J D Wetherspoon plc

INTERIM REPORT 2016

Wetherspoon owns and operates pubs throughout the UK and Ireland. The company aims to provide customers with good-quality food and drinks, 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.

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24 July 2016

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FINANCIAL HIGHLIGHTS

Before exceptional items

Revenue £790.3m
(2015: £744.4m)
+6.2%

Like-for-like sales
+2.9%

Operating profit £49.4m
(2015: £55.4m)
-10.8%

Profit before tax £36.0m
(2015: £37.5m)
-3.9%

Underlying earnings per share[1]
(including shares held in trust) 19.1p
(2015: 22.9p)
-16.6%

Free cash flow[2] £55.7m
(2015: £44.9m)
+24.1%

Free cash flow[1] per share 46.8p
(2015: 36.5p)
+28.2%

Interim dividend 4.0p
(2015: 4.0p)
Maintained

After exceptional items[3]

Operating profit £49.4m
(2015: £55.4m)
-10.8%

Profit before tax £36.6m
(2015: £37.5m)
-2.2%

[1] Underlying earnings per share as defined in note 9.
[2] As defined in note 9 to the interim financial statements and our accounting policies, as disclosed in the company's annual report for the year ended 26 July 2015.
[3] Exceptional items as disclosed in the notes to the interim financial statements, note 7.

In the 26 weeks ended 24 January 2016, like-for-like sales increased by 2.9%, with total sales increasing by 6.2% to £790.3m (2015: £744.4m).

Like-for-like bar sales increased by 2.9% (2015: 1.5%), food by 2.9% (2015: 10.1%) and fruit/slot machines decreased by 2.9% (2015: increased by 1.1%). Like-for-like room sales at our hotels increased by 7.5% (2015: 11.8%). Bar sales were 59.2% of the total, food was 37.0%, fruit machines were 2.8% and room sales were 0.8%.

Operating profit decreased by 10.8% to £49.4m (2015: £55.4m). The operating margin was 6.3% (2015: 7.4%). Profit before tax and exceptional items decreased by 3.9% to £36.0m (2015: £37.5m). The decline in operating margin was mainly due to a lower gross margin and higher rates of pay for pub staff. The reduction in PBT was partially offset by a property gain of £3.8m (2015: loss of £0.3m).

Underlying earnings per share, before exceptional items, the property gain and the benefits of a deferred tax credit decreased by 16.6% to 19.1p (2015: 22.9p).

As illustrated in the table in the tax section below, the company paid taxes of £333.0m in the period under review, an increase of 9.4% compared with the £304.5m paid in the same period last year - and about 50% higher than five years ago (2011: £225.6m).

Net interest was covered 3.1 times by profit before interest, tax and exceptional items (2015: 3.1 times). Total capital investment was £75.6m in the period (2015: £93.8m). £15.5m was spent on freehold reversions of properties where Wetherspoon was the tenant (2015: £12.8m), £17.4m was spent on existing pubs (2015: £21.4m) and £42.7m was spent on new pub openings and extensions (2015: £59.4m).

Exceptional items before tax were £0.6m. A charge of £0.2m relates to the pub disposal programme and the company recognised a benefit of £0.8m resulting from a reduction in the onerous lease provision.

Free cash flow, after capital investment of £17.4m on existing pubs and payments of tax and interest, increased to £55.7m (2015: £44.9m). Free cash flow per share was up by 28.2% at 46.8p (2015: 36.5p). The free cash flow increase in the period was mainly due to reduced expenditure on existing pubs and the timing of payables at the period end.

Dividends

The board declared an interim dividend of 4.0p per share for the current interim financial period ending 24 January 2016 (2015: 4.0p per share). The interim dividend will be paid on 26 May 2016 to those shareholders on the register at 29 April 2016.

Corporation tax

We expect the overall corporation tax charge for the financial year, including current and deferred taxation, to be approximately 26.9% before exceptional items (July 2015: 26.1%).

As in previous years, the company's tax rate is higher than the standard UK tax rate owing mainly to depreciation which is not eligible for tax relief.

Financing

As at 24 January 2016, the company's net borrowings (including finance leases) were £626.1m, an increase of £25.0m, compared with those of the previous year end (26 July 2015: £601.1m). The net-debt-to-EBITDA ratio was 3.49 times at the period end. Unutilised facilities were £214.6m at the period end (26 July 2015: £240.9m).

Property

During the period, we opened 5 new pubs and sold 2 pubs, bringing the number of pubs open at the period end to 954. We expect to open approximately 15 pubs in this financial year. Following a review of our estate, we have placed a number of pubs on the market and anticipate that some of these may be sold in the remainder of the financial year.

UK taxes and regulation

Pubs and restaurants pay far higher levels of UK tax than do supermarkets. The main disparity relates to VAT (value added tax), since supermarkets pay no VAT in respect of their food sales, whereas pubs pay 20%, enabling supermarkets to subsidise their alcoholic drinks prices. Pubs also pay approximately 15p per pint in respect of business rates, while supermarkets pay only about 1.5–2p per pint.

In addition, the government has recently introduced both a 'late-night levy' and additional fruit/slot machine taxes, further reducing the competitive position of pubs in relation to supermarkets.

The tax disparity with supermarkets is unfair. Pubs create significantly more jobs and more taxes per pint or per meal than do supermarkets and it does not make social or economic sense for the UK tax régime to favour supermarkets. We acknowledge the need for companies to pay a reasonable level of taxes, but hope that legislators will make prompt progress in creating a level playing field for all businesses which sell similar products.

The taxes paid by Wetherspoon in the period under review were as follows:

First half (estimate – UK only)	2016 £m	2015 £m
VAT	**153.1**	144.8
Alcohol duty	**83.3**	75.2
PAYE and NIC	**46.9**	40.7
Business rates	**24.7**	24.0
Corporation tax	**10.6**	7.8
Corporation tax credit (historic capital allowances)	**-**	(2.0)
Machine duty	**5.6**	5.7
Climate change levy	**3.1**	3.0
Carbon tax	**1.8**	1.8
Landfill tax	**1.3**	0.8
Fuel duty	**1.1**	1.1
Stamp duty	**1.1**	1.2
Premise licence and TV licences	**0.4**	0.4
TOTAL TAX	**333.0**	304.5
Tax per pub (£000)	**350**	327
Tax as % of sales	**42.1%**	40.9%
Pre-exceptional profit after tax	**30.3**	27.8
Profit after tax as % of sales	**3.8%**	3.7%

Further progress
As previously highlighted, the company`s philosophy is to try continuously to upgrade as many areas of the business as possible. For example, we have recently introduced a new menu with a number of new and improved items. At the same time we continue to increase our range of "craft" beers and traditional ales and have introduced 3 beers from the excellent Hogs Back brewery nationwide. 296 Wetherspoon pubs were recommended in CAMRA`s 2016 Good Beer Guide, more than any other company.

In November the government`s Food Standards Agency (FSA) issued a report which named Wetherspoon equal top of the largest twenty food chains for hygiene standards over the last 5 years. 93% of our pubs have obtained the maximum 5 rating under the FSA scheme.

We have now been recognised as one of 'Britain's Top Employers' in a Guardian publication for 14 consecutive years. 99% of our pubs have achieved approval from Cask Marque, a brewery-run scheme which encourages high standards in ale quality.

We also allocated £14.4m (2014: £15.3m) in bonuses and free shares to employees, 98.2% of which was paid to those below board level and 90% of which was paid to those working in our pubs.

Brexit
A wide debate is taking place as to whether the United Kingdom should leave the European Union. I have written an article on the subject, favouring withdrawal from the Union, since returning power to the national parliament will, in my view, increase the level of democracy and accountability. This article is reproduced below.

Current trading and outlook
As previously highlighted, the biggest danger to the pub industry is the continuing tax disparity between supermarkets and pubs. There is a growing realisation among politicians, the media and the public that pubs are overtaxed and that a level tax playing field will create more jobs and taxes for the country.

In the six weeks to 6 March 2016, like-for-like sales increased by 3.7%, with total sales increasing by 5.7%.

Sales comparisons in the second half of the financial year will be slightly more favourable, although further wage increases are due in April. As a number of companies have indicated, the pub and restaurant market is highly competitive, but we are aiming for a reasonable outcome for the financial year, before the impact of the property gain referred to above.

Tim Martin
Chairman
10 March 2016

TIM'S VIEWPOINT

Time to leave the EU? We need a real debate

Wetherspoon's chairman argues that laws and key decisions should be made by national parliaments and not by the non-democratic EU

Say what you like about the euro, but it is certainly not democratic. It involves taking some of the most important economic powers of a government, the ability to set interest rates and a budget (the central controls of any economy) and transferring them to unelected apparatchiks in Europe.

In fact, Wetherspoon opposed the introduction of the euro, about 15 years ago, but not really for that reason.

Our observation was that the predecessor of the euro (the Exchange Rate Mechanism) had fallen apart at the seams in 1992, but not before a million UK households found themselves in 'negative equity', as interest rates rose to 15% in an effort to maintain the value of the pound against the Deutschmark.

We concluded that fixing currencies in this manner did not work and that, if you wanted a single currency, you had to have a single government.

Sustainable

There is no example in history of a sustainable currency which isn't backed by a single government – it's been tried a few times and has always fallen apart, leaving chaos in its wake.

I was a spokesman for the 'No' campaign at the time – which opposed the UK's entry into the euro.

I was baffled by the fact that most of its political proponents were a middle-aged and older male elite (Tony Blair, Peter Mandelson, Ken Clarke, Geoffrey Howe and many others) who'd almost all been to one of Britain's great universities, yet wished to surrender power to a non-democratic institution in Europe – what was their motivation?

No one can be sure, but it was probably the instinct or emotion that the European elite (the French call them 'les énarques'), with a strikingly similar education and background to their own, could better handle important matters of state than the great, unwashed British public, with its interfering courts, aggressive and intruding press and cantankerous population.

In effect, like rulers the world over, the political elite found democracy troublesome and tiring and yearned for a European club where the great and good could rule with minimal interference.

Warnings

Advocates of the euro were not confined to politicians. The chief executives of many of our biggest companies lined up to issue blood-curdling warnings of financial catastrophe if we were to stay out, and the CBI (the mouthpiece for big business) was evangelical in its support.

Even the Financial Times, with énarque Richard Lambert as editor, effectively censored anti-euro views in its pro-euro fervour. As I said then, pro-euro mania was a quasi-religious project, rather than a true economic one.

I took part at the time in a debate on the euro, on BBC's Any Questions, and Michael Heseltine (an arch euro supporter) succinctly summed up the inherent view of the majority (but by no means all) of the educated elite.

He stated that the future of world governments lay in reducing the powers of national parliaments and handing them over to what he called 'supra-national' organisations like the EU and the UN – let's call the supporters of this view (almost all male) the 'supras'.

In a recent Wetherspoon News article, I set out the basis of the alternative philosophy, commenting on government attempts to curb the press.

This view is that all major powers should be permanently retained by national parliaments, with a free vote for everyone, a free press, free courts, freedom of speech and religion and with the church playing only a symbolic role in the constitution.

Membership of international organisations, like the UN, is desirable, but law-making is reserved for the national parliament.

Successful constitutions, run along these lines, exist in most of the western world and, for all of their faults, have produced by far the highest living standards of any system and by far the highest level of freedom of speech and other 'human rights' for their citizens – let's call the believers in this system 'democrats' or 'demos'. The main issue in most people's mind in the 'in or out' EU debate is immigration.

Influx

Although I personally strongly believe in the demo case, I also strongly believe that the UK has been a big beneficiary of the migration of large numbers of Europeans to this country, as, indeed, we have benefited from an influx of people from other regions of the world.

The USA, Australia, New Zealand and Singapore, for example, have all experienced gradually rising populations for a long time – and it's gone hand in hand with great prosperity and the other democratic freedoms referred to above.

The key issue about migration, similar to the issue about the euro, is that the debate needs to take place in each country – and the decisions regarding migration need to be made by elected parliaments in those countries.

It makes no sense, in the UK, for these sensitive issues to be decided on by faceless bureaucrats in Brussels, when we're just as capable of deciding for ourselves – after all, Americans, Australians and Singaporeans (among many others) have managed to do so by themselves.

Clearly, if the UK decides to leave the EU, it would be in the economic and other interests of this country and our European neighbours to have friendly relations, strong business links, including free trade, and, I believe, free movement of labour.

Richest

Norway and Switzerland, for example, two of the richest and most successful countries in the world, are not in the EU, but EU countries have an open trading relationship with them, and citizens from both of those countries can live and work in the UK, needing only a passport or identity card.

A very small number of people have said that economic issues like the euro and philosophical issues concerning democracy should not be discussed in a magazine like Wetherspoon News.

This can't be right, since good decisions require debate. Who wants important decisions made behind closed doors by know-alls? Perhaps readers will disagree with these views, or perhaps not…

I've told you what I think, but who cares? The important issue is what you think. Are you a supra or a demo? Decision time is nigh – or, as those hard-rocking Eurovision songsters Bucks Fizz memorably put it, it's time for 'making your mind up'.

Tim Martin
Chairman

INCOME STATEMENT FOR THE 26 WEEKS ENDED 24 JANUARY 2016

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 26 weeks ended 24 January 2016 Before exceptional items £000	Unaudited 26 weeks ended 24 January 2016 After exceptional items £000	Unaudited 26 weeks ended 25 January 2015 Before exceptional items £000	Unaudited 26 weeks ended 25 January 2015 After exceptional items £000	Audited 52 weeks ended 26 July 2015 Before exceptional items £000	Audited 52 weeks ended 26 July 2015 After exceptional items £000
Revenue	4	**790,250**	**790,250**	**744,367**	**744,367**	**1,513,923**	**1,513,923**
Operating costs		(740,821)	(740,821)	(688,976)	(688,976)	(1,401,415)	(1,401,415)
Operating costs – exceptional items	7		–		–		(6,013)
Operating profit	5	**49,429**	**49,429**	**55,391**	**55,391**	**112,508**	**106,495**
Property gains/(losses)	6	3,845	3,845	(302)	(302)	(694)	(694)
Property gains/(losses) – exceptional items	7		634		–		(13,053)
Profit before interest and tax		**53,274**	**53,908**	**55,089**	**55,089**	**111,814**	**92,748**
Finance income		76	76	26	26	180	180
Finance costs		(17,342)	(17,342)	(17,663)	(17,663)	(34,196)	(34,196)
Profit before tax		**36,008**	**36,642**	**37,452**	**37,452**	**77,798**	**58,732**
Income tax expense	8	(5,701)	(5,701)	(9,629)	(9,629)	(20,343)	(20,343)
Income tax expense on exceptional items	8		(145)		–		6,435
Profit for the period		**30,307**	**30,796**	**27,823**	**27,823**	**57,455**	**44,824**
Earnings per ordinary share (p)							
– Basic	9	26.2	26.6	23.5	23.5	48.6	37.9
– Diluted	9	25.5	25.9	22.6	22.6	47.0	36.7

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE 26 WEEKS ENDED 24 JANUARY 2016

	Notes	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Items which will be reclassified subsequently to profit or loss:				
Interest-rate swaps: (loss)/gain taken to other comprehensive income	16	(8,520)	(26,630)	(9,807)
Tax on items taken directly to other comprehensive income		734	5,326	1,961
Currency translation differences		1,726	(852)	(2,189)
Net (loss)/gain recognised directly in other comprehensive income		**(6,060)**	**(22,156)**	**(10,035)**
Profit for the period		30,796	27,823	44,824
Total comprehensive income for the period		**24,736**	**5,667**	**34,789**

CASH FLOW STATEMENT FOR THE 26 WEEKS ENDED 24 JANUARY 2016

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited cash flow 26 weeks ended 24 January 2016 £000	Unaudited free cash flow[1] 26 weeks ended 24 January 2016 £000	Unaudited cash flow 26 weeks ended 25 January 2015 £000	Unaudited free cash flow[1] 26 weeks ended 25 January 2015 £000	Audited cash flow 52 weeks ended 26 July 2015 £000	Audited free cash flow[1] 52 weeks ended 26 July 2015 £000
Cash flows from operating activities							
Cash generated from operations	10	100,641	100,641	92,256	92,256	210,181	210,181
Interest received		76	76	26	26	180	180
Interest paid		(15,808)	(15,808)	(16,444)	(16,444)	(31,931)	(31,931)
Corporation tax paid		(10,635)	(10,635)	(5,769)	(5,769)	(13,293)	(13,293)
Net cash inflow from operating activities		**74,274**	**74,274**	**70,069**	**70,069**	**165,137**	**165,137**
Cash flows from investing activities							
Purchase of property, plant and equipment		(14,120)	(14,120)	(18,484)	(18,484)	(37,577)	(37,577)
Purchase of intangible assets		(3,289)	(3,289)	(2,885)	(2,885)	(7,176)	(7,176)
Proceeds of sale of property, plant and equipment		3,005		3		723	
Investment in new pubs and pub extensions		(42,696)		(59,399)		(106,339)	
Freehold reversions		(15,518)		(12,763)		(21,612)	
Purchase of lease premiums		–		(257)		(635)	
Net cash outflow from investing activities		**(72,618)**	**(17,409)**	**(93,785)**	**(21,369)**	**(172,616)**	**(44,753)**
Cash flows from financing activities							
Equity dividends paid	17	(9,543)		(9,761)		(14,591)	
Purchase of own shares for cancellation		(14,186)		(2,413)		(12,714)	
Purchase of own shares for share-based payments		(1,165)	(1,165)	(3,444)	(3,444)	(6,831)	(6,831)
Advances under bank loans	15	21,764		37,484		47,898	
Loan issue costs	15	–	–	(379)	(379)	(3,775)	(3,775)
Finance lease principal payments	15	(1,356)		(1,401)		(2,648)	
Net cash inflow/(outflow) from financing activities		**(4,486)**	**(1,165)**	**20,086**	**(3,823)**	**7,339**	**(10,606)**
Net change in cash and cash equivalents	**15**	**(2,830)**		**(3,630)**		**(140)**	
Opening cash and cash equivalents		32,175		32,315		32,315	
Closing cash and cash equivalents		29,345		28,685		32,175	
Free cash flow			**55,700**		**44,877**		**109,778**
Free cash flow per ordinary share	**9**		**46.8p**		**36.5p**		**89.8p**

[1] Free cash flow is a measure not required by accounting standards; a definition is provided in our accounting policies.

BALANCE SHEET AS AT 24 JANUARY 2016

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 24 January 2016 £000	Unaudited 25 January 2015 £000	Audited 26 July 2015 £000
Assets				
Non-current assets				
Property, plant and equipment	11	1,187,037	1,124,542	1,153,756
Intangible assets	12	29,929	27,303	29,997
Investment property	13	8,620	8,682	8,651
Other non-current assets	14	9,807	9,848	10,028
Deferred tax assets		8,728	11,359	7,994
Total non-current assets		**1,244,121**	**1,181,734**	**1,210,426**
Assets held for sale		196	–	1,220
Current assets				
Inventories		20,013	24,082	19,451
Receivables		31,045	29,072	26,838
Cash and cash equivalents	15	29,345	28,685	32,175
Total current assets		**80,403**	**81,839**	**78,464**
Total assets		**1,324,720**	**1,263,573**	**1,290,110**
Liabilities				
Current liabilities				
Borrowings	15	(695)	(2,713)	(2,051)
Derivative financial instruments	15	(3,988)	–	–
Trade and other payables		(279,796)	(249,499)	(283,227)
Current income tax liabilities		(8,088)	(6,181)	(10,053)
Provisions		(3,661)	(4,371)	(5,231)
Total current liabilities		**(296,228)**	**(262,764)**	**(300,562)**
Non-current liabilities				
Borrowings	15	(654,793)	(623,139)	(631,232)
Derivative financial instruments	15	(44,505)	(56,796)	(39,973)
Deferred tax liabilities		(75,046)	(84,857)	(77,771)
Provisions		(2,962)	(3,055)	(4,012)
Other liabilities		(14,336)	(13,340)	(13,667)
Total non-current liabilities		**(791,642)**	**(781,187)**	**(766,655)**
Net assets		**236,850**	**219,622**	**222,893**
Shareholders' equity				
Share capital	18	2,375	2,450	2,387
Share premium account		143,294	143,294	143,294
Capital redemption reserve		2,056	1,981	2,044
Hedging reserve		(39,765)	(45,437)	(31,979)
Currency translation reserve		(375)	(845)	(2,182)
Retained earnings		129,265	118,179	109,329
Total shareholders' equity		**236,850**	**219,622**	**222,893**

The financial statements, on pages 6 to 18, approved by the board of directors and authorised for issue on 10 March 2016, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

J D Wetherspoon plc, company number: 1709784

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	Total £000
At 26 July 2014	**2,460**	**143,294**	**1,971**	**(24,133)**	**7**	**103,569**	**227,168**
Total comprehensive income				(21,304)	(852)	27,823	5,667
Profit for the period						27,823	27,823
Interest-rate swaps: cash flow hedges				(26,630)			(26,630)
Tax on items taken directly to comprehensive income				5,326			5,326
Currency translation differences					(852)		(852)
Repurchase of shares	(10)		10			(4,264)	(4,264)
Tax on repurchase of shares						(21)	(21)
Deferred tax on share-based payments						380	380
Share-based payment charges						3,897	3,897
Purchase of shares held in trust						(3,427)	(3,427)
Tax on purchase of shares held in trust						(17)	(17)
Dividends						(9,761)	(9,761)
At 25 January 2015	**2,450**	**143,294**	**1,981**	**(45,437)**	**(845)**	**118,179**	**219,622**
Total comprehensive income				13,458	(1,337)	17,001	29,122
Profit for the period						17,001	17,001
Interest-rate swaps: cash flow hedges				16,823			16,823
Tax on items taken directly to comprehensive income				(3,365)			(3,365)
Currency translation differences					(1,337)		(1,337)
Repurchase of shares	(63)		63			(22,502)	(22,502)
Tax on repurchase of shares						(113)	(113)
Deferred tax on share-based payments						(29)	(29)
Share-based payment charges						5,010	5,010
Purchase of shares held in trust						(3,372)	(3,372)
Tax on purchase of shares held in trust						(15)	(15)
Dividends						(4,830)	(4,830)
At 26 July 2015	**2,387**	**143,294**	**2,044**	**(31,979)**	**(2,182)**	**109,329**	**222,893**
Total comprehensive income				(7,786)	1,807	30,715	24,736
Profit for the period						30,796	30,796
Interest-rate swaps: cash flow hedges				(8,520)			(8,520)
Tax on items taken directly to comprehensive income				734			734
Currency translation differences					1,807	(81)	1,726
Repurchase of shares	(12)		12			(3,847)	(3,847)
Tax on repurchase of shares						(19)	(19)
Deferred tax on share-based payments						(100)	(100)
Share-based payment charges						3,895	3,895
Purchase of shares held in trust						(1,164)	(1,164)
Tax on purchase of shares held in trust						(1)	(1)
Dividends						(9,543)	(9,543)
At 24 January 2016	**2,375**	**143,294**	**2,056**	**(39,765)**	**(375)**	**129,265**	**236,850**

1. General information

J D Wetherspoon plc is a public limited company, incorporated and domiciled in England and Wales. Its registered office address is: Wetherspoon House, 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 by the board on 10 March 2016.

This interim report does not comprise statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006. Statutory accounts for the year ended 26 July 2015 were approved by the board of directors on 10 September 2015 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 or any statement under Sections 498 to 502 of the Companies Act 2006.

There are no changes to the principal risks and uncertainties as set out in the financial statements for the 52 weeks ended 26 July 2015, which may affect the company's performance in the next six months. The most significant risks and uncertainties relate to the taxation on, and regulation of, the sale of alcohol, cost increases and UK disposable consumer incomes. For a detailed discussion of the risks and uncertainties facing the company, refer to the annual report for 2015, pages 41 and 42.

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 interim report should be read in conjunction with the annual financial statements for the 52 weeks ended 26 July 2015 which were prepared in accordance with IFRSs, as adopted by the European Union.

The directors have made enquiries into the adequacy of the Company's financial resources, through a review of the Company's budget and medium-term financial plan, including capital expenditure plans and cash flow forecasts; they have satisfied themselves that the Company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the Company's financial statements.

The financial information for the 52 weeks ended 26 July 2015 is extracted from the statutory accounts of the Company for that year.

The interim results for the 26 weeks ended 24 January 2016 and the comparatives for 25 January 2015 are unaudited, but have been reviewed by the independent auditors. A copy of the review report is included at the end of this report.

3. Accounting policies

With the exception of tax, the accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Company's annual report for the year ended 26 July 2015 – and the same methods of computation and presentation are used.

Income tax

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

Changes in standards

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 27 July 2015 and will have a minimal impact on the financial statements:

- Annual improvements to IFRS 2010 – 2012 cycle
- Annual improvements to IFRS 2011 – 2013 cycle

The following amendments are mandatory for the first time for the financial year beginning 27 July 2015, but are not relevant for the company:

- Amendment to IAS 19, 'Employee benefits', on defined benefit plans

On 13 January 2016, the International Accounting Standards Board issued IFRS 16 – 'leases' which is effective for periods starting on or after 1 January 2019, subject to EU endorsement. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to exceptions for short-term leases and leases of low-value assets.

4. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Sales of food, beverages, hotel rooms and machine income	790,250	744,367	1,513,923

5. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Concession rental payments	10,172	9,126	19,300
Minimum operating lease payments	25,811	26,359	52,658
Repairs and maintenance	26,109	26,286	53,354
Net rent receivable	(692)	(374)	(1,334)
Depreciation of property, plant and equipment (note 11)	32,089	29,902	61,458
Amortisation of intangible assets (note 12)	2,713	2,126	4,775
Depreciation of investment properties (note 13)	31	31	62
Amortisation of other non-current assets (note 14)	209	175	373
Share-based payments	3,895	3,897	8,907

6. Property (gains)/losses

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Non-exceptional property (gains)/losses			
(Gain)/loss on disposal of fixed assets	(3,845)	302	694
	(3,845)	**302**	**694**
Exceptional property (gains)/losses			
Onerous lease (reversals)/provision	(847)	–	1,858
Impairment of property, plant and equipment	89	–	10,705
Impairment of other assets	–	–	490
Disposal programme	124	–	–
	(634)	**–**	**13,053**
Total property (gains)/losses	**(4,479)**	**302**	**13,747**

7. Exceptional items

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Operating exceptional items			
Inventory valuation	–	–	5,231
Restructuring costs	–	–	782
	–	**–**	**6,013**
Exceptional property losses			
Onerous lease (reversal)/provision	(847)	–	1,858
Impairment of property, plant and equipment	89	–	10,705
Impairment of other assets	–	–	490
Disposal programme	124	–	–
	(634)	**–**	**13,053**
Other exceptional items			
Exceptional tax items – deferred tax	–	–	(4,809)
Tax effect on operating exceptional items	145	–	(1,626)
	145	**–**	**(6,435)**
Total exceptional items	**(489)**	**–**	**12,631**

The Company has offered a number of its sites for sale. At the half year end, one site had been sold and three were classified as held for sale. The costs classified above as disposal programme and impairment of property, plant and equipment are the loss on disposal, write-down of assets classified as held for sale to their assessed recoverable amount and additional operating costs incurred in support of the disposal programme.

The onerous lease credit relates to one site where the Company has purchased the freehold and a leasehold site which the Company is contractually committed to sell.

8. Income tax expense

The taxation charge for the period ended 24 January 2016 is based on the pre-exceptional profit before tax of £36.0m and the estimated effective tax rate before exceptional items for the year ending 24 July 2016 of 26.9% (2015: 26.1%). This comprises a pre-exceptional current tax rate of 24.2% (July 2015: 27.7%) and a pre-exceptional deferred tax charge of 2.7% (July 2015: credit 1.6%).

The UK standard weighted average tax rate for the period is 20.0% (2015: 20.7%). The current tax rate is higher than the UK standard weighted average tax rate owing mainly to depreciation which is not eligible for tax relief. On 18 November 2015, the UK Corporation tax rate of 18% for 1 April 2020 onwards was substantively enacted. As a result, the deferred tax liability (which predominantly unwinds in periods on or after 1 April 2020) has been remeasured from 20% to 18%. This has resulted in a one-off credit of £3,786,000.

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Current income tax:			
Current tax	8,559	8,184	19,885
Current tax on exceptional items	145	–	(1,626)
Prior year adjustment	(33)	(106)	1,659
Total current income tax	**8,671**	**8,078**	**19,918**
Deferred tax:			
Origination and reversal of temporary differences	961	1,551	113
Adjustment in respect of prior period	–	–	(1,314)
Deferred tax on exceptional items	–	–	(4,809)
Impact of change in the UK tax rate	(3,786)	–	–
Total deferred tax	**(2,825)**	**1,551**	**(6,010)**
Tax charge in the income statement	**5,846**	**9,629**	**13,908**

9. Earnings and free cash flow per share

Earnings per share, in the chairman's statement, have been calculated using the weighted average number of shares in issue of 119,030,301 (2015: 122,876,804) which include 3,417,799 (2015: 4,282,562) shares held in trust, in respect of the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme.

Weighted average number of shares	Unaudited 26 weeks ended 24 January 2016	Unaudited 26 weeks ended 25 January 2015	Audited 52 weeks ended 26 July 2015
Shares in issue (used for diluted EPS)	119,030,301	122,876,804	122,269,948
Shares held in trust	(3,417,799)	(4,282,562)	(4,063,604)
Shares in issue less shares held in trust	115,612,502	118,594,242	118,206,344

The weighted average number of shares held in trust for employee share schemes has been adjusted to exclude those shares which have vested, but which remain in trust.

26 weeks ended 24 January 2016 unaudited	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	30,796	26.6	25.9
Exclude effect of exceptional items after tax	(489)	(0.4)	(0.4)
Adjusted earnings before exceptional items	30,307	26.2	25.5
Exclude effect of property gains/(losses)	(3,845)	(3.3)	(3.2)
Exclude one-off tax benefit (rate change)	(3,786)	(3.3)	(3.2)
Underlying earnings before exceptional items	22,676	19.6	19.1

26 weeks ended 25 January 2015 unaudited	Profit £'000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	27,823	23.5	22.6
Exclude effect of exceptional items after tax	–	–	–
Adjusted earnings before exceptional items	27,823	23.5	22.6
Exclude effect of property gains/(losses)	302	0.3	0.3
Underlying earnings before exceptional items	28,125	23.8	22.9

52 weeks ended 25 July 2015 audited	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	44,824	37.9	36.7
Exclude effect of exceptional items after tax	12,631	10.7	10.3
Adjusted earnings before exceptional items	57,455	48.6	47.0
Exclude effect of property gains/(losses)	694	0.6	0.6
Underlying earning before exceptional items	58,149	49.2	47.6

Underlying earnings per share is adjusted for the impact of one off benefits resulting from changes in the corporation tax rate and property gains and losses.

9. Earnings and free cash flow per share (continued)

Free cash flow per share	Unaudited 26 weeks ended 24 January 2016	Unaudited 26 weeks ended 25 January 2015	Audited 52 weeks ended 26 July 2015
Free cash flow (£000)	55,700	44,877	109,778
Free cash flow per share (p)	46.8	36.5	89.8

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, corporation tax, loan issue costs, 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 weighted average number of shares in issue, including those held in trust in respect of the employee share schemes.

10. Cash generated from operations

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Profit for the period	30,796	27,823	44,824
Adjusted for:			
Tax	5,846	9,629	13,908
Net impairment charge	89	–	11,195
Net onerous lease provision	(847)	–	1,858
(Gain)/loss on disposal of property, plant and equipment	(3,821)	302	694
Depreciation of property, plant and equipment	32,089	29,902	61,458
Amortisation of intangible assets	2,713	2,126	4,775
Depreciation on investment properties	31	31	62
Amortisation of other non-current assets	209	175	373
Aborted properties costs	202	168	787
Share-based charges	3,895	3,897	8,907
Interest receivable	(76)	(26)	(180)
Amortisation of bank loan issue costs	1,797	1,192	2,942
Interest payable	15,545	16,471	31,254
	88,468	**91,690**	**182,857**
Change in inventories	(562)	(1,770)	2,861
Change in receivables	(1,585)	(5,171)	(2,937)
Change in payables	14,320	7,507	27,400
Cash flow from operating activities	**100,641**	**92,256**	**210,181**

11. Property, plant and equipment

	£000
Net book amount at 26 January 2014 (unaudited)	1,003,952
Additions	93,556
Disposals	(420)
Depreciation, impairment and other movements	(29,021)
Net book amount at 27 July 2014 (audited)	1,068,067
Additions	86,850
Disposals	(473)
Depreciation, impairment and other movements	(29,902)
Net book amount at 25 January 2015 (unaudited)	1,124,542
Additions	73,769
Disposals	(941)
Depreciation, impairment and other movements	(43,614)
Net book amount at 26 July 2015 (audited)	1,153,756
Additions	64,361
Disposals	(571)
Depreciation	(32,089)
Other movements	1,580
Net book amount at 24 January 2016 (unaudited)	**1,187,037**

During the period, three pubs, with a carrying value of £196,000, were classified as held for sale. The pubs are being disposed of as part of the Company's pub-disposal programme. Other movements include property impairment and foreign currency translation.

12. Intangible assets

	£000
Net book amount at 26 January 2014 (unaudited)	21,368
Additions	7,103
Amortisation, impairment and other movements	(1,633)
Net book amount at 27 July 2014 (audited)	26,838
Additions	2,591
Amortisation, impairment and other movements	(2,126)
Net book amount at 25 January 2015 (unaudited)	27,303
Additions	5,343
Amortisation, impairment and other movements	(2,649)
Net book amount at 26 July 2015 (audited)	29,997
Additions	2,645
Amortisation, impairment and other movements	(2,713)
Net book amount at 24 January 2016 (unaudited)	**29,929**

The majority of intangible assets relates to computer software and development.

13. Investment property

	Unaudited 24 January 2016 £000	Unaudited 25 January 2015 £000	Audited 26 July 2015 £000
Investment property	8,620	8,682	8,651

Rental income received in the period from investment properties was £191,000 (2015: £178,000). Operating costs, excluding depreciation, incurred in relation to these properties amounted to £28,000 (2015: £31,000).

In the opinion of the directors, the cost as stated above is equivalent to the fair value of properties.

14. Other non-current assets

	Unaudited 24 January 2016 £000	Unaudited 25 January 2015 £000	Audited 26 July 2015 £000
Leasehold premiums	9,807	9,848	10,028

15. Analysis of change in net debt

	Audited 26 July 2015 £000	Unaudited Cash flows £000	Unaudited Non-cash movement £000	Unaudited 24 January 2016 £000
Borrowings				
Cash in hand	32,175	(2,830)	–	29,345
Finance lease creditor – due in one year	(2,051)	1,356	–	(695)
Current net borrowings	30,124	(1,474)	–	28,650
Bank loans – due after one year	(631,232)	(21,764)	(1,797)	(654,793)
Non-current net borrowings	(631,232)	(21,764)	(1,797)	(654,793)
Net borrowings	**(601,108)**	**(23,238)**	**(1,797)**	**(626,143)**
Derivatives				
Interest-rate swaps – due before one year	–	–	(3,988)	(3,988)
Current derivatives	–	–	(3,988)	(3,988)
Interest-rate swap liability – due after one year	(39,973)	–	(4,532)	(44,505)
Non-current derivatives	(39,973)	–	(4,532)	(44,505)
Total derivatives	(39,973)	–	(8,520)	(48,493)
Net debt	**(641,081)**	**(23,238)**	**(10,317)**	**(674,636)**

There were no changes in the hedging arrangements during the current financial period. The non-cash movement on the interest-rate swap arises from the movement in fair value of the swaps.

16. Fair values

The table below highlights any differences between the book value and the fair value of financial instruments.

	Unaudited 24 January 2016 Book value £000	Unaudited 24 January 2016 Fair value £000	Unaudited 25 January 2015 Book value £000	Unaudited 25 January 2015 Fair value £000
Financial assets				
Cash and cash equivalents	29,345	29,345	28,685	28,685
Receivables	5,287	5,287	2,555	2,555
Financial liabilities at amortised cost				
Trade and other payables	(227,136)	(227,136)	(204,873)	(204,873)
Finance lease obligations	(695)	(695)	(3,390)	(3,477)
Long-term borrowings	(654,793)	(656,111)	(622,462)	(646,130)
Financial liabilities at fair value				
Interest-rate swaps liabilities: cash flow hedges	(48,493)	(48,493)	(56,796)	(56,796)

The fair value of finance leases has been calculated by discounting the expected cash flows at the period end's prevailing interest rates.
The fair value of derivatives has been calculated by discounting all future cash flows by the market yield curve at the balance sheet date.
The fair value of borrowings has been calculated by discounting the expected future cash flows at the period end's prevailing interest rates.

Interest-rate swaps

At 24 January 2016, the Company had fixed-rate swaps designated as hedges of floating-rate borrowings. The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of one month. The interest-rate swaps of the floating-rate borrowings were assessed to be effective.

Changes in valuation of swaps	Change in fair value £000	Deferred tax £000	Total £000
Fair value at 25 January 2015 (unaudited)	(56,796)	11,359	(45,437)
Gain taken directly to other comprehensive income	16,823	(3,365)	13,458
Fair value at 26 July 2015 (audited)	(39,973)	7,994	(31,979)
Tax rate change	–	(799)	(799)
Loss taken directly to other comprehensive income	(8,520)	1,533	(6,987)
Fair value at 24 January 2016 (unaudited)	**(48,493)**	**8,728**	**(39,765)**

Fair value of financial assets and liabilities

Effective from 27 July 2009, the Company adopted the amendment to IFRS 13 for financial instruments which are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included in level 1 which are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs for the asset or liability which are not based on observable market data (level 3)

The fair value of the interest-rate swaps of £48.5m is considered to be level 2. All other financial assets and liabilities are measured in the balance sheet at amortised cost.

17. Dividends paid and proposed

	Unaudited 26 weeks ended 24 January 2016 £000	Unaudited 26 weeks ended 25 January 2015 £000	Audited 52 weeks ended 26 July 2015 £000
Paid in the period			
2014 final dividend	–	9,761	9,761
2015 interim dividend	–	–	4,830
2015 final dividend	9,543	–	–
	9,543	9,761	14,591
Dividends in respect of the period			
Interim dividend	4,625	4,744	–
Final dividend	–	–	9,782
	4,625	4,744	9,782
Dividend per share	4p	4p	8p
Dividend cover	3.2	2.9	3.1

Dividend cover is calculated as profit after tax and exceptional items over dividend paid.

18. Share capital

	Number of shares 000s	Share capital £000
Opening balance at 27 July 2014 (audited)	122,968	2,460
Repurchase of shares	(92)	(10)
Balance at 25 January 2015 (unaudited)	122,876	2,450
Repurchase of shares	(3,527)	(63)
Balance at 26 July 2015 (audited)	119,349	2,387
Repurchase of shares	(624)	(12)
Closing balance at 24 January 2016 (unaudited)	**118,725**	**2,375**

All issued shares are fully paid.

During the half year, 624,000 shares were repurchased by the Company for cancellation, representing approximately 0.5% of the issued share capital, at a cost of £3.9m, including stamp duty, representing an average cost per share of 625p. At the half year end, the Company had liability for share purchases of £3.9m which was settled post half year end. £14.2m was settled during the half year in relation to shares purchased before the year end.

19. Related-party disclosure

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

20. Capital commitments

The Company had £21.2m of capital commitments for which no provision had been made, in respect of property, plant and equipment, at 24 January 2016 (2015: £1.2m).

The Company has some sites in the property pipeline; however, any legal commitment is contingent on planning and licensing. Therefore, there are no commitments at the balance sheet date, in respect of these sites.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34, as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events which have occurred during the first 26 weeks and their impact on the condensed set of financial statements, plus a description of the changes in principal risks and uncertainties for the remaining 26 weeks of the financial year.
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors of J D Wetherspoon plc are listed in the J D Wetherspoon annual report for 26 July 2015. A list of current directors is maintained on the J D Wetherspoon plc website:
www.jdwetherspoon.com

By order of the board

John Hutson
Director
10 March 2016

Ben Whitley
Director
10 March 2016

Report on the interim financial statements

Our conclusion

We have reviewed J D Wetherspoon plc's interim financial statements (the "interim financial statements") in the Interim Report 2016 of J D Wetherspoon plc for the 26 week period ended 24 January 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the balance sheet as at 24 January 2016;
- the income statement and statement of comprehensive income for the period then ended;
- the cash flow statement for the period then ended;
- the statement of changes in shareholders' equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report 2016 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Company is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report 2016, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report 2016 in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report 2016 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report 2016 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
10 March 2016
London

Notes:
(a) The maintenance and integrity of the J D 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 financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PUBS OPENED SINCE 25 JULY 2015

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Rose & Crown	109 High Street	Maldon	CM9 5EP	UK
The Linen Weaver	Paul Street, Plaza	Cork		ROI

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