



**13 March 2009**

**PRESS RELEASE**

## **J D WETHERSPOON PLC**

### **INTERIM RESULTS**

**(For the six months ended 25 January 2009.)**

#### Financial Highlights

#### Reported Results

Revenue £468.7m (2008: £440.2m)	+6.5%
Like-for-like sales	+1.9%
Operating profit before exceptional items £46.8m (2008: £46.2m)	+1.3%
Operating profit after exceptional items £42.3m (2008: £44.4m)	-4.7%
Operating margin before exceptional items 10.0% (2008: 10.5%)	-0.5%
Operating margin after exceptional items 9.0% (2008: 10.1%)	-1.1%
Profit before tax before exceptional items £30.8m (2008: £30.2m)	+2.0%
Profit before tax after exceptional items £25.6m (2008: £28.5m)	-10.2%
Earnings per share before exceptional items 16.0p (2008: 13.9p)	+15.1%
Earnings per share after exceptional items share 12.5p (2008: 12.9p)	-3.1%
Free cash flow per share 28.2p (2008: 11.3p)	+150%

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

“I am pleased to report continuing progress in the 6 months ended 25 January 2009. Like-for-like sales increased by 1.9% and total sales, including new pubs, increased by 6.5% to £468.7 million (2008: £440.2 million). JDW continues to trade well. In the 6 weeks to 8 March 2009, LFL sales increased by 1.9% and total sales by 5.6%.

Cash generation in the twelve months to January 2009, including the second half of the last financial year, has been extremely strong, producing free cash flow of £95 million, compared to £43 million in the preceding 12 months. Since the period end, the Company has agreed a new banking facility of £20 million from Abbey Santander, not part of our current banking syndicate. This will run in parallel with the existing bank facility until December 2010 and provides the company with additional flexibility during that period.

Although the pub industry as a whole is under great pressure from higher taxes and social legislation, as well as a difficult economy, as a result of our strong cashflow, reducing debt and the excellent work of our employees, I remain confident of the Company’s future prospects.”

Enquiries:

John Hutson	Chief Executive Officer	01923 477777
Keith Down	Finance Director	01923 477777
Eddie Gershon	Company spokesman	07956 392234

Photographs are available at: [www.newscast.co.uk](http://www.newscast.co.uk)



## 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](http://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 May 2009.

## CHAIRMAN'S STATEMENT AND OPERATING REVIEW

### 'A Successful Half Year'

I am pleased to report continuing progress in the six months ended 25 January 2009. Like-for-like sales increased by 1.9%, with total sales, including new pubs, increasing by 6.5% to £468.7 million (2008: £440.2 million). Operating profit before exceptional items increased by 1.3% to £46.8 million, (2008: £46.2 million) and, after exceptional items, decreased by 4.7% to £42.3 million (2008: £44.4 million). Profit before tax before exceptional items increased by 2.0% to £30.8 million (2008: £30.2 million) and, after exceptional items, decreased by 10.2% to £25.6 million (2008: £28.5 million). Earnings per share before exceptional items increased by 15.1% to 16.0p (2008: 13.9p) and after exceptional items decreased by 3.1% to 12.5p (2008: 12.9p).

Operating margin, before exceptional items, interest and tax, in the six months ended 25 January 2009 decreased to 10.0% (2008: 10.5%), owing mainly to higher costs of energy. Operating margin after exceptional items decreased to 9.0% (2008: 10.1%).

Net interest was covered 2.9 times by operating profit before exceptional items (2008: 2.9 times) and 2.6 times by operating profit after exceptional items (2008: 2.8 times). Total capital investment was £28.7 million in the period (2008: £34.9 million).

Total exceptional items in the six months ended 25 January 2009 totalled £5.2 million (2008: £1.8 million). These related mainly to disposals of properties which we no longer intend to develop and to major litigation costs involving legal action against our former estate agents Van de Berg.

Free cash flow, after capital investment of £4.8 million in current pubs, £4.0 million in respect of share purchases under the Company's share-based payment schemes and payments of tax and interest, in the six months ended 25 January 2009 increased to £39.2 million (2008: £16.1 million). Free cash flow per share in the six months ended 25 January 2009 was 28.2p (2008: 11.3p). Cash generation in the 12 months to January 2009, including the second half of the last financial year, has been extremely strong, producing free cash flow of £95 million, compared to £43 million in the preceding twelve months.

### Property

The first half saw the opening of 21 new pubs and the disposal of one, bringing the number open at the period end to 714. In contrast with previous years, the majority of new openings this period has been existing pubs with both rents and development costs being substantially lower than historic trends. Our capital expenditure on new pubs for the current financial year is therefore anticipated to be approximately £16 million lower than the previous financial year, despite pub openings anticipated to increase from 23 to 35.

### Dividends

As announced in our last trading statement, the Board has decided not to pay an interim dividend in order to redirect our cash flow towards debt reduction.

### Taxation

We expect the overall tax rate for the current financial year to be approximately 32.2% (July 2008: 34.4%). This is due to a reduction in the standard rate of corporation tax and credits arising from property deferred tax balances, offset by non-qualifying depreciation and abortive property costs.

The current tax charge is consistent at 34.7% (2008: 34.7%) The benefit of a reduction in the standard rate of corporation tax from 29.3% to 28.0% has been offset by the increase in non-qualifying depreciation, abortive property costs and the impact of the change in the capital allowance régime; this reduces the allowances claimed each year by extending the period over which the full claim is made.

### Financing

As at 25 January 2009, the Company's total net borrowings were £435.2 million (27 July 2008: £439.6 million), a reduction of £4.4 million. Total facilities remain at £522.2 million. Net borrowings in the period have decreased after accounting for payments for 21 new pub openings totalling £23.9 million, and the payment of last year's

final dividend of £10.4 million. In the 12 months to 25 January 2009, net borrowings have decreased by £27 million, notwithstanding payments for 34 pub openings of £44 million, dividends of £17 million and the purchase of our own shares for cancellation of £6 million.

Since the period end, the Company has agreed a new banking facility of £20 million from Abbey Santander, not part of our current banking syndicate. This will run in parallel with the current bank facility until December 2010 providing the company with additional flexibility during that period.

The Board still intends to repay the Company's US \$140 million private placement, due for renewal in September 2009 from cash flow and current facilities.

In the 12 months ended 25 January 2009, our debt to EBITDA has fallen from 3.6 times to 3.2 times. The Board currently anticipate that it will fall to less than 3 times by the end of the current financial year and will continue declining in the following financial year.

We have historically used interest rate swaps to fix the interest rates payable on a material part of our loans, to provide us with some certainty on the interest rate the Company will pay; currently, we pay an effective rate of interest (including the bank margin) of 6.8% which varies little if base rates or LIBOR go up or down. Under accounting rules, differences between our fixed rates and LIBOR are 'marked-to-market', whereby the difference between the fixed rates which we pay and the prevailing LIBOR-related rates which we would have otherwise paid is applied over the time period covered by the fixing arrangements. This can produce large swings in 'marked-to-market' profits or losses in individual accounting periods; in the last six months, we incurred a 'marked-to-market' loss (post tax) of £38.2 million; this is taken to reserves. This is not a 'cash loss', it just reflects the fact that we will pay approximately 6.8%, not the lower rates currently available. Future increases in interest rates may result in 'marked-to-market' profits, which would also be taken to reserves. Our view is that the actual rates of interest we pay are more important than the 'marked-to-market' profits or losses taken to reserves.

### **Further progress**

The Company continues to believe that incentives for managers and staff, combined with excellent training schemes, are vital for future success. In this connection, the Company awarded bonuses and shares (SIPS) for employees of £9.8 million in the six months ended 25 January 2009. 88% of the payments were made to employees below board level, with approximately 80% of the payments made to employees working in our pubs.

As regards training, the Company held over 700 separate training courses in 2008, attended by 12,000 delegates and promoted over 600 bar and kitchen staff to management positions. We have won many training awards over the years; in January 2009, we were awarded three further National Innkeeping Training Awards by the British Institute of Innkeeping including the 'Best Training Programme in Managed Estates'.

In addition, the Advanced Diploma in Leisure Retail Management, run in conjunction with Nottingham Trent University, is offered to all pub and area managers at Wetherspoon; to date, over one-third of all pub managers have completed the programme. We believe this diploma to have been the first in-house programme in the licensed trade which allows employees to gain a professional qualification whilst working. The programme was extended to include a "degree top up", also in conjunction with Nottingham Trent University, which offers an alternative to full-time study. Students can enter the licensed trade and study while they work, gain a degree and work experience while being paid and having their studies funded by the Company.

In the area of marketing, the Company has continued to see strong sales growth in traditional ales, a product which is unique to pubs, and has also seen significant increases in sales in several wines, spirits and beers, which we have introduced for the first time. We are the only substantial pub company which opens all pubs for breakfast, selling over 700,000 breakfasts and coffees per week - more than many coffee shop chains. This combination of bar, food and coffee sales helps to ensure that pubs are busy throughout much of the week, maximising profits and employment opportunities, as well as generating volume growth for many of our suppliers.

### **Tax rises**

JDW is a major contributor to UK tax revenues and is pleased to be able to benefit the UK economy in this way. While supporting the principle of reasonable taxes, we believe that the scale of tax increases in recent years,

combined with the exceptionally heavy costs of implementing social legislation imposed by the government, is proving a considerable burden for many pubs.

In the six months ended 25 January 2009, JDW made profit after tax of £17.3 million, yet taxes generated were £190 million (this includes: VAT (£79 million); Excise Duty (£53 million); PAYE and National Insurance (£30 million); property taxes (£18 million) and corporation tax (£10 million)). On an annualised basis, this equates to JDW making £50,000 after-tax profit per pub, while generating tax of about £530,000 per pub. In our view, the levels of tax now being levied are unsustainable for many pubs, and this, combined with other factors, is contributing to the closure of pubs in record numbers.

The government seems not to understand the economic impact of new taxes and legislation and continues to impose new burdens at a huge rate. For example, in the current financial year, it is estimated that Excise Duty increases will cost JDW an additional £15 million, while new legislation increasing holiday entitlements will cost a further £4 million. In order for the pub industry, and business in general, to prosper, taxes and social legislation imposed on businesses need to be reduced or to stay at current levels for a considerable number of years. Opportunistic 'tax grabs' and employee legislation to 'curry favour' with voters which businesses cannot afford will prove to be counter productive for the government. Even the closure of one small pub results in a far greater loss of revenue to the government than it does to the publican or pub owner. Costs of taxes and regulations have gone too far and Britain has now become a highly taxed economy, with high and increasing employment costs, which will have predictable and inevitable effects on employment levels and tax income in the near and medium term.

### **Under 18s**

Pubs have difficulty in dealing with issues of teenage drinking, since Britain's adults have typically historically used pubs from the ages of about 15 or 16 themselves, with most parents currently allowing their children to use pubs at this age. Pubs and the police are therefore trying to enforce laws which are disobeyed by almost everyone. In the past, a side effect of 'learning to drink' in pubs was that most co-drinkers were adults, the majority well behaved. The effect of making it far more difficult for 16-to-18 year olds to drink in pubs is that young people are drinking in circumstances in which no adults are present: at parties, in the street or elsewhere. The uneasy equilibrium which existed in the past was not perfect, but the current situation is worse and is contributing to a vodka-drinking culture amongst young people. There is a genuine problem relating to binge drinking, but the issues are cultural ones and should be addressed on that basis. Attempts to crack down on pubs serving under 18 year olds are putting a huge and unjustified pressure on pubs, the police and other authorities, while exacerbating the underlying issues.

The government is proposing further Draconian legislation to change fundamentally the way in which the licensing régime is operated in England and Wales - the second major change which the industry has faced in under four years. This will introduce certain 'mandatory' conditions with no right of appeal. It will also introduce a set of 'permitted' conditions, unlimited in number, to be imposed on groups of premises in a particular area, irrespective of whether there are currently any issues with the way in which an individual pub is operating: this will, in effect, allow the police and 'Responsible Authorities' the ability to manage by 'the lowest common denominator', rather than judging each pub on its own merits. There are sufficient existing laws already in place to allow the authorities to deal with irresponsible pubs, clubs and off-licenses; further new laws will be counter-productive, especially in the current economic climate.

### **Current trading and outlook**

JDW, aided by having lower debt than many pub companies and a great effort by our employees, continues to trade well. In the six weeks to 8 March 2009, LFL sales increased by 1.9% and total sales by 5.6%. As highlighted in our previous trading statement, some cost pressures from the last couple of years appear to be reducing. We have secured improved buying prices in energy and food. We have also installed 'smart meters' in most of our pubs, enabling pub managers to monitor electricity consumption regularly, with like-for-like pub energy usage currently down by about 13%.

Although the pub industry as a whole is under great pressure from higher taxes and the social legislation referred to above, as well as a difficult economy, as a result of our strong cashflow, reducing debt and the excellent work of our employees, I remain confident of the Company's future prospects.

**Tim Martin**  
**Chairman**  
13 March 2009

**Income statement** for the 26 weeks ended 25 January 2009

		<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
<b>Revenue</b>	4	<b>468,718</b>	440,166	907,500
Operating costs		<b>(421,884)</b>	(393,979)	(817,043)
<b>Operating profit before exceptional items</b>	6	<b>46,834</b>	46,187	90,457
Exceptional items	5	<b>(4,542)</b>	(1,763)	(3,275)
<b>Operating profit</b>		<b>42,292</b>	44,424	87,182
Finance income		<b>236</b>	33	337
Finance costs		<b>(16,273)</b>	(15,982)	(32,566)
Fair value loss on financial derivatives	5	<b>(679)</b>	–	(794)
<b>Profit before tax</b>		<b>25,576</b>	28,475	54,159
Income tax expense	7	<b>(8,228)</b>	(10,135)	(18,624)
<b>Profit for the period</b>		<b>17,348</b>	18,340	35,535
<b>Earnings per share (pence)</b>	8			
Earnings per ordinary share		<b>12.5</b>	12.9	25.2
Adjusted earnings per ordinary share		<b>16.0</b>	13.9	27.6
Fully diluted earnings per share		<b>12.5</b>	12.9	25.1
Adjusted diluted earnings per share		<b>16.0</b>	13.9	27.6

All activities relate to continuing operations.

**Statement of recognised income and expense** for the 26 weeks ended 25 January 2009

		<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Cash flow hedges: (loss)/gain taken to equity	16	<b>(53,035)</b>	(12,491)	1,256
Tax on items taken directly to equity	16	<b>14,850</b>	3,497	(350)
<b>Net (loss)/gain recognised directly in equity</b>		<b>(38,185)</b>	(8,994)	906
Profit for the period	16	<b>17,348</b>	18,340	35,535
<b>Total recognised (loss)/income for the period</b>		<b>(20,837)</b>	9,346	36,441

## Cash flow statement for the 26 weeks ended 25 January 2009

	Notes	Unaudited 26 weeks ended 25 January 2009 £000	Unaudited 26 weeks ended 25 January 2009 £000	Unaudited 26 weeks ended 27 January 2008 £000	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000	Audited 52 weeks ended 27 July 2008 £000
<b>Cash flows from operating activities</b>							
Cash generated from operations	9	78,741	78,741	55,617	55,617	134,369	134,369
Interest received		286	286	33	33	268	268
Interest paid		(20,910)	(20,910)	(23,686)	(23,686)	(29,488)	(29,488)
Corporation tax paid		(10,077)	(10,077)	(8,974)	(8,974)	(17,974)	(17,974)
Purchase of own shares for share-based payments	16	(4,036)	(4,036)	(671)	(671)	(3,181)	(3,181)
<b>Net cash inflow from operating activities</b>		<b>44,004</b>	<b>44,004</b>	<b>22,319</b>	<b>22,319</b>	<b>83,994</b>	<b>83,994</b>
<b>Cash flows from investing activities</b>							
Purchase of property, plant & equipment, intangible assets and non-current assets for current pubs		(4,839)	(4,839)	(6,229)	(6,229)	(12,323)	(12,323)
Proceeds of sale of property, plant & equipment and assets held for resale		–	–	646	–	793	–
Investment in new pubs and pub extensions		(23,907)	(23,907)	(28,681)	–	(48,559)	–
<b>Net cash outflow from investing activities</b>		<b>(28,746)</b>	<b>(4,839)</b>	<b>(34,264)</b>	<b>(6,229)</b>	<b>(60,089)</b>	<b>(12,323)</b>
<b>Cash flows from financing activities</b>							
Equity dividends paid	14	(10,439)	–	(11,240)	–	(17,380)	–
Proceeds from issue of ordinary shares	16	81	–	415	–	461	–
Purchase of own shares	16	–	–	(5,661)	–	(12,031)	–
Advances under bank loans		135	–	28,322	–	3,184	–
Finance lease principal payments		(474)	–	(230)	–	(739)	–
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(10,697)</b>	<b>–</b>	<b>11,606</b>	<b>–</b>	<b>(26,505)</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,561</b>	<b>–</b>	<b>(339)</b>	<b>–</b>	<b>(2,600)</b>	<b>–</b>
Opening cash and cash equivalents	13	16,452	–	19,052	–	19,052	–
<b>Closing cash and cash equivalents</b>	13	<b>21,013</b>	<b>–</b>	<b>18,713</b>	<b>–</b>	<b>16,452</b>	<b>–</b>
<b>Free cash flow</b>		<b>–</b>	<b>39,165</b>	<b>–</b>	<b>16,090</b>	<b>–</b>	<b>71,671</b>
<b>Free cash flow per ordinary share</b>	8	<b>–</b>	<b>28.2p</b>	<b>–</b>	<b>11.3p</b>	<b>–</b>	<b>50.7p</b>

**Balance sheet** as at 25 January 2009

	Notes	Unaudited 25 January 2009 £000	Unaudited 27 January 2008 £000	Audited 27 July 2008 £000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	10	794,186	787,413	792,741
Intangible assets	11	4,739	3,862	4,417
Other non-current assets	12	7,248	6,974	7,276
Derivative financial instruments		–	10,312	–
Deferred income tax assets		15,675	4,473	583
<b>Total non-current assets</b>		<b>821,848</b>	813,034	805,017
<b>Current assets</b>				
Inventories		18,191	17,524	15,896
Other receivables		15,422	14,841	13,489
Assets held for sale		595	179	93
Derivative financial instruments		19,527	–	–
Cash and cash equivalents	13	21,013	18,713	16,452
<b>Total current assets</b>		<b>74,748</b>	51,257	45,930
<b>Total assets</b>		<b>896,596</b>	864,291	850,947
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(122,873)	(93,478)	(115,379)
Financial liabilities		(107,677)	(821)	(900)
Current income tax liabilities		(9,255)	(10,620)	(10,457)
Derivative financial instruments		(4,595)	–	–
<b>Total current liabilities</b>		<b>(244,400)</b>	(104,919)	(126,736)
<b>Non-current liabilities</b>				
Financial liabilities		(370,320)	(493,836)	(444,040)
Derivative financial instruments		(49,975)	(13,809)	(14,692)
Deferred income tax liabilities		(78,826)	(79,619)	(79,231)
Provisions and other liabilities		(6,024)	(6,017)	(5,701)
<b>Total non-current liabilities</b>		<b>(505,145)</b>	(593,281)	(543,664)
<b>Net assets</b>		<b>147,051</b>	166,091	180,547
<b>Shareholders' equity</b>				
Ordinary shares	15 & 16	2,776	2,831	2,775
Share premium account	16	141,960	141,835	141,880
Capital redemption reserve	16	1,646	1,589	1,646
Hedging reserve	16	(38,597)	(10,312)	(412)
Retained earnings	16	39,266	30,148	34,658
<b>Total shareholders' equity</b>	16	<b>147,051</b>	166,091	180,547



## Notes

### 1. General information

The company is a public limited company, incorporated and domiciled in the UK. Its registered office address is: J D Wetherspoon plc, Central Park, Reeds Crescent, Watford, WD24 4QL .

The company is listed on the London Stock Exchange.

This condensed half-yearly financial information was approved for issue on 13 March 2009.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 27 July 2008 were approved by the board of directors on 5 September 2008 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis-of-matter paragraph and did not contain any statement under Section 237 of the Companies Act 1985.

The business is subject to minor seasonal fluctuations dependent on public holidays and the weather.

There are no changes to the risks and uncertainties as set out in the financial statements for the 52 weeks ended 27 July 2008, which may affect the Company's performance in the next six months. The most significant risks relate to regulation of the sale of alcohol and availability of funds.

### 2. Basis of preparation

This condensed half-yearly financial information of J D Wetherspoon plc (the 'Company'), which is abridged and unaudited, has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union. This half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 27 July 2008 which have been prepared in accordance with IFRSs, as adopted by the European Union.

The financial information for the year ended 27 July 2008 is extracted from the statutory accounts of the Company for that year.

The interim accounts for the period ended 25 January 2009 and the comparatives to 27 January 2008 are unaudited, but have been reviewed by the auditors. A copy of the review report is included at the end of this report.

### 3. Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 27 July 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate which would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 28 July 2008, but are not currently relevant for the Company

- IFRIC 11 – IFRS 2 – Group and treasury share transactions
- IFRIC 12 – Service concession arrangements

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 28 July 2008 and have not been early adopted:

- IFRS 8 – Operating segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 – Segment reporting (and requires a 'management approach',

under which segment information is presented on the same basis as that used for internal reporting purposes). The expected impact is still being assessed in detail, but it is unlikely that the number of reported segments will increase.

- IFRS 2 (amendment) – Share-based payment (effective for annual periods beginning on or after 1 January 2009). Management is assessing the impact of changes to vesting conditions and cancellations on the Company's SAYE schemes.
- IFRS 3 (amendment) – Business combinations (and consequential amendments to IAS 27 – Consolidated and separate financial statements, IAS 28 – Investments in associates and IAS 31 – Interests in joint ventures (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). Management is assessing the impact of the new requirements, regarding acquisition accounting, consolidation and associates on the Company. The Company does not have any joint ventures.
- IAS 1 (amendment) – Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- IAS 23 (revised) – Borrowing costs (effective for annual periods beginning on or after 1 January 2009). This may have an impact on the Company, should borrowings be used to finance additions to property, plant and equipment.
- IAS 32 (amendment) – Financial instruments: presentation (and consequential amendments to IAS 1 – Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009)). This is not relevant to the Company, as the Company does not have any puttable instruments.
- IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction. Management does not expect this interpretation to be relevant for the Company.
- IFRIC 15 – Agreements for construction of real estates (effective for annual periods beginning on or after 1 January 2009). Management does not expect this interpretation to be relevant for the Company.
- IFRIC 16 – Hedges of a net investment in a foreign operation (effective for annual periods beginning on or after 1 October 2008). Management does not expect this interpretation to be relevant for the Company.
- IFRIC 17 – Distributions of non-cash assets to owners (effective for annual periods beginning on or after 1 July 2009). Management does not expect this interpretation to be relevant for the Company.
- IFRIC 18 – Transfer of assets from customers (effective for annual periods beginning on or after 1 July 2009). Management does not expect this interpretation to be relevant for the Company.

#### 4. Revenue

Revenue disclosed in the income statement is analysed as follows:

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
<b>Sales of food, beverages and machine income</b>	<b>468,718</b>	440,166	907,500

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

## 5. Exceptional Items

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
<b>Operating items</b>			
Restructuring costs	–	922	906
Property related losses	3,147	513	1,244
Litigation costs	1,395	328	1,125
Operating exceptional items	<b>4,542</b>	1,763	3,275
<b>Non-operating items</b>			
Fair value loss on derivatives	679	–	794
Total exceptional items	<b>5,221</b>	1,763	4,069
Tax on exceptional items	<b>(391)</b>	(366)	(595)
	<b>4,830</b>	1,397	3,474

## 6. Operating profit before exceptional items

This is stated after charging/(crediting):

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Operating lease payments			
– land and building			
• minimum lease payments	22,394	21,443	43,453
• contingent rents	6,468	5,511	11,886
– equipment and vehicles	140	102	246
Repairs and maintenance	13,202	13,310	29,308
Rent receivable	(283)	(199)	(418)
Depreciation of property, plant and equipment			
– owned assets	21,119	21,838	42,744
– assets held under finance leases	482	459	943
Amortisation of intangible assets	472	590	1,160
Amortisation of non-current assets	118	107	214
Share-based payment charges	1,735	1,310	3,630

## 7. Taxation

The taxation charge for the period ended 25 January 2009 is calculated by applying an estimate of the effective tax rate of 32.2% for the year ending 26 July 2009 (2008: 35.6%). The UK standard rate of corporation tax is 28% (2008: 29.33%), with the latest estimate of the current tax payable on profits for the financial year ending 26 July 2009 being 35% (2008: 35%).

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Current tax	<b>8,875</b>	9,916	18,752
Deferred tax Origination and reversal of timing differences	<b>(647)</b>	219	(128)
<b>Tax charge in the income statement</b>	<b>8,228</b>	10,135	18,624

## 8. Earnings and free cash flow per share

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of £17,348,000 (January 2008: £18,340,000; July 2008: £35,535,000) by the weighted average number of shares in issue during the period of 138,791,631 (January 2008: 141,804,184; July 2008: 141,247,914).

Diluted earnings per share has been calculated on a similar basis, taking account of 6,696 (January 2008: 300,263; July 2008: 129,049) dilutive potential shares under option, giving a weighted average number of ordinary shares adjusted for the effect of dilution of 138,798,327 (January 2008: 142,104,447; July 2008: 141,376,963).

Adjusted earnings per share have also been included to reflect the exclusion of exceptional items and the fair value loss on financial derivatives.

### Earnings per share

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Profit for the period	<b>17,348</b>	18,340	35,535
Adjustments			
Operating exceptional items (note 5)	<b>4,542</b>	1,763	3,275
Fair value loss on derivatives (note 5)	<b>679</b>	–	794
Tax on exceptional items	<b>(391)</b>	(366)	(595)
<b>Adjusted profit for the period</b>	<b>22,178</b>	19,737	39,009
Basic earnings per share	<b>12.5p</b>	12.9p	25.2p
Adjusted earnings per share	<b>16.0p</b>	13.9p	27.6p
Diluted earnings per share	<b>12.5p</b>	12.9p	25.1p
Adjusted diluted earnings per share	<b>16.0p</b>	13.9p	27.6p

### 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, tax, all other reinvestment in pubs open at the start of the period and the purchase of own shares under the employee share-based schemes ('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 that for the calculation of basic earnings per share.

9. **Cash generated from operations**

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Operating profit	42,292	44,424	87,182
Operating exceptional Items	4,542	1,763	3,275
Operating profit before exceptional items	46,834	46,187	90,457
Depreciation and amortisation	22,191	22,994	45,061
Share-based payment charges	1,735	1,310	3,630
	<b>70,760</b>	70,491	139,148
Change in inventories	(2,295)	1,505	3,133
Change in receivables	(1,225)	(3,112)	(1,665)
Change in payables	12,896	(12,017)	(4,240)
Net cash inflow from operating activities before exceptional items	80,136	56,867	136,376
Outflow related to exceptional items	(1,395)	(1,250)	(2,007)
<b>Net cash inflow from operating activities</b>	<b>78,741</b>	55,617	134,369

10. **Property, plant and equipment**

	<b>£000</b>
Net book amount at 30 July 2007	782,269
Additions	27,954
Disposals	(513)
Depreciation, impairment and other movements	(22,297)
Net book amount at 27 January 2008	787,413
Additions	27,460
Disposals and transfer to assets held for sale	(742)
Depreciation, impairment and other movements	(21,390)
Net book amount at 27 July 2008	792,741
Additions	26,985
Disposals and transfer to assets held for sale	(3,791)
Depreciation, impairment and other movements	(21,749)
<b>Net book amount at 25 January 2009</b>	<b>794,186</b>

## 11. Intangible assets

	<b>£000</b>
Net book amount at 30 July 2007	3,566
Additions	886
Amortisation, impairment and other movements	(590)
Net book amount at 27 January 2008	3,862
Additions	1,125
Amortisation, impairment and other movements	(570)
Net book amount at 27 July 2008	4,417
Additions	794
Amortisation, impairment and other movements	(472)
<b>Net book amount at 25 January 2009</b>	<b>4,739</b>

Intangible assets all relate to computer software.

## 12. Other non-current assets

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Leasehold premiums	<b>7,248</b>	6,974	7,276

## 13. Analysis of changes in net debt

	27 July 2008 £000	Cash flows £000	Non-cash Movement £000	<b>25 January 2009 £000</b>
Cash and cash equivalents	16,452	4,561	–	<b>21,013</b>
Debt due less than one year	–	–	(106,745)	<b>(106,745)</b>
Debt due after one year	(442,205)	(136)	73,382	<b>(368,959)</b>
Derivative financial instrument – fair value hedge	(13,836)	–	33,363	<b>19,527</b>
Net borrowings	(439,589)	4,425	–	<b>(435,164)</b>
Derivative financial instrument – cash flow hedge	(62)	–	(53,035)	<b>(53,097)</b>
Fair value on financial derivative	(794)	–	(679)	<b>(1,473)</b>
<b>Net debt</b>	<b>(440,445)</b>	<b>4,425</b>	<b>(53,714)</b>	<b>(489,734)</b>

Net borrowings and net debt excludes finance lease creditors due less than one year of £932,000 (July 2008: £900,000) and finance lease creditors due after one year of £1,361,000 (July 2008: £1,835,000).

#### 14. Dividends paid and proposed

	<b>Unaudited 26 weeks ended 25 January 2009 £000</b>	Unaudited 26 weeks ended 27 January 2008 £000	Audited 52 weeks ended 27 July 2008 £000
Paid in the period 2008/09			
Final dividend for 2007/08 – 7.6p (2006/07 – 8.0p)	<b>10,439</b>	11,255	11,255
Interim dividend for 2007/08 – 4.4p	–	–	6,125
<b>Dividends paid</b>	<b>10,439</b>	11,255	17,380
Dividends per share in respect of the period			
Final dividend	–	–	7.6p
Interim dividend	–	4.4p	4.4p
<b>Dividends per share</b>	<b>–</b>	4.4p	12.0p

#### 15. Share capital

	<b>Number of shares 000s</b>	<b>Share capital £000</b>
Opening balance at 30 July 2007	142,447	2,849
Allotments	134	2
Purchase of shares	(1,010)	(20)
Closing balance at 27 January 2008	141,571	2,831
Allotments	25	1
Purchase of shares	(2,825)	(57)
Closing balance at 27 July 2008	138,771	2,775
Allotments	44	1
<b>Closing balance at 25 January 2009</b>	<b>138,815</b>	<b>2,776</b>

The total authorised number of 2p ordinary shares is 500 million (2008: 500 million).  
All issued shares are fully paid.

## 16. Statement of changes in shareholders' equity

	Called-up share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
At 29 July 2007	2,849	141,422	1,569	(1,318)	28,085	172,607
Exercise of options	2	413	–	–	–	415
Repurchase of shares	(20)	–	20	–	(5,661)	(5,661)
Share-based payment charges	–	–	–	–	1,310	1,310
Purchase of shares held in trust	–	–	–	–	(671)	(671)
Profit for the period	–	–	–	–	18,340	18,340
Cash flow hedges: loss taken to equity	–	–	–	(12,491)	–	(12,491)
Tax on items taken directly to equity	–	–	–	3,497	–	3,497
Dividends	–	–	–	–	(11,255)	(11,255)
At 27 January 2008	2,831	141,835	1,589	(10,312)	30,148	166,091
Exercise of options	1	45	–	–	–	46
Repurchase of shares	(57)	–	57	–	(6,370)	(6,370)
Share-based payment charges	–	–	–	–	2,320	2,320
Purchase of shares held in trust	–	–	–	–	(2,510)	(2,510)
Profit for the period	–	–	–	–	17,195	17,195
Cash flow hedges: gain taken to equity	–	–	–	13,747	–	13,747
Tax on items taken directly to equity	–	–	–	(3,847)	–	(3,847)
Dividends	–	–	–	–	(6,125)	(6,125)
At 27 July 2008	2,775	141,880	1,646	(412)	34,658	180,547
Exercise of options	1	80	–	–	–	81
Share-based payment charges	–	–	–	–	1,735	1,735
Purchase of shares held in trust	–	–	–	–	(4,036)	(4,036)
Profit for the period	–	–	–	–	17,348	17,348
Cash flow hedges: loss taken to equity	–	–	–	(53,035)	–	(53,035)
Tax on items taken directly to equity	–	–	–	14,850	–	14,850
Dividends	–	–	–	–	(10,439)	(10,439)
At 25 January 2009	2,776	141,960	1,646	(38,597)	39,266	147,051

## 17. Related party disclosure

There have been no material changes to related parties' transactions described in the last annual financial statements. There have been no related-party transactions having a material effect on the entity's financial position or performance in the first half of the current financial year.

## 18. Capital commitments

The Company had £nil capital commitments for which no provision had been made, in respect of property, plant and equipment, at 25 January 2009 (2008: £4.4m)



