13 September 2013

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 52 weeks ended 28 July 2013)

FINANCIAL HIGHLIGHTS

52 weeks to 28 July 2013	52 weeks to 28 July 2013	Excluding week 53
Before exceptional items		
• Revenue £1,280.9m (2012: £1,197.1m)	+7.0%	+9.3%
• Like-for-like sales	+5.8%	
• Operating profit £111.3m (2012: £107.3m)	+3.7%	+6.0%
• Profit before tax and exceptional items £76.9m (2012: £72.4m)	+6.3%	+8.8%
• Earnings per share (excluding shares held in trust) 46.8p (2012: 41.3p)	+13.3%	
• Earnings per share (including shares held in trust) 44.8p (2012: 39.8p)	+12.6%	
• Full year dividend 12.0p (2012: 12.0p)	Maintained	
After exceptional items		
• Operating profit £91.5m (2012: £93.8m)	-2.5%	
• Profit before tax £57.1m (2012: £58.9m)	-3.0%	
• Basic earnings per share 38.3p (2012: 35.6p)	+7.6%	

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*, despite having paid £551.5m in taxes during the year (equivalent to £632,000 per pub) and rewarding staff with £28.6m of bonuses. Our post-tax profit* increased by £7.9m, yet our taxes paid increased by £32.2m.

"It is unsustainable to have far higher taxes for the pub industry than those for supermarkets. Already, 10,000 pubs have closed and many others are suffering, through insufficient investment. In particular, there should be VAT equality for pubs, restaurants and supermarkets. Wetherspoon, along with many other pub and restaurant groups, is supporting Jacques Borel's VAT Club on Tax Parity Day (Wednesday 25 September) – and we will offer a one-day 7.5% reduction in our prices, to publicise this inequality.

"In the year, we successfully concluded the long-running series of legal cases, following the successful Van de Berg judgment, receiving out-of-court settlements of £1.25m from Anthony Lyons, formerly of Davis Coffer Lyons, and £400,000 from Jason Harris, formerly of First London. Both Mr Lyons and Mr Harris denied liability – and the cases were contested.

"In the six weeks to 8 September 2013, like-for-like sales increased by 3.6%. In the last fortnight, like-for-like sales were 2.5% – and this level may be an indicator for future sales growth. Overall, the company is aiming for a reasonable outcome in the current financial year."

*Pre-exceptional items

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Photographs are available at: www.newscast.co.uk

CHAIRMAN'S STATEMENT, OPERATING AND FINANCE REVIEW

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 30th year since incorporation in 1983. The table below outlines some key indicators of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items and free cash flow have grown by an average of 16.4 per cent per annum.

Summary accounts for the years ended July 1984 to 2013

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

Notes
Adjustments to statutory numbers

1. Where appropriate, the 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.

The year under review comprised 52 weeks, whereas the previous year was 53 weeks. Unless stated, the comparisons below reflect the fact that there was one week fewer in the year under review than in the previous year. Like-for-like sales, on a 52-week basis, increased by 5.8%, with total sales of £1,280.9 million for the 52 weeks, increasing by 7.0%, compared with the 53-week period in the previous year (2012: 11.7%). Like-for-like bar sales increased by 3.8% (2012: 2.8%), food sales by 10.9% (2012: 4.8%) and machine sales by 0.4% (2012: decreased by 2.8%).

Operating profit before exceptional items increased by 3.7% to £111.3 million (2012: £107.3 million) and, after exceptional items, decreased by 2.5% to £91.5 million (2012: £93.8 million). The operating margin, before exceptional items, decreased to 8.7% (2012: 9.0%), mainly as a result of increases in taxation, utilities and bar and food costs. The operating margin after exceptional items was 7.1% (2012: 7.8%).

Profit before tax and exceptional items increased by 6.3% to £76.9 million (2012: £72.4 million) and, after exceptional items, decreased by 3.0% to £57.1 million (2012: £58.9 million). Earnings per share (which exclude shares held in trust by the employee share scheme) before exceptional items increased by 13.3% to 46.8p (2012: 41.3p). Basic earnings on the same basis after exceptional items increased by 7.6% to 38.3p (2012: 35.6p).

If the weighted average number of shares held in trust by the employee share scheme is included in the calculation, earnings per share before exceptional items increased by 12.6% to 44.8p (2012: 39.8p).

Net interest was covered 3.2 times by operating profit before exceptional items (2012: 3.1 times) and 2.7 times by operating profit after exceptional items (2012: 2.7 times). Total capital investment was £101.8 million in the period (2012: £120.6 million), with £60.9 million on new pub openings (2012: £75.4 million) and £40.9 million on existing pubs and IT infrastructure (2012: £45.2 million).

Exceptional items before tax totalled £19.8 million (2012: £13.5 million), £0.2 million of which resulted in the expenditure of cash. The exceptional items relate to the impairment of trading pub assets of £15.6 million (2012: £7.8 million), a provision for onerous leases of £3.3 million (2012: £2.2 million) and a loss on the disposal of property, plant and equipment of £1.0 million (2012: £1.1 million). The total provision for impairment and onerous leases is now £47.6 million, compared with the original cost of our assets of £1.58 billion.

Free cash flow, after capital investment of £40.9 million on existing pubs (2012: £45.2 million), £8.8 million in respect of share purchases for employees under the company's share-based payment schemes (2012: £5.8 million) and payments of tax and interest, decreased by £26.2 million to £65.3 million (2012: £91.5 million), owing to a working capital outflow of £6.0 million in the year under review, compared with an inflow of £35.5 million in the previous year. Free cash flow per share was 51.8p (2012: 70.4p).

Property

The company opened 29 pubs during the year, with three pubs sold, resulting in a total estate of 886 pubs at the financial year end. The average development cost for a new pub (excluding the cost of freeholds) was £1.55 million, compared with £1.42 million a year ago, as we continue to increase expenditure on kitchens, customer areas and beer gardens. The full-year depreciation charge was £53.1 million (2012: £49.2 million).

We currently intend to open around 30 pubs in the year ending July 2014.

Property litigation

As reported in our interim accounts, Wetherspoon agreed on an out-of-court settlement with developer Anthony Lyons, formerly of property leisure agent Davis Coffer Lyons. Wetherspoon 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.

Before the year end, the company also 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.

In the previous 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.

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

Corporation tax

The overall tax charge (including deferred tax) on pre-exceptional items, before taking into account the effect of the tax-rate change on deferred tax is 26.6% (2012: 28.6%). The UK standard average tax rate for the period is 23.7% (2012: 25.3%). The difference between the effective tax rate of 26.6% and the standard average rate of UK corporation tax of 23.7% is 2.9% (2012: 3.2%) 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 0.5% to 25.1% (2012: 25.6%). This is largely due to the standard average rate of UK corporation tax falling from 25.3% to 23.7% offset by reduced capital allowances being available.

Financing

As at 28 July 2013, the company's total net debt, including bank borrowings and finance leases, but excluding derivatives, was £474.2 million (2012: £462.6 million), an increase of £11.6 million. Factors which have led to the increase in debt are 29 new pub openings costing £60.9 million, investment in existing pubs of £40.9 million and dividend payments of £15.1 million. Year-end net-debt-to-EBITDA was 2.88 times (2012: 2.96 times).

As at 28 July 2013, the company had £111.0 million (2012: £128.5 million) of unutilised banking facilities and cash balances, with total facilities of £575.0 million (2012: £575.0 million). The company's existing interest-rate swap arrangements remain in place.

Following the period end, the company agreed on a new bank facility with a syndicate of nine banks which increased the funds available to £690.0 million and extended the term to March 2018.

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay a final dividend of 8.0p per share (2012: 8.0p per share), on 28 November 2013, to those shareholders on the register on 25 October 2013, giving a total dividend for the year of 12.0p per share (2012: 12.0p per share). The dividend is covered 3.2 times (2012: 3.0 times) by earnings. 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.

Further progress

As in the past, the Company has tried to improve many areas of the business. During the year, our catering team upgraded many items on our menu and introduced several new items which, together, helped to produce strong like-for-like sales growth. As regards bar sales, in the face of fierce competition from supermarkets, we achieved record volumes of traditional ales and ciders and continued to promote a wide range of attractive bottled beers, wines and spirits from the UK and the rest of the world.

We continue to recognise that attracting and retaining the best employees are the keys to future success; in this context, bonuses and free shares totalling £28.6 million, which amounts to 37% of our profits before tax, were paid to employees. About 83% of this sum was paid to employees working in our pubs, with just over half being paid to the pub management team and the remainder being paid to our hourly paid staff.

As in previous years, we have continued our efforts in respect of training, including both government-sponsored apprenticeship schemes and our own schemes, enabling many thousands of employees, over the years, to start as bar staff and progress through various stages of promotion to become duty managers and, eventually, for successful candidates, pub managers. Most of our area managers, each of whom is responsible for approximately a dozen pubs, started as a pub manager. A large percentage of the senior management positions in the company generally is occupied by those who have previously run pubs.

We continue our efforts to improve our IT systems. Our 'Myjdw' website, which enables close communication between employees and the company, continues to be upgraded. We have also invested in other areas, including faster credit-card approval at the bar in our pubs, so increasing the speed of service for customers and also general efficiency.

We have continued our efforts in raising money for CLIC Sargent, which supports young cancer patients and their families. In the year, we raised over £1.6 million for the charity, bringing the total raised to £7.6 million, making Wetherspoon the biggest corporate partner for CLIC Sargent.

General tax matters

As we have pointed out in previous years, we 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 parity 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.

This does not make economic sense for the government, since pubs create far more jobs per meal or per pint than supermarkets, for reasons which are self-evident. They also pay far more taxes per pint or per meal than supermarkets, and this would remain the case even if VAT levels were reduced in pubs. It cannot make sense for any government to perpetuate a tax advantage for supermarkets in this context.

A main consequence of the tax disparity between supermarkets and pubs is that pubs in the less-well-off areas of the country suffer most, as do the residents and local authorities in those areas, who are deprived of the facilities and, to an extent, the income from taxes they would otherwise receive. This is because customers in less-well-off areas are more sensitive, as a matter of common sense, to the price differential which is created by the current tax régime. As a result, they inevitably end up using supermarkets more and pubs less. The results are evident to see, with large numbers of pubs closing in less-affluent areas, with undesirable social and economic consequences in the majority of the country. In affluent areas, the price differential between pubs and supermarkets is less acutely felt, although still important for a considerable percentage of those living in these areas.

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 £551.5 million, an increase of £32.2 million compared with the previous year, which equates to approximately 43% of our sales.

	2013 £m	**2012 £m**
VAT	**253.0**	241.2
Alcohol duty	**144.4**	136.8
PAYE and NIC	**70.2**	67.1
Business rates	**46.4**	43.9
Corporation tax	**18.4**	18.2
Machine duty	**7.2**	3.3
Climate change levy	**4.3**	1.9
Fuel duty	**2.0**	1.9
Carbon tax	**2.6**	2.4
Stamp duty	**1.0**	0.8
Landfill tax	**1.3**	1.3
Premise licence and TV licences	**0.7**	0.5
TOTAL TAX	**551.5**	519.3
TAX PER PUB (000)	**632**	617
TAX AS % OF SALES	**43.1%**	43.4%
PRE-EXCEPTIONAL PROFIT AFTER TAX	**65.2**	57.3
PAT AS % OF SALES	**5.1%**	4.8%

Tax parity day

In order to draw attention to the current unfair tax régime, Wetherspoon is supporting ‘Tax Parity Day’ (Wednesday, 25 September 2013) in association with Jacques Borel’s VAT Club – also supported by many others, including Punch, Fullers, Pizza Hut 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

In my opinion, a strange paradox is that companies in the pub business which have complied least with governance guidelines seem to have fared the best. Family brewers like Fuller’s, Young’s and Shepherd Neame, which have often had a chairman who had previously been chief executive, a majority of executives on the board and non-executive directors who are either not ‘independent’ or have been on the board for more than the recommended time, have tended to do well, whereas the compliant boards of the large pub companies have struggled greatly, in many cases, in the last decade.

One reason may be that the non-compliant boards have been more resistant to the sometimes foolish ideas which take hold of financial markets. The main misconceived fashion of the last decade and a half has been in relation to so-called ‘efficient balance sheets’. This fashion encouraged excessively high levels of debt and arrangements such as ‘opco/propco’, which also increased financial gearing.

However, a sensible system of corporate governance, in which non-executive directors play an important role, is clearly necessary, to provide guidance and rules in areas such as levels of pay, appropriate ethical behaviour and to try to restrain egotism and excess in the boardroom.

As Warren Buffet has pointed out, it is easier to criticise corporate governance regulations than to suggest alternatives. My own view is that companies should carefully question whether compliance with the existing guidelines is beneficial in the following areas:

i) Non-executive tenure

The discouragement of non-executives who remain at a company longer than nine years may often be counterproductive, since it usually means that directors have not seen the effects of a recession, for example, on the company which they serve. It may be desirable, in principle, for companies to have non-executive directors who have been there longer than nine years, but it is important for the board and the chairman to take a commonsense view, to reduce the dangers of 'cronyism' or excessive familiarity which might reduce a director's good judgement.

ii) Remuneration guidelines

The corporate governance guidelines have a strong presumption in favour of bonuses and awards which are based on specific targets. In my opinion, this setting of targets has been a key factor in the demise of the banks and many other businesses, since it has encouraged excessive debt. Targets can also create distortions in the behaviour of executives, since they can often be achieved by, for example, reducing costs to a level which adversely affects customer service or by other types of behaviour which prejudice long-term success for the benefit of relatively short-term gains. A considerable percentage of Wetherspoon share awards is not based on targets, other than the requirement of working for the company at the time at which the shares are issued. Naturally, the future value of the shares will depend on the success of the company.

iii) Chief executive becomes chairman

Several of the family brewers, for example, have decided that a chief executive should become chairman – and this can add ballast and gravitas to the board and increase resistance to some of the more harmful ideas which have beset the financial community. This seems to have worked well where the chairman represents family interests, as well as his own shareholding, in the company.

iv) Majority of non-executives on the board

Wetherspoon complies with this advice at the current time, but I believe that it may often be disadvantageous for a board to have a majority of non-executives. This is because it encourages an unrealistically low number of executives on the board, which risks unduly increasing the power of the chief executive. Alternatively, this practice encourages excessively large boards. In the pub industry at least, I believe that companies which have had a majority of executives have fared better than those which have had a majority of non-executives.

v) Board evaluation

A recent requirement of corporate governance is a recommendation for a third party to evaluate the functioning of the board. Delegation of a key task of the chairman and of the directors of the board itself to a third party, often with little or no connection with the company's business and with a very limited knowledge of the directors, may be a dangerous step for a board to take. It is the function of the board itself to evaluate its own performance – and the performance is most evident from the performance of the underlying business. For this reason, I believe it to be best for Wetherspoon to continue with its current system of 'self-evaluation'.

vi) General point

A related matter concerns the huge increase in the size and incomprehensibility of annual reports and accounts; this has been exacerbated by corporate governance reports. As has been well documented, remuneration committee reports, for example, are often extremely difficult to understand. Many corporate governance reports are full of business jargon and repetition. The financial reports themselves are often the worst offenders, frequently using obscure language and definitions. The net effect of this is that annual reports, which should be read by shareholders, have become extremely difficult to digest – and many people have given up. Wetherspoon has attempted, no doubt imperfectly, to reduce jargon and repetition in its report and accounts.

Summary

In my opinion, it is undoubtedly desirable for there to be a set of corporate governance guidelines, similar to those which exist today, by which shareholders and non-executives can create pressure for poorly performing executives to change their behaviour. However, for the reasons set out above, I believe that there are potential dangers in strict compliance with existing corporate governance guidelines– and the qualifications which are suggested above may, in the round, be beneficial to companies like Wetherspoon.

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 Parity Day (Wednesday, 25 September 2013), to publicise this inequality.

In the six weeks to 8 September 2013, like-for-like sales increased by 3.6%, with total sales increasing by 7.8%. In the last fortnight to 8 September 2013, like-for-like sales were 2.5% – and this may be a reasonable indicator of future sales trends, in the light of strong sales in the last financial year.

Overall, therefore, the company is aiming for a reasonable outcome in the current financial year.

Tim Martin
Chairman
13 September 2013

Lessons in the property market, by Tim Martin

(Previously published in Wetherspoon News – Summer 2013 edition)

J D Wetherspoon has always been a buyer of freeholds. Our second, third and fourth pubs were freehold and, by the time of our 1992 flotation, 20 of our 44 pubs were freehold.

I negotiated our first 20 or so pubs myself, dealing directly with the owners' agents, before employing Christian Braun of Van de Berg & Co, in about 1990. Little did I realise that Braun was a double agent or 'mole', who was to burrow deep into our organisation, undermining the very property foundations which underpin any retailer.

Following a tip-off, in 2005, we terminated VDB's contract and undertook a review of all of our 600 or so property transactions, using a team of up to a dozen legal and paralegal staff. We discovered about 50 'back-to-back' transactions, in which freeholds, which were available to buy, had been diverted by VDB to third parties, who had acquired them at the same time as JDW had taken a lease – the rent being set at a level which created an immediate uplift in the value of the reversion.

Proceedings were issued against VDB and its directors, Braun, George Aldridge and Richard Harvey, in respect of about a dozen of these transactions. In a 136-page judgment, Mr Justice Peter Smith found that VDB had fraudulently diverted properties to several third parties, but he made no findings against the third parties themselves.

Following Mr Justice Smith's judgment, JDW issued proceedings against several third parties: Paul Ferrari of Braun's former employer Ferrari Dewe & Co; Anthony Lyons, formerly of Davis Coffer Lyons; Jason Harris, formerly of First London.

Liability was denied by all. The cases were contested and settled out of court. JDW received substantial payments in all three cases.

Some of the pleaded properties in the VDB case, referred to by the judge as the 'Ferrari Five', involved Jersey companies with nominee owners who were connected to Ferrari. Each of the Jersey companies had a different name – and care was taken to use different lawyers and nominees.

Profits from the purchasing companies were usually channelled to a Jersey holding company called Gecko, with money then transferred as loans or fees to companies controlled by VDB's directors.

In my opinion, the Lyons case is the most interesting for the property market and for prospective tenants and purchasers. Lyons stated, in his defence, that he was acting in his capacity as an employee and in accordance with his duties to Davis and Coffer (now Davis Coffer Lyons).

The Lyons case concerned properties in Portsmouth, Leytonstone and Newbury, two of which became JDW pubs, with the third becoming a Café Rouge. The Portsmouth property belonged to British Gas – and Justice Smith found that VDB bid for the freehold, unbeknown to JDW, and, once the bid was accepted, agreed with Lyons for JDW to take a lease and for the freehold to be acquired by Moorstown Properties, owned by a friend, and subsequently a colleague, of Lyons – Simon Conway. No findings were made against Lyons, or indeed Conway, in the VDB case, and neither person was a party to the case.

Portsmouth was subsequently sold by Moorstown to Scottish American Investment Company, a few months later, with the benefit of a lease to JDW for a substantial profit. Illustrating the Byzantine complexity of the transactions, Lyons' defence stated that shares in Moorstown were "transferred", before the sale was completed, to Northcreek which, Companies House shows, was owned by Roger Myers, then chairman of Café Rouge owner Pelican, and his family.

The Newbury property was acquired by Riverside Stores, a company connected to Conway, and was leased at around the same time to Café Rouge.

Newbury was sold shortly after completion for a substantial profit.

JDW did not allege, and is not alleging, that the Portsmouth and Newbury transactions are connected and is not alleging that Davis Coffer Lyons, Myers or Conway are dishonest, but it is a matter of public importance, as well as of importance to JDW and its shareholders, for there to be an explanation about the circumstances in which Moorstown, a company which clearly benefited from the Portsmouth fraud by VDB, ended up belonging to the family of Myers.

A key legal and ethical question for the property market which emerges from these cases concerns the obligations of estate agents and investors in circumstances in which a freehold property is first offered to a friend or colleague of an agent, who agrees to acquire it, and the property is then offered by the agent to a company like Wetherspoon on a 'back-to-back' basis. What are the obligations of the introducing agent? In broad terms, the third parties in the Wetherspoon litigation argued that they owed no duties or obligations to Wetherspoon and were not, therefore, liable to us. The great risk which all agents and investors run in these circumstances is if the retained agent, VDB in this instance, is itself dishonest.

If so, this may open up the possibility of a claim by an aggrieved 'end user', such as Wetherspoon, that the introducing agent participated in the dishonesty of the retained agent.

JDW has lost many tens of millions of pounds as a result of the VDB frauds. Rent reviews and ‘yield compression’ have exacerbated the damage over the years.

Our experience teaches several lessons. First, buyers and tenants should ask their agents to confirm in writing that they have no direct or indirect interest in any property which they are acquiring and should ask their lawyers to take particular interest, if a freehold is changing hands at the same time as they are acquiring a lease or, indeed, the freehold.

Professionals and investors should also obtain confirmation in writing from the ‘end user’ in back-to-back deals that they have consented to the transaction. Take the retained agent’s word for it at your peril.

Tim Martin is founder and chairman of J D Wetherspoon

INCOME STATEMENT for the 52 weeks ended 28 July 2013
J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 28 July 2013	52 weeks ended 28 July 2013	52 weeks ended 28 July 2013	53 weeks ended 29 July 2012	53 weeks ended 29 July 2012	53 weeks ended 29 July 2012
		Before exceptional items Total £000	Exceptional items (note 4) Total £000	After exceptional items Total £000	Before exceptional items Total £000	Exceptional items (note 4) Total £000	After exceptional items Total £000
Revenue	**2**	**1,280,929**	**–**	**1,280,929**	1,197,129	–	1,197,129
Operating costs		**(1,169,619)**	**(19,800)**	**(1,189,419)**	(1,089,811)	(13,481)	(1,103,292)
Operating profit	**3**	**111,310**	**(19,800)**	**91,510**	107,318	(13,481)	93,837
Finance income	**6**	**118**	**–**	**118**	55	–	55
Finance costs	**6**	**(34,485)**	**–**	**(34,485)**	(35,010)	–	(35,010)
Profit before taxation		**76,943**	**(19,800)**	**57,143**	72,363	(13,481)	58,882
Income tax expense	**7**	**(11,731)**	**776**	**(10,955)**	(15,038)	723	(14,315)
Profit for the year		**65,212**	**(19,024)**	**46,188**	57,325	(12,758)	44,567
Basic earnings per share	**8**			**38.3**			35.6
Adjusted earnings per share	**8**	**46.8**		**31.0**	41.3		31.1
Diluted adjusted earnings per share	**8**	**44.8**		**29.7**	39.8		30.0

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 28 July 2013

	Notes	**52 weeks ended 28 July 2013 £000**	53 weeks ended 29 July 2012 £000
Items which will not be subsequently reclassified to profit or loss			
Interest-rate swaps: gain/(loss) taken to other comprehensive income		**21,984**	(8,149)
Tax on items taken directly to other comprehensive income	**7**	**(6,378)**	717
Net gain/(loss) recognised directly in other comprehensive income		**15,606**	(7,432)
Profit for the year		**46,188**	44,567
Total comprehensive income for the year		**61,794**	37,135

CASH FLOW STATEMENT for the 52 weeks ended 28 July 2013
J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 28 July 2013 £000	Free cash flow 52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000	Free cash flow 53 weeks ended 29 July 2012 £000
Cash flows from operating activities					
Cash generated from operations	9	164,922	164,922	196,733	196,733
Interest received		122	122	49	49
Interest paid		(31,569)	(31,569)	(36,091)	(36,091)
Corporation tax paid		(18,370)	(18,370)	(18,168)	(18,168)
Purchase of own shares for share-based payments		(8,825)	(8,825)	(5,756)	(5,756)
Net cash inflow from operating activities		106,280	106,280	136,767	136,767
Cash flows from investing activities					
Purchase of property, plant and equipment		(35,051)	(35,051)	(36,578)	(36,578)
Purchase of intangible assets		(5,880)	(5,880)	(8,647)	(8,647)
Proceeds on sale of property, plant and equipment		645		887	
Investment in new pubs and pub extensions		(60,795)		(74,859)	
Lease premiums paid		(93)		(489)	
Net cash outflow from investing activities		(101,174)	(40,931)	(119,686)	(45,225)
Cash flows from financing activities					
Equity dividends paid	11	(15,053)		(15,544)	
Proceeds from issue of ordinary shares		–		96	
Purchase of own shares		–		(22,711)	
Advances under bank loans	10	17,585		18,059	
Advances under finance leases	10	–		10,473	
Finance costs on new loan	10	–		(2,731)	
Finance lease principal payments	10	(5,841)		(4,373)	
Net cash (outflow)/inflow from financing activities		(3,309)		(16,731)	
Net increase in cash and cash equivalents	10	1,797		350	
Opening cash and cash equivalents		28,040		27,690	
Closing cash and cash equivalents		29,837		28,040	
Free cash flow	8		65,349		91,542
Free cash flow per ordinary share	8		51.8p		70.4p

BALANCE SHEET for the 52 weeks ended 28 July 2013
J D Wetherspoon plc, company number: 1709784

	Notes	28 July 2013 £000	29 July 2012 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**956,928**	924,341
Intangible assets	13	**20,166**	16,936
Deferred tax assets	7	**11,531**	16,198
Other non-current assets	14	**9,897**	10,682
Total non-current assets		**998,522**	968,157
Current assets			
Inventories		**19,857**	20,975
Receivables		**23,940**	18,685
Assets held for sale		**422**	2,055
Cash and cash equivalents		**29,837**	28,040
Total current assets		**74,056**	69,755
Total assets		**1,072,578**	1,037,912
Liabilities			
Current liabilities			
Trade and other payables		**(207,947)**	(207,114)
Borrowings		**(5,552)**	(5,880)
Current income tax liabilities		**(9,313)**	(9,103)
Total current liabilities		**(222,812)**	(222,097)
Non-current liabilities			
Borrowings	10	**(498,498)**	(484,771)
Derivative financial instruments		**(44,045)**	(66,029)
Deferred tax liabilities	7	**(61,131)**	(67,860)
Other liabilities		**(31,177)**	(27,511)
Total non-current liabilities		**(634,851)**	(646,171)
Net assets		**214,915**	169,644
Shareholders' equity			
Share capital		**2,521**	2,521
Share premium account		**143,294**	143,294
Capital redemption reserve		**1,910**	1,910
Hedging reserve		**(35,236)**	(50,842)
Retained earnings		**102,426**	72,761
Total shareholders' equity		**214,915**	169,644

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 24 July 2011		**2,632**	**143,199**	**1,798**	**(43,410)**	**66,826**	**171,045**
Profit for the year						44,567	**44,567**
Interest-rate swaps: loss taken to equity					(8,149)		**(8,149)**
Tax on items taken directly to equity	7				717		**717**
Total comprehensive income					(7,432)	44,567	**37,135**
Exercise of options		1	95				**96**
Repurchase of shares		(112)		112		(22,598)	**(22,598)**
Tax on repurchase of shares						(113)	**(113)**
Share-based payments						5,379	**5,379**
Purchase of shares held in trust						(5,727)	**(5,727)**
Tax on purchase of shares held in trust						(29)	**(29)**
Dividends	11					(15,544)	**(15,544)**
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**

1 Authorisation of financial statements and statement of compliance with IFRSs

The preliminary announcement for the 52 week period ended 28 July 2013 has been prepared in accordance with the accounting policies as disclosed in J D Wetherspoon plc's Annual Report and Accounts 2012.

The annual financial information presented in this preliminary announcement for the 52 week period ended 28 July 2013 is based on, and is consistent with, that in the Company's audited financial statements for the 52 week period ended 28 July 2013, 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 53 weeks ended 29 July 2012 have been delivered to the Registrar of Companies. The independent auditor's 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 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Sales of food, beverages, hotel rooms and machine income	**1,280,929**	1,197,129

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

This is stated after charging/(crediting):

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Concession rental payments	**15,054**	14,831
Operating lease payments	**53,707**	53,230
Repairs and maintenance	**48,030**	44,575
Rent receivable	**(623)**	(540)
Depreciation of property, plant and equipment (note 12)	**50,084**	47,416
Amortisation of intangible assets (note 13)	**2,650**	1,423
Amortisation of non-current assets (note 14)	**363**	327
Share-based payments (note 5)	**6,539**	5,379

Auditors' remuneration

Fees payable for the audit of the financial statements	**165**	156
Fees payable for other services:		
– assurance services	**29**	29
– services	**20**	64
Total auditors' fees	**214**	249

Analysis of continuing operations

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Revenue	**1,280,929**	1,197,129
Cost of sales	**(1,121,787)**	(1,045,404)
Gross profit	**159,142**	151,725
Administration costs	**(47,832)**	(44,407)
Operating profit before exceptional items	**111,310**	107,318
Exceptional items (note 4)	**(19,800)**	(13,481)
Operating profit after exceptional items	**91,510**	93,837

Exceptional items in the year and the previous year are included under cost of sales.

4 Exceptional items

In the table below, property impairment relates to situations in which, owing to a poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their book value.

In the year, an exceptional charge of £15,551,000 (2012: £7,823,613) was incurred in respect of the impairment of property, plant and equipment, other non-current assets and assets held for sale following a review of the company's assets, as required under IAS 36. This comprises an impairment charge of £16,317,000 (2012: £9,613,000), offset by impairment reversals of £766,000 (2012: £1,790,000).

The onerous lease provision relates to pubs for which future trading profits, or income from subleases, are not expected to cover the rent. The provision takes several factors into account, including the expected future profitability of the pub, but also the amount estimated as payable on surrender of the lease, where this is a possible outcome. In the year, £3,278,000 (2012: £2,229,000) was incurred in respect of onerous leases.

The loss on disposal of property, plant and equipment in the year relates to the sale of three pubs, and in the previous year related to the sale of three pubs. Also, in the previous year, exceptional costs were incurred for the write-off of redundant IT assets and restructuring costs.

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Property impairment	**15,551**	7,823
Onerous lease provision	**3,278**	2,229
Loss on disposal of property, plant and equipment	**971**	1,062
Write-off of IT-related assets	**–**	1,742
Restructuring costs	**–**	625
Operating exceptional items	**19,800**	13,481

5 Employee benefits expense

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Wages and salaries	**326,479**	305,156
Social Security costs	**21,778**	19,544
Pension costs	**2,187**	1,668
Share-based payments	**6,539**	5,379
	356,983	331,747

The totals below relate to the average number of employees during the year, not the total number of employees at the end of the year.

	2013 Number	2012 Number
Full-time equivalents		
Managerial/administration	**3,675**	3,584
Hourly paid staff	**11,727**	10,819
	15,402	14,403

	2013 Number	2012 Number
Total employees		
Managerial/administration	**4,065**	3,953
Hourly paid staff	**25,406**	22,912
	29,471	26,865

6 Finance income and costs

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Finance costs		
Interest payable on bank loans and overdrafts	**32,208**	32,826
Amortisation of bank loan issue costs	**1,655**	1,709
Interest payable on obligations under finance leases	**622**	475
Total finance costs	**34,485**	35,010
Bank interest receivable	**(118)**	(55)
Total finance income	**(118)**	(55)
Total net finance costs	**34,367**	34,955

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Analysis of finance income and costs in categories in accordance with IAS 39		
Loans and receivables	**(118)**	(55)
Financial liabilities carried at amortised cost	**14,611**	15,996
Financial derivatives	**19,233**	18,475
Other financial expenses	**641**	539
Total net finance cost	**34,367**	34,955

The net finance costs during the year decreased from £35.0 million to £34.4 million. The finance costs in the income statement were covered 3.2 times (2012: 3.1 times), on a pre-exceptional basis.

7 Income tax expense

(a) Tax on profit on ordinary activities

Tax charged in the income statement

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 23.7% (2012: 25.3%).

	52 weeks ended 28 July 2013 Before exceptional items £000	**52 weeks ended 28 July 2013 After exceptional items £000**	53 weeks ended 29 July 2012 Before exceptional items £000	53 weeks ended 29 July 2012 After exceptional items £000
Current income tax:				
Current income tax charge	**19,356**	**18,580**	18,538	17,815
Total current income tax	**19,356**	**18,580**	18,538	17,815
Deferred tax:				
Origination and reversal of temporary differences	**1,095**	**1,095**	2,127	2,127
Impact of change in UK tax rate	**(8,720)**	**(8,720)**	(5,627)	(5,627)
Total deferred tax	**(7,625)**	**(7,625)**	(3,500)	(3,500)
Tax charge in the income statement	**11,731**	**10,955**	15,038	14,315
Tax relating to items charged or credited to other comprehensive income				
Deferred tax:				
Tax charge/(credit) on interest-rate swaps	**6,378**	**6,378**	(717)	(717)
Tax charge/(credit) in the statement of comprehensive income	**6,378**	**6,378**	(717)	(717)

(b) Reconciliation of the total tax charge

The tax expense after exceptional items in the income statement for the year is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.7% (2012: 25.3%), owing largely to the adjustment in respect of the change in the tax rate. The differences are reconciled below:

	52 weeks ended 28 July 2013 Before exceptional items £000	**52 weeks ended 28 July 2013 After exceptional items £000**	53 weeks ended 29 July 2012 Before exceptional items £000	53 weeks ended 29 July 2012 After exceptiona l items £000
Profit before income tax	**76,943**	**57,143**	72,363	58,882
Profit multiplied by the UK standard rate of corporation tax of 23.7% (2012: 25.3%)	**18,210**	**13,524**	18,332	14,917
Abortive acquisition costs and disposals	**88**	**88**	39	39
Other disallowables	**116**	**116**	192	192
Other allowable deductions	**(151)**	**(151)**	(55)	(55)
Non-qualifying depreciation	**2,995**	**6,905**	2,502	5,194
Deduction for share options and SIPs	**(402)**	**(402)**	(7)	(7)
Deferred tax on balance-sheet-only items	**(204)**	**(204)**	(121)	(121)
Adjustment to deferred tax in respect of change in tax rate	**(8,921)**	**(8,921)**	(5,844)	(5,844)
Total tax expense reported in the income statement	**11,731**	**10,955**	15,038	14,315

On 1 April 2014, the UK standard rate of corporation tax is set to fall to 21% and is due to reduce a further 1%, to 20%, by 1 April 2015.

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

Deferred tax liabilities	Accelerated tax depreciation £000	Revaluation of land and buildings £000	Other temporary differences £000	Total £000
At 24 July 2011	62,830	2,629	5,989	71,448
Credited to the income statement	(2,934)	(337)	(317)	(3,588)
At 29 July 2012	59,896	2,292	5,672	67,860
Transfer to deferred tax assets	–	–	891	891
Impact of change in tax rate on opening balance	(7,812)	(299)	(856)	(8,967)
Movement during year charged/(credited) to income statement	1,285	(104)	166	1,347
At 28 July 2013	**53,369**	**1,889**	**5,873**	**61,131**

Deferred tax assets	Share based payments £000	Capital losses carried forward £000	Interest-rate swaps £000	Total £000
At 24 July 2011	–	1,099	14,470	15,569
Credited to the income statement	–	(88)	(1,158)	(1,246)
Debited to other comprehensive income	–	-	1,875	1,875
At 29 July 2012	–	1,011	15,187	16,198
Transfer from deferred tax liabilities	891	–	–	891
Impact of change in tax rate on opening balance	(116)	(131)	(1,320)	(1,567)
Movement during year credited to the income statement	–	251	–	251
Movement during year credited to equity	816	–	–	816
Movement during year credited to other comprehensive income	–	–	(5,058)	(5,058)
At 28 July 2013	**1,591**	**1,131**	**8,809**	**11,531**

The Finance Bill 2013 was substantively enacted before the balance sheet date of 28 July 2013. It included legislation to reduce the main rate of corporation tax to 21% (with effect from 1 April 2014) and 20% 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 expected to unwind after more than 12 months.

8 Earnings and cash flow per share

Basic earnings per share have not been calculated by dividing the profit attributable to equity holders of £46,188,000 (2012: £44,567,000) by the weighted average number of shares in issue of 126,036,296 (2012:129,998,234). International reporting standards require that the weighted average number of shares be adjusted to exclude shares held in trust in respect of the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme. This has resulted in the number of shares used in the calculation of 120,684,262 (2012: 125,085,248).

On this basis, earnings per share before exceptional items have been calculated before items detailed in note 4. The weighted average number of shares held in trust of 5,352,034 (2012: 4,919,213), which have a dilutive effect have been excluded in the calculation of undiluted earnings per share in the table below. Therefore the weighted average number of ordinary shares used in this calculation is 120,684,262 (2012: 125,085,248).

The calculation of diluted earnings per the table below is based on the weighted average number of shares in issue of 126,036,296 (2012: 129,988,234), including those held in trust in respect of employee share schemes.

Adjusted earnings exclude an adjustment in respect of the corporation tax-rate change of £8,720,000 (2012: £5,627,000) and exceptional items.

Earnings per share	**52 weeks ended 28 July 2013 £000**	53 weeks ended 29 July 2012 £000
Earnings (profit after tax)	**46,188**	44,567
Exclude one-off tax benefit (rate change)	**(8,720)**	(5,627)
Adjusted earnings after exceptional items	**37,468**	38,940
Exclude effect of exceptional items net of tax	**19,024**	12,758
Adjusted earnings before exceptional items	**56,492**	51,698

Undiluted earnings per share (excluding shares held in trust)

Basic earnings per share	**38.3p**	35.6p
Adjusted earnings per share before exceptional items	**46.8p**	41.3p
Adjusted earnings per share after exceptional items	**31.0p**	31.1p

Diluted earnings per share (including shares held in trust)

If the shares held in trust in respect of the employee share schemes are included for the purpose of the earnings per share calculation, the following diluted measures would hold true, based on a weighted average of 126,036,296 (2012: 129,998,234) shares in issue.

Diluted earnings per share	**36.6p**	34.3p
Diluted Adjusted earnings per share before exceptional items	**44.8p**	39.8p
Diluted Adjusted earnings per share after exceptional items	**29.7p**	30.0p

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 28 July 2013**	53 weeks ended 29 July 2012
Free cash flow (£000)	**65,349**	91,542
Free cash flow per share (p)	**51.8**	70.4

9 Cash generated from operations

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Profit for the year	**46,188**	44,567
Adjusted for:		
Tax	**10,955**	14,315
Impairment charge	**15,551**	7,823
Onerous lease provision	**3,278**	2,229
Loss on disposal of property, plant and equipment	**971**	2,804
Amortisation of intangible assets	**2,650**	1,423
Depreciation of property, plant and equipment	**50,084**	47,416
Lease premium amortisation	**363**	327
Share-based charges	**6,539**	5,379
Interest receivable	**(118)**	(55)
Amortisation of bank loan issue costs	**1,655**	1,709
Interest payable	**32,830**	33,301
	170,946	161,238
Change in inventories	**1,118**	514
Change in receivables	**(5,255)**	2,598
Change in payables	**(1,887)**	32,383
Net cash inflow from operating activities	**164,922**	196,733

10 Analysis of changes in net debt

	At 29 July 2012 £000	Cash flows £000	Non-cash movement £000	**At 28 July 2013 £000**
Cash in hand	28,040	1,797	–	**29,837**
Debt due after one year (notes 19 and 20)	(474,559)	(17,585)	(1,655)	**(493,799)**
Bank borrowing	(446,519)	(15,788)	(1,655)	**(463,962)**
Finance lease creditor – due less than one year	(5,880)	5,841	(5,513)	**(5,552)**
Finance lease creditor – due after one year	(10,212)	–	5,513	**(4,699)**
Net borrowings	(462,611)	(9,947)	(1,655)	**(474,213)**
Derivative: interest-rate swaps (note 20)	(66,029)	–	21,984	**(44,045)**
Net debt	(528,640)	(9,947)	20,329	**(518,258)**

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 £22.0 million relates to the change in the ‘mark to market’ valuations for the year.

11 Dividends paid and proposed

	52 weeks ended 28 July 2013 £000	53 weeks ended 29 July 2012 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2011/12: 8.0p (2010/11: 8.0p)	**10,021**	10,475
– interim for 2012/13: 4.0p (2011/12: 4.0p)	**5,032**	5,069
Dividends paid	**15,053**	15,544
Proposed for approval by shareholders at the AGM:		
– final dividend for 2012/13: 8.0p (2011/12: 8.0p)	**9,623**	10,006

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 28 July 2013.

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 24 July 2011	624,746	391,451	355,963	23,105	1,395,265
Additions	8,102	6,302	26,083	61,652	102,139
Transfers	34,903	19,395	14,881	(69,179)	–
Transfer to/from assets held for sale	(4,001)	(895)	(952)	611	(5,237)
Disposals	–	(2,355)	(6,245)	(633)	(9,233)
Reclassification	4,309	(3,809)	–	–	500
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 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**
Accumulated depreciation and impairment:					
At 24 July 2011	103,306	156,516	253,772	400	513,994
Provided during the period	11,201	12,582	23,633	–	47,416
Impairment loss	7,317	715	(209)	–	7,823
Disposals	–	(1,725)	(5,660)	–	(7,385)
Transfer to/from assets held for sale	(2,748)	(315)	(660)	541	(3,182)
Reclassification	906	(479)	–	–	427
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 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**
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
Net book amount at 24 July 2011	521,440	234,935	102,191	22,705	881,271

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 about sales, costs and profit, using a pre-tax discount rate for future years of 10% (2012: 10%), are used.

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 £14,458,000 (2012: £7,823,000) was charged to operating costs in the income statement, as described in note 3.

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 28 July 2013, included in equipment, fixtures and fittings, was as follows:

	2013	2012
	£000	£000
Net book amount	**10,554**	12,794

13 Intangible assets

	£000
Cost:	
At 24 July 2011	22,987
Additions	8,647
Disposals	(2,021)
At 29 July 2012	29,613
Additions	5,880
At 28 July 2013	**35,493**
Accumulated amortisation	
At 24 July 2011	11,462
Amortisation during the period	1,423
Disposals	(208)
At 29 July 2012	12,677
Amortisation during the period	2,650
At 28 July 2013	**15,327**
Net book amount at 28 July 2013	**20,166**
Net book amount at 29 July 2012	16,936
Net book amount at 24 July 2011	11,525

Amortisation of £2,650,000 (2012: £1,423,000) is included in operating costs in the income statement.

The majority of intangible assets relates to computer software and development.

Included in the intangible assets is £4,258,000 of assets in the course of development (2012: £10,575,000).

Finance lease

The carrying value of fixed assets held under finance leases at 28 July 2013, included in intangible assets, was as follows:

	2013 **£000**	2012 £000
Net book amount	**4,626**	5,170

14 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 24 July 2011	13,988
Additions	489
Reclassification	(500)
At 29 July 2012	13,977
Additions	93
At 28 July 2013	**14,070**
Accumulated amortisation	
At 24 July 2011	3,468
Amortisation during the period	327
Transfer to/from assets held for sale	(73)
Reclassification	(427)
At 29 July 2012	3,295
Amortisation during the period	363
Impairment	515
At 28 July 2013	**4,173**
Net book amount at 28 July 2013	**9,897**
Net book amount at 29 July 2012	10,682
Net book amount at 24 July 2011	10,520

Notes to editors

1. JD 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 JD 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 that 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 6 November 2013.