J D WETHERSPOON PLC

PRESS RELEASE

J D Wetherspoon plc announces preliminary results for the year ended 29 July 2001.

Highlights

- **Turnover up 31% to £484.0m**
- **Profits before tax up 23% to £44.3m**
- **Earnings per share up 18% to 19.9p (before adoption of FRS19 deferred taxation)**
- **Earnings per share up 20% to 14.2p (after adoption of FRS19 deferred taxation)**
- **Free cash flow per share up 20% to 29.1p**
- **Dividend per share increased by 10% to 2.93p**
- **Like for like sales increased by 7.5%**
- **94 pubs opened**

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

"I am pleased to report another year of good progress for Wetherspoon. Sales increased by £114.3 million to £484.0 million, a rise of 31%.

Free cash flow after payments of tax, interest and capital investment in existing pubs increased by 24% to £61.2 million, resulting in a free cash flow per share of 29.1p before investment in new pubs, loan repayments and payment of dividends.

We opened 94 pubs during the year, compared with 91 in the previous year, excluding the 10 Lloyds pubs purchased from Wolverhampton and Dudley brewery in the previous year. The total number of pubs operated by us is now 530 including 8 opened since the year end.

As a result of another good trading performance, I remain confident of our future prospects."

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

CHAIRMAN'S STATEMENT

I am pleased to report another year of good progress for Wetherspoon. Sales increased by £114.3 million to £484.0 million, a rise of 31%. Operating profit, excluding sale and leaseback rentals, increased by 22% to £66.1 million, and profit before tax rose by 23% to £44.3 million. Earnings per share, before the adoption of a full provision for deferred taxation under the new accounting standard FRS19, increased by 18% to 19.9p. Allowing for the adoption of FRS19, restated earnings per share increased by 20% to 14.2p.

The company currently has a low rate of tax of 5% as a result of tax relief available on capital investment. The effect of FRS19 is to provide in the profit and loss account for the full tax charge even though it is not paid out in cash. This has the effect of reducing the stated earnings per share but has no effect on our cashflow. The other main effect is to reduce our net assets in the balance sheet by the amount of deferred tax on past profits, resulting in a rise in gearing as indicated below.

Capital investment was £150.6 million, and net gearing at the year end, after accounting for the effect of FRS19, was 88% (2000: 69% as restated for FRS19). Interest was covered 4.2 times (2000: 4.5 times) by operating profit. Operating margins before depreciation, interest, sale & leaseback rentals and tax were 19.8%, compared with 20.3% last year. This reduction principally reflects higher labour costs and slightly lower gross margins, partly offset by proportionately lower head office costs. Cash profits per pub on this basis increased marginally from the previous year to £206,000.

Free cash flow after payments of tax, interest and capital investment of £15.8 million in existing pubs increased by 24% to £61.2 million, resulting in a cash flow per share of 29.1p before investment in new pubs, loan repayments and dividends paid.

Economic profit calculated by adding depreciation to profit before tax and subtracting capital expenditure on existing pubs, increased by 37% to £58.2 million, with capital investment in existing pubs at 3.3% of turnover, compared with 3.9% of turnover in the previous period. Economic profit margins increased from 11.5% to 12.0%.

Dividends
The board proposes, subject to shareholders' consent, to pay a final dividend of 1.93p net on 30 November 2001 to those shareholders on the register at 28 September 2001, bringing the total dividend for the year to 2.93p, a 10% increase on the previous year. At this level, dividends will be covered 4.8 times by earnings, compared with 4.4 times in 2000. A scrip alternative will again be offered to shareholders.

Finance
The company had £74.8 million of unutilised banking facilities and cash balances at the balance sheet date. Subsequent to the year end, £40 million of new banking facilities have been agreed with repayments over a period between 5 and 10 years. These new facilities, coupled with our strong organic cash flow, underpin the company's expansion plans for the foreseeable future.

Further progress
We opened 94 pubs during the year, compared with 91 in the previous year, excluding the 10 Lloyds pubs purchased from Wolverhampton and Dudley brewery in the previous year. The total number of pubs operated by us is now 530, including 8 opened since the year end.

As in recent years the pubs are located in a variety of locations in large and small towns and cities. Sales at the new pubs have been very encouraging, including the first five which have opened in Northern Ireland.

The original 10 Lloyds pubs have now been operated by Wetherspoon for just over a year and sales have approximately doubled. If this improvement is sustained in the next few months, this will confirm our belief that there is the potential for a considerable number of Lloyds sites in the country, in addition to our plans for new Wetherspoon pubs, since Lloyds seem to complement trade at existing Wetherspoon outlets.

After like-for-like sales growth of 8.6% in 1998/99 and a further 12.4% in 1999/2000, like-for-like sales increased by an additional 7.5% in the current year and like-for-like profits increased by 7.0%.

We believe that the strategy that we have pursued in recent years of improving the real wages of our staff, combined with competitive bar and food prices, is the right one for the company. This has resulted in strong increases over this period in cash profits per pub in spite of a slight decline in margins, combined with a reduction in the percentage of pub managers, and other staff, leaving the company; this percentage is now at its lowest level ever. Bonuses paid to people working in our pubs amounted to £10.2 million compared with £8.5 million in the previous year.

We continue to try to upgrade every area of the business, endeavouring, for example, to improve our buying terms as we grow; to upgrade our IT and management systems; to enhance training courses for our people and to modify and improve the design of our pubs.

We also continue to review our product range and, in association with Cask Marque, the quality control system developed by a number of brewers, we are offering a try before you buy scheme to encourage customers to try guest ales from micro and regional brewers. We believe that sales of these beers, neglected by many managed pub companies, will be a key area of growth for the future.

The economy

An important issue facing all businesses is whether Britain should support the euro. As indicated in previous years I strongly believe that each major currency in the world is backed by a single government and that this is a pre-requisite for economic success. For this reason, I feel that the euro is likely to fail and that it would be extremely unwise for Britain to join. The non-political 'No' group, which advocates retention of the pound, is launching a campaign in our pubs today urging the public to vote against the euro in the event of a referendum.

Other legislation

The Government has recently indicated that it intends to transfer responsibility for liquor licensing from magistrates courts to local authorities. This move is opposed by 80% of individual licensees in the trade, according to market research carried out by us. Where local authorities, which are heavily burdened with many tasks, currently control aspects of licensing, it is more expensive and slower than the areas operated by magistrates. Given the Government's commitment to a reduction in bureaucracy and red tape there is no rational reason for this transfer of authority.

The Government has argued that allowing local authorities control of licensing is more 'democratic'. The absurdity of this argument is underlined by the fact that appeals under the new system will be to magistrates who will, therefore, still be the ultimate authority for licensing, although only after the delay and expense of an appeal.

If local authority control of licensing is introduced, it will result in higher costs and a slower licensing process but I do not believe that it will affect our overall prospects. It will, however, inevitably increase the price of beer in pubs, restaurants and off-licences. Given the disparity in alcohol duty between Britain and France, the proposed changes risk further eroding the competitiveness of a very important industry.

People

Once again, I would like to thank sincerely all our employees, partners and suppliers in helping to ensure yet another year of record profits for Wetherspoon.

Prospects

Like-for-like sales increased by 7% in August (following growth of 5% in August 2000) and total company sales increased by 29% over the same period last year. The encouraging sales growth in recently opened pubs has also continued, with a promising start from the 8 pubs opened since the period end.

We have 25 sites in the course of construction, 61 with the necessary permissions for development, a further 65 on which terms have been agreed and 170 currently in negotiation. The high levels of competition for sites from pub competitors continue to reduce and this makes prospects in this area of the business particularly encouraging.

As a result of another good trading performance, I remain confident of our future prospects.

Tim Martin
Chairman
7 September 2001

Profit and loss account

for the year ended 29 July 2001

	Notes	2001 £000	2000 £000 (Restated)
Turnover		**483,968**	369,628
Operating profit	2	**58,380**	46,278
Net interest payable	3	**(14,063)**	(10,226)
Profit on ordinary activities before taxation		**44,317**	36,052
Tax on profit on ordinary activities	4	**(14,457)**	(11,996)
Profit on ordinary activities after taxation		**29,860**	24,056
Dividends	5	**(6,185)**	(5,599)
Retained profit for the year		**23,675**	18,457
Earnings per ordinary share	6	**14.2p**	11.8p
Fully diluted earnings per ordinary share	6	**14.0p**	11.5p

All activities relate to continuing operations.

Statement of total recognised gains and losses

	2001 £000	2000 £000 (Restated)
Profit for the financial year after taxation	**29,860**	24,056
Prior year adjustment arising from the adoption of FRS19 deferred taxation	**(35,688)**	-
Total (losses)/ gains recognised since previous year end	**(5,828)**	24,056

Note of historical cost profits

	2001 £000	2000 £000 (Restated)
Reported profit on ordinary activities before taxation	**44,317**	36,052
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	**670**	672
Historical cost profit on ordinary activities before taxation	**44,987**	36,724
Historical cost profit for the year retained after taxation and dividends	**24,345**	19,129

Refer to note 14 in respect of the restatement of the comparative figures.

Cash flow statement

for the year ended 29 July 2001

	Notes	**2001** **£000**	**£000**	2000 £000	£000
Net cash inflow from operating activities	7	**93,005**	**93,005**	76,165	76,165
Returns on investments and servicing of finance					
Interest received		**976**	**976**	2,412	2,412
Interest paid – existing pubs		**(15,436)**	**(15,436)**	(13,710)	(13,710)
Interest paid and capitalised into new pubs		**(3,004)**		(3,921)	
Net cash outflow from returns on investment and servicing of finance		**(17,464)**		(15,219)	
Taxation					
Corporation tax paid		**(1,556)**	**(1,556)**	(1,100)	(1,100)
Capital expenditure and financial investment					
Purchase of tangible fixed assets for existing pubs		**(15,792)**	**(15,792)**	(14,471)	(14,471)
Purchase of own shares for ESOP trust		**(241)**		-	
Proceeds of sale of tangible fixed assets		**-**		4,277	
Investment in new pubs and pub extensions		**(127,574)**		(136,612)	
Net cash outflow from capital expenditure and financial investment		**(143,607)**		(146,806)	
Equity dividends paid		**(4,529)**		(3,785)	
Net cash outflow before financing		**(74,151)**		(90,745)	
Financing					
Issue of ordinary shares		**2,057**		46,566	
Advances under bank loans		**40,156**		124,353	
Advances under US senior loan notes		**44**		86,815	
Repayments of secured bank loans		**-**		(187,882)	
Net cash inflow from financing		**42,257**		69,852	
Decrease in cash	9	**(31,894)**		(20,893)	
Free cash flow	6		**61,197**		49,296
Cash flow per ordinary share	6		**29.1p**		24.2p

Balance sheet
at 29 July 2001

	Notes	2001 £000	2000 £000 (Restated)
Fixed assets			
Tangible assets	10	**625,903**	504,996
Current assets			
Stocks		**7,503**	4,686
Debtors due after more than one year		**6,986**	5,588
Debtors due within one year		**6,764**	7,378
Investments		**241**	100
Cash		**9,791**	41,685
		31,285	59,437
Creditors due within one year	11	**(81,965)**	(67,936)
Net current liabilities		**(50,680)**	(8,499)
Total assets less current liabilities		**575,223**	496,497
Creditors due after more than one year	12	**(253,581)**	(213,979)
Provisions for liabilities and charges	13	**(47,803)**	(35,688)
Total net assets		**273,839**	246,830
Capital and reserves			
Called up share capital		**4,224**	4,198
Share premium account		**116,389**	113,081
Revaluation reserve		**23,824**	24,494
Profit and loss account		**129,402**	105,057
Equity shareholders' funds	14	**273,839**	246,830

Tim Martin
Jim Clarke
Directors

Refer to note 14 in respect of the restatement of the comparative figures.

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 29 July 2001 and 30 July 2000 (as restated for the adoption of FRS19 deferred taxation: see note 14) on which unqualified reports were made by the company's auditors.

The 2000 statutory accounts have been filed with the Registrar of Companies. The 2001 statutory accounts will be sent to shareholders on 3 October 2001 and will be filed with the Registrar of Companies following their adoption at the forthcoming Annual General Meeting.

2 Analysis of continuing operations

	2001 £000	2000 £000
Turnover	**483,968**	369,628
Cost of sales	**(401,800)**	(304,344)
Gross profit	**82,168**	65,284
Administrative expenses	**(23,788)**	(19,006)
Operating profit	**58,380**	46,278

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

3 Net interest payable

	2001 £000	2000 £000
Interest payable on bank loans and overdraft	**11,761**	**11,767**
Interest payable on US senior loan notes	**6,528**	**5,526**
Less:		
Interest capitalised	**(2,979)**	**(3,846)**
Interest receivable	**(1,247)**	**(3,221)**
Charge to profit and loss account	**14,063**	**10,226**

4 Taxation

The company has opted to adopt FRS19 deferred taxation in the current year. Accordingly the tax charge for 2000 has been restated to reflect the position had the company accounted for deferred tax on a fully provided basis in that year. The full impact on reserves is detailed in note 14.

Analysis of current period tax charge

Current tax	**2001** **£000**	**2001** **£000**	2000 £000 (Restated)	2000 £000 (Restated)
UK corporation tax on profits for the year at 30%	**5,906**		2,342	
Adjustments in respect of prior years	**(863)**		(66)	
Advance corporation tax	**(2,701)**		(491)	
Total current tax		**2,342**		1,785
Deferred tax				
Origination and reversal of timing differences	**12,115**		10,211	
Total deferred tax		**12,115**		10,211
Tax on profit on ordinary activities		**14,457**		11,996

5 Dividends

	2001 **£000**	2000 £000
Interim paid of 1.00p per share (2000: 0.91p)	**2,109**	1,904
Final proposed of 1.93p per share (2000: 1.76p)	**4,076**	3,695
	6,185	5,599

6 Earnings and cash flow per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation for the period of £29,860,000 (2000: £24,056,000) and on 210,542,854 (2000: 204,035,428) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the period.

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 213,486,301 (2000: 208,311,375).

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, inflows and outflows of financing from outside sources and dividend payments and is based on the same number of shares in issue as for the calculation of basic earnings per share.

7 Net cash inflow from operating activities

	2001 **£000**	2000 £000
Operating profit	**58,380**	46,278
Depreciation of tangible fixed assets	**29,674**	20,946
Change in stocks	**(2,817)**	(841)
Change in debtors	**(409)**	779
Change in creditors	**8,177**	9,003
	93,005	76,165

8 Reconciliation of net cash flow to movement in net debt

	2001 **£000**	2000 £000
Decrease in cash in the year	**(31,894)**	(20,893)
Cash inflow from increase in debt financing	**(40,200)**	(23,286)
Movement in net debt during the period	**(72,094)**	(44,179)
Opening net debt	**(169,483)**	(125,304)
Closing net debt	**(241,577)**	(169,483)

9 Analysis of net debt

	2000 **£000**	**Cash flow** **£000**	**2001** **£000**
Cash at bank and in hand	41,685	(31,894)	**9,791**
Debt due after one year	(211,168)	(40,200)	**(251,368)**
Net debt	(169,483)	(72,094)	**(241,577)**

10 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold land and buildings £000	Equipment, fixtures and fittings £000	Expenditure on unopened properties £000	Total £000
Cost or valuation					
At 31 July 2000	171,648	231,143	116,788	48,594	568,173
Reclassification	40,429	422	-	(40,851)	-
Additions	68,285	19,739	33,088	29,469	150,581
At 29 July 2001	**280,362**	**251,304**	**149,876**	**37,212**	**718,754**
Depreciation					
At 31 July 2000	3,988	17,856	41,333	-	63,177
Reclassification	617	1,940	(2,557)	-	-
Charge for the year	4,150	7,060	18,464	-	29,674
At 29 July 2001	**8,755**	**26,856**	**57,240**	**-**	**92,851**
Net book value					
At 29 July 2001	**271,607**	**224,448**	**92,636**	**37,212**	**625,903**
At 30 July 2000	167,660	213,287	75,455	48,594	504,996

11 Creditors due within one year

	2001 £000	2000 £000
Trade creditors	**50,418**	40,420
Corporation tax	**2,437**	1,651
Other tax and social security	**7,715**	4,829
Other creditors	**3,881**	3,848
Dividend payable	**4,076**	3,695
Accruals and deferred income	**13,438**	13,493
	81,965	67,936

12 Creditors due after more than one year

	2001 £000	2000 £000
Bank loans repayable by instalments	**164,509**	124,353
US senior loan notes repayable in a single instalment in 2009	**86,859**	86,815
	251,368	211,168
Other creditors	**2,213**	2,811
	253,581	213,979

13 Provisions for liabilities and charges

	2001 £000	2000 £000 (Restated)
Deferred tax		
Accelerated capital allowances	**44,664**	35,150
Other timing differences	**3,882**	3,982
Advance corporation tax	**(743)**	(3,444)
Full provision for deferred tax	**47,803**	35,688
Provision at start of year	**35,688**	25,477
Deferred tax charge in profit and loss account for period	**12,115**	10,211
Provision at end of year	**47,803**	35,688

14 Capital, reserves and shareholders' funds

	Called-up share capital £000	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	**2001 Shareholders' funds £000**	2000 Shareholders' funds £000 (Restated)
At start of year as previously stated	4,198	113,081	24,494	140,745	**282,518**	205,996
Adoption of FRS19 (below)	-	-	-	(35,688)	**(35,688)**	(25,477)
As restated	4,198	113,081	24,494	105,057	**246,830**	180,519
Allotments	26	3,308			**3,334**	47,854
Transfer	-	-	(670)	670	**-**	-
Profit for the year	-	-	-	29,860	**29,860**	24,056
Dividends	-	-	-	(6,185)	**(6,185)**	(5,599)
At end of year	**4,224**	**116,389**	**23,824**	**129,402**	**273,839**	246,830

The company has adopted FRS19 deferred taxation and, as required under the standard, the previous years' shareholders' funds have been restated. The impact of implementing FRS19 deferred taxation on current years profits is to reduce them by £12,115,000 (2000: £10,211,000).