley, Surrey
- * **The Fox on the Hill**
149 Denmark Hill, London SE5
- The Gate House**
1 North Hill, Highgate, London N6
- The George**
17-21 George Street, Croydon, Surrey
- The George**
High Street, Wanstead, London E11
- The Golden Grove**
146-148 The Grove, Stratford, London E15
- * **The Great Spoon of Ilford**
114-116 Cranbrook Road, Ilford, Essex
- ** **The Grid Inn**
22 Replingham Road, Southfields, London SW18
- The Half Moon**
749 Green Lanes, Winchmore Hill, London N21
- The Hamilton Hall**
Liverpool Street Station, London EC2
- * **The Hart & Spool**
148 Shenley Road, Borehamwood, Herts
- JJ Moons**
3 Shaftesbury Parade, Shaftesbury Circle, South Harrow, Middlesex
- JJ Moons**
56a High Street, Tooting, London SW17
- JJ Moons**
12 Victoria Road, Ruislip Manor, Middlesex
- JJ Moons**
397 High Road, Wembley, Middlesex
- JJ Moons**
553 Kingsbury Road, London NW9
- JJ Moons**
Departure Lounge, Terminal 4, Heathrow Airport
- JJ Moons**
80-82 Chiswick High Road, London W4
- JJ Moons**
19-20 The Broadwalk, Pinner Road, North Harrow, Middlesex
- * **JJ Moons**
Units 1- 3, 46-62 High Street, Hornchurch, Essex
- The Lamb**
52-54 Church Street, Edmonton, London N9
- * **The Last Post**
227 High Road, Loughton, Essex
- * **The Last Post**
77 The Broadway, Chesham, Bucks
- ** **The Last Post**
Weston Road, Southend-on-Sea, Essex
- * **The Lord Denman**
270-272 Heathway, Dagenham, Essex
- The Man in the Moon**
40-42 Chalk Farm Road, London NW1
- The Man in the Moon**
1 Buckingham Parade, Stanmore, Middlesex
- * **The Moon & Stars**
99-103 South Street, Romford, Essex
- The Millers Well**
419-421 Barking Road, East Ham, London E6
- * **The Monk's Retreat**
163 Friar Street, Reading, Berks
- The Moon on the Green**
172-174 Uxbridge Road, Shepherds Bush, London W12
- The Moon on the Hill**
373-375 Station Road, Harrow, Middlesex
- * **The Moon on the Hill**
5-9 Hill Road, Sutton, Surrey
- ** **The Moon on the Square**
4-8 Exeter Road, The Square, Bournemouth, Dorset

- The Moon & Sixpence**
250 Uxbridge Road, Hatch End, Middlesex
- The Moon & Sixpence**
1250-1256 Uxbridge Road, Hayes End, Middlesex
- * **The Moon & Sixpence**
185 Wardour Street, London W1
- The Moon Under Water**
84-86 Staines Road, Hounslow, Middlesex
- The Moon Under Water**
148 High Street, Barnet, Herts
- The Moon Under Water**
10 Varley Parade, Colindale, London NW9
- The Moon Under Water**
53-57 London Road, Twickenham, Middlesex
- The Moon Under Water**
115-117 Chase Side, Enfield, Middlesex
- The Moon Under Water**
10-11 Broadway Parade, Coldharbour Lane, Hayes, Middlesex
- The Moon Under Water**
28 Leicester Square, London WC2
- The Moon Under Water**
1327 London Road, Norbury, London SW16
- The Moon Under Water**
194 Balham High Street, London SW12
- The New Fairlop Oak**
Fencepiece Road, Barkingside, Essex
- The New Moon**
25-26 Kenton Park Parade, Kenton Road, Harrow, Middlesex
- The New Moon**
413 Lordship Lane, London N17
- The Old Suffolk Punch**
10-12 Grand Parade, Green Lanes, London N4
- The Old Manor**
Church Road, Bracknell, Berkshire
- The Outside Inn**
312-314 Neasden Lane, London NW10
- * **The Paper Moon**
55 High Street, Dartford, Kent
- * **The Railway**
202 Upper Richmond Road, Putney, London SW15
- The Railway Bell**
13 East Barnet Road, New Barnet, Herts
- * **Red Lion & Pineapple**
281 High Street, Acton, London W3
- Rochester Castle**
145 High Street, Stoke Newington, London N16
- The Sarsen Stone**
32 High Street, Wealdstone, Middlesex
- * **The Spotted Dog**
72 Garratt Lane, Arndale Centre, Wandsworth, London SW18
- The Sylvan Moon**
27 Green Lane, Northwood, Hillingdon, Middlesex
- Tally Ho**
749 High Road, North Finchley, London N12
- The Tollgate**
26-30 Turnpike Lane, London N8
- The Three Horseshoes**
28 Heath Street, Hampstead, London NW3
- The Tigers Head**
350 Bromley Road, Catford, London SE6
- 179 Upper Street**
179 Upper Street, Islington, London N1
- The Village Inn**
402-408 Rayners Lane, Pinner, Middlesex
- Wetherspools**
Victoria Station, London SW1
- Wetherspools**
Landside, Terminal 4, Heathrow Airport
- The Whispering Moon**
25 Ross Parade, Woodcote Road, Wallington, Surrey
- The White Lion of Mortimer**
125-127 Stroud Green Road, London N4
- The White Lion of Mortimer**
1-3 York Parade, West Hendon Broadway, London NW9
- The White Lion of Mortimer**
223 London Road, Mitcham, Surrey
- The Whole Hog**
430-434 Green Lanes, Palmers Green, London N13
- * **The Wrong 'Un**
234-236 The Broadway, Bexleyheath, Kent

* Opened in financial year under review

** Opened since 31 July 1994

Management committee

The members of the Company's management committee are:

Mark McQuater MA(hons), MSI, CA *Managing Director*
Martin Scott BA(hons), ACMA *Finance Director*
John Hutson BA(hons) *Director of Retail*
Mark Davies BA(hons) *General Manager*
Jane Biss MIPD *Human Resources Manager*
Suzanne Baker MHCIMA *Marketing Manager*

Principal Secretary to the Committee

Rosalyn Schofield LL.B(hons) *Senior Legal Adviser*

Brief biographical details of those not on the Board of Directors:

John Hutson

Director of Retail

John Hutson graduated from Exeter University in 1986. After completing a Post-Graduate Diploma at City University he joined Taylor Walker Ltd, a licensed trading Division of Allied Lyons, where he worked as an Area Manager. John joined the Company in 1991.

Mark Davies

General Manager

Mark Davies graduated in 1980 with a BA (Hons) in Management Science. He has held various retail positions with Courage Ltd, Imperial Inns & Taverns and Grand Metropolitan plc, his last position being that of Area Manager. Mark joined the Company in 1991.

Jane Biss

Human Resources Manager

Jane Biss has completed a Post-Graduate Diploma in Human Resources Management and is a member of the Institute of Personnel Development. She has eight years experience in personnel and training having held various positions in both four and five star hotels, her last position being that of Training Manager. Jane joined the Company in 1989.

Suzanne Baker

Marketing Manager

Suzanne Baker qualified with the Hotel and Catering Institutional Management Association and joined the Retailing Section of Grand Metropolitan plc, where she held various positions over several years in Operations, Marketing and Purchasing, her last position being that of Senior Buyer. Suzanne joined the Company in 1992.

Rosalyn Schofield

Senior Legal Adviser

Rosalyn Schofield is a Solicitor of twelve years' standing. Prior to joining J.D. Wetherspoon plc she was employed in private practice specialising in commercial property matters. Rosalyn joined the Company in 1991 and specialises in planning law.

Directors' report

for the year ended 31 July 1994

The Directors present their report and the audited financial statements for the year ended 31 July 1994.

Principal activities

The principal activity of the Company is the management and development of public houses. Details of progress are given in the Chairman's statement.

Results and dividends

The profit on ordinary activities for the year after taxation amounted to £5,914,000 (1993: £3,722,000). The Directors recommend that a final dividend of 4.4 pence net per share be paid to all shareholders on the Register on 17 November 1994 bringing the total dividend for the year to 6.6 pence net per share (1993: total dividend of 5.4 pence net per share) and leaving £3,680,000 (1993: £2,176,000) to be transferred to reserves. The final dividend will be paid on 16 December 1994.

Future developments

At 31 July 1994, the Company had acquired 12 sites on which public houses are planned to be built and opened during the current financial year. Included in expenditure on unopened properties (see note 11 to the financial statements) are costs of £2,391,000 in respect of three sites which have opened after the balance sheet date. In addition the Company intends to identify and acquire further sites for development.

Issues of share capital during the year

On 31 March 1994 the Company issued 7,207,666 Ordinary shares of 10 pence each at a price of £3.15 per share, raising £22,125,000 net of expenses (see note 17 to the financial statements). During the year options were exercised to subscribe for 326,384 further Ordinary shares under the Company's share option schemes.

Directors

Mr M R McQuater was appointed as Managing Director on 23 May 1994. Otherwise, the Directors listed on page 8

served throughout the financial year. Mr K Lunn, who was a Director at the start of the financial year, resigned on 9 August 1994. In accordance with the Articles of Association Mr T R Martin will retire by rotation and Mr M R McQuater, having been appointed by the Directors since the last Annual General Meeting, will retire, and being eligible, will seek reappointment at the forthcoming Annual General Meeting. Mr McQuater's service contract with the Company is terminable by the Company giving not less than twelve months' notice and by Mr McQuater giving not less than six months' notice. Mr Martin's service contract with the Company is terminable by either party giving not less than twelve months' notice.

No Director has or had 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.

Directors' interests in shares of the Company

The interests of the Directors of the Company who served during the year and their immediate families at 31 July 1994, which were the same at 30 September 1994, together with their interests at 31 July 1993 or date of appointment, if later, in the shares of the Company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:

	Ordinary shares of 10p each	
	31 July 1994	31 July 1993
	Number	Number
T R Martin	6,547,175	6,820,842
M R McQuater	1,800	-
H C D McLellan	35,120	34,461
J M Scott	58,244	57,500
B R Jervis	6,250	5,000
A C Lowrie		
- beneficial	1,397,392	1,117,914
- non-beneficial	32,182	25,746
R R Martin	188,364	180,348
K Lunn (resigned 9 August 1994)	25,586	43,286

In addition to the interests shown on the previous page for A C Lowrie, 724,242 (1993: 847,394) Ordinary shares are held in a trust, the beneficiaries of which are A C Lowrie, his wife and his adult children.

Other than as shown on the previous page, all of the Directors' interests in shares and options are held beneficially.

Options granted to Directors

At 31 July 1994, the following Directors held share options over Ordinary shares:

	31 July 1993 Number	Number granted	Number exercised	31 July 1994 Number
H C D McLellan	14,961	4,000	-	18,961
J M Scott	82,030	4,000	-	86,030
R R Martin	174,300	-	(174,300)	-
K Lunn	91,331	4,000	-	95,331

Options over 6889 shares lapsed upon the resignation of K Lunn.

The 31 July 1993 comparative figures have been adjusted to reflect the Rights Issue described in note 17 to the financial statements.

The Company operates a continuing Executive share option scheme and a savings-related share option scheme under which the Directors may grant options for the benefit of employees. The exercise of an option under the Executive share option scheme will, normally, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance conditions. Options are only exercisable on condition that the earnings per share of the Company between the date of the grant of an option and the date of exercise increases by at least the increase in the Retail Prices Index.

Options are granted to Executive Directors as part of their remuneration packages as advised by the Remuneration Committee. The rights granted are to be met by the allotment of new shares, following which there is no restriction on the ability of the allottees to dispose of or otherwise transfer the shares. The exercise price of the options granted to Directors ranges from 68.6 pence to 347 pence based on the market value at the time of grant of options and the options may be exercised at dates up to April 2004.

Subject to the rules of the Executive share option scheme, M R McQuater is to be granted options under the terms of his service agreement over 68,750 Ordinary shares following the announcement of the results of the Company for the year ended 31 July 1994 and over 12,500 Ordinary shares in the calendar years 1996 and 1997. The exercise price will be established by reference to the average market value of the Ordinary shares for the three dealing days prior to the date at which the options are granted.

It is the intention of the Directors to grant options to Executive Directors and employees under the Company's Executive share option scheme over a maximum of 250,000 Ordinary shares within the 42 day period following the announcement of the results for the year ended 31 July 1994.

Further details of share options granted by the Company are given in note 18 to the financial statements.

The interests of the Directors have not changed since the year end other than as referred to above.

Substantial shareholdings

The Company has been notified of the following substantial holdings of the Ordinary share capital of the Company at 30 September 1994 in addition to the Directors' shareholdings above.

	Number of Ordinary shares	Percentage of Ordinary share capital
Capital Guardian Trust Company and Capital Research and Management Company	2,859,000	7.90%
Govett Strategic Investment Trust plc	2,050,000	5.67%
Janus Investment Fund	1,961,551	5.42%
Standard Life Group	1,239,180	3.42%
TK Lim and Magnum Enterprises	1,130,000	3.12%

Corporate governance

The Board supports the Code of Best Practice issued by the Cadbury Committee and complied with it throughout the year other than in respect of the matters referred to below.

The Audit Committee comprises two Non-Executive Directors rather than the three recommended by the Cadbury Committee.

The Audit Committee has held one formal meeting, attended by the external auditors, during the year ended 31 July 1994. The Code recommends a minimum of two meetings, one of which must be attended by the external auditors.

The Company adopted a schedule of matters reserved to the Board and formalised procedures for the Directors to take independent professional advice, if necessary, at the Company's expense and adopted formal terms of appointment for Non-Executive Directors at a Board meeting on 30 September 1993.

In addition, as the Code makes clear, companies will not be able to comply with the provisions relating to reporting on internal control and going concern, until the guidance recommended in the Cadbury Committee's report has been developed.

Apart from the matters referred to above compliance with the Code has been effective throughout the year.

Our auditors, Coopers & Lybrand, have reviewed the above statement insofar as it relates to those paragraphs of the Code which the London Stock Exchange has specified for their review and in accordance with Auditing Practices Board guidance. They have reported to us that our statement appropriately reflects the Company's compliance with the Code.

Changes in tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 11 to the financial statements.

Political and charitable contributions

Contributions made by the Company during the year for charitable purposes were £4,320 (1993: £1,654). No political contributions were made.

Employment of disabled persons

The Company policy is one of equal opportunity in the recruitment, training and promotion of staff, subject to practical considerations.

Employee involvement

The Company endeavours to keep its employees informed about all aspects of the business. Internal communication includes a regular newsletter and employee meetings where questions and constructive suggestions are welcomed. In addition, the continuing involvement of key staff is encouraged by participation in share option schemes

Close company provisions

The Company is not a close company as defined by the provisions of the Income and Corporation Taxes Act 1988, as amended by the Finance Act 1989. There has been no change in this respect since the end of the financial year.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

Special business at the Annual General Meeting

Shareholders will see from the Notice of Annual General Meeting set out on pages 37 and 38 that they are asked to consider and, if thought fit, pass two resolutions as special business, which are summarised below.

Resolution 6 - Directors' authority to allot securities

This resolution, if passed, will give the directors authority under section 80 of the Companies Act to allot up to 3,727,208 Ordinary shares, representing 10.28 per cent. of the Ordinary shares currently in issue, of which 1,012,916 (2.79 per cent. of the Ordinary shares currently in issue) are reserved for issue under the Company's share option schemes. The balance available for issue is therefore 2,714,292 Ordinary shares, representing 7.49 per cent. of the Ordinary shares currently in issue. The Directors have no present intention of exercising this authority except in connection with the issue of shares under the Company's share option schemes. The authority will expire at the Annual General Meeting of the Company held to approve the Report and Accounts for the year ending 31 July 1995. The above figures are based on the shares in issue at 18 October 1994.

Resolution 7 - Disapplication of statutory pre-emption rights

At last year's Annual General Meeting, the Directors were given authority under section 95 of the Companies Act to allot equity securities for cash other than in accordance with the statutory pre-emption rights. This authority expires at the conclusion of this year's Annual General Meeting. The Directors recommend that, by resolution 7, a fresh authority should be given which will expire on the earlier of the date 15 months from the passing of the resolution or the conclusion of the Annual General Meeting held to approve the Report and Accounts for the year ending 31 July 1995. The exercise of the power is limited to rights issues or otherwise in respect of an aggregate nominal amount of £181,364 (5 per cent. of the Ordinary share capital currently in issue). The above figures are based on the shares in issue at 18 October 1994.

By order of the Board

H C D McLellan
Company Secretary

6 October 1994

Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period. In preparing the financial statements, the Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. They also confirm that applicable accounting standards have been followed and the financial statements have been prepared on the going concern basis. The Directors are responsible for maintaining adequate accounting records, for taking reasonable steps to safeguard the assets of the Company, and for preventing and detecting fraud and other irregularities.

By order of the Board

H C D McLellan
Company Secretary

6 October 1994

Profit before taxation	21.2	21.2
Income tax	(2.1)	(2.1)
Profit after taxation	19.1	19.1
Dividends	(1.2)	(1.2)
Retained profit	17.9	17.9
Profit before taxation	21.2	21.2
Income tax	(2.1)	(2.1)
Profit after taxation	19.1	19.1
Dividends	(1.2)	(1.2)
Retained profit	17.9	17.9

Report of the auditors

to the members of J D Wetherspoon plc

We have audited the financial statements on pages 19 to 35.

Respective responsibilities of Directors and Auditors

As described on page 17 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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. 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 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 affairs of the Company at 31 July 1994 and of the profit, total recognised gains and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
London

6 October 1994

Profit and loss account

for the year ended 31 July 1994

	Notes	1994 £'000	1993 £'000
Turnover (continuing operations)	2	46,600	30,800
Net operating expenses excluding depreciation	3	36,435	23,816
Depreciation		1,422	908
		<u>37,857</u>	<u>24,724</u>
Operating profit (continuing operations)		8,743	6,076
Rent receivable		44	39
Interest receivable		86	299
Interest payable	6	(2,396)	(2,243)
Profit on ordinary activities before taxation	7	6,477	4,171
Taxation on profit on ordinary activities	8	(563)	(449)
Profit on ordinary activities after taxation		5,914	3,722
Dividends	9	(2,234)	(1,546)
Retained profit for the year	19	<u>3,680</u>	<u>2,176</u>
Earnings per share (net basis)	10		
Basic		18.2p	14.1p
Fully diluted		18.1p	13.8p

There is no difference between the profit on ordinary activities before taxation, the retained profit for the year and the basic and fully diluted earnings per share (net basis) stated above, and their historical cost equivalents.

Statement of total recognised gains and losses

for the year ended 31 July 1994

	1994 £'000	1993 £'000
Profit for the financial year after taxation	5,914	3,722
Unrealised surplus on revaluation of properties	2,235	2,606
Total recognised gains relating to the year	8,149	6,328

Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Total recognised gains relating to the year	8,149	6,328
Dividends	(2,234)	(1,546)
New share capital issued (net of expenses)	22,345	19,018
Net addition to shareholders' funds	28,260	23,800
Opening shareholders' funds	44,112	20,312
Closing shareholders' funds	72,372	44,112

Balance sheet

at 31 July 1994

	Notes	1994 £'000	£'000	1993 £'000	£'000
Fixed assets					
Tangible assets	11		96,547		71,736
Current assets					
Stocks	12	604		485	
Debtors	13	1,546		1,276	
Cash at bank and in hand		15,838		2,519	
		<u>17,988</u>		<u>4,280</u>	
Creditors: amounts falling due within one year	14	(13,921)		(9,079)	
Net current assets/(liabilities)			4,067		(4,799)
Total assets less current liabilities			100,614		66,937
Creditors: amounts falling due after more than one year:					
Loans	15		28,242		22,825
Capital and reserves					
Called up share capital	17	3,618		2,865	
Share premium account	19	42,543		20,951	
Revaluation reserve	19	15,202		12,967	
Profit and loss account	19	11,009		7,329	
		<u>72,372</u>		<u>44,112</u>	
Equity shareholders' funds			100,614		66,937

The financial statements on pages 19 to 35 were approved by the Board on 6 October 1994 and signed on its behalf by:

T R Martin
Chairman

J M Scott
Finance Director

Cash flow statement

for the year ended 31 July 1994

	Notes	1994 £'000	1993 £'000
Net cash inflow from operating activities	22	11,028	7,713
Returns on investments and servicing of finance			
Interest received		86	299
Interest paid		(2,370)	(2,667)
Dividends paid		(1,673)	(865)
Net cash outflow from returns on investment and servicing of financing		(3,957)	(3,233)
Taxation			
Advance corporation tax paid		(460)	(266)
Investing activities			
Payments for purchase of tangible fixed assets		(23,217)	(16,364)
Proceeds of sale of tangible fixed assets	22	22	197
Net cash outflow from investing activities		(23,195)	(16,167)
Net cash outflow before financing		(16,584)	(11,953)
Financing			
Issue of Ordinary shares		22,924	18,996
Advancements under secured bank loans		11,000	3,000
Repayments of secured bank loans		(5,541)	(6,310)
Repayment of unsecured loan		-	(500)
Expenses paid in connection with share issue		(579)	(699)
Principal payment under hire purchase agreements		(10)	(22)
Net cash inflow from financing	23	27,794	14,465
Increase in cash and cash equivalents	24	11,210	2,512

Notes to the financial statements

for the year ended 31 July 1994

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of freehold and leasehold property.

Tangible fixed assets

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

Depreciation is calculated so as to write off the value of a fixed asset on a straight line basis over its estimated useful life, using the following rates:

Freehold land and buildings, including initial renovations and rebuilding	- Nil
Leasehold land and buildings, including initial renovations and rebuilding (leases with more than 20 years to run)	- Nil
Leasehold land and buildings, including initial renovations and rebuilding (leases with less than 20 years to run)	- Life of lease
Subsequent renovations of trading properties	- 33 $\frac{1}{3}$ % per annum
Fixtures and fittings	- 10% per annum
Motor vehicles	- 25% per annum

No depreciation is charged on freehold land and buildings nor on leasehold land and buildings where the lease has more than 20 years to run because the Directors consider that the money expended on refurbishment and maintenance keeps the residual value, based on prevailing market prices, at a level higher than carrying value and therefore any depreciation charge would not be significant. Depreciation on fixtures and fittings commences when the relevant public house commences trading.

Valuation of properties

Trading properties are revalued professionally by independent valuers on a rolling basis with a minimum of one third of the estate being valued every year and ensuring that no valuation is more than three years old. Any temporary difference thus arising is adjusted through the revaluation reserve. Where a diminution in value is regarded as permanent, the provision is charged to the profit and loss account.

Interest and pre-opening costs

All costs incurred in the preparation of the properties for use in the business, including interest on borrowings, are capitalised. Capitalisation of such costs ceases when the relevant public house commences business.

Stocks

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

Turnover

Turnover, which excludes value added tax, represents cash received from bar sales and machine and telephone takings.

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements.

Provision is made for deferred taxation to the extent that there is a reasonable probability of the tax falling due for payment in the foreseeable future. Taxation not provided is disclosed as a contingent liability.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Pension costs

The Company contributes to defined contribution pension schemes on behalf of certain employees. Contributions are recognised as they fall due. The Company provides no other post retirement benefits to its employees.

2 Segmental analysis

The Company undertakes one activity only, namely the management and development of public houses. All its operations are based in the United Kingdom and all its sales, by both destination and origin, are in the United Kingdom.

3 Net operating expenses excluding depreciation

Net operating expenses excluding depreciation are made up as follows:

	1994 £'000	1993 £'000
Change in stocks	(119)	(183)
Raw materials and consumables	16,954	10,967
Staff costs (see note 5)	8,372	5,791
Other operating charges	11,228	7,241
Net operating expenses excluding depreciation	<u>36,435</u>	<u>23,816</u>

4 Directors' emoluments

	1994 £'000	1993 £'000
Fees	30	20
Compensation for loss of office	30	-
Pension costs	17	17
Other emoluments (including benefits in kind)	329	330
	<u>406</u>	<u>367</u>

The compensation for loss of office relates to the resignation of K Lunn, after the balance sheet date. In addition, options to acquire 22,838 Ordinary shares held by K Lunn, which would normally lapse on resignation, have been retained by him.

Directors' emoluments, excluding pension contributions, are as follows:

	1994 £'000	1993 £'000
Emoluments of the Chairman who is also the highest paid Director	<u>113</u>	<u>128</u>

The number of Directors (including the Chairman) who received emoluments (excluding pension contributions) in the following ranges was:

	1994	1993
£0 to £5,000	-	1
£5,001 to £10,000	2	2
£20,001 to £25,000	2	-
£35,001 to £40,000	-	1
£50,001 to £55,000	-	2
£55,001 to £60,000	2	1
£90,001 to £95,000	1	-
£110,001 to £115,000	1	-
£125,001 to £130,000	-	1

H C D McLellan is a Non-Executive Partner of McLellans, a firm of solicitors which is one of a number the Company employs as legal advisers. H C D McLellan's husband is one of two other partners in the firm. Fees paid to McLellans in the year were £112,000 (1993: £69,000).

Directors are granted options for Ordinary shares in the Company as part of both the Executive share option scheme and the SAYE scheme in accordance with the recommendations of the remuneration committee. The number of options granted to Directors in the year is shown in the Directors' report.

No Director waived rights to emoluments during the year or the previous year.

5 Employee information

The average weekly number of persons employed by the Company during the year, including Executive Directors, is analysed below:

	1994 Number	1993 Number
Managerial/administration	387	293
Hourly paid staff	714	473
	<u>1,101</u>	<u>766</u>
Employment costs - all employees including Executive Directors:		
	1994 £'000	1993 £'000
Wages and salaries	7,987	5,557
Social security costs	595	451
Other pension costs	1,021	23
Total direct costs of employment	<u>8,603</u>	<u>6,031</u>
Less: wages and salaries capitalised	(231)	(240)
Charge to profit and loss account	<u>8,372</u>	<u>5,791</u>

6 Interest payable

Interest payable on amounts:

	1994 £'000	1993 £'000
Repayable within 5 years, not by instalments	1	5
Repayable wholly or partly in more than 5 years	2,565	2,458
Other interest	13	14
	<hr/>	<hr/>
Total interest payable	2,579	2,477
Less: interest capitalised into properties	(183)	(234)
	<hr/>	<hr/>
Charge to profit and loss account	2,396	2,243
	<hr/>	<hr/>

Tax relief is available on the capitalised interest in addition to that charged to the profit and loss account.

7 Profit on ordinary activities before taxation

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

	1994 £'000	1993 £'000
Depreciation of tangible fixed assets	1,422	908
Auditors' remuneration	26	25
Hire of plant and machinery	18	12
Hire of motor vehicles	109	74
Profit on disposal of motor vehicles	(13)	(10)
Rent receivable (net of outgoings)	(44)	(39)
Rent payable	3,196	2,095
	<hr/>	<hr/>

Remuneration of the Company's auditors for provision of non audit services to the Company during the year amounted to £72,000 (1993: £67,000) for services including acting as

reporting accountants to the rights issue, taxation compliance and advisory work, and other accounting and consultancy services.

8 Taxation on profit on ordinary activities

	1994 £'000	1993 £'000
Corporation tax at 25%	32	-
Irrecoverable advance corporation tax	531	449
	<hr/>	<hr/>
	563	449
	<hr/>	<hr/>

The charge to corporation tax on the profits of the Company for this year and for last year is reduced by reference to the availability of unused capital allowances brought forward.

The charge arising in the year to 31 July 1994 reflects income which cannot benefit from such allowances. As at 31 July 1994 the unused capital allowances available for carry forward

against future trading profits were approximately £8,000,000 (1993: £8,000,000) subject to approval of the Inland Revenue.

To date the Company has written off £1,280,000 advance corporation tax which will be available to offset against future mainstream corporation tax liabilities.

9 Dividends

	1994 £'000	1993 £'000
Balance of dividend paid re previous year in relation to employees share options exercised	6	-
Interim dividend paid 2.2p per share (1993: 1.8p per share)	636	515
Proposed final dividend (see below)	1,592	1,031
	<u>2,234</u>	<u>1,546</u>

The Directors propose that all Ordinary shares in issue on 31 July 1994 will receive a final

dividend of 4.4p per share. For the year ended 31 July 1993 the final dividend was 3.6p per share.

10 Earnings per share

The calculation of basic earnings per share (net basis) is based on profit on ordinary activities after taxation for the year of £5,914,000 (1993: £3,722,000) and on 32,441,540 (1993: 26,379,537 as adjusted for the rights issue in the year) Ordinary shares being the weighted average number of Ordinary shares in issue and ranking for dividend during the year (as adjusted for the rights issue).

26,379,537 as adjusted for the rights issue in the year) Ordinary shares being the weighted average number of Ordinary shares adjusted for the rights issue and a weighted average of 936,374 (1993: 939,833 as adjusted for the rights issue in the year) share options. The comparative for 1993 also reflects the conversion of convertible loans and loan stock in that year.

The calculation of fully diluted earnings per share is based on an adjusted profit on ordinary activities after taxation of £6,028,000 (1993: £3,841,000) and on 32,441,540 (1993:

On the historical cost basis the calculations of earnings per share are the same as above for the two years for both basic (net basis) and fully diluted.

11 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Motor vehicles £'000	Expenditure on unopened properties £'000	Total £'000
Cost or valuation					
At 1 August 1993	39,305	32,418	157	1,701	73,581
Additions	6,870	13,116	-	4,021	24,007
Surplus on revaluation	124	2,111	-	-	2,235
Disposals	-	-	(55)	-	(55)
Reclassification	737	85	-	(822)	-
At 31 July 1994	<u>47,036</u>	<u>47,730</u>	<u>102</u>	<u>4,900</u>	<u>99,768</u>
Depreciation					
At 1 August 1993	837	897	111	-	1,845
Charge for the year	547	850	25	-	1,422
Disposals	-	-	(46)	-	(46)
Reclassification	6	(6)	-	-	-
At 31 July 1994	<u>1,390</u>	<u>1,741</u>	<u>90</u>	<u>-</u>	<u>3,221</u>
Net book value					
At 31 July 1994	<u>45,646</u>	<u>45,989</u>	<u>12</u>	<u>4,900</u>	<u>96,547</u>
At 31 July 1993	<u>38,468</u>	<u>31,521</u>	<u>46</u>	<u>1,701</u>	<u>71,736</u>

Included in the freehold land and buildings figure is capitalised interest of £1,929,000 (1993: £1,879,000), in short leasehold land

and buildings £400,000 (1993: £321,000) and in unopened properties £382,000 (1993: £328,000)

Fixtures and fittings at cost are included in the above categories as follows:-

	Freehold	Short leasehold	Expenditure on unopened properties	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 1993	2,808	4,086	6	6,900
Additions	638	2,491	33	3,162
Reclassification	-	6	(6)	-
At 31 July 1994	3,446	6,583	33	10,062
Depreciation				
At 1 August 1993	601	582	-	1,183
Charge for the year	324	513	-	837
Reclassification	6	(6)	-	-
At 31 July 1994	931	1,089	-	2,020
Net book value				
At 31 July 1994	2,515	5,494	33	8,042
At 31 July 1993	2,207	3,504	6	5,717

The Company's freehold and leasehold properties have been valued on the basis of open market value for existing use by Business Mergers & Acquisitions Limited, specialist licensed property valuers, who acquired the trade of Business Sales Limited, the

Company's previous valuers. The amounts included above at valuation together with the net book values on the historical cost basis at which the revalued properties would have been included if they had not been revalued are as follows:

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Total £'000
Historical cost basis net book value of revalued properties	39,373	36,160	75,533
Revaluation reserve	6,079	9,123	15,202
Properties included at valuation	45,452	45,283	90,735
Properties included at cost	194	706	900
	<u>45,646</u>	<u>45,989</u>	<u>91,635</u>

The accumulated depreciation included in the historical cost basis net book values is the same as that included in the revalued amounts.

The valuations were performed as at the following dates:

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Total £'000
31 July 1992	26,185	14,905	41,090
31 July 1993	4,930	13,735	18,665
31 July 1994	13,675	16,530	30,205
	<u>44,790</u>	<u>45,170</u>	<u>89,960</u>
Subsequent additions at cost	1,425	1,031	2,456
Subsequent disposals at cost	(186)	-	(186)
Less depreciation since valuation	(577)	(918)	(1,495)
Properties included at valuation	<u>45,452</u>	<u>45,283</u>	<u>90,735</u>

All the Company's trading properties which were open at 31 July 1992 were included in the valuation at that date. The 24 new trading properties which opened during the year ended 31 July 1993, which then constituted more than one third of the estate, were all valued at 31 July 1993. The 20 properties which opened during the year ended 31 July 1994 and an additional nine properties which opened in previous years were valued in the year then ended. This constituted one third of the estate.

At 31 July 1994 the Company had acquired 10 properties for which licensing and planning permission was in place. These properties have not been revalued but, in the opinion of the Directors, their market value is in excess of cost included in these financial statements.

No provision has been made in the deferred taxation account for the estimated corporation tax which would be payable on disposal of the revalued properties at the revalued amounts because, in the opinion of the Directors, these properties are unlikely to be disposed of in the foreseeable future (see note 16 to the financial statements).

12 Stocks

	1994 £'000	1993 £'000
Goods for resale	604	485

In the opinion of the Directors the replacement cost of goods for resale does not differ materially from the cost shown above.

13 Debtors

	1994 £'000	1993 £'000
Amounts falling due within one year:		
Other debtors	158	195
Prepayments	1,368	1,065
	<u>1,526</u>	<u>1,260</u>
Amount falling due after more than one year:		
Prepayments	20	16
	<u>1,546</u>	<u>1,276</u>

14 Creditors: amounts falling due within one year

	1994 £'000	1993 £'000
Current instalments due on bank loans (see note 15)	1,581	1,539
Bank overdraft	2,109	-
Trade creditors	4,670	4,209
Corporation Tax	4	-
Advance corporation tax	398	299
Other taxation and social security costs payable	759	551
Other creditors	261	143
Dividends payable	1,592	1,031
Accruals and deferred income	2,547	1,307
	<hr/>	<hr/>
	13,921	9,079

Included in other creditors are hire purchase commitments of £2,000 (1993: £12,000).

15 Creditors: amounts falling due after more than one year

	1994 £'000	1993 £'000
Banks loans:		
Due between 1 and 2 years	1,409	1,580
Due between 2 and 5 years	4,519	1,875
Due after 5 years	22,314	19,370
	<hr/>	<hr/>
	28,242	22,825

The bank loans are secured by debentures over the Company's assets incorporating legal charges over the freehold and leasehold properties.

The bank loans are repayable by monthly instalments. Loans amounting to £990,000 are due to be repaid by March 1996. Interest is charged on these loans at between 1.25% and 1.35% above base rate. Loans amounting to

£20,000,000 are due to be repaid by March 2013. Interest on the first tranche of £10,000,000 is charged at 11.95% until March 1997 and thereafter at 1.5% above base rate. Interest on the second tranche of £10,000,000 is charged at 8.5% until March 1998 and thereafter at 1.35% above base rate. Loans amounting to £8,833,000 are due to be repaid by May 2003. Interest is fixed at 8.61% on this loan.

16 Deferred taxation

Analysis of potential liability:

	1994 £'000	Full potential liability 1993 £'000
Potential taxation at 33% arising on:		
Gains on sales of properties reinvested (see note (a) below)	700	700
Other gains on sale of trading properties at their revalued amounts (see note (b) below)	5,295	4,600
	<u>5,995</u>	<u>5,300</u>
Excess of tax allowances over depreciation (see note (c) below)	4,033	2,573
Less unused capital allowances and surplus advance corporation tax	(3,650)	(2,573)
	<u>6,378</u>	<u>5,300</u>

In accordance with the accounting policy, no provision has been made for deferred taxation.

The potential deferred tax liability arises from the following circumstances:

(a) The capital gains that have been realised on the sale of certain properties. The proceeds from those disposals have been reinvested into the other trading properties, therefore the gain realised did not crystallise for tax purposes. The potential tax liabilities are not provided for as the Company considers these gains will not crystallise in the foreseeable future.

(b) The potential capital gain that would arise if the Company sold its properties. This liability is not provided for as the current policy of the Company is to reinvest any proceeds from a disposal.

(c) The excess of tax allowances over the depreciation charge on assets qualifying for capital allowances which has been offset against the unused capital allowances, together with surplus advance corporation tax, as restricted (see note 8 to the financial statements). The Company considers that the potential liability will not crystallise in the foreseeable future.

17 Called up share capital

	1994 £'000	1993 £'000
Authorised:		
40,000,000 Ordinary shares of 10p each (1993: 40,000,000)	4,000	4,000
Allotted, called up and fully paid:		
36,181,017 Ordinary shares of 10p each (1993: 28,646,967)	3,618	2,865

On 31 March 1994 the Company issued 7,207,666 Ordinary shares of 10p each at a price of £3.15 per share under a 1 for 4 rights issue.

The purpose of the rights issues was to finance the continuing growth of the Company. In addition, options were exercised to subscribe for 326,384 further Ordinary shares at an average price of £0.67 per share.

18 Share options

Options which have been granted to employees for Ordinary shares which existed at 31 July 1994 were as follows:

(a) Executive share option scheme

Date of grant	Number of shares	Period of exercise	Price per share
July 1989	16,401	26 July 1992 to 26 July 1999	54.8p
March 1990	67,122	27 March 1993 to 27 March 2000	68.6p
September 1990	37,897	26 September 1993 to 26 September 2000	68.6p
February 1991	45,203	14 February 1994 to 14 February 2001	68.6p
February 1992	114,369	10 February 1995 to 10 February 2002	114.3p
June 1992	13,121	30 June 1995 to 30 June 2002	107.6p
April 1993	225,494	30 April 1996 to 30 April 2003	247.8p
May 1993	9,011	4 May 1996 to 4 May 2003	256.4p
April 1994	183,000	19 April 1997 to 19 April 2004	347.0p
	<u>711,618</u>		

(b) SAYE scheme

Date of grant	Number of shares	Period of exercise	Price per share
February 1993	150,561	2 February 1998 to 2 August 1998	175.7p
February 1993	15,427	2 February 2000 to 2 August 2000	175.7p
	<u>165,988</u>		

19 Share premium account and reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 August 1993	20,951	12,967	7,329
Premium on allotments during the year	22,171	-	-
Surplus arising on revaluation of land and buildings	-	2,235	-
Retained profit for the year	-	-	3,680
Share issue expenses	(579)	-	-
At 31 July 1994	<u>42,543</u>	<u>15,202</u>	<u>11,009</u>

No provision has been made for the additional United Kingdom taxation which would accrue if the freehold and short leasehold land and

buildings were disposed of at their revalued amounts. The potential liability to such taxation is disclosed in note 16 to the financial statements.

20 Financial commitments

	1994 £'000	1993 £'000
Capital expenditure		
Expenditure contracted for but not provided for	2,338	104
Expenditure authorised but not contracted for	-	-
	<u>2,338</u>	<u>104</u>

21 Lease commitments

The Company operates a number of leasehold public houses, and occupies leasehold office accommodation. The total annual rental of these leases, all of which have more than five years to run, is as follows:

	1994 £'000	1993 £'000
	4,237	2,954

In addition the Company has financial commitments in respect of non-cancellable operating leases of motor vehicles. The annual rental of these leases is as follows:

	1994 £'000	1993 £'000
Expiring between 1 and 2 years	59	-
Expiring between 2 and 5 years	62	89
	<u>121</u>	<u>89</u>

22 Net cash inflow from operating activities

	1994 £'000	1993 £'000
Operating profit	8,743	6,076
Rent received	44	39
Depreciation of tangible fixed assets	1,422	908
Gain on sale of tangible fixed assets	(13)	(10)
Increase in stocks	(119)	(183)
Decrease/(increase) in other debtors	37	(155)
(Increase) in prepayments	(307)	(306)
Decrease in other taxation receivable	-	6
Increase in trade creditors	461	887
Increase in other creditors	128	97
Increase in other taxation and social security	208	109
Increase in accruals and deferred income	424	245
	<u>11,028</u>	<u>7,713</u>

23 Analysis of changes in finances during the year

	Share capital (including premium)	Loans and hire purchase commitments	Total
	£'000	£'000	£'000
Balance at 1 August 1993	23,816	24,376	48,192
Cash inflows from financing during the year	22,345	5,449	27,794
Balance at 31 July 1994	46,161	29,825	75,986

24 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994	1993	Change in year
	£'000	£'000	£'000
Cash at bank and in hand	15,838	2,519	13,319
Bank overdrafts	(2,109)	-	(2,109)
	13,729	2,519	11,210

Five year summary

Summary of accounts for the five years ended 31 July 1994

	1990	1991	1992	1993	1994
	£'000	£'000	£'000	£'000	£'000
Sales and results					
Turnover (continuing operations)	7,047	13,192	21,380	30,800	46,600
Operating profit (continuing operations)	1,504	3,399	5,094	6,076	8,743
Disposal of properties	-	-	(1,094)	-	-
Rent receivable	27	46	33	39	44
Interest receivable	3	4	17	299	86
Interest payable	(931)	(2,351)	(3,124)	(2,243)	(2,396)
Profit on ordinary activities before taxation	603	1,098	926	4,171	6,477
Taxation	(67)	(88)	(117)	(449)	(563)
Profit on ordinary activities after taxation	536	1,010	809	3,722	5,914
Dividends	(200)	(265)	(350)	(1,546)	(2,234)
Retained profit for the year	336	745	459	2,176	3,680
Recognised gains and losses					
Profit for the financial year after taxation	536	1,010	809	3,722	5,914
Unrealised surplus on revaluation of properties	1,631	4,042	668	2,606	2,235
	2,167	5,052	1,477	6,328	8,149
Net assets employed					
Fixed assets	28,629	45,031	53,094	71,736	96,547
Net current assets/liabilities	(3,073)	(3,858)	(4,872)	(4,799)	4,067
	25,556	41,173	48,222	66,937	100,614
Non current liabilities					
Shareholders' funds	13,849	23,183	27,910	22,825	28,242
	11,707	17,990	20,312	44,112	72,372
	25,556	41,173	48,222	66,937	100,614
Ratios					
Operating margin	21.3%	25.8%	23.8%	19.7%	18.8%
Earnings per share	3.9p	7.4p	5.3p	14.1p	18.2p
Historical cost earnings per share	3.9p	7.4p	12.8p	14.1p	18.2p
Dividends per share	0.76p	1.90p	2.38p	5.40p	6.60p

Notes to the five year summary

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

(b) The earnings per share and dividend per share figures have been adjusted to account for:

- (i) the 20 for 1 capitalisation issue on 5 October 1992;
- (ii) the 1 for 4 rights issue on 31 March 1994;

(c) The figures have been adjusted to reflect the adoption of FRS 3. This involves:

- (i) the restatement of the disposal of properties in the year ended 31 July 1992;
- (ii) the appropriate adjustments to earnings per share to account for the above. Historical cost earnings per share calculated on the basis in operation before the introduction of FRS 3 are also shown.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at The Common Room, Law Society Hall, 113 Chancery Lane, London WC2A 1PL on Monday, 12 December 1994 at 10am 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 31 July 1994.
2. To declare a final dividend.
3. To re-elect T R Martin as a Director.
4. To re-elect M R McQuater as a Director.
5. To re-appoint Coopers & Lybrand as auditors 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 Resolution No. 6 as an Ordinary Resolution and in the case of Resolution No. 7 as a Special Resolution.

6. THAT:

(A) the Directors be and they are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 to allot, to such persons and on such terms as they think proper, relevant securities (as defined in sub-section (2) of that section) up to a maximum nominal amount of £372,721 during the period from the date of the passing of this Resolution until the conclusion of the Annual General Meeting of the Company held to approve the report and accounts of the Company for the financial year ending 31 July 1995 on which date such authority will expire unless previously varied, revoked or renewed by the Company in general meeting provided that the Directors shall be entitled under the authority hereby conferred to make at any time prior to the expiry of such authority any offer or agreement which would or might require such relevant securities as aforesaid to be allotted after the expiry of such authority and the Directors may allot any relevant securities after the expiry of such

authority pursuant to such offer or agreement notwithstanding the expiry of the authority given by this paragraph; and

(B) the authority to allot given to the Directors by Ordinary Resolution of the Company passed on 3 December 1993 be and is hereby revoked, provided that such revocation shall not have retrospective effect.

7. THAT:

subject to the passing of Resolution 6 above:

(A) the Directors be and they are hereby empowered until the expiry of the period ending 15 months from the date on which this Resolution is passed or 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 31 July 1995 (whichever is the earlier) to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) of the Company under the authority conferred by Resolution 6 above, as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to such allotment and the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired notwithstanding its expiry provided that this power shall be limited to:

(1) the allotment of equity securities in connection with any invitation made to holders of Ordinary shares of 10 pence each from time to time to subscribe by way of rights open to offer or otherwise where the equity securities respectively attributable to the interests of all the holders of such Ordinary shares are proportionate (as nearly as may be) to the respective number of Ordinary shares held by them subject to any exceptions, exclusions or other arrangements which in the opinion of the Directors are necessary or expedient for the purpose of dealing with fractional entitlements

or legal or practical problems otherwise arising 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

(2) the allotment (other than pursuant to (1) above) of equity securities up to an aggregate nominal amount of £181,364

(B) the authority conferred under Section 95 of the Companies Act 1985 by Special Resolution of the Company passed on 3 December 1993 be and is hereby revoked, provided that such revocation shall not have retrospective effect.

By order of the Board

H C D McLellan
Secretary

3 November 1994

Registered Office:
735 High Road
North Finchley
London N12 0BP
Registered No: 1709784

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and (on a poll) vote on his behalf. A proxy need not be a member of the Company.

2. To be valid for the Meeting, the instrument appointing a proxy and the authority (if any) under which it is signed or a notarially certified copy of such authority must be deposited at the office of the Company's Registrars not less than 48 hours before the time of the Meeting. Depositing a form of proxy will not preclude a member from attending the meeting and voting in person.

3. Copies of the following documents will be available for inspection at the registered office of the Company between 9.30am and 4.30pm on any week day (except Saturdays and public holidays) until the date of the Meeting and at the place of the Meeting for a period of 15 minutes prior to the Meeting and at the Meeting

(a) service contracts between the Company and each of T R Martin, M R McQuater, H C D McLellan and J M Scott

(b) the register of Directors' interests in the shares of the Company kept in accordance with section 325 of the Companies Act 1985. Save for such service contracts no Director has a service contract with the Company.

Proxy form

For use by holders of Ordinary shares of 10p each

For use at the Annual General Meeting of J D Wetherspoon plc to be held on 12 December 1994.

I/We (see note 1) _____
(BLOCK CAPITALS)

of _____
being (a) holder(s) of Ordinary shares of 10p each in the Company hereby appoint THE CHAIRMAN of the Meeting or (see note 2)

as my/our proxy to vote for me/us on my/our behalf in the manner indicated below at the Annual General Meeting of the Company to be held at 10.00a.m. on 12 December 1994, and at any adjournment thereof, and on any other resolution or amendment of a resolution put to, or any other business which may properly come before the Meeting to vote or to abstain at his/her discretion.

Resolution No:	For	Against
ORDINARY BUSINESS		
1. To receive the report and accounts.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect T R Martin as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect M R McQuater as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Coopers & Lybrand as auditors and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS		
6. To renew the Directors' authority to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply pre-emption rights on allotments of shares for cash in limited circumstances.	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate whether you wish to vote for or against the respective resolutions by inserting X in the appropriate boxes.

In the absence of direction the proxy will abstain or vote at his/her discretion.

Dated: _____ 1994 Signature _____
(See notes 4 and 5)

Notes:

1. Please insert FULL NAME and address in BLOCK CAPITALS.
2. If you wish to appoint as your proxy a person other than the Chairman delete the words "THE CHAIRMAN of the Meeting or" and insert in BLOCK CAPITALS the name of the person you wish to appoint.
3. The completion and return of this Proxy form will not preclude a member from attending and voting at the Meeting should he/she wish.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
5. Where the appointer is a body corporate this Proxy form must be executed either by it or signed on its behalf by an attorney or a duly authorised officer of the body corporate. If this Proxy form is executed under a Power of Attorney or other authority, such power or authority or a notarially certified copy of such power or authority must be deposited with the Proxy form.
6. Any alterations made in this Proxy form should be initialled.
7. This Proxy form must be dispatched so as to arrive at Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 48 hours before the time of the Meeting.