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**J D Wetherspoon plc**  
Interim report 2004

## Financial highlights

Turnover up 11% to

**£389.0m**

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Operating profit\* up 10% to

**£38.6m**

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Profit before tax\* up 9% to

**£27.8m**

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Earnings per share\* up 15% to

**9.0p**

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Free cash flow per share up 15% to

**21.7p**

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Interim dividend per share up 10% to

**1.33p**

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\*before exceptional items

## Chairman's statement

I am pleased to report good progress in the half year to 25 January 2004. Sales increased by 11% to £389.0 million. Operating profit increased by 10% to £38.6 million and profit before tax and exceptional items by 9% to £27.8 million. Profits were slightly higher than anticipated, partly as a result of delays in expenditure due to the late implementation of the new licensing legislation and lower than expected costs for the new employee share scheme. Earnings per share (before exceptional items) rose by 15% to 9p, rising at a faster rate than profits due principally to the impact of share buybacks.

Capital investment was £32 million and net gearing at the period end was 103% (2003: 97%). Net interest was covered 3.6 times (2003: 3.7 times) by operating profits. Operating margins before interest and tax were 9.9% (2003: 10.0%), mainly as a result of slightly higher wages, rent and repairs.

### **..our existing pubs performed well, with like-for-like sales increasing by 4.8%.**

The company sold 10 pubs and 1 development site in the period under review, resulting in a capital loss of £3.5 million, as previously indicated in our first quarter update. The company has decided to dispose of a further 10 pubs which do not meet our requirements and we anticipate a capital loss in respect of this transaction of £3.6 million. Whilst these capital losses are disappointing, the company continues to focus on maximising cash flow and return on capital, as well as being conservative when considering new property acquisitions.

Free cash flow, after capital investment of £8 million in existing pubs and payments of tax and interest, increased by 8% to £44 million. This resulted in free

cash flow per share of 21.7p (2003: 18.9p) before investment in new pubs and dividend payments. In the period under review, all our new pub capital expenditure was financed from free cash flow, compared to 86% financed by free cash flow in the equivalent period.

Economic profit, calculated by adding depreciation to profit after tax (excluding deferred tax) and before exceptional items and subtracting capital investment in existing pubs, increased by 7% to £34.7 million.

#### **DIVIDEND**

The Board has declared an interim dividend of 1.33p per ordinary share, a 10% increase on last year payable on 21 May 2004 to shareholders on the register at 19 March 2004.

#### **SHARE BUYBACK**

During the period, the Company acquired 8,895,000 shares for cancellation resulting in a cash outflow of £25.7m, including £2.7m in relation to shares acquired towards the end of the previous financial year.

#### **FURTHER PROGRESS**

We opened 8 pubs in the period and sold 10, bringing the total number of pubs to 633. The new pubs demonstrated encouraging levels of sales and our existing pubs performed well, with like-for-like sales increasing by 4.8%.

The company continues to seek improvements in every area of the business and has, for example, introduced a new share incentive scheme for employees, progressed plans for a new distribution system and made significant progress in the development of improved Epos and IT systems.

#### FINANCING

The company recently completed a refinancing of the majority of its current banking facilities. A new £250 million 5 year facility has been put in place which is sufficient to cover our medium term expansion plans. Total banking facilities, including our US private placement, now total £418.5 million compared to net borrowings at the end of the period under review of £313.8 million.

## ..a nationwide chain of over 600 pubs and sales in the last financial year of £731 million.

#### PEOPLE

Once again I would like to thank our employees, suppliers and partners for their excellent work in the last six months.

#### BOARD STRUCTURE

Having founded the business in 1979, I will become non-executive Chairman from the beginning of April 2004, working approximately 2 days per week. John Hutson will become Chief Executive Officer and my previous executive responsibilities will be shared between the existing executive directors and

management team. We have tried to concentrate over the years at Wetherspoon on an open style of management involving widespread discussion and consultation throughout the company, which reduces excessive pressure and reliance on any one individual. This approach has helped our transition from 44 London pubs with sales of £22 million upon flotation in 1992 to a nationwide chain of over 600 pubs and sales in the last financial year of £731 million. As a result of the talent, dedication and long service of our management team, I am confident that the changes outlined above will result in a continued good performance, as has been demonstrated by the results of the last six months during my sabbatical.

#### PROSPECTS

Total sales in February 2004 increased by 8% with like-for-like sales increasing by 3.9%, and we opened 3 new pubs. There are 12 sites in the course of construction, 26 with the necessary permissions for development, a further 9 on which terms have been agreed and 115 currently in negotiations. It is anticipated that we will open approximately 30 pubs in the current financial year. For four weeks this summer the Euro 2004 football championship takes place. Previous international football tournaments have sometimes caused a short term dip in the company's sales performance but with no long term implications.

As a result of continuing good like for like sales growth, combined with strong organic cash flow and our dedicated team, I remain confident of future prospects.

**Tim Martin**  
Chairman  
3 March 2004

## Profit and loss account for the six months ended 25 January 2004

	Notes	Unaudited half year 2004 £000 Before exceptional items	Unaudited half year 2004 £000 Exceptional items (note 3)	Unaudited half year 2004 £000 After exceptional items	Unaudited half year 2003 £000	Audited full year 2003 £000 Before exceptional items	Audited full year 2003 £000 After exceptional items
<b>Turnover</b>		<b>388,964</b>	<b>-</b>	<b>388,964</b>	350,606	730,913	730,913
<b>Operating profit</b>	2	<b>38,561</b>	<b>-</b>	<b>38,561</b>	35,013	74,983	74,983
Loss on disposal of tangible fixed assets	3	-	(7,098)	(7,098)	-	-	(3,688)
Net interest payable		(10,739)	-	(10,739)	(9,402)	(18,844)	(18,844)
<b>Profit on ordinary activities before taxation</b>		<b>27,822</b>	<b>(7,098)</b>	<b>20,724</b>	25,611	56,139	52,451
Tax on profit on ordinary activities	4	(9,537)	1,490	(8,047)	(8,913)	(19,744)	(18,407)
<b>Profit on ordinary activities after taxation</b>		<b>18,285</b>	<b>(5,608)</b>	<b>12,677</b>	16,698	36,395	34,044
Dividends	11	(2,511)	-	(2,511)	(2,599)	(7,434)	(7,434)
<b>Retained profit for the period</b>		<b>15,774</b>	<b>(5,608)</b>	<b>10,166</b>	14,099	28,961	26,610
<b>Earnings per ordinary share</b>	5	<b>9.0p</b>	<b>(2.7p)</b>	<b>6.3p</b>	7.8p	17.0p	15.9p
<b>Fully diluted earnings per ordinary share</b>	5	<b>9.0p</b>	<b>(2.8p)</b>	<b>6.2p</b>	7.8p	16.9p	15.9p
<b>Dividend per share</b>	11	<b>-</b>	<b>-</b>	<b>1.33p</b>	1.21p	3.54p	3.54p

All activities relate to continuing operations.

There were no gains or losses recognised in any of the above results other than the profit for the period.

## Cash flow statement for the six months ended 25 January 2004

	Notes	Unaudited half year 2004 £000	Unaudited half year 2004 £000	Unaudited half year 2003 £000	Unaudited half year 2003 £000	Audited full year 2003 £000	Audited full year 2003 £000
<b>Net cash inflow from operating activities</b>	6	69,289	69,289	62,395	62,395	130,565	130,565
<b>Returns on investments and servicing of finance</b>							
Interest received		84	84	11	11	109	109
Interest paid – existing pubs		(10,165)	(10,165)	(8,573)	(8,573)	(19,379)	(19,379)
Interest paid and capitalised into new pubs		–	–	(1,049)	–	(1,872)	–
<b>Net cash outflow from returns on investment and servicing of finance</b>		(10,081)	–	(9,611)	–	(21,142)	–
<b>Taxation</b>							
Corporation tax paid		(7,087)	(7,087)	(3,975)	(3,975)	(10,277)	(10,277)
<b>Capital expenditure</b>							
Purchase of tangible fixed assets for existing pubs		(8,148)	(8,148)	(9,220)	(9,220)	(15,896)	(15,896)
Purchase of own shares for ESOP trust		–	–	(153)	–	(153)	–
Proceeds of sales of tangible fixed assets		6,796	–	–	–	10,732	–
Investment in new pubs and pub extensions		(25,572)	–	(47,491)	–	(77,275)	–
<b>Net cash outflow from capital expenditure</b>		(26,924)	–	(56,864)	–	(82,592)	–
<b>Equity dividends paid</b>		(4,700)	–	(4,334)	–	(5,438)	–
<b>Net cash outflow before financing</b>		20,497	–	(12,389)	–	11,116	–
<b>Financing</b>							
Issue of ordinary shares		349	–	215	–	233	–
Purchase of own shares		(25,744)	–	–	–	(17,369)	–
(Repayments)/advances under bank loans		(2,414)	–	9,920	–	7,527	–
Advances under US senior notes		22	–	22	–	44	–
<b>Net cash (outflow)/inflow from financing</b>		(27,787)	–	10,157	–	(9,565)	–
<b>(Decrease)/increase in cash</b>	7	(7,290)	–	(2,232)	–	1,551	–
<b>Free cash flow</b>	5	–	43,973	–	40,638	–	85,122
<b>Free cash flow per ordinary share</b>	5	–	21.7p	–	18.9p	–	39.7p

## Summarised balance sheet as at 25 January 2004

	Notes	Unaudited half year 2004 £000	Unaudited half year 2003 £000 (restated)	Audited full year 2003 £000 (restated)
<b>Fixed assets</b>				
Tangible assets	9	766,410	776,305	773,823
<b>Current assets</b>				
Stocks		12,087	11,854	10,752
Assets held for sale		3,349	–	–
Debtors due after more than one year		–	8,053	8,448
Debtors due within one year		15,913	9,963	7,866
Cash		7,870	11,377	15,160
		39,219	41,247	42,226
<b>Creditors due within one year</b>		(138,971)	(129,554)	(135,361)
<b>Net current liabilities</b>		(99,752)	(88,307)	(93,135)
<b>Total assets less current liabilities</b>		666,658	687,998	680,688
<b>Creditors due after one year</b>		(297,313)	(302,482)	(299,942)
<b>Provisions for liabilities and charges</b>		(63,555)	(61,082)	(62,419)
<b>Total net assets</b>		305,790	324,434	318,327
<b>Capital and reserves</b>				
Called up share capital		3,975	4,295	4,149
Share premium account		127,084	125,246	126,739
Capital redemption reserve		343	–	165
Revaluation reserve		23,075	23,048	22,439
Profit and loss account		151,313	171,845	164,835
<b>Equity shareholders' funds</b>	10	305,790	324,434	318,327

The comparative balance sheets have been restated as disclosed in note 1.

## Notes

### 1 Basis of preparation

The interim report for the six months ended 25 January 2004 is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been prepared under the historical cost convention modified by the revaluation of freehold and leasehold properties, and on a basis consistent with the accounting policies for the year ended 27 July 2003. The results for the year ended 27 July 2003 and the balance sheet at that date are an extract from the statutory accounts for that year, which have been filed with the Registrar of Companies and on which the Company's auditors gave an unqualified report under Section 235 of the Companies Act 1985, which did not contain a statement under Section 237(2) or (3) of that Act. The results for the six months ended 26 January 2003 are an extract from the unaudited interim report for that period. The Company has early adopted UITF abstract 38 'Accounting for ESOP trusts' in this interim report. The adoption of this standard represents a change in accounting policy and details are given in note 10. Comparative amounts have been restated where necessary to conform to current presentation in that certain items have been reclassified from debtors to stock.

### 2 Analysis of continuing operations

	Unaudited half year 2004 £000	Unaudited half year 2003 £000	Audited full year 2003 £000
Turnover	388,964	350,606	730,913
Cost of sales	(332,345)	(299,822)	(621,894)
Gross profit	56,619	50,784	109,019
Administrative expenses	(18,058)	(15,771)	(34,036)
<b>Operating profit</b>	<b>38,561</b>	<b>35,013</b>	<b>74,983</b>

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

### 3 Exceptional items

	Unaudited half year 2004 £000	Unaudited half year 2003 £000	Audited full year 2003 £000
Non-operating items:			
Net loss on disposal of trading properties	3,142	-	2,732
Provision against future disposals of trading properties	3,590	-	-
Net loss on disposal of non trading properties	366	-	956
	<b>7,098</b>	<b>-</b>	<b>3,688</b>

### 4 Taxation

The taxation charge for the six months ended 25 January 2004 is calculated by applying an estimate of the effective tax rate for the year ending 25 July 2004. The UK standard rate of corporation tax is 30% (2003: 30%), whereas the latest estimate of the current tax payable on profits before exceptional items for the financial year ending 25 July 2004 is 25% (2003: 24%).

	Unaudited half year 2004 £000 Before exceptional items	Unaudited half year 2004 £000 Exceptional items	Unaudited half year 2004 £000 After exceptional items	Unaudited half year 2003 £000	Audited full year 2003 £000 Before exceptional items	Audited half year 2003 £000 After exceptional items
Current tax	6,858	53	6,911	5,230	13,317	13,387
Deferred tax	2,679	(1,543)	1,136	3,683	6,427	5,020
Tax on profit on ordinary activities	<b>9,537</b>	<b>(1,490)</b>	<b>8,047</b>	<b>8,913</b>	<b>19,744</b>	<b>18,407</b>

## NOTES

### 5 Earnings and cash flow per share

The calculation of basic earnings per share is based on profits on ordinary activities after taxation of £12,677,000 (2003: £16,698,000) and on 202,693,580 (2003: 214,694,977) 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:

	Unaudited half year earnings 2004 £000	Unaudited half year earnings 2003 £000	Earnings per share 2004 £000	Earnings per share 2003 £000
Earnings and basic earnings per share	12,677	16,698	6.3	7.8
Exceptional costs, net of tax	5,608	-	2.7	-
<b>Earnings and earnings per share before exceptional items</b>	<b>18,285</b>	<b>16,698</b>	<b>9.0</b>	<b>7.8</b>

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 203,205,682 (2003: 215,159,001).

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, dividend payments and purchase of own shares and is based on the same number of shares in issue as that for the calculation of basic earnings per share.

### 6 Net cash inflow from operating activities

	Unaudited half year 2004 £000	Unaudited half year 2003 £000	Audited full year 2003 £000
Operating profit	38,561	35,013	74,983
Depreciation of tangible fixed assets	21,887	21,308	43,209
Change in stocks	(1,335)	(3,260)	(2,158)
Change in debtors	674	(1,729)	207
Change in creditors	9,502	11,063	14,324
	<b>69,289</b>	<b>62,395</b>	<b>130,565</b>

### 7 Reconciliation of net cash flow to movement in net debt

	Unaudited half year 2004 £000	Unaudited half year 2003 £000	Audited full year 2003 £000
(Decrease)/increase in cash in the period	(7,290)	(2,232)	1,551
Cash outflow/(inflow) from movement in debt financing	2,392	(9,942)	(7,571)
Movement in net debt during the period	(4,898)	(12,174)	(6,020)
Opening net debt	(308,860)	(302,840)	(302,840)
<b>Closing net debt</b>	<b>(313,758)</b>	<b>(315,014)</b>	<b>(308,860)</b>

**8 Analysis of net debt**

	Audited full year 2003 £000	Cash flow £000	Non-cash movement 2004 £000	Unaudited half year 2004 £000
Cash at bank and in hand	15,160	(7,290)	–	<b>7,870</b>
Debt due within one year	(24,799)	24,799	(24,800)	<b>(24,800)</b>
Debt due after one year	(299,221)	(22,407)	24,800	<b>(296,828)</b>
<b>Net debt</b>	<b>(308,860)</b>	<b>(4,898)</b>	<b>–</b>	<b>(313,758)</b>

**9 Tangible fixed assets**

	Unaudited half year 2004 £000	Unaudited half year 2003 £000	Audited full year 2003 £000
Opening net book value	<b>773,823</b>	745,041	745,041
Additions	<b>32,002</b>	52,572	85,911
Disposals	<b>(10,739)</b>	–	(13,464)
Transfers to assets held for sale	<b>(6,789)</b>	–	–
Provision	–	–	(456)
Depreciation	<b>(21,887)</b>	(21,308)	(43,209)
<b>Closing net book value</b>	<b>766,410</b>	776,305	773,823

**10 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	Unaudited half year 2004 shareholders' funds
At start of period as previously stated	4,149	126,739	165	22,439	165,136	<b>318,628</b>
Prior year adjustment – UITF38	–	–	–	–	(301)	<b>(301)</b>
At start of period as restated	4,149	126,739	165	22,439	164,835	<b>318,327</b>
Allotments	4	345	–	–	–	<b>349</b>
Transfer	–	–	–	636	(636)	<b>–</b>
Purchase of shares	(178)	–	178	–	(23,052)	<b>(23,052)</b>
Profit for the period	–	–	–	–	12,677	<b>12,677</b>
Dividends	–	–	–	–	(2,511)	<b>(2,511)</b>
<b>At end of period</b>	<b>3,975</b>	<b>127,084</b>	<b>343</b>	<b>23,075</b>	<b>151,313</b>	<b>305,790</b>

**11 Dividend**

On 21 May 2004 the company will pay an interim dividend of 1.33 pence per share, for the half year ended 25 January 2004 to shareholders on the register at the close of business on 19 March 2004. The unpaid dividends in respect of the year ended 27 July 2003 due on own shares purchased by the company have been credited to the dividend line in the profit and loss account.

**Independent review report to J D Wetherspoon plc****Introduction**

We have been instructed by the company to review the financial information which comprises a summarised profit and loss account, summarised balance sheet information as at 25 January 2004, summarised cash flow statement, comparative figures and associated notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

**Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

**Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 25 January 2004.

**PricewaterhouseCoopers LLP**

Chartered Accountants  
London  
3 March 2004

**Notes:**

- (a) The maintenance and integrity of the JD Wetherspoon plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.