

# **J D Wetherspoon plc**

**INTERIM REPORT 2013**

*Wetherspoon owns and operates pubs throughout the UK. The company aims to provide customers with good-quality food and drinks, 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**

Year end

**28 July 2013**

Preliminary announcement for 2013

**September 2013**

Report and accounts for 2013

**October 2013**

Annual general meeting

**November 2013**

# FINANCIAL HIGHLIGHTS

Revenue up 10.0% to £626.4m  
(last year: £569.4m)

Like-for-like sales up 6.9%

Operating profit before  
exceptional items\*  
down 2.0% to £52.1m

Operating profit up 3.1%  
to £52.1m

Operating margin before  
exceptional items\*  
8.3% (last year: 9.3%)

Operating margin 8.3%  
(last year: 8.9%)

Profit before tax and  
exceptional items\*  
down 2.7% to £34.8m

Profit before tax up 4.9% to £34.8m

Earnings per share before  
exceptional items\*  
up 3.0% to 20.8p

Basic earnings per share up  
13.7% to 20.8p

Free cash flow per share 18.7p  
(last year: 27.5p)

5 pubs opened, creating a  
total of 865

\*Exceptional items as disclosed in note 5.

# CHAIRMAN'S STATEMENT AND OPERATING REVIEW

In the 26 weeks ended 27 January 2013, like-for-like sales increased by 6.9%, with total sales, including new pubs, increasing by 10.0% to £626.4 million (2012: £569.4 million). Like-for-like bar sales increased by 4.1% (2012: 3.4%), like-for-like food sales were up 13.4% (2012: 0.1%) and machine sales increased by 4.4% (2012: decreased by 3.8%).

Operating profit before exceptional items decreased by 2.0% to £52.1 million (2012: £53.1 million) and after exceptional items increased by 3.1% to £52.1 million (2012: £50.5 million). The operating margin before exceptional items was lower, at 8.3% (2012: 9.3%). As previously highlighted, there was considerable inflation in costs during the period. The largest increase was £23.4 million in taxation, with further increases in labour costs, utilities and bar and food supplies. The operating margin after exceptional items was 8.3% (2012: 8.9%).

Profit before tax and exceptional items decreased by 2.7% to £34.8 million (2012: £35.8 million) and after exceptional items increased by 4.9% to £34.8 million (2012: £33.2 million). Earnings per share before exceptional items increased by 3.0% to 20.8p (2012: 20.2p), despite the fall in adjusted earnings, owing to fewer shares in issue and a reduced corporation tax charge. Basic earnings per share after exceptional items increased by 13.7% to 20.8p (2012: 18.3p).

As illustrated in the table in the tax section below, the company paid taxes of £273.5 million in the period under review, 43.7% of sales, compared with £250.1 million in the same period last year – 43.9% of sales. Taxes amounted to a multiple of 10.9 times profit after tax, compared with 10.7 times last year.

Net interest was covered 3.0 times by operating profit before exceptional items (2012: 3.1 times). There were no exceptional items in the period under review (2012: £2.6 million). Total capital investment was £36.3 million in the period (2012: £60.5 million), with £19.1 million on new pub openings (2012:

£41.7 million) and £17.2 million on existing pubs (2012: £18.8 million).

Free cash flow, after capital investment of £17.2 million in existing pubs and payments of tax and interest, decreased to £22.6 million (2012: £34.9 million), owing primarily to an expected reversal of a working capital benefit of approximately £15.0 million at the previous year end. Free cash flow per share was 18.7p (2012: 27.5p).

## **Dividends**

The board declared an interim dividend of 4.0p per share for the current interim financial period ending 27 January 2013 (2012: 4.0p per share). The interim dividend will be paid on 30 May 2013 to those shareholders on the register at 3 May 2013. The dividend was covered 5.2 times by profit.

## **Corporation tax**

We expect the overall corporation tax charge for the financial year, including current and deferred taxation, to reduce to approximately 27.7% before exceptional items (July 2012: 28.5% before exceptional items and after excluding the effect of the tax-rate change). This is due to a reduction in the UK standard weighted average tax rate for the period of 1.7% to 23.7%. As in previous years, the company's tax rate is higher than the standard UK tax rate, owing mainly to depreciation which is not eligible for tax relief.

## **Financing**

As at 27 January 2013, the company's net bank borrowings (including finance leases) were £469.9 million, an increase of £7.3 million, compared with

those of the previous year end (29 July 2012: £462.6 million). Our net-debt-to-EBITDA ratio was 2.99 times at the period end, in line with the financial year end.

### Property

In the period, we opened five new pubs, bringing the number of pubs open at the period's end to 865. We now expect to open around 30 pubs in this financial year.

Also in the period, Wetherspoon agreed on an out-of-court settlement with developer Anthony Lyons, formerly of property leisure agent Davis Coffey Lyons. Wetherspoon will receive approximately £1.25 million from Mr Lyons.

The payment relates to litigation in which Wetherspoon claimed that Mr Lyons had been an accessory to frauds committed by Wetherspoon's former retained agent Van de Berg and its directors Christian Braun, George Aldridge and Richard Harvey. Mr Lyons denied the claim and the litigation was contested.

The claim related to properties in Portsmouth, Leytonstone and Newbury. The Portsmouth property was involved in the 2008/9 Van de Berg case itself. In that case, Mr Justice Peter Smith found that Van de Berg, but not Mr Lyons, who was not a party to the case, fraudulently diverted the freehold from Wetherspoon to Moorstown Properties Limited, a company owned by Simon Conway. Moorstown leased the premises to Wetherspoon. Wetherspoon is still a leaseholder of this property – a pub called The Isambard Kingdom Brunel.

The properties in Leytonstone and Newbury (the other properties in the case against Mr Lyons) were not pleaded in the 2008/9 Van de Berg case. Leytonstone was leased to Wetherspoon and trades today as The Walnut Tree public house. Newbury was leased to Pelican plc and became a Café Rouge.

In the last financial year, Wetherspoon also agreed on a settlement with Paul Ferrari, of London estate agent Ferrari, Dewe & Co, in respect of properties referred

to as the 'Ferrari Five' by Mr Justice Peter Smith, in the Van de Berg case.

### Taxes and regulation

The company paid total taxes of £273.5 million in the six-month period, a £23.4 million increase on the previous year. If we were taxed on the same basis as supermarkets, we would have paid £40.7 million less, since supermarkets pay virtually no VAT in respect of food sales.

We believe there to be an overwhelmingly strong case for tax parity between pubs and supermarkets, since lower supermarket taxes help them to sell alcoholic drinks at extremely low prices, compared with those of pubs.

The government and medical profession hope to combat low supermarket prices by 'minimum pricing' legislation. However, if the government were to use the tax system to encourage, rather than discourage, consumption in pubs, it would greatly increase the average price per unit of alcohol paid by consumers, helping to meet government and medical health objectives, while increasing employment and tax revenues at the same time.

At the current time, approximately 50% of beer is consumed in pubs, and 50% in the 'off-trade'. For illustrative purposes, if the average price of a pint from a supermarket is £1 and that of a pint in a pub £3, increasing the number of pub pints from 50% to 75% would increase the average price paid in the country as a whole from about £2 to £2.50. Instead, successive governments have 'cracked down' on pubs by increasing taxes and regulations, resulting in on-trade consumption of beer dropping from about 90% to about 50% in the last 30 years and, perversely, reducing the average price per pint paid by consumers.

As well as paying far higher taxes per pint or per meal than supermarkets, pubs generate far more jobs. The campaign by the 'VAT Club', headed by respected restaurateur Jacques Borel (supported by: Heineken;

the family brewers such as Young's and Fuller's; Wetherspoon; many others), has comprehensively explained the financial and employment benefits for the economy of tax parity with supermarkets.

|                                 | 2013<br>First half<br>£m | 2012<br>First half<br>£m |
|---------------------------------|--------------------------|--------------------------|
| VAT                             | 126.1                    | 115.6                    |
| Alcohol duty                    | 74.6                     | 65.6                     |
| PAYE and NIC                    | 34.7                     | 32.8                     |
| Business rates                  | 23.4                     | 21.0                     |
| Corporation tax                 | 8.6                      | 9.0                      |
| Machine duty                    | 1.8                      | 1.6                      |
| Fuel duty                       | 1.0                      | 1.3                      |
| Carbon tax                      | 1.3                      | 1.2                      |
| Climate change levy             | 0.8                      | 0.6                      |
| Stamp duty                      | 0.3                      | 0.6                      |
| Landfill tax                    | 0.6                      | 0.6                      |
| Premise licence and TV licences | 0.3                      | 0.2                      |
| <b>TOTAL TAX</b>                | <b>273.5</b>             | <b>250.1</b>             |
| <b>TAX AS % OF SALES</b>        | <b>43.7%</b>             | <b>43.9%</b>             |
| <b>PROFIT AFTER TAX (PAT)</b>   | <b>25.2</b>              | <b>23.3</b>              |
| <b>PAT AS % OF SALES</b>        | <b>4.0%</b>              | <b>4.1%</b>              |

### Further progress

As in the past, the company has endeavoured to improve as many areas of the business as possible. For example, we have introduced a system for faster credit card payments, as well as contactless payment. We have continued our heavy investment in the business, having spent £22.8 million on repairs (2012: £20.1 million) and £17.2 million on refurbishments and improvements (2012: £18.8 million).

We have continued to make significant investments in training programmes and also paid £13.0 million (2012: £10.9 million) in bonuses and free shares

to employees, 99% of which was paid to those below board level and 88% paid to those working in our pubs.

Once again, the company has received a record number of recommendations in CAMRA's Good Beer Guide. We were also named 'the nation's favourite pub brand' at the Eat Out Magazine Awards, in London, in January 2013. As regards hygiene, the company has received an average score of 4.8 out of 5, in respect of the local-authority-run scheme Scores on the Doors. We believe this to be higher than any other substantial pub company, including well-run competitors.

### Current trading and outlook

The outcome for the first half of the financial year was reasonable, given the pressures on the UK consumer.

The biggest danger to the pub industry, as indicated above and previously, is the VAT disparity between supermarkets and pubs and the continuing imposition of stealth taxes, such as the late-night levy, and the increase in fruit/slot machine taxes.

In the six weeks to 10 March 2013, like-for-like sales increased by 7.3%, with total sales increasing by 9.9%.

As previously indicated, taxation and input costs will continue to rise, but, overall, the company continues to aim for a reasonable outcome in the current financial year.

### Tim Martin

Chairman  
15 March 2013

# INCOME STATEMENT

FOR THE 26 WEEKS ENDED 27 JANUARY 2013

|  | Notes | Unaudited<br>26 weeks<br>ended<br>27 January<br>2013<br>£000 | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|--|-------|--|--|---|
| <b>Revenue</b>                                   | 4     | <b>626,397</b>   | 569,375  | 1,197,129   |
| Operating costs                                  |       | <b>(574,321)</b>   | (516,259)  | (1,089,811)   |
| <b>Operating profit before exceptional items</b> | 6     | <b>52,076</b>  | 53,116   | 107,318   |
| Exceptional items                                | 5     | –  | (2,599)  | (13,481)  |
| <b>Operating profit</b>                          |       | <b>52,076</b>  | 50,517   | 93,837  |
| Finance income                                   |       | <b>61</b>  | 27   | 55  |
| Finance costs                                    |       | <b>(17,300)</b>  | (17,334)   | (35,010)  |
| <b>Profit before tax</b>                         |       | <b>34,837</b>  | 33,210   | 58,882  |
| Income tax expense                               | 7     | <b>(9,636)</b>   | (9,926)  | (14,315)  |
| <b>Profit for the period</b>                     |       | <b>25,201</b>  | 23,284   | 44,567  |
| Basic earnings per share                         | 8     | <b>20.8</b>  | 18.3   | 35.6  |

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 27 JANUARY 2013

|  | Notes | Unaudited<br>26 weeks<br>ended<br>27 January<br>2013<br>£000 | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|--|-------|--|--|---|
| Interest-rate swaps: gain/(loss) taken to equity     | 13    | <b>9,274</b>   | (6,638)  | (8,149)   |
| Tax on items taken directly to equity                |       | <b>(2,133)</b>   | 1,660  | 717   |
| <b>Net gain/(loss) recognised directly in equity</b> |       | <b>7,141</b>   | (4,978)  | (7,432)   |
| Profit for the period                                |       | <b>25,201</b>  | 23,284   | 44,567  |
| <b>Total comprehensive income for the period</b>     |       | <b>32,342</b>  | 18,306   | 37,135  |

# CASH FLOW STATEMENT

FOR THE 26 WEEKS ENDED 27 JANUARY 2013

|  | Notes | Unaudited<br>26 weeks<br>ended<br>27 January<br>2013<br>£000 | Unaudited<br>26 weeks<br>ended<br>27 January<br>2013<br>£000 | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|--|-------|--|--|--|--|---|---|
| <b>Cash flows from operating activities</b>                |       |  |  |  |  |   |   |
| Cash generated from operations                             | 9     | 64,360   | 64,360   | 79,173   | 79,173   | 196,733   | 196,733   |
| Interest received  |       | 62   | 62   | 17   | 17   | 49  | 49  |
| Interest paid  |       | (15,398)   | (15,398)   | (16,478)   | (16,478)   | (36,091)  | (36,091)  |
| Corporation tax paid                                       |       | (8,615)  | (8,615)  | (8,968)  | (8,968)  | (18,168)  | (18,168)  |
| Purchase of own shares for share-based payments            |       | (628)  | (628)  | –  | –  | (5,756)   | (5,756)   |
| <b>Net cash inflow from operating activities</b>           |       | <b>39,781</b>  | <b>39,781</b>  | 53,744   | 53,744   | 136,767   | 136,767   |
| <b>Cash flows from investing activities</b>                |       |  |  |  |  |   |   |
| Purchase of property, plant and equipment                  |       | (14,905)   | (14,905)   | (14,986)   | (14,986)   | (36,578)  | (36,578)  |
| Purchase of intangible assets                              |       | (2,293)  | (2,293)  | (3,838)  | (3,838)  | (8,647)   | (8,647)   |
| Purchase of lease premiums                                 |       | (21)   | –  | –  | –  | (489)   | –   |
| Proceeds of sale of property, plant and equipment          |       | –  | –  | 250  | –  | 887   | –   |
| Investment in new pubs and pub extensions                  |       | (19,033)   | –  | (41,666)   | –  | (74,859)  | –   |
| <b>Net cash outflow from investing activities</b>          |       | <b>(36,252)</b>  | <b>(17,198)</b>  | (60,240)   | (18,824)   | (119,686)   | (45,225)  |
| <b>Cash flows from financing activities</b>                |       |  |  |  |  |   |   |
| Equity dividends paid                                      | 14    | (10,021)   | –  | (10,475)   | –  | (15,544)  | –   |
| Proceeds from issue of ordinary shares                     |       | –  | –  | 46   | –  | 95  | –   |
| Purchase of own shares                                     |       | –  | –  | –  | –  | (22,711)  | –   |
| Advances under bank loans                                  | 13    | 7,509  | –  | 18,199   | –  | 18,059  | –   |
| Advances under finance leases                              |       | –  | –  | –  | –  | 10,474  | –   |
| Finance costs on new loan                                  | 13    | –  | –  | (2,711)  | –  | (2,731)   | –   |
| Finance lease principal payments                           | 13    | (2,921)  | –  | (2,038)  | –  | (4,373)   | –   |
| <b>Net cash (outflow)/inflow from financing activities</b> |       | <b>(5,433)</b>   | –  | <b>3,021</b>   | –  | (16,731)  | –   |
| <b>Net change in cash and cash equivalents</b>             | 13    | <b>(1,904)</b>   | –  | (3,475)  | –  | 350   | –   |
| Opening cash and cash equivalents                          |       | 28,040   | –  | 27,690   | –  | 27,690  | –   |
| <b>Closing cash and cash equivalents</b>                   |       | <b>26,136</b>  | –  | 24,215   | –  | 28,040  | –   |
| <b>Free cash flow</b>                                      |       | –  | <b>22,583</b>  | –  | 34,920   | –   | 91,542  |
| <b>Free cash flow per ordinary share</b>                   | 8     | –  | <b>18.7p</b>   | –  | 27.5p  | –   | 73.2p   |



# BALANCE SHEET

AS AT 27 JANUARY 2013

|                                       | Notes | Unaudited<br>27 January<br>2013<br>£000 | Unaudited<br>22 January<br>2012<br>£000 | Audited<br>29 July<br>2012<br>£000 |
|---------------------------------------|-------|---|---|------------------------------------|
| <b>Assets</b>                         |       |   |   |                                    |
| <b>Non-current assets</b>             |       |   |   |                                    |
| Property, plant and equipment         | 10    | 932,063                                 | 907,800                                 | 924,341                            |
| Intangible assets                     | 11    | 17,995                                  | 12,908                                  | 16,936                             |
| Deferred tax assets                   |       | 14,073                                  | 17,229                                  | 16,198                             |
| Other non-current assets              | 12    | 10,537                                  | 10,350                                  | 10,682                             |
| <b>Total non-current assets</b>       |       | <b>974,668</b>                          | 948,287                                 | 968,157                            |
| <b>Current assets</b>                 |       |   |   |                                    |
| Inventories                           |       | 20,655                                  | 20,282                                  | 20,975                             |
| Other receivables                     |       | 26,866                                  | 25,597                                  | 18,685                             |
| Assets held for sale                  |       | 2,076                                   | 145                                     | 2,055                              |
| Cash and cash equivalents             | 13    | 26,136                                  | 24,215                                  | 28,040                             |
| <b>Total current assets</b>           |       | <b>75,733</b>                           | 70,239                                  | 69,755                             |
| <b>Total assets</b>                   |       | <b>1,050,401</b>                        | 1,018,526                               | 1,037,912                          |
| <b>Liabilities</b>                    |       |   |   |                                    |
| <b>Current liabilities</b>            |       |   |   |                                    |
| Trade and other payables              |       | (197,094)                               | (185,143)                               | (207,114)                          |
| Financial liabilities due in one year |       | (5,660)                                 | (3,545)                                 | (5,880)                            |
| Current income tax liabilities        |       | (9,845)                                 | (10,505)                                | (9,103)                            |
| <b>Total current liabilities</b>      |       | <b>(212,599)</b>                        | (199,193)                               | (222,097)                          |
| <b>Non-current liabilities</b>        |       |   |   |                                    |
| Financial liabilities                 |       | (490,406)                               | (477,300)                               | (484,771)                          |
| Derivative financial instruments      | 13    | (56,755)                                | (64,518)                                | (66,029)                           |
| Deferred tax liabilities              |       | (68,147)                                | (71,358)                                | (67,860)                           |
| Provisions and other liabilities      |       | (28,621)                                | (25,067)                                | (27,511)                           |
| <b>Total non-current liabilities</b>  |       | <b>(643,929)</b>                        | (638,243)                               | (646,171)                          |
| <b>Net assets</b>                     |       | <b>193,873</b>                          | 181,090                                 | 169,644                            |
| <b>Shareholders' equity</b>           |       |   |   |                                    |
| Ordinary shares                       | 15    | 2,521                                   | 2,632                                   | 2,521                              |
| Share premium account                 |       | 143,294                                 | 143,245                                 | 143,294                            |
| Capital redemption reserve            |       | 1,910                                   | 1,798                                   | 1,910                              |
| Hedging reserve                       |       | (43,701)                                | (48,388)                                | (50,842)                           |
| Retained earnings                     |       | 89,849                                  | 81,803                                  | 72,761                             |
| <b>Total shareholders' equity</b>     |       | <b>193,873</b>                          | 181,090                                 | 169,644                            |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

|   | Called-up<br>share<br>capital<br>£000 | Share<br>premium<br>account<br>£000 | Capital<br>redemption<br>reserve<br>£000 | Hedging<br>reserve<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000  |
|---|---------------------------------------|-------------------------------------|--|----------------------------|------------------------------|----------------|
| <b>At 24 July 2011</b>                          | <b>2,632</b>                          | <b>143,199</b>                      | <b>1,798</b>                             | <b>(43,410)</b>            | <b>66,826</b>                | <b>171,045</b> |
| Profit for the period                           | –                                     | –                                   | –  | –                          | 23,284                       | 23,284         |
| Interest-rate swaps<br>– loss taken to equity   | –                                     | –                                   | –  | (6,638)                    | –                            | (6,638)        |
| Tax on items taken directly to equity           |                                       |                                     |  | 1,660                      |                              | 1,660          |
| Total comprehensive (loss)/income               |                                       |                                     |  | (4,978)                    | 23,284                       | 18,306         |
| Exercise of options                             |                                       | 46                                  |  |                            |                              | 46             |
| Share-based payment charges                     |                                       |                                     |  |                            | 2,168                        | 2,168          |
| Dividends                                       |                                       |                                     |  |                            | (10,475)                     | (10,475)       |
| <b>At 22 January 2012</b>                       | <b>2,632</b>                          | <b>143,245</b>                      | <b>1,798</b>                             | <b>(48,388)</b>            | <b>81,803</b>                | <b>181,090</b> |
| Profit for the period                           |                                       |                                     |  |                            | 21,283                       | 21,283         |
| Interest-rate swaps<br>– loss taken to equity   |                                       |                                     |  | (1,511)                    |                              | (1,511)        |
| Tax on items taken directly to equity           |                                       |                                     |  | (943)                      |                              | (943)          |
| Total comprehensive (loss)/income               |                                       |                                     |  | (2,454)                    | 21,283                       | 18,829         |
| Exercise of options                             | 1                                     | 49                                  |  |                            |                              | 50             |
| Repurchase of shares                            | (112)                                 |                                     | 112                                      |                            | (22,598)                     | (22,598)       |
| Tax on repurchase of shares                     |                                       |                                     |  |                            | (113)                        | (113)          |
| Share-based payment charges                     |                                       |                                     |  |                            | 3,211                        | 3,211          |
| Purchase of shares held in trust                |                                       |                                     |  |                            | (5,727)                      | (5,727)        |
| Tax on purchase of shares held in trust         |                                       |                                     |  |                            | (29)                         | (29)           |
| Dividends                                       |                                       |                                     |  |                            | (5,069)                      | (5,069)        |
| <b>At 29 July 2012</b>                          | <b>2,521</b>                          | <b>143,294</b>                      | <b>1,910</b>                             | <b>(50,842)</b>            | <b>72,761</b>                | <b>169,644</b> |
| Profit for the period                           |                                       |                                     |  |                            | 25,201                       | 25,201         |
| Interest-rate swaps<br>– profit taken to equity |                                       |                                     |  | 9,274                      |                              | 9,274          |
| Tax on items taken directly to equity           |                                       |                                     |  | (2,133)                    |                              | (2,133)        |
| Total comprehensive (loss)/income               |                                       |                                     |  | 7,141                      | 25,201                       | 32,342         |
| Share-based payment charges                     |                                       |                                     |  |                            | 2,536                        | 2,536          |
| Purchase of shares held in trust                |                                       |                                     |  |                            | (624)                        | (624)          |
| Tax on purchase of shares held in trust         |                                       |                                     |  |                            | (4)                          | (4)            |
| Dividends                                       |                                       |                                     |  |                            | (10,021)                     | (10,021)       |
| <b>At 27 January 2013</b>                       | <b>2,521</b>                          | <b>143,294</b>                      | <b>1,910</b>                             | <b>(43,701)</b>            | <b>89,849</b>                | <b>193,873</b> |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General information

J D Wetherspoon plc is a public limited company, incorporated and domiciled in England and Wales. Its registered office address is: Wetherspoon House, Central Park, Reeds Crescent, Watford, WD24 4QL

The company is listed on the London Stock Exchange.

This condensed half-yearly financial information was approved for issue by the board on 15 March 2013.

This interim report does not comprise statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006. Statutory accounts for the year ended 29 July 2012 were approved by the board of directors on 14 September 2012 and delivered to the Registrar of Companies. The report of the auditors, on those accounts, was unqualified, did not contain an emphasis-of-matter paragraph or any statement under Sections 498 to 502 of the Companies Act 2006.

There are no changes to the principal risks and uncertainties as set out in the financial statements for the 53 weeks ended 29 July 2012, which may affect the company's performance in the next six months. The most significant risks and uncertainties relate to the taxation on, and regulation of, the sale of alcohol, cost increases and UK disposable consumer incomes. For a detailed discussion of the risks and uncertainties facing the company, refer to the annual report for 2012, pages 40 and 41.

## 2. Basis of preparation

This condensed half-yearly financial information of J D Wetherspoon plc (the 'Company'), which is abridged and unaudited, has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union. This interim report should be read in conjunction with the annual financial statements for the 53 weeks ended 29 July 2012 which were prepared in accordance with IFRSs, as adopted by the European Union.

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

The financial information for the 53 weeks ended 29 July 2012 is extracted from the statutory accounts of the Company for that year.

The interim results for the 26 weeks ended 27 January 2013 and the comparatives for 22 January 2012 are unaudited, but have been

reviewed by the independent auditors. A copy of the review report is included at the end of this report.

## Accounting policies

Taxes on income in the interim periods are accrued using the tax rate which would be applicable to expected total annual earnings.

With the exception of tax, the accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Company's annual report for the year ended 29 July 2012.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 30 July 2012, but are not relevant for the Company:

- Amendment to IAS 12 'Income taxes' on deferred tax
- Amendment to IAS 1 'Presentation of financial statements on other comprehensive income'

#### 4. Revenue

Revenue disclosed in the income statement is analysed as follows:

|  | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|--|--|--|---|
| <b>Sales of food, beverages and machine income</b> | <b>626,397</b>   | 569,375  | 1,197,129   |

The Company trades in one business segment (that of operating managed public houses) and one geographical segment (being the United Kingdom).

#### 5. Exceptional Items

|   | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|---|--|--|---|
| <b>Operating items</b>                                  |  |  |   |
| Property impairment                                     | –  | –  | 7,823   |
| Onerous lease provision                                 | –  | –  | 2,229   |
| Restructuring costs                                     | –  | –  | 625   |
| Loss on disposal of property, plant and equipment       | –  | 666  | 1,062   |
| Write-off of IT-related assets and other software costs | –  | 1,933  | 1,742   |
|   | –  | 2,599  | 13,481  |

The IT-related assets written off in the previous period relate primarily to the development cost of software which was not implemented.

#### 6. Operating profit before exceptional items

This is stated after charging/(crediting):

|   | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January 2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January 2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July 2012<br>£000 |
|---|--|---|--|
| Concession rental payments                    | <b>7,405</b>   | 6,940   | 14,831   |
| Operating lease payments                      | <b>26,803</b>  | 25,965  | 53,230   |
| Repairs and maintenance                       | <b>22,794</b>  | 20,073  | 44,575   |
| Rent receivable                               | <b>(259)</b>   | (251)   | (540)  |
| Depreciation of property, plant and equipment | <b>24,273</b>  | 23,010  | 47,416   |
| Amortisation of intangible assets             | <b>1,234</b>   | 620   | 1,423  |
| Amortisation of non-current assets            | <b>166</b>   | 159   | 327  |
| Share-based payment charges                   | <b>2,536</b>   | 2,168   | 5,379  |

## 7. Income tax expense

The taxation charge for the period ended 27 January 2013 is based on the estimated effective tax rate for the year ending 28 July 2013 of 27.7% (2012: 28.5%, based on a pre-exceptional profit before tax of £35.8m). This comprises a current tax rate of 26.9% (2012: 28.7% pre-exceptional) and a deferred tax rate of 0.8% (2012: -0.2% pre-exceptional). The UK standard weighted average tax rate for the year is 23.7%. The current tax rate is higher than the UK standard weighted average tax rate, owing mainly to depreciation which is not eligible for tax relief.

|   | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|---|--|--|---|
| Current tax   | <b>9,357</b>   | 10,288   | 18,538  |
| Current tax on exceptional items – intangible asset write-off | –  | (272)  | (723)   |
| Deferred tax  |  |  |   |
| Origination and reversal of temporary differences             | <b>279</b>   | (90)   | 2,127   |
| Impact of change in UK tax rate                               | –  | –  | (5,627)   |
| Tax charge in the income statement                            | <b>9,636</b>   | 9,926  | 14,315  |

## 8. Earnings and free cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £25,201,000 (January 2012: £23,284,000; July 2012: £44,567,000) by the weighted average number of shares in issue during the period of 120,890,250 (January 2012: 127,004,632; July 2012: 125,079,021).

The weighted average number of shares has been adjusted to exclude shares held in respect of the employee Share Incentive Plan.

Earnings before exceptional items per share has been calculated before exceptional items detailed in note 5. There are no shares remaining under option.

Adjusted earnings for the 53 weeks ended 29 July 2012 excludes an adjustment of £5,627,000, in respect of the corporation tax-rate change in that year.

|  | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|--|--|--|---|
| Earnings (profit after tax)                          | <b>25,201</b>  | 23,284   | 44,567  |
| Exclude one-off tax benefit (rate change)            | –  | –  | (5,627)   |
| Adjusted earnings after exceptional items            | <b>25,201</b>  | 23,284   | 38,940  |
| Exclude effect of exceptional items net of tax       | –  | 2,327  | 12,758  |
| Adjusted earnings before exceptional items           | <b>25,201</b>  | 25,611   | 51,698  |
| Basic/diluted earnings per share                     | <b>20.8p</b>   | 18.3p  | 35.6p   |
| Adjusted earnings per share before exceptional items | <b>20.8p</b>   | 20.2p  | 41.3p   |
| Adjusted earnings per share after exceptional items  | <b>20.8p</b>   | 18.3p  | 31.1p   |

**Free cash flow per share**

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

**9. Cash generated from operations**

|   | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|---|--|--|---|
| Operating profit                          | <b>52,076</b>  | 50,517   | 93,212  |
| Operating exceptional items               | –  | 2,599  | 13,481  |
| Operating profit before exceptional items | <b>52,076</b>  | 53,116   | 106,693   |
| Depreciation and amortisation             | <b>25,673</b>  | 23,789   | 49,166  |
| Share-based payment charges               | <b>2,536</b>   | 2,168  | 5,379   |
|   | <b>80,285</b>  | 79,073   | 161,238   |
| Change in inventories                     | <b>320</b>   | 1,207  | 514   |
| Change in receivables                     | <b>(8,181)</b>   | (3,677)  | 2,598   |
| Change in payables                        | <b>(8,064)</b>   | 2,570  | 32,383  |
| Net cash inflow from operating activities | <b>64,360</b>  | 79,173   | 196,733   |

**10. Property, plant and equipment**

|  | <b>£000</b>    |
|--|----------------|
| Net book amount at 24 July 2011                | 881,271        |
| Additions                                      | 50,653         |
| Disposals                                      | (1,114)        |
| Depreciation                                   | (23,010)       |
| Net book amount at 22 January 2012             | 907,800        |
| Additions                                      | 51,486         |
| Disposals and transfer to assets held for sale | (12,856)       |
| Depreciation, impairment and other movements   | (22,089)       |
| Net book amount at 29 July 2012                | 924,341        |
| Additions                                      | 32,140         |
| Disposals                                      | (145)          |
| Depreciation                                   | (24,273)       |
| <b>Net book amount at 27 January 2013</b>      | <b>932,063</b> |

**11. Intangible assets**

|  | <b>£000</b>   |
|--|---------------|
| Net book amount at 24 July 2011              | 11,525        |
| Additions                                    | 3,745         |
| Write-off of IT-related assets               | (1,742)       |
| Amortisation, impairment and other movements | (620)         |
| Net book amount at 22 January 2012           | 12,908        |
| Additions                                    | 4,902         |
| Amortisation, impairment and other movements | (874)         |
| Net book amount at 29 July 2012              | 16,936        |
| Additions                                    | 2,293         |
| Amortisation, impairment and other movements | (1,234)       |
| <b>Net book amount at 27 January 2013</b>    | <b>17,995</b> |

Intangible assets all relate to computer software and development.

**12. Other non-current assets**

|                    | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|--------------------|--|--|---|
| Leasehold premiums | <b>10,537</b>  | 10,350   | 10,682  |

**13. Analysis of changes in net debt**

|                              | 29 July<br>2012<br>£000 | Cash<br>flows<br>£000 | Non-cash<br>movement<br>£000 | <b>27 January<br/>2013<br/>£000</b> |
|------------------------------|-------------------------|-----------------------|------------------------------|-------------------------------------|
| Cash at bank                 | 28,040                  | (1,904)               | –                            | <b>26,136</b>                       |
| Debt due after one year      | (474,559)               | (7,509)               | (827)                        | <b>(482,895)</b>                    |
| Finance lease creditor       | (446,519)               | (9,413)               | (827)                        | <b>(456,759)</b>                    |
|                              | (16,092)                | 2,921                 | –                            | <b>(13,171)</b>                     |
| Net borrowings               | (462,611)               | (6,492)               | (827)                        | <b>(469,930)</b>                    |
| Derivative – cash flow hedge | (66,029)                | –                     | 9,274                        | <b>(56,755)</b>                     |
| Net debt                     | (528,640)               | (6,492)               | 8,447                        | <b>(526,685)</b>                    |

During the period under review, the company entered into additional forward-starting interest-rate swap agreements, totalling £150 million, in addition to the existing swaps which expire in 2014 and 2016, respectively. The weighted average interest rate of the new swaps is 1.78%, from July 2016 to July 2018. Swap agreements totalling £400 million are now in place until July 2018.

The £9.3-million non-cash movement on the interest-rate swap arises from the movement in fair value of the swaps.

**14. Dividends paid and proposed**

|   | <b>Unaudited<br/>26 weeks<br/>ended<br/>27 January<br/>2013<br/>£000</b> | Unaudited<br>26 weeks<br>ended<br>22 January<br>2012<br>£000 | Audited<br>53 weeks<br>ended<br>29 July<br>2012<br>£000 |
|---|--|--|---|
| <b>Paid in the period</b>                 |  |  |   |
| 2011 final dividend                       | –  | 10,475   | 10,475  |
| 2012 interim dividend                     | –  | –  | 5,069   |
| 2012 final dividend                       | <b>10,021</b>  | –  | –   |
|   | <b>10,021</b>  | 10,475   | 15,544  |
| <b>Dividends in respect of the period</b> |  |  |   |
| Interim dividend                          | <b>4,835</b>   | 5,069  | –   |
| Final dividend                            | –  | –  | 10,021  |
|   | <b>4,835</b>   | 5,069  | 10,021  |
| Dividend per share                        | <b>4p</b>  | 4p   | 8p  |

**15. Share capital**

|   | Number of<br>shares<br>000s | Share<br>capital<br>£000 |
|---|-----------------------------|--------------------------|
| Opening balance at 24 July 2011           | 131,608                     | 2,632                    |
| Allotments                                | 14                          | –                        |
| Closing balance at 22 January 2012        | 131,622                     | 2,632                    |
| Allotments                                | 16                          | 1                        |
| Repurchase of shares                      | (5,602)                     | (112)                    |
| Closing balance at 29 July 2012           | 126,036                     | 2,521                    |
| <b>Closing balance at 27 January 2013</b> | <b>126,036</b>              | <b>2,521</b>             |

All issued shares are fully paid.

**16. Related-party disclosure**

There were no material changes to related-party transactions described in the last annual financial statements. There have been no related-party transactions having a material effect on the Company's financial position or performance in the first half of the current financial year.

**17. Capital commitments**

The Company had £nil capital commitments for which no provision had been made, in respect of property, plant and equipment, at 27 January 2013 (2012: £nil).



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34, as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events which have occurred during the first 26 weeks and their impact on the condensed set of financial statements, plus a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year.
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors of J D Wetherspoon plc are listed in the J D Wetherspoon annual report for 29 July 2012. A list of current directors is maintained on the J D Wetherspoon plc website: [www.jdwetherspoon.co.uk](http://www.jdwetherspoon.co.uk)

## By order of the board

**John Hutson**  
Director

15 March 2013

**Kirk Davis**  
Director

15 March 2013

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 27 January 2013, which comprises the income statement, the statement of comprehensive income, the cash flow statement, the balance sheet, the statement of changes in shareholders' equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 27 January 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## PricewaterhouseCoopers LLP

Chartered Accountants  
15 March 2013  
1 Embankment Place  
London  
WC2N 6RH

## Notes:

- (a) The maintenance and integrity of the J D Wetherspoon plc website are the responsibility of the directors; 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 website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## PUBS OPENED SINCE 1 AUGUST 2012

| <b>Name</b>           | <b>Address</b>           | <b>Town</b>        | <b>Postcode</b> |
|-----------------------|--------------------------|--------------------|-----------------|
| The Cribbar           | 11–19 Gover Lane         | Newquay            | TR7 1ER         |
| The W. G. Grace       | 71–73 Whiteladies Road   | Bristol            | BS8 2NT         |
| The Percy Shaw        | Broad Street             | Halifax            | HX1 1YA         |
| An Ruadh Ghleann      | 40–44 Main Street        | Rutherglen         | G73 2HY         |
| The Kingfisher        | London Road South        | Poynton            | SK12 1NJ        |
| The Horse Shoe Inn    | 4 Church Street          | Crook              | DL15 9BG        |
| The Six Bells         | 47–48 St Thomas Street   | Lymington          | SO41 9ND        |
| The Regent            | Kingsway, Diamond Avenue | Kirkby-in-Ashfield | NG17 7BQ        |
| The King's Head Hotel | 4–6 New Market           | Beccles            | NR34 9HA        |
| The Sir Norman Wisdom | 18–20 Queens Street      | Deal               | CT14 6ET        |
| The Limes             | 30 Bridge Street         | Fakenham           | NR21 9AZ        |

**J D Wetherspoon plc**

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