



J D WETHERSPOON PLC

PRESS RELEASE

J D Wetherspoon plc announces preliminary results for the year ended 27 July 2003.

Highlights

- Turnover up 22% to £730.9m
- Operating profit up 7% to £75.0m
- Profit before tax (before exceptional items) up 5% to £56.1m
- Earnings per share (before exceptional items) up 2% to 17.0p
- Like-for-like sales +4.1%
- Free cash flow per share up 19% to 39.7p
- Dividend per share increased by 10% to 3.54p

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

“I am pleased to report another year of progress for Wetherspoon. Sales increased by £129.6 million to £730.9 million, a rise of 22%. Operating profit increased by 7% to £75.0 million and profit before tax (before exceptional items) rose by 5% to £56.1 million.

“Free cash flow, after payments of tax, interest and capital investment of £15.9 million in existing pubs, increased by 19% to £85.1 million, resulting in free cash flow per share of 39.7p, more than double earnings per share.

“We opened 45 pubs during the year, compared with 87 in the previous year. The total number of pubs now operated by us is 638, including 3 opened since the year end. The new pubs are in a variety of locations throughout Britain and Northern Ireland and have opened at initial sales levels which are encouraging for the future. As a result of our strong cash flow, our track record over many years and our excellent management team, I remain confident of our future prospects.”

Tim Martin	Chairman	01923 477777
John Hutson	Managing Director	01923 477777
Jim Clarke	Finance Director	01923 477777
Eddie Gershon	Company Spokesman	07956 392234

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

5 September 2003



CHAIRMAN'S STATEMENT AND OPERATING REVIEW

I am pleased to report another year of progress for Wetherspoon. Sales increased by £129.6 million to £730.9 million, a rise of 22%. Operating profit increased by 7% to £75.0 million, and profit before tax (before exceptional items) rose by 5% to £56.1 million. Earnings per share (before exceptional items) increased by 2% to 17.0p.

Cash outflow in respect of capital investment was £95.0 million, and net gearing at the year end was 97% (2002: 98%). Net interest was covered 4.0 times (2002: 4.2 times) by operating profit. Operating margins were 10.3%, compared with 11.7% last year, mainly as a result of higher labour and other pub costs.

Free cash flow, after payments of tax, interest and capital investment of £15.9 million in existing pubs, increased by 19% to £85.1 million, resulting in free cash flow per share of 39.7p, more than double earnings per share. Free cash flow in the period was enhanced by lower-than-usual investment in existing pubs, offset by a cash tax charge which rose, as expected, from 16% to 24% of profits.

Economic profit after cash tax, calculated by adding depreciation to profit after tax (before exceptional items) and subtracting capital expenditure on existing pubs, increased by 12% to £70.1 million, with capital investment in existing pubs at 2.2% of turnover, compared with 3.1% of turnover in the previous period.

During the year, the company sold 18 pubs for a net cash consideration of £10.7 million, giving rise to a loss on disposal of £2.7 million. We have also written down the value in the balance sheet by £1.0 million on two non-trading properties purchased for development which we now intend to sell. This has led to a total exceptional loss in the year of £3.7 million before taxation.

We opened 45 pubs during the year, compared with 87 in the previous year. The total number of pubs now operated by us is 638, including 3 opened since the year end. The new pubs are in a variety of locations throughout Britain and Northern Ireland and have opened at initial sales levels which are encouraging for the future. Like-for-like sales increased by 4%, although like-for-like profits declined by 1%, principally as a result of higher costs for labour, repairs and insurance.

The number of Lloyds pubs increased to 50 and these pubs continue to show positive sales growth.

The company continues to try to upgrade every area of the business.

Dividends

The board proposes, subject to shareholders' consent, to pay a final dividend of 2.33p per share on 28 November 2003 to those shareholders on the register at 31 October 2003, bringing the total dividend for the year to 3.54p per share, a 10% increase on the previous year. At this level, dividends will be covered 4.8 times by earnings (before exceptional items), compared with 5.2 times in 2002. The company has decided to cease offering a scrip alternative to dividends, now and for the foreseeable future.



Finance

The company had £87.9 million of unutilised banking facilities and £15.2 million of cash at the balance sheet date. Total facilities are now £412 million. The increase in cash flow relative to capital expenditure means that the company is in a strong position to finance future growth. All of our capital expenditure on new pub developments was financed by organic free cash flow in the year under review.

Return of capital

Towards the end of the year, 8,245,000 shares (representing approximately 4% of the issued share capital) were purchased by the company for cancellation at a cost of £20.1 million, representing an average cost per share of 243p. £17.4 million of the cost was an outflow in the year under review, with the balance settled in the first week of the new financial year. As a result, we expect earnings per share to be enhanced in the future.

Regulation and taxation

In the last few years, the pub business, in common with many other businesses, has seen an increase in taxation and red tape. The government has decided to hand over responsibility for pub licences from the magistrates' court to local authorities and this will involve a substantial increase in fees and other regulatory costs. In addition, there have been considerable increases in taxation, including excise duty, which will cost approximately £2 million in the current financial year, and an increase in stamp duty for new leasehold properties, which will cost approximately £500,000 per annum. These tax increases are in addition to the more highly publicised increases, such as those affecting national insurance.

Pubs currently pay approximately 40% of their turnover in taxes of one kind or another, and further increases in this burden will mean that pubs become less competitive and more expensive, relative to an evening at home.

People

I would like to thank, again, our employees, partners and suppliers for their dedicated work in creating another year of progress for the company.

Current trading and outlook

In August like-for-like sales increased by 3.5%, and total company sales increased by 12%. Profits, both in the current year and going forward, are likely to be impacted by regulatory and employee cost increases.

Whereas we continue to see opportunities for profitable expansion, the uncertainty created by increased red tape and taxation means that it is prudent to reduce the rate of that expansion, so that the level of capital investment for the foreseeable future remains approximately in line with our free cash flow. We have 7 sites in the course of construction, 33 with the necessary permission for development, a further 10 on which terms have been agreed and 99 currently in negotiation.

As a result of our strong cash flow, our track record over many years and our excellent management team, I remain confident of our future prospects.

Tim Martin

Chairman

5 September 2003



Profit and loss account

for the year ended 27 July 2003

	Notes	Before exceptional items 2003 £000	Exceptional items (note 3) 2003 £000	After exceptional items 2003 £000	2002 £000
Turnover		730,913	–	730,913	601,295
Operating profit	2	74,983	–	74,983	70,085
Loss on disposal of tangible fixed assets	3	–	(3,688)	(3,688)	–
Net interest payable	4	(18,844)	–	(18,844)	(16,517)
Profit on ordinary activities before taxation		56,139	(3,688)	52,451	53,568
Tax on profit on ordinary activities	5	(19,744)	1,337	(18,407)	(18,152)
Profit on ordinary activities after taxation		36,395	(2,351)	34,044	35,416
Dividends	6	(7,434)	–	(7,434)	(6,902)
Retained profit for the year		28,961	(2,351)	26,610	28,514
Earnings per ordinary share	7	17.0p		15.9p	16.6p
Fully diluted earnings per ordinary share	7	16.9p		15.9p	16.4p

All activities relate to continuing operations.

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

Note of historical cost profits

	2003 £000	2002 £000
Reported profit on ordinary activities before taxation	52,451	53,568
Difference between historical cost depreciation charge and actual depreciation charge for the year, calculated on the revalued amount	606	673
Realisation of property surplus/(deficits) of previous years	341	(235)
Historical cost profit on ordinary activities before taxation	53,398	54,006
Historical cost profit for the year retained after taxation and dividends	27,557	28,952



Cash flow statement

for the year ended 27 July 2003

	Notes	2003 £000	2003 £000	2002 £000	2002 £000
Net cash inflow from operating activities	8	<u>130,565</u>	<u>130,565</u>	<u>113,700</u>	<u>113,700</u>
Returns on investments and servicing of finance					
Interest received		109	109	53	53
Interest paid – existing pubs		(19,379)	(19,379)	(17,346)	(17,346)
Interest paid and capitalised into new pubs		(1,872)		(2,254)	
Net cash outflow from returns on investment and servicing of finance		<u>(21,142)</u>		<u>(19,547)</u>	
Taxation					
Corporation tax paid		(10,277)	(10,277)	(6,311)	(6,311)
Capital expenditure and financial investment					
Purchase of tangible fixed assets for existing pubs		(15,896)	(15,896)	(18,726)	(18,726)
Proceeds of sale of tangible fixed assets		10,732		412	
Purchase of own shares for ESOP trust		(153)		–	
Investment in new pubs and pub extensions		(77,275)		(132,096)	
Net cash outflow from capital expenditure and financial investment		<u>(82,592)</u>		<u>(150,410)</u>	
Equity dividends paid		<u>(5,438)</u>		<u>(4,445)</u>	
Net cash inflow/(outflow) before financing		<u>11,116</u>		<u>(67,013)</u>	
Financing					
Issue of ordinary shares		233		5,750	
Purchase of own shares		(17,369)		–	
Advances under bank loans		7,527		65,037	
Advances under US senior loan notes		44		44	
Net cash (outflow)/inflow from financing		<u>(9,565)</u>		<u>70,831</u>	
Increase in cash	9	<u>1,551</u>		<u>3,818</u>	
Free cash flow	7		<u>85,122</u>		<u>71,370</u>
Cash flow per ordinary share	7		39.7p		33.5p

Balance sheet



at 27 July 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	11	<u>773,823</u>	<u>745,041</u>
Current assets			
Stocks		9,601	8,594
Debtors due after more than one year	12	8,448	7,682
Debtors due within one year	12	9,017	8,237
Investments		301	203
Cash		15,160	13,609
		<u>42,527</u>	<u>38,325</u>
Creditors due within one year	13	<u>(135,361)</u>	<u>(122,919)</u>
Net current liabilities		<u>(92,834)</u>	<u>(84,594)</u>
Total assets less current liabilities		<u>680,989</u>	<u>660,447</u>
Creditors due after more than one year	14	<u>(299,942)</u>	<u>(292,915)</u>
Provisions for liabilities and charges	15	<u>(62,419)</u>	<u>(57,399)</u>
Total net assets		<u>318,628</u>	<u>310,133</u>
Capital and reserves			
Called up share capital		4,149	4,292
Share premium account		126,739	124,819
Capital redemption reserve		165	–
Revaluation reserve		22,439	23,386
Profit and loss account		165,136	157,636
Equity shareholders' funds	16	<u>318,628</u>	<u>310,133</u>



Notes

- 1 These preliminary statements do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. They have, however, been extracted from the statutory accounts for the periods ending 27 July 2003 and 28 July 2002 on which unqualified reports were made by the company's auditors.

The 2002 statutory accounts have been filed with the Registrar of Companies. The 2003 statutory accounts will be sent to shareholders in October 2003 and will be filed with the Registrar of Companies following their adoption at the forthcoming Annual General Meeting.

2 Analysis of continuing operations

	2003 £000	2002 £000
Turnover	730,913	601,295
Cost of sales	(621,894)	(503,699)
Gross profit	109,019	97,596
Administrative expenses	(34,036)	(27,511)
Operating profit	74,983	70,085

Cost of sales includes distribution costs and all pub operating costs.

3 Exceptional items

	2003 £000	2002 £000
Non-operating items:		
Net loss on disposal of trading properties	(2,732)	—
Provision against future disposal of non trading properties	(956)	—
	(3,688)	—

4 Net interest payable

	2003 £000	2002 £000
Interest payable on bank loans and overdraft	16,758	14,255
Interest payable on US senior loan notes	4,850	5,277
Less:		
Interest capitalised	(1,954)	(2,266)
Interest receivable	(810)	(749)
Charge to profit and loss account	18,844	16,517



5 Taxation

a) Analysis of current period tax charge

Current tax	2003 £000	2003 £000	2002 £000	2002 £000
UK corporation tax on profits before exceptional items	13,317		9,299	
Advance corporation tax	—		(743)	
		13,317		8,556
Current tax on exceptional items		70		—
Total current tax (note 5(b))		13,387		8,556
Deferred tax				
Origination and reversal of timing differences	6,427		9,596	
Movement arising from disposals (exceptional items)	(1,407)		—	
Total deferred tax		5,020		9,596
Total tax charge		18,407		18,152

b) Factors affecting current period tax charge

The UK standard rate of corporation tax is 30% (2002: 30%), whereas the current tax assessed for the financial year ended 27 July 2003, as a percentage of profit before tax and exceptional items, is 24% (2002: 16%); including exceptional items, the percentage rises to 26%. The reasons for this difference are explained below:

	2003 £000	2003 %	2002 £000	2002 %
Profit on ordinary activities before tax	<u>52,451</u>		<u>53,568</u>	
Current tax on profit on ordinary activities, calculated at the standard rate of corporation tax in the UK of 30%	15,735	30	16,070	30
Accelerated capital allowances	(5,884)	(11)	(8,266)	(16)
Capitalised interest allowable for tax purposes	(472)	(1)	(586)	(1)
QUEST contributions allowable for tax purposes	—	—	(228)	—
Disposals	1,107	2	—	—
Other allowable deductions	(182)	—	(106)	—
Expenses not deductible for tax purposes	<u>3,083</u>	<u>6</u>	<u>2,415</u>	<u>4</u>
UK corporation tax for the year	13,387	26	9,299	17
Advance corporation tax	—	—	(743)	(1)
Current tax charge for period (note 5(a))	13,387	26	8,556	16

c) Factors which may affect future tax charges

Current levels of investment ensure that capital allowance claims exceed depreciation; while this will continue, the company would expect the excess of capital allowances over depreciation to diminish over time.



No provision has been made for deferred tax on gains recognised on revaluing properties to their market value. Such tax would become payable only if the properties were sold without it being possible to claim roll-over relief. The total amount unprovided for is approximately £6 million. At present, it is not envisaged that any tax will become payable in the foreseeable future.

6 Dividends

	2003	2002
	£000	£000
Interim paid of 1.21p per share (2002: 1.10p)	2,600	2,353
Final proposed of 2.33p per share (2002: 2.12p)	4,834	4,549
	<u>7,434</u>	<u>6,902</u>

7 Earnings and cash flow per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation of £34,044,000 (2002: £35,416,000) and on 214,312,883 (2002: 213,202,101) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the period.

Earnings per share before exceptional items is calculated as follows:

	Earnings	Earnings	Earnings	Earnings
	£000	£000	per share	per share
	2003	2002	(p)	(p)
			2003	2002
Earnings and basic earnings per share	34,044	35,416	15.9	16.6
Exceptional costs, net of tax	2,351	–	1.1	–
Earnings and earnings per share before exceptional items	<u>36,395</u>	<u>35,416</u>	<u>17.0</u>	<u>16.6</u>

Fully diluted earnings per share has been calculated in accordance with FRS14 and is after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the period. The number of shares used for the fully diluted calculation is 214,725,340 (2002: 215,316,001).

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



8 Net cash inflow from operating activities

	2003 £000	2002 £000
Operating profit	74,983	70,085
Profit on disposal of fixed assets	–	(24)
Depreciation of tangible fixed assets	43,209	36,343
Change in stocks	(1,007)	(1,091)
Change in debtors	(944)	(1,395)
Change in creditors	14,324	9,782
	<u>130,565</u>	<u>113,700</u>

9 Reconciliation of net cash flow to movement in net debt

	2003 £000	2002 £000
Increase in cash in the year	1,551	3,818
Cash inflow from increase in debt financing	<u>(7,571)</u>	<u>(65,081)</u>
Movement in net debt during the period	(6,020)	(61,263)
Opening net debt	<u>(302,840)</u>	<u>(241,577)</u>
Closing net debt	<u>(308,860)</u>	<u>(302,840)</u>

10 Analysis of net debt

	2002 £000	Cash flow £000	Non-cash movement £000	2003 £000
Cash at bank and in hand	13,609	1,551	–	15,160
Debt due within one year	(24,831)	24,831	(24,799)	(24,799)
Debt due after one year	(291,618)	(32,402)	24,799	(299,221)
Net debt	<u>(302,840)</u>	<u>(6,020)</u>	<u>–</u>	<u>(308,860)</u>

11 Tangible fixed assets

	Freehold and long leasehold property £000	Short leasehold property £000	Equipment, fixtures and fittings £000	Expenditure on unopened properties £000	Total £000
Cost or valuation					
At 29 July 2002	364,041	293,762	183,240	33,038	874,081
Reclassification	18,245	2,674	–	(20,919)	–
Additions	27,741	15,374	29,408	13,388	85,911
Disposals	(12,791)	–	(4,012)	–	(16,803)
At 27 July 2003	397,236	311,810	208,636	25,507	943,189
Depreciation					
At 29 July 2002	14,272	33,386	81,382	–	129,040
Charge for the year	6,875	8,117	28,217	–	43,209
Provision	–	–	–	456	456
Disposals	(1,235)	–	(2,104)	–	(3,339)
At 27 July 2003	19,912	41,503	107,495	456	169,366
Net book value					
At 27 July 2003	377,324	270,307	101,141	25,051	773,823
At 28 July 2002	349,769	260,376	101,858	33,038	745,041

12 Debtors

	2003 £000	2002 £000
Amounts falling due after more than one year:		
Other debtors	8,448	7,682
Amounts falling due within one year:		
Other debtors	519	1,183
Prepayments	8,498	7,054
	9,017	8,237

13 Creditors due within one year

	2003 £000	2002 £000
Bank loans	24,799	24,831
Trade creditors	53,066	54,352
Corporation tax	7,792	4,682
Other tax and social security	22,616	12,716
Other creditors	3,875	3,987
Dividend payable	4,834	4,549
Accruals and deferred income	18,379	17,802
	135,361	122,919



14 Creditors due after one year

	2003 £000	2002 £000
Bank loans repayable by instalments	212,274	204,715
US senior loan notes repayable in a single instalment in 2009	86,947	86,903
	<u>299,221</u>	<u>291,618</u>
Other creditors	721	1,297
	<u>299,942</u>	<u>292,915</u>

15 Provisions for liabilities and charges

	2003 £000	2002 £000
Deferred tax		
Accelerated capital allowances	54,151	49,602
Other timing differences	8,268	7,797
Full provision for deferred tax	<u>62,419</u>	<u>57,399</u>
Provision at start of year	57,399	47,803
Deferred tax charge in profit and loss account for year	5,020	9,596
Provision at end of year	<u>62,419</u>	<u>57,399</u>

16 Capital, reserves and shareholders' funds

	Called up share capital £000	Share premium account £000	Capital Redemption Reserve £000	Revaluation reserve £000	Profit and loss account £000	2003 Shareholders' funds £000	2002 Shareholders' funds £000
At start of year	4,292	124,819	–	23,386	157,636	310,133	273,839
Allotments	22	1,920	–	–	–	1,942	7,739
Transfer	–	–	–	(947)	947	–	–
Purchase of shares	(165)	–	165	–	(20,057)	(20,057)	–
Profit for the year	–	–	–	–	34,044	34,044	35,416
Dividends	–	–	–	–	(7,434)	(7,434)	(6,902)
QUEST transfer	–	–	–	–	–	–	41
At end of year	<u>4,149</u>	<u>126,739</u>	<u>165</u>	<u>22,439</u>	<u>165,136</u>	<u>318,628</u>	<u>310,133</u>