
J D Wetherspoon plc

Interim report 2007

Highlights

Turnover up 8% to

£438.4m (2006: £406.3m)

Operating profit up 17% to

£46.3m (2006: £39.7m)

Profit before tax up 20% to

£32.9m (2006: £27.4m)

Earnings per share up 37% to

14.5p (2006: 10.6p)

Free cash flow per share

17.0p (2006: 16.8p)

Interim dividend per share

4.0p (2006: 1.6p)

8 pubs opened, 3 sold, total now

662

Chairman's statement

The half year to 28 January 2007 was a period of considerable progress for the Company. Sales increased by 8% to £438.4 million (2006: £406.3 million). Operating profit increased by 17% to £46.3 million (2006: £39.7 million) and profit before tax by 20% to £32.9 million (2006: £27.4 million). Earnings per share increased by 37% to 14.5p (2006: 10.6p), a faster rate than profit due to our share buyback programme.

Like-for-like sales increased by 7.4% in the period and sales at new pubs were in line with expectations. The operating margin before property transactions, interest and tax increased to 10.5% (2006: 9.8%), with higher sales leading to improvements in this area. Net interest was covered 3.5 times (2006: 3.2 times) by operating profit. Total capital investment was £33.2 million.

..Earnings per share increased by 37% to 14.5p...

Free cash flow, after capital investment of £10.5 million in existing pubs, £1.1 million in respect of share purchases under the Company's Share Incentive Plan and payments of tax and interest, declined to £25.6 million (2006: £28.6 million). This decline was due to higher operating profits off-set by higher expenditure on existing pubs, a higher tax charge, timing differences in respect of payments to trade creditors, resulting from the period ending later in the month than in the previous year and planned increases in inventory. This resulted in free cash flow per share of 17.0p (2006: 16.8p) before investment in new pubs, proceeds from pub disposals and dividend payments. In the period under review, all our new pub capital expenditure was financed from free cash flow. In addition we purchased 7.8 million of our own shares for cancellation at a cost of £40.8 million, with a cash outflow of £37.3 million in the period.

Dividend

The Board has decided to declare an interim dividend per share of 4.0p (2006: 1.6p), an increase of 150% on last year, payable on 25 May 2007 to shareholders on the

register at 27 April 2007. The Company has increased its dividend by approximately 10% annually since our flotation in 1992. Earnings per share have increased at a significantly higher level and the board has decided to make this substantial adjustment, taking into account the level of sector and market dividend cover.

Property

The first half saw the opening of 8 new pubs with a full year target of approximately 20. We also completed the disposal of 3 pubs, which had previously been identified for sale, to end the half year with 662 pubs. As previously indicated, the rate of new pub openings is expected to increase to around 30 per annum from the new financial year.

Financing

As at 28 January 2007, the Company's total net borrowings were £385.8 million (30 July 2006: £355.6 million) and total facilities were £472.2 million.

Profit and Share Schemes

For many years, the Company has paid a high percentage of its profits through bonuses and share incentives to all levels of employees. In the period under review, the company paid bonuses of £9.0 million to employees, 90% of which was paid to people working in our pubs. In addition, we purchased £1.1 million worth of Wetherspoon shares under the SIP Scheme; taking into account previous purchases made, this results in a total pool of shares held on behalf of employees worth £23 million. Pubs depend, above all, on high levels of service, and these profit and share schemes help us to achieve the highest level of average sales of any substantial pub company.

Marketing and Product Range

The Company continues to extend the scope and range of its products and services. Average sales per pub have expanded from approximately £500,000 per annum at the time of our flotation to an annualised rate of approximately £1.36 million per annum in the current year. During this time food sales have increased from about £500 per week to about £6,700 per week at the current time. Including drinks sales which accompany a meal, approximately 50% of our overall sales now relate to food. In addition, in the last couple of years, we have sought to increase coffee sales and are currently selling approximately 450,000 coffees per week. We have also extended our opening hours and are offering breakfasts and sell approximately 230,000 of these per week.

..The Company continues to make strong efforts to improve every area of its business and, combined with targeting continuing improvements in sales and trading performance, and our strong cash flow, we remain confident of future prospects.

As regards our drinks offers, we are currently placing a strong emphasis on traditional ale sales and sell approximately 33 million pints of real ale per annum. Ale volumes are currently growing by around 5%. We have also introduced a number of products rarely available in British pubs including our top selling cider Kopparberg, the number one Swedish cider; Wetherspoon sells more Kopparberg than anyone in the world, including Sweden. Our fastest growing bottled beer range comes from Poland and we have also introduced a range of guest lagers on draught from around the world. This selection of bar products, combined with our substantial

investment in new technology for keeping beer at the required temperature throughout the year, will help us to gain a commercial advantage in the future.

Non-Smoking

The Company now operates 61 non-smoking pubs outside Scotland, which have either been converted from 'smoking pubs' or have opened in the last couple of years as non-smoking pubs. The converted pubs showed substantial declines in sales and profits in the year following their conversion, but have shown encouraging like-for-like sales and profits growth, above the Company average, in the period under review. Scottish pubs, in which smoking was banned by legislation in March 2006, have performed at a better level than expected, with like-for-like sales increasing by 5% in the period under review, and with profits at the same level as the previous year.

Current trading and prospects

Following strong like-for-like sales until Christmas, sales growth slowed in January and February. The Company is targeting like-for-like growth in the second half year of about 2–4%. In view of the increase in wages and utility costs, combined with slower sales growth, the Company is cautious about the outcome in the second half.

The Company is also investing in existing pubs at a higher level than in the corresponding period, particularly relating to preparations for the smoking ban. This includes considerable upgrades to our kitchens and the installation of new beer cellar technology referred to above which will enable us to achieve consistently lower temperatures than our competitors for ciders, lagers and wine.

The Company continues to make strong efforts to improve every area of its business and, combined with targeting continuing improvements in sales and trading performance, and our strong cash flow, we remain confident of future prospects.

Tim Martin

Chairman

2 March 2007

Income statement

for the 26 weeks ended 28 January 2007

	Notes	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Revenue	2	438,374	406,326	847,516
Operating costs		(392,103)	(366,634)	(763,900)
Operating profit	3	46,271	39,692	83,616
Finance income		27	28	124
Finance costs		(13,425)	(12,367)	(25,352)
Profit before tax		32,873	27,353	58,388
Taxation	4	(11,130)	(9,281)	(18,487)
Profit for the period		21,743	18,072	39,901
Earnings per share (pence)				
Earnings per ordinary share	5	14.5	10.6	24.1
Diluted earnings per share	5	14.4	10.6	24.0
Ordinary dividends declared in respect of the period				
Interim dividend for 2006/07 – 4.0p (2005/06 – 1.6p)		5,902	2,618	–
Ordinary dividends declared and paid in the period				
Final dividend for 2005/06 – 3.1p (2004/05 – 2.82p)		4,537	4,749	4,749
Interim dividend for 2005/06 – 1.6p		–	–	2,618

All activities relate to continuing operations.

Statement of recognised income and expense

	Unaudited 26 weeks ended 28 January 2007 £000	(Restated) Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Cash flow hedges: gain taken to equity	3,657	1,649	4,871
Tax on items taken directly to equity	(1,096)	(495)	(1,462)
Net expense recognised directly in equity	2,561	1,154	3,409
Profit for the period	21,743	18,072	39,901
Total recognised income for the period	24,304	19,226	43,310

Cash flow statement

for the 26 weeks ended 28 January 2007

	Notes	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Cash flows from operating activities							
Cash generated from operations	6	60,273	60,273	60,826	60,826	133,366	133,366
Interest received		27	27	125	125	290	290
Interest paid		(13,025)	(13,025)	(15,625)	(15,625)	(23,441)	(23,441)
Refinancing costs paid		–	–	(1,367)	(1,367)	(1,412)	(1,412)
Corporation tax paid		(10,103)	(10,103)	(6,850)	(6,850)	(14,812)	(14,812)
Purchase of own shares for share based payments		(1,053)	(1,053)	(1,765)	(1,765)	(3,469)	(3,469)
Net cash inflow from operating activities		36,119	36,119	35,344	35,344	90,522	90,522
Cash flows from investing activities							
Purchase of property, plant and equipment and intangible assets for existing pubs		(10,548)	(10,548)	(6,695)	(6,695)	(20,810)	(20,810)
Proceeds of sale of property, plant and equipment		3,773		2,448		4,645	
Investment in new pubs and pub extensions		(22,686)		(9,242)		(16,766)	
Net cash outflow from investing activities		(29,461)		(13,489)		(32,931)	
Cash flows from financing activities							
Equity dividends paid	8	(4,537)		(4,749)		(7,367)	
Issue of ordinary shares		4,954		1,082		6,974	
Purchase of own shares		(37,288)		(24,042)		(78,683)	
Advances under bank loans		28,106		286,786		304,504	
Repayments under bank loans		–		(280,000)		(280,000)	
Net cash outflow from financing activities		(8,765)		(20,923)		(54,572)	
Net (decrease)/increase in cash and cash equivalents		(2,107)		932		3,019	
Opening cash and cash equivalents		21,092		18,073		18,073	
Closing cash and cash equivalents		18,985		19,005		21,092	
Free cash flow			25,571		28,649		69,712
Free cash flow per ordinary share	5		17.0p		16.8p		42.1p

Balance sheet

as at 28 January 2007

	Notes	Unaudited 28 January 2007 £000	(Restated) Unaudited 22 January 2006 £000	Audited 30 July 2006 £000
Assets				
Non-current assets				
Property, plant and equipment		751,868	747,535	743,826
Intangible assets		2,831	2,929	2,858
Other non-current assets		10,756	9,352	10,004
Total non-current assets		765,455	759,816	756,688
Current assets				
Inventories		18,129	13,639	13,688
Trade and other receivables		12,174	16,158	10,027
Cash and cash equivalents	7	18,985	19,005	21,092
Total current assets		49,288	48,802	44,807
Assets held for sale		923	–	2,431
Total assets		815,666	808,618	803,926
Liabilities				
Current liabilities				
Trade and other payables		(118,234)	(110,106)	(118,130)
Current income tax liabilities		(10,679)	(9,079)	(10,809)
Total current liabilities		(128,913)	(119,185)	(128,939)
Non-current liabilities				
Financial liabilities	7	(392,720)	(357,914)	(368,717)
Derivative financial instruments	7	(15,603)	(11,464)	(15,156)
Deferred tax liabilities		(85,970)	(84,445)	(82,958)
Provisions and other liabilities		(6,620)	(6,718)	(6,581)
Total non-current liabilities		(500,913)	(460,541)	(473,412)
Net assets		185,840	228,892	201,575
Shareholders' equity				
Ordinary shares		2,951	3,312	3,076
Share premium account		140,455	129,679	135,532
Capital redemption reserve		1,461	1,030	1,305
Retained earnings		40,973	94,871	61,662
Total shareholders' equity	9	185,840	228,892	201,575

Notes

1 Interim statement

Basis of preparation

This interim statement of J D Wetherspoon plc (the 'Company'), which is abridged and unaudited, has been prepared in accordance with International Financial Reporting Standards expected to apply at 29 July 2007 and which were applied at 30 July 2006.

As permitted this interim report has been prepared in accordance with UK listing rules and not in accordance with IAS 34 'Interim Financial Reporting'.

Certain balances in the comparative income statement have been reclassified to reflect the correct accounting treatment of fair value hedges in line with the requirements of IAS 39.

The financial information for the year ended 30 July 2006 is extracted from the statutory accounts of the Company for that year and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. These published accounts were reported on by the auditors without qualification or restatement under Sections 237(2) or (3) of the Companies Act 1985 and have been delivered to the Registrar of Companies.

The interim accounts for the six months ended 28 January 2007 and the comparatives to 22 January 2006 are unaudited but have been reviewed by the auditors. A copy of the review report is included at the end of this report.

2 Revenue

Revenue disclosed in the income statement is analysed as follows:

	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Sales of goods and services	438,374	406,326	847,516

The company trades in one business segment, (that of public houses) and one geographical segment, being the United Kingdom.

3 Operating profit

This is stated after charging/crediting:

	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Operating lease payments:			
– property rents	26,242	25,597	52,808
– equipment and vehicles	89	102	195
Repairs and maintenance	15,445	14,855	32,948
Rent receivable	(169)	(311)	(545)
Depreciation of property, plant and equipment	21,127	20,501	42,127
Amortisation of intangible assets	543	540	1,079
Amortisation of non-current assets	250	95	187
Share based-payments charge	1,352	811	2,480
Profit on disposal of trading properties	829	–	–
Impairment of fixed assets	(618)	–	–

4 Taxation

The taxation charge for the twenty six weeks ended 28 January 2007 is calculated by applying an estimate of the effective tax rate of 33.9% for the year ending 29 July 2007 (2006: 31.7%). The UK standard rate of corporation tax is 30% (2006: 30%), and the latest estimate of the current tax payable on profits for the financial year ending 29 July 2007 is 30% (2006: 31%).

	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Current tax	9,973	8,373	18,065
Deferred tax	1,157	908	422
Tax charge in the income statement	11,130	9,281	18,487

5 Earnings and cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £21,743,000 (January 2006: £18,072,000; July 2006: £39,901,000) by the weighted average number of shares in issue during the year of 149,989,023 (January 2006: 170,220,787; July 2006: 165,694,582).

Diluted earnings per share has been calculated on a similar basis, taking account of 915,222 (January 2006: 316,553; July 2006: 545,980) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 150,904,245 (January 2006: 170,537,340; July 2006: 166,240,832).

Earnings per share

	Unaudited 26 weeks ended 28 January 2007	Unaudited 26 weeks ended 22 January 2006	Audited 53 weeks ended 30 July 2006
Profit for the period (£000)	21,743	18,072	39,901
Basic earnings per share	14.5p	10.6p	24.1p
Diluted earnings per share	14.4p	10.6p	24.0p

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

6 Cash generated from operations

	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Profit attributable to shareholders	21,743	18,072	39,901
Adjusted for:			
Tax	11,130	9,281	18,487
Amortisation of intangible assets	543	540	1,079
Depreciation of property, plant and equipment	21,127	20,501	42,127
Lease premium amortisation	250	95	187
Impairment of fixed assets	618		
Profit on disposal of trading properties	(829)		
Share-based payments charge	1,352	811	2,480
Interest income	(27)	(28)	(124)
Interest expense	13,283	12,367	25,176
Amortisation of bank loan issue costs	142	–	176
	69,332	61,639	129,489
Change in inventories	(4,441)	(862)	(911)
Change in receivables	(2,149)	(1,536)	2,003
Change in payables	(2,469)	1,585	2,785
Net cash inflow from operating activities	60,273	60,826	133,366

7 Analysis of changes in net debt

	30 July 2006 £000	Cash flows £000	Non-cash movement £000	28 January 2007 £000
Cash in bank and in hand	21,092	(2,107)	–	18,985
Debt due after one year	(368,717)	(24,003)	–	(392,720)
Derivative financial instrument – fair value hedge	(8,005)	–	(4,104)	(12,109)
Net borrowings	(355,630)	(26,110)	(4,104)	(385,844)
Derivative financial instrument – cash flow hedge	(7,151)	–	3,657	(3,494)
Net debt	(362,781)	(26,110)	(447)	(389,338)

8 Dividends paid and proposed

	Unaudited 26 weeks ended 28 January 2007 £000	Unaudited 26 weeks ended 22 January 2006 £000	Audited 53 weeks ended 30 July 2006 £000
Declared and paid in the period			
Final dividend for 2005/06 – 3.1p (2004/05 – 2.82p)	4,537	4,749	4,749
Interim dividend for 2005/06 – 1.6p	–	–	2,618
Dividends paid	4,537	4,749	7,367
Dividends per share declared in respect of the period			
Final dividend	–	–	3.1p
Interim dividend	4.0p	1.6p	1.6p
	4.0p	1.6p	4.7p

On 25 May 2007 the Company will pay an interim dividend of 4.0 pence per share, for the half year ended 28 January 2007 to shareholders on the register at the close of business on 27 April 2007.

9 Statement of changes in shareholders' equity

	Unaudited 28 January 2007 £000	Unaudited 22 January 2006 £000	Audited 30 July 2006 £000
At beginning of period as previously reported	201,575	246,745	246,745
Effect of adopting IAS 32 and IAS 39	–	(8,415)	(8,415)
At beginning of period (restated)	201,575	238,330	238,330
Exercise of options	4,954	1,082	6,974
Re-purchase of shares	(40,755)	(24,042)	(78,683)
Share based payments charge	1,352	811	2,480
Purchase of shares held in trust	(1,053)	(1,766)	(3,469)
Profit for the period	21,743	18,072	39,901
Cash flow hedges: profit taken to equity	3,657	1,649	4,871
Tax on items taken directly to equity	(1,096)	(495)	(1,462)
Dividends	(4,537)	(4,749)	(7,367)
Closing shareholders' equity	185,840	228,892	201,575

Independent review report to J D Wetherspoon plc

Introduction

We have been instructed by the company to review the financial information for the twenty six weeks ended 28 January 2007 which comprises the interim balance sheet as at 28 January 2007 and the related interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related 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 Listing Rules of the London Stock Exchange 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.

This interim report has been prepared in accordance with the basis set out in Note 1.

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 disclosed accounting policies have been applied. 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 and therefore provides a lower level of assurance. 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 twenty six weeks ended 28 January 2007.

PricewaterhouseCoopers LLP

Chartered Accountants
London
2 March 2007

Notes:

(a) The maintenance and integrity of the J D Wetherspoon plc web site 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 web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

J D Wetherspoon plc

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