**12 September 2014**

# J D WETHERSPOON PLC
# PRELIMINARY RESULTS
# (For the 52 weeks ended 27 July 2014)

## FINANCIAL HIGHLIGHTS

| Before exceptional items | 52 weeks to 27 July 2014 |
|---|---|
| • Revenue £1,409.3m (2013: £1,280.9m) | +10.0% |
| • Like-for-like sales | +5.5% |
| • Operating profit £115.6m (2013: £111.3m) | +3.8% |
| • Profit before tax and exceptional items* £79.4m (2013: £76.9m) | +3.1% |
| • Earnings per share (including shares held in trust) 47.0p (2013: 44.8p) | +4.9% |
| • Free cash flow £92.9m (2013: £65.3m) | +42.1% |
| • Free cash flow per share 74.1p (2013: 51.8p) | +43.1% |
| • Full year dividend 12.0p (2013: 12.0p) | Maintained |

| After exceptional items* | |
|---|---|
| • Operating profit £115.6m (2013: £91.5m) | +26.3% |
| • Profit before tax £78.4m (2013: £57.1m) | +37.1% |
| • Earnings per share (including shares held in trust) 32.8p (2013: 36.6p) | -10.4% |

*Exceptional items as disclosed in account note 4.

**Commenting on the results, Tim Martin, the chairman of J D Wetherspoon plc, said:**

**"I am pleased to report another year of progress, with record sales, profit and earnings per share. The company generated £600.2 million in taxes, an increase of £48.7 million, compared with the previous year, equivalent to £662,000 per pub. We now employ over 34,000 people, an increase of over 3,000 in the last year. In addition, £29.2 million in bonuses and free shares was paid to employees, 82% to those working in our pubs.**

**"The biggest danger to the pub industry is the VAT disparity between supermarkets and pubs. Wetherspoon, along with many pub and restaurant companies, is supporting Jacques Borel's VAT Club on Tax Equality Day (Wednesday 24 September 2014) to publicise this inequality.**

**"A similar danger relates to the general tone of corporate governance advice and practice which has helped to create unstable board rooms, often preoccupied by the wrong considerations. For example, many do not even recognise the danger from the VAT disparity, despite the high weekly level of pub closures which has lasted for many years.**

**"In the six weeks to 7 September 2014, like-for-like sales increased by 6.3%, with total sales increasing by 11.4%.**

**The company is aiming for a reasonable outcome in the current financial year."**

Enquiries:


| | | |
|---|---|---|
| John Hutson | Chief Executive Officer | 01923 477777 |
| Kirk Davis | Finance Director | 01923 477777 |
| Eddie Gershon | Company Spokesman | 07956 392234 |

## CHAIRMAN'S STATEMENT

### Financial performance

**I am pleased to report a year of further progress for the company, with record sales, profit and earnings per share before exceptional items. The company was founded in 1979 – and this is the 31st year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 15.8% per annum and free cash flow per share by an average of 17.5%.**

### Summary accounts for the years ended July 1984 to 2014

| Financial year | Total sales | Profit before tax and exceptional items | Earnings per share before exceptional items | Free cash flow | Free cash flow per share |
|---|---|---|---|---|---|
| | £000 | £000 | pence | £000 | pence |
| 1984 | 818 | (7) | 0.0 | | |
| 1985 | 1,890 | 185 | 0.2 | | |
| 1986 | 2,197 | 219 | 0.2 | | |
| 1987 | 3,357 | 382 | 0.3 | | |
| 1988 | 3,709 | 248 | 0.3 | | |
| 1989 | 5,584 | 789 | 0.6 | 915 | 0.4 |
| 1990 | 7,047 | 603 | 0.4 | 732 | 0.4 |
| 1991 | 13,192 | 1,098 | 0.8 | 1,236 | 0.6 |
| 1992 | 21,380 | 2,020 | 1.9 | 3,563 | 2.1 |
| 1993 | 30,800 | 4,171 | 3.3 | 5,079 | 3.9 |
| 1994 | 46,600 | 6,477 | 3.6 | 5,837 | 3.6 |
| 1995 | 68,536 | 9,713 | 4.9 | 13,495 | 7.4 |
| 1996 | 100,480 | 15,200 | 7.8 | 20,968 | 11.2 |
| 1997 | 139,444 | 17,566 | 8.7 | 28,027 | 14.4 |
| 1998 | 188,515 | 20,165 | 9.9 | 28,448 | 14.5 |
| 1999 | 269,699 | 26,214 | 12.9 | 40,088 | 20.3 |
| 2000 | 369,628 | 36,052 | 11.8 | 49,296 | 24.2 |
| 2001 | 483,968 | 44,317 | 14.2 | 61,197 | 29.1 |
| 2002 | 601,295 | 53,568 | 16.6 | 71,370 | 33.5 |
| 2003 | 730,913 | 56,139 | 17.0 | 83,097 | 38.8 |
| 2004 | 787,126 | 54,074 | 17.7 | 73,477 | 36.7 |
| 2005 | 809,861 | 47,177 | 16.9 | 68,774 | 37.1 |
| 2006 | 847,516 | 58,388 | 24.1 | 69,712 | 42.1 |
| 2007 | 888,473 | 62,024 | 28.1 | 52,379 | 35.6 |
| 2008 | 907,500 | 58,228 | 27.6 | 71,411 | 50.6 |
| 2009 | 955,119 | 66,155 | 32.6 | 99,494 | 71.7 |
| 2010 | 996,327 | 71,015 | 36.0 | 71,344 | 52.9 |
| 2011 | 1,072,014 | 66,781 | 34.1 | 78,818 | 57.7 |
| 2012 | 1,197,129 | 72,363 | 39.8 | 91,542 | 70.4 |
| 2013 | 1,280,929 | 76,943 | 44.8 | 65,349 | 51.8 |
| 2014 | 1,409,333 | 79,362 | 47.0 | 92,850 | 74.1 |

**Notes**
**Adjustments to statutory numbers**

1. Where appropriate, the earnings per share (EPS), as disclosed in the statutory accounts, has been recalculated to take account of share splits, the issue of new shares and capitalisation issues.

2. Free cash flow per share excludes dividends paid which were included in the free cash flow calculations in the annual report and accounts for the years 1995–2000.

3. The weighted average number of shares, EPS and free cash flow per share include those shares held in trust for employee share schemes.

4. Before 2005, the accounts were prepared under UKGAAP. All accounts from 2005 to date have been prepared under IFRS.

Like-for-like sales increased by 5.5%, with total sales of £1,409.3 million, an increase of 10.0% (2013: 7.0%). Like-for-like bar sales increased by 2.7% (2013: 3.8%), food sales by 12.0% (2013: 10.9%) and slot/fruit machine sales decreased by 3.1% (2013: increased by 0.4%).

Operating profit before exceptional items increased by 3.8% to £115.6 million (2013: £111.3 million) and, after exceptional items, increased by 26.3% to £115.6 million (2013: £91.5 million). The operating margin, before exceptional items, decreased to 8.2% (2013: 8.7%), mainly as a result of increases in staff costs and repairs. The operating margin after exceptional items was 8.2% (2013: 7.1%).

Profit before tax and exceptional items increased by 3.1% to £79.4 million (2013: £76.9 million) and, after exceptional items, increased by 37.1% to £78.4 million (2013: £57.1 million). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, increased by 4.9% to 47.0p (2013: 44.8p). Earnings per share (including shares held in trust by the employee share scheme), after exceptional items, decreased by 10.4% to 32.8p (2013: 36.6p), owing to a deferred tax credit in the previous year.

Net interest was covered 3.2 times by operating profit before exceptional items (2013: 3.2 times) and 3.1 times by operating profit after exceptional items (2013: 2.7 times). Total capital investment was £177.5 million in the period (2013: £101.8 million), with £97.7 million on new pub openings (2013: £53.2 million), £56.2 million on existing pubs and IT infrastructure (2013: £40.9 million) and £23.6 million on freehold reversions, where Wetherspoon was already a tenant, and investment properties (2013: £7.7 million).

Exceptional items totalled £17.7 million (2013: £19.0 million). An exceptional item of £1.0 million relates to the interest repayment to HMRC, following the unsuccessful outcome of the ‘Rank’ gaming duties case. In addition, an agreement was reached with HMRC in respect of a long-outstanding dispute over the treatment of capital allowances. As a result of this agreement, tax computations have been resubmitted and have resulted in a claim for a tax refund of £4.4 million and a deferred tax liability of £21.1 million. This has resulted in an exceptional tax charge £16.7 million.

Free cash flow, after capital investment of £56.2 million on existing pubs (2013: £40.9 million), £7.3 million in respect of share purchases for employees (2013: £8.8 million) and payments of tax and interest, increased by £27.6 million to £92.9 million (2013: £65.3 million), partly owing to a working capital inflow of £29.9 million in the year under review, compared with an outflow of £6.0 million in the previous year. Free cash flow per share was 74.1p (2013: 51.8p).

**Property**

The company opened 46 pubs during the year, with 5 pubs sold or closed, resulting in a total estate of 927 pubs at the financial year end. The average development cost for a new pub (excluding the cost of freeholds) was £1.64 million, compared with £1.55 million a year ago, as we continue to increase expenditure on kitchens, customer areas and beer gardens. The full-year depreciation charge was £58.1 million (2013: £53.1 million). We currently intend to open around 30–40 pubs in the year ending July 2015.

**Property litigation**

As reported at the interim results in March 2013, Wetherspoon agreed on an out-of-court settlement with developer Anthony Lyons, formerly of property leisure agent Davis Coffer Lyons, and has received 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 Café Rouge.

As we have also reported, the company agreed to settle its final claim in this series of cases and accepted £400,000 from property investor Jason Harris, formerly of First London and now of First Urban Group. Wetherspoon alleged that Harris was an accessory to frauds committed by Van de Berg. Harris contested the claim and has not admitted liability.

Before the conclusion of the above cases, 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.

Further shareholder information about these cases is available in a short article which I wrote for the trade publication Propel (reproduced below).

**Corporation tax**

The overall tax charge (including deferred tax) on pre-exceptional items is 25.8% (2013: 26.6%). The UK standard average tax rate for the period was 22.3% (2013: 23.7%). The difference between the rate of 25.8% and the standard average rate of UK corporation tax of 22.3% is 3.5% (2013: 2.9%) which is due primarily to the level of non-qualifying depreciation (depreciation which does not qualify for tax relief).

The pre-exceptional current tax rate, which excludes deferred tax, has fallen by 3.7% to 21.4% (2013: 25.1%), mainly owing to the UK corporation tax rate falling from 23.7% to 22.3% and greater capital allowances.

**Financing**

As at 27 July 2014, the company's total net debt, including bank borrowings and finance leases, but excluding derivatives, was £556.6 million (2013: £474.2 million), an increase of £82.4 million. Factors which have led to the increase in debt are 46 new pub openings costing £97.7 million, investment in existing pubs of £56.2 million, the acquisition of freehold reversions and investment properties of £23.6 million, the repurchase of shares of £24.6 million, a repayment of £16.7 million to HMRC in respect of a gaming machine legal judgement and dividend payments of £14.9 million. Year-end net-debt-to-EBITDA was 3.21 times (2013: 2.88 times).

As at 27 July 2014, the company had £138.1 million (2013: £111.0 million) of unutilised banking facilities and cash balances, with total facilities of £690.0 million (2013: £575.0 million). The company's existing interest-rate swap arrangements remain in place.

**Dividends and return of capital**

The board proposes, subject to shareholders' approval, to pay a final dividend of 8.0p per share (2013: 8.0p per share), on 27 November 2014, to those shareholders on the register on 24 October 2014, giving a total dividend for the year of 12.0p per share (2013: 12.0p per share). The dividend is covered 2.8 times (2013: 3.2 times). In view of high levels of capital expenditure in recent years and the potential for advantageous investments in the future, the board has decided to maintain the dividend at its current level for the time being.

During the year, 3,068,088 shares (representing 2.4% of the issued share capital) were purchased by the company for cancellation, at a total cost of £24.6 million, including stamp duty, representing an average cost per share of 800p.

**Further progress**

As in previous years, the company has tried to improve as many areas of the business as possible. For example, our food hygiene ratings are at record levels. We have 824 pubs rated on the Food Standards Agency's website. The average score is 4.91, with 92% of the pubs achieving a top rating of five stars and 7% receiving four stars. This is the highest average rating for any pub or restaurant company. In the separate Scottish scheme, which records either a 'pass' or 'fail', all of our 65 pubs have passed.

In the 2015 Good Beer Guide, a CAMRA publication, 317 of our pubs have been recommended, more than any other pub company. In addition, over 900 of our pubs are Cask Marque approved – Cask Marque is a pub-industry scheme, run in conjunction with several brewers, which checks and approves the quality of real ale in pubs. We continue to source our traditional ales from a large number of microbreweries of varying sizes and believe that we are the biggest purchaser of microbrewery beer in the UK.

We continue to run the world's biggest real-ale festival twice per annum and have added a cider festival in recent times, featuring a wide variety of suppliers from the UK, Europe and elsewhere in the world.

We continue to work with our suppliers on both a quality and marketing basis. For example, 97% of our pubs have achieved 'Master Brewer Accreditation' from Guinness; we are still the world's number-one seller of Pimm's, having sold more Pimm's in one day on 16 August 2014 than any other company has ever done.

We paid £29.2 million in respect of bonuses and free shares to employees in the year, slightly more than the previous year, of which 96% was paid to staff below board level and 82% was paid to staff working in our pubs.

As in previous years, we continue to concentrate on areas such as training, where we have won numerous awards and endorsements over the years. We also continue to invest in our pubs and have upgraded, and continue to upgrade, many of our kitchens and back-of-house facilities. For example, we plan to spend £16.0 million in the next four years, creating and improving staff rooms.

In the field of charity, thanks to the work of our dedicated pub and head-office teams, we continue to raise record amounts of money for CLIC Sargent, which supports young cancer patients and their families. In the last year, we raised approximately £1.7 million, bringing the total raised to over £9.2 million – more than any other corporate partner has raised for this charity.

**General tax matters**

We continue to believe that pubs are taxed excessively and that the government would create more jobs and receive higher levels of overall revenue, if it were to create tax equality among supermarkets, pubs and restaurants. Supermarkets pay virtually no VAT in respect of food sales, whereas pubs pay 20% – and this disparity enables supermarkets to subsidise their alcoholic drinks sales to the detriment of pubs and, indeed, restaurants. This serious economic disadvantage has contributed to the closure of many thousands of pubs, and the pub industry has lost approximately 50% of its beer sales to supermarkets since VAT was increased from 8% over 30 years ago.

Wetherspoon is happy to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we paid total taxes of £600.2 million, an increase of £48.7 million, compared with the previous year, which equates to approximately 43% of our sales.

This equates to an average payment per pub of £662,000 per annum or £12,700 per week.

| | **2014** **£m** | 2013 £m |
|---|---|---|
| VAT | **275.1** | 253.0 |
| Alcohol duty | **157.0** | 144.4 |
| PAYE and NIC | **78.4** | 70.2 |
| Business rates | **44.9** | 46.4 |
| Corporation tax | **18.1** | 18.4 |
| Machine duty | **11.3** | 7.2 |
| Climate change levies | **6.3** | 4.3 |
| Carbon tax | **2.7** | 2.6 |
| Fuel duty | **2.1** | 2.0 |
| Stamp duty | **2.1** | 1.0 |
| Landfill tax | **1.5** | 1.3 |
| Premises and TV licences | **0.7** | 0.7 |
| **TOTAL TAX** | **600.2** | 551.5 |
| **TAX PER PUB (£000)** | **662** | 632 |
| **TAX AS % OF SALES** | **42.6%** | 43.1% |
| **PRE-EXCEPTIONAL PROFIT AFTER TAX** | **58.9** | 56.5 |
| **PROFIT AFTER TAX AS % OF SALES** | **4.2%** | 4.4% |

## Tax Equality Day

In order to draw attention to the current unfair tax régime, Wetherspoon is supporting Tax Equality Day (Wednesday 24 September 2014), in association with Jacques Borel's VAT Club – also supported by many others, including Punch, Fuller's, Adnams and thousands of individual publicans. At Wetherspoon, we are reducing our prices by about 7.5%, to reflect the likely reduction in prices which consumers would see, if VAT in pubs were reduced. We are sure that this offer will be extremely popular with customers and will, undoubtedly, increase the amount of revenue for the government as well, if it succeeds in reversing the increase in off-sales through supermarkets – even for one day.

## Corporate governance

Last year, I expressed scepticism about aspects of corporate governance 'best practice', based on the observation that, in recent years, compliant pub companies had often fared disastrously in comparison with non-compliant ones. In particular, pub companies in which the CEO became chairman and which had a majority of executives and 'non-independent' non-executives, usually with previous experience in the pub trade, avoided making the catastrophic errors to which compliant companies seemed prone. Compliant companies, with a so-called independent non-executive chairman and dominated by non-executive directors, often with a very small number of executive directors, tended to be excessively influenced by City fashions, creating instability and poor performance as a result. In addition, I expressed the view that performance-based pay was, in effect, a double-edged sword, since setting targets for achievement often resulted in, for example, excessive debt as a means of enhancing earnings, as well as other distortions in behaviour. It was noted that banks in the credit crunch were also compliant, but this had not prevented disaster.

These views, clearly set out in last year's chairman's statement, have not been contradicted by any party in the interim. No questions have been raised about this aspect of the chairman's statement in meetings between the company and our shareholders. Indeed, corporate governance issues have almost never been raised by shareholders in all of our meetings with them in the 22 years since our flotation on the stock market. This year, several Wetherspoon executives and I have considered the UK Corporate Governance Code (2012), to try to throw light on this divergence in performance, bearing in mind the problems in recent times at companies like Marks and Spencer, Tesco and Morrisons, with ever-changing compliant boards struggling to run what were previously successful and stable companies.

The general view of our management team is that the UK Corporate Governance Code does not, as it purports to do, 'facilitate effective, entrepreneurial and prudent management that can deliver the long-term success' of companies. The main fault we see is that the code is much too 'City centric' and 'board centric', emphasising the importance of meetings between shareholders and the chairman and between various permutations of board members. These meetings may be desirable or necessary, from time to time, but are much less important than directors of a pub company, for example, visiting its pubs and making a note of the comments of staff and customers (as is the practice at Wetherspoon), for the purpose of board and other discussions. The road to hell in pub companies lies in emphasising the views of shareholders over those of employees on the 'front line'.

This point was best summed up by the legendary Sam Walton of Walmart in 'Made in America':

'As companies get larger … it becomes … tempting to … go to New York and speak to the … people that own your stock … I feel our time is best spent with our own people in the stores … Not that we don't go out of our way to keep Wall Street up to date on what's going on with the company.'

He further stated:
'What's really worried me over the years is not our stock price, but that we might someday fail to take care of our customers or that our managers might fail to motivate and take care of our (employees)…. Those challenges are more real than somebody's theory that we're heading down the wrong path…. As business leaders, we absolutely cannot afford to get all caught up in trying to meet the goals that some … institution … sets for us. If we do that, we take our eye off the ball…. If we fail to live up to somebody's hypothetical projection for what we should be doing, I don't care. We couldn't care less about what is forecast or what the market says we ought to do.'

As Sam Walton indicated, it is clearly a vital priority for pub and retail company directors, for example, to keep in touch with employees and customers' views, yet the code does not mention these aspects at all. In this respect, the theoretical separation of the running of a board and a company, as advanced by the code, is a highly dangerous concept. In order to run a business well, the directors need to appear regularly on the 'front line'. This excessive emphasis on City/shareholders' views is likely to stem from the nature of the FRC board itself, whose membership is dominated by individuals, no doubt well intentioned, with finance and City backgrounds, with few or no representatives from other spheres.

Recent reports have stated that the average institutional fund manager turns over his share portfolio about twice a year. Inevitably, in these circumstances, advice from an average fund manager may tend to be based on short-term considerations and of no, or limited, use to directors. Sensible institutional shareholders recognise these parameters and will offer an opinion, if asked, and mostly restrict themselves to asking questions, enabling them to form an investment view. Anyone who has read the works of Benjamin Graham or Warren Buffett will be aware of their views that markets often suffer from deep and serious mental instability, so the idea of consulting 'Mr Market' as a regular source of wisdom is unrealistic and potentially dangerous. On the other hand, by concentrating on listening to the views of employees who understand best the challenges facing the business, directors will make a positive contribution to their companies.

As an illustration of this imbalance, a word search indicates 65 references in the code to shareholders, three to employees and none to customers – a reversal of this ratio would indicate a better sense of priorities.

Emphasising the pitfalls, the only serious approach from a shareholder, regarding Wetherspoon's corporate strategy since our 1992 flotation, concerned the desire of one large shareholder, Hermes, in 2005, which urged Wetherspoon to start converting its pubs to tenancies, in order to take advantage of the higher share valuation which applied to Punch Taverns and Enterprise Inns at that time. This was not helpful advice then and appeared to us to be focused on short-term share performance at the expense of any other considerations and was advice which the board chose not to follow.

The current advice that non-executives should remain on boards for a maximum of nine years, combined with the normal short tenure of chief executive officers of four to five years, has created boardrooms in which inexperience and short-term City considerations dominate and in which there is a demoralising instability for employees. As one sage has stated, 'when experience is not retained, infancy is perpetual'.

The code should also, we believe, be franker in admitting to the shortcomings of current and previous guidance. Remuneration committees, for example, which were introduced to control pay which was perceived to be excessive, have overseen an explosion in the levels of remuneration. The 'pay for performance' mantra has meant, in effect, the setting of complex targets for bonuses which have greatly lengthened and complicated reports and accounts, but have exacerbated, not alleviated, the basic problem. As a general observation, far too much financial reporting is couched in financial jargon and 'business speak', making corporate documents difficult to understand and being contrary to the stated approach of making reporting more transparent.

In conclusion, it is our view that corporate governance, as reflected in the code and in common practice is, in many respects, deeply flawed as regards pub companies and probably many other types of company as well. The boards of many PLCs are often highly unstable owing to their domination by non-executive directors on relatively short-term contracts. A greater percentage of executive representation on the board, greater emphasis on all directors liaising with staff on the front line, rather than shareholders, and less emphasis on pay for performance are the key elements which need to be modified.

**Current trading and outlook**

The biggest danger to the pub industry, as indicated above, is the VAT disparity between supermarkets and pubs. Wetherspoon, along with many pub and restaurant companies, is supporting Jacques Borel's VAT Club on Tax Equality Day (Wednesday 24 September 2014) to publicise this inequality.

A similar danger relates to the general tone of corporate governance advice and practice, as discussed above, which has helped to create unstable board rooms, often preoccupied by the wrong considerations. For example, many do not even recognise the danger from the VAT disparity, despite the high weekly level of pub closures which has lasted for many years.

In the six weeks to 7 September 2014, like-for-like sales increased by 6.3%, with total sales increasing by 11.4%.

The company is aiming for a reasonable outcome in the current financial year.

**Tim Martin**
Chairman
11 September 2014

**INCOME STATEMENT** for the 52 weeks ended 27 July 2014
J D Wetherspoon plc, company number: 1709784

| | Notes | 52 weeks ended 27 July 2014 Before exceptional items Total £000 | 52 weeks ended 27 July 2014 Exceptional items (note 4) Total £000 | 52 weeks ended 27 July 2014 After exceptional items Total £000 | 52 weeks ended 28 July 2013 Before exceptional items Total £000 | 52 weeks ended 28 July 2013 Exceptional items (note 4) Total £000 | 52 weeks ended 28 July 2013 After exceptional items Total £000 |
|---|---|---|---|---|---|---|---|
| **Revenue** | **2** | **1,409,333** | – | **1,409,333** | 1,280,929 | – | 1,280,929 |
| Operating costs | | **(1,293,758)** | – | **(1,293,758)** | (1,169,619) | (19,800) | (1,189,419) |
| **Operating profit** | **3** | **115,575** | – | **115,575** | 111,310 | (19,800) | 91,510 |
| Finance income | **6** | **67** | – | **67** | 118 | – | 118 |
| Finance costs | **6** | **(36,280)** | **(997)** | **(37,277)** | (34,485) | – | (34,485) |
| **Profit before taxation** | | **79,362** | **(997)** | **78,365** | 76,943 | (19,800) | 57,143 |
| Income tax expense | **7** | **(20,499)** | **(16,744)** | **(37,243)** | (11,731) | 776 | (10,955) |
| **Profit for the year** | | **58,863** | **(17,741)** | **41,122** | 65,212 | (19,024) | 46,188 |
| Basic earnings per share | **8** | **48.6** | | **33.9** | 46.2 | | 37.8 |
| Basic diluted earnings per share | **8** | **47.0** | | **32.8** | 44.8 | | 36.6 |

**STATEMENT OF COMPREHENSIVE INCOME** for the 52 weeks ended 27 July 2014

| | Notes | **52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 |
|---|---|---|---|
| *Items which may subsequently be reclassified to profit or loss* | | | |
| Interest-rate swaps: gain taken to other comprehensive income | | **13,879** | 21,984 |
| Tax on items taken directly to other comprehensive income | **7** | **(2,776)** | (6,378) |
| **Net gain recognised directly in other comprehensive income** | | **11,103** | 15,606 |
| Profit for the year | | **41,122** | 46,188 |
| **Total comprehensive income for the year** | | **52,225** | 61,794 |

**CASH FLOW STATEMENT** for the 52 weeks ended 27 July 2014
J D Wetherspoon plc, company number: 1709784

| | **Notes** | **52 weeks ended 27 July 2014 £000** | **Free cash flow 52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 | Free cash flow 52 weeks ended 28 July 2013 £000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | **9** | **212,505** | **212,505** | 164,922 | 164,922 |
| Interest received | | **78** | **78** | 122 | 122 |
| Interest paid | | **(33,996)** | **(33,996)** | (31,569) | (31,569) |
| Corporation tax paid | | **(18,070)** | **(18,070)** | (18,370) | (18,370) |
| Gaming machine settlement | **4** | **(16,696)** | | – | |
| **Net cash inflow from operating activities** | | **143,821** | **160,517** | 115,105 | 115,105 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(46,300)** | **(46,300)** | (35,051) | (35,051) |
| Purchase of intangible assets | | **(9,926)** | **(9,926)** | (5,880) | (5,880) |
| Proceeds on sale of property, plant and equipment | | **505** | | 645 | |
| Investment in new pubs and pub extensions | | **(97,694)** | | (53,135) | |
| Freehold reversions | | **(14,823)** | | (7,660) | |
| Investment properties | | **(8,754)** | | – | |
| Lease premiums paid | | **(10)** | | (93) | |
| **Net cash outflow from investing activities** | | **(177,002)** | **(56,226)** | (101,174) | (40,931) |
| **Cash flows from financing activities** | | | | | |
| Equity dividends paid | **11** | **(14,949)** | | (15,053) | |
| Purchase of own shares for cancellation | | **(24,550)** | | – | |
| Purchase of own shares for share-based payments | | **(7,338)** | **(7,338)** | (8,825) | (8,825) |
| Advances under bank loans | **10** | **92,151** | | 17,585 | |
| Loan issue costs | **10** | **(4,103)** | **(4,103)** | – | |
| Finance lease principal payments | **10** | **(5,552)** | | (5,841) | |
| **Net cash inflow/(outflow) from financing activities** | | **35,659** | **(11,441)** | (12,134) | (8,825) |
| **Net increase in cash and cash equivalents** | **10** | **2,478** | | 1,797 | |
| Opening cash and cash equivalents | | **29,837** | | 28,040 | |
| **Closing cash and cash equivalents** | | **32,315** | | 29,837 | |
| **Free cash flow** | **8** | | **92,850** | | 65,349 |
| **Free cash flow per ordinary share** | **8** | | **74.1p** | | 51.8p |

**BALANCE SHEET** for the 52 weeks ended 27 July 2014
J D Wetherspoon plc, company number: 1709784

| | Notes | 27 July 2014 £000 | 28 July 2013 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **12** | **1,068,067** | 956,928 |
| Intangible assets | **13** | **26,838** | 20,166 |
| Deferred tax assets | **7** | **6,033** | 8,808 |
| Investment properties | **14** | **8,713** | – |
| Other non-current assets | **15** | **9,766** | 9,897 |
| Derivative financial instruments | | **1,723** | – |
| **Total non-current assets** | | **1,121,140** | 995,799 |
| | | | |
| **Current assets** | | | |
| Inventories | | **22,312** | 19,857 |
| Receivables | | **23,901** | 23,940 |
| Cash and cash equivalents | | **32,315** | 29,837 |
| **Total current assets** | | **78,528** | 73,634 |
| | | | |
| Assets held for sale | | – | 422 |
| **Total assets** | | **1,199,668** | 1,069,855 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **(243,160)** | (201,456) |
| Borrowings | | **(2,636)** | (5,552) |
| Provisions | | **(4,442)** | (6,491) |
| Derivative financial instruments | | **(3,149)** | – |
| Current income tax liabilities | | **(3,872)** | (9,313) |
| **Total current liabilities** | | **(257,259)** | (222,812) |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **(586,230)** | (498,498) |
| Derivative financial instruments | | **(28,740)** | (44,045) |
| Deferred tax liabilities | **7** | **(83,686)** | (58,408) |
| Provisions | | **(3,055)** | (3,520) |
| Other liabilities | | **(13,530)** | (27,657) |
| **Total non-current liabilities** | | **(715,241)** | (632,128) |
| | | | |
| **Net assets** | | **227,168** | 214,915 |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | | **2,460** | 2,521 |
| Share premium account | | **143,294** | 143,294 |
| Capital redemption reserve | | **1,971** | 1,910 |
| Hedging reserve | | **(24,133)** | (35,236) |
| Retained earnings | | **103,576** | 102,426 |
| **Total shareholders' equity** | | **227,168** | 214,915 |

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Notes | Share capital £000 | Share premium account £000 | Capital redemption reserve £000 | Hedging reserve £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **At 29 July 2012** | | **2,521** | **143,294** | **1,910** | **(50,842)** | **72,761** | **169,644** |
| Profit for the year | | | | | | 46,188 | **46,188** |
| Interest-rate swaps: gain taken to equity | | | | | 21,984 | | **21,984** |
| Tax on items taken directly to equity | **7** | | | | (6,378) | | **(6,378)** |
| Total comprehensive income | | | | | 15,606 | 46,188 | **61,794** |
| Share-based payments | | | | | | 6,539 | **6,539** |
| Deferred tax on share-based payments | | | | | | 816 | **816** |
| Purchase of shares held in trust | | | | | | (8,787) | **(8,787)** |
| Tax on purchase of shares held in trust | | | | | | (38) | **(38)** |
| Dividends | **11** | | | | | (15,053) | **(15,053)** |
| **At 28 July 2013** | | **2,521** | **143,294** | **1,910** | **(35,236)** | **102,426** | **214,915** |
| Profit for the year | | | | | | 41,122 | **41,122** |
| Interest-rate swaps: gain taken to equity | | | | | 13,879 | | **13,879** |
| Tax on items taken directly to equity | **7** | | | | (2,776) | | **(2,776)** |
| Total comprehensive income | | | | | 11,103 | 41,122 | **52,225** |
| Repurchase of shares | | (61) | | 61 | | (24,428) | **(24,428)** |
| Tax on repurchase of shares | | | | | | (122) | **(122)** |
| Share-based payments | | | | | | 7,521 | **7,521** |
| Deferred tax on share-based payments | | | | | | (663) | **(663)** |
| Purchase of shares held in trust | | | | | | (7,304) | **(7,304)** |
| Tax on purchase of shares held in trust | | | | | | (34) | **(34)** |
| Currency translation reserve | | | | | | 7 | **7** |
| Dividends | **11** | | | | | (14,949) | **(14,949)** |
| **At 27 July 2014** | | **2,460** | **143,294** | **1,971** | **(24,133)** | **103,576** | **227,168** |

The balance classified as share capital represents proceeds arising on issue of the company's equity share capital, comprising 2p ordinary shares and the cancellation of shares repurchased by the company.

The capital redemption reserve increased owing to the purchase of a number of shares in the period.

Shares acquired in relation to the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 27 July 2014, the number of shares held in trust was 3,852,077 (2013: 4,297,392), with a nominal value of £77,042 (2013: £85,948) and a market value of £28,235,724 (2013: £32,745,127) and are included in retained earnings.

Hedging gain/loss arises from the movement of fair value in the company's financial derivative instruments.

As at 27 July 2014, the company had distributable reserves of £79.4 million (2013: £67.2 million).

## 1 Accounting policies and basis of preparation

The preliminary announcement for the 52-week period ended 27 July 2014 has been prepared in accordance with the accounting policies as disclosed in J D Wetherspoon plc's annual report and accounts for 2013.

The annual financial information presented in this preliminary announcement for the 52-week period ended 27 July 2014 is based on, and is consistent with, that in the company's audited financial statements for the 52-week period ended 27 July 2014, and those financial statements will be delivered to the Registrar of Companies, following the company's annual general meeting. The independent auditors' report on those financial statements is unqualified and does not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Information in this preliminary announcement does not constitute statutory accounts of the company within the meaning of section 434 of the Companies Act 2006. The full financial statements for the company for the 52-week period ended 28 July 2013 have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements was unqualified and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

## 2 Revenue

Revenue disclosed in the income statement is analysed as follows:

| | **52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| Sales of food, beverages, hotel rooms and machine income | **1,409,333** | 1,280,929 |

## 3 Operating profit before exceptional items – analysis of costs by nature

This is stated after charging/(crediting):

| | **52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| Concession rental payments | **17,166** | 15,054 |
| Minimum operating lease payments | **52,538** | 52,371 |
| Repairs and maintenance | **56,603** | 48,030 |
| Net rent receivable | **(845)** | (623) |
| Depreciation of property, plant and equipment (note 12) | **54,459** | 50,084 |
| Amortisation of intangible assets (note 13) | **3,254** | 2,650 |
| Amortisation of non-current assets (note 15) | **321** | 363 |
| Amortisation of investment properties (note 14) | **41** | – |
| Share-based payments (note 5) | **7,869** | 6,539 |
| Net impairment charges | **1,012** | – |
| Net onerous lease provision | **(228)** | – |
| Loss on disposal of fixed assets | **645** | – |

### Auditors' remuneration

| | | |
|---|---|---|
| Fees payable for the audit of the financial statements | **161** | 165 |
| Fees payable for other services: | | |
| – assurance services | **30** | 29 |
| – non-audit services | – | 20 |
| Total auditors' fees | **191** | 214 |

| | 52 weeks ended 27 July 2014 £000 | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| **Revenue** | **1,409,333** | 1,280,929 |
| Cost of sales | **(1,241,584)** | (1,121,787) |
| Gross profit | **167,749** | 159,142 |
| Administration costs | **(52,174)** | (47,832) |
| **Operating profit before exceptional items** | **115,575** | 111,310 |
| Exceptional items (note 4) | – | (19,800) |
| **Operating profit after exceptional items** | **115,575** | 91,510 |

The cost of inventory expensed in the year is not disclosed, as management deems this to be commercially sensitive, in the highly competitive market in which the company operates.

## 4 Exceptional items

| | 52 weeks ended 27 July 2014 £000 | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| **Operating exceptional items** | | |
| Property impairment | – | 15,551 |
| Onerous lease provision | – | 3,278 |
| Loss on disposal of property, plant and equipment | – | 971 |
| **Total operating exceptional items** | **–** | 19,800 |
| **Other exceptional items** | | |
| Interest payable on gaming machine VAT repayment | **997** | – |
| Income tax expense – current tax | **(4,375)** | (776) |
| Income tax expense – deferred tax | **21,119** | – |
| Exceptional items | **17,741** | 19,024 |

The exceptional item in the current year of £1.0 million relates to interest which was paid in respect of £15.7 million received from HMRC in April 2010, relating to VAT on gaming machine revenue. This was repaid, along with interest, following the successful appeal by HMRC in October 2013.

In addition, an agreement was reached with HMRC in respect of a long-outstanding dispute about the treatment of capital allowances. As a result of this agreement, tax computations have been resubmitted and have resulted in a refund due of £4.4 million. Deferred tax liabilities arise as a result of capital allowances which can be claimed more quickly than the assets depreciate. As a result of the agreement with HMRC, a one-off charge of £21.1 million was made to reflect the future deferred tax liability.

Charges for the current year, in respect of impairment and onerous leases, were not significant and so are not presented as exceptional items. Details can be found in note 3

## 5 Employee benefits expense

| | **52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| Wages and salaries | **368,335** | 326,479 |
| Social Security costs | **24,008** | 21,778 |
| Other pension costs | **3,213** | 2,187 |
| Share-based payments | **7,521** | 6,539 |
| | **403,077** | 356,983 |

| **Directors' emoluments** | **2014 £000** | 2013 £000 |
|---|---|---|
| Aggregate emoluments | **1,623** | 1,641 |
| Aggregate amount receivable under long-term incentive schemes | **346** | 938 |
| Company contributions to money purchase pension scheme | **113** | 107 |
| | **2,082** | 2,686 |

The totals below relate to the monthly average number of employees during the year, not the total number of employees at the end of the year (including directors on a service contract).

| | **2014 Number** | 2013 Number |
|---|---|---|
| **Full-time equivalents** | | |
| Managerial/administration | **4,419** | 4,065 |
| Hourly paid staff | **16,911** | 15,011 |
| | **21,330** | 19,076 |

| | **2014 Number** | 2013 Number |
|---|---|---|
| **Total employees** | | |
| Managerial/administration | **4,419** | 4,065 |
| Hourly paid staff | **28,216** | 25,406 |
| | **32,635** | 29,471 |

During the year under review, a change in the basis of calculating the full time equivalents was made as a result of a reduction to the working hours per week from 48.0 hours to 37.5 hours for the purpose of this calculation. Comparative figures have been restated to reflect this change.

The shares awarded as part of the above schemes are based on the cash value of the bonuses at the date of the awards. These awards vest over three years – with their cost spread equally over their three-year life. The share-based payment charge above represents the annual cost of bonuses awarded over the past three years.

The company operates two share-based compensation plans. In both schemes, the fair values of the shares granted are determined by reference to the share price at the date of the award. The shares vest at a nil exercise price and there are no market based conditions to the shares that impact their ability to vest.

**6 Finance income and costs**

| | 52 weeks ended 27 July 2014 £000 | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| **Finance costs** | | |
| Interest payable on bank loans and overdrafts | **14,290** | 12,975 |
| Amortisation of bank loan issue costs | **2,320** | 1,655 |
| Interest payable on swaps | **19,300** | 19,233 |
| Interest payable on obligations under finance leases | **370** | 622 |
| Total pre-exceptional finance costs | **36,280** | 34,485 |
| | | |
| Bank interest receivable | **(67)** | (118) |
| **Total pre-exceptional finance income** | **(67)** | (118) |
| | | |
| Exceptional interest charge (note 4) | **997** | – |
| **Net finance costs** | **37,210** | 34,367 |

The net finance costs during the year increased from £34.4 million to £37.2 million. The finance costs in the income statement were covered 3.2 times (2013: 3.2 times), on a pre-exceptional basis.

**7 Income tax expense**

**(a) Tax on profit on ordinary activities**

The standard rate of corporation tax in the UK changed from 23.0% to 21.0%, with effect from 1 April 2014. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 22.3% (2013: 23.7%).

| | 52 weeks ended 27 July 2014 Before exceptional items £000 | 52 weeks ended 27 July 2014 exceptional items (note 4) £000 | 52 weeks ended 27 July 2014 After exceptional items £000 | 52 weeks ended 28 July 2013 Before exceptional items £000 | 52 weeks ended 28 July 2013 Exceptional items (note 4) £000 | 52 weeks ended 28 July 2013 After exceptional items £000 |
|---|---|---|---|---|---|---|
| Current income tax: | | | | | | |
| Current income tax charge | **17,004** | **(4,375)** | **12,629** | 19,356 | (776) | 18,580 |
| Total current income tax | **17,004** | **(4,375)** | **12,629** | 19,356 | (776) | 18,580 |
| | | | | | | |
| Deferred tax: | | | | | | |
| Origination and reversal of temporary differences | **3,495** | **21,119** | **24,614** | 1,095 | - | 1,095 |
| Impact of change in UK tax rate | - | - | - | (8,720) | - | (8,720) |
| Total deferred tax | **3,495** | **21,119** | **24,614** | (7,625) | - | (7,625) |
| | | | | | | |
| **Tax charge in the income statement** | **20,499** | **16,744** | **37,243** | 11,731 | (776) | 10,955 |
| | | | | | | |
| **Tax relating to items charged or credited to other comprehensive income** | | | | | | |
| Deferred tax: | | | | | | |
| Tax charge on interest-rate swaps | **2,776** | **-** | **2,776** | 6,378 | - | 6,378 |
| Tax charge in the statement of comprehensive income | **2,776** | **-** | **2,776** | 6,378 | - | 6,378 |

**(b) Reconciliation of the total tax charge**

The tax expense after exceptional items in the income statement for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 22.3% (2013: 23.7%), owing largely to the adjustment in respect of the change in the tax rate. The differences are reconciled below:

| | **52 weeks ended 27 July 2014 Before exceptional items £000** | **52 weeks ended 27 July 2014 After exceptional items £000** | 52 weeks ended 28 July 2013 Before exceptional items £000 | 52 weeks ended 28 July 2013 After exceptional items £000 |
|---|---|---|---|---|
| Profit before income tax | **79,362** | **78,365** | 76,943 | 57,143 |
| Profit multiplied by the UK standard rate of corporation tax of 22.3% (2013: 23.7%) | **17,722** | **17,499** | 18,210 | 13,524 |
| Abortive acquisition costs and disposals | **78** | **78** | 88 | 88 |
| Other disallowables | **186** | **409** | 116 | 116 |
| Other allowable deductions | **(334)** | **(334)** | (151) | (151) |
| Non-qualifying depreciation | **3,654** | **3,654** | 2,995 | 6,905 |
| Deduction for shares and SIPs | **(69)** | **(69)** | (402) | (402) |
| Deferred tax on balance-sheet-only items | **(331)** | **(331)** | (204) | (204) |
| Prior period adjustment – current tax | **-** | **(4,375)** | **-** | **-** |
| Prior period adjustment – deferred tax | **-** | **21,119** | **-** | **-** |
| Adjustment to deferred tax in respect of change in tax rate | **(407)** | **(407)** | (8,921) | (8,921) |
| Total tax expense reported in the income statement | **20,499** | **37,243** | 11,731 | 10,955 |

**(c) Deferred tax**

The deferred tax in the balance sheet is as follows:

| **Deferred tax liabilities** | **Accelerated tax depreciation £000** | **Other temporary differences £000** | **Total £000** |
|---|---|---|---|
| At 28 July 2013 | **55,258** | **5,873** | **61,131** |
| Prior periods movement posted to the income statement | 20,273 | 893 | 21,166 |
| Movement during year posted to the income statement | 3,775 | - | 3,775 |
| **At 24 July 2014** | **79,306** | **6,766** | **86,072** |

| **Deferred tax assets** | **Share-based payments £000** | **Capital losses carried forward £000** | **Interest-rate swaps £000** | **Total £000** |
|---|---|---|---|---|
| At 28 July 2013 | 1,591 | 1,131 | 8,809 | 11,531 |
| Movement during year posted to the income statement | - | 280 | - | 280 |
| Prior year movement posted to the income statement | - | 47 | - | 47 |
| Movement during year posted to comprehensive income | (663) | - | (2,776) | (3,439) |
| **At 27 July 2014** | **928** | **1,458** | **6,033** | **8,419** |

The Finance Bill 2013 was substantively enacted before the balance sheet date of 27 July 2014. It included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015. The lower rate of 20% has been used to determine the overall net deferred tax liability, as the temporary differences are expected to reverse at the lower rate.

The reversal of the deferred tax asset, in relation to capital losses, is dependent on the availability of capital gains on future disposals. This asset is likely to be reversed after more than 12 months. The deferred tax liabilities are likewise expected to unwind after more than 12 months.

Deferred tax assets and liabilities can be offset as follows:

| | **2014** | 2013 |
|---|---|---|
| Deferred tax liabilities | **86,072** | 61,131 |
| Off-set against deferred tax assets | **(2,386)** | (2,723) |
| Deferred tax liability | **83,686** | 58,408 |
| | | |
| Deferred tax assets | **8,419** | 11,531 |
| Offset against deferred tax liabilities | **(2,386)** | (2,723) |
| Deferred tax asset | **6,033** | 8,808 |

**8 Earnings and cash flow per share**

Earnings per share are based on the weighted average number of shares in issue of 125,312,581 (2013: 126,036,296), including those held in trust in respect of employee share schemes. Earnings per share, calculated on this basis, are usually referred to as "diluted", since all the shares in issue are included.

Accounting standards refer to "basic earnings" per share, which exclude those shares held in trust in respect of employee share schemes.

| **Weighted average number of shares** | **52 weeks ended 27 July 2014** | 52 weeks ended 28 July 2013 |
|---|---|---|
| Shares in issue (used for diluted EPS) | 125,312,581 | 126,036,296 |
| Shares held in trust | (4,174,284) | (3,780,740) |
| Shares in issue less shares held in trust (used for basic EPS) | 121,138,297 | 122,255,556 |

The weighted average number of shares held in trust for employee share schemes has been adjusted to exclude those shares that have vested but which remain in the trust.

| **52 weeks ended 27 July 2014** | Profit £000 | Basic EPS pence per ordinary share | Diluted EPS pence per ordinary share |
|---|---|---|---|
| Earnings (profit after tax) | 41,122 | 33.9 | 32.8 |
| Exclude effect of exceptional items after tax | 17,741 | 14.7 | 14.2 |
| Adjusted earnings before exceptional items | 58,863 | 48.6 | 47.0 |

| **52 weeks ended 28 July 2013** | Profit £000 | Basic EPS pence per ordinary share | Diluted EPS pence per ordinary share |
|---|---|---|---|
| Earnings (profit after tax) | 46,188 | 37.8 | 36.6 |
| Exclude one-off tax benefit (rate change) | (8,720) | (7.2) | (6.9) |
| Adjusted earnings after exceptional items | 37,468 | 30.6 | 29.7 |
| Exclude effect of exceptional items after tax | 19,024 | 15.6 | 15.1 |
| Adjusted earnings before exceptional items | 56,492 | 46.2 | 44.8 |

**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, corporation tax, all other reinvestment in pubs open at the start of the period and the purchase of own shares under the employee Share Incentive Plan ('free cash flow'). It is calculated before taking account of proceeds from property disposals, inflows and outflows of financing from outside sources and dividend payments and is based on the weighted average number of shares in issue, including those held in trust in respect of the employee share schemes.

| **Free cash flow per share** | **52 weeks ended 27 July 2014** | 52 weeks ended 28 July 2013 |
|---|---|---|
| Free cash flow (£000) | **92,850** | 65,349 |
| Free cash flow per share (p) | **74.1** | 51.8 |

**9 Cash generated from operations**

| | **52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| Profit for the year | **41,122** | 46,188 |
| Adjusted for: | | |
| Tax | **37,243** | 10,955 |
| Net impairment charge | **1,012** | 15,551 |
| Net onerous lease provision | **(228)** | 3,278 |
| Loss on disposal of property, plant and equipment | **645** | 971 |
| Amortisation of intangible assets | **3,254** | 2,650 |
| Depreciation of property, plant and equipment | **54,459** | 50,084 |
| Lease premium amortisation | **321** | 363 |
| Depreciation on investment properties | **41** | – |
| Share-based charges | **7,521** | 6,539 |
| Interest receivable | **(67)** | (118) |
| Amortisation of bank loan issue costs | **2,320** | 1,655 |
| Interest payable | **33,960** | 32,830 |
| Exceptional interest | **997** | – |
| | **182,600** | 170,946 |
| Change in inventories | **(2,455)** | 1,118 |
| Change in receivables | **39** | (5,255) |
| Change in payables | **32,321** | (1,887) |
| **Net cash inflow from operating activities** | **212,505** | 164,922 |

**10 Analysis of changes in net debt**

| | At 28 July 2013 £000 | Cash flows £000 | Non-cash movement £000 | **At 27 July 2014 £000** |
|---|---|---|---|---|
| Cash in hand | 29,837 | 2,478 | - | **32,315** |
| Debt due after one year | (493,799) | (88,048) | (2,320) | **(584,167)** |
| Bank borrowing | (463,962) | (85,570) | (2,320) | **(551,852)** |
| Finance lease creditor – due less than one year | (5,552) | 5,552 | (2,636) | **(2,636)** |
| Finance lease creditor – due after one year | (4,699) | - | 2,636 | **(2,063)** |
| Net borrowings | (474,213) | (80,018) | (2,320) | **(556,551)** |
| Derivative: interest-rate swaps | (44,045) | - | 17,028 | **(27,017)** |
| Derivative: interest-rate swaps – due in one year | - | - | (3,149) | **(3,149)** |
| Net debt | (518,258) | (80,018) | 11,559 | **(586,717)** |

**Non-cash movements**

The non-cash movement in debt due after one year relates to the amortisation of bank loan issue costs.

The movement in interest-rate swaps of £13.9 million relates to the change in the 'mark to market' valuations for the year.

## 11 Dividends paid and proposed

| | **52 weeks ended 27 July 2014 £000** | 52 weeks ended 28 July 2013 £000 |
|---|---|---|
| Declared and paid during the year: | | |
| Dividends on ordinary shares: | | |
| – final for 2012/13: 8.0p (2011/12: 8.0p) | **9,987** | 10,021 |
| – interim for 2013/14: 4.0p (2012/13: 4.0p) | **4,962** | 5,032 |
| Dividends paid | **14,949** | 15,053 |
| Proposed for approval by shareholders at the AGM: | | |
| – final dividend for 2013/14: 8.0p (2012/13: 8.0p) | **9,751** | 9,623 |

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 27 July 2014.

## 12 Property, plant and equipment

| | Freehold and long-leasehold property £000 | Short-leasehold property £000 | Equipment, fixtures and fittings £000 | Expenditure on unopened properties £000 | Total £000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 29 July 2012 | 668,059 | 410,089 | 389,730 | 15,556 | 1,483,434 |
| Additions | 2,852 | 11,645 | 27,791 | 55,650 | 97,938 |
| Transfers | 26,470 | 11,302 | 13,090 | (50,862) | - |
| Transfer to/from assets held for sale | 1,693 | 1,135 | - | - | 2,828 |
| Disposals | (1,693) | (1,952) | (2,536) | - | (6,181) |
| Reclassification | 6,090 | (6,090) | - | - | - |
| At 28 July 2013 | 703,471 | 426,129 | 428,075 | 20,344 | 1,578,019 |
| Additions | 27,525 | 22,732 | 38,494 | 78,767 | 167,518 |
| Transfers | 28,355 | 19,692 | 19,784 | (67,831) | - |
| Disposals | (1,316) | (2,692) | (4,429) | - | (8,437) |
| Reclassification | 40,622 | (40,622) | - | - | - |
| **At 27 July 2014** | **798,657** | **425,239** | **481,924** | **31,280** | **1,737,100** |
| Accumulated depreciation and impairment: | | | | | |
| At 29 July 2012 | 119,982 | 167,294 | 270,876 | 941 | 559,093 |
| Provided during the period | 11,107 | 13,127 | 25,850 | - | 50,084 |
| Impairment loss | 6,458 | 6,809 | 1,191 | - | 14,458 |
| Disposals | (1,320) | (797) | (2,179) | - | (4,296) |
| Transfer to/from assets held for sale | 1,328 | 424 | - | - | 1,752 |
| Reclassification | 1,899 | (1,899) | - | - | - |
| At 28 July 2013 | 139,454 | 184,958 | 295,738 | 941 | 621,091 |
| Provided during the period | 9,465 | 16,096 | 28,887 | 11 | 54,459 |
| Impairment loss (reversal) | 2,234 | (1,179) | 137 | - | 1,192 |
| Disposals | (668) | (2,849) | (3,792) | (400) | (7,709) |
| Reclassification | 5,627 | (5,627) | - | - | - |
| **At 27 July 2014** | **156,112** | **191,399** | **320,970** | **552** | **669,033** |
| **Net book amount at 27 July 2014** | **642,545** | **233,840** | **160,954** | **30,728** | **1,068,067** |
| Net book amount at 28 July 2013 | 564,017 | 241,171 | 132,337 | 19,403 | 956,928 |
| Net book amount at 29 July 2012 | 548,077 | 242,795 | 118,854 | 14,615 | 924,341 |

**Impairment of property, plant and equipment**

In assessing whether a pub has been impaired, the book value of the pub is compared with its anticipated future cash flows. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 9% (2013: 10%).

If the value, based on future anticipated cash flows, is lower than the book value, the difference is written off as property impairment.

As a result of this exercise, a net impairment loss of £1,192,000 (2013: £14,458,000) was charged to operating costs in the income statement, as described in note 3. Included within this charge was a reversal of previously impaired assets of £2,211,000 (2013: £766,000). Impairment losses were reversed, as the financial performance of the impaired sites had improved to a point at which management was satisfied that the impairment was no longer required.

Management believes that a reasonable change in any of the key assumptions, for example the discount rate applied to each pub, could cause the carrying value of the pub to exceed its recoverable amount, but that the change would be immaterial.

**Finance leases**

Certain items of furniture, kitchen and IT equipment are subject to finance leases.

The carrying value of these assets, held under finance leases at 27 July 2014, included in equipment, fixtures and fittings, was as follows:

| | **2014** **£000** | 2013 £000 |
|---|---|---|
| Net book value | **8,580** | 10,554 |

**13 Intangible assets**

| | **£000** |
|---|---|
| Cost: | |
| At 29 July 2012 | 29,613 |
| Additions | 5,880 |
| At 28 July 2013 | 35,493 |
| Additions | 9,926 |
| **At 27 July 2014** | **45,419** |
| | |
| Accumulated amortisation: | |
| At 29 July 2012 | 12,677 |
| Amortisation during the period | 2,650 |
| At 28 July 2013 | 15,327 |
| Amortisation during the period | 3,254 |
| **At 27 July 2014** | **18,581** |
| | |
| **Net book amount at 27 July 2014** | **26,838** |
| Net book amount at 28 July 2013 | 20,166 |
| Net book amount at 29 July 2012 | 16,936 |

Amortisation of £3,254,000 (2013: £2,650,000) is included in operating costs in the income statement.

The majority of intangible assets relates to computer software and software development. Examples include the development costs of our SAP accounting system and "Wisdom" property maintenance system.

Included in the intangible assets is £9,298,000 of software which are in the course of development (2013: £4,258,000).

**Finance leases**

Certain intangible assets, for example EPOS and accounting systems, have been purchased using finance leases. The amounts below show the reduction in net book value of assets held under finance leases which are released from security when the debt is repaid.

| | **2014** **£000** | 2013 £000 |
|---|---|---|
| Net book value | **696** | 4,626 |

**14 Investment properties**

During the financial year ending 27 July 2014, the company acquired three freehold properties with existing tenants – and these assets have been classified as investment properties.

| | **2014** **£000** | 2013 £000 |
|---|---|---|
| Investment property | **8,713** | - |

Rental income received in the period from investment properties was £328,000 (2013: £nil). Operating costs incurred in relation to these properties amounted to £41,000 (2013: £nil).

In the opinion of the directors, the cost as stated above is equivalent to the fair value of the properties.

**15 Other non-current assets**

These assets relate to lease premiums whereby the company has paid a landlord a sum of money to take over the benefit of a lease.

| | **Lease premiums £000** |
|---|---|
| Cost: | |
| At 29 July 2012 | 13,977 |
| Additions | 93 |
| At 28 July 2013 | 14,070 |
| Additions | 10 |
| **At 27 July 2014** | **14,080** |
| | |
| Accumulated amortisation and impairment: | |
| At 29 July 2012 | 3,295 |
| Amortisation during the period | 363 |
| Impairment | 515 |
| At 28 July 2013 | 4,173 |
| Amortisation during the period | 321 |
| Impairment reversal | (180) |
| **At 27 July 2014** | **4,314** |
| | |
| **Net book amount at 27 July 2014** | **9,766** |
| | |
| Net book amount at 28 July 2013 | 9,897 |
| | |
| Net book amount at 29 July 2012 | 10,682 |

1. J D Wetherspoon owns and operates pubs throughout the UK. The company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed, and the company aims to maintain them in excellent condition.

2. Visit our website: www.jdwetherspoon.co.uk

3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors, in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.

4. The next interim management statement will be issued on 5 November 2014.