11 September 2015

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 52 weeks ended 26 July 2015)

FINANCIAL HIGHLIGHTS

Before exceptional items

• Revenue £1,513.9m (2014: £1,409.3m)	+7.4%
• Like-for-like sales	+3.3%
• Profit before tax £77.8m (2014: £79.4m)	-2.0%
• Earnings per share (including shares held in trust) 47.0p (2014: 47.0p)	Maintained
• Free cash flow per share 89.8p (2014: 74.1p)	+21.2%
• Full year dividend 12.0p (2014: 12.0p)	Maintained

After exceptional items*

• Profit before tax £58.7m (2014: £78.4m)	-25.1%
• Earnings per share (including shares held in trust) 36.7p (2014: 32.8p)	+11.9%

* Exceptional items as disclosed in account note 5.

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

"I am pleased to report a year of progress for the company, with record sales and free cash flow.

"As we have previously stated, we believe that pubs are taxed excessively and that the government would create more jobs and receive higher levels of overall revenue, 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% – and this disparity enables supermarkets to subsidise their alcoholic drinks sales to the detriment of pubs and restaurants. Wetherspoon is happy to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we paid total taxes of £632.4m, an increase of £32.2m, compared with the previous year, which equates to approximately 41.8% of our sales. This equates to an average payment per pub of £673,000 per annum or £12,900 per week.

"Jacques Borel, who has campaigned successfully for lower VAT for bars and restaurants in many other countries, has also been campaigning in this country. A large number of companies have supported his campaign, including Heineken, Pizza Hut, Fuller's and St Austell, among others. It is disappointing to note that some of the biggest pub companies, including Enterprise Inns, Mitchells and Butlers, Greene King and Marston's have failed to support Jacques' campaign and have not campaigned themselves in any meaningful way for VAT equality between pubs and supermarkets. Pubs have lost 50% of their beer sales to supermarkets in the last 35 years (including many pubs owned by these companies), as VAT has climbed from 8% to 20 %. In this connection, in my opinion, the trade newspaper, the Publican Morning Advertiser, has entirely lost its legitimacy as a mouthpiece for individual licensees.

“The limitations of corporate governance systems should be recognised. Common sense, management skills and business savvy are more important to commercial success than board structures. All the major banks and many supermarket and pub companies have recently suffered colossal business and financial problems, in spite of, or perhaps because of, their adherence to governance guidelines.

“Wetherspoon increased the minimum hourly rate for staff by 5% in October 2014 and by a further 8% at the end of July 2015. Both decisions were taken without the knowledge that the government was about to announce a new minimum wage, now called a “the living wage”. In addition, as Wetherspoon shareholders are aware, we pay about 40% of our profits (£30.7m in the year under review) as a bonus or free shares, over 80% of which is paid to people who work in our pubs. By pushing up the cost of wages by a large factor, the government is inevitably putting financial pressure on pubs, many of which have already closed. This financial pressure will be felt most strongly in areas which are less affluent, since the price differential in those areas between pubs and supermarkets is far more important to customers.

“We continue to run the world’s biggest real-ale festival, twice per annum, and have added a cider festival in recent times, featuring a wide variety of suppliers from the UK, Europe and elsewhere in the world. Wetherspoon sells far more beers and ciders from craft and micro-brewers throughout the year than any other pub company.

“In the six weeks to 6 September 2015, like-for-like sales increased by 1.4%, with total sales increasing by 5.2%.

“As previously stated on 15 July 2015, a number of factors likely to influence our trading performance this financial year are difficult to quantify at this early stage. Positive aspects include an increase in pub numbers, a better economy and slightly lower interest rates; less favourable aspects include heightened competition from supermarkets and restaurant groups and increased staff, repairs, bar and food costs. We continue to anticipate a trading performance similar to, or slightly above, that achieved in the last financial year.”

Enquiries:

John Hutson	Chief Executive Officer	01923 477777
Ben Whitley	Finance Director	01923 477777
Eddie Gershon	Company spokesman	07956 392234

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

CHAIRMAN'S STATEMENT

Financial performance

I am pleased to report a year of progress for the company, with record sales and free cash flow. The company was founded in 1979 – and this is the 32nd 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 15.0% per annum and free cash flow per share by an average of 17.7%.

Summary accounts for the years ended July 1984 to 2015

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)	0.0		
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	109,777	89.8

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.

Like-for-like sales increased by 3.3% (2014: 5.5%), with total sales of £1,513.9m, an increase of 7.4% (2014: 10.0%). Like-for-like bar sales increased by 1.2% (2014: 2.7%), food sales by 7.3% (2014: 12.0%) and slot/fruit machine sales decreased by 2.8% (2014: decreased by 3.1%).

Operating profit before exceptional items decreased by 3.8% to £112.5m (2014: £117.0m). The operating margin, before exceptional items, decreased to 7.4% (2014: 8.3%), mainly as a result of a lower gross margin and increases in staff costs, utilities and depreciation.

Profit before tax and exceptional items decreased by 2.0% to £77.8m (2014: £79.4m). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 47.0p (2014: 47.0p).

Net interest was covered 3.3 times by operating profit before exceptional items (2014: 3.2 times). Total capital investment was £173.3m in the period (2014: £177.5m), with £106.3m invested in new pubs and extensions to existing pubs (2014: £97.7m). In addition, there was expenditure of £44.8m on existing pubs and IT infrastructure (2014: £56.2m) and £21.6m on freehold reversions, where Wetherspoon was already a tenant, and investment properties (2014: £23.6m).

Exceptional items totalled £12.6m (2014: £17.7m). An exceptional charge of £5.2m resulted from a change in our accounting policy regarding non-consumable inventories, including crockery, glassware and cutlery. These items were previously regarded as part of our year end stock-in-hand; we have now decided to expense these when received by the pubs. An impairment charge of £11.2m was realised in respect of underperforming pubs and a charge of £1.9m was incurred in relation to onerous leases. A charge of £0.8m resulted from a restructuring of our head office. The total cash effect of these exceptional items was £0.8m. These exceptional items led to an exceptional tax deduction of £1.6m.

We have reviewed the treatment of deferred tax on “rolled-over” capital gains and found that we had overestimated the tax liability. This has resulted in a deferred tax credit of £4.8m.

Free cash flow, after capital investment of £44.8m on existing pubs (2014: £56.2m), £6.8m in respect of share purchases for employees (2014: £7.3m) and payments of tax and interest, increased by £16.9m to £109.8m (2014: £92.9m). The working capital inflow was £27.3m in the year (2014: £29.6m). Free cash flow per share was 89.8p (2014: 74.1p).

Dividends and return of capital

The board proposes, subject to shareholders’ approval, to pay a final dividend of 8.0p per share (2014: 8.0p per share), on 26 November 2015, to those shareholders on the register on 23 October 2015, giving a total dividend for the year of 12.0p per share (2014: 12.0p per share). The dividend is covered 3.1 times (2014: 2.8 times). In view of high levels of capital expenditure in recent years and the potential for advantageous investments in the future, the board has decided to maintain the dividend at its current level for the time being.

During the year, 3,618,827 shares (representing 2.9% of the issued share capital) were purchased by the company for cancellation, at a total cost of £26.9m, including stamp duty, representing an average cost per share of 743p.

Financing

As at 26 July 2015, the company’s total net debt, including bank borrowings and finance leases, but excluding derivatives, was £601.1m (2014: £556.6m), an increase of £44.5m. Factors which have led to the increase in debt are investment in new pubs and extensions of £106.3m, investment in existing pubs of £44.8m, the acquisition of freehold reversions of £21.6m, share buybacks of £12.7m and dividend payments of £14.6m. Year-end net-debt-to-EBITDA was 3.37 times (2014: 3.21 times).

As at 26 July 2015, the company had £240.9m (2014: £138.1m) of unutilised banking facilities and cash balances, with total facilities of £840.0m (2014: £690.0m). The company’s existing interest-rate swap arrangements remain in place.

Corporation tax

The overall tax charge (including deferred tax) on pre-exceptional items is 26.1% (2014: 25.8%). The UK standard average tax rate for the period was 20.7% (2014: 22.3%). The difference between the rate of 26.1% and the standard average rate of UK corporation tax of 20.7% is 5.4% (2014: 3.5%) which is due primarily to the level of non-qualifying depreciation (depreciation does not qualify for tax relief).

The pre-exceptional current tax rate, which excludes deferred tax, has increased by 6.3% to 27.7% (2014: 21.4%), owing mainly to a reduced amount of expenditure which qualifies for capital allowances.

The "living wage"

Wetherspoon increased the minimum hourly rate for staff by 5% in October 2014 and by a further 8% at the end of July 2015. Both decisions were taken without the knowledge that the government was about to announce a new minimum wage, now called the “living wage”. In addition, as Wetherspoon shareholders are aware, we pay about 40% of our profits (£30.7m in the year under review) as a bonus or free shares, over 80% of which is paid to people who work in our pubs.

We believe there to be two main economic issues with regard to the new living/minimum wage. The first is that pub wages are about 30% of sales. Therefore a pint purchased in a pub at the national average price of about £3.50 will represent about 85 pence in respect of wages. In contrast, a pint bought in a supermarket, at an estimated price of £1, will only represent about 10 pence of supermarket wages, since their wage percentage and selling prices are both far lower those of pubs. By pushing up the cost of wages by a large factor, the government is inevitably putting financial pressure on pubs, many of which have already closed. This financial pressure will be felt most strongly in areas which are less affluent, since the price differential in those areas between pubs and supermarkets is far more important to customers. It is certain that high streets in less affluent areas, which already suffer from serious problems of empty shops and dereliction, will suffer further if pubs and other labour-intensive businesses close.

The second issue is that investment is bound to be affected if businesses feel that important issues, such as the minimum wage, are to be decided by one or two senior politicians on a whim, for political reasons, rather than being subject to careful consideration by organisations such as the Low Pay Commission.

Trade support for VAT equality

Jacques Borel, who has campaigned successfully for lower VAT for bars and restaurants in many other countries, has also been campaigning in this country. A large number of companies have supported his campaign, including Heineken, Pizza Hut, Fuller’s and St Austell, among others. It is disappointing to note that some of the biggest pub companies, including Enterprise Inns, Mitchells and Butlers, Greene King and Marston’s have failed to support Jacques' campaign and have not campaigned themselves in any meaningful way for VAT equality between pubs and supermarkets. Pubs have lost 50% of their beer sales to supermarkets in the last 35 years (including many pubs owned by these companies), as VAT has climbed from 8% to 20%.

Of equal or greater concern to many thousands of individual publicans in Britain is that the main trade newspaper, the Publican Morning Advertiser (the PMA) has itself failed to support the VAT campaign in recent years, even though authoritative market research, as well as common sense, overwhelmingly indicates that publicans regard VAT equality as critical. In my view, the PMA, one of Britain’s oldest newspapers, has entirely lost its legitimacy as a mouthpiece for individual licensees.

Contribution to the economy

As we have previously stated, we believe that pubs are taxed excessively and that the government would create more jobs and receive higher levels of overall revenue, 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% – and this disparity enables supermarkets to subsidise their alcoholic drinks sales to the detriment of pubs and restaurants.

Wetherspoon is happy to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we paid total taxes of £632.4m, an increase of £32.2m, compared with the previous year, which equates to approximately 41.8% of our sales.

This equates to an average payment per pub of £673,000 per annum or £12,900 per week.

	2015	2014
	£m	£m
VAT	294.4	275.1
Alcohol duty	161.4	157.0
PAYE and NIC	84.8	78.4
Business rates	48.7	44.9
Corporation tax	15.3	18.1
Corporation tax credit	(2.0)	–
Machine duty	11.2	11.3
Climate change levies	6.4	6.3
Carbon tax	3.7	2.7
Fuel duty	2.9	2.1
Landfill tax	2.2	1.5
Stamp duty	1.8	2.1
Premise licence	0.8	0.7
TV Licences	0.8	–
TOTAL TAX	632.4	600.2
TAX PER PUB (£000)	673	662
TAX AS % OF SALES	41.8%	42.6%
PRE-EXCEPTIONAL PROFIT AFTER TAX	57.5	58.9
PROFIT AFTER TAX AS % OF SALES	3.8%	4.2%

Corporate governance

In last year's statement, the view was advanced that many aspects of current corporate governance advice, as laid out in the Combined Code, were "deeply flawed". The statement pointed out that "compliant pub companies had often fared disastrously in comparison with non-compliant ones. In particular, pub companies in which the CEO became chairman and which had a majority of executives……usually with previous experience of the pub trade, avoided making catastrophic errors to which compliant companies seem prone". It was also pointed out that setting targets for bonuses had also often backfired, encouraging companies to take reckless decisions in order to enhance earnings.

Last year's statement was particularly critical of the Code itself, which placed a huge emphasis on meetings between directors and shareholders and placed 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.

It was pointed out that the average institutional shareholder turns over his portfolio twice annually, so it would be absurd for directors to take account of the views of "Mr Market" (in the words of Benjamin Graham), certainly in regard to short-term shareholders.

Having presented our views in previous annual reports and press articles, without receiving any dissent from any shareholders or their representatives, I believe the following propositions represent the views of sensible shareholders:

- Modern annual reports are far too long and are often almost unreadable. They are full of semi-literate business jargon, including accounting jargon, and are cluttered with badly written and incomprehensible governance reports.

- The limitations of corporate governance systems should be recognised. Common sense, management skills and business savvy are more important to commercial success than board structures. All the major banks and many supermarket and pub companies have recently suffered colossal business and financial problems, in spite of, or perhaps because of, their adherence to governance guidelines.
- There should be an approximately equal balance between executives and non-executives. A majority of executives is not necessarily harmful, provided 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 chairmen in the 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 9 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 work and there is considerable evidence that attempting to reach ambitious financial targets is harmful.
- 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 5, 10 or 20 years in the future.

Board of directors

Further to the 18 December 2014 statement that Ben Whitley had been appointed interim finance director, the board is pleased to announce today that Ben is being appointed to the board with effect from the forthcoming AGM.

Further progress

As in previous years, the company has tried to improve as many areas of the business as possible. For example, our food hygiene ratings are at record levels. We have 858 pubs rated on the Food Standards Agency's website. The average score is 4.93, with 94.1% of the pubs achieving a top rating of five stars and 5.1% 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 68 pubs have passed.

In the 2016 Good Beer Guide, a CAMRA publication, 296 of our pubs have been recommended, more than any other pub company. In addition, over 937 of our pubs are Cask Marque approved – Cask Marque is a pub-industry scheme, run in conjunction with several brewers, which checks and approves the quality of real ale in pubs. We continue to source our traditional ales from a large number of microbreweries of varying sizes and believe that we are the biggest purchaser of microbrewery beer in the UK.

We continue to run the world's biggest real-ale festival, twice per annum, and have added a cider festival in recent times, featuring a wide variety of suppliers from the UK, Europe and elsewhere in the world. Wetherspoon sells far more beers and ciders from craft and micro-brewers throughout the year than any other pub company.

We paid £30.7m in respect of bonuses and free shares to employees in the year, slightly more than the previous year, of which 97.0% was paid to staff below board level and 81.5% was paid to staff working in our pubs.

In the field of charity, thanks to the work of our dedicated pub and head-office teams, we continue to raise record amounts of money for CLIC Sargent, which supports young cancer patients and their families. In the last year, we raised approximately £1.7m, bringing the total raised to over £11.0m – more than any other corporate partner has raised for this charity.

Property

The company opened 30 pubs during the year, with 6 pubs sold or closed, resulting in a total estate of 951 pubs at the financial year end. The average development cost for a new pub (excluding the cost of freeholds) was £2.1m, compared with £1.6m a year ago; four of the pubs included hotel accommodation and the average size was around 20% bigger than the previous year, factors that contributed to increases in costs. The full-year depreciation charge was £66.7m (2014: £58.1m). We currently intend to open about 15 to 20 pubs in the year ending July 2016.

Property litigation

We have previously referred to important property litigation between Wetherspoon and a number of individuals and companies. As a result of the importance of this litigation and the large sums of money involved, we intend to reproduce this information for the benefit of shareholders and the public for the foreseeable future:

As reported at the interim results in March 2013, Wetherspoon agreed on an out-of-court settlement with developer Anthony Lyons, formerly of property leisure agent Davis Coffer Lyons, and has 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.

Further shareholder information about these cases is available in a short article which I wrote for the trade publication Propel, which is disclosed later in my chairman's statement.

Current trading and outlook

The biggest danger to the pub industry, as Wetherspoon has previously pointed out is the VAT disparity between supermarkets and pubs.
In the six weeks to 6 September 2015, like-for-like sales increased by 1.4%, with total sales increasing by 5.2%.

As previously stated on 15 July 2015, a number of factors likely to influence our trading performance this financial year are difficult to quantify at this early stage. Positive aspects include an increase in pub numbers, a better economy and slightly lower interest rates; less favourable aspects include heightened competition from supermarkets and restaurant groups and increased staff, repairs, bar and food costs. We continue to anticipate a trading performance similar to, or slightly above, that achieved in the last financial year.

Newspaper article

The newspaper article below first appeared in the pub trade publication Propel and relates to the section on property litigation referred to above:

"Wed 22nd May 2013 – Propel Opinion Extra

Lessons in the property market by Tim Martin

JD Wetherspoon has always been a buyer of freeholds. Our second, third and fourth pubs were freehold and, by the time of our 1992 flotation, 20 of our 44 pubs were freehold.

I negotiated our first 20 or so pubs myself, dealing directly with the owners' agents, before employing Christian Braun, of Van de Berg & Co, in about 1990. Little did I realise that Braun was a double agent or "mole", who was to burrow deep into our organisation, undermining the very property foundations that underpin any retailer.

Following a tip-off in 2005, we terminated VDB's contract and undertook a review of all our 600 or so property transactions, using a team of up to a dozen legal and paralegal staff. We discovered about 50 "back-to-back" transactions in which freeholds, which were available to buy, had been diverted by VDB to third parties, who had acquired them at the same time as JDW had taken a lease – the rent being set at a level which created an immediate uplift in the value of the reversion.

Proceedings were issued against VDB and its directors, Braun, George Aldridge and Richard Harvey, in respect of about a dozen of these transactions. In a 136-page judgment, Mr Justice Peter Smith found that VDB had fraudulently diverted properties to number of third parties, but he made no findings against the third parties themselves.

Following Mr Justice Smith's judgment, JDW issued proceedings against several third parties: Paul Ferrari of Braun's former employer Ferrari Dewe & Co; Anthony Lyons, formerly of Davis Coffer Lyons and Jason Harris, formerly of First London.

Liability was denied by all. The cases were contested and were settled out of court. JDW received substantial payments in all three cases.

A number of the pleaded properties in the VDB case, referred to by the judge as the "Ferrari Five", involved Jersey companies with nominee owners that were connected to Ferrari. Each of the Jersey companies had a different name – and care was taken to use different lawyers and nominees.

Profits from the purchasing companies were usually channelled to a Jersey holding company called Gecko and money was then transferred as loans or fees to companies controlled by VDB directors.
In my opinion, the Lyons case is the most interesting for the property market and for prospective tenants and purchasers. Lyons stated in his defence that he was acting in his capacity as an employee and in accordance with his duties to Davis and Coffer (now Davis Coffer Lyons).

The Lyons case concerned properties in Portsmouth, Leytonstone and Newbury, two of which became JDW pubs, with the third becoming a Café Rouge. The Portsmouth property belonged to British Gas – and Justice Smith found that VDB bid for the freehold, unbeknown to JDW, and, once the bid was accepted, agreed with Lyons for JDW to take a lease and for the freehold to be acquired by Moorstown Properties, owned by a friend, and subsequently a colleague, of Lyons – Simon Conway. No findings were made against Lyons, or indeed Conway, in the VDB case, and neither person was a party to the case.

Portsmouth was subsequently sold by Moorstown to Scottish American Investment Company, a few months later, with the benefit of a lease to JDW for a substantial profit. Illustrating the Byzantine complexity of the transactions, Lyons' defence stated that shares in Moorstown were "transferred", before the sale was completed, to Northcreek which, Companies House shows, was owned by Roger Myers, then chairman of Café Rouge owner Pelican, and his family.

The Newbury property was acquired by Riverside Stores, a company connected to Conway, and was leased at around the same time to Café Rouge. Newbury was sold shortly after completion for a substantial profit.

JDW did not allege, and is not alleging, that the Portsmouth and Newbury transactions are connected and is not alleging that Davis Coffer Lyons, Myers or Conway are dishonest, but it is a matter of public importance, as well as of importance to JDW and its shareholders, for there to be an explanation as to the circumstances in which Moorstown, a company which clearly benefited from the Portsmouth fraud by VDB, ended up belonging to the family of Myers.

A key legal and ethical question for the property market that emerges from these cases concerns the obligations of estate agents and investors, in circumstances in which a freehold property is first offered to a friend or colleague of an agent, who agrees to acquire it, and the property is then offered by the agent to a company like Wetherspoon on a "back-to-back" basis. What are the obligations of the introducing agent? In broad terms, the third parties in the Wetherspoon litigation argued that they owed no duties or obligations to Wetherspoon and were not, therefore, liable to us. The great risk that all agents and investors run, in these circumstances, is if the retained agent, VDB in this instance, is itself be dishonest. If so, this may open up the possibility of a claim by an aggrieved 'end user', such as Wetherspoon, that the introducing agent participated in the dishonesty of the retained agent.

JDW has lost many tens of millions of pounds as a result of the VDB frauds. Rent reviews and "yield compression" have exacerbated the damage over the years.

Our experience teaches a number of lessons. First, buyers and tenants should ask their agents to confirm in writing that they have no direct or indirect interest in any property they are acquiring and should ask their lawyers to take particular interest if a freehold is changing hands at the same time as they are acquiring a lease, or indeed the freehold.
Professionals and investors should also get confirmation in writing from the "end user" in back-to-back deals that they have consented to the transaction. Take the retained agent's word for it at your peril.

***Tim Martin is founder and chairman of JD Wetherspoon*"**

Tim Martin
Chairman
10 September 2015

INCOME STATEMENT for the 52 weeks ended 26 July 2015
J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 July 2015 Before exceptional items Total £000	52 weeks ended 26 July 2015 Exceptional items (note 4) Total £000	52 weeks ended 26 July 2015 After exceptional items Total £000	52 weeks ended 27 July 2014 Before exceptional items Total £000	52 weeks ended 27 July 2014 Exceptional items (note 4) Total £000	52 weeks ended 27 July 2014 After exceptional items Total £000
Revenue	**2**	**1,513,923**	–	**1,513,923**	1,409,333	–	1,409,333
Operating costs		**(1,401,415)**	**(6,013)**	**(1,407,428)**	(1,292,329)	–	(1,292,329)
Operating profit[1]	**3**	**112,508**	**(6,013)**	**106,495**	117,004	–	117,004
Property gains/(losses)	**4**	**(694)**	**(13,053)**	**(13,747)**	(1,429)	–	(1,429)
Finance income	**7**	**180**	–	**180**	67	–	67
Finance costs	**7**	**(34,196)**	–	**(34,196)**	(36,280)	(997)	(37,277)
Profit/(loss) before taxation		**77,798**	**(19,066)**	**58,732**	79,362	(997)	78,365
Income tax expense	**8**	**(20,343)**	**6,435**	**(13,908)**	(20,499)	(16,744)	(37,243)
Profit/(loss) for the year		**57,455**	**(12,631)**	**44,824**	58,863	(17,741)	41,122
Earnings per ordinary share (p):							
– Basic[2]	**9**	**48.6**	**(10.7)**	**37.9**	48.6	(14.7)	33.9
– Diluted[3]	**9**	**47.0**	**(10.3)**	**36.7**	47.0	(14.2)	32.8
Operating profit per share (p):							
– Diluted[3]	**9**	**92.0**	**(4.9)**	**87.1**	93.4	–	93.4

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 26 July 2015

	Notes	**52 weeks ended 26 July 2015 £000**	52 weeks ended 27 July 2014 £000
Items which may subsequently be reclassified to profit or loss			
Interest-rate swaps: gain/(loss) taken to other comprehensive income		**(9,807)**	13,879
Tax on items taken directly to other comprehensive income	**8**	**1,961**	(2,776)
Currency translation differences		**(2,189)**	7
Net (loss)/gain recognised directly in other comprehensive income		**(10,035)**	11,110
Profit for the year		**44,824**	41,122
Total comprehensive income for the year		**34,789**	52,232

[1] The prior year's operating profit of £115,575,000 has been restated to £117,004,000 to exclude property gains and losses to be in line with the company's new definition of the operating profit. The definition of operating profit has been amended to more clearly show the company's underlying performance.
[2] Calculated excluding shares held in trust.
[3] Calculated using issued share capital which includes shares held in trust.

CASH FLOW STATEMENT for the 52 weeks ended 26 July 2015
J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 July 2015 £000	Free cash flow[4] 52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000	Free cash flow[1] 52 weeks ended 27 July 2014 £000
Cash flows from operating activities					
Cash generated from operations	**10**	**210,181**	**210,181**	212,505	212,505
Interest received		**180**	**180**	78	78
Interest paid		**(31,931)**	**(31,931)**	(33,996)	(33,996)
Corporation tax paid		**(13,293)**	**(13,293)**	(18,070)	(18,070)
Gaming machine settlement		**-**		(16,696)	
Net cash inflow from operating activities		**165,137**	**165,137**	143,821	160,517
Cash flows from investing activities					
Purchase of property, plant and equipment		**(37,577)**	**(37,577)**	(46,300)	(46,300)
Purchase of intangible assets		**(7,176)**	**(7,176)**	(9,926)	(9,926)
Proceeds on sale of property, plant and equipment		**723**		505	
Investment in new pubs and pub extensions		**(106,339)**		(97,694)	
Freehold reversions		**(21,612)**		(14,823)	
Investment properties		**-**		(8,754)	
Lease premiums paid		**(635)**		(10)	
Net cash outflow from investing activities		**(172,616)**	**(44,753)**	(177,002)	(56,226)
Cash flows from financing activities					
Equity dividends paid	**12**	**(14,591)**		(14,949)	
Purchase of own shares for cancellation		**(12,714)**		(24,550)	
Purchase of own shares for share-based payments		**(6,831)**	**(6,831)**	(7,338)	(7,338)
Advances under bank loans	**11**	**47,898**		92,151	
Loan issue costs	**11**	**(3,775)**	**(3,775)**	(4,103)	(4,103)
Finance lease principal payments	**11**	**(2,648)**		(5,552)	
Net cash inflow/(outflow) from financing activities		**7,339**	**(10,606)**	35,659	(11,441)
Net (decrease)/ increase in cash and cash equivalents	**11**	**(140)**		2,478	
Opening cash and cash equivalents		**32,315**		29,837	
Closing cash and cash equivalents		**32,175**		32,315	
Free cash flow	**9**		**109,778**		92,850
Free cash flow per ordinary share	**9**		**89.8p**		74.1p

[4] Free cash flow is a measure not required by accounting standards.

BALANCE SHEET for the 52 weeks ended 26 July 2015
J D Wetherspoon plc, company number: 1709784

	Notes	26 July 2015 £000	27 July 2014 £000
Assets			
Non-current assets			
Property, plant and equipment	**13**	**1,153,756**	1,068,067
Intangible assets	**14**	**29,997**	26,838
Investment properties	**15**	**8,651**	8,713
Other non-current assets	**16**	**10,028**	9,766
Deferred tax assets	**8**	**7,994**	6,033
Derivative financial instruments		**-**	1,723
Total non-current assets		**1,210,426**	1,121,140
Assets held for sale		**1,220**	–
Current assets			
Inventories		**19,451**	22,312
Receivables		**26,838**	23,901
Cash and cash equivalents		**32,175**	32,315
Total current assets		**78,464**	78,528
Total assets		**1,290,110**	1,199,668
Liabilities			
Current liabilities			
Borrowings		**(2,051)**	(2,636)
Derivative financial instruments		**-**	(3,149)
Trade and other payables		**(283,227)**	(243,160)
Current income tax liabilities		**(10,053)**	(3,872)
Provisions		**(5,231)**	(4,442)
Total current liabilities		**(300,562)**	(257,259)
Non-current liabilities			
Borrowings		**(631,232)**	(586,230)
Derivative financial instruments		**(39,973)**	(28,740)
Deferred tax liabilities	**8**	**(77,771)**	(83,686)
Provisions		**(4,012)**	(3,055)
Other liabilities		**(13,667)**	(13,530)
Total non-current liabilities		**(766,655)**	(715,241)
Net assets		**222,893**	227,168
Shareholders' equity			
Share capital		**2,387**	2,460
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,044**	1,971
Hedging reserve		**(31,979)**	(24,133)
Retained earnings		**107,147**	103,576
Total shareholders' equity		**222,893**	227,168

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation differences £000	Retained earnings £000	Total equity £000
At 28 July 2013		2,521	143,294	1,910	(35,236)	–	102,426	214,915
Total comprehensive income					11,103	7	41,122	52,232
Profit for the year							41,122	41,122
Interest-rate swaps: gain taken to equity					13,879			13,879
Tax on items taken directly to equity	8				(2,776)			(2,776)
Currency translation reserve						7		7
Repurchase of shares		(61)		61			(24,428)	(24,428)
Tax on repurchase of shares							(122)	(122)
Share-based payments							7,521	7,521
Tax on share-based payments							(663)	(663)
Purchase of shares held in trust							(7,304)	(7,304)
Tax on purchase of shares held in trust							(34)	(34)
Dividends	12						(14,949)	(14,949)
At 27 July 2014		2,460	143,294	1,971	(24,133)	7	103,569	227,168
Total comprehensive income					(7,846)	(2,189)	44,824	34,789
Profit for the year							44,824	44,824
Interest-rate swaps: loss taken to equity					(9,807)			(9,807)
Tax on items taken directly to equity	8				1,961			1,961
Currency translation reserve						(2,189)		(2,189)
Repurchase of shares		(73)		73			(26,766)	(26,766)
Tax on repurchase of shares							(134)	(134)
Share-based payments							8,907	8,907
Tax on share-based payments							351	351
Purchase of shares held in trust							(6,799)	(6,799)
Tax on purchase of shares held in trust							(32)	(32)
Dividends	12						(14,591)	(14,591)
At 26 July 2015		**2,387**	**143,294**	**2,044**	**(31,979)**	**(2,182)**	**109,329**	**222,893**

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 purchase of a number of shares in the period.

Shares acquired in relation to the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 26 July 2015, the number of shares held in trust was 4,063,604 (2014: 4,174,284), with a nominal value of £81,272 (2014: £83,486) and a market value of £28,993,815 (2014: 30,597,502) and are included in retained earnings.

Hedging gain/loss arises from the movement of fair value in the company's financial derivative instruments.

As at 26 July 2015, the company had distributable reserves of £75.2m (2014: £79.4m).

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies and basis of preparation

The preliminary announcement for the 52-week period ended 26 July 2015 has been prepared in accordance with the accounting policies as disclosed in J D Wetherspoon plc's annual report and accounts for 2014.

The annual financial information presented in this preliminary announcement for the 52-week period ended 26 July 2015 is based on, and is consistent with, that in the company's audited financial statements for the 52-week period ended 26 July 2015, and those financial statements will be delivered to the Registrar of Companies, following the company's annual general meeting. The independent auditors' report on those financial statements is unqualified and does not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Information in this preliminary announcement does not constitute statutory accounts of the company within the meaning of section 434 of the Companies Act 2006. The full financial statements for the company for the 52-week period ended 27 July 2014 have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements was unqualified and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

2 Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Sales of food, beverages, hotel rooms and machine income	**1,513,923**	1,409,333

3 Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Concession rental payments	**19,300**	17,166
Minimum operating lease payments	**52,658**	52,538
Repairs and maintenance	**53,354**	56,603
Net rent receivable	**(1,334)**	(845)
Depreciation of property, plant and equipment (note 13)	**61,458**	54,459
Amortisation of intangible assets (note 14)	**4,775**	3,254
Amortisation of other non-current assets (note 16)	**373**	321
Depreciation of investment properties (note 15)	**62**	41
Share-based payments (note 6)	**8,907**	7,521
Auditors' remuneration		
Fees payable for the audit of the financial statements	**177**	161
Fees payable for other services:		
– assurance services	**30**	30
– non-audit services	**13**	–
Total auditors' fees	**220**	191

Analysis of continuing operations	**52 weeks ended 26 July 2015 £000**	52 weeks ended 27 July 2014 £000
Revenue	**1,513,923**	1,409,333
Cost of sales	**(1,347,361)**	(1,241,584)
Gross profit	**166,562**	167,749
Administration costs	**(54,054)**	(50,745)
Operating profit before exceptional items	**112,508**	117,004
Exceptional items (note 5)	**(6,013)**	–
Operating profit after exceptional items	**106,495**	117,004

Included within cost of sales is £578.0m (2014: £531.2m) related to cost of inventory recognised as expense.

4 Property gains and losses

	52 weeks ended 26 July 2015 Before exceptional items £000	**52 weeks ended 26 July 2015 Exceptional items (note 4) £000**	**52 weeks ended 26 July 2015 After exceptional items £000**	52 weeks ended 27 July 2014 Before exceptional items £000	52 weeks ended 27 July 2014 Exceptional items (note 4) £000	52 weeks ended 27 July 2014 After exceptional items £000
Loss on disposal of fixed assets	**694**	**-**	**694**	645	-	645
Impairment of property, plant and equipment (note 13)	**-**	**10,705**	**10,705**	1,192	-	1,192
Impairment of other assets (note 16)	**-**	**490**	**490**	(180)	-	(180)
Onerous lease provision / (reversals)	**-**	**1,858**	**1,858**	(228)	-	(228)
Total property (gains) / losses	**694**	**13,053**	**13,747**	1,429	-	1,429

Impairment charges and onerous lease provisions were considered exceptional in the current year and not in the prior year, owing to the magnitude of the current year charge. Please refer to note 4 for further details on exceptional items.

5 Exceptional items

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Operating exceptional items		
Inventory valuation	**5,231**	–
Restructuring costs	**782**	–
	6,013	–
Exceptional property losses		
Onerous lease provision	**1,858**	–
Property impairment	**11,195**	–
	13,053	–
Other exceptional items		
Interest payable on gaming machine VAT repayment	**–**	997
Income tax expense – current tax	**–**	(4,375)
Exceptional tax items – deferred tax	**(4,809)**	21,119
Tax effect on operating exceptional items	**(1,626)**	–
	(6,435)	17,741
Total exceptional items	**12,631**	17,741

During the year, the company changed the method used for calculating the consumption of non-consumable inventories. Non-consumable inventory comprises items like glassware, plates, cutlery and cleaning products used in the pubs and hotels. The company has taken a more prudent view on recognition of non-consumable inventories as expenses. The change in the accounting policy for the expected life of those inventories resulted in an exceptional charge of £5,231,000 (2014: £Nil). The effect of this change was not presented as a prior-year adjustment, as management did not believe that previously reported results were materially affected and the treatment adopted provides full information.

In the table above, 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.

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, but also the amount estimated as payable on surrender of the lease, where this is a possible outcome. In the year, £1,858,000 (2014: £Nil) was charged in respect of onerous leases.

In the year, an exceptional charge of £11,195,000 (2014: £Nil) was incurred in respect of the impairment of property, plant and equipment, as required under IAS 36. This comprises an impairment charge of £12,383,000 (2014: £Nil), offset by impairment reversals of £1,188,000 (2014: £Nil).

A reduction in the deferred tax liability on rolled-over gains for differences between the tax-deductible cost and the residual value of the reinvestment assets has resulted in a credit of £4,809,000. Owing to the magnitude of the reduction and the fact that it relates to prior periods it was considered exceptional.

6 Employee benefits expenses

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Wages and salaries	**406,821**	368,335
Social Security costs	**25,291**	24,008
Other pension costs	**3,500**	3,213
Share-based payments	**8,907**	7,521
	444,519	403,077

Directors' emoluments	**2015 £000**	2014 £000
Aggregate emoluments	**1,438**	1,623
Aggregate amount receivable under long-term incentive schemes	**971**	346
Company contributions to money purchase pension scheme	**97**	113
	2,506	2,082

For further information of directors' emoluments, please see the directors' remuneration report on pages 52 to 60.

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).

	2015 Number	2014 Number
Full-time equivalents		
Managerial/administration	**4,233**	4,419
Hourly paid staff	**17,885**	16,911
	22,118	21,330

	2015 Number	2014 Number
Total employees		
Managerial/administration	**4,690**	4,419
Hourly paid staff	**30,041**	28,216
	34,731	32,635

For details of the Share Incentive Plan and the 2005 Deferred Bonus Scheme, refer to the remuneration report on pages 52 to 60.

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.

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.

7 Finance income and costs

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Finance costs		
Interest payable on bank loans and overdrafts	**17,202**	14,290
Amortisation of bank loan issue costs	**2,942**	2,320
Interest payable on swaps	**13,812**	19,300
Interest payable on obligations under finance leases	**240**	370
Total pre-exceptional finance costs	**34,196**	36,280
Bank interest receivable	**(180)**	(67)
Total pre-exceptional finance income	**(180)**	(67)
Exceptional interest charge (note 5)	**-**	997
Net finance costs	**34,016**	37,210

The net finance costs during the year decreased from £37.2m to £34.0m. The finance costs in the income statement were covered 3.3 times (2014: 3.2 times), on a pre-exceptional basis.

8 Income tax expense

(a) Tax on profit on ordinary activities

The standard rate of corporation tax in the UK changed from 21.0% to 20.0%, with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.7% (2014: 22.3%).

	52 weeks ended 26 July 2015 Before exceptional items £000	**52 weeks ended 26 July 2015 Exceptional items (note 4) £000**	**52 weeks ended 26 July 2015 After exceptional items £000**	52 weeks ended 27 July 2014 Before exceptional items £000	52 weeks ended 27 July 2014 Exceptional items (note 4) £000	52 weeks ended 27 July 2014 After exceptional items £000
Current income tax:						
Current income tax charge	**19,885**	**(1,626)**	**18,259**	17,004	(4,375)	12,629
Adjustment in respect of prior period	**1,659**	**-**	**1,659**	-	-	-
Total current income tax	**21,544**	**(1,626)**	**19,918**	17,004	(4,375)	12,629
Deferred tax:						
Origination and reversal of temporary differences	**113**	**-**	**113**	3,495	21,119	24,614
Adjustment in respect of prior period	**(1,314)**	**(4,809)**	**(6,123)**	-	-	-
Impact of change in UK tax rate	**-**	**-**	**-**	-	-	-
Total deferred tax	**(1,201)**	**(4,809)**	**(6,010)**	3,495	21,119	24,614
Tax charge in the income statement	**20,343**	**(6,435)**	**13,908**	20,499	16,744	37,243
Tax relating to items charged or credited through equity						
Tax on share based payment						
Current tax	(446)	-	(446)	-	-	-
Deferred tax	95	-	95	663	-	663
	(351)	-	(351)	663	-	663
Current tax charge on interest-rate swaps	(1,961)	-	(1,961)	2,776	-	2,776
Tax charge taken through equity	**(2,312)**	**-**	**(2,312)**	**3,439**	**-**	**3,439**

(b) Reconciliation of the total tax charge

The tax expense after exceptional items in the income statement for the year is higher (2014: lower) than the standard rate of corporation tax in the UK of 20.7% (2014: 22.3%), owing largely to less expenditure qualifying for capital allowances. The differences are reconciled below:

	52 weeks ended 26 July 2015 Before exceptional items £000	**52 weeks ended 26 July 2015 After exceptional items £000**	52 weeks ended 28 July 2014 Before exceptional items £000	52 weeks ended 28 July 2014 After exceptional items £000
Profit before income tax	**77,798**	**58,732**	79,362	78,365
Profit multiplied by the UK standard rate of corporation tax of 20.7% (2014: 22.3%)	**16,078**	**12,138**	17,722	17,499
Abortive acquisition costs and disposals	**163**	**163**	78	78
Other disallowables	**155**	**2,469**	186	409
Other allowable deductions	**(33)**	**(33)**	(334)	(334)
Non-qualifying depreciation	**3,577**	**3,577**	3,654	3,654
Deduction for shares and SIPs	**29**	**29**	(69)	(69)
Re-measurement of other balance sheet items	**(342)**	**(342)**	(331)	(331)
Effect of different tax rates and unrecognised losses in overseas companies	**302**	**302**	-	-
Adjust opening and closing deferred tax to average of 20.67%	**69**	**69**	-	-
Prior period adjustment – current tax	**1,659**	**1,659**	-	(4,375)
Prior period adjustment – deferred tax	**(1,314)**	**(6,123)**	-	21,119
Adjustment to deferred tax in respect of change in tax rate	**-**	**-**	(407)	(407)
Total tax expense reported in the income statement	**20,343**	**13,908**	20,499	37,243

(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 27 July 2014	**79,306**	**6,766**	**86,072**
Prior year movement posted to the income statement	(1,515)	(4,813)	(6,328)
Movement during year posted to the income statement	304	(25)	279
At 26 July 2015	**78,095**	**1,928**	**80,023**

Deferred tax assets	**Share- based payments £000**	**Capital losses carried forward £000**	**Interest-rate swaps £000**	**Total £000**
At 27 July 2014	**928**	**1,458**	**6,033**	**8,419**
Movement during year posted to the income statement	166	-	-	166
Prior year movement posted to the income statement	-	(205)	-	(205)
Taken through equity	(95)	-	1,961	1,866
At 26 July 2015	**999**	**1,253**	**7,994**	**10,246**

The Finance Bill 2015 included legislation to reduce the main rate of corporation tax to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019, and at 18% for the financial year beginning 1 April 2020. These changes had not been substantively enacted at the balance sheet date and consequently are not included in these financial statements. The effect of these proposed reductions would be to reduce the net deferred tax liability to £65.8m at 19% and £62.4m at 18%.

Deferred tax assets and liabilities have been offset as follows:

	2015 **£000**	2014 £000
Deferred tax liabilities	80,023	86,072
Offset against deferred tax assets	(2,252)	(2,386)
Deferred tax liability	**77,771**	**83,686**
Deferred tax assets	10,246	8,419
Offset against deferred tax liabilities	(2,252)	(2,386)
Deferred tax asset	**7,994**	**6,033**

9 Earnings and cash flow per share

Earnings per share are based on the weighted average number of shares in issue of 122,269,948 (2014: 125,312,581), 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 26 July 2015**	52 weeks ended 27 July 2014
Shares in issue (used for diluted EPS)	122,269,948	125,312,581
Shares held in trust	(4,063,604)	(4,174,284)
Shares in issue less shares held in trust (used for basic EPS)	118,206,344	121,138,297

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

52 weeks ended 26 July 2015	**Profit £000**	**Basic EPS pence per ordinary share**	**Diluted EPS pence per ordinary share**
Earnings (profit after tax)	**44,824**	**37.9**	**36.7**
Exclude effect of exceptional items after tax	**12,631**	**10.7**	**10.3**
Adjusted earnings before exceptional items	**57,455**	**48.6**	**47.0**

52 weeks ended 27 July 2014	**Profit £000**	**Basic EPS pence per ordinary share**	**Diluted EPS pence per ordinary share**
Earnings (profit after tax)	41,122	33.9	32.8
Exclude effect of exceptional items after tax	17,741	14.7	14.2
Adjusted earnings before exceptional items	58,863	48.6	47.0

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 per share	**52 weeks ended 26 July 2015**	52 weeks ended 27 July 2014
Free cash flow (£000)	109,777	92,850
Free cash flow per share (p)	89.8	74.1

10 Cash generated from operations

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Profit for the year	44,824	41,122
Adjusted for:		
Tax	13,908	37,243
Net impairment charge	11,195	1,012
Net onerous lease provision	1,858	(228)
Loss on disposal of property, plant and equipment	694	645
Depreciation of property, plant and equipment	61,458	54,459
Amortisation of intangible assets	4,775	3,254
Amortisation of other non-current assets	373	321
Depreciation on investment properties	62	41
Aborted properties costs	787	339
Share-based charges	8,907	7,521
Interest receivable	(180)	(67)
Amortisation of bank loan issue costs	2,942	2,320
Interest payable	31,254	33,960
Exceptional interest	-	997
	182,857	182,939
Change in inventories	2,861	(2,455)
Change in receivables	(2,937)	39
Change in payables	27,400	31,982
Cash flow from operating activities	**210,181**	**212,505**

11 Analysis of changes in net debt

	At 27 July 2014 £000	Cash flows £000	Non-cash movement £000	At 26 July 2015 £000
Cash in hand	32,315	(140)	-	**32,175**
Finance lease creditor – due in one year	(2,636)	2,648	(2,063)	**(2,051)**
Bank loans – due after one year	(584,167)	(44,123)	(2,942)	**(631,232)**
Finance lease creditor – due after one year	(2,063)	-	2,063	**-**
	(586,230)	(44,123)	(879)	**(631,232)**
Net borrowings	**(556,551)**	**(41,615)**	**(2,942)**	**(601,108)**
Interest-rate swap asset – due after one year	1,723	-	(1,723)	**-**
Interest-rate swap liability – due after one year	(28,740)	-	(11,233)	**(39,973)**
	(27,017)	-	(12,956)	**(39,973)**
Interest-rate swaps – due before one year	(3,149)	-	3,149	**-**
Total derivatives	(30,166)	-	(9,807)	**(39,973)**
Net debt	**(586,717)**	**(41,615)**	**(12,749)**	**(641,081)**

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 of £9.8m relates to the change in the 'mark to market' valuations for the year.

12 Dividends paid and proposed

	52 weeks ended 26 July 2015 £000	52 weeks ended 27 July 2014 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2012/13: 8.0p (2011/12: 8.0p)	**–**	9,987
– interim for 2013/14: 4.0p (2012/13: 4.0p)	**–**	4,962
– final for 2013/14: 8.0p (2012/13: 8.0p)	**9,761**	–
– interim for 2014/15: 4.0p (2013/14: 4.0p)	**4,830**	–
Dividends paid	**14,591**	14,949
Proposed for approval by shareholders at the AGM:		
– final dividend for 2014/15: 8.0p (2013/14: 8.0p)	**9,782**	9,751
Dividend cover (times)	**3.1**	2.8

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 26 July 2015. Dividend cover is calculated as profit after tax and exceptional items over dividend paid.

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 28 July 2013	702,446	412,955	426,346	36,272	**1,578,019**
Additions	55,124	17,272	49,721	45,401	**167,518**
Transfers	23,574	1,995	2,620	(28,189)	**-**
Disposals	(1,316)	(2,692)	(4,429)	-	**(8,437)**
Reclassification	8,471	(8,471)	-	-	**-**
At 27 July 2014	788,299	421,059	474,258	53,484	**1,737,100**
Additions	63,804	11,366	46,054	39,395	**160,619**
Transfers	22,383	663	7,054	(30,100)	**-**
Exchange differences	(6)	(38)	(114)	-	(158)
Transfer to held for sale	(1,532)	-	(482)	-	(2,014)
Disposals	(43)	(4,584)	(5,989)	-	(10,616)
Reclassification	3,116	(3,116)	-	-	-
At 26 July 2015	**876,021**	**425,350**	**520,781**	**62,779**	**1,884,931**
Accumulated depreciation and impairment:					
At 28 July 2013	141,044	183,304	296,202	541	**621,091**
Provided during the period	12,196	13,352	28,911	-	**54,459**
Impairment loss	2,234	(1,179)	137	-	**1,192**
Disposals	(895)	(2,910)	(3,904)	-	**(7,709)**
Reclassification	2,434	(2,434)	-	-	**-**
At 27 July 2014	157,013	190,133	321,346	541	**669,033**
Provided during the period	13,335	14,272	33,851	-	**61,458**
Exchange differences	(1)	(6)	(18)	-	**(25)**
Impairment loss (reversal)	3,589	4,838	2,278	-	**10,705**
Transfer to held for sale	(441)	-	(353)	-	**(794)**
Disposals	-	(4,112)	(5,090)	-	**(9,202)**
Reclassification	954	(413)	-	(541)	**-**
At 26 July 2015	**174,449**	**204,712**	**352,014**	**-**	**731,175**
Net book amount at 26 July 2015	**701,572**	**220,638**	**168,767**	**62,779**	**1,153,756**
Net book amount at 27 July 2014	631,286	230,926	152,912	52,943	**1,068,067**
Net book amount at 28 July 2013	561,402	229,651	130,144	35,731	**956,928**

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. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 8% (2014: 9%).

If the value, based on future anticipated cash flows, 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 £10,705,000 (2014: £1,192,000) was charged to property losses in the income statement, as described in note 4.

Management believes that a reasonable change in any of the key assumptions, for example the discount rate applied to each pub, could cause the carrying value of the pub to exceed its recoverable amount, but that the change would be immaterial.

Finance leases

Certain items of IT equipment are subject to finance leases.

The carrying value of these assets, held under finance leases at 26 July 2015, included in equipment, fixtures and fittings, was as follows:

	2015 £000	2014 £000
Net book value	**5,862**	8,580

14 Intangible assets

	£000
Cost:	
At 28 July 2013	35,493
Additions	9,926
At 27 July 2014	45,419
Additions	7,934
At 26 July 2015	**53,353**
Accumulated amortisation:	
At 28 July 2013	15,327
Amortisation during the period	3,254
At 27 July 2014	18,581
Amortisation during the period	4,775
At 26 July 2015	**23,356**
Net book amount at 26 July 2015	**29,997**
Net book amount at 27 July 2014	26,838
Net book amount at 28 July 2013	20,166

Amortisation of £4,775,000 (2014: £3,254,000) is included in operating costs in the income statement.

The majority of intangible assets relates to computer software and software development. Examples include the development costs of our SAP accounting system and our ‘Wisdom’ property maintenance system.

Included in the intangible assets is £5,046,000 of software in the course of development (2014: £9,298,000).

Finance leases

Certain intangible assets, for example EPOS and accounting systems, have been purchased using finance leases. The amounts below show the reduction in net book value of assets held under finance leases which are released from security when the debt is repaid.

	2015 £000	2014 £000
Net book value	**580**	696

15 Investment properties

The company owns three freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 28 July 2013	-
Additions	8,754
At 27 July 2014	8,754
Additions	-
At 26 July 2015	**8,754**
Accumulated depreciation:	
At 28 July 2013	-
Depreciation during the period	41
At 27 July 2014	41
Depreciation during the period	62
At 26 July 2015	**103**
Net book amount at 26 July 2015	**8,651**
Net book amount at 27 July 2014	8,713
Net book amount at 28 July 2013	-

Rental income received in the period from investment properties was £378,000 (2014: £328,000). Operating costs incurred in relation to these properties amounted to £58,000 (2014: £41,000).

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

16 Other non-current assets

These assets relate to lease premiums whereby the company has paid a landlord a sum of money to take over the benefit of a lease.

	Lease premiums £000
Cost:	
At 28 July 2013	14,070
Additions	10
At 27 July 2014	14,080
Additions	1,125
At 26 July 2015	**15,205**
Accumulated amortisation and impairment:	
At 28 July 2013	4,173
Amortisation during the period	321
Impairment reversal	(180)
At 27 July 2014	4,314
Amortisation during the period	373
Impairment loss	490
At 26 July 2015	**5,177**
Net book amount at 26 July 2015	**10,028**
Net book amount at 27 July 2014	9,766
Net book amount at 28 July 2013	9,897

Notes to editors

1. JD Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed and the Company aims to maintain them in excellent condition.
2. Visit our website www.jdwetherspoon.co.uk
3. This announcement has been prepared solely to provide additional information to the shareholders of JD Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.
4. The next Interim Management Statement will be issued on 4 November 2015.