J D WETHERSPOON PLC
ANNUAL REPORT AND ACCOUNTS 2005

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

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Financial calendar

Annual general meeting
10 November 2005

Final dividend for 2005
25 November 2005

Interim report for 2006
March 2006

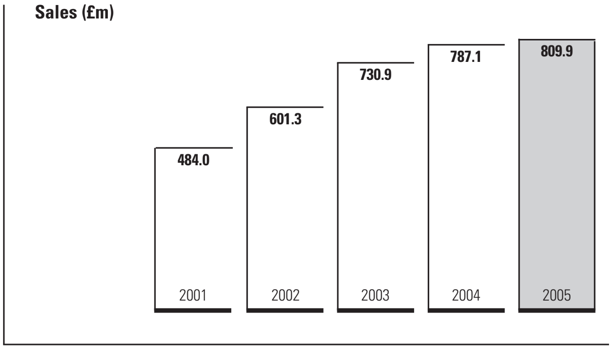
Interim dividend for 2006
May 2006

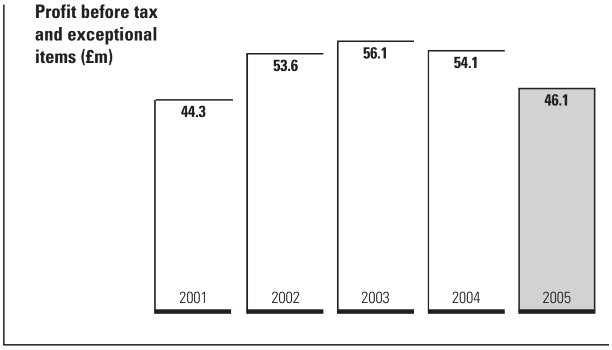
Year end
30 July 2006

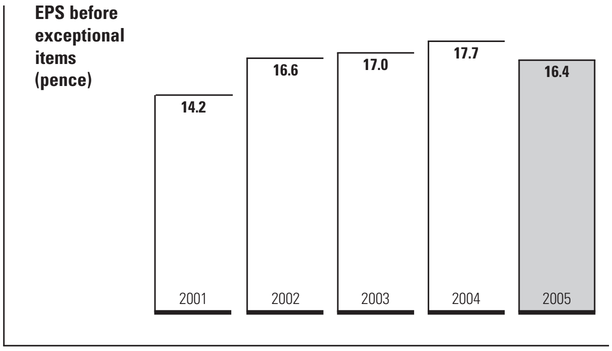
Preliminary announcement for 2006
September 2006

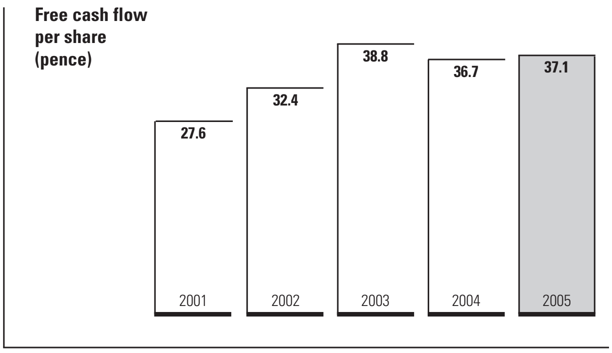
Report and accounts for 2006
October 2006

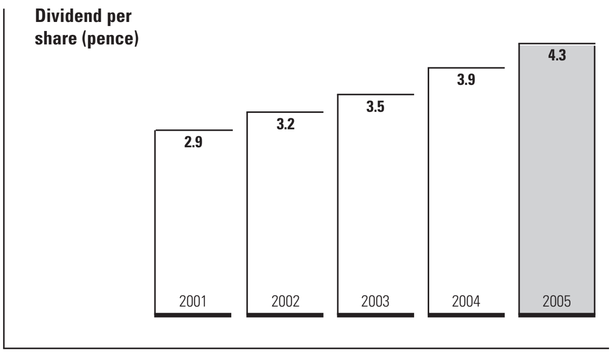
FINANCIAL HIGHLIGHTS











Turnover up 3% to

£809.9m

***Operating margin**

8.7% (2004: 9.9%)

Profit before tax (before exceptional items) down 15% to

£46.1m

Profit before tax (after exceptional items) down 16% to

£38.7m

Earnings per share (before exceptional items) down 7% to

16.4p

Earnings per share (after exceptional items) down 10% to

13.1p

Free cash flow per share

37.1p (2004: 36.7p)

Dividend per share increased by

10%

*Excluding exceptional items

Sales for the year increased by £22.7 million to £809.9 million, a rise of 3%. Operating margins (before exceptional items) were 8.7%, compared with 9.9% last year, mainly as a result of the anticipated higher labour, utilities and repair costs. Operating profit (before exceptional items) decreased by 9% to £70.4 million, and profit before tax (before exceptional items) reduced by 15% to £46.1 million. Profit before tax (after exceptional items) was £38.7 million (2004: £46.3 million). Earnings per share (before exceptional items) decreased by 7% to 16.4p, with earnings per share (after exceptional items) being 13.1p (2004: 14.6p).

Cash outflow, in respect of capital investment, was £38.7 million, and net gearing at the year end was 129% (2004: 117%). This increase in gearing was due to a reduction in the number of shares in issue as a result of share purchases by the company. Net interest was covered 2.9 times (2004: 3.3 times) by operating profit (before exceptional items). Free cash flow, after payments of tax, interest and capital investment of £14.2 million in existing pubs, decreased by 6% to £68.8 million, resulting in free cash flow per share of 37.1p, more than double earnings per share.

Average sales per pub increased by 1% in the year under review…

The company recorded exceptional losses in the year of £7.4 million before taxation (2004: £7.8 million). This amount included the anticipated loss on the sale of 8 pubs, together with provisions against several other properties. It also includes £3.0 million of exceptional start-up costs, under our new distribution arrangements, and £0.9 million of restructuring costs.

We opened 13 pubs during the year, compared with 28 in the previous year. The total number of pubs now operated by the company is 655. Average sales per pub increased by 1% in the year under review, with like-for-like sales declining by 0.6%, offset by higher sales from newly opened pubs.

DIVIDENDS

The board proposes, subject to shareholders' consent, to pay a final dividend of 2.82p per share on 25 November 2005 to those shareholders on the register on 28 October 2005, bringing the total dividend for the year to 4.28p per share, a 10% increase on the previous year.

FINANCE

The company had £53.1 million (2004: £74.7 million) of unutilised banking facilities and cash balances as at the balance sheet date, with total facilities of £387 million (2004: £412 million).
The year's capital expenditure on new pub developments was more than covered by free cash flow. We anticipate that, in the current financial year, the company will generate a cash surplus, after capital expenditure and dividends, which will be available for debt reduction, share buybacks or a combination of both.

RETURN OF CAPITAL

During the year, 16,455,000 shares (representing approximately 9% of the issued share capital) were purchased by the company for cancellation, at a cost of £43.3 million, representing an average cost per share of 262p. There was a cash outflow in the year, in respect of shares purchased, of £45.7 million.

CONTRIBUTION TO THE UK ECONOMY

Pubs often receive criticism for antisocial behaviour, resulting from excessive drinking. However, it should be borne in mind that the percentage of alcoholic drinks consumed in pubs has declined dramatically in the last 25 years, from approximately 83% of total consumption to approximately 60% now.

In assessing the effect of companies like Wetherspoon on the economy, it is important to note that we pay approximately £311 million in annual taxes of one kind or another. In addition, almost all of our remaining turnover involves payments to our 18,000 staff and independent British and Irish companies, many of which are small businesses. The great majority of our customers is extremely well behaved, and the company makes a major contribution towards the economy.

We anticipate that, in the current financial year, the company will generate a cash surplus, after capital expenditure and dividends, which will be available for debt reduction, share buybacks or a combination of both…

LICENSING

In April 2004, the company was successful in renewing the licences of all of our existing pubs, without any objections from either local residents or the police, and also successfully lodged licensing applications for all of our pubs and managers under the new legislation. Most pubs have not yet had their applications granted, but the indications are that permission will be granted and that pubs will, therefore, be able to open approximately one hour later than now, on weekdays, and approximately 1–2 hours later, on Friday and Saturday evenings. These hours are similar to those operated in Northern Ireland and Scotland, where the company trades successfully and where there does not appear to be significantly greater problems of social disorder than in England and Wales.

The process involves considerable initial and continuing expense, and we strongly argued in favour of the retention of magistrates, but the administration so far of licensing by local authorities has not caused undue problems.

THE TRADING ENVIRONMENT

As indicated in our recent annual announcements, pubs in general have experienced a considerable increase in competition from supermarkets, the off-trade generally and from duty-free imports from the continent. This has been combined with a reduction in the number of people visiting many town and city centres, as a result of unfavourable media coverage of problems associated with excessive drinking in some areas.

Wetherspoon has attempted to address some of these issues. We continue the strong promotion of food, soft drinks and coffee. We have also, alone among our competitors, banned 2-for-1 drink offers and the discounting of double measures of spirits. In the case of spirits, this has resulted in the percentage of double measures reducing from 90% to 50% in the course of the last two years. This may have had some impact on turnover and profitability, but indicates our willingness to adopt sensible policies and our co-operation with the authorities in this area.

NON-SMOKING

We have continued opening non-smoking pubs and have now opened 7 new pubs which do not permit smoking and have converted 29 existing pubs to this format. We plan to bring the total number of non-smoking pubs to approximately 50 by this Christmas. This will then allow us to review the performance of these non-smoking conversions in the early part of 2006.

The initial impact of introducing non-smoking in existing pubs has resulted in turnover declining by approximately 7% and profit margins declining, as there is a significant swing from bar sales to lower-margin food sales and a consequential increase in labour costs.

A ban on smoking in pubs, as most commentators agree, is inevitable – and we feel that it is important to learn, as early as possible, about the nature of the impact and the types of marketing and other policies which can be adopted to minimise the economic impact on our business.

Some critics have stated that it would be better to wait until smoking is banned, before banning it in our own pubs. However, we feel that it is better to take the initiative, rather than adopting a non-smoking policy at the same time as everyone else, without significant previous experience of its impact.

The great majority of our customers is extremely well behaved, and the company makes a major contribution towards the economy…

BOARD CHANGES

Tony Lowrie resigned as a non-executive director of the company on 23 March 2005, and Brian Jervis has intimated that he will not seek re-election at this year's annual general meeting. I would like to thank both Tony and Brian for their significant contribution to the company over the years. Liz McMeikan was appointed as non-executive director on 1 April 2005, and it is our intention to appoint a further non-executive director, following Brian's intended retirement.

PEOPLE

I would like to thank our employees, partners and suppliers for their dedicated work in what has been a challenging year for the company.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The company is required to report for the first time under IFRS for the 6 months to January 2006. This transition is not expected to have any significant impact on the stated results of the company, and preparations for the transition are well advanced. A separate announcement detailing the impact of IFRS on the opening balance sheet and profits is anticipated in November 2005.

The likely areas of impact include the treatment of lease incentives, property leases, deferred tax on rolled-over property gains and interest-rate hedging.

CURRENT TRADING AND OUTLOOK

Like-for-like sales in August declined by 1.7%. The company, as indicated in our interim results statement, has made considerable efforts to reduce costs, both at head office and in the pubs. We are also keeping a tight grip on capital investments, pending clarity on the impact of a smoking ban – initially in Scotland and then in the rest of the UK.

The company continues to strive to widen the range and improve the quality of products offered to customers. For example, in the course of the next few months, we are introducing Italy's number-one coffee, Lavazza, and a range of new bottled beers, draught ales and lagers, as well as new products in most other categories. In addition, the company has introduced several award-winning cider and perry products over the last few months and has seen a significant increase in sales of other products, such as Pimm's. Food remains a significant part of our business, and we continue to experiment with regional and local produce, together with trialling enhanced menu availability, particularly in our non-smoking pubs.

As a result of our strong cash flow, our dedicated and experienced management team and the loyalty of our customers, we remain confident for the future.

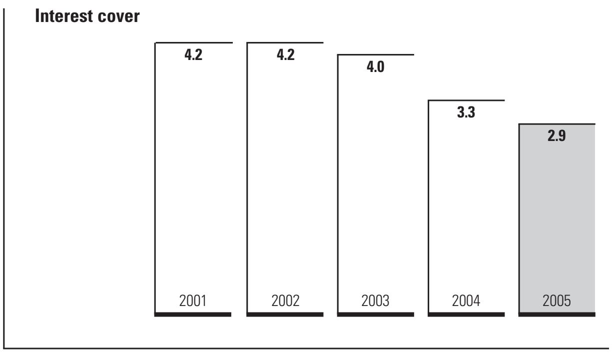
Tim Martin
Chairman
2 September 2005

SALES AND OPERATING PROFIT

In the year under review, total sales increased by 3% to £809.9 million. Bar sales increased by 2%, with a 7% increase in food sales which now represent 25% of total revenue. Operating profit (before exceptional items) decreased by 9% to £70.4 million, and profit before tax (before exceptional items) of £46.1 million (after exceptional items £38.7 million) represents a 14.8% decrease on the previous year. Net operating margins (before exceptional items), excluding interest, were 8.7%, compared with 9.9% 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 £23.6 million to £24.3 million. This increase reflected the significant cash outflow with regard to the share buyback programme. The interest charge to the profit and loss account was covered 2.9 times (before exceptional items), compared with 3.3 in the previous year. Fixed-charge cover (interest and rent) was broadly in line with last year, at 1.6 times (2004: 1.8 times). Excluding depreciation, fixed-charge cover (interest and rent), on a cash basis, was 2.3 times (2004: 2.4 times).



TAXATION

A full analysis of the taxation charge for the year is set out in note 7 to the accounts.

As previously reported, the accounting standard on the provision for deferred taxation (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 (excluding tax on exceptional items) of 34.0% (2004: 34.6%). The amount of corporation tax to be paid on the results for the year, before the impact of exceptional items is 31.0% (2004: 24.3%).

EXCEPTIONAL ITEMS

The company reported an exceptional loss before tax during the year of £7.4 million (2004: £7.8 million). This comprised losses and anticipated losses on the disposal of 8 public houses of £2.3 million, together with a provision of £1.2 million in respect of other properties. The exceptional items in the year also include £3.0 million exceptional start-up costs with regard to establishing our new distribution arrangements and also £0.9 million of restructuring costs.

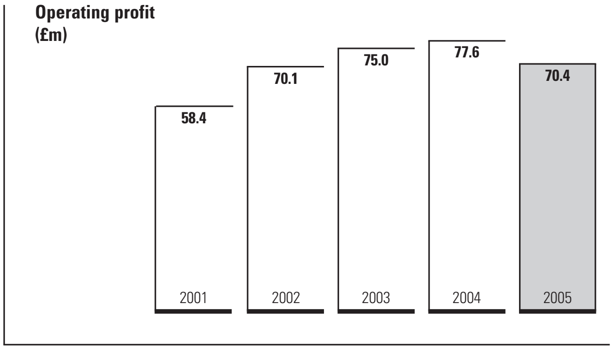
SHAREHOLDERS' RETURN

Earnings per share (before exceptional items) decreased by 7% to 16.4p (with a decrease of percentage in earnings per share (after exceptional items) to 13.1p). The underlying free cash flow per share increased by 1% to 37.1p, more than double earnings per share.

The proposed final dividend of 2.82p per share, together with the interim dividend of 1.46p per share already paid, represents a 10% increase on the previous year. The total dividend per share will be covered 3.8 times by earnings per share (before exceptional items), compared with 4.6 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 £259.9 million.

The company purchased £43.3 million of its own shares during the year. The cash outflow in the year, with regard to share buybacks, was £45.7 million, reflecting some timing differences on the settlement of share purchases at both the start and end of the financial year. These transactions represented a share buyback and cancellation of 9% of the share capital in issue at the start of the financial year.

The middle-market quotation of the company's ordinary shares at the end of the financial year was 276.0p. The highest price during the year was 287.0p, while the lowest was 222.5p. The company's market capitalisation at 24 July 2005 was £477 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 £123.5 million. Free cash flow in the year, which is defined as cash from operations after deducting interest, taxation, purchase of own shares for the Employee Share Incentive Plan and the purchase of fixed assets for existing pubs, was £68.8 million, compared with the previous year's £73.5 million. This level of free cash flow covered all of our investment in new pub openings, producing a net cash inflow, before financing, of £48.9 million (2004: £18.7 million).

CAPITAL INVESTMENT

There were 13 new pubs opened during the year, compared with 28 in the previous year. The cash outflow, with respect to these new pubs, totalled £24.5 million. Investment in existing pubs was £14.2 million, representing 1.8% of sales, compared with 2.6% of sales in the previous financial year.

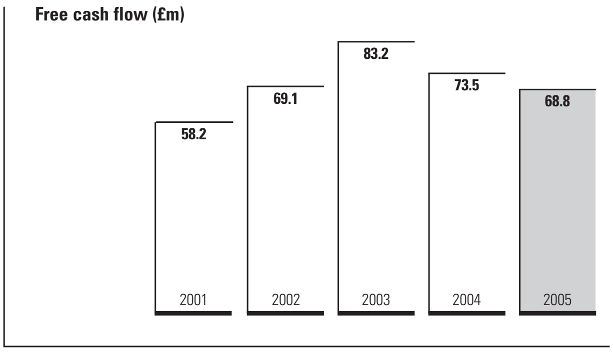
FINANCIAL POSITION

Net debt at the year end amounted to £334.1 million, representing a balance sheet gearing ratio of 129% (2004: 117%). 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 102%, which compares with the previous year's 95%.

At the balance sheet date, the company had £53.1 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 company restructured part of its UK banking facilities during the year. This consolidated some of the current facilities and also introduced two new banks to the current bank group.

FINANCIAL RISKS AND TREASURY POLICIES

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



The company has no foreign currency risk, given that the US senior loan notes are hedged into sterling. The impact of this is that there is no exposure to movements in the exchange rate between sterling and the dollar. As the company has no trading requirements in any foreign currency, the overall treasury policy in this area is to ensure that there are no currency risks attached to any part of our business.

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

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

At the balance sheet date, the company had entered into fixed interest-rate swap agreements over a total of £150 million of borrowings, covering a five-year period at an average rate of interest (excluding bank margin) of 6.46%. The board continues to explore current market opportunities in this area.

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

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

ACCOUNTING POLICIES

The accounting policies adopted in preparing these accounts are consistent with those used in the previous year.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The company will be required to adopt International Financial Reporting Standards (IFRSs) when preparing its accounts for 2005/06. In preparation for this, all existing IFRSs have been reviewed in detail, to assess their likely impact on our reported figures and the actions required to collect the necessary data.

The work required to restate our financial position under IFRS is substantially completed, and a separate update will be issued in November 2005.

Significant areas of the new standards will not have any impact on our financial statements. These include pensions where we have no unfunded deficit, share options where we already expense the cost of shares under our Share Incentive Plan and accounting for goodwill where we have no goodwill on the balance sheet.

There is likely to be some impact with regard to providing for deferred tax on previously rolled-over property gains and property revaluations and also the fact that there will be no accrual for future dividends.

The outstanding issues to be completed relate primarily to accounting for derivatives, ie interest-rate hedging and also reviewing the precise terms of some of our leasehold pubs.

At this stage, it is expected that there may be some amendment to our opening balance sheet under IFRS, although no significant impact on our stated profits.

Jim Clarke
Finance Director
2 September 2005

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 50

Tim founded the business in 1979, having previously studied law at Nottingham University and qualified as a barrister. He became chairman in 1983.

John Hutson Chief Executive Officer, aged 40

John joined the company in 1991 and was appointed to the board in 1996. He is a graduate of Exeter University and previously worked with Allied Domecq.

Jim Clarke Finance Director and Company Secretary, aged 45

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

Suzanne Baker Commercial Director, aged 42

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

John Herring Senior Non-Executive Director, aged 47

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

Brian Jervis Non-Executive Director, aged 70

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.

Elizabeth McMeikan Non-Executive Director, aged 43

Liz was appointed to the board in 2005 and is a member of the audit committee, the remuneration committee and the nomination committee. Liz is a graduate of Cambridge University. She is the founding director of S. G. Property Investments Ltd, a director of St Rhadegund Properties Ltd, an independent member of the Insolvency Service Steering Board of the DTI and a Civil Service commissioner. Liz previously worked for Tesco plc for 12 years in a wide variety of commercial and operational roles, both in the UK and overseas.

Registered Office

Wetherspoon House
Central Park
Reeds Crescent
Watford
WD24 4QL

Company Number

1709784

Registrars

Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Registered Auditors

PricewaterhouseCoopers LLP

Solicitors

Macfarlanes

Bankers

Allied Irish Banks plc
Bank of Scotland
Bayerische Landesbank
Lloyds TSB Bank plc
National Australia Bank Ltd
Scotiabank Europe plc
The Royal Bank of Scotland plc

Financial Advisers

Dresdner Kleinwort Wasserstein Limited

Stockbrokers

Dresdner Kleinwort Wasserstein Securities Limited

The directors present their report and audited accounts for the year ended 24 July 2005.

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 for the year (after exceptional items), after taxation, was £24,304,000.

On 25 November 2005, the company proposes to pay a final dividend for the year ended 24 July 2005 of 2.82 pence per share to shareholders on the share register as at the close of business on 28 October 2005. Together with the interim dividend of 1.46p per share paid on 27 May 2005, this brings the total dividend for the year to 4.28p per share.

Profit retained for the financial year amounted to £16,752,000 and will be transferred to reserves.

Return of capital
At the annual general meeting of the company, held on 11 November 2004, the company was given authority to make market purchases of up to 28,374,610 of its own shares. During the year to 24 July 2005, a total of 16,455,000 shares has been purchased at an average cost of 262p per share. As at 24 July 2005, the authority given to the company at the last annual general meeting remained outstanding in relation to 11,919,610 shares. As a result of the share buyback programme, the company expects earnings per share to be enhanced, in both the current and future years.

Directors
The directors listed on page 8 served throughout the financial year, with the exception of Mrs McMeikan who was appointed during the year. Mr Lowrie resigned as a director of the company on 23 March 2005. Mr Jervis retires by rotation at this year's annual general meeting and has intimated that he will not seek re-election. Mr Hutson and Mr Clarke also retire by rotation and offer themselves for re-election. In addition, Mrs McMeikan will also offer herself for re-election, in accordance with the company's articles of association. Details of the terms under which the directors, who were in office during the year, serve and their remuneration, together with their interests in the shares of the company, are given in the directors' remuneration report on pages 11 to 14.

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 and are also consistent with those used in the previous accounting year. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 24 July 2005 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. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes which may have occurred to the financial statements since they were initially presented on the web site. It is stated clearly on the web site that information published on the Internet is accessible in many countries and that legislation in the United Kingdom, governing the preparation and dissemination of financial information, may differ from legislation in other jurisdictions.

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

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

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 and conditions of employment and personnel and management practices which ensure that no individual receives less favourable treatment on the grounds of his or her race, religion, nationality, ethnic origin, age, disability, gender, sexual orientation or marital status. Employees who become disabled will be retained, where possible, and retrained, where necessary.

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

Internal communications seek to ensure that staff are well informed about the company's progress, through the use of regular newsletters, monthly videos and briefings at staff meetings, at which employees' views are discussed and taken into account.

All staff participate in incentive bonus schemes related to profitability and/or service standards.

Policy on payment of suppliers
The company agrees on terms and conditions with all suppliers before business takes place and has a policy of paying agreed invoices in accordance with the terms of payment. Trade creditors at the year end represented 46 (2004: 44) days' purchases.

Political and charitable contributions
Contributions made by the company during the year, for charitable purposes, were £27,537 (2004: £61,438). 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 10 November 2005, at which shareholders will be asked, as items of special business, to approve plans for a new deferred bonus scheme, to give power to the directors to allot shares, to give power to the directors to disapply the pre-emption requirements of section 89 of the Companies Act 1985 and to give power to the directors to make market purchases of ordinary shares in the capital of the company, subject to certain conditions. The notice also sets out details of the ordinary business to be conducted at the annual general meeting.

Approval of the directors' remuneration report
Resolution 2 in the notice of annual general meeting, which will be proposed as an ordinary resolution, asks shareholders to approve the directors' remuneration report, set out on pages 11 to 14.

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

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

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

Proposed new Deferred Bonus Scheme
A summary of the new Deferred Bonus Scheme is included in Appendix 1 to the notice of annual general meeting. Further details on the scheme are set out on pages 11 to 14 in the director's remuneration report.

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 10 November 2005.

Accordingly, resolution 9, set out in the notice of annual general meeting, will be proposed as an ordinary resolution to authorise the directors (pursuant to section 80 of the Companies Act 1985) to allot ordinary shares in the capital of the company, up to a maximum nominal amount of £1,150,000, being approximately 33% of the nominal value of the ordinary shares currently in issue. The company does not currently hold any shares in treasury. The authority (unless previously varied, revoked or renewed) will expire on the earlier of 15 months from the date of the passing of the resolution or the conclusion of the annual general meeting held to approve the report and accounts for the year ending 30 July 2006.

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

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

The existing disapplication of these statutory pre-emption rights will expire at the end of the annual general meeting convened by the notice of annual general meeting. Accordingly, resolution 10, as set out in the notice of annual general meeting, will be proposed as a special resolution to permit directors to allot shares without the application of these statutory pre-emption rights, first, in relation to rights issues and, secondly, in relation to the issue of ordinary shares in the capital of the company for cash up to a maximum aggregate nominal amount of £172,000 (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 30 July 2006.

Repurchase of ordinary shares
In common with many other listed companies, the company proposes, once again, to seek an authority from shareholders to permit the company to purchase its own shares for cancellation. Accordingly, resolution 11 will be proposed as a special resolution to authorise the company to make market purchases of up to just under 15% of the company's current issued ordinary share capital, at prices not less than the nominal value of an ordinary share and not exceeding 105% of the average of the middle-market quotations for the five business days before each purchase (exclusive of expenses). The authority will last until the earlier of 30 April 2006 or the conclusion of the next annual general meeting of the company. The directors envisage that purchases would be made only after considering the effects on earnings per share and the benefits for shareholders generally.

As at 2 September 2005, there were outstanding options over 6,462,055 ordinary shares, representing 3.7% of the company's issued ordinary share capital. If the authority under resolution 11 were to be exercised in full, this percentage would increase to 4.4%.

By order of the board

Jim Clarke
Company Secretary
2 September 2005

Directors' remuneration report for the year ending 24 July 2005

This report outlines the company's policy on executive remuneration and gives details of directors' pay and pensions for 2005, 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 10 November 2005.

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

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

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

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

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

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

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

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

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

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

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

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

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

Options granted under the Save-As-You-Earn (SAYE) scheme require a savings contract to be entered into for three or five years and for options to be exercised within six months of the completion of the savings contract. The SAYE scheme is open to all employees satisfying certain eligibility criteria.

With the exception of the five-year SAYE issue in February 1999, options are not normally exercisable for a period of three years from the date of grant. It is not currently intended to grant any more options under the SAYE scheme.

The company has monitored the debate on the question of share options and, in particular, both the dilutive impact on existing shareholders and the desire to create real employee shareholders, rather than simply option-holders. As a result, it has been decided not to issue any further options in the foreseeable future (other than any options which may be granted in recruitment situations under the 2001 scheme). The company has established a new Share Incentive Plan (incorporating an Inland Revenue-approved element), with effect from 1 August 2003, as a replacement for any new share option issues. This plan is an 'all employee plan' providing qualifying employees, including executive directors (normally those who have given at least 18 months' service), with bonuses in the form of shares in the company twice each year. The value of shares to be awarded will have regard to performance over the preceding half year; it is intended that awards made on any occasion will be up to 25% of annual salary. For awards made in September 2004 and March 2005, awards were between 5% and 20% of salary. Shares will not vest for three years under this plan, and the cost of the shares will be reflected in the company's profit and loss account for financial years in which any part of the vesting period falls.

New deferred bonus scheme
Subject to the approval of shareholders at the annual general meeting to be held on 10 November 2005, the company proposes to introduce a deferred bonus scheme, with a view to incentivising and promoting share ownership by key senior managers, including executive directors. The current Share Incentive Plan is available to all employees in the pubs and head office who satisfy a minimum length of service level. The remuneration committee has reviewed the overall level of share incentives, with particular regard to what would be normal practice in this area. The remuneration committee believes that additional incentives are relevant for key senior managers. Bonus awards will be made under the scheme at the discretion of the remuneration committee to executive directors, general managers and certain other senior employees annually. A detailed summary of the scheme is set out in Appendix 1 to the notice of annual general meeting on pages 38 and 39.

Under the scheme, the remuneration committee will set performance targets each year, based on the financial performance of the company. For the financial year commencing on 25 July 2005, it is proposed that bonus awards will be based on the increase in cash profits per share over the previous financial year. Participants will be entitled to an amount equal to 2% of their annual base salary for every 1% increase in cash profits per share. The company has focused on cash profits as a key performance measurement over recent years and believes that linking the incentives for senior managers to the growth in cash profits will align the interests of shareholders generally with executives within the company. It is envisaged that the maximum bonus to be earned under this scheme would be capped at 100% of annual base salary.

The amount of the bonus award will be calculated once the results for the financial year in respect of which the award is granted are known. Bonus awards will be satisfied in shares. One-third of a participant's shares will be provided to the participant on calculation of the amount of the award, one-third will be released to the participant after one year and one-third will be released to the participant after two years (in each case subject to the participant continuing to be employed at the release date).

It is envisaged that all shares required under the scheme will be purchased in the market by an employee benefit trust funded by the company.

Benefits in kind
A range of taxable benefits is available to executive directors. These benefits comprise principally the provision of a company car, 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. 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:

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 2004 with terms of 12 months. The only exception is Elizabeth McMeikan who was appointed on 1 April 2005 with a term of 12 months.

The non-executive directors are entitled to the fees to which they would have been entitled up to the end of their term, if their appointment is terminated early, and do not participate in the company's bonus or share schemes. Their fees are determined by the executive directors, following consultation with professional advisers, as appropriate.

Directors' remuneration
Audited information:
The table below shows a breakdown of the various elements of directors' remuneration for the year ended 24 July 2005.

	Salary/fees	Performance bonus – cash	Share Incentive Plan – shares	Taxable benefits	Taxable allowances	Pension contributions	**Total 2005 £000**	Total 2004 £000
Chairman								
T R Martin	200	–	–	6	–	–	**206**	120
Executive directors								
J Hutson	278	28	52	1	16	32	**407**	367
J Clarke	189	19	37	1	14	22	**282**	264
S Baker	156	17	29	1	14	12	**229**	205
Non-executive directors								
J Herring	90	–	–	–	–	–	**90**	42
B R Jervis	30	–	–	–	–	–	**30**	29
A C Lowrie	20	–	–	–	–	–	**20**	29
E McMeikan	10	–	–	–	–	–	**10**	–
Total	**973**	**64**	**118**	**9**	**44**	**66**	**1,274**	–
2004	767	140	41	13	42	53	–	1,056

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

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

Directors' interests in shares – non-audited information:

The interests of the directors in the shares of the company, as at 24 July 2005, were as follows:

Ordinary shares of 2p each, held beneficially	**2005**	2004
T R Martin	**32,997,807**	32,997,807
B R Jervis	**34,549**	34,549
J Herring	**6,000**	6,000
E McMeikan	**–**	–
J Hutson	**84,693**	79,425
J Hutson – Share Incentive Plan	**26,961**	6,089
J Clarke	**13,489**	13,489
J Clarke – Share Incentive Plan	**18,889**	4,334
S Baker	**177**	16,919
S Baker – Share Incentive Plan	**14,732**	3,256

There have not been any changes to these interests since 24 July 2005.

Directors' interests in share options – audited information:

Share options are granted under the various share option schemes at an exercise price based on the average share price over a number of days preceding the grant. The number of days used is detailed in the rules for each scheme. Share options are not granted at a discount, with the exception of grants under the SAYE scheme (granted at a 20% discount). Directors' share options under the various executive share option schemes comprise:

	25 July 2004	Options exercised	Options lapsed	**24 July 2005**	Exercise price	Exercisable date	Expiry date	Scheme (see below)
J Hutson	15,000	(15,000) (a)	–	–	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
	2,500	–	–	**2,500**	268.0p	20/04/02	20/04/09	NDSO
	400	–	–	**400**	333.8p	09/09/02	09/09/09	NDSO
	25,420	–	–	**25,420**	356.5p	07/03/03	07/03/10	NDSO
	12,465	–	–	**12,465**	361.0p	15/09/03	15/09/10	NDSO
	6,750	–	–	**6,750**	343.6p	14/03/04	14/03/11	NDSO
	8,500	–	–	**8,500**	339.0p	12/09/04	12/09/11	NDSO
	20,000	–	–	**20,000**	301.5p	09/09/05	09/09/12	2001 scheme
J Clarke	107,362	–	–	**107,362**	326.0p	16/04/01	16/04/08	ESOP
	23,000	–	–	**23,000**	167.0p	25/10/01	25/10/08	ESOP
	2,500	–	–	**2,500**	268.0p	20/04/02	20/04/09	ESOP
	400	–	–	**400**	333.8p	09/09/02	09/09/09	NDSO
	11,230	–	–	**11,230**	356.5p	07/03/03	07/03/10	NDSO
	6,371	–	–	**6,371**	361.0p	15/09/03	15/09/10	NDSO
	3,450	–	–	**3,450**	343.6p	14/03/04	14/03/11	NDSO
	8,500	–	–	**8,500**	339.0p	12/09/04	12/09/11	NDSO
	3,166	–	(3,166)	**–**	300.0p	01/06/05	01/12/05	SAYE (3 year)
	17,000	–	–	**17,000**	301.5p	09/09/05	09/09/12	2001 scheme
S Baker	25,000	(25,000) (b)	–	**–**	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 (3 year)
	17,000	–	–	**17,000**	301.5p	09/09/05	09/09/12	2001 scheme

ESOP – Executive Share Option scheme
NDSO – New Discretionary Share Option scheme
SAYE – Save-As-You-Earn scheme
2001 – 2001 Executive Share Option scheme

(a) Mr J Hutson exercised this option during the year for a gain of £26,040. The market price on the date of exercising the option was 266.0p.
(b) Mrs S Baker exercised this option during the year for a gain of £43,400. The market price on the date of exercising the option was 266.0p.

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

	Number	Date awarded	Market price at award date	Market price at vesting date	Scheme
J Hutson	8,500	12/09/01	339.0p	249.5p	NDSO
J Clarke	8,500	12/09/01	339.0p	249.5p	NDSO
S Baker	8,500	12/09/01	339.0p	249.5p	NDSO

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.

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

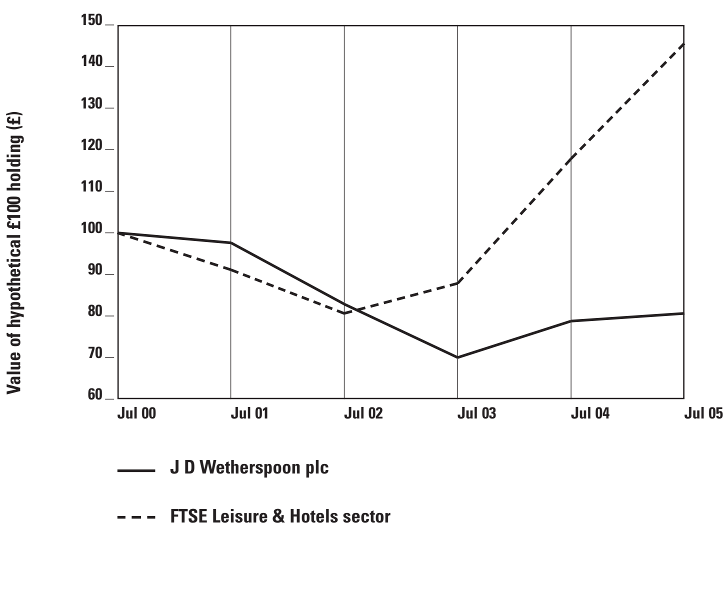
	Number of shares awarded in the year and still subject to awards at 24/07/04	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	10,120	08/10/04	247.0p	08/10/07
	10,752	30/03/05	255.7p	30/03/08
J Clarke	7,205	08/10/04	247.0p	08/10/07
	7,350	30/03/05	255.7p	30/03/08
S Baker	5,465	08/10/04	247.0p	08/10/07
	6,011	30/03/05	255.7p	30/03/08

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

	Number of shares awarded in the year and still subject to awards at 24/07/04	Date awarded	Market price at award date	Date on which risk of forfeiture will cease
J Hutson	6,089	26/03/04	303.0p	26/03/07
J Clarke	4,334	26/03/04	303.0p	26/03/07
S Baker	3,256	26/03/04	303.0p	26/03/07

Performance graph – non-audited information:
This graph shows the total shareholder return (with dividends reinvested) of a holding of the company's shares against a hypothetical holding of shares in the FTSE 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 27 July 2000, based on 30 trading day average values



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

2 September 2005

Corporate social responsibility report

Supporting the people, communities and businesses around us

J D Wetherspoon continues to be a central part of local communities all over the UK, bringing benefits to millions of people in their daily lives through social enjoyment, as well as providing direct or indirect employment for many thousands.

The company recognises the importance of environmental and social issues and has a dedicated Corporate Social Responsibility (CSR) group, headed by our commercial director. The company, under the CSR group's stewardship, is able to ensure that it is fostering the preservation and protection of the environment, while recognising its wider social responsibility throughout all of its commercial activities and operations.

We are continuing with the following policies:

■ Minimise the extent of the environmental impact of its operations, as far as is reasonably practical.

■ 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 disposable 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 our 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 our company-wide recycling initiative via our National Distribution Centre in Daventry, launched in September 2004, we have recovered over 1,700 tonnes of recyclable material. This includes 830 tonnes of cardboard and 800 tonnes of used cooking oil, which have been sent for reprocessing into biodiesel, a greener form of energy than standard fossil fuels. The forecast for the whole of 2005 is for over 3,000 tonnes. Initiatives with our suppliers ensure that recycled packaging is returned to source and reused for new product supplied to the company. Examples include aluminium for canned drinks and cardboard for boxed products.

All of our pubs and staff are encouraged to engage actively in raising money for our chosen charity CLIC Sargent – Caring for Children with Cancer. So far this year, we have raised £880,000 towards our £2million target. Following the tsunami earthquake in December last year, we also raised £272,305 for the Disasters Emergency Committee (DEC).

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

We were also listed as the seventh most admired company in the FTSE 250 for Community and Environmental Responsibility in HR Magazine.

Corporate governance

Statement of Compliance
The company is committed to the highest standards of corporate governance as set out in Section 1 of the Combined Code. The company has considered the revisions made to the code by the Financial Reporting Council in July 2003 and the board believes that the company has been fully compliant throughout the year ended 24 July 2005 with the exception of the following:

■ The board is aware of issues with regard to the perceived non-independence of two of the non-executive directors owing to their long service and shareholding in the company. One of those directors considered as not being independent under the Combined Code resigned during the year. The other non-executive director considered non-independent under the Combined Code is eligible, but has indicated that he will not be seeking re-election at this year's annual general meeting. The company is actively seeking a replacement non-executive director. Following this intended appointment, 50% of the board, excluding the chairman, will be considered to be independent under the Combined Code.

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

The board comprises the following members:

- Tim Martin, chairman
- John Hutson, chief executive officer
- Jim Clarke, finance director and company secretary
- Suzanne Baker, commercial director
- John Herring, non-executive deputy chairman and senior director
- Brian Jervis, non-executive director
- Elizabeth McMeikan, non-executive director

Tony Lowrie resigned from the board on 23 March 2005 and Elizabeth McMeikan was appointed to the board on 1 April 2005.

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

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

On appointment to the board, every director is provided with a comprehensive induction programme, covering all aspects of the company's operations. Formal evaluation of the board and individual members, together with appraisals, take place annually, conducted by the chairman and deputy chairman, with any training and development needs evaluated as part of the process. The company secretary will maintain a record of directors' training and development activities from 2005. Site visits are arranged regularly to enable non-executive directors to see, at first hand, the operations of the business.

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

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

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

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

During the year ended 24 July 2005 the non-executive directors met without the chairman and provided feedback to the chairman following their meetings.

In accordance with the Combined Code and corporate governance best practice, the board has several established committees as set out below. The board met eight times during the year ended 24 July 2005 and the attendance of the directors and non-executives, where appropriate, shown below.

	Board	**Audit**	**Remuneration**	**Nomination**
Number of meetings held in the year	**8**	**3**	**1**	**1**
Tim Martin	8	n/a	n/a	n/a
John Hutson	7	n/a	n/a	n/a
Jim Clarke	7	3*	n/a	n/a
Suzanne Baker	6	n/a	n/a	n/a
John Herring	8	3	1	1
Brian Jervis	8	3	1	1
Elizabeth McMeikan***	2	–	–	–
Tony Lowrie**	3	3	1	–

*Jim Clarke, in his role of finance director, attends audit committee meetings by invitation, to provide additional detail on any relevant financial matters.
**Resigned from the board: 23 March 2005
***Appointed to the board: 1 April 2005

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

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

Strategic matters
■ Strategic, financing or adoption of new business plans, in respect of any material aspect of the company
■ Business control
■ Agreement of code of ethics and business practice
■ Internal audit
■ Authority limits for heads of department

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

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

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

Secretarial
■ Call of all shareholder meetings
■ Delegation of board powers
■ Disclosure of directors' interests

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

Board committees

Audit committee
The committee is chaired by John Herring and comprises Brian Jervis and Elizabeth McMeikan. Representatives of the company's external auditors, PricewaterhouseCoopers LLP attend audit committee meetings at the half year and year end. Under the terms of the code, two of the three members of the committee were not independent at the start of the year. Following the appointment of Elizabeth McMeikan, one of the three members is considered not to be independent.

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

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

■ Considered the findings of the internal audit report and management responses at the half year and year end.
■ Kept under review the effectiveness of internal control systems.
■ Final review of the company's statement on internal control systems, before endorsement by the board.
■ Review of any aspect of the accounts or the company's control and audit procedures, the interim and final audits and any other matters which auditors may consider.
■ Ensured that all matters, if appropriate, were raised and brought to the attention of the board.
■ Review of all risk-management systems adopted and implemented by the company.

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

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

Particular attention is paid to the engagement of the company's auditors on non-audit work. For several years, the company has separated the provision of taxation compliance from the provision of audit services. In the current year, additional fees were paid to the company's auditors with regard to a review of the company's distribution arrangements and forensic accounting work. This work involved a modest level of fee income of £50,000 and is not, therefore, considered to raise any issues regarding the auditors' objectivity or independence.

Remuneration committee
The remuneration committee is chaired by John Herring and comprises Brian Jervis and Elizabeth McMeikan. The directors' report on remuneration is set out on pages 11 to 14. Under the terms of the code, two of the three members of the committee were not independent at the start of the year. Following the appointment of Elizabeth McMeikan, one of the three members is considered not to be independent.

Nomination committee
A formal nomination committee has been established, comprising John Herring (chairman), Brian Jervis and Elizabeth McMeikan. The nomination committee meets as appropriate and considers all possible board appointments and also the re-election of directors, both executive and non-executive. No director is involved in any decision about his or her own re-appointment. Under the terms of the code, two of the three members of the committee were not independent at the start of the year. Following the appointment of Elizabeth McMeikan, one of the three members is considered not to be independent.

The process which led to the appointment of Elizabeth McMeikan as a non-executive director was led by the chairman of the nomination committee and involved the use of an external search consultancy.

Company secretary
All directors have access to the advice of the company secretary, who is responsible to the board for ensuring that procedures are followed. The appointment and removal of the company secretary is reserved for the consideration of the board as a whole. Procedures are in place for seeking independent professional advice at the company's expense.

Relations with shareholders
The board takes considerable measures to ensure that all board members are kept aware of both the views of major shareholders and changes in the major shareholdings of the company. Efforts made to accomplish effective communication include:

■ The annual general meeting is considered to be an important forum for shareholders to raise questions with the board.
■ Regular feedback from the company's stockbrokers.
■ Interim, full and ongoing announcements are circulated to shareholders.
■ Any significant changes in shareholder movement are notified to the board by the company secretary on an ad hoc basis.
■ The company secretary maintains procedures and agreements in place for all announcements to the City.
■ There is a programme of regular meetings between investors and directors of the company, including the senior independent director, as appropriate.

Risk management
The board is responsible for the company's risk-management process. The finance director, Jim Clarke, chairs the company's risk management committee, comprising senior management within the business. The committee meets four times a year and reports twice yearly to the audit committee. The key function of the committee is set out below.

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

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

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

■ Adequate regular audits of the company stock.
■ Unannounced visits to the retail units.
■ Monitoring systems which control the company cash.

The company has key procedures in place, as follows:

■ Clearly defined authority limits and controls over cash-handling, purchasing commitments and capital expenditure.
■ Comprehensive budgeting process in place, with a detailed operating plan for twelve months and a mid-term financial plan, both approved by the board.
■ Business results are reported weekly (for key times), with a monthly comprehensive report in full, and compared with budget.
■ Forecasts are prepared regularly throughout the year, for review by the board.
■ Complex treasury instruments are not used. Decisions on treasury matters are reserved by the board.
■ The directors confirm that they have reviewed the effectiveness of the system of internal control.

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

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 24 July 2005 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
2 September 2005

Profit and loss account for the year ended 24 July 2005

	Notes	**Before exceptional items 2005 £000**	**Exceptional items (note 4) 2005 £000**	**After exceptional items 2005 £000**	Before exceptional items 2004 £000	After exceptional items 2004 £000
Turnover		**809,861**	**–**	**809,861**	787,126	787,126
Operating profit	2	**70,384**	**(4,911)**	**65,473**	77,628	77,628
Loss on disposal of tangible fixed assets	4	**–**	**(2,469)**	**(2,469)**	–	(7,758)
Net interest payable	5	**(24,329)**	**–**	**(24,329)**	(23,554)	(23,554)
Profit on ordinary activities before taxation	6	**46,055**	**(7,380)**	**38,675**	54,074	46,316
Tax on profit on ordinary activities	7	**(15,647)**	**1,276**	**(14,371)**	(18,727)	(17,042)
Profit on ordinary activities after taxation		**30,408**	**(6,104)**	**24,304**	35,347	29,274
Dividends	8	**(7,552)**	**–**	**(7,552)**	(7,331)	(7,331)
Retained profit for the year	19	**22,856**	**(6,104)**	**16,752**	28,016	21,943
Earnings per ordinary share	9	**16.4p**	**(3.3p)**	**13.1p**	17.7p	14.6p
Diluted earnings per ordinary share	9	**16.4p**	**(3.3p)**	**13.1p**	17.6p	14.6p

All activities relate to continuing operations.

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

Note of historical cost profits

	2005 £000	2004 £000
Reported profit on ordinary activities before taxation	**38,675**	46,316
Difference between historical cost depreciation charge and actual depreciation charge for the year, calculated on the revalued amount	**666**	574
Realisation of property deficits of previous years	**(103)**	(1,252)
Historical cost profit on ordinary activities before taxation	**39,238**	45,638
Historical cost profit for the year retained after taxation and dividends	**17,315**	21,265

Cash flow statement for the year ended 24 July 2005

	Notes	Statutory 2005 £000	2005 £000	Statutory 2004 £000	2004 £000
Net cash inflow from operating activities	10	**123,460**	**123,460**	128,874	128,874
Returns on investments and servicing of finance					
Interest received		**3,598**	**43**	20	20
Interest paid		**(24,108)**	**(24,108)**	(19,329)	(19,329)
Refinancing costs paid		**–**	**–**	(1,325)	
Net cash outflow from returns on investment and servicing of finance		**(20,510)**		(20,634)	
Taxation					
Corporation tax paid		**(12,632)**	**(12,632)**	(13,942)	(13,942)
Capital expenditure and financial investment					
Purchase of tangible fixed assets for existing pubs		**(14,173)**	**(14,173)**	(20,590)	(20,590)
Proceeds of sale of tangible fixed assets		**8,547**		7,891	
Purchase of own shares for Employee Share Incentive Plan		**(3,816)**	**(3,816)**	(1,556)	(1,556)
Investment in new pubs and pub extensions		**(24,495)**		(54,056)	
Net cash outflow from capital expenditure and financial investment		**(33,937)**		(68,311)	
Equity dividends paid		**(7,520)**		(7,322)	
Net cash inflow before financing		**48,861**		18,665	
Financing					
Issue of ordinary shares		**271**		1,219	
Purchase of own shares		**(45,718)**		(48,583)	
Repayment of bank loans		**(25,000)**		(25,000)	
Advances under bank loans		**29,999**		47,928	
Advances under US senior loan notes		**–**		271	
Net cash outflow from financing		**(40,448)**		(24,165)	
Increase/(decrease) in cash	11	**8,413**		(5,500)	
Free cash flow	9		**68,774**		73,477
Cash flow per ordinary share	9		**37.1p**		36.7p

Balance sheet at 24 July 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Tangible assets	13	**762,739**	783,574
Current assets			
Stocks		**12,777**	12,009
Assets held for resale		**1,691**	1,933
Debtors due after more than one year	14	**–**	9,005
Debtors due within one year	14	**12,195**	13,966
Cash		**18,073**	9,660
		44,736	46,573
Creditors due within one year	15	**(150,929)**	(152,437)
Net current liabilities		**(106,193)**	(105,864)
Total assets less current liabilities		**656,546**	677,710
Creditors due after more than one year	16	**(329,167)**	(322,512)
Provisions for liabilities and charges	17	**(67,495)**	(66,244)
Total net assets		**259,884**	288,954
Capital and reserves			
Called up share capital	18	**3,458**	3,783
Share premium account	19	**128,607**	128,340
Capital redemption reserve	19	**874**	545
Revaluation reserve	19	**22,554**	23,117
Profit and loss account	19	**104,391**	133,169
Equity shareholders' funds	19	**259,884**	288,954

The accounts on pages 20 to 34
were approved by the board on 2 September 2005
and signed on its behalf by:

John Hutson
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, follows.

Comparative amounts
Certain comparative amounts have been reclassified, where appropriate, to conform to current presentation. There is no overall effect on profit or net assets.

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
Short leasehold property	Shorter of life of lease or 50 years
Renovations of properties already trading, fixtures and fittings, computer equipment	At rates 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 before 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 is no longer capitalised on new pub developments reflecting the fact that all cash invested in new pubs is now funded from organic cash flow.

Stocks
Stocks are held for resale and are stated at the lower of invoiced cost or 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.

2 Analysis of continuing operations

	Before exceptional items 2005 £000	Exceptional items 2005 £000	After exceptional items 2005 £000	2004 £000
Turnover	**809,861**	**–**	**809,861**	787,126
Cost of sales	**(705,734)**	**(4,052)**	**(709,786)**	(676,154)
Gross profit	**104,127**	**(4,052)**	**100,075**	110,972
Administrative expenses	**(33,743)**	**(859)**	**(34,602)**	(33,344)
Operating profit	**70,384**	**(4,911)**	**65,473**	77,628

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:

	2005 Number	2004 Number
Total employees		
Managerial/administration	**3,920**	3,898
Hourly paid staff	**14,219**	13,791
	18,139	17,689

	2005 Number	2004 Number
Full-time equivalents		
Managerial/administration	**3,920**	3,898
Hourly paid staff	**7,818**	6,985
	11,738	10,883

Employment costs were:

	2005 £000	2004 £000
Wages and salaries	**194,826**	185,592
Social security costs	**13,486**	13,148
Other pension costs	**959**	741
Total direct costs of employment	**209,271**	199,481

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 11 to 14 and shows the highest-paid director and the number of directors accruing benefits under money-purchase personal pension schemes.

4 Exceptional items

	2005 £000	2004 £000
Operating items:		
Distribution start-up costs	**2,984**	–
Restructuring costs	**859**	–
Impairment of fixed assets	**1,068**	–
	4,911	–
Non-operating items:		
Net loss on disposal and anticipated disposal of trading properties	**2,306**	6,159
Net loss on disposal and anticipated disposal of non-trading properties	**163**	1,599
	7,380	7,758

5 Net interest payable

	2005 £000	2004 £000
Interest payable on bank loans and overdraft	**18,837**	17,629
Interest payable on US senior loan notes	**5,724**	4,915
Refinancing costs	**–**	1,602
Less:		
Interest receivable	**(232)**	(592)
Charge to profit and loss account	**24,329**	23,554

6 Profit on ordinary activities before taxation

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

	2005 £000	2004 £000
Depreciation	**48,157**	43,948
Repairs and maintenance	**29,003**	24,111
Auditors' remuneration for: audit/interim review	**110**	89
: other services*	**50**	49
Rent receivable	**(766)**	(434)
Loss on disposal of fixed assets	**1,955**	6,509
Provision against future disposal of properties	**1,481**	783
Operating lease rentals:		
– property rents	**48,786**	46,437
– equipment and vehicles	**280**	405

*Payment is in relation to a review of the company's distribution arrangements and forensic accounting work.

7 Taxation

a) Analysis of current period tax charge

	2005 £000	2005 £000	2004 £000	2004 £000
Current tax				
UK corporation tax on profits before exceptional items	**14,270**		13,165	
Current tax on exceptional items	**(1,150)**		52	
Total current tax (note 7(b))		**13,120**		13,217
Deferred tax				
Origination and reversal of timing differences	**1,377**		5,562	
Movement arising from disposals (exceptional items)	**(126)**		(1,737)	
Total deferred tax		**1,251**		3,825
Total tax charge		**14,371**		17,042

b) Factors affecting current period tax charge

The current year tax charge for the year is greater than the statutory rate of corporation tax in the UK of 30%. The reasons for this difference are explained below:

	2005 £000	2005 %	2004 £000	2004 %
Profit on ordinary activities before tax	**38,675**		46,316	
Current tax on profit on ordinary activities calculated at the standard rate of corporation tax in the UK of 30%	**11,603**	**30**	13,895	30
Accelerated capital allowances	**(504)**	**(1)**	(4,820)	(10)
Movement in other short-term timing differences	**(850)**	**(2)**	(467)	(1)
Capital loss on asset disposals	**695**	**2**	1,953	4
Other allowable deductions	**(68)**	**–**	(371)	(1)
Expenses not deductible for tax purposes	**2,244**	**6**	3,027	7
Current tax charge for period (note 7(a))	**13,120**	**35**	13,217	29

c) Factors which may affect future tax charges

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 £6.9 million. At present, it is not envisaged that any tax will become payable in respect of such properties in the foreseeable future.

8 Dividends

	2005 £000	2004 £000
Interim paid of 1.46p per share (2004: 1.33p)	**2,681**	2,488
Final proposed of 2.82p per share (2004: 2.56p)	**4,871**	4,843
	7,552	7,331

9 Earnings and cash flow per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation and exceptional items of £24,304,000 (2004: £29,274,000) and on 185,524,467 (2004: 200,067,030) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the period, taking into account the buyback transactions during the year.

Earnings per share before exceptional items is calculated as follows:

	Earnings £000 2005	Earnings £000 2004	Earnings per share (p) 2005	Earnings per share (p) 2004
Earnings and basic earnings per share	**24,304**	29,274	**13.1**	14.6
Exceptional costs, net of tax	**6,104**	6,073	**3.3**	3.1
Earnings and earnings per share before exceptional items	**30,408**	35,347	**16.4**	17.7

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 diluted calculation is 185,760,654 (2004: 200,636,714).

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 interest on normal trading activities, tax, purchase of own shares for Employee Share Incentive Plan and all other reinvestment in those pubs open at the start of the period ('free cash flow'). It is calculated before taking account of proceeds from property disposals, inflows and outflows of financing from outside sources, purchase of own shares 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

	2005 £000	2004 £000
Operating profit (before exceptional items)	**70,384**	77,628
Depreciation of tangible fixed assets	**48,157**	43,948
Employee Share Incentive Plan charge	**985**	149
Exceptional costs	**(3,843)**	–
Change in stocks	**(768)**	(1,257)
Change in debtors	**(247)**	(2,106)
Change in creditors	**8,792**	10,512
Net cash inflow from operating activities	**123,460**	128,874

11 Reconciliation of net cash flow to movement in net debt

	2005 £000	2004 £000
Increase/(decrease) in cash in the year	**8,413**	(5,500)
Cash inflow from increase in debt financing	**(4,999)**	(23,199)
Movement in net debt during the period	**3,414**	(28,699)
Opening net debt	**(337,559)**	(308,860)
Closing net debt	**(334,145)**	(337,559)

12 Analysis of net debt

	2004 £000	Cash flow £000	Non-cash movement £000	2005 £000
Cash at bank and in hand	9,660	8,413	–	**18,073**
Debt due within one year	(25,000)	25,000	(25,000)	**(25,000)**
Debt due after one year	(322,219)	(29,999)	25,000	**(327,218)**
Net debt	(337,559)	3,414	–	**(334,145)**

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 25 July 2004	415,334	331,126	225,475	17,993	989,928
Reclassification	8,182	1,103	–	(9,285)	–
Additions	10,929	3,010	16,669	3,349	33,957
Transfer between assets held for resale	(1,073)	(168)	(2,926)	–	(4,167)
Disposals	(1,066)	–	(589)	(472)	(2,127)
At 24 July 2005	**432,306**	**335,071**	**238,629**	**11,585**	**1,017,591**
Depreciation					
At 25 July 2004	26,140	47,986	132,228	–	206,354
Charge for the year	7,538	8,493	32,126	–	48,157
Transfer to assets held for resale	(73)	836	(1,445)	–	(682)
Impairment	–	1,068	–	413	1,481
Disposals	(78)	–	(380)	–	(458)
At 24 July 2005	**33,527**	**58,383**	**162,529**	**413**	**254,852**
Net book value					
At 24 July 2005	**398,779**	**276,688**	**76,100**	**11,172**	**762,739**
At 25 July 2004	389,194	283,140	93,247	17,993	783,574

Included in the cost of fixed assets at 24 July 2005 is £16,825,000 (2004: £16,954,000) of capitalised interest. No interest was capitalised during the year.

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	427,437	312,306	739,743
Depreciation	(32,836)	(53,001)	(85,837)
Net book value 24 July 2005	**394,601**	**259,305**	**653,906**
Net book value 25 July 2004	385,117	265,153	650,270

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	19,852	19,221	39,073
31 July 1998	4,796	59,996	64,792
31 July 1999	2,160	20,904	23,064
	26,808	100,121	126,929
Net book value of properties held at cost	371,971	176,567	548,538
Net book value	**398,779**	**276,688**	**675,467**

14 Debtors

	2005 £000	2004 £000 Restated
Amounts falling due after more than one year:		
Other debtors	–	9,005
Amounts falling due within one year:		
Other debtors	**2,666**	4,801
Prepayments	**9,529**	9,165
	12,195	13,966

15 Creditors due within one year

	2005 £000	2004 £000
Bank loans (note 20)	**25,000**	25,000
Trade creditors	**54,025**	52,661
Corporation tax	**7,556**	7,067
Other tax and social security	**22,224**	21,888
Other creditors	**4,325**	3,989
Dividend payable	**4,875**	4,843
Accruals and deferred income	**32,924**	36,989
	150,929	152,437

16 Creditors due after more than one year

	2005 £000	2004 £000
Bank loans repayable by instalments (note 20)	**240,000**	235,001
US senior loan notes repayable in a single instalment in 2009 (note 20)	**87,218**	87,218
	327,218	322,219
Other creditors (note 20)	**1,949**	293
	329,167	322,512

17 Provisions for liabilities and charges

	2005 £000	2004 £000
Deferred tax		
Accelerated capital allowances	**59,057**	57,509
Other timing differences	**8,438**	8,735
Full provision for deferred tax	**67,495**	66,244
Provision at start of year	**66,244**	62,419
Deferred tax charge in profit and loss account for year	**1,251**	3,825
Provision at end of year	**67,495**	66,244

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.

18 Called up share capital

	2005 £000	2004 £000
Authorised:		
500,000,000 ordinary shares of 2p each (2004: 500,000,000)	**10,000**	10,000
Allotted and fully paid:		
172,877,188 ordinary shares of 2p each (2003: 189,164,068)	**3,458**	3,783

163,875 ordinary shares were issued during the year, on the exercise of share options.

4,245 shares were issued under the QUEST arrangements.

16,455,000 ordinary shares were purchased by the company and cancelled during the year.
Further details are provided in the directors' report on page 9.

19 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	**2005 Shareholders' funds £000**
At start of year	3,783	128,340	545	23,117	133,169	**288,954**
Allotments	4	267	–	–	–	**271**
Transfer	–	–	–	(563)	563	**–**
Share Incentive Plan	–	–	–	–	(2,832)	**(2,832)**
Purchase of shares	(329)	–	329	–	(43,261)	**(43,261)**
Profit for the year	–	–	–	–	24,304	**24,304**
Dividends	–	–	–	–	(7,552)	**(7,552)**
At end of year	**3,458**	**128,607**	**874**	**22,554**	**104,391**	**259,884**

20 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 6, 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.

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.

	2005 £000	2004 £000
Floating-rate borrowings	**202,218**	197,219
Fixed-rate borrowings	**150,000**	150,000
Non-interest-bearing liabilities	**1,949**	293
	354,167	347,512

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% (2004: 6.46%) and which are fixed for a weighted average period of 4.0 years (2004: 5.0 years).

The weighted average period to maturity of non-interest-bearing liabilities is 2.4 years (2004: 1.9 years).

Financial assets

Financial assets at the balance sheet date comprised:	**2005 £000**	2004 £000
Cash and short-term deposits	**18,073**	9,660
Debtors due after one year	**–**	9,005
Total financial assets	**18,073**	18,665

All cash and short-term deposits are floating-rate financial assets, earning interest at commercial rates.
During the year, settlement was received for the long-term debtor representing deferred proceeds on a sale and leaseback arrangement.

20 Financial instruments continued

Maturity profile of financial liabilities

	Total £000	Bank loans (note 16) £000	US senior notes (note 16) £000	Other long-term creditors £000
Between one and two years	25,684	25,000	–	684
Between two and five years	303,483	215,000	87,218	1,265
After five years	–	–	–	–
Due after more than one year	329,167	240,000	87,218	1,949
Due within one year	25,000	25,000	–	–
Total at 24 July 2005	**354,167**	**265,000**	**87,218**	**1,949**
Between one and two years	25,207	25,000	–	207
Between two and five years	210,087	210,001	–	86
After five years	87,218	–	87,218	–
Due after more than one year	322,512	235,001	87,218	293
Due within one year	25,000	25,000	–	–
Total at 25 July 2004	347,512	260,001	87,218	293

The company has total UK committed loan facilities of £300 million which comprise a drawn £50 million unsecured-term loan facility, repayable within three years of the balance sheet date, together with a £250 million unsecured-term revolving-loan facility, maturing in 2009. All UK committed loan facilities are at floating rates based on LIBOR. The company has entered into swap agreements which fix £150 million of these borrowings at a rate of 6.46% (excluding bank margin). At the balance sheet date, £215 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 four 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 24 July 2005.

	2005 Book value £000	**2005 Fair value £000**	2004 Book value £000	2004 Fair value £000
Financing instruments				
Cash deposits	**18,073**	**18,073**	9,660	9,660
Debtors due after one year	**–**	**–**	9,005	8,584
Short-term borrowings	**(25,000)**	**(25,000)**	(25,000)	(25,000)
Long-term borrowings	**(327,218)**	**(328,848)**	(322,219)	(321,479)
Other long-term creditors	**(1,949)**	**(1,730)**	(293)	(261)
Derivative instruments				
Interest-rate and currency swaps	**–**	**(10,397)**	–	(8,145)

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

20 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 25 July 2004	0	(8,145)	(8,145)
Gains/(losses) arising in previous years which were recognised in 2005	(498)	1,714	(1,216)
Gains/(losses) arising before 25 July 2004, not recognised in 2005	**(498)**	**(6,431)**	**(6,929)**
Gains/(losses) arising in 2005, not recognised during 2005	2,123	(5,592)	(3,468)
Unrecognised gains/(losses) at 24 July 2005	**1,625**	**(12,023)**	**(10,397)**
Of which:			
Gains/(losses) expected to be recognised in less than one year	1,517	(2,976)	(1,459)
Gains/(losses) expected to be recognised after more than one year	109	(9,047)	(8,938)
	1,626	**(12,023)**	**(10,397)**

21 Financial commitments

	2005 £000	2004 £000
Capital expenditure contracted, but not provided for	**3,680**	3,717

22 Lease commitments

	2005 £000	2004 £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	**–**	–
Expiry between two and five years	**–**	–
Expiry in greater than five years	**52,317**	50,557
	52,317	50,557
The annual rentals pertaining to other leases, primarily motor vehicles, are as follows:		
Expiry within one year	**8**	119
Expiry between one and two years	**14**	57
Expiry between two and five years	**–**	14
	22	190

24 Share options

	25 July 2004	Exercised	Lapsed	**24 July 2005**	Exercise price per share	Exercisable from	Expiry date
ESOP scheme							
Date granted							
April 1995	46,250	46,250	–	**–**	92.4p	17/04/98	17/04/05
November 1995	157,500	5,000	–	**152,500**	127.2p	16/11/98	16/11/05
April 1996	12,025	500	875	**10,650**	176.0p	11/04/99	11/04/06
January 1997	206,470	–	1,500	**204,970**	244.2p	03/01/00	03/01/07
April 1997	58,750	1,750	3,500	**53,500**	237.0p	10/04/00	10/04/07
October 1997	200,330	–	13,125	**187,205**	299.0p	05/10/00	05/10/07
April 1998	276,358	–	9,019	**276,339**	326.0p	16/04/01	16/04/08
October 1998	228,900	39,000	–	**189,900**	167.0p	25/10/01	25/10/08
	1,186,583	92,500	28,019	**1,066,064**			
SAYE scheme							
Date granted							
February 1999 (5yr)	13,582	4,245	9,337	**–**	159.0p	01/02/04	01/08/04
January 2002 (3yr)	466,666	–	409,932	**56,734**	300.0p	01/06/05	01/12/05
	480,248	4,245	419,269	**56,734**			
AESOP plan							
Date granted							
December 1996	111,875	2,125	10,250	**99,500**	243.0p	15/12/99	15/12/06
April 1997	19,750	1,250	–	**18,500**	234.5p	12/04/00	12/04/07
October 1997	177,125	–	18,875	**158,250**	301.0p	08/10/00	08/10/07
April 1998	197,975	–	35,550	**162,425**	326.0p	16/04/01	16/04/08
	506,725	3,375	64,675	**438,675**			
NDSO scheme							
Date granted							
December 1998	234,493	66,000	18,000	**150,493**	191.5p	17/12/01	17/12/08
April 1999	714,975	2,000	99,500	**613,475**	268.0p	20/04/02	20/04/09
September 1999	199,500	–	29,500	**170,000**	333.8p	10/09/02	10/09/09
March 2000	1,024,153	–	125,200	**898,953**	356.5p	07/03/03	07/03/10
September 2000	634,513	–	75,786	**558,727**	361.0p	15/09/03	15/09/10
March 2001	413,935	–	51,255	**362,680**	343.6p	14/03/04	14/03/11
September 2001	911,020	–	102,415	**808,605**	339.0p	12/09/04	12/09/11
	4,132,589	68,000	501,656	**3,562,933**			
2001 scheme							
Date granted							
September 2002	1,547,353	–	209,704	**1,337,649**	301.5p	09/09/05	09/09/12

At 24 July 2005, there were 57 members of the Executive Share Option (ESOP) scheme, with average option-holdings of 18,703 shares; there were 68 members of the SAYE scheme, with average holdings of 834 shares; there were 286 members of the All-Employee Share Option (AESOP) plan, with average holdings of 1,533 shares; there were 1,516 members of the New Discretionary Share Option (NDSO) scheme, with average holdings of 2,350 shares; there were 2,462 members of the 2001 scheme, with average option-holdings of 543.

The exercise of an option under the ESOP, NDSO and 2001 scheme will, in accordance with institutional shareholder guidelines, be conditional on the achievement of performance conditions. In respect of the ESOP scheme, options are exercisable only on condition that the earnings per share of the company, between the date of grant of an option and the date of exercise, increases by at least the increase in the RPI. In respect of the NDSO and 2001 scheme, options are exercisable three years after they have been granted and only if the company's normalised earnings per share (excluding exceptional items), over any three-year period, have exceeded the growth in the RPI by an average of at least 3% per annum. As the AESOP plan and the SAYE scheme are available to all staff, there are no performance conditions attached to the exercise of options under them. The options in issue shown above include those of the directors shown on page 13.

Financial record for the five years ended 24 July 2005

	2001 £000	2002 £000	2003 £000	2004 £000	**2005 £000**
Sales and results					
Turnover from continuing operations	483,968	601,295	730,913	787,126	**809,861**
Operating profit from continuing operations	58,380	70,085	74,983	77,628	**70,384**
Net interest payable	(14,063)	(16,517)	(18,844)	(23,554)	**(24,329)**
Profit on ordinary activities before exceptional items and taxation	44,317	53,568	56,139	54,074	**46,055**
Exceptional items	–	–	(3,688)	(7,758)	**(7,380)**
Taxation	(14,457)	(18,152)	(18,407)	(17,042)	**(14,371)**
Profit after taxation	29,860	35,416	34,044	29,274	**24,304**
Dividends	(6,185)	(6,902)	(7,434)	(7,331)	**(7,552)**
Retained profit for the year	23,675	28,514	26,610	21,943	**16,752**
Net assets employed					
Fixed assets	625,903	745,041	773,823	783,574	**762,739**
Net current liabilities	(50,921)	(84,797)	(93,135)	(105,864)	**(106,193)**
Non-current liabilities	(253,581)	(292,915)	(299,942)	(322,512)	**(329,167)**
Provision for liabilities and charges	(47,803)	(57,399)	(62,419)	(66,244)	**(67,495)**
Shareholders' funds	273,598	309,930	318,327	288,954	**259,884**
Ratios					
Operating margin	12.1%	11.7%	10.3%	9.9%	**8.7%**
Basic earnings per share (excluding exceptional items)	14.2p	16.6p	17.0p	17.7p	**16.4p**
Free cash flow per share	27.6p	32.4p	38.8p	36.7p	**37.1p**
Dividends per share	2.93p	3.22p	3.54p	3.89p	**4.28p**

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. The years before 2004 have been adjusted to reflect Urgent Issues Task Force (UITF) abstracts 17 (Employee Share Schemes), as amended, and 38 (Accounting for ESOP Trusts).

Information for shareholders

Ordinary shareholdings at 24 July 2005

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	4,722	86.18%	2,629,053	1.52%
2,501 to 10,000	469	8.56%	2,199,291	1.27%
10,001 to 250,000	225	4.11%	10,622,922	6.14%
250,001 to 500,000	22	0.40%	7,879,375	4.56%
500,001 to 1,000,000	14	0.26%	10,277,124	5.94%
Over 1,000,000	27	0.49%	139,269,423	80.07%
	5,479	**100.00%**	**172,877,188**	**100.00%**

Substantial shareholdings
In addition to certain of the directors' shareholdings set out on page 13, the company has been notified of the following substantial holdings in the share capital of the company at 2 September 2005:

	Number of ordinary shares	% of share capital
Hermes Pension Management	12,540,311	7.25
Nordea Investment Management	11,132,026	6.44
Federated Investors Inc	10,706,220	6.19
AEGON Asset Management	10,561,742	6.11
Legal and General Investment Management	9,618,501	5.56
Sanderson Asset Management	7,388,072	4.27
Schroder Investment Management	6,894,605	3.99
Invesco Asset Management	6,755,630	3.91
Artemis Investment Managers	6,430,171	3.72

Share prices

25 July 2004	254.5p
Low	222.5p
High	287.0p
24 July 2005	276.0p

Annual reports
Further copies of this annual report are available from the company secretary, at the registered office.
Telephone requests can be made: 01923 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:
J D Wetherspoon plc, Wetherspoon House, Central Park, Reeds Crescent, Watford, WD24 4QL
Telephone: 01923 477777

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the company will be held at The Crosse Keys, 9 Gracechurch Street, London, EC3V 0DR on Thursday 10 November 2005 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 24 July 2005.

2 To receive and approve the directors' remuneration report for the year ended 24 July 2005.

3 To declare a final dividend for the year ended 24 July 2005 of 2.82 pence per ordinary share of 2 pence in the capital of the company.

4 To re-elect Mr Hutson as a director.

5 To re-elect Mr Clarke as a director.

6 To re-elect Mrs McMeikan as a director

7 To re-appoint PricewaterhouseCoopers LLP as auditors of the company and to authorise the directors to fix their remuneration.

Special business
To consider and, if thought fit, to pass the following resolutions, in the case of the resolutions numbered 8 and 9, as ordinary resolutions and, in the case of the resolutions numbered 10 and 11, as special resolutions.

8 THAT:
the J D Wetherspoon plc 2005 Deferred Bonus Scheme (the Scheme), the main provisions of which are summarised in Appendix 1 attached, be and is hereby approved and adopted and the directors be and are hereby authorised to take all action deemed necessary to carry the Scheme into effect.

9 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 £1,150,000 during the period ('the period of authority') from the date of the passing of this resolution until the earlier of:

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

(ii) the conclusion of the annual general meeting of the company held to approve the report and accounts of the company for the financial year of the company ending on 30 July 2006;

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.

10 THAT:
conditionally, on the passing of the resolution numbered 9 above and in place of all existing powers, the directors be and are hereby empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94(2) of the Act) for cash, pursuant to the authority conferred by the resolution numbered 9 above, as if section 89(1) of the Act did not apply to such allotment, such power to expire (unless previously varied, revoked or renewed by the company in general meeting) at the earlier of 15 months from the date of passing of this resolution and the conclusion of the annual general meeting of the company held to approve the report and accounts of the company for the financial year of the company ending on 30 July 2006 (save that the directors shall be entitled, before such expiry, to make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such an offer or agreement, as if the power conferred by this resolution had not expired) and to be limited to:

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

(ii) the allotment (otherwise than as referred to in subparagraph (i) above) of equity securities for cash, up to an aggregate nominal amount of £172,000.

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

(i) the maximum number of ordinary shares which may be purchased is 25,931,578;

(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 30 July 2006 and 30 April 2007, 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

2 September 2005

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 8 November 2005, being 48 hours before the time appointed for the holding of the annual general meeting.

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

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

(b) the register of directors' interests; and

(c) the rules of the deferred bonus scheme.

5 Only those shareholders registered in the register of members of the company as at 10.00am on 8 November 2005 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).

Appendix 1

1 *Eligibility* – Under the Scheme, the remuneration committee ('the committee') may make annual bonus awards ('awards') to executive directors and employees of the company and its subsidiaries. It is currently intended to make awards to executive directors, general managers and certain other senior staff.

Save in exceptional circumstances, no person who becomes an eligible person part of the way through a financial year may be granted an award in respect of that year.

2 *Awards* – The amount of awards shall be dependent on the performance of the company. The performance criteria and the methodology used to measure performance shall be set by the committee at the time of granting the award. The amount of an award shall be calculated by the committee, by reference to the performance of the company over the financial year on or around the time of the announcement of the results for that financial period. If events have occurred which cause the committee to consider that the criteria and methodology chosen at the time of granting the award have become unfair or impracticable, it may, in its discretion, amend them.

The performance target, in respect of the awards proposed to be made in respect of the financial year ending 30 July 2006, is based on the increase in cash profits per share. Cash profits is defined as profit before the tax (excluding exceptional items), after adding back depreciation, deducting capital invested in existing pubs and deducting corporation tax payable on profits before tax (before exceptional items).

Cash profits for the year to 24 July 2005 were as follows:

	£000
Profit before taxation (before exceptional loss)	46,055
Depreciation	48,157
Capital invested in existing pubs	(14,173)
Corporation tax	(14,270)
Cash profits	65,769
Average shares in issue	185, 524,467
Cash profits per share	35.5 pence

For each 1% by which the company's cash profits per share for that year exceeds its cash profits per share for the previous year, each participant shall be entitled to an amount equal to 2% of his or her basic salary (excluding any other bonuses or benefits in kind). It is anticipated that the maximum award in any one financial year will be 100% of applicable salary.

No awards will be made more than 10 years after the date on which the Scheme is adopted by the company.

3 *Award Shares* – Awards shall be satisfied by the transfer to the participant of shares in the company. The number of shares to which the participant will be entitled (the 'award shares') will be equal to the amount of the award as determined by the committee (by reference to the performance criteria), divided by the market value of a share at that time using the average price for the 5 dealing days following the announcement. 30 days after the determination of the amount of the award (the 'award date'), one-third of the award shares to which participants are entitled will be transferred to them. They will also either (a) be granted the right to receive a further third of the award shares in one year's time and the remaining third of the award shares in two years' time (such shares being 'deferred shares') or (b) be allocated the remaining two-thirds of the award shares in the form of forfeitable shares (half of which will cease to be subject to forfeiture after one year and half of which shall cease to be subject to forfeiture after two years).

It is envisaged that all shares required under the Scheme will be purchased in the market by an employee benefit trust funded by the company.

The committee may determine that any award shall alternatively be satisfied by payment in cash (subject to the deduction of income tax and employee National Insurance).

4 *Termination of Employment* – Participants who cease to be employed by a group company before the award date, in circumstances in which they are 'good leavers', shall have the amount of their award reduced to reflect the proportion of the financial period to which the award relates for which they were employed. If they are not 'good leavers' they shall not be entitled to any part of their award. The committee may, at its discretion, determine that any leaver shall be entitled to receive a higher or lower proportion of his or her award.

Participants who cease to be employed by a group company after the award date, in circumstances in which they are 'good leavers', shall be entitled to receive a proportion of their deferred shares or to retain a proportion of their forfeitable shares. The proportion shall normally be calculated by dividing the number of months elapsed from the award of such shares to the date on which employment ceased by the number of months elapsed from the award of such deferred shares until their original release date. Participants who are not 'good leavers' shall not be entitled to receive any further deferred shares and shall forfeit their forfeitable shares. The committee may, at its discretion, determine that any leaver shall be entitled to receive or retain a higher or lower proportion.

A 'good leaver' is a person who ceases to be a director or employee of a group company by reason of injury, disability or redundancy (within the meaning of the Employment Rights Act 1996), retirement (at age 65 or any other age, with the consent of the company) or wrongful or unfair dismissal by his or her employer (as determined by the board or as finally adjudicated by a court or tribunal of competent jurisdiction) or for any other reason, if the committee, in its absolute discretion, so determines.

5 *Takeover* – If there is a takeover before the award date in respect of an award, the participant shall be entitled to an immediate cash payment, but shall not be entitled to receive any deferred shares or forfeitable shares. The amount of the payment shall be determined by the performance criteria and methodology notified to the participant at the time of grant, subject to any amendments which the committee considers appropriate in the circumstances (including, if appropriate, a reduction in the amount of the award, to reflect the proportion of the relevant financial period which has expired).

In the event of a takeover after the award date, all deferred shares shall be transferred to participants as soon as practicable and all forfeitable shares shall cease to be subject to the risk of forfeiture.

6 *Reorganisation* – If there is a reorganisation before the award date, any award shall be varied in such manner as the committee considers appropriate, and any deferred shares to which a participant is entitled following a reorganisation shall be shares in the new holding company.

If there is a reorganisation after the award date, all rights to receive deferred shares shall be varied to become rights to receive an appropriate number of shares in the new holding company.

7 *Variation* – On any variation of the share capital of the company or any special dividend, the number and/or nominal value of any deferred shares may be varied in such manner as the committee may, in its absolute discretion, determine to be fair and reasonable.

8 *Withholding* – The rules of the Scheme provide that the company may withhold any amounts or make such arrangements as may be necessary or desirable to meet any liabilities to tax or National Insurance contributions arising in respect of participants' participation in the Scheme.

9 *Assignment* – Awards under the Scheme shall not be transferable or assignable.

10 *Amendment* – The provisions of the Scheme relating to the persons to whom or for whom bonus awards may be made, the maximum entitlement for any one participant and the basis for determining a participant's entitlement to, and the terms of, shares or other securities, cash or other benefits to be provided (and for the adjustment thereof if there is a variation of capital) cannot be altered to the advantage of participants, without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment of the participants in the Scheme or for the company or for members of its group).

11 *General* – Benefits under the Scheme will not be pensionable.

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