J D Wetherspoon plc

INTERIM REPORT 2020

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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26 July 2020

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11 September 2020

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FINANCIAL HIGHLIGHTS

Like-for-like sales
+5.0%

Revenue £933.0m
(2019: £889.6m)
+4.9%

Free cash flow[1] £49.0m
(2019: £71.7m)
-31.7%

Free cash flow[1] per share 46.7p
(2019: 67.9p)
-31.2%

Half-year dividend
Cancelled
(2019: 4.0p)

Contribution to the economy:
taxes paid £402.8m (2019: £375.6m)
+7.2%

Before exceptional items

Operating profit[4] £76.6m
(Post-IFRS 16: £80.8m)
(2019: £63.5m)
+20.6%

Profit before tax[4] £57.9m
(Post-IFRS 16: £51.6m)
(2019: £50.3m)
+15.2%

Earnings per share[4]
(including shares held in trust) 43.3p
(Post-IFRS 16: 38.5p)
(2019: 37.4p)
+15.8%

After exceptional items[2]

Operating profit[4] £76.6m
(Post-IFRS 16: £80.8m)
(2019: £63.5m)
+20.6%

Profit before tax[4] £42.0m
(Post-IFRS 16: £35.7m)
(2019: £48.6m)
-13.7%

Earnings per share[4]
(including shares held in trust) 29.8p
(Post-IFRS 16: 25.0p)
(2019: 36.0p)
-17.2%

Non-financial measures

Food hygiene rating[3] 4.96 out of 5
(2019: 4.97)
-0.2%

Pub manager length of service
12.5 years
(2019: 12.1 years)

[1] Free cash flow is defined in note 8 and in the company's accounting policies. The calculation of free cash flow can be found on the cash flow statement.
[2] Exceptional items as disclosed in the notes to the annual report and financial statements, note 4.
[3] An average score of the pubs listed on the Food Standards Agency's website.
[4] Excluding impact of IFRS 16

In the 26 weeks ended 26 January 2020, like-for-like sales increased by 5.0%, with total sales increasing by 4.9% to £933.0m (2019: £889.6m).

Like-for-like bar sales increased by 4.2% (2019: 5.9%), food by 5.6% (2019: 7.1%) and fruit/slot machines by 20.3% (2019: 5.7%). Like-for-like hotel room sales decreased by 1.3% (2019: increased by 0.3%). Bar sales were 60.0% of total sales, food 36.1%, fruit/slot machines 2.8% and rooms 1.1%.

Pre-IFRS 16 operating profit increased by 20.6% to £76.6m (2019: £63.5m). The operating margin was 8.2% (2019: 7.1%). Profit before tax and exceptional items increased by 15.2% to £57.9m (2019: £50.3m). Higher sales, higher gross profit and lower property costs contributed to the increase, offsetting higher wages, repairs and taxes.

Earnings per share, including shares held in trust by the employee share scheme, and before exceptional items, increased by 15.8% to 43.3p (2019: 37.4p).

As illustrated in the table in the tax section below, the company paid taxes of £402.8m in the period under review (2019: £375.6m), which is 31.9% higher than five years ago.

Net interest was covered 4.1 times by profit before interest, tax and exceptional items (2019: 4.0 times). Total capital investment was £128.5m in the period (2019: £95.5m). £70.7m was spent on freehold reversions of properties where Wetherspoon was the tenant (2019: £55.7m), £34.1m on 'reinvestment' in existing pubs (2019: £24.9m) and £23.7m on new pub openings and pub extensions (2019: £14.8m).

Exceptional items totalled £15.9m (2019: £1.6m) and resulted in a cash inflow of £2m. £6.4m has been charged in respect of the disposal of 6 pubs in the period and in respect of a number of future disposals and aborted transactions. Following a review, an exceptional charge of £9.5m has been made, reflecting a revised view of the future value of IT projects.

Free cash flow, after capital investment of £34.5m in existing pubs (2019: £26.1m), £9.3m for share purchases for employees (2019: £9.0m) and payments of tax and interest, was £49.0m (2019: £71.7m). Free cash flow per share decreased by 31.2% to 46.7p (2019: 67.9p). The decrease was due mainly to the timing of supplier payments, an earlier payment of corporation tax and increased reinvestment.

Dividends

In view of current uncertainty the board has decided to cancel the interim dividend (2019: £4.2m).

Corporation tax

We expect the overall corporation tax charge for the financial year, including current and deferred taxation, to be approximately 21.6%, on a pre-IFRS 16 basis, before exceptional items (2019: 21.4%).

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.

Comment on IFRS 16

I believe the IFRS 16 is confusing and misleading. Common sense suggests that rent should be regarded as a cost in the income statement. Instead, a complex formula disregards actual rent paid and substitutes a notional asset (the 'right to occupy'), which attracts a depreciation charge, and a notional interest charge based on the total rental liability for the lease term, even though the great majority of the rental liability does not crystallise, in almost all cases, for many years.

Part of the purpose may be to equate rent with debt. However, for companies like Wetherspoon at least, rent bears almost no resemblance to debt.

Debt is invariably for a fixed term and the full amount is repayable at the end of the term. Debt therefore carries a refinancing risk.

In contrast, Wetherspoon leases, for example, carry no refinancing risk - there is just a liability to pay the rent when it falls due.

Of course leases carry a great risk- as so many restaurant companies and retailers have unfortunately demonstrated. However, it does not make sense to treat future liabilities in this way - why not treat future business rates or VAT liabilities in this way, if it's appropriate for rent?

The most important criticism of IFRS 16 is that the complexity it creates means that it will only be understood by experts - in general, good for the experts, but bad for business efficiency, shareholders and the public.

Share buybacks
During the half year, 419,741 shares (0.40% of the share capital) were repurchased by the company for cancellation, at a cost of £6.5m, an average cost per share of 1,523p (2019: £Nil).

Financing
As at 26 January 2020, the company's net debt, including bank borrowings and finance leases, but excluding derivatives, was £804.5m, an increase of £67.5m, compared with that of the previous year end (2019: £737.0m).

The net-debt-to-EBITDA ratio was 3.54 times at the period end (28 July 2019: 3.36 times).

On 20 August 2019, the company entered into a new seven-year private placement agreement which extends its total facilities, excluding finance leases, from £895m to £993m.

As previously stated, it is intended that the company's net-debt-to-EBITDA ratio will be around 3.5 times for the foreseeable future. The ratio might rise for a temporary period, if there were, for example, a sudden deterioration in trading, in which instance the company would seek to reduce the level in a timely manner. Insofar as it is possible to generalise, the board believes that debt levels of between 0 and 2 times EBITDA are a sensible long – term benchmark. A higher level of debt may be justifiable – at times when interest rates are low and other factors are favourable.

Property
During the period, we opened one new pub and disposed of six, bringing the number open at the period end to 874. The company is also redeveloping a number of successful pubs, usually adding extra interior customer space, a garden, staff rooms and, in some cases, hotel rooms. Recent examples include the Prior John in Bridlington, the Sirhowy in Blackwood and the Blue Bell in Scunthorpe.

Following a review of our estate, we placed around 130 pubs on the market in the last few years, most of which have now been sold.

10 years ago our freehold/leasehold split was 41.3/58.7%. As a result of investment in the last few years in 'freehold reversions' the split was 63.6/36.4% at the period end.

UK taxes and regulation
Pubs and restaurants pay proportionally 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 18p per pint in respect of business rates, while supermarkets pay less than 2p per pint.

In addition, the government has, in recent years, 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 tax, 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:

	2020 £m	2019 £m
VAT	**182.5**	175.5
Alcohol duty	**89.4**	86.2
PAYE and NIC	**62.2**	59.0
Business rates	**29.0**	28.7
Corporation tax	**21.5**	8.5
Machine duty	**6.5**	5.5
Climate change levy	**5.1**	5.2
Stamp duty	**3.6**	2.6
Sugar tax	**1.4**	1.5
Fuel duty	**1.1**	1.1
Premise licence and TV licences	**0.4**	0.4
Carbon tax	**–**	1.4
TOTAL TAX	**402.7**	375.6
Tax per pub (£000)	**462.0**	427.3
Tax as % of sales	**43.2%**	42.2%
Pre-exceptional profit after tax	**45.4**	39.5
Profit after tax as % of sales	**4.9%**	4.4%

Further progress
As previously highlighted, the company's philosophy is to try continuously to upgrade as many areas of the business as possible.

The Food Standards Agency, in association with local authorities, regularly inspects licensed and other food businesses in the UK and awards marks from zero to five, according to the standards it finds.

Currently, 97.1% of our pubs have obtained the maximum five rating (2019: 97.6%), under the FSA scheme, with 99.1% of pubs receiving a rating of four or above (2019: 99.5%). This record reflects extremely hard work by our central catering, audit and operations team, as well as by the excellent teams in our pubs.

We have again been recognised, for the 17th year in a row, as a 'Top Employer UK' by the Top Employers Institute, in association with the Guardian newspaper.

A pub company is only as good as its employees – and Wetherspoon recognises this through its bonus and training schemes. We paid £23m in respect of bonuses and free shares to employees in the period (2019: £21m), of which 98% was paid to staff below board level and 88% was paid to staff working in our pubs.

In addition, the company runs a government-approved apprenticeship scheme and participates in a professional management diploma and degree course, in conjunction with Leeds Beckett University.

Corporate governance
In our trading update of 22 January, I commented on corporate governance as follows:

In an important high court case involving Wetherspoon, the judge said that he would assume written statements by witnesses were true, unless contradicted by barristers in cross-examination.

This sensible principle of justice is also implicit in the 'comply or explain' provisions of corporate governance guidelines (the 'code').

Comply or explain must mean that the code envisaged flexibility and did not advocate a 'one-type-suits-all' approach.

If shareholders say nothing in response to company explanations, which have been made in order to comply with the code, it is reasonable to assume their assent.

However, in reality, detailed explanations are ignored by many fund managers and their corporate governance advisers - comply or explain has been corrupted to mean 'comply or be humiliated in public and voted off the board' - a risk which most NEDs are understandably reluctant to take.

A likely reason for ignoring explanations, in defiance of the code, is that it's simpler and cheaper to apply arbitrary standards such as the 'nine-year rule'- rather than engaging with companies and considering their explanations.

Corporate governance adviser PIRC, for example, advertises for temporary staff for the company results' "season", and it appears to demand a blanket nine-year rule, almost irrespective of explanations.

In effect, PIRC purports to impose its own version of the code on companies, with no qualifications, or remit, for that approach.

In a further illustration of how the code operates in practise, Wetherspoon's largest shareholder, Columbia Threadneedle (CT), withdrew support for two of our long-serving NEDs for non-compliance with the 'nine-year rule', with no advance warning or discussion, shortly before our 2018 AGM.

CT unilaterally took this action, in spite of detailed explanations in the preceding years in our annual reports.

CT and fellow shareholder Blackrock's OWN boards however, very sensibly, do not observe the nine-year rule - both laud 'independent' NEDs with longer tenure than nine years.

In other words, one rule for CT and Blackrock - and another for UK PLC.

These issues were reviewed in some detail in our November 2019 trading statement (appendix 1). It would be beneficial if all shareholders could read this appendix. It is not boilerplate and the future of companies like Wetherspoon, and many others, is seriously undermined by the operation of the current code.

As in previous years, there has been no objection or critique whatsoever, in writing or in person, from any shareholder, individual or organisation, of the points raised in our November review.

It is an unfortunate reflection on complacency in the City and among unaccountable 'rule-makers' that institutions like Columbia Threadneedle, Blackrock - and corporate governance adviser PIRC - have not felt the need to issue a proper or detailed response to the serious issues raised by Wetherspoon.

The main consequence of the current governance system is short-termist and inexperienced boards, which have minimal representation from executives and the workforce - the people who are best placed to understand and run the business.

These factors are obviously damaging for customers, employees and the economy - as well as for shareholders.

The UK, of course, needs a sensible system of corporate governance. However, the current system is remote, counterproductive and inflexible, which are also the characteristics of many major shareholding institutions and their advisers.

Current trading and outlook

As recently reported, in the six weeks to 8 March 2020, like-for-like sales increased by 3.2% and total sales by 2.9%. In the following week, to 15 March, sales declined by 4.5%. In the early part of the current week, following the Prime Minister's advice to avoid pubs, sales have declined at a significantly higher rate.

It is obviously very difficult to predict, in these circumstances, how events will unfold in future weeks and months, but we now anticipate profits being below market expectations, so long as the current health scare continues. As a result of this uncertainty, it is impossible to provide realistic guidance on our performance in the remainder of the financial year.

The company has decided to delay most capital projects and to reduce expenditure, where possible, including the cancellation of the interim dividend. As a result of these actions, combined with the Government's proposals on business rates relief and credit guarantee facilities, the company believes it has sufficient liquidity to maintain operations at a substantially lower level of sales.

As many companies and commentators have noted, the current health crisis places the hospitality industry, in particular, under great pressure. Wetherspoon, like our peers, will be working closely with all parties, including employees, banks, landlords and suppliers, in order to emerge from the situation in the best shape.

Tim Martin
Chairman
19 March 2020

Appendix 1 – Corporate Governance (and guaranteed eventual destruction), Extract from JD Wetherspoon Q1 trading update, 13 November 2019

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Commenting on corporate governance issues, the Chairman of Wetherspoon, Tim Martin, said:

While acknowledging the need for a sensible system of corporate governance (CG), I have, for many years, expressed the urgent need for modification of the CG code, summarised in our 2019 annual report.

There can be little doubt that the current system has directly led to the failure or chronic underperformance of many businesses, including banks, supermarkets, and pubs.

It has also led to the creation of long and almost unreadable annual reports, full of jargon, clichés and platitudes - which confuse more than they enlighten.

I believe by vesting so much power in non-executive directors (NEDs), the system is also disenfranchising executives and the workforce - the people who have real expertise and are the cornerstone of business success.

Another tectonic fault is that the institutions and advisers which oversee the code, as described below, do not themselves adhere to the rules they impose on others.

The vast gap between the technocrats who make the rules and commercial reality is illustrated by the 2016 CG code, which refers to shareholders 64 times, employees three times and customers not at all.

In contrast, commercial reality, which should be reflected in the code, is encapsulated in Sam Walton's Walmart mantra - "Who's number one? THE CUSTOMER!"

A core problem is that CG institutionalises short-termism, inexperience and navel-gazing.

Independent' non-executive directors (NEDS), who work part time, are limited by the code to nine years' service and stay, on average, for just over four years.

It is also common practise for there to be only two executive directors, the most senior of whom, the CEO, averages only about five years' - managements and workers are thus absurdly underrepresented.

A cursory glance at the board compositions of major UK PLCs underlines the issues.

Tesco, for example, which has 450,000 employees and is the UK's largest supermarket group, has only two executive directors, with total service of about nine years and 11 NEDs with total service of 38 years. The overall average, including NEDs and executives, is only 3.7 years.

This sort of corporate structure is mirrored in banks, retailers and pubs - where long-term performance, over recent decades, has usually veered between poor and catastrophic.

Adherence to a tick-box culture means, for example, that there are no NEDS on the boards of major UK banks (HSBC/RBS/Barclays/Lloyds) who have any personal experience of the last banking crisis at their company - when it is clear that inexperienced boards were a major factor in that crisis.

In contrast, non-compliant companies like Wetherspoon (average tenure 15 years), Fullers' (10 years), Dart Group (12 years) and Berkshire Hathaway (19 years) have often fared far better, with experienced boards, long-term shareholders and a long-term view.

Compliance with CG guidelines increases the risk of failure - companies like Northern Rock, HBOS, Carillion, Thomas Cook and Mothercare were compliant with the code, but had shockingly low levels of experience (around 4 years per director) and executive representation.

Stefano Bonini and others (Harvard Law School Forum, June 2017) highlighted this problem and correctly said that "long–tenured directors … decrease the likelihood of corporate scandals ... (and) ... accumulate information and knowledge."

A Noddy-in-Toyland aspect of the current farce, as indicated above, is that the 'comply or explain' principle, which underlies the code, is not observed, in practise, by many 'enforcers' – ie institutions or their corporate advisers.

Comply or explain' means that advisers and investors have an obligation to weigh up explanations for non-observance of the guidelines.

However, in reality, many never do - including, it seems, governance advisers such as PIRC.

For example, Wetherspoon's largest institutional shareholder, Columbia Threadneedle (CT), without any advance notice to the Company, did not support the re-election of two of our long-serving directors at last year's AGM - in spite of our repeated explanations in annual reports.

As a result, three of our four NEDs felt compelled to offer their resignations - inevitably destabilising the company in the process.

Yet CT's owner is Ameriprise (a US company), two of whose independent NEDs have themselves exceeded the nine-year rule.

The Ameriprise chairman also breaches the nine-year rule - and combines the roles of chairman and CEO, a further breach of UK guidelines.

In this context, the fact that CT is a US company is irrelevant. It has decided that one rule applies to itself, but that another should apply to Wetherspoon.

In addition, US shareholder, Blackrock did not support Wetherspoon's long serving NEDs last year, but they also have directors who exceed the 9-year rule on their board.

Not all institutions behave like CT and Blackrock. Two of our largest shareholders strongly support Wetherspoon's approach as illustrated in letters written to the company. Common sense does exist, in small pockets, in the City.

Indeed, in thousands of meetings with shareholders in the last 27 years, I and my colleagues have almost never been asked about corporate governance - although the guidelines are clearly the predominating factors in PLC board composition - and at AGMs.

The tick-box malaise, to which only strong-willed contrarians - and those with no financial interest in the perpetuation of the current system - are immune, is particularly rife at CG advisers.

For example, the CG adviser PIRC recommends its clients to vote against my own re-election as chairman of Wetherspoon on the basis, inter alia, that I have been chairman for more than nine years (a milestone I hit in 1992).

Amazingly, while advising Wetherspoon that it should have four or five 'independent' NEDS, the hypocritical PIRC has, itself, just one on its own board - someone whose only apparent employment experience has been at a local authority.

However, PIRC's own website misleadingly says that it adopted, in 1988, "a private company structure with…executive directors and a board of non-executives drawn from the founding pension funds and public figures" – a structure that clearly no longer applies today.

Furthermore, the founder of PIRC, Alan MacDougall who still sits on his own board after 33 years (but seems to believe I shouldn't be on mine), has no relevant PLC experience having, according to his LinkedIn profile, a "BA Sociaology (sic) 2:2 - Social policy and Soviet Studies" and work experience at the National Union of Mineworkers and the Greater London Council.

MacDougall has questionable personable judgement, referring to himself on his Twitter account as a "governance expert" and an "ex-Eurocommunist". In my opinion, many people equate communism with fascism, since millions of Europeans perished or were imprisoned under its yoke.

It is perhaps a concern that PIRC has a low rating of 2.6 on the employment website Glassdoor, and appears to rely on inexperienced and temporary workers to analyse complex company reports for corporate governance purposes.

In summary, my view is the UK CG system is up the spout - and is itself a threat to listed companies - and therefore to the UK economy.

By institutionalising inexperience, the code guarantees the eventual destruction of the culture or 'DNA' of successful companies - and culture has 'strategy' (with which the code is obsessed) for breakfast, as respected management philosopher Peter Drucker has said.

Board structures should probably more closely resemble the successful Fullers - a chairman with 41 years' experience at the company, combined with directors with extensive executive experience and long-term loyalty.

In addition, genuine observance of 'comply or explain', rather than current lip service, should be mandatory. One-size-fits-all does not work in the real world.

Board composition à la Fullers can't guarantee future corporate success - but rigid compliance with current CG guidelines will almost certainly guarantee eventual mediocrity or failure.

City regulators and lawmakers should make haste. Even Wetherspoon, a medium-sized company, has 42,000 employees, 13,000 of whom are shareholders, and it contributes about one pound in every thousand of UK taxes (£764 million in 2019) - it's not in anyone's interest to kill a golden goose.

But, perhaps above all, no sensible business, looking to the long term and genuinely apprised of the reality of the CG system, would float on the London stock market today - who wants to guarantee eventual destruction, after all?”

PRE-IFRS 16 INCOME STATEMENT for the 26 weeks ended 26 January 2020

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 26 weeks ended 26 January 2020 Before exceptional items £000	Unaudited 26 weeks ended 26 January 2020 After exceptional items £000	Unaudited 26 weeks ended 27 January 2019 Before exceptional items £000	Unaudited 26 weeks ended 27 January 2019 After exceptional items £000	Audited 52 weeks ended 28 July 2019 Before exceptional items £000	Audited 52 weeks ended 28 July 2019 After exceptional items £000
Revenue	1	**933,021**	**933,021**	889,606	889,606	1,818,793	1,818,793
Operating costs		**(856,461)**	**(856,461)**	(826,135)	(826,135)	(1,686,876)	(1,686,876)
Operating profit	2	**76,560**	**76,560**	63,471	63,471	131,917	131,917
Property (losses)/gains	3	**(172)**	**(172)**	3,772	3,772	5,599	5,599
Property (losses) – exceptional	3		**(15,948)**		(1,651)		(7,040)
Profit before interest and tax		**76,388**	**60,440**	67,243	65,592	137,516	130,476
Finance income	6	**41**	**41**	26	26	41	41
Finance costs	6	**(18,508)**	**(18,508)**	(16,993)	(16,993)	(35,098)	(35,098)
Profit before tax		**57,921**	**41,973**	50,276	48,625	102,459	95,419
Income tax expense	7	**(12,487)**	**(12,487)**	(10,776)	(10,776)	(22,830)	(22,830)
Income tax expense – exceptional	7		**1,801**		99		188
Profit before IFRS 16		**45,434**	**31,287**	39,500	37,948	79,629	72,777
Earnings per ordinary share (p)							
– Basic[1]	8	**44.3**	**30.5**	38.3	36.8	77.2	70.6
– Diluted[2]	8	**43.3**	**29.8**	37.4	36.0	75.5	69.0

RECONCILIATION TO STATUTORY PROFIT for the 26 weeks ended 26 January 2020

	Notes	Unaudited 26 weeks ended 26 January 2020 Before exceptional items £000	Unaudited 26 weeks ended 26 January 2020 After exceptional items £000	Unaudited 26 weeks ended 27 January 2019 Before exceptional items £000	Unaudited 26 weeks ended 27 January 2019 After exceptional items £000	Audited 52 weeks ended 28 July 2019 Before exceptional items £000	Audited 52 weeks ended 28 July 2019 After exceptional items £000
Profit before IFRS 16		**45,434**	**31,287**	39,500	37,948	79,629	72,777
Operating costs		**28,443**	**28,443**	–	–	–	–
Amortisation of right-of-use assets	25	**(24,425)**	**(24,425)**	–	–	–	–
Lease premium amortisation		**192**	**192**	–	–	–	–
Disposal of leases	3	**347**	**347**	–	–	–	–
Finance costs	6	**(11,078)**	**(11,078)**	–	–	–	–
Finance income	6	**225**	**225**	–	–	–	–
Income tax expense	7	**1,189**	**1,189**	–	–	–	–
Profit for the period		**40,327**	**26,180**	39,500	37,948	79,629	72,777

[1] Calculated excluding shares held in trust.
[2] Calculated using issued share capital which includes shares held in trust.

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited cash flow 26 weeks ended 26 January 2020 £000**	**Unaudited free cash flow[1] 26 weeks ended 26 January 2020 £000**	Unaudited cash flow 26 weeks ended 27 January 2019 £000	Unaudited free cash flow[1] 26 weeks ended 27 January 2019 £000	Audited cash flow 52 weeks ended 28 July 2019 £000	Audited free cash flow[1] 52 weeks ended 28 July 2019 £000
Cash flows from operating activities							
Cash generated from operations	9	**131,546**	**131,546**	133,232	133,232	227,176	227,176
Interest received		**40**	**40**	20	20	33	33
Interest paid		**(17,027)**	**(17,027)**	(17,556)	(17,556)	(33,957)	(33,957)
Corporation tax paid		**(21,480)**	**(21,480)**	(8,539)	(8,539)	(19,661)	(19,661)
Net cash flow from operating activities		**93,079**	**93,079**	107,157	107,157	173,591	173,591
Cash flows from investing activities							
Purchase of property, plant and equipment		**(32,764)**	**(32,764)**	(22,672)	(22,672)	(47,398)	(47,398)
Purchase of intangible assets		**(1,768)**	**(1,768)**	(3,413)	(3,413)	(6,923)	(6,923)
Investment in new pubs and pub extensions		**(34,773)**		(15,214)		(26,778)	
Freehold reversions and investment properties		**(70,633)**		(51,902)		(77,207)	
Lease premiums paid		**–**		(93)		(451)	
Proceeds of sale of property, plant and equipment		**4,160**		5,818		9,319	
Net cash flow from investing activities		**(135,778)**	**(34,532)**	(87,476)	(26,085)	(149,438)	(54,321)
Cash flows from financing activities							
Equity dividends paid	11	**(8,371)**		(8,435)		(12,652)	
Purchase of own shares for cancellation	28	**(6,455)**		–		(5,399)	
Purchase of own shares for share-based payments		**(9,260)**	**(9,260)**	(8,960)	(8,960)	(16,004)	(16,004)
Loan issue cost	10	**(321)**	**(321)**	(462)	(462)	(6,268)	(6,268)
Advances under private placement	10	**98,000**		–		–	
Repayment of bank loans	10	**(25,000)**		(38,863)		(13,865)	
Advances under finance lease	10	**–**		12,000		12,000	
Finance lease principal payments	10	**(1,431)**		(698)		(2,106)	
Net cash flow from financing activities		**47,162**	**(9,581)**	(45,418)	(9,422)	(44,294)	(22,272)
Net change in cash and cash equivalents	10	**4,463**		(25,737)		(20,141)	
Opening cash and cash equivalents	19	**42,950**		63,091		63,091	
Closing cash and cash equivalents	19	**47,413**		37,354		42,950	
Free cash flow	8		**48,966**		**71,650**		**96,998**
Free cash flow per ordinary share	8		**46.7p**		67.9p		92.0p

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

PRE-IFRS 16 BALANCE SHEET as at 26 January 2020

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited 26 January 2020 £000**	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Non-current assets				
Property, plant and equipment	13	**1,458,531**	1,356,259	1,384,971
Intangible assets	12	**12,378**	23,313	23,070
Investment property	14	**11,572**	7,467	5,531
Other non-current assets		**7,696**	7,849	7,888
Derivative financial instruments	23	**–**	11,420	321
Deferred tax assets	7	**9,706**	4,088	8,342
Total non-current assets		**1,499,883**	1,410,396	1,430,123
Current assets				
Assets held for sale	18	**350**	3,383	3,146
Inventories	16	**23,453**	22,769	23,717
Receivables		**27,544**	24,335	21,903
Cash and cash equivalents	19	**47,413**	37,354	42,950
Total current assets		**98,760**	87,841	91,716
Total assets		**1,598,643**	1,498,237	1,521,839
Current liabilities				
Borrowings	21	**(3,286)**	(3,207)	(3,287)
Trade and other payables		**(314,831)**	(320,501)	(308,326)
Current income tax liabilities		**(1,275)**	(11,164)	(10,986)
Provisions		**(3,116)**	(5,499)	(4,072)
Total current liabilities		**(322,508)**	(340,371)	(326,671)
Non-current liabilities				
Borrowings	21	**(848,654)**	(758,112)	(776,683)
Derivative financial instruments	23	**(57,096)**	(35,465)	(49,393)
Deferred tax liabilities	7	**(38,212)**	(38,506)	(39,416)
Provisions		**(1,659)**	(2,453)	(1,934)
Other liabilities		**(10,607)**	(11,235)	(10,930)
Total non-current liabilities		**(956,228)**	(845,771)	(878,356)
Net assets		**319,907**	312,095	316,812
Shareholders' equity				
Share capital	28	**2,094**	2,110	2,102
Share premium account		**143,294**	143,294	143,294
Capital redemption reserve		**2,337**	2,321	2,329
Hedging reserve		**(47,390)**	(19,957)	(40,730)
Currency translation reserve		**1,603**	3,697	5,370
Retained earnings		**217,969**	180,630	204,447
Total shareholders' equity		**319,907**	312,095	316,812

INCOME STATEMENT for the 26 weeks ended 26 January 2020

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited 26 weeks ended 26 January 2020 Before exceptional items £000**	**Unaudited 26 weeks ended 26 January 2020 After exceptional items £000**	Unaudited 26 weeks ended 27 January 2019 Before exceptional items £000	Unaudited 26 weeks ended 27 January 2019 After exceptional items £000	Audited 52 weeks ended 28 July 2019 Before exceptional items £000	Audited 52 weeks ended 28 July 2019 After exceptional items £000
Revenue	1	**933,021**	**933,021**	889,606	889,606	1,818,793	1,818,793
Operating costs		**(852,251)**	**(852,251)**	(826,135)	(826,135)	(1,686,876)	(1,686,876)
Operating profit	2	**80,770**	**80,770**	63,471	63,471	131,917	131,917
Property gains	3	**175**	**175**	3,772	3,772	5,599	5,599
Property losses – exceptional	3		**(15,948)**		(1,651)		(7,040)
Profit before interest and tax		**80,945**	**64,997**	67,243	65,592	137,516	130,476
Finance income	6	**266**	**266**	26	26	41	41
Finance costs	6	**(29,586)**	**(29,586)**	(16,993)	(16,993)	(35,098)	(35,098)
Profit before tax		**51,625**	**35,677**	50,276	48,625	102,459	95,419
Income tax expense	7	**(11,298)**	**(11,298)**	(10,776)	(10,776)	(22,830)	(22,830)
Income tax expense – exceptional	7		**1,801**		99		188
Profit for the period		**40,327**	**26,180**	39,500	37,948	79,629	72,777
Earnings per ordinary share (p)							
– Basic[1]	8	**39.3**	**25.5**	38.3	36.8	77.2	70.6
– Diluted[2]	8	**38.5**	**25.0**	37.4	36.0	75.5	69.0

STATEMENT OF COMPREHENSIVE INCOME for the 26 weeks ended 26 January 2020

	Notes	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Items which will be reclassified subsequently to profit or loss:				
Interest-rate swaps: gain taken to other comprehensive income	23	**(8,024)**	64	(24,963)
Tax on items taken directly to other comprehensive income	7	**1,364**	(11)	4,243
Currency translation differences		**(3,109)**	(1,122)	181
Net gain recognised directly in other comprehensive income		**(9,769)**	(1,069)	(20,539)
Profit for the period		**26,180**	37,948	72,777
Total comprehensive income for the period		**16,411**	36,879	52,238

[1] Calculated excluding shares held in trust.
[2] Calculated using issued share capital which includes shares held in trust.

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited cash flow 26 weeks ended 26 January 2020 £000**	**Unaudited free cash flow[1] 26 weeks ended 26 January 2020 £000**	Unaudited cash flow 26 weeks ended 27 January 2019 £000	Unaudited free cash flow[1] 26 weeks ended 27 January 2019 £000	Audited cash flow 52 weeks ended 28 July 2019 £000	Audited free cash flow[1] 52 weeks ended 28 July 2019 £000
Cash flows from operating activities							
Cash generated from operations	9	**160,036**	**160,036**	133,232	133,232	227,176	227,176
Interest received		**40**	**40**	20	20	33	33
Interest paid		**(17,027)**	**(17,027)**	(17,556)	(17,556)	(33,957)	(33,957)
Corporation tax paid		**(21,480)**	**(21,480)**	(8,539)	(8,539)	(19,661)	(19,661)
Lease interest		**(9,134)**	**(9,134)**	–	–	–	–
Net cash flow from operating activities		**112,435**	**112,435**	107,157	107,157	173,591	173,591
Cash flows from investing activities							
Purchase of property, plant and equipment		**(32,764)**	**(32,764)**	(22,672)	(22,672)	(47,398)	(47,398)
Purchase of intangible assets[2]		**(1,768)**	**(1,768)**	(3,413)	(3,413)	(6,923)	(6,923)
Investment in new pubs and pub extensions		**(34,773)**		(15,214)		(26,778)	
Freehold reversions and investment properties		**(70,633)**		(51,902)		(77,207)	
Lease premiums paid		**–**		(93)		(451)	
Proceeds of sale of property, plant and equipment		**4,160**		5,818		9,319	
Net cash flow from investing activities		**(135,778)**	**(34,532)**	(87,476)	(26,085)	(149,438)	(54,321)
Cash flows from financing activities							
Equity dividends paid	11	**(8,371)**		(8,435)		(12,652)	
Purchase of own shares for cancellation	28	**(6,455)**		–		(5,399)	
Purchase of own shares for share-based payments		**(9,260)**	**(9,260)**	(8,960)	(8,960)	(16,004)	(16,004)
Loan issue cost	10	**(321)**	**(321)**	(462)	(462)	(6,268)	(6,268)
Advances under private placement	10	**98,000**		–		–	
Repayment of bank loans	10	**(25,000)**		(38,863)		(13,865)	
Advances under finance lease	10	**–**		12,000		12,000	
Lease principal payments	25	**(19,912)**	**(19,912)**	–	–	–	–
Lease principal receipts	25	**556**	**556**	–	–	–	–
Finance lease principal payments	10	**(1,431)**		(698)		(2,106)	
Net cash flow from financing activities		**27,806**	**(28,937)**	(45,418)	(9,422)	(44,294)	(22,272)
Net change in cash and cash equivalents	10	**4,463**		(25,737)		(20,141)	
Opening cash and cash equivalents	19	**42,950**		63,091		63,091	
Closing cash and cash equivalents	19	**47,413**		37,354		42,950	
Free cash flow	8		**48,966**		**71,650**		**96,998**
Free cash flow per ordinary share	8		**46.7p**		67.9p		92.0p

[1] Free cash flow is a measure not required by accounting standards; a definition is provided in our accounting policies.
[2] Within reinvestment in business and IT projects, £733,000 were intangible assets (2019: £1,952,000), with the remaining balance being related equipment.

BALANCE SHEET as at 26 January 2020

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited 26 January 2020 £000**	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Non-current assets				
Property, plant and equipment	13	**1,458,531**	1,356,259	1,384,971
Intangible assets	12	**12,378**	23,313	23,070
Investment property	14	**11,572**	7,467	5,531
Other non-current assets	15	**–**	7,849	7,888
Right-of-use assets	25	**579,175**	–	–
Derivative financial instruments	23	**–**	11,420	321
Deferred tax assets	7	**9,706**	4,088	8,342
Lease assets	25	**11,319**	–	–
Total non-current assets		**2,082,681**	1,410,396	1,430,123
Current assets				
Lease assets	25	**1,561**	–	–
Assets held for sale	18	**350**	3,383	3,146
Inventories	16	**23,453**	22,769	23,717
Receivables	17	**22,391**	24,335	21,903
Cash and cash equivalents	19	**47,413**	37,354	42,950
Total current assets		**95,168**	87,841	91,716
Total assets		**2,177,849**	1,498,237	1,521,839
Current liabilities				
Borrowings	21	**(3,286)**	(3,207)	(3,287)
Trade and other payables	20	**(315,773)**	(320,501)	(308,326)
Current income tax liabilities		**(86)**	(11,164)	(10,986)
Provisions	22	**(3,116)**	(5,499)	(4,072)
Lease liabilities	25	**(59,328)**	–	–
Total current liabilities		**(381,589)**	(340,371)	(326,671)
Non-current liabilities				
Borrowings	21	**(848,654)**	(758,112)	(776,683)
Derivative financial instruments	23	**(57,096)**	(35,465)	(49,393)
Deferred tax liabilities	7	**(38,212)**	(38,506)	(39,416)
Provisions	22	**–**	(2,453)	(1,934)
Other liabilities	24	**–**	(11,235)	(10,930)
Lease liabilities	25	**(537,498)**	–	–
Total non-current liabilities		**(1,481,460)**	(845,771)	(878,356)
Net assets		**314,800**	312,095	316,812
Shareholders' equity				
Share capital	28	**2,094**	2,110	2,102
Share premium account		**143,294**	143,294	143,294
Capital redemption reserve		**2,337**	2,321	2,329
Hedging reserve		**(47,390)**	(19,957)	(40,730)
Currency translation reserve		**1,603**	3,697	5,370
Retained earnings		**212,862**	180,630	204,447
Total shareholders' equity		**314,800**	312,095	316,812

The financial statements, on pages 10 to 50, approved by the board of directors and authorised for issue on 19 March 2020, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	**Total £000**
At 29 July 2018		**2,110**	**143,294**	**2,321**	**(20,010)**	**4,767**	**154,080**	**286,562**
Total comprehensive income					53	(1,070)	37,896	36,879
Profit for the period							37,948	37,948
Interest-rate swaps: cash flow hedges	23				64			64
Tax on items taken directly to comprehensive income	7				(11)			(11)
Currency translation differences						(1,070)	(52)	(1,122)
Share-based payment charges							5,651	5,651
Tax on share-based payment	7						398	398
Purchase of own shares for share-based payments							(8,960)	(8,960)
Dividends	11						(8,435)	(8,435)
At 27 January 2019		**2,110**	**143,294**	**2,321**	**(19,957)**	**3,697**	**180,630**	**312,095**
Total comprehensive income					(20,773)	1,673	34,459	15,359
Profit for the period							34,829	34,829
Interest-rate swaps: cash flow hedges	23				(25,027)			(25,027)
Tax on items taken directly to comprehensive income	7				4,254			4,254
Currency translation differences						1,673	(370)	1,303
Purchase of own shares for cancellation		(8)		8			(5,399)	(5,399)
Share-based payment charges							5,907	5,907
Tax on share-based payment	7						111	111
Purchase of own shares for share-based payments							(7,044)	(7,044)
Dividends	11						(4,217)	(4,217)
At 28 July 2019		**2,102**	**143,294**	**2,329**	**(40,730)**	**5,370**	**204,447**	**316,812**
Total comprehensive income					(6,660)	(3,767)	26,838	16,411
Profit for the period							26,180	26,180
Interest-rate swaps: cash flow hedges	23				(8,024)			(8,024)
Tax on items taken directly to comprehensive income	7				1,364			1,364
Currency translation differences						(3,767)	658	(3,109)
Purchase of own shares for cancellation		(8)		8			(6,455)	(6,455)
Share-based payment charges							5,543	5,543
Tax on share-based payment	7						120	120
Purchase of own shares for share-based payments							(9,260)	(9,260)
Dividends	11						(8,371)	(8,371)
At 26 January 2020		**2,094**	**143,294**	**2,337**	**(47,390)**	**1,603**	**212,862**	**314,800**

The currency translation reserve contains the accumulated currency gains and losses on the long-term financing and balance sheet translation of the overseas branch. The currency translation difference reported in retained earnings is the restatement of the opening reserves in the overseas branch at the current period end's currency exchange rate.

As at 26 January 2020, the company had distributable reserves of £167.1m.

1. Revenue

Revenue disclosed in the income statement is analysed as follows:	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Bar	**559,426**	538,082	1,094,001
Food	**337,241**	319,015	656,955
Slot/fruit machines	**26,080**	21,981	46,404
Hotel	**9,468**	9,596	19,699
Other	**806**	932	1,734
	933,021	889,606	1,818,793

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Concession rental payments	**–**	14,737	32,086
Minimum operating lease payments	**–**	20,271	38,241
Variable concession rental payments	**4,293**	–	–
Short leases	**108**	–	–
Repairs and maintenance	**46,112**	35,937	76,879
Net rent receivable	**(841)**	(678)	(1,545)
Share-based payments (note 5)	**5,543**	5,651	11,558
Depreciation of property, plant and equipment (note 13)	**37,718**	36,825	73,779
Amortisation of intangible assets (note 12)	**1,925**	3,847	7,634
Depreciation of investment properties (note 14)	**34**	27	55
Amortisation of right-of-use assets (note 25)	**24,425**	–	–
Amortisation of other non-current assets (note 15)	**–**	169	343

Analysis of continuing operations	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Revenue	**933,021**	889,606	1,818,793
Cost of sales	**(828,189)**	(802,911)	(1,639,378)
Gross profit	**104,832**	86,695	179,415
Administration costs	**(24,062)**	(23,224)	(47,498)
Operating profit after exceptional items	**80,770**	63,471	131,917

Included within cost of sales is £325.9m (2019: £315.3m) relating to cost of inventory recognised as expense.

3. Property gains and losses

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Non-exceptional property (gains)/losses			
Disposal of fixed assets	**(90)**	(3,634)	(4,650)
Additional costs of disposal	**217**	196	230
Disposal of leases	**(347)**	–	–
Other property gains	**45**	(334)	(1,179)
	(175)	(3,772)	(5,599)
Exceptional property losses (note 4)			
Disposal of fixed assets	**3,003**	16	1,015
Additional costs of disposal	**619**	306	568
Impairment of property, plant and equipment	**2,786**	806	3,550
Impairment of intangible assets	**9,540**	–	–
Impairment of other non-current assets	**–**	–	145
Onerous lease provision	**–**	523	1,762
	15,948	1,651	7,040
Total property losses	**15,773**	(2,121)	1,441

The gain of £347,000 relates to the purchase of the freeholds of former leasehold sites. As a result, the right-of-use asset and lease liability are derecognised. Under IFRS 16, the purchasing of freehold results in a gain, as the income statement is charged in advance of the cash payments. Without this gain, a non-exceptional loss of £172,000 would have been reported.

4. Exceptional items

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Exceptional property losses			
Disposal programme			
Loss on disposal of pubs	**3,622**	322	1,583
Impairment of property plant and equipment	**1,496**	806	1,298
Impairment of other non-current assets	**–**	–	93
Onerous lease provision	**–**	158	1,134
	5,118	1,286	4,108
Other property losses			
Impairment of property, plant and equipment	**1,290**	–	2,252
Impairment of intangible assets	**9,540**	–	–
Impairment of other non-current assets	**–**	–	52
Onerous lease provision	**–**	365	628
	10,830	365	2,932
Total exceptional property losses	**15,948**	1,651	7,040
Exceptional tax			
Tax effect on exceptional items (note 7)	**(1,801)**	(99)	(188)
	(1,801)	(99)	(188)
Total exceptional items	**14,147**	1,552	6,852

Disposal programme
The company has offered several of its sites for sale. During the half year, a further six (2019: two) sites had been disposed of and one (2019: two) was classified as held for sale. In the table above, the costs classified as loss on disposal are the losses on sold sites and associated costs to sale.

Other property losses
The company has reviewed its approach to capitalising costs in the early stages of a pub's development. In future, some initial costs will be expensed to the income statement. The property impairment charge of £1,290,000 relates to similar costs held on the balance sheet at the start of the year.

During the period, the company reviewed its accounting for the development and implementation of information systems. As a result of this review, it is the company's assessment that it will not achieve the future economic benefit from some of these assets which it had previously anticipated. The impairment charge of £9,540,000 reduces the useful economic life of these assets to reflect the company's view of future economic benefits which will be achieved.

The exceptional items listed above have generated a net cash inflow of £2,041,000 (2019: outflow of £694,000).

5. Employee benefits expenses

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Wages and salaries	**299,199**	275,829	568,758
Social Security costs	**18,077**	17,280	35,783
Other pension costs	**4,324**	3,001	6,912
Share-based payments	**5,543**	5,651	11,558
	327,143	301,761	623,011

The totals below relate to the monthly average number of employees during the period, not the total number of employees at the end of the year (including directors on a service contract).

	Unaudited 26 January 2020 Number	Unaudited 27 January 2019 Number	Audited 28 July 2019 Number
Full-time equivalents			
Managerial/administration	**4,594**	4,419	4,442
Hourly paid staff	**21,647**	20,825	21,035
	26,241	25,244	25,477
	26 January 2020 Number	27 January 2019 Number	28 July 2019 Number
Total employees			
Managerial/administration	**4,687**	4,518	4,541
Hourly paid staff	**38,517**	36,863	37,358
	43,204	41,381	41,899

The shares awarded as part of the share schemes are based on the cash value of the bonuses at the date of the awards. These awards vest over three years – with their cost spread over their three-year life. The share-based payment charge above represents the annual cost of bonuses awarded over the past three years. All awards are settled in equity.

The company operates two share-based compensation plans. In both schemes, the fair values of the shares granted are determined by reference to the share price at the date of the award. The shares vest at a £Nil exercise price – and there are no market-based conditions to the shares which affect their ability to vest.

Share-based payments	**Unaudited 26 weeks ended 26 January 2020**	Unaudited 26 weeks ended 27 January 2019	Audited 52 weeks ended 28 July 2019
Shares awarded during the year (shares)	**568,821**	802,069	1,390,290
Average price of shares awarded (pence)	**1,542**	1,303	1,313
Market value of shares vested during the year (£000)	**9,774**	14,199	17,173
Total liability of the share-based payments scheme (£000)	**14,999**	14,570	16,259

6. Finance income and costs

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Finance costs			
Interest payable on bank loans and overdrafts	**9,738**	10,504	21,089
Amortisation of bank loan issue costs (note 10)	**722**	58	925
Interest payable on swaps	**6,561**	6,287	12,705
Interest payable on obligations under finance leases	**207**	144	379
Interest payable on private placement	**1,280**	–	–
Finance costs excluding lease interest	**18,508**	16,993	35,098
Interest payable on leases	**11,078**	–	–
Total finance costs	**29,586**	16,993	35,098
Bank interest receivable	**(41)**	(26)	(41)
Lease interest receivable	**(225)**	–	–
Total finance income	**(266)**	(26)	(41)

The finance costs in the income statement were covered 2.8 times by earnings before interest, tax and exceptional items.
On a pre-IFRS 16 basis, the finance costs in the income statement were covered 4.1 times (2019: 4.0 times) by earnings before interest, tax and exceptional items.

7. Income tax expense

(a) Tax on profit on ordinary activities

At the balance sheet date, the standard rate of corporation tax in the UK was scheduled to change from 19.0% to 17.0%, with effect from 1 April 2020. Accordingly, the company's profits for this accounting period are taxed at the weighted average rate of 18.33% (2019: 19.00%).

On 11 March 2020, the chancellor presented the UK budget announcement and confirmed that the rate of corporation tax would remain at 19% from 1 April 2020. This is expected to be substantively enacted by the year-end balance sheet date.

As a result of this post balance sheet announcement, the prevailing tax rate used to calculate the income and deferred tax liabilities for the year ended 26 July 2020 will be 19%, instead of 18.33% used in the half-year results. Furthermore, the deferred tax balances will be recalculated at the year end to 19%; it is anticipated that this will result in a rate-change adjustment of approximately £3.4m.

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Income tax before exceptional items			
Current income tax:			
Current income tax charge	**13,556**	11,802	23,406
Current income tax – impact of IFRS 16	**(1,189)**	–	–
Previous period adjustment	**(18)**	(415)	(922)
Total current income tax	**12,349**	11,387	22,484
Deferred tax:			
Temporary differences	**(1,051)**	(452)	2,174
Previous period adjustment	**–**	(159)	(1,828)
Total deferred tax	**(1,051)**	(611)	346
Total tax expense before exceptional items	**11,298**	10,776	22,830
Exceptional income tax			
Current income tax:			
Current income tax charge	**(1,509)**	(99)	(273)
Total current income tax	**(1,509)**	(99)	(273)
Deferred tax:			
Temporary differences	**(292)**	–	85
Total deferred tax	**(292)**	–	85
Total exceptional income tax	**(1,801)**	(99)	(188)
Tax charge in the income statement	**9,497**	10,677	22,642

Taken through equity	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Current tax on share-based payment	**(259)**	(536)	(514)
Deferred tax on share-based payment	**139**	138	5
Tax credit	**(120)**	(398)	(509)

Taken through comprehensive income	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Deferred tax on swaps	**(1,364)**	11	(4,243)

The impact on the tax charge of the introduction of IFRS 16 is shown in the table above. There was no impact on deferred tax, as all amounts resulting for the adoption of IFRS 16 charged to the income statement were fully allowable.

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 26 weeks ended 26 January 2020 is based on the pre-exceptional profit before tax of £51.6m and the estimated effective tax rate before exceptional items for the 26 weeks ended 26 January 2020 of 21.9% (2019: 21.4%). This comprises a pre-exceptional current tax rate of 23.9% (2019: 22.6%) and a pre-exceptional deferred tax credit of 2.0% (2019: 1.2%).

The UK standard weighted average tax rate for the period is 18.33% (2019: 19.00%). 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.

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Profit before income tax	**51,625**	50,276	102,459
Profit multiplied by the UK standard rate of corporation tax of 18.33% (2019: 19.00%)	**9,463**	9,552	19,467
Abortive acquisition costs and disposals	**95**	77	85
Other disallowables	**(357)**	167	384
Other allowable deductions	**(33)**	(24)	(111)
Capital gains – effects of reliefs	**150**	695	(380)
Non-qualifying depreciation	**1,442**	731	2,487
Deduction for shares and SIPs	**41**	43	(449)
Remeasurement of other balance sheet items	**(23)**	(47)	(71)
Unrecognised losses in overseas companies	**539**	155	557
Unrecognised losses capital losses	**–**	–	3,611
Previous year adjustment – current tax	**(19)**	(414)	(922)
Previous year adjustment – deferred tax	**–**	(159)	(1,828)
Total tax expense before exceptional items	**11,298**	10,776	22,830
Exceptional profit before income tax	**(15,948)**	(1,651)	(7,040)
Profit multiplied by the UK standard rate of corporation tax of 18.33% (2019: 19.00%)	**(2,923)**	(314)	(1,337)
Other disallowables	**555**	61	183
Capital gains – effects of reliefs	**–**	–	85
Non-qualifying depreciation	**567**	154	881
Total tax expense on exceptional items	**(1,801)**	(99)	(188)
Total tax expense reported in the income statement	**9,497**	10,677	22,642

7. Income tax expense (continued)

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

Deferred tax liabilities	**Accelerated tax depreciation £000**	**Other temporary differences £000**	**Total £000**
At 28 July 2019	36,799	4,255	41,054
Previous year movement posted to the income statement	–	–	–
Movement during year posted to the income statement	(1,778)	(3)	(1,781)
Impact of tax rate change posted to the income statement	–	–	–
At 26 January 2020	**35,021**	**4,252**	**39,273**

Deferred tax assets	**Share based payments £000**	**Interest-rate swaps £000**	**Total £000**
At 28 July 2019	1,638	8,342	9,980
Previous year movement posted to the income statement	–	–	–
Movement during year posted to the income statement	(438)	–	(438)
Movement during year posted to comprehensive income	–	1,364	1,364
Movement during year posted to equity	(139)	–	(139)
At 26 January 2020	**1,061**	**9,706**	**10,767**

Deferred tax assets and liabilities have been offset as follows:

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Deferred tax liabilities	**39,273**	43,246	41,054
Offset against deferred tax assets	**(1,061)**	(4,740)	(1,638)
Deferred tax liabilities	**38,212**	38,506	39,416
Deferred tax assets	**10,767**	8,828	9,980
Offset against deferred tax liabilities	**(1,061)**	(4,740)	(1,638)
Deferred tax asset	**9,706**	4,088	8,342

As at 26 January 2020, the company had a potential deferred tax asset of £3.9m relating to capital losses. A deferred tax asset has not been recognised, as there is not sufficient certainty of recovery.

8. Earnings and free cash flow per share

(a) Weighted average number of shares

Earnings per share are based on the weighted average number of shares in issue of 104,810,288 (2019: 105,501,035), including those held in trust in respect of employee share schemes. Earnings per share, calculated on this basis, are usually referred to as 'diluted', since all of the shares in issue are included.

Accounting standards refer to 'basic earnings' per share – these exclude those shares held in trust in respect of employee share schemes.

Weighted average number of shares	**Unaudited 26 weeks ended 26 January 2020**	Unaudited 26 weeks ended 27 January 2019	Audited 52 weeks ended 28 July 2019
Shares in issue (used for diluted EPS)	**104,810,288**	105,501,035	105,439,345
Shares held in trust	**(2,143,674)**	(2,248,342)	(2,313,464)
Shares in issue less shares held in trust (used for basic EPS)	**102,666,614**	103,252,693	103,125,881

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

(b) Earnings per share

26 weeks ended 26 January 2020 unaudited	**Profit £000**	**Basic EPS pence**	**Diluted EPS pence**
Earnings before IFRS 16	**31,287**	**30.5**	**29.8**
Impact of IFRS 16	(5,107)	(5.0)	(4.8)
Earnings (profit after tax)	**26,180**	**25.5**	**25.0**
Exclude effect of exceptional items after tax	14,147	13.8	13.5
Earnings before exceptional items	**40,327**	**39.3**	**38.5**
Impact of IFRS 16	5,107	5.0	4.8
Earnings before exceptional items and IFRS 16	**45,434**	**44.3**	**43.3**
Exclude effect of property gains/(losses)	172	0.1	0.2
Underlying earnings before exceptional items	**45,606**	**44.4**	**43.5**

26 weeks ended 27 January 2019 unaudited	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	37,948	36.8	36.0
Exclude effect of exceptional items after tax	1,552	1.5	1.4
Earnings before exceptional items	39,500	38.3	37.4
Exclude effect of property gains/(losses)	(3,772)	(3.7)	(3.5)
Underlying earnings before exceptional items	35,728	34.6	33.9

52 weeks ended 28 July 2019 audited	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	72,777	70.6	69.0
Exclude effect of exceptional items after tax	6,852	6.6	6.5
Earnings before exceptional items	79,629	77.2	75.5
Exclude effect of property gains/(losses)	(5,599)	(5.4)	(5.3)
Underlying earnings before exceptional items	74,030	71.8	70.2

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

(c) 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, corporation 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, 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.

	Free cash flow £000	**Basic free cash flow per share pence**	**Diluted free cash flow per share pence**
26 weeks ended 26 January 2020	**48,966**	47.7	46.7
26 weeks ended 27 January 2019	**71,650**	69.4	67.9
52 weeks ended 28 July 2019	**96,998**	94.1	92.0

(d) Owners' earnings per share

Owners' earnings measure the earnings attributable to shareholders from current activities, adjusted for significant non-cash items and one-off items. Owners' earnings are calculated as profit before tax, exceptional items, depreciation and amortisation, lease interest and property gains and losses less reinvestment in current properties, payment of operating leases and cash tax. Cash tax is defined as the current year's current tax charge.

26 weeks ended 26 January 2020 unaudited	**Owners' Earnings £000**	**Basic Owners' EPS pence**	**Diluted Owners' EPS pence**
Profit before tax and exceptional items (income statement)	**51,625**	50.3	49.3
Exclude depreciation and amortisation (note 2)	**64,102**	62.4	61.2
Exclude lease interest (note 6)	**10,853**	10.6	10.4
Less cash reinvestment in current properties	**(29,350)**	(28.6)	(28.0)
Exclude property gains and losses (note 3)	**(175)**	(0.2)	(0.2)
Less lease interest	**(9,134)**	(8.9)	(8.7)
Less lease principal payment	**(19,356)**	(18.9)	(18.6)
Less cash tax (note 7)	**(12,367)**	(12.0)	(11.8)
Owners' earnings	**56,198**	54.7	53.6

26 weeks ended 27 January 2019 unaudited	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Profit before tax and exceptional items (income statement)	50,276	48.7	47.7
Exclude depreciation and amortisation (note 2)	40,868	39.6	38.7
Less cash reinvestment in current properties	(24,919)	(24.1)	(23.6)
Exclude property gains and losses (note 3)	(3,772)	(3.7)	(3.5)
Less cash tax (note 7)	(11,802)	(11.4)	(11.3)
Owners' earnings	50,651	49.1	48.0

52 weeks ended 28 July 2019 audited	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Profit before tax and exceptional items (income statement)	102,459	99.4	97.2
Exclude depreciation and amortisation (note 2)	81,811	79.3	77.6
Less cash reinvestment in current properties	(55,239)	(53.6)	(52.4)
Exclude property gains and losses (note 3)	(5,599)	(5.4)	(5.3)
Less cash tax (note 7)	(23,406)	(22.7)	(22.2)
Owners' earnings	100,026	97.0	94.9

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

Analysis of additions by type	**Unaudited 26 weeks ended 26 January 2020**	Unaudited 26 weeks ended 27 January 2019	Audited 52 weeks ended 28 July 2019
Reinvestment in existing pubs	**34,124**	24,919	55,239
Investment in new pubs and pub extensions	**23,679**	14,934	35,172
Freehold reversions and investment properties	**70,732**	55,653	77,207
	128,535	95,506	167,618

Analysis of additions by category	**Unaudited 26 weeks ended 26 January 2020**	Unaudited 26 weeks ended 27 January 2019	Audited 52 weeks ended 28 July 2019
Property, plant and equipment (note 13)	**121,687**	93,032	161,242
Intangible assets (note 12)	**773**	2,381	5,925
Investment properties (note 14)	**6,075**	–	–
Other non-current assets (note 15)	**–**	93	451
	128,535	95,506	167,618

(e) Operating profit per share

	Operating profit £000	**Basic operating profit per share pence**	**Diluted operating profit per share pence**
26 weeks ended 26 January 2020	**76,560**	74.6	73.0
26 weeks ended 27 January 2019	**63,471**	61.5	60.2
52 weeks ended 28 July 2019	**131,917**	127.9	125.1

Operating profit in the table above excludes the impact of IFRS 16.

9. Cash generated from operations

	Unaudited* 26 weeks ended 26 January 2020 £000	**Unaudited 26 weeks ended 26 January 2020 £000**	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Profit for the period	**31,287**	**26,180**	37,948	72,777
Adjusted for:				
Tax (note 7)	**10,686**	**9,497**	10,677	22,642
Share-based charges (note 2)	**5,543**	**5,543**	5,651	11,558
Loss on disposal of property, plant and equipment (note 3)	**2,913**	**2,913**	(3,618)	(3,635)
Disposal of capitalised leases (note 3)	**–**	**(347)**	–	–
Net onerous lease provision (note 3)	**–**	**–**	523	1,762
Net impairment charge (note 3)	**12,326**	**12,326**	806	3,695
Interest receivable (note 6)	**(41)**	**(41)**	(26)	(41)
Interest payable (note 6)	**17,786**	**17,786**	16,935	34,173
Lease interest receivable (note 6)	**–**	**(225)**	–	–
Lease interest payable (note 6)	**–**	**11,078**	–	–
Amortisation of bank loan issue costs (note 6)	**722**	**722**	58	925
Depreciation of property, plant and equipment (note 13)	**37,718**	**37,718**	36,825	73,779
Amortisation of intangible assets (note 12)	**1,925**	**1,925**	3,847	7,634
Depreciation on investment properties (note 14)	**34**	**34**	27	55
Amortisation of other non-current assets (note 15)	**192**	**–**	169	343
Aborted properties costs	**33**	**33**	407	430
Amortisation of right-of-use assets (note 25)	**–**	**24,425**	–	–
	121,124	**149,567**	110,229	226,097
Change in inventories	**264**	**264**	531	(417)
Change in receivables	**(5,801)**	**(6,341)**	(1,206)	1,228
Change in payables	**15,959**	**16,546**	23,678	268
Cash flow from operating activities	**131,546**	**160,036**	133,232	227,176

*This column shows the cash generated from operations as it would have been reported, before the introduction for IFRS 16. The amount of £131,546,000 shown is presented at the start of the pre-IFRS 16 cash flow presented within the primary statements.

The difference of £28,490,000 between the cash flow from operating activities of £160,036,000 and the pre-IFRS 16 number of £131,546,000 is formed from the net payments on leases accounted for under IFRS 16, as disclosed in note 25 of payments made of £29,232,000, less payments received of £742,000. These payments are deducted on the cash flow statement, resulting in a change in cash and cash equivalents and free cash flow being the same before and after the introduction of IFRS 16.

10. Analysis of change in net debt

	28 July 2019 £000	IFRS migration £000	Cash flows £000	Non-cash movement £000	26 January 2020 £000
Borrowings					
Cash in hand	42,950	–	4,463	–	**47,413**
Finance lease creditor – due before one year	(3,287)	–	1,431	(1,430)	**(3,286)**
Current net borrowings	39,663	–	5,894	(1,430)	**44,127**
Bank loans – due after one year	(770,076)	–	25,000	(702)	**(745,778)**
Finance lease creditor – due after one year	(6,607)	–	–	1,430	**(5,177)**
Private placement – due after one year	–	–	(97,679)	(20)	**(97,699)**
Non-current net borrowings	(776,683)	–	(72,679)	708	**(848,654)**
Net debt	(737,020)	–	(66,785)	(722)	**(804,527)**
Derivatives					
Interest-rate swaps asset – due after one year	321	–	–	(321)	**–**
Interest-rate swaps liability – due after one year	(49,393)	–	–	(7,703)	**(57,096)**
Total derivatives	(49,072)	–	–	(8,024)	**(57,096)**
Net debt after derivatives	(786,092)	–	(66,785)	(8,746)	**(861,623)**
Operating leases					
Operating lease assets – due before one year	–	1,583	(556)	534	**1,561**
Operating lease assets – due after one year	–	11,853	–	(534)	**11,319**
Operating lease obligations – due before one year	–	(61,252)	19,912	(17,988)	**(59,328)**
Operating lease obligations – due after one year	–	(570,052)	–	32,554	**(537,498)**
Net lease liabilities	–	(617,868)	19,356	14,566	**(583,946)**
Net debt after derivatives and lease liabilities	(786,092)	(617,868)	(47,429)	5,820	**(1,445,569)**

The cash movement on the private placement is disclosed in the cash flow statement as an advance under private placement of £98,000,000 and a cash payment of loan issue costs of £321,000.

Non-cash movements
The non-cash movement in bank loans and the private placement relate to the amortisation of loan issue costs. The amortised charge for the year of £722,000 is disclosed in note 6. These are upfront payments made to obtain new borrowings. These costs are charged to the income statement over the expected life of the loan.

The movement in interest-rate swaps relates to the change in the 'mark to market' valuations for the year.

The migration movement of £617,868,000 is the recognition of the lease liability of £631,304,000 and the lease asset of £13,436,000 on adoption of IFRS 16. These amounts are disclosed in note 25. The non-cash movement in lease liabilities is analysed in the table below.

Non-cash movement in net lease liabilities	Unaudited 26 January 2020 £000
Recognition of new leases (note 25)	**(27,361)**
Remeasurements of existing leases (note 25)	**77**
Disposals of lease (note 25)	**41,656**
Exchange differences (note 25)	**194**
Non-cash movement in net lease liabilities	**14,566**

10. Net debt (continued)

The table below calculated a ratio between net debt, being borrowings less cash and cash equivalents, and earnings before interest, tax and deprecation (EBITDA). The numbers in this table are all before the effect of IFRS 16.

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Profit before tax (income statement)	**57,921**	50,276	102,459
Interest (note 6)	**18,467**	16,967	35,057
Depreciation and amortisation (note 2)	**39,869**	40,868	81,811
Earnings before interest, tax and depreciation (EBITDA)	**116,257**	108,111	219,327
Rolling EBITDA			
Last full year	**219,327**	214,496	–
Last half year	**(108,111)**	(114,100)	–
Rolling earnings before interest, tax and depreciation (EBITDA)	**227,473**	208,507	219,327
Net debt/EBITDA	**3.54**	3.47	3.36

11. Dividends paid and proposed

	Unaudited 26 weeks ended 26 January 2020 £000	Unaudited 26 weeks ended 27 January 2019 £000	Audited 52 weeks ended 28 July 2019 £000
Paid in the period			
2018 final dividend	**–**	8,435	8,435
2019 interim dividend	**–**	–	4,217
2019 final dividend	**8,371**	–	–
	8,371	8,435	12,652
Dividends in respect of the period			
Interim dividend	**–**	4,217	4,217
Final dividend	**–**	–	8,371
	–	4,217	12,614
Dividend per share	**–**	4p	12p
Dividend cover	**3.1**	4.5	5.8

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

12. Intangible assets

	Computer software and development £000	Assets under construction £000	Total £000
Cost:			
At 29 July 2018	66,944	1,799	68,743
Additions	658	1,723	2,381
Transfers	165	(165)	–
At 27 January 2019	67,767	3,357	71,124
Additions	1,075	2,469	3,544
Transfers	1,397	(1,397)	–
Disposals	(22)	–	(22)
At 28 July 2019	70,217	4,429	74,646
Additions	7	766	773
Transfers	3,857	(3,857)	–
At 26 January 2020	**74,081**	**1,338**	**75,419**
Accumulated amortisation and impairment:			
At 29 July 2018	(43,964)	–	(43,964)
Provided during the period	(3,847)	–	(3,847)
At 27 January 2019	(47,811)	–	(47,811)
Provided during the period	(3,787)	–	(3,787)
Disposals	22	–	22
At 28 July 2019	(51,576)	–	(51,576)
Provided during the period	(1,925)	–	(1,925)
Impairment loss (note 4)	(9,540)	–	(9,540)
At 26 January 2020	**(63,041)**	**–**	**(63,041)**

Net book amount at 26 January 2020	**11,040**	**1,338**	**12,378**
Net book amount at 28 July 2019	18,641	4,429	23,070
Net book amount at 27 January 2019	19,956	3,357	23,313
Net book amount at 29 July 2018	22,980	1,799	24,779

The majority of intangible assets relates to computer software and software development. Examples include the development costs of our SAP accounting system, our Wisdom property-maintenance system and the Wetherspoon app.

13. Property, plant and equipment

	Freehold and long-leasehold property £000	Short-leasehold property £000	Equipment, fixtures and fittings £000	Assets under construction £000	Total £000
Cost:					
At 29 July 2018	1,110,875	356,160	617,800	54,202	2,139,037
Additions	40,278	1,602	14,438	36,714	93,032
Transfers	18,461	1,034	5,107	(24,602)	–
Exchange differences	(367)	(68)	(137)	(595)	(1,167)
Transfer to held for sale	(5,450)	–	(600)	–	(6,050)
Disposals	(2,122)	(1,975)	(1,754)	–	(5,851)
Reclassification	17,641	(17,641)	–	–	–
At 27 January 2019	1,179,316	339,112	634,854	65,719	2,219,001
Additions	35,269	827	23,776	8,338	68,210
Transfer from investment properties	1,984	–	–	–	1,984
Transfers	5,228	458	209	(5,895)	–
Exchange differences	593	90	227	889	1,799
Transfer to held for sale	374	–	(210)	–	164
Disposals	(5,483)	(1,437)	(2,595)	–	(9,515)
Reclassification	11,891	(11,891)	–	–	–
At 28 July 2019	1,229,172	327,159	656,261	69,051	2,281,643
Additions	64,215	480	15,650	41,342	121,687
Transfers	18,826	636	5,963	(25,425)	–
Exchange differences	(1,426)	(148)	(424)	(1,608)	(3,606)
Transfer to held for sale	(1,335)	–	(458)	–	(1,793)
Disposals	(4,677)	(3,828)	(4,492)	–	(12,997)
Reclassification	24,914	(24,914)	–	–	–
At 26 January 2020	**1,329,689**	**299,385**	**672,500**	**83,360**	**2,384,934**
Accumulated depreciation and impairment:					
At 29 July 2018	(222,037)	(184,575)	(426,352)	–	(832,964)
Provided during the period	(9,058)	(6,019)	(21,748)	–	(36,825)
Exchange differences	39	–	41	–	80
Impairment loss	–	(545)	(261)	–	(806)
Transfer to held for sale	2,067	–	600	–	2,667
Disposals	1,459	2,000	1,647	–	5,106
Reclassification	(10,308)	10,308	–	–	–
At 27 January 2019	(237,838)	(178,831)	(446,073)	–	(862,742)
Provided during the period	(9,213)	(5,714)	(22,027)	–	(36,954)
Transfer from investment properties	(76)	–	–	–	(76)
Exchange differences	(84)	(18)	(158)	–	(260)
Impairment loss	(1,326)	(859)	(559)	–	(2,744)
Transfer to held for sale	(4)	–	77	–	73
Disposals	2,189	1,497	2,345	–	6,031
Reclassification	(7,473)	7,473	–	–	–
At 28 July 2019	(253,825)	(176,452)	(466,395)	–	(896,672)
Provided during the period	(9,697)	(5,501)	(22,520)	–	(37,718)
Exchange differences	122	(40)	178	–	260
Impairment loss	(495)	(682)	(1,609)	–	(2,786)
Transfer to held for sale	1,028	–	415	–	1,443
Disposals	1,030	3,841	4,199	–	9,070
Reclassification	(14,860)	14,860	–	–	–
At 26 January 2020	**(276,697)**	**(163,974)**	**(485,732)**	**–**	**(926,403)**
Net book amount at 26 January 2020	**1,052,992**	**135,411**	**186,768**	**83,360**	**1,458,531**
Net book amount at 28 July 2019	975,347	150,707	189,866	69,051	1,384,971
Net book amount at 27 January 2019	941,478	160,281	188,781	65,719	1,356,259
Net book amount at 29 July 2018	888,838	171,585	191,448	54,202	1,306,073

14. Investment property

The company owns three (2019: two) freehold property with existing tenants – and these assets have been classified as investment properties. Last year, the company started developing one of its investment properties into a pub. The property was transferred to property, plant and equipment. During this year, the company has purchased a further two investment properties.

	£000
Cost:	
At 29 July 2018	7,751
At 27 January 2019	7,751
Transfer to property, plant and equipment	(1,984)
At 28 July 2019	5,767
Additions	6,075
At 26 January 2020	**11,842**
Accumulated depreciation and impairment:	
At 29 July 2018	(257)
Provided during the period	(27)
At 27 January 2019	(284)
Provided during the period	(28)
Transfer to property, plant and equipment	76
At 28 July 2019	(236)
Provided during the period	(34)
At 26 January 2020	**(270)**

Net book amount at 26 January 2020	**11,572**
Net book amount at 28 July 2019	5,531
Net book amount at 27 January 2019	7,467
Net book amount at 29 July 2018	7,494

Rental income received in the period from the current investment properties was £326,000 (2019: £157,000). Operating costs, excluding depreciation, incurred in relation to these properties amounted to £2,000 (2019: £4,000).

In the opinion of the directors, the fair value of the investment properties is approximately £18,000,000.

15. Other non-current assets

	£000
Cost:	
At 29 July 2018	12,727
Additions	93
At 27 January 2019	12,820
Additions	358
Disposals	(75)
At 28 July 2019	13,103
Transferred to right-of-use assets	(13,103)
At 26 January 2020	**–**
Accumulated amortisation and impairment:	
At 29 July 2018	(4,802)
Provided during the period	(169)
At 27 January 2019	(4,971)
Provided during the period	(174)
Impairment loss	(145)
Disposals	75
At 28 July 2019	(5,215)
Transferred to right-of-use assets	5,215
At 26 January 2020	**–**

Net book amount at 26 January 2020	**–**
Net book amount at 28 July 2019	7,888
Net book amount at 27 January 2019	7,849
Net book amount at 29 July 2018	7,925

Other non-current assets are leases premiums, paid on leasehold properties. Please see note 25 for all IFRS 16 migration adjustments.

16. Inventories

Bar, food and non-consumable stock held at our pubs and national distribution centre.

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Goods for resale at cost	**23,453**	22,769	23,717

17. Receivables

This category relates to situations in which third parties owe the company money. Examples include rebates from suppliers and overpayments of certain taxes.

Prepayments relate to payments which have been made in respect of liabilities after the period's end.

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Other receivables	**1,810**	1,054	1,135
Receivables loss allowance	**–**	(22)	(8)
Accrued income	**1,777**	1,593	2,327
Prepayments	**18,804**	21,710	18,449
	22,391	**24,335**	**21,903**

Accrued income relates to discounts which are calculated based on certain products being delivered at an agreed rate per item.

Credit risk	**Unaudited 26 January 2020 £000**	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Due from suppliers – not due	**1,451**	996	898
Due from suppliers – overdue	**359**	58	237
	1,810	**1,054**	**1,135**

Credit risk is the risk that a counterparty does not settle its financial obligation with the company. At the year end, the company has assessed the credit risk on amounts due from suppliers, based on historic experience, meaning that the expected lifetime credit loss was £Nil. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 – the identified impairment loss was immaterial.

18. Assets held for sale

These relate to situations in which the company has exchanged contracts to sell a property, but the transaction is not yet complete. As at 26 January 2020, one site was classified as held for sale (2019: two).

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Property, plant and equipment	**350**	3,383	3,146

19. Cash and cash equivalents

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Cash and cash equivalents	**47,413**	37,354	42,950

Cash at bank earns interest at floating rates, based on daily bank deposit rates.

20. Trade and other payables

This category relates to money owed by the company to suppliers and the government.

Accruals refer to allowances made by the company for future anticipated payments to suppliers and other creditors.

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Trade payables	**165,309**	202,514	162,070
Other payables	**27,362**	18,073	18,056
Other tax and Social Security	**55,398**	53,266	62,081
Accruals and deferred income	**67,704**	46,648	66,119
	315,773	320,501	308,326

21. Borrowings

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Current (due within one year)			
Other			
Finance lease obligations	**3,286**	3,207	3,287
Total current borrowings	**3,286**	3,207	3,287
Non-current (due after one year)			
Bank loans			
Variable-rate facility	**750,000**	750,000	775,000
Unamortised bank loan issue costs	**(4,222)**	17	(4,924)
	745,778	750,017	770,076
Private placement			
Fixed-rate facility	**98,000**	–	–
Unamortised private placement issue costs	**(301)**	–	–
	97,699	–	–
Other			
Finance lease obligations	**5,177**	8,095	6,607
Total non-current borrowings	**848,654**	758,112	776,683

22. Provisions

	Legal claims £000	Onerous lease £000	Total £000
At 28 July 2019	3,523	2,483	6,006
Charged to the income statement:			
– Transferred to right-of-use assets (note 25)	–	(2,483)	(2,483)
– Additional charges	1,053	–	1,053
– Unused amounts reversed	(496)	–	(496)
– Used during year	(964)	–	(964)
At 26 January 2020	**3,116**	**–**	**3,116**

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Current	**3,116**	5,499	4,072
Non-current	**–**	2,453	1,934
Total provisions	**3,116**	7,952	6,006

Legal claims
The amounts represent a provision for ongoing legal claims brought against the company by customers and employees in the normal course of business. Owing to the nature of the business, we expect to have a continuous provision for outstanding employee and public liability claims. All claim provisions are considered current and are not, therefore, discounted to take into account the passage of time.

Onerous lease
The amounts represent a provision for future rent payments on sites which are not expected to generate sufficient profits. Also included are provisions on any sublet properties for which rent is not fully recovered. These provisions are expected to be utilised over a period of up to 22 years and are discounted to take into account the passage of time.

These amounts were transferred into the right-of-use assets created on migration to IFRS 16.

23. Financial instruments

The table below analyses the company's financial liabilities in relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity profile of financial liabilities

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
At 26 January 2020							
Bank loans	20,310	20,310	20,310	770,317	–	–	**831,248**
Private placement	2,920	2,920	2,920	2,920	2,920	103,841	**118,443**
Trade and other payables	260,375	–	–	–	–	–	**260,375**
Derivatives	13,141	10,120	6,929	5,113	3,017	17,332	**55,653**
Finance lease obligations	3,286	3,286	2,465	–	–	–	**9,037**

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
At 28 July 2019							
Bank loans	20,039	20,039	20,039	20,039	786,726	–	866,882
Trade and other payables	246,245	–	–	–	–	–	246,245
Derivatives	13,089	13,089	6,962	6,877	3,052	18,651	61,720
Finance lease obligations	3,287	3,287	3,287	819	–	–	10,680

On 20 August 2019, the company authorised the issue and sale of £98m aggregate principal amount of its Senior Secured Notes due 20 August 2026; this extends its total facilities, excluding finance leases, from £895m to £993m.

At the balance sheet date, the company had loan facilities of £993m (2019: £895m) as detailed below:

- Secured revolving-loan facility of £875m
  - Matures January 2024
  - 14 participating lenders
- Private placement of £98m
  - Matures August 2026
  - The purchase of loan notes split among five participants
- Overdraft facility of £20m

The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt which has fixed £770m of these borrowings at rates of between 0.61% and 3.84%. The effective weighted average interest rate of the swap agreements used during the year is 2.82% (2019: 2.88%), fixed for a weighted average period of 4.6 years (2019: 4.8 years). In addition, the company has entered into forward-starting interest-rate swaps as detailed in the table below.

Weighted average by swap period:

From	To	Total swap value £m	Weighted average interest %
02/07/2018	29/07/2021	770	2.42
30/07/2021	30/07/2023	770	1.61
31/07/2023	30/07/2026	770	1.10
31/07/2026	30/06/2028	770	1.33
01/07/2028	29/03/2029	770	1.32

At the balance sheet date, £750m (2019: £750m) was drawn down under the £875m unsecured-term revolving-loan facility. The amounts drawn under this agreement can be varied, depending on the requirements of the business. In future, it is expected that the draw-down required by the company will be more than £770m for the duration of the interest-rate swaps detailed above.

23. Financial instruments (continued)

Capital risk management
The company's capital structure comprises shareholders' equity and loans. The objective of capital management is to ensure that the company is able to continue as a going concern and provide shareholders with returns on their investment, while managing risk.

The company does not have a specific measure for managing capital structure; instead, the company plans its capital requirements and manages its loans, dividends and share buybacks accordingly. The company measures loans using a ratio of net debt to EBITDA which was 3.54 times (2019: 3.47 times) at the period end.

Financial risks associated with financial instruments, including credit risk and liquidity risk, are discussed in the annual report 2019 in section 2 on page 49.

Fair value of financial assets and liabilities
IFRS 7 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 is considered to be level 2. All other financial assets and liabilities are measured in the balance sheet at amortised cost – and their valuation is also considered to be level 2.

Interest-rate and currency risks of financial liabilities
An analysis of the interest-rate profile of financial liabilities, after taking account of all interest-rate swaps, is set out in the following table.

Interest-rate and currency risks of financial liabilities

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Analysis of interest-rate profile of financial liabilities			
Bank loans			
Floating rate due after one year	**–**	–	76
Fixed rate due after one year	**745,778**	750,017	770,000
	745,778	750,017	770,076
Finance lease obligation			
Fixed rate due in one year	**3,286**	3,207	3,287
Fixed rate due after one year	**5,177**	8,095	6,607
	8,463	11,302	9,894
Private placement			
Fixed rate due after one year	**97,699**	–	–
	97,699		–
	851,940	761,319	779,970

The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to one month. The fixed-rate loan is that element of the company's borrowings which has been fixed with interest-rate swaps.

23. Financial instruments (continued)

Fair values
In some cases, payments which are due to be made in the future by the company or due to be received by the company have to be given a fair value.

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

	Unaudited 26 January 2020 Book value £000	**Unaudited 26 January 2020 Fair value £000**	Unaudited 27 January 2019 Book value £000	Unaudited 27 January 2019 Fair value £000	Audited 28 July 2019 Book value £000	Audited 28 July 2019 Fair value £000
Financial assets at amortised cost						
Cash and cash equivalents	**47,413**	**47,413**	37,354	37,354	42,950	42,950
Operating lease assets	**12,880**	**12,955**	–	–	–	–
Receivables	**1,810**	**1,810**	1,032	1,032	1,127	1,127
	62,103	**62,178**	38,386	38,386	44,077	44,077
Financial liabilities at amortised cost						
Trade and other payables	**(260,375)**	**(260,375)**	(267,235)	(267,235)	(246,245)	(246,245)
Finance lease obligations	**(8,463)**	**(8,478)**	(11,302)	(11,600)	(9,894)	(9,915)
Operating lease obligations	**(596,826)**	**(606,018)**	–	–	–	–
Private placement	**(97,699)**	**(99,457)**	–	–	–	–
Borrowings	**(745,778)**	**(746,554)**	(750,017)	(749,150)	(770,076)	(771,093)
	(1,709,141)	**(1,720,882)**	(1,028,554)	(1,027,985)	(1,026,215)	(1,027,253)
Derivatives – cash flow hedges						
Non-current derivative financial asset	**–**	**–**	11,420	11,420	321	321
Non-current derivative financial liability	**(57,096)**	**(57,096)**	(35,465)	(35,465)	(49,393)	(49,393)
	(57,096)	**(57,096)**	(24,045)	(24,045)	(49,072)	(49,072)

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 year end's prevailing interest rates.

Obligations under finance leases
The minimum lease payments under finance leases fall due as follows:

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Within one year	**3,286**	3,207	3,287
In the second to fifth year, inclusive	**5,751**	9,116	7,393
	9,037	12,323	10,680
Less future finance charges	**(574)**	(1,021)	(786)
Present value of lease obligations	**8,463**	11,302	9,894
Less amount due for settlement within one year	**(3,286)**	(3,207)	(3,287)
Amount due for settlement during the second to fifth year, inclusive	**5,177**	8,095	6,607

All finance lease obligations are in respect of various equipment used in the business.
No escalation clauses are included in the agreements.

23. Financial instruments (continued)

Interest – rate swaps
At 26 January 2020, 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 up to one month.

	Loss/(gain) on interest-rate swaps £000	Deferred tax £000	Charged to equity £000
As at 27 January 2019	24,045	(4,088)	19,957
Change in fair value posted to comprehensive income	25,027	–	25,027
Deferred tax posted to comprehensive income	–	(4,254)	(4,254)
As at 28 July 2019	49,072	(8,342)	40,730
Change in fair value posted to comprehensive income	8,024	–	8,024
Deferred tax posted to comprehensive income	–	(1,364)	(1,364)
As at 26 January 2020	**57,096**	**(9,706)**	**47,390**

No ineffectiveness arose during the period (2019: £Nil). Amounts charged to the profit and loss account in relation to interest-rate swaps are charged to finance costs – see note 6.

Interest-rate hedges
The company's interest-rate swap agreements are in place as protection against future changes in borrowing costs. Under these agreements, the company pays a fixed interest charge and receives variable interest income which matches the variable interest payments made on the company's borrowings.

There is an economic relationship among the company's revolving-loan facility, the hedged item and the company's interest-rate swaps, the hedging instruments, where the company pays a floating interest charge on the loan and receives a floating interest-rate credit on the interest-rate swap. The interest-rate swap agreement allows the company to receive a floating interest-rate credit and requires the company to pay an agreed fixed interest charge.

The company has established a hedging ratio of 1:1 between the interest-rate swaps and the company's floating-rate borrowings, meaning that floating interest rates paid should be identical to the amounts received for a given amount of borrowings.

These hedges could be ineffective, if the:
- period over which the borrowings were drawn were changed. This could result in the borrowings being made at a different floating rate than the interest-rate swap.
- gross amount of borrowings were less than the value swapped.
- impact of LIBOR reform were to cause a mismatch between the interest rate of the swaps and that of the company's debt.

The company tests hedge effectiveness prospectively using the hypothetical derivative method and compares the changes in the fair value of the hedging instrument with those in the fair value of the hedged item attributable to the hedged risk.

Interest rate sensitivity
During the 26 weeks ended 26 January 2020, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax profit for the year would have been increased by £146,000 and equity increased by £67,386,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the company has entered, calculated by a 1% shift of the market yield curve. The company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

24. Other liabilities

	Unaudited 26 January 2020 £000	Unaudited 27 January 2019 £000	Audited 28 July 2019 £000
Operating lease incentives	**–**	11,235	10,930

Included in other liabilities were lease incentives on leases where the lessor retains substantially all of the risks and benefits of ownership of the asset. The lease incentives were recognised as a reduction in rent over the lease term and shown as a liability on the balance sheet. These amounts now form part of the right-of-use assets, please see note 25.

25. Leases

About 36% of the company's pubs are leasehold. New leases are normally for 30 years, with a break clause after 15 years. Most leases have upwards-only rent reviews, based on open-market rental at the time of review, but most new pub leases have an uplift in rent which is fixed at the start of the lease.

(a) Right-of-use assets

The table below shows the movements in the company's right-of-use assets.

	£000
Cost:	
Recognition of assets	617,837
Additions	27,361
Remeasurement	(77)
Exchange differences	(216)
Disposals	(41,886)
At 26 January 2020	**603,019**
Accumulated depreciation and impairment:	
Provided during the period	(24,425)
Exchange differences	4
Disposals	577
At 26 January 2020	**(23,844)**
Net book amount at 26 January 2020	**579,175**

25. Leases (continued)

(b) Lease maturity profile

The tables below analyse the company's lease liabilities and assets in relevant maturity groupings, based on the remaining period at the balance sheet date to the end of the lease. The amounts disclosed in the table are the contractual undiscounted cash flows. The impact of discounting reconciles these amounts to the values disclosed in the balance sheet.

Lease liabilities maturity profile	**Unaudited 26 January 2020 £000**	Unaudited 28 July 2019 £000
Within one year	**59,328**	61,252
Between one and two years	**58,597**	61,177
Between two and three years	**55,965**	58,523
Between three and four years	**55,074**	57,050
Between four and five years	**54,623**	56,400
After five years	**506,892**	541,916
Lease commitments payable	**790,479**	836,318
Discounting lease liability	**(193,653)**	(205,014)
Lease liability	**596,826**	631,304

Lease assets maturity profile	**Unaudited 26 January 2020 £000**	Unaudited 28 July 2019 £000
Within one year	**1,561**	1,583
Between one and two years	**1,501**	1,545
Between two and three years	**1,413**	1,448
Between three and four years	**1,258**	1,391
Between four and five years	**1,110**	1,125
After five years	**8,850**	9,338
	15,693	16,430
Discounting lease asset	**(2,813)**	(2,994)
Lease asset	**12,880**	13,436

The comparative numbers disclosed above are those included in the migration note in the 2019 annual report.

25. Leases (continued)

(c) Lease liability

The tables below show the movements in the period of the lease liability and the lease asset.

Lease liability	Unaudited 26 January 2020 £000
At 28 July 2019	–
Recognition of liability	631,304
Additions	27,361
Remeasurements of leases	(77)
Disposals	(41,656)
Exchange differences	(194)
Lease liabilities before payments	616,738
Interest due	9,320
Payments made	(29,232)
Net principal repayments	(19,912)
At 26 January 2020	596,826

Future rental payments, up to the end of the lease, are capitalised, including any agreed increases. Future rent payments could change as a result of open-market rent reviews or options being exercised to terminate a lease early. Any changes in the minimum unavoidable lease payments will be included as a remeasurement of the lease liability.

Leases with lease terms of less than one year are not capitalised.

Lease assets	Unaudited 26 January 2020 £000
At 28 July 2019	–
Recognition of asset	13,436
Lease assets before payments	13,436
Interest due	186
Payments made	(742)
Net principal repayments	(556)
At 26 January 2020	12,880

The company has sublet several of its leases which have been capitalised above, with lease assets being the capitalised future rent receivables from sublet sites.

The interest payable and receivable shown in the tables above is the interest element of the payments made and received in the period. These amounts differ from the lease interest charged/credited to the income statement in the period – see note 6. The amounts charged/credited to the income statement in the period will also include amounts due, but not paid, in the period.

The incremental borrowing rate applied to lease liabilities and assets was 2.7–3.9%, depending on the lease's length.

25. Leases (continued)

(d) IFRS 16 migration

IFRS 16 Leases
This standard replaces IAS 17 Leases and is effective for accounting periods beginning on or after 1 January 2019. The standard was adopted by the company on 29 July 2019.

When the new standard became effective, the company recognised, on the balance sheet, a right-of-use asset and a lease liability for future lease payments, in respect of all leases, excluding those with terms less than 12 months and those for low-value assets.

Lessor accounting remains similar to the previous standard. The lessor continues to classify leases as finance or operating leases, depending on whether the risks and rewards of ownership have been transferred to the lessee. Some of the company's sublet properties were classified as finance leases under the new standard, as the risks and rewards of ownership of the IFRS 16 right-of-use asset was transferred to the lessee, whereas, under IAS 17, there was no asset recognised in the accounts; as a result, the leases were treated as operating leases.

Transition
On 29 July 2019, the company adopted the standard using the modified retrospective approach. The new standard allows, on a lease-by-lease basis, for the value of the right-of-use assets to be determined as if the lease had started on the date of transition or the start date of the lease. This choice does not affect the recognised lease liability, but does affect the value of the asset. Valuing on the day of transition results in a right-of-use asset of broadly the same value as the lease liability. Valuing at the start date of the lease results in a lower asset value at transition, reflecting the amortisation which would have been charged on the asset between the start of the lease and the date of transition. The reduction in the asset value would be offset by a reduction in distributable reserves on the balance sheet. The company has chosen to value all leases on the date of transition.

The company has elected to use the following practical exemptions in transitioning to IFRS 16:
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- The use of existing onerous lease provisions, rather than preforming an impairment review on right-of-use assets
- The use of hindsight in determining the lease term

Balance sheet
On 29 July 2019, the company recognised a right-of-use asset of £618m, a lease liability of £631m and a finance lease asset of £14m, related to sublet sites. The right-of-use assets comprise the net lease liability of £617m, rent prepayments of £14m, operating lease incentives of £11m and onerous leases of £2m. There was no adjustment to retained earnings.

As at 28 July 2019, the company had contractual operating lease commitments payable of £836m and contractual operating lease commitments receivable of £23m. A reconciliation to the transition value is provided below.

Income statement
The total profit and loss charge over the life of a lease will remain unchanged under IFRS 16, but the new standard will change the pattern of how the expense is recognised in the income statement, over time, with more costs recognised in the early years of a lease and fewer in its later years. The expense will be recognised as a depreciation and interest charge replacing the operating expenses under IAS 17.

In the 2019 annual report, the company estimated that, for the year ending 26 July 2020, EBITDA will have increased by £58m and operating profit by £8m. Finance costs are expected to increase by £22m, resulting in a decrease in profit before tax of £14m. These estimates are based on the leaseholds held at year end and will be affected by the company purchasing the freehold interest in its leasehold sites.

Tax impact on changes to the income statement
The IFRS 16 depreciation and interest expense will be deducted when calculating current tax. It is estimated, in the current financial year, that current tax will be reduced by £2m. The reduction in tax payments in the early years of a lease will be offset by higher tax payments in its later years.

The company expects a small increase in the effective tax rate. This is due to disallowable expenses, which will remain unchanged, being a larger proportion of reduced profits.

Cash flow statement
On the application of IFRS 16, there will be no impact on cash flows, except in relation to tax payments. The presentation of cash flows will change. Cash flows from operating activities will increase, yet will be exactly offset by an increase in interest and lease principal payments.

25. Leases (continued)

The table below shows the transition adjustments applied to the opening balance sheet for the year ending 26 July 2020.

	July 2019 £000	IFRS 16 £000	Re-stated £000
Other	1,422,235	–	1,422,235
Other non-current assets	7,888	(7,888)	–
Right-of-use assets	–	617,837	617,837
Lease receivables	–	11,853	11,853
Total non-current assets	**1,430,123**	**621,802**	**2,051,925**
Other current assets	69,813	–	69,813
Lease receivables	–	1,583	1,583
Receivables	21,903	(5,693)	16,210
Total assets	**1,521,839**	**617,692**	**2,139,531**
Other current liabilities	(326,671)	748	(325,923)
Lease liabilities	–	(61,252)	(61,252)
Total current liabilities	**(326,671)**	**(60,504)**	**(387,175)**
Other non-current liabilities	(865,492)	–	(865,492)
Lease liabilities	–	(570,052)	(570,052)
Provisions	(1,934)	1,934	–
Other liabilities	(10,930)	10,930	–
Total liabilities	**(1,205,027)**	**(617,692)**	**(1,822,719)**
Net assets	**316,812**	**–**	**316,812**
Equity	**316,812**	**–**	**316,812**

Reconciliation to lease commitments

The table below shows a reconciliation between the operating lease commitments (as disclosed in the 2019 annual report in note 25) and the lease liability and assets to be recognised under IFRS 16.

	2019 £000
Lease commitments, payable	836,318
Discounting lease liability	(205,014)
Lease liability recognised	**631,304**

	2019 £000
Lease commitments, receivable	22,857
Leases not capitalised	(6,427)
Discounting lease asset	(2,994)
Lease asset recognised	**13,436**

25. Leases (continued)

Recognition of right-of-use assets
The table below shows how the value of the right-of-use asset was calculated on migration.

	Unaudited 26 January 2020 £000
Recognition of leases	
Lease receivables (note 25)	**(13,436)**
Lease liabilities (note 25)	**631,304**
Non-current assets	
Other non-current assets (note 15)	**7,888**
Current assets	
Rent prepayments (note 17)	**5,693**
Current liabilities	
Rent payables (note 20)	**(199)**
Onerous lease creditor less than one year (note 22)	**(549)**
Non-current liabilities	
Other non-current liabilities (note 24)	**(10,930)**
Onerous lease creditor more than one year (note 22)	**(1,934)**
Right-of-use assets	**617,837**

Determining the right-of-use asset
Lease liabilities and assets were calculated by discounting future unavoidable rental payments and rents receivable for any of those sites which had been sublet. To the value of the lease liabilities and assets were added all balance sheet items held in relation to these leases. These included lease premiums paid, disclosed as other non-current assets, prepaid and accrued rental charges, the onerous lease provision and lease incentives, disclosed as other non-current liabilities.

Lease terminology
Before the introduction of IFRS 16, leases in a lessee's accounts were defined as finance leases and operating leases. Although this distinction no longer exists within IFRS 16, the distinction has been maintained in the narrative description of leases within the company's accounts, so that the impact of the new standard can be clearly seen.

26. Capital commitments

At 26 January 2020, the company had £28.2m (July 2019: £37.9m) of capital commitments, relating to the purchase of 10 (July 2019: 16) sites, for which no provision had been made, in respect of property, plant and equipment.

The company had some other 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.

27. Related-party disclosures

J D Wetherspoon is the owner of the share capital of the following companies:

Company name	Country of incorporation	Ownership	Status
J D Wetherspoon (Scot) Limited	Scotland	Wholly owned	Dormant
J D Wetherspoon Property Holdings Limited	England	Wholly owned	Dormant
Moon and Spoon Limited	England	Wholly owned	Dormant
Moon and Stars Limited	England	Wholly owned	Dormant
Moon on the Hill Limited	England	Wholly owned	Dormant
Moorsom & Co Limited	England	Wholly owned	Dormant
Sylvan Moon Limited	England	Wholly owned	Dormant
Checkline House (Head Lease) Limited	Wales	Wholly owned	Dormant

All of these companies are dormant and contain no assets or liabilities and are, therefore, immaterial. As a result, consolidated accounts have not been produced. The company has an overseas branch located in the Republic of Ireland.

28. Share capital

	Number of shares 000s	Share capital £000
Balance at 29 July 2018 (audited)	105,501	2,110
Closing balance at 27 January 2019 (unaudited)	105,501	2,110
Repurchase of shares	(403)	(8)
Balance at 28 July 2019 (audited)	105,098	2,102
Repurchase of shares	(420)	(8)
Closing balance at 26 January 2020 (unaudited)	**104,678**	**2,094**

The balance classified as share capital represents proceeds arising on issue of the company's equity share capital, comprising 2p ordinary shares and the cancellation of shares repurchased by the company.

The total authorised number of 2p ordinary shares is 500,000,000 (2019: 500,000,000). All issued shares are fully paid. In the period, there were no proceeds from the issue of shares (2019: £Nil).

During the period, 419,741 shares were repurchased by the company for cancellation, representing approximately 0.40% of the issued share capital, at a cost of £6.5m, including stamp duty, representing an average cost per share of 1,523p. The capital redemption reserve increased owing to the repurchase of a number of shares in the period.

While the memorandum and articles of association allow for preferred, deferred or special rights to attach to ordinary shares, no shares carried such rights at the balance sheet date.

29. Events after the balance sheet date

On 11 March 2020, the chancellor presented the UK budget announcement and confirmed that the rate of corporation tax would remain at 19% from 1 April 2020. This is expected to be substantively enacted by the year-end balance sheet date.

As a result of this post balance sheet announcement, the prevailing tax rate used to calculate the income and deferred tax liabilities for the year ended 26 July 2020 will be 19%, instead of 18.33% used in the half-year results. Furthermore, the deferred tax balances will be recalculated at the year end to 19%; it is anticipated that this will result in a rate-change adjustment of approximately £3.4m.

For information on COVID-19, please see note 31.

30. 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 19 March 2020.

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 28 July 2019 were approved by the board of directors on 12 September 2019 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.

The advent of the COVID-19 virus supersedes the principal risks and uncertainties as set out in the financial statements for the 52 weeks ended 28 July 2019, pages 48 and 49, and will remain the most significant risk facing the company in the next six months, please see note 31.

31. 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 28 July 2019 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. Material uncertainty which may cast significant doubt regarding the Company's ability to trade as a going concern has resulted from the impact of the COVID-19 virus on the economy and the hospitality industry. The directors have considered the impact on the company, including the possibility of temporary closure. The directors are satisfied that the Company will not breach its borrowing covenants during a temporary closure. If the closure is prolonged, the Company would consider whether to take further actions at that time. In that respect, the directors have considered the comments of the Bank of England on 17 March 2020 in which it said that the "CCFF (a new funding facility) will provide funding to businesses by purchasing commercial paper of up to 1 year maturity, issued by firms making a material contribution to the UK economy. It will help businesses across a range of sectors to pay wages and suppliers, even while experiencing severe disruption to cashflows". The directors have also taken account of the suspension of business rates for 12 months from April 2020, which will result in a saving by the Company of over £50m. As a result, the directors 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 28 July 2019 is extracted from the statutory accounts of the Company for that year.

The interim results for the 26 weeks ended 26 January 2020 and the comparatives for 27 January 2019 are unaudited, yet have been reviewed by the independent auditors. A copy of the review report is included at the end of this report.

32. Accounting policies

With the exception of tax and IFRS 16, which has been implemented in these financial statements, 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 28 July 2019 – 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

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published which are not yet effective and have not been adopted early by the Company. Information on those expected to be relevant to the financial statements is provided below:

- Conceptual framework for Financial Reporting
- Amendments to IFRS 3: Definition of a Business
- Amendments to IAS 1 and IAS 8: Definition of a Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- IFRS 17 Insurance contacts

IFRS 16 Leases is effective for accounting periods starting on or after 1 January 2019, replacing IAS 17 Leases. The impact of this change is disclosed in note 25 of these accounts.

Other standards which are not expected to have a material impact are shown below:

- Amendments to IFRS 9: Prepayment Features with Negative Consideration
- Amendments to IAS 28: Long-Term Interest in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvement to IFRS 2015-2017 Cycle
- IFRIC Interpretation 23: Uncertainty Over Income Tax Treatments

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 28 July 2019.
A list of current directors is maintained on the J D Wetherspoon plc website: jdwetherspoon.com

By order of the board

John Hutson
Director
19 March 2020

Ben Whitley
Director
19 March 2020

INDEPENDENT REVIEW REPORT TO J D WETHERSPOON PLC

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of J D Wetherspoon plc (the ‘Company’) for the 26 week period ended 26 January 2020 which comprises the Income Statement, the Statement of Comprehensive Income, the Cash Flow Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes. We have read the other information contained in the half-yearly financial report which comprises the Financial Highlights and the Chairman’s Statement and Operating Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 31, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion to the Company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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'. 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 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 26 January 2020 is 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Material uncertainty related to going concern

We draw attention to note 31 and the principal risks and uncertainties in note 30 in the half yearly financial statements, which highlight the risks on the Company’s ability to continue trading if resultant closures from the Covid-19 virus are on a prolonged basis. As stated in note 31, the impact of the Covid-19 virus on the Company’s ability to trade if closures are on a prolonged basis, indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our review opinion is not modified in respect of this matter.

Use of our report

This report is made solely to the Company, as a body, 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'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
19 March 2020

PUBS OPENED SINCE 29 JULY 2019

Name	Address	Town	Postcode	Country
The Railway	113 Station Road	Rainham	ME8 7SF	England

PUBS CLOSED SINCE 29 JULY 2019

Name	Address	Town	Postcode	Country
Last Plantagenet	107 Granby Street	Leceister	LE1 6FD	England
Baron of Hinckley	5–7 Regent Street	Hinckley	LE10 0AZ	England
Penny Black	14–18 Bull Ring	Kidderminster	DY10 2AZ	England
Rhinoceros	35–37 Bridgegate	Rotherham	S60 1PL	England
Brun Lea (Lloyds)	31–39 Manchester Road	Burnley	BB11 1HG	England
Isaac Merritt	54–58 Torquay Road	Paignton	TQ3 3AA	England

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