13 September 2019

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 52 weeks ended 28 July 2019)

FINANCIAL HIGHLIGHTS	Var%
Before exceptional items	
- Like-for-like sales	+6.8%
- Revenue £1,818.8m (2018: £1,693.8m)	+7.4%
- Profit before tax £102.5m (2018: £107.2m)	-4.5%
- Operating profit £131.9m (2018: £132.3m)	-0.3%
- Earnings per share (including shares held in trust) 75.5p (2018: 79.2p)	-4.7%
- Free cash flow per share 92.0p (2018: 88.4p)	+4.1%
- Full year dividend 12.0p (2018: 12.0p)	Maintained
After exceptional items*	
- Profit before tax £95.4m (2018: £89.0m)	+7.2%
- Operating profit £131.9m (2018: £132.3m)	-0.3%
- Earnings per share (including shares held in trust) 69.0p (2018: 63.2p)	+9.2%

*Exceptional items as disclosed in account note 4.

Commenting on the results, Tim Martin, the Chairman of

J D Wetherspoon plc, said:

“Journalists regularly ask Wetherspoon for comments on Brexit – although some publications begrudge our few paragraphs on the subject in this section.

“The UK is clearly in political deadlock, parliament having refused to carry out the pre-referendum promise in the leaflet (Appendix 2) sent to every household which said “The Government will implement what you decide.”

“Democratic power in the UK in the last 30 years has been diluted by a political faction in parliament, the media and boardrooms, which has a quasi-religious belief in the undemocratic EU – with its unelected presidents, MEPs who cannot instigate legislation and unaccountable court. Voters resent this loss of power – and distrust of politicians and the ‘elite’ is the result.

“In recent weeks, the 21 ‘Tory rebels’ (over half Oxbridge), who helped to block ‘no-deal’ were joined by 25 bishops (two-thirds Oxbridge), the latter group asserting (Appendix 3), contrary, many of us believe, to common sense, that no-deal will be disadvantageous to the poor.

“As another straw in the wind, former Supreme Court judge and Reith lecturer Lord Sumption described Brexit supporters as ‘grim fanatics’ (Appendix 4).

“John Bercow, Emily Thornberry, Dominic Grieve, Keir Starmer, Jo Johnson, Philip Hammond, David Gauke, David Lidington, Hilary Benn, Rory Stewart and many other pro-EU Oxbridge MPs have played a leading role in frustrating the referendum result, by enmeshing parliament in a legal and administrative spider’s web.

“The economic judgement of this faction, led in the past by the likes of Michael Heseltine, Peter Mandelson and Tony Blair, the CBI and the Financial Times, has been extremely poor.

“It advocated joining the disastrous predecessor of the euro, the exchange rate mechanism, the euro itself, and incorrectly forecast an immediate recession in the event of a Leave vote in the referendum.

“Author and athlete Matthew Syed has recently illustrated how a lack of diversity among elites leads to poor decisions. Investment guru Warren Buffett has pointed out that forecasts tell you a lot about the forecaster – but nothing about the future.

“The faction’s forecast today is that leaving the EU without a deal will be a ‘cliff-edge’, a ‘catastrophe’ or a ‘disaster’.

“Remainer MPs’ main argument – having consistently voted against the only deal on offer – to justify their attempts to scupper Brexit, is that costs for consumers and businesses will axiomatically increase in the event of ‘no deal’.

“However, leaving without a deal avoids a legal liability to pay £39 billion (Appendix 5), allows the UK to eliminate protectionist import taxes (tariffs) on over 12,000 non-EU products, (including rice, oranges, bananas, Antipodean wine, children’s clothes and car parts etc) and results in resumption of the control of fishing waters.

“Above all, no-deal increases UK democracy – the most powerful economic stimulant.

“It is an absurdity to argue that a reduction in UK input costs, combined with increased democracy, will have a harmful effect on the economy – just as it would be absurd for a business to adopt this argument if its own costs were reduced.

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“Elite Remainers are ignoring the ‘big picture’, regarding lower input costs and more democracy, and are mistakenly concentrating on assumed short-term problems, such as potential delays at Channel ports – which are easier to extrapolate on their computer models.

“Despite continuing political problems, stemming from the transfer of democratic power to a technocratic elite, Wetherspoon continues to perform well. Like-for-like sales for the six weeks to 8 September 2019 were up 5.9%.

“We currently anticipate a reasonable outcome (pre IFRS16) for the current financial year, subject to our future sales performance.

“As in previous years, we will provide updates, during the year, on the company’s trading.

Enquiries:

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Photographs are available at: www.newscast.co.uk

Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed and the Company aims to maintain them in excellent condition.
2. Visit our website jdwetherspoon.com
3. This announcement, which does not constitute the Company's annual report for the 52 weeks ended 28 July 2019, has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.
4. The annual report and financial statements 2019 has been published on the Company's website on 13 September 2019.
5. The current financial year comprises 52 trading weeks to 26 July 2020.
6. The next trading update will be issued on 13 November 2019.

CHAIRMAN'S STATEMENT

Financial performance

I am pleased to report a year of record sales for the company.

The company was founded in 1979 – and this is the 36th year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 14.6% per annum and free cash flow per share by an average of 15.0%.

Summary accounts for the years ended July 1984 to 2019

Financial year	Total sales	Profit/(loss) before tax and exceptional items	Earnings per share before exceptional items	Free cash flow	Free cash flow per share
	£000	£000	pence	£000	pence
1984	818	(7)	0		
1985	1,890	185	0.2		
1986	2,197	219	0.2		
1987	3,357	382	0.3		
1988	3,709	248	0.3		
1989	5,584	789	0.6	915	0.4
1990	7,047	603	0.4	732	0.4
1991	13,192	1,098	0.8	1,236	0.6
1992	21,380	2,020	1.9	3,563	2.1
1993	30,800	4,171	3.3	5,079	3.9
1994	46,600	6,477	3.6	5,837	3.6
1995	68,536	9,713	4.9	13,495	7.4
1996	100,480	15,200	7.8	20,968	11.2
1997	139,444	17,566	8.7	28,027	14.4
1998	188,515	20,165	9.9	28,448	14.5
1999	269,699	26,214	12.9	40,088	20.3
2000	369,628	36,052	11.8	49,296	24.2
2001	483,968	44,317	14.2	61,197	29.1
2002	601,295	53,568	16.6	71,370	33.5
2003	730,913	56,139	17.0	83,097	38.8
2004	787,126	54,074	17.7	73,477	36.7
2005	809,861	47,177	16.9	68,774	37.1
2006	847,516	58,388	24.1	69,712	42.1
2007	888,473	62,024	28.1	52,379	35.6
2008	907,500	58,228	27.6	71,411	50.6
2009	955,119	66,155	32.6	99,494	71.7
2010	996,327	71,015	36.0	71,344	52.9
2011	1,072,014	66,781	34.1	78,818	57.7
2012	1,197,129	72,363	39.8	91,542	70.4
2013	1,280,929	76,943	44.8	65,349	51.8
2014	1,409,333	79,362	47.0	92,850	74.1
2015	1,513,923	77,798	47.0	109,778	89.8
2016	1,595,197	80,610	48.3	90,485	76.7
2017	1,660,750	102,830	69.2	107,936	97.0
2018	1,693,818	107,249	79.2	93,357	88.4
2019	1,818,793	102,459	75.5	96,998	92.0

Notes

Adjustments to statutory numbers

1. Where appropriate, the earnings per share (EPS), as disclosed in the statutory accounts, have been recalculated to take account of share splits, the issue of new shares and capitalisation issues.
2. Free cash flow per share excludes dividends paid which were included in the free cash flow calculations in the annual report and accounts for the years 1995–2000.
3. The weighted average number of shares, EPS and free cash flow per share include those shares held in trust for employee share schemes.
4. Before 2005, the accounts were prepared under UKGAAP. All accounts from 2005 to date have been prepared under IFRS.
5. Apart from the items in notes 1 to 4, all numbers are as reported in each year's published accounts.

Total sales were £1,818.8m, an increase of 7.4%. Like-for-like sales increased by 6.8%, bar sales by 5.8%, food sales by 8.3%, slot/fruit machine sales by 10.3% and hotel room sales by 3.9%.

Operating profit, before exceptional items, decreased by 0.3% to £131.9m (2018: £132.3m). The operating margin, before exceptional items was 7.3% (2018: 7.8%).

Profit before tax and exceptional items decreased by 4.5% to £102.5m (2018: £107.2m), including property profit of £5.6m (2018: £2.9m). Earnings per share, including shares held in trust by the employee share scheme, before exceptional items, were 75.5p (2018: 79.2p).

Net interest was covered 3.9 times by operating profit before interest, tax and exceptional items (2018: 4.8 times), owing mainly to an increase in the cost of interest-rate 'swaps' or hedges and a reduction in operating profit. Total capital investment was £167.6m in the period (2018: £110.1m). £35.2m was invested in new pubs and pub extensions (2018: £35.9m), £55.2m in existing pubs and IT (2018: £64.7m) and £77.2m in freehold reversions, where Wetherspoon was already a tenant (2018: £9.5m).

Exceptional items totalled £7.0m (2018: £18.3m). There was a £1.6m loss on disposal and an impairment charge of £5.5m.

The total cash effect of exceptional items is a cash outflow of £6.0m. The outflow related to payments to landlords in relation to lease terminations. Since starting the current disposal programme in 2015, the company has had a net inflow of £20m from the disposal of 101 pubs.

Free cash flow, after capital payments of £54.3m for existing pubs (2018: £68.9m), £16.0m for share purchases for employees (2018: £13.6m) and payments of tax and interest, increased by £3.6m to £97.0m (2018: £93.4m). Free cash flow per share was 92.0p (2018: 88.4p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay an unchanged final dividend of 8.0p per share, on 28 November 2019, to shareholders on the register on 25 October 2019, giving an unchanged total dividend for the year of 12.0p per share. The dividend is covered 5.8 times (2018: 5.3 times).

In view of the level of capital investment made and the potential for further investment going forward, the board has decided to maintain the dividend per share at its current level for the time being.

During the year, 402,899 shares (0.38% of the share capital) were purchased by the company for cancellation, at a cost of £5.4m, an average cost per share of 1,327p.

My shareholding over the last 15 years has increased, as a result of the company's share 'buybacks', to 31.8% of the issued share capital. The company has in place a rule 9 'whitewash', under the UK City Code on Takeovers and Mergers, allowing further buybacks. At the annual general meeting this year, the company will seek approval for a renewal of the whitewash.

Financing

As at 28 July 2019, the company's total net debt, excluding derivatives, was £737.0m (2018: £726.2m), an increase of £10.8m.

Year-end net-debt-to-EBITDA was 3.36 times (2018: 3.39 times) – EBITDA was £5m higher in 2019, offsetting a small increase in debt.

As at 28 July 2019, the company had £158.0m (2018: £133.9m) of unutilised banking facilities and cash or cash equivalents, with a slight increase in total facilities to £895.0m (2018: £860.0m). In August the company raised an additional £98m from a private placement debt facility.

In order to avoid increased costs, the company has fixed its LIBOR interest rates in respect of £770m until March 2029.

Corporation tax

The current tax charge (ie the cash the company will pay to HMRC) for the period is £22.5m (2018: £23.7m). The rate of corporation tax paid on current year profits is the same as that of the previous year at 22.8%. The 'accounting' tax charge, which appears in the income statement, is £22.8m (2018: £23.6m).

IFRS 16

On 29 July 2019, the company adopted the IFRS 16 leases standard. This has not affected the financial statements for the year under review (ended 28 July 2019). All things being equal, the company estimates that for the year ending 26 July 2020, EBITDA will increase by c£58m and operating profit by c£8m. The interest charge will increase by c£22m and profit before tax will decrease by c£14m. On the balance sheet, a net lease liability of c£617m and total assets of c£618m will be recognised, with no change to net assets. There will be no impact on cash flows except in relation to tax payments. Further detail will be included in the accounting policies note in the 2019 annual report.

VAT equality

As we have previously stated, the government would generate more revenue and jobs if it were to create tax equality among supermarkets, pubs and restaurants. Supermarkets pay virtually no VAT in respect of food sales, whereas pubs pay 20%. This has enabled supermarkets to subsidise the price of alcoholic drinks, widening the price gap to the detriment of pubs and restaurants.

Pubs also pay around 20 pence a pint in business rates, whereas supermarkets pay only about 2 pence, creating further inequality.

Pubs have lost 50% of their beer sales to supermarkets in the last 35 or so years.

It makes no sense for supermarkets to be treated more leniently than pubs, since pubs generate far more jobs per pint or meal than supermarkets do, as well as far higher levels of tax. Pubs also make an important contribution to the social life of many communities and have better visibility and control of those who consume alcoholic drinks.

Tax equality is particularly important for residents of less affluent areas, since the tax differential is more important there – people can less afford to pay the difference in prices between the on and off trade.

As a result, there are often fewer pubs, coffee shops and restaurants, with less employment and increased high-street dereliction, in less affluent areas.

Tax equality would also be in line with the principle of fairness in applying taxes to different businesses.

Contribution to the economy
Wetherspoon is proud to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we generated total taxes of £764.4m, an increase of £35.6m, compared with the previous year, which equates to approximately 42% of our sales – and also amounts to approximately one-thousandth of all UK government revenue.

This results in an average payment per pub of £871,400 per annum or £16,800 per week.

	2019 £m	2018 £m
VAT	357.9	332.8
Alcohol duty	174.4	175.9
PAYE and NIC	121.4	109.2
Business rates	57.3	55.6
Corporation tax	19.9	26.1
Machine duty	11.6	10.5
Climate change levy	10.4	9.2
Stamp duty	3.7	1.2
Sugar tax	2.9	0.8
Fuel duty	2.2	2.1
Carbon tax	1.9	3.0
Premise licence and TV licences	0.8	0.7
Landfill tax	–	1.7
TOTAL TAX	764.4	728.8
Tax per pub (£000)	871.4	825.0
Tax as % of sales	42.0%	43.0%
Pre-exceptional profit after tax	79.6	83.7
Profit after tax as % of sales	4.4%	4.9%

Corporate governance
The underlying ethos of corporate governance is to comply with the guidelines or to explain why you do not.

The original creators of the rules must have realised that business success takes many forms, so a rigid structure, applicable to all companies cannot be devised – hence the requirement to explain non-compliance.

Wetherspoon has always explained its approach. For example, in 2016, our approach to corporate governance was summed up in the annual report as follows:

"..I have said that many aspects of current corporate governance advice, as laid out in the Combined Code, are deeply flawed…"

I then went on to say:

"*I believe that the following propositions represent the views of sensible shareholders:*

-The Code itself is faulty, since it places excessive emphasis on meetings between directors and shareholders and places almost no emphasis on directors taking account of the views of customers and employees which are far more important, in practice, to the future well-being of any company. For example, in the UK Corporate Governance Code (September 2014), there are 64 references to shareholders, but only three to employees and none to customers – this emphasis is clearly mistaken.

-The average institutional shareholder turns over his portfolio twice annually, so it is advisable for directors to be wary of the often perverse views of 'Mr Market' (in the words of Benjamin Graham), certainly in respect of very short-term shareholders.

-A major indictment of the governance industry is that modern annual reports are far too long and often unreadable. They are full of semiliterate business jargon, including accounting jargon, and are cluttered with badly written and incomprehensible governance reports.

-It would be very helpful for companies, shareholders and the public, if the limitations of corporate governance systems were explicitly recognised. Common sense, management skills and business savvy are more important to commercial success than board structures. All of the major banks and many supermarket and pub companies have suffered colossal business and financial problems, in spite of, or perhaps because of, their adherence to inadvisable governance guidelines.

-There should be an approximately equal balance between executives and non-executives. A majority of executives is not necessarily harmful, provided that non-executives are able to make their voices heard.

-It is often better if a chairman has previously been the chief executive of the company. This encourages chief executives, who may wish to become a chairman in future, to take a long-term view, avoiding problems of profit-maximisation policies in the years running up to the departure of a chief executive.

-A maximum tenure of nine years for non-executive directors is not advisable, since inexperienced boards, unfamiliar with the effects of the 'last recession' on their companies, are likely to reduce financial stability.

-An excessive focus on achieving financial or other targets for executives can be counter-productive. There's no evidence that the type of targets preferred by corporate governance guidelines actually works and there is considerable evidence that attempting to reach ambitious financial targets is harmful.

-As indicated above, it is far more important for directors to take account of the views of employees and customers than of the views of institutional shareholders. Shareholders should be listened to with respect, but caution should be exercised in implementing the views of short-term shareholders. It should also be understood that modern institutional shareholders may have a serious conflict of interest, as they are often concerned with their own quarterly portfolio performance, whereas corporate health often requires objectives which lie five, 10 or 20 years in the future."

I also quoted Sam Walton of Walmart in the 2014 annual report. He said:

"What's really worried me over the years is not our stock price, but that we might someday fail to take care of our customers or that our managers might fail to motivate and take care of our (employees)….Those challenges are more real than somebody's theory that we're heading down the wrong path…. As business leaders, we absolutely cannot afford to get all caught up in trying to meet the goals that some … institution … sets for us. If we do that, we take our eye off the ball…. If we fail to live up to somebody's hypothetical projection for what we should be doing, I don't care. We couldn't care less about what is forecast or what the market says we ought to do."

It is, therefore, very disappointing that one large institutional shareholder does not appear, by its actions, to support the central tenet of our stance on the issue of governance, which is that experience is extremely important and that the so-called 'nine-year rule' is perverse and counterproductive.

This shareholder failed to support the re-election of two of our non-executive directors at last year's AGM. I arranged a meeting for all of our main institutional shareholders in April 2019, to further explain our position, which the shareholder in question failed to attend. I then arranged a further meeting with the shareholder at their offices in May 2019.

Following the meeting there was no confirmation that the shareholder would support the re-election of our long-serving non-executive directors. As a result, three of our four non-executives, in the best interests of the company, offered to leave, on a rotational basis.

The company contacted all of its main shareholders to inform them of this proposal. The shareholder in question agreed. However, a number of other shareholders expressed their discontent with the proposed resignations (Appendix 1).

The executive board and I strongly feel that these sorts of board changes disrupt and weaken the company. I wrote to the shareholder on 9 September 2019 to ask them to reconsider their position, but have not received a reply.

Wetherspoon has had harmonious relationships with almost all of its shareholders over many years and has complied with the corporate governance requirement for explanation. Judging from the absence of any adverse comment, our approach has generally been accepted by investors.

Further progress
As always, the company has tried to improve as many areas of the business as possible, on a week-to-week basis, rather than aiming for 'big ideas' or grand strategies. Frequent calls on pubs by senior executives, the encouragement of criticism from pub staff and customers and the involvement of pub and area managers, among others, in weekly decisions, are the keys to success.

We now have 799 pubs rated on the Food Standards Agency's website – the average score is 4.97, with 97.4% of the pubs achieving a top rating of five stars and 2.1% receiving four stars. We believe this to be the highest average rating for any substantial pub company.

In the separate Scottish scheme, which records either a 'pass' or a 'fail', all of our 65 pubs have passed.

We paid £46m in respect of bonuses and free shares to employees in the year, of which 98% was paid to staff below board level and 86% was paid to staff working in our pubs

The company has been recognised as a Top Employer UK (2019) by The Top Employers Institute for the 16th consecutive year.

Thanks to fantastic efforts by our employees and customers, in association with the charity CLIC Sargent, approximately £1.6m was raised, bringing the total (since August 2002) to over £17.6m.

Property
The company opened five pubs during the year, with nine sold or closed, resulting in a trading estate of 879 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.6m, compared with £2.8m a year ago. The full-year depreciation charge was £81.8m (2018: £79.3m). We currently intend to open 10–15 pubs in the year ending July 2020.

Property litigation
As previously reported, Wetherspoon agreed on an out-of-court settlement with developer Anthony Lyons, formerly of property leisure agent Davis Coffer Lyons, in 2013 and received approximately £1.25m from Mr Lyons.

The payment relates to litigation in which Wetherspoon claimed that Mr Lyons had been an accessory to frauds committed by Wetherspoon's former retained agent Van de Berg and its directors Christian Braun, George Aldridge and Richard Harvey. Mr Lyons denied the claim – and the litigation was contested.

The claim related to properties in Portsmouth, Leytonstone and Newbury. The Portsmouth property was involved in the 2008/9 Van de Berg case itself.

In that case, Mr Justice Peter Smith found that Van de Berg, but not Mr Lyons (who was not a party to the case), fraudulently diverted the freehold from Wetherspoon to Moorstown Properties Limited, a company owned by Simon Conway. Moorstown leased the premises to Wetherspoon. Wetherspoon is still a leaseholder of this property – a pub called The Isambard Kingdom Brunel.

The properties in Leytonstone and Newbury (the other properties in the case against Mr Lyons) were not pleaded in the 2008/9 Van de Berg case. Leytonstone was leased to Wetherspoon and trades today as The Walnut Tree public house. Newbury was leased to Pelican plc and became Café Rouge.

As we have also reported, the company agreed to settle its final claim in this series of cases and accepted £400,000 from property investor Jason Harris, formerly of First London and now of First Urban Group. Wetherspoon alleged that Harris was an accessory to frauds committed by Van de Berg. Harris contested the claim and has not admitted liability.

Before the conclusion of the above cases, Wetherspoon also agreed on a settlement with Paul Ferrari of London estate agent Ferrari Dewe & Co, in respect of properties referred to as the 'Ferrari Five' by Mr Justice Peter Smith.

Current trading and outlook
Journalists regularly ask Wetherspoon for comments on Brexit – although some publications begrudge our few paragraphs on the subject in this section.

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The economic judgement of this faction, led in the past by the likes of Michael Heseltine, Peter Mandelson and Tony Blair, the CBI and the Financial Times, has been extremely poor.

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We currently anticipate a reasonable outcome (pre IFRS16) for the current financial year, subject to our future sales performance.

As in previous years, we will provide updates, during the year, on the company's trading.

Tim Martin
Chairman

Appendix 1 – Comments from institutional shareholders

Shareholder 1

"I can confirm that XXX are willing to support all of the proposed resolutions as outlined in your letter dated 28th June 2019. XXX intends to vote in favour of the re-election of all of the non-executive directors and vote in favour of the remuneration report at the next AGM.

"Furthermore, I would like to emphasise that XXX are fully supportive of J D Wetherspoon in its position regarding the UK Corporate Governance Code. The explanations given by the company for its non-compliance to the code are logical and rational in our opinion."

Shareholder 2

"We'd very much appreciate a brief chat on the proposals in this letter—we're happy to chat with whoever can best answer our question:

"We'd like to understand why the board feels there's a need for Elizabeth, Debra, or Sir Richard to be succeeded, given the shared views of Tim and ourselves that tenure itself shouldn't be a reason—despite what the UK Corporate Governance Code suggests. Does the board consider Elizabeth, Debra, and Sir Richard to no longer be the most qualified to be non-executive board members, even when taking into account the benefit of their experience with Wetherspoon, including their now very well-developed understanding of its unique approach and culture? Like Tim we believe that experience helps not hinders non-executive directors.

"Thank you, and we look forward to talking."

Appendix 2 – Extract from HM Government pre-referendum promise leaflet, June 2016

A once in a generation decision.

"The referendum on Thursday, 23rd June is your chance to decide if we should remain in or leave the European Union.

The Government believes it is in the best interests of the UK to remain in the EU.

This is the way to protect jobs, provide security, and strengthen the UK's economy for every family in this country – a clear path into the future, in contrast to the uncertainty of leaving.

This is your decision. The Government will implement what you decide."

Appendix 3 – Extract from open letter from 25 Bishops, 28 August 2019

"The Archbishop of Canterbury has conditionally agreed to chair a Citizens Forum in Coventry and, without prejudice for any particular outcome, we support this move to have all voices in the current Brexit debate heard.

However, we also have particular concerns about the potential cost of a No Deal Brexit to those least resilient to economic shocks….

Exiting the EU without an agreement is likely to have a massive impact on all our people and the Government is rightly preparing for this outcome. The Government believes that leaving the EU on 31 October is essential to restoring trust and confidence. It is unlikely, however, that leaving without an agreement, regardless of consequences, will lead to reconciliation or peace in a fractured country….."

The Rt Revd Nick Baines, Bishop of Leeds
The Rt Revd Donald Allister, Bishop of Peterborough
The Rt Revd Robert Atwell, Bishop of Exeter
And 22 others

Appendix 4 – Extract from The Spectator 'Diary' column, 1 June 2019, former Supreme Court judge and Reith lecturer Lord Jonathan Sumption

"…Back to London and the Brexit bubble. Theresa May's last days as Prime Minister have finally arrived amid a torrent of abuse on every side. But pause for a moment to reflect upon her personal and political tragedy, for history will be kinder to her than we have been. Faced with what many regard as an act of economic vandalism by a bare majority of the electorate, she did her loyal best to limit the damage. Her mistake was to repudiate those who would have been her natural allies. Instead, she made her pitch to the grim fanatics behind her, with whom no agreement on damage limitation was ever possible. Their guide was faith, not reason; compromise was treason and the EU was the Antichrist. Naturally, they responded by devouring her, and destroying their own party in the process. But by the time she realised this, it was too late. May's courage in the face of adversity commands respect. She was let down by her insularity, which deprived her of wise advice, and by her own utter lack of political imagination, tactical agility or basic communication skills.

In Austria for the 150th anniversary of the Vienna State Opera and the opening of Richard Strauss's Die Frau Ohne Schatten. The Viennese are in the middle of their own political crisis, but over sekt and canapés in the intervals, they seem more interested in ours. They have heard of only one candidate for May's job. 'Who is this Joris Hobson who is going to be your next prime minister?', they ask. 'Boris Johnson, but don't count on it.' 'Yes, yes, Morris Watson. Is he some kind of fascist?' 'Not at all. A romantic, a bit of a clown, but perfectly harmless when out of office.' 'Well, if it is not Moggson, then who?' 'No idea.' My short-lived authority as an expert on British politics is over."

Appendix 5 – Extract from "Summary" of BREXIT AND THE EU BUDGET (page 3) (House of Lords / European Union Committee - 15th Report of Session 2016-17), 4 March 2017

"…the strictly legal position of the UK on this issue appears to be strong. Article 50 provides for a 'guillotine' after two years if a withdrawal agreement is not reached unless all Member States, including the UK, agree to extend negotiations. Although there are competing interpretations, we conclude that if agreement is not reached, all EU law— including provisions concerning ongoing financial contributions and machinery for adjudication—will cease to apply, and the UK would be subject to no enforceable obligation to make any financial contribution at all."

Appendix 6 – Extract from The Spectator, 12 May 2018, James Forsyth

What Aussies really think of Brexit

"Alexander Downer is coming to the end of his four-year stint as High Commissioner to the UK. His common sense will be missed

When friends speak, you should listen — and you would be hard pressed to find a better friend of this country in the London diplomatic corps than Alexander Downer. The 66-year-old, who has just finished a four-year stint as the Australian High Commissioner, is an Anglophile by instinct and upbringing. He spent much of his childhood here because his father was appointed to the job in 1964.

When Downer's father left in 1972, he worried about this country joining the European Economic Community and what that would mean for relations with Australia and other Commonwealth countries. So there is a neat symmetry in his son being High Commissioner when Britain decided to reverse that decision. But Downer is not particularly ideological about Brexit. In 2016 he dutifully joined in the chorus of diplomatic panjandrums urging Britain to vote Remain. But since then, he has been quick to talk about the opportunities it presents.

On its own, he says Brexit won't be transformative: 'Your fate when you leave the EU will depend much more on the domestic policies you pursue than the fact you're not in the EU. You will do well if you open your markets and you embrace free trade; there was never a country that embraced free trade that was poor as a result.'

Free-trade will also mean leaving the customs union: 'If you stay in the single market and the customs union, you have left the decision-making part of the EU but you remain in the rest of it… I can tell you what, you wouldn't persuade the average Aussie to contract out decision making to ASEAN [Association of South East Asian Nations], they'd just change the government if the government tried to do that!' Some Tory MPs might think the same is true in Britain.

Downer argues that the more attention the customs union gets, the more voters will reject it: 'The more the public understands that remaining in the customs union means that other people make all of your trade policy for you, they would regard that as completely unacceptable. I don't think they necessarily know the details of what all these terms mean, because they've got other things on their minds; you can't blame them for that. But I think if you were a really effective politician, you could make a very strong point on this.'

You might think: Downer would say that, wouldn't he? After all, if Britain stays in the customs union there is no chance of that UK Australia trade agreement. But he is surely right that it would be absurd for the sixth largest economy in the world not to have control over its trade policy.

On a UK-Australia free trade deal, Downer is keen to offer reassurance, emphasising it is nothing to be afraid of. He stresses that Australia doesn't want 'radical change to regulations' and that farmers shouldn't fear the market being flooded with cheap beef and lamb, as Australia 'doesn't have much interest in the British market'. Rather, its sights are focused on Asia, where 'there is a massive rise of the middle class. Honestly, we cannot produce enough meat at the moment to meet the market demand in Asia.'

Whether the agricultural lobby is reassured by this answer remains to be seen. But when Downer talks about the Australia-US free trade deal, you can see why Canberra is so keen on one with Britain. Downer points out that in the 13 years since the deal was signed, trade between the two countries has increased by 50 per cent and investment is up 130 per cent. Interestingly, Downer adds that he would like a UK-Australia trade deal to be accompanied by the kind of immigration accord Australia and the US have, which allows professionals to work in each other's country for two years, with the option to renew indefinitely…

Perhaps Downer's most important advice is that the Brexit debate has 'laid a little more bare the division between the liberal elite and the mainstream of British society'. The 'great challenge' will be to reconnect them once this is over. If the two sides were looking for a marriage counsellor, they could do worse than this softly spoken Australian."

INCOME STATEMENT for the 52 weeks ended 28 July 2019

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Revenue	1	**1,818,793**	**–**	**1,818,793**	**1,693,818**	**–**	**1,693,818**
Operating costs		(1,686,876)	–	(1,686,876)	(1,561,527)	–	(1,561,527)
Operating profit	2	**131,917**	**–**	**131,917**	**132,291**	**–**	**132,291**
Property gains/(losses)	3	5,599	(7,040)	(1,441)	2,900	(18,251)	(15,351)
Finance income	6	41	–	41	48	–	48
Finance costs	6	(35,098)	–	(35,098)	(27,990)	–	(27,990)
Profit before tax		**102,459**	**(7,040)**	**95,419**	**107,249**	**(18,251)**	**88,998**
Income tax expense	7	(22,830)	188	(22,642)	(23,567)	1,278	(22,289)
Profit for the period		**79,629**	**(6,852)**	**72,777**	**83,682**	**(16,973)**	**66,709**
Earnings per share (p)							
– Basic[1]	8	77.2	(6.6)	70.6	81.1	(16.5)	64.6
– Diluted[2]	8	75.5	(6.5)	69.0	79.2	(16.0)	63.2
Operating profit per share (p)							
– Diluted[2]	8	125.1	–	125.1	125.3	–	125.3

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 28 July 2019

	Notes	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: (loss)/gain taken to other comprehensive income		(24,963)	14,787
Tax on items taken directly to other comprehensive income	7	4,243	(2,513)
Currency translation differences		181	(320)
Net (loss)/gain recognised directly in other comprehensive income		**(20,539)**	**11,954**
Profit for the period		72,777	66,709
Total comprehensive income for the period		**52,238**	**78,663**

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

CASH FLOW STATEMENT for the 52 weeks ended 28 July 2019

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 28 July 2019 £000	Free cash Flow[1] 52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000	Free cash Flow[1] 52 weeks ended 29 July 2018 £000
Cash flows from operating activities					
Cash generated from operations	9	227,176	227,176	228,300	228,300
Interest received		33	33	36	36
Interest paid		(33,957)	(33,957)	(25,824)	(25,824)
Corporation tax paid		(19,661)	(19,661)	(26,113)	(26,113)
Net cash inflow from operating activities		**173,591**	**173,591**	**176,399**	**176,399**
Cash flows from investing activities					
Reinvestment in pubs		(47,398)	(47,398)	(63,753)	(63,753)
Reinvestment in business and IT projects [2]		(6,923)	(6,923)	(5,166)	(5,166)
Investment in new pubs and pub extensions		(26,778)		(46,386)	
Freehold reversions		(77,207)		(16,278)	
Proceeds of sale of property, plant and equipment		9,319		4,742	
Lease premiums paid		(451)		–	
Net cash outflow from investing activities		**(149,438)**	**(54,321)**	**(126,841)**	**(68,919)**
Cash flows from financing activities					
Equity dividends paid	11	(12,652)		(12,655)	
Purchase of own shares for cancellation		(5,399)		(51,647)	
Purchase of own shares for share-based payments		(16,004)	(16,004)	(13,605)	(13,605)
Advances under bank loans	10	–		41,314	
Repayment of bank loans	10	(13,865)		–	
Loan issue costs	10	(6,268)	(6,268)	(518)	(518)
Advances under finance lease	10	12,000		–	
Finance lease principal payments	10	(2,106)		–	
Net cash outflow from financing activities		**(44,294)**	**(22,272)**	**(37,111)**	**(14,123)**
Net change in cash and cash equivalents	10	**(20,141)**		**12,447**	
Opening cash and cash equivalents		63,091		50,644	
Closing cash and cash equivalents		**42,950**		**63,091**	
Free cash flow	8		**96,998**		**93,357**
Free cash flow per ordinary share	8		92.0p		88.4p

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

BALANCE SHEET as at 28 July 2019

J D Wetherspoon plc, company number: 1709784

	Notes	28 July 2019 £000	29 July 2018 £000
Assets			
Non-current assets			
Property, plant and equipment	13	1,384,971	1,306,073
Intangible assets	12	23,070	24,779
Investment property	14	5,531	7,494
Other non-current assets	15	7,888	7,925
Derivative financial instruments		321	14,976
Deferred tax assets	7	8,342	4,099
Total non-current assets		**1,430,123**	**1,365,346**
Assets held for sale		**3,146**	**1,455**
Current assets			
Inventories		23,717	23,300
Receivables		21,903	23,122
Cash and cash equivalents		42,950	63,091
Total current assets		**88,570**	**109,513**
Total assets		**1,521,839**	**1,476,314**
Liabilities			
Current liabilities			
Borrowings		(3,287)	(8,864)
Derivative financial instruments		–	(160)
Trade and other payables		(308,326)	(290,602)
Current income tax liabilities		(10,986)	(8,950)
Provisions		(4,072)	(8,052)
Total current liabilities		**(326,671)**	**(316,628)**
Non-current liabilities			
Borrowings		(776,683)	(780,420)
Derivative financial instruments		(49,393)	(38,925)
Deferred tax liabilities	7	(39,416)	(38,980)
Provisions		(1,934)	(2,453)
Other liabilities		(10,930)	(12,346)
Total non-current liabilities		**(878,356)**	**(873,124)**
Net assets		**316,812**	**286,562**
Equity			
Share capital		2,102	2,110
Share premium account		143,294	143,294
Capital redemption reserve		2,329	2,321
Hedging reserve		(40,730)	(20,010)
Currency translation reserve		5,370	4,767
Retained earnings		204,447	154,080
Total equity		**316,812**	**286,562**

The financial statements, approved by the board of directors and authorised for issue on 12 September 2019, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

STATEMENT OF CHANGES IN EQUITY

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
Reported at 30 July 2017		**2,180**	**143,294**	**2,251**	**(32,284)**	**4,899**	**138,092**	**258,432**
Total comprehensive income					12,274	(132)	66,521	78,663
Profit for the period							66,709	66,709
Interest-rate swaps: cash flow hedges					14,787			14,787
Tax taken directly to comprehensive income	7				(2,513)			(2,513)
Currency translation differences						(132)	(188)	(320)
Purchase of own shares for cancellation		(70)		70			(36,205)	(36,205)
Share-based payment charges							11,405	11,405
Tax on share-based payments	7						527	527
Purchase of own shares for share-based payments							(13,605)	(13,605)
Dividends	11						(12,655)	(12,655)
At 29 July 2018		**2,110**	**143,294**	**2,321**	**(20,010)**	**4,767**	**154,080**	**286,562**
Total comprehensive income					(20,720)	603	72,355	52,238
Profit for the period							72,777	72,777
Interest-rate swaps: cash flow hedges					(24,963)			(24,963)
Tax taken directly to comprehensive income	7				4,243			4,243
Currency translation differences						603	(422)	181
Purchase of own shares for cancellation		(8)		8			(5,399)	(5,399)
Share-based payment charges							11,558	11,558
Tax on share-based payments	7						509	509
Purchase of own shares for share-based payments							(16,004)	(16,004)
Dividends	11						(12,652)	(12,652)
At 28 July 2019		**2,102**	**143,294**	**2,329**	**(40,730)**	**5,370**	**204,447**	**316,812**

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 capital redemption reserve increased owing to the repurchase of a number of shares in the year.

Shares acquired in relation to the employee Share Incentive Plan and the Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 28 July 2019, the number of shares held in trust was 2,259,401 (2018: 2,367,991), with a nominal value of £45,188 (2018: £47,360) and a market value of £34,794,775 (2018: £28,865,810); these are included in retained earnings.

During the year, 402,899 shares were repurchased by the company for cancellation, representing approximately 0.38% of the issued share capital, at a cost of £5.4m, including stamp duty, representing an average cost per share of 1,327p.

Hedging gains and losses arise from fair value movements in the company's financial derivative instruments, in line with the accounting policy disclosed in section 2.

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 year end currency exchange rate.

As at 28 July 2019, the company had distributable reserves of £169.1m.

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Bar	1,094,001	1,031,672
Food	656,955	599,937
Slot/fruit machines	46,404	42,161
Hotel	19,699	18,400
Other	1,734	1,648
	1,818,793	**1,693,818**

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Concession rental payments	32,086	25,075
Minimum operating lease payments	38,241	42,754
Repairs and maintenance	76,879	71,261
Net rent receivable	(1,545)	(1,407)
Share-based payments (note 5)	11,558	11,405
Depreciation of property, plant and equipment (note 13)	73,779	70,918
Amortisation of intangible assets (note 12)	7,634	7,984
Depreciation of investment properties (note 14)	55	56
Amortisation of other non-current assets (note 15)	343	347

Auditors' remuneration	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Fees payable for the audit of the financial statements		
– Standard audit fees	167	167
– Additional audit work	23	–
Fees payable for other services:		
– Audit related services	–	38
– Assurance services	27	27
Total auditors' fees	**217**	**232**

Analysis of continuing operations	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Revenue	**1,818,793**	**1,693,818**
Cost of sales	(1,639,378)	(1,517,255)
Gross profit	179,415	176,563
Administration costs	(47,498)	(44,272)
Operating profit after exceptional items	131,917	132,291

Included within cost of sales is £640.5m (2018: £602.4m) relating to cost of inventory recognised as expense.

3. Property gains and losses

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
(Gain)/loss on disposal of fixed assets	(4,650)	1,015	(3,635)	(1,865)	5,076	3,211
Additional costs of disposal	230	568	798	117	3,625	3,742
Impairment of property, plant and equipment	–	3,550	3,550	–	3,588	3,588
Impairment of other assets	–	145	145	–	–	–
Onerous lease provision	–	1,762	1,762	–	5,962	5,962
Other property gains	(1,179)	–	(1,179)	(1,152)	–	(1,152)
Total property (gains)/losses	**(5,599)**	**7,040**	**1,441**	**(2,900)**	**18,251**	**15,351**

The gain of £5,599,000 (2018: £2,900,000) relates to non-disposal programme sites.

4. Exceptional items

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	1,583	8,701
Impairment property plant and equipment	1,298	–
Impairment of other non-current assets	93	–
Onerous lease provision	1,134	4,520
	4,108	13,221
Other property losses		
Impairment of property, plant and equipment	2,252	3,588
Impairment of other non-current assets	52	–
Onerous lease provision	628	1,442
	2,932	5,030
Total exceptional property losses	**7,040**	**18,251**
Exceptional tax		
Tax effect on exceptional items	(188)	(1,278)
Total exceptional items	**6,852**	**16,973**

Disposal programme
The company has offered several of its sites for sale. At the year end, a further eight (2018: 19) sites had been sold, including those which were closed in the previous year; two (2018: one) were 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.

Onerous lease provision relates to sites which have been closed.
.

4. Exceptional items (continued)

Other property losses
Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their current book value. In the year, an exceptional charge of £2,304,000 (2018: £3,588,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £2,304,000 (2018: £6,898,000), offset by impairment reversals of £Nil (2018: £3,310,000).

The onerous lease provision relates to pubs for which future trading profits, or income from subleases, are not expected to cover the rent. The provision takes several factors into account, including the expected future profitability of the pub and also the amount estimated as payable on surrender of the lease, where this is a likely outcome. In the year, £628,000 (2018: £1,442,000) was charged net in respect of onerous leases outside of the disposal programme.

All exceptional items listed above generated a net cash outflow of £6,040,000 (2018: outflow of £629,000).

5. Employee benefits expenses

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Wages and salaries	568,758	501,229
Social Security costs	35,783	34,455
Other pension costs	6,912	4,510
Share-based payments	11,558	11,405
	623,011	**551,599**

Directors' emoluments	2019 £000	2018 £000
Aggregate emoluments	1,858	1,895
Aggregate amount receivable under long-term incentive schemes	515	1,297
Company contributions to money purchase pension scheme	162	154
	2,535	**3,346**

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

	2019 Number	2018 Number
Full-time equivalents		
Managerial/administration	4,442	4,335
Hourly paid staff	21,035	19,727
	25,477	**24,062**

	2019 Number	2018 Number
Total employees		
Managerial/administration	4,541	4,424
Hourly paid staff	37,358	33,960
	41,899	**38,384**

5. Employee benefits expenses (continued)

The shares awarded as part of the above 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 equally 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	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Shares awarded during the year (shares)	1,390,290	1,366,435
Average price of shares awarded (pence)	1,313	1,268
Market value of shares vested during the year (£000)	17,173	14,199
Total liability of the share based payments schemes (£000)	16,259	15,668

6. Finance income and costs

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Finance costs		
Interest payable on bank loans and overdrafts	21,089	18,899
Amortisation of bank loan issue costs (note 10)	925	1,540
Interest payable on swaps	12,705	7,544
Interest payable on obligations under finance leases	152	–
Interest payable on other loans	227	7
Total finance costs	**35,098**	**27,990**
Bank interest receivable	(41)	(48)
Total finance income	**(41)**	**(48)**

The finance costs in the income statement were covered 3.9 times (2018: 4.8 times) by earnings before interest, tax and exceptional items.

7. Income tax expense

(a) Tax on profit on ordinary activities

The standard rate of corporation tax in the UK is 19.00%. The company's profits for the accounting period are taxed at a rate of 19.00% (2018: 19.00%).

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Taken through income statement						
Current income tax:						
Current income tax charge	23,406	(273)	23,133	24,466	(325)	24,141
Previous period adjustment	(922)	–	(922)	(765)	–	(765)
Total current income tax	22,484	(273)	22,211	23,701	(325)	23,376
Deferred tax:						
Temporary differences	2,174	85	2,259	(70)	(953)	(1,023)
Previous period adjustment	(1,828)	–	(1,828)	(64)	–	(64)
Total deferred tax	346	85	431	(134)	(953)	(1,087)
Tax charge/(credit)	**22,830**	**(188)**	**22,642**	**23,567**	**(1,278)**	**22,289**

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Taken through equity						
Tax on share-based payments						
Current tax	(514)	–	(514)	(472)	–	(472)
Deferred tax	5	–	5	(55)	–	(55)
Tax credit	**(509)**	**–**	**(509)**	**(527)**	**–**	**(527)**

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	(4,243)	–	(4,243)	2,513	–	2,513
Tax (credit)/charge	**(4,243)**	**–**	**(4,243)**	**2,513**	**–**	**2,513**

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 52 weeks ended 28 July 2019 is based on the pre-exceptional profit before tax of £102.5m and the estimated effective tax rate before exceptional items for the 52 weeks ended 28 July 2019 of 22.3% (2018: 22.0%). This comprises a pre-exceptional current tax rate of 22.0% (2018: 22.1%) and a pre-exceptional deferred tax charge of 0.3% (2018: 0.1% credit).

The UK standard weighted average tax rate for the period is 19.00% (2018: 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.

	52 weeks ended 28 Jul 2019 Before exceptional items £000	52 weeks ended 28 Jul 2019 After exceptional items £000	52 weeks ended 29 Jul 2018 Before exceptional items £000	52 weeks ended 29 Jul 2018 After exceptional items £000
Profit before tax	**102,459**	**95,419**	**107,249**	**88,998**
Profit multiplied by the UK standard rate of corporation tax of 19.00% (2018: 19.00%)	19,467	18,130	20,377	16,910
Abortive acquisition costs and disposals	85	85	103	103
Other disallowables	384	567	117	2,315
Other allowable deductions	(111)	(111)	(106)	(106)
Capital gains – effects of reliefs	(380)	(295)	53	(471)
Non-qualifying depreciation	2,487	3,368	3,645	4,068
Deduction for shares and SIPs	(449)	(449)	(61)	31
Remeasurement of other balance sheet items	(71)	(71)	(272)	(272)
Unrecognised losses in overseas companies	557	557	540	540
Unrecognised losses capital losses	3,611	3,611	–	–
Previous year adjustment – current tax	(922)	(922)	(765)	(765)
Previous year adjustment – deferred tax	(1,828)	(1,828)	(64)	(64)
Total tax expense reported in the income statement	22,830	22,642	23,567	22,289

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Act 2017 included legislation to reduce the main rate of corporation tax to 17% for the financial year beginning 1 April 2020.

Deferred tax liabilities	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 29 July 2018	40,178	3,587	43,765
Previous year movement posted to the income statement	(1,557)	(82)	(1,639)
Movement during year posted to the income statement	(1,822)	750	(1,072)
At 28 July 2019	**36,799**	**4,255**	**41,054**

Deferred tax assets	Share based payments £000	Capital losses carried forward £000	Interest-rate swaps £000	Total £000
At 29 July 2018	1,443	3,342	4,099	8,884
Previous period movement posted to the income statement	–	189	–	189
Movement during year posted to the income statement	200	(3,531)	–	(3,331)
Movement during year posted to comprehensive income	–	–	4,243	4,243
Movement during year posted to equity	(5)	–	–	(5)
At 28 July 2019	**1,638**	**–**	**8,342**	**9,980**

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2019 £000	2018 £000
Deferred tax liabilities	41,054	43,765
Offset against deferred tax assets	(1,638)	(4,785)
Deferred tax liabilities	**39,416**	**38,980**
Deferred tax assets	9,980	8,884
Offset against deferred tax liabilities	(1,638)	(4,785)
Deferred tax asset	**8,342**	**4,099**

As at 28 July 2019 the company had a potential deferred tax asset of £3.6m relating to capital losses. A deferred tax asset was recognised in respect of the losses in 2018, however, the deferred tax asset has been derecognised 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 105,439,345 (2018: 105,605,135), 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	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Shares in issue (used for diluted EPS)	105,439,345	105,605,135
Shares held in trust	(2,313,464)	(2,402,603)
Shares in issue less shares held in trust (used for basic EPS)	103,125,881	103,202,532

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

52 weeks ended 28 July 2019	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	(5,599)	(5.4)	(5.3)
Underlying earnings before exceptional items	74,030	71.8	70.2

52 weeks ended 29 July 2018	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	66,709	64.6	63.2
Exclude effect of exceptional items after tax	16,973	16.5	16.0
Earnings before exceptional items	83,682	81.1	79.2
Exclude effect of property gains	(2,900)	(2.8)	(2.7)
Underlying earnings before exceptional items	80,782	78.3	76.5

The diluted earnings per share before exceptional items have decreased by 4.7% (2018: increased by 14.5%).

(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
52 weeks ended 28 July 2019	96,998	94.1	92.0
52 weeks ended 29 July 2018	93,357	90.5	88.4

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

(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 and property gains and losses less reinvestment in current properties and cash tax. Cash tax is defined as the current year's current tax charge.

52 weeks ended 28 July 2019	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

52 weeks ended 29 July 2018	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Profit before tax and exceptional items (income statement)	107,249	103.9	101.6
Exclude depreciation and amortisation (note 2)	79,305	76.8	75.1
Less cash reinvestment in current properties	(64,665)	(62.7)	(61.2)
Exclude property gains and losses (note 3)	(2,900)	(2.8)	(2.7)
Less cash tax (note 7)	(24,466)	(23.6)	(23.3)
Owners' earnings	94,523	91.6	89.5

The diluted owners' earnings per share increased by 6.0% (2018: increased by 19.8%). The increase is calculated using figures to two decimal places.

Analysis of additions by type	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Reinvestment in existing pubs	55,239	64,665
Investment in new pubs and pub extensions	35,172	35,863
Freehold reversions	77,207	9,555
	167,618	110,083

Analysis of additions by category	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Property, plant and equipment (note 13)	161,242	107,011
Intangible assets (note 12)	5,925	3,072
Other non-current assets (note 15)	451	–
	167,618	110,083

(e) Operating profit per share

	Operating profit £000	Basic operating profit per share pence	Diluted operating profit per share pence
52 weeks ended 28 July 2019	131,917	127.9	125.1
52 weeks ended 29 July 2018	132,291	128.2	125.3

9. Cash generated from operations

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Profit for the period	**72,777**	**66,709**
Adjusted for:		
Tax (note 7)	22,642	22,289
Share-based charges (note 2)	11,558	11,405
Gain/(loss) on disposal of property, plant and equipment (note 3)	(3,635)	3,211
Net impairment charge (note 3)	3,695	3,588
Interest receivable (note 6)	(41)	(48)
Amortisation of bank loan issue costs (note 6)	925	1,540
Interest payable (note 6)	34,173	26,450
Depreciation of property, plant and equipment (note 13)	73,779	70,918
Amortisation of intangible assets (note 12)	7,634	7,984
Depreciation on investment properties (note 14)	55	56
Amortisation of other non-current assets (note 15)	343	347
Net onerous lease provision	1,762	5,962
Aborted properties costs	430	541
	226,097	220,952
Change in inventories	(417)	(1,725)
Change in receivables	1,228	(1,225)
Change in payables	268	10,298
Cash flow from operating activities	**227,176**	**228,300**

10. Analysis of change in net debt

	29 July 2018 £000	Cash flows £000	Non-cash movement £000	28 July 2019 £000
Borrowings				
Cash in hand	63,091	(20,141)	–	42,950
Bank loans – due before one year	(8,804)	8,804	–	–
Finance lease creditor – due before one year	–	(3,287)	–	(3,287)
Other loans	(60)	60	–	–
Current net borrowings	54,227	(14,564)	–	39,663
Bank loans – due after one year	(780,420)	11,269	(925)	(770,076)
Finance lease creditor – due after one year	–	(6,607)	–	(6,607)
Non-current net borrowings	(780,420)	4,662	(925)	(776,683)
Net debt	(726,193)	(9,902)	(925)	(737,020)
Derivatives				
Interest-rate swaps asset – due after one year	14,976	–	(14,655)	321
Interest-rate swaps liability – due before one year	(160)	–	160	–
Interest-rate swaps liability – due after one year	(38,925)	–	(10,468)	(49,393)
Total derivatives	(24,109)	–	(24,963)	(49,072)
Net debt after derivatives	**(750,302)**	**(9,902)**	**(25,888)**	**(786,092)**

Non-cash movements
The non-cash movement in bank loans due after one year relates to the amortisation of bank loan issue costs.

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

10. Analysis of change in net debt (continued)

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Profit before tax (income statement)	102,459	107,249
Interest (note 6)	35,057	27,942
Depreciation (note 2)	81,811	79,305
Earnings before interest, tax and depreciation (EBITDA)	**219,327**	**214,496**
Net debt / EBITDA	3.36	3.39

11. Dividends paid and proposed

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2016/17: 8.0p (2015/16: 8.0p)	–	8,437
– interim for 2017/18: 4.0p (2016/17: 4.0p)	–	4,218
– final for 2017/18: 8.0p (2016/17: 8.0p)	8,435	–
– interim for 2018/19: 4.0p (2017/18: 4.0p)	4,217	–
	12,652	12,655
Proposed for approval by shareholders at the AGM:		
– final for 2018/19: 8.0p (2017/18: 8.0p)	8,397	8,428
Dividend cover (times)	**5.8**	**5.3**

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

12. Intangible assets

	£000
Cost:	
At 30 July 2017	65,674
Additions	3,072
Disposals	(3)
At 29 July 2018	68,743
Additions	5,925
Disposals	(22)
At 28 July 2019	**74,646**
Accumulated amortisation:	
At 30 July 2017	(35,983)
Provided during the period	(7,984)
Disposals	3
At 29 July 2018	(43,964)
Provided during the period	(7,634)
Disposals	22
At 28 July 2019	**(51,576)**
Net book amount at 28 July 2019	**23,070**
Net book amount at 29 July 2018	24,779
Net book amount at 30 July 2017	29,691

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'.

Included in the intangible assets is £4,429,000 of software in the course of development (2018: £1,799,000).

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 30 July 2017	1,066,936	361,609	561,801	67,834	2,058,180
Additions	28,048	6,834	56,650	15,479	107,011
Transfers	20,675	1,491	6,914	(29,080)	–
Exchange differences	(87)	(16)	(31)	(31)	(165)
Transfer to held for sale	(1,509)	–	(347)	–	(1,856)
Disposals	(9,302)	(7,644)	(7,187)	–	(24,133)
Reclassification	6,114	(6,114)	–	–	–
At 29 July 2018	1,110,875	356,160	617,800	54,202	2,139,037
Additions	75,547	2,429	38,214	45,052	161,242
Transfers from investment property	1,984	–	–	–	1,984
Transfers	23,689	1,492	5,316	(30,497)	–
Exchange differences	226	22	90	294	632
Transfer to held for sale	(5,076)	–	(810)	–	(5,886)
Disposals	(7,605)	(3,412)	(4,349)	–	(15,366)
Reclassification	29,532	(29,532)	–	–	–
At 28 July 2019	**1,229,172**	**327,159**	**656,261**	**69,051**	**2,281,643**
Accumulated depreciation and impairment:					
At 30 July 2017	(205,374)	(179,793)	(390,380)	–	(775,547)
Provided during the period	(16,428)	(12,966)	(41,524)	–	(70,918)
Exchange differences	(36)	(14)	(109)	–	(159)
Impairment loss (reversal)	(953)	(1,516)	(1,119)	–	(3,588)
Transfer to held for sale	129	–	272	–	401
Disposals	3,075	7,264	6,508	–	16,847
Reclassification	(2,450)	2,450	–	–	–
At 29 July 2018	(222,037)	(184,575)	(426,352)	–	(832,964)
Provided during the period	(18,271)	(11,733)	(43,775)	–	(73,779)
Transfers from investment property	(76)	–	–	–	(76)
Exchange differences	(45)	(18)	(117)	–	(180)
Impairment loss (reversal)	(1,326)	(1,404)	(820)	–	(3,550)
Transfer to held for sale	2,063	–	677	–	2,740
Disposals	3,648	3,497	3,992	–	11,137
Reclassification	(17,781)	17,781	–	–	–
At 28 July 2019	**(253,825)**	**(176,452)**	**(466,395)**	**–**	**(896,672)**
Net book amount at 28 July 2019	**975,347**	**150,707**	**189,866**	**69,051**	**1,384,971**
Net book amount at 29 July 2018	888,838	171,585	191,448	54,202	1,306,073
Net book amount at 30 July 2017	861,562	181,816	171,421	67,834	1,282,633

Impairment of property, plant and equipment
In assessing whether a pub has been impaired, the book value of the pub is compared with its anticipated future cash flows and fair value. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 7% (2018: 7%).

If the value, based on the higher of future anticipated cash flows and fair value, is lower than the book value, the difference is written off as property impairment.

As a result of this exercise, a net impairment loss of £3,550,000 (2018: £3,588,000) was charged to property losses in the income statement, as described in note 4. The assets impaired in the year had a recoverable value at year end of £3,724,000.

14. Investment property

The company owns one (2018: two) freehold property with an existing tenant – and this asset has been classified as an investment property. During the year, the company started developing one of its investment properties into a pub. The property has been transferred to property, plant and equipment.

	£000
Cost:	
At 30 July 2017	7,751
At 29 July 2018	7,751
Transfer to property, plant and equipment	(1,984)
At 28 July 2019	**5,767**
Accumulated depreciation:	
At 30 July 2017	(201)
Provided during the period	(56)
At 29 July 2018	(257)
Provided during the period	(55)
Transfer to property, plant and equipment	76
At 28 July 2019	**(236)**
Net book amount at 28 July 2019	**5,531**
Net book amount at 29 July 2018	7,494
Net book amount at 30 July 2017	7,550

Rental income received in the period from investment properties was £310,000 (2018: £314,000). Operating costs, excluding depreciation, incurred in relation to these properties amounted to £8,000 (2018: £23,000).

In the opinion of the directors, the fair value of the investment property is approximately £12,000,000.

15. Other non-current assets

	Lease premiums £000
Cost:	
At 30 July 2017	12,727
At 29 July 2018	12,727
Additions	451
Disposals	(75)
At 28 July 2019	**13,103**
Accumulated depreciation:	
At 30 July 2017	(4,455)
Provided during the period	(347)
At 29 July 2018	(4,802)
Provided during the period	(343)
Impairment loss (reversal)	(145)
Disposals	75
At 28 July 2019	**(5,215)**
Net book amount at 28 July 2019	**7,888**
Net book amount at 29 July 2018	7,925
Net book amount at 30 July 2017	8,272