14 September 2018

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 52 weeks ended 29 July 2018)

FINANCIAL HIGHLIGHTS	Var%	Var%**
Before exceptional items		
• Like-for-like sales	+5.0%	
• Revenue £1,693.8m (2017: £1,660.8m)	+2.0%	+4.2%
• Profit before tax £107.2m (2017: £102.8m)	+4.3%	+6.2%
• Operating profit £132.3m (2017: £128.5m)	+2.9%	+4.8%
• Earnings per share (including shares held in trust) 79.2p (2017: 69.2p)	+14.5%	
• Free cash flow per share 88.4p (2017: 97.0p)	-8.9%	
• Full year dividend 12.0p (2017: 12.0p)	Maintained	
After exceptional items*		
• Profit before tax £89.0m (2017: £76.4m)	+16.5%	+18.6%
• Operating profit £132.3m (2017: £128.5m)	+2.9%	+4.8%
• Earnings per share (including shares held in trust) 63.2p (2017: 50.8p***)	+24.4%	

* Exceptional items as disclosed in account note 4.
** Excluding week 53.
*** Exceptional deferred tax has been restated. See note 7 for further details

Commenting on the results, Tim Martin, the Chairman of

J D Wetherspoon plc, said:

“There will be a huge gain for business and consumers if the UK copies the free trade approach of countries like Singapore, Switzerland, New Zealand, Australia, Canada and Israel, by slashing protectionist EU import taxes (‘tariffs’), on leaving the EU in March next year.

“These invisible tariffs are charged on over 12,000 non-EU products, including rice, oranges, coffee, wine and children’s clothes. The proceeds are collected by the UK taxman and sent to Brussels.

“Ending tariffs will reduce shop and pub prices, improve living standards, and will help non-EU suppliers, currently discouraged by tariffs, quotas and the extensive paraphernalia of EU protectionism.

“If parliament votes to end tariffs and rejects the ‘Chequers Deal’, consumers and business will benefit additionally by avoiding a cost of £39 billion, or £60 million per UK constituency, in respect of the EU ‘divorce payment’ – for which there is no legal obligation.

“Parliament can also regain control of UK fishing waters, where 60% of the catch is currently taken by EU boats.

“Unfortunately, some individuals, businesses and business organisations have mistakenly, or misleadingly, repeated the myth that food prices will rise without a ‘deal’ with the EU.

“In fact, the only way prices can rise post-Brexit is if parliament votes to impose tariffs. The EU will have no say in the matter, provided that the government does not sign away the UK’s rights in a ‘deal’ in the meantime.

“An article on this subject, which has appeared in several pub trade publications, can be found in appendix 1 below.

“Like-for-like sales in the six weeks to 9 September increased by 5.5%. The company has had a reasonable start to the financial year, but taxes, labour and interest costs are expected to be higher than those of last year, so we estimate that like-for-like sales growth of about 4.0% will be required for the company to match last year’s record profits.”

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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 29 July 2018, 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 2018 has been published on the Company's website on 14 September 2018.
5. The current financial year comprises 52 trading weeks to 28 July 2019.
6. The next trading update will be issued on 7 November 2018.

CHAIRMAN'S STATEMENT

Financial performance

I am pleased to report a year of progress for the company, with record sales, profit and earnings per share before exceptional items. The company was founded in 1979 – and this is the 35th 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 15.4% per annum and free cash flow per share by an average of 15.5%.

Summary accounts for the years ended July 1984 to 2018

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

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.

The comparisons below, unless stated, compare the 52-week period under review with the 53-week prior year.

Like-for-like sales, adjusted for 52 weeks, increased by 5.0% (2017: 4.0%). Total sales were £1,693.8m, an increase of 2.0% (2017: 4.1%). Like-for-like bar sales increased by 5.1% (2017: 3.1%), food sales by 5.1% (2017: 5.7%) and slot/fruit machine sales by 2.9% (2017: decreased by 1.2%). Hotel room sales increased by 2.3% (2017: 9.9%).

Operating profit, before exceptional items, increased by 2.9% to £132.3m (2017: £128.5m). The operating margin, before exceptional items, increased to 7.8% (2017: 7.7%).

Profit before tax and exceptional items increased by 4.3% to £107.2m (2017: £102.8m). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 79.2p (2017: 69.2p).

Net interest was covered 4.8 times by operating profit before interest, tax and exceptional items (2017: 4.6 times). Total capital investment was £110.1m in the period (2017: £208.1m). £35.9m was invested in new pubs and pub extensions (2017: £46.9m), £64.7m in existing pubs and IT (2017: £65.9m) and £9.5m in the acquisition of freehold reversions, where Wetherspoon was already a tenant (2017: £95.3m).

Exceptional items totalled £17.0m (2017: £20.4m), relating to pub disposals and closures. There was an £8.7m loss on disposal and an impairment charge of £9.6m for closed sites, underperforming pubs and onerous leases.

There were £1.3m of exceptional tax credits, owing to a reduction in the UK corporation tax rate, which creates tax credits for future years.

The total cash effect of exceptional items is a cash outflow of £0.6m.

Free cash flow, after capital payments of £68.9m for existing pubs (2017: £58.6m), £13.6m for share purchases for employees (2017: £10.4m) and payments of tax and interest, decreased by £14.6m to £93.4m (2017: £107.9 m). Free cash flow per share was 88.4p (2017: 97.0p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay an unchanged final dividend of 8.0p per share, on 29 November 2018, to shareholders on the register on 26 October 2018, giving an unchanged total dividend for the year of 12.0p per share. The dividend is covered 5.3 times (2017: 4.2 times).

In view of the level of capital expenditure and the potential for investments, the board has decided to maintain the dividend at its current level for the time being.

During the year, 3,497,500 shares (3.21% of the share capital) were purchased by the company for cancellation, at a cost of £36.2m, an average cost per share of 1,025p.

Over the last 12 years, my shareholding has increased from 21.2% to 31.9%, as a result of the company's share 'buybacks'. 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 29 July 2018, the company's total net debt, excluding derivatives, was £726.2m (2017: £696.3m), an increase of £29.9m.

Year-end net-debt-to-EBITDA was 3.39 times (2017: 3.39 times).

As at 29 July 2018, the company had £133.9m (2017: £163.9m) of unutilised banking facilities and cash or cash equivalents, with total facilities of £860.0m (2017: £860.0m).

Existing interest-rate swaps for £600m remain in place, and an additional £95m swap was added in the period.

Corporation tax

The current tax charge (ie the cash the company will pay to HMRC) for the period is £23.7m (2017: £24.6m), benefiting from a reduction in the rate of corporation tax and a small credit relating to previous periods. The 'accounting' tax charge, which appears in the income statement, is £23.6m (2017: £25.8m).

VAT equality

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 paid total taxes of £728.8m, an increase of £34.2m, compared with the previous year, which equates to approximately 43% of our sales.

This means an average payment per pub of £825,000 per annum or £15,900 per week.

	2018	2017
	£m	£m
VAT	332.8	323.4
Alcohol duty	175.9	167.2
PAYE and NIC	109.2	96.2
Business rates	55.6	53.0
Corporation tax	26.1	20.7
Machine duty	10.5	10.5
Climate change levy	9.2	9.7
Carbon tax	3.0	3.4
Fuel duty	2.1	2.1
Landfill tax	1.7	2.5
Stamp duty	1.2	5.1
Sugar tax	0.8	–
Premise licence and TV licences	0.7	0.8
TOTAL TAX	728.8	694.6
Tax per pub (£000)	825.0	768.4
Tax as % of net sales	43.0%	41.8%
Pre-exceptional profit after tax	83.7	77.0
Profit after tax as % of sales	4.9%	4.6%

Corporate governance
The 2016 statement contained a detailed critique of corporate governance rules. There has been almost no disagreement from shareholders on the issues raised then.

Wetherspoon has a significant competitive edge in governance, since all of our directors, bar one, were in situ at the time of the last financial crisis.

In contrast, most PLCs are more vulnerable, since the average tenure of CEOs and non-executives is about five years, largely as a result of governance rules. This 'institutionalising' of inexperience seems wrong.

Most corporate governance bodies disapprove of my own role as chairman, since I am not regarded as 'independent', although shareholders have not followed their advice in the past. The 'Catch-22' is that most non-executives have little option but to comply with these 'rules', since boards are criticised for non-adherence.

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 807 pubs rated on the Food Standards Agency's website – the average score is 4.97, with 97.3% of the pubs achieving a top rating of five stars and 2.4% 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 64 pubs have passed.

We paid £43m in respect of bonuses and free shares to employees in the year (a slight increase compared with the previous year), of which 97% was paid to staff below board level and 82% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2018) by The Top Employers Institute for the 15th consecutive year. The Institute said:

“J D Wetherspoon provides exceptional employee conditions, nurtures and develops talent throughout all levels of the organisation and has demonstrated its leadership status in the HR environment, always striving to optimise its employment practices and to develop its employees.”

The company substantially increased the rates of pay in the period for hourly paid staff, at a cost of about £20m. The company intends to invest a further £27m from November this year.

Under government legislation, there are different minimum rates of pay for different age groups. The company pays in excess of the minimum rates for all age groups. The company currently pays a rate in excess of the minimum rate for over 25s to those aged 21 and over. As from 5 November 2018, this higher rate of pay will apply to all employees aged 18 and over.

In the field of charity, thanks to the generosity and work of our customers, pub and head-office teams, we continue to raise record amounts of money for CLIC Sargent, supporting young cancer patients and their families.

In the last year, we raised approximately £1.7m, bringing the total raised to over £16m – more than any other corporate partner has raised for this charity.

Property
The company opened six pubs during the year, with 18 sold or closed, resulting in a trading estate of 883 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.8m, compared with £2.3m a year ago. The full-year depreciation charge was £79.3m (2017: £73.9m). We currently intend to open about 5–10 pubs in the year ending July 2019.

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
There will be a huge gain for business and consumers if the UK copies the free trade approach of countries like Singapore, Switzerland, New Zealand, Australia, Canada and Israel, by slashing protectionist EU import taxes (‘tariffs’), on leaving the EU in March next year.

These invisible tariffs are charged on over 12,000 non-EU products, including rice, oranges, coffee, wine and children’s clothes. The proceeds are collected by the UK taxman and sent to Brussels.

Ending tariffs will reduce shop and pub prices, improve living standards, and will help non-EU suppliers, currently discouraged by tariffs, quotas and the extensive paraphernalia of EU protectionism.

If parliament votes to end tariffs and rejects the ‘Chequers Deal’, consumers and business will benefit additionally by avoiding a cost of £39 billion, or £60 million per UK constituency, in respect of the EU ‘divorce payment’ – for which there is no legal obligation.

Parliament can also regain control of UK fishing waters, where 60% of the catch is currently taken by EU boats.

Unfortunately, some individuals, businesses and business organisations have mistakenly, or misleadingly, repeated the myth that food prices will rise without a 'deal' with the EU.

In fact, the only way prices can rise post-Brexit is if parliament votes to impose tariffs. The EU will have no say in the matter, provided that the government does not sign away the UK's rights in a 'deal' in the meantime.

An article on this subject, which has appeared in several pub trade publications, can be found in appendix 1 below.

Like-for-like sales in the six weeks to 9 September increased by 5.5%. The company has had a reasonable start to the financial year, but taxes, labour and interest costs are expected to be higher than those of last year, so we estimate that like-for-like sales growth of about 4.0% will be required for the company to match last year's record profits.

Tim Martin
Chairman

Tim Martin, writing in Propel, a pub trade publication:

Appendix 1 – Propel Newsletter, 21 August 2018, Tim Martin – free trade deal will not hike food prices, 2018

Opinion special: Free trade deal will not hike food prices, argues Tim Martin

"Like Arnold Schwarzenegger's Terminator, the cyborg assassin, fictional scare stories about food price rises post-Brexit refuse to die. For example, the Sunday Times front-page headline on 12 August said: "No deal will hike food prices by 12%."

The article itself said "tariffs on imports from the EU could include cheese, up by 44%, beef up by 40%, and chicken, up 22%". It quoted the chairman of a 'leading supermarket' who "warned food products imported from the EU would be hit by an average tariff of 22%" and reported "senior executives from the big four supermarkets" had made these predictions in "briefings to the Treasury".

The 'big four' are Tesco, Sainsbury's, Asda and Morrison's, so the reports of Treasury briefings, which haven't been denied, have clearly been authorised at the top level.

The briefings echo the misleading 2016 statement of Richard Baker, then chairman of Whitbread, who told the Evening Standard "failure to reach a trade deal would see tariffs… of 12% on clothes… and up to 27% on meat" and of David Tyler, then chairman of Sainsbury's, who told the Sunday Times in 2017 "if we don't get a deal and (instead) move to World Trade Organisation (WTO) rules, we could face an average tariff of 22% on foodstuffs we import from Europe". As Malcolm Walker, founder of food chain Iceland, said last week, these stories are rubbish.

In fact, the only way in which prices for EU imports can rise post-Brexit is if the UK government itself decides to impose taxes, also known as tariffs, on them – a sure way to lose an election. The EU has no say in the UK's import taxes after we leave.

Provided the government takes the sensible decision to opt for free trade, there would be no extra taxes/tariffs on EU imports. And by deciding not to impose taxes on the EU, there would be no taxes either on non-EU imports – WTO rules require all countries are treated in the same way, in the absence of a 'deal'.

The result of the free trade option would be a reduction in prices in shops and pubs, since the EU today charges these invisible taxes on wine, rice, coffee, oranges and more than 12,000 other non-EU products.

Lower prices boost living standards, but in this case they do so without affecting government income, since taxes on non-EU products today are collected by the UK and are paid to Brussels – price reductions in shops would cost the Treasury nothing.

In taking the free trade path, the UK would not be conducting a wild experiment. It would be following the successful approach of dynamic economies such as Singapore, Switzerland, Israel, Canada, Australia and New Zealand, which have slashed import taxes.

Other important benefits of free trade, disparagingly called 'no deal' by Remain spin doctors, are we regain control of the UK's fishing waters, where 60% of fish are today landed by EU boats, and we avoid the payment of £39bn to Brussels, which government lawyers have said there is no legal obligation to pay.

So why are the supermarkets making false claims about price rises and why are they not fighting to reduce prices? Pro-Remain ideology and ignorance are probably the answer.

John Allan, chairman of Tesco, like Private Frazer of Dad's Army, is renowned for his gloomy views. He said before the referendum "Brexit would ruin small firms" and, more recently, leaving the EU "too quickly would be a mess". And Allan is now president of the CBI, the employers' organisation, which strongly advocated the UK's participation in the disastrous exchange rate mechanism, the euro and staying in the EU. And Martin Scicluna, current chairman of Sainsbury's, was previously chairman of Deloitte UK, which, along with fellow accountants PWC, implored the public to vote Remain. Indeed, Deloitte Digital, part of the same company, is today urging a second referendum.

But the big supermarkets are playing a dangerous game, since the public implicitly expects companies to do their best for customers, by lowering prices when opportunities arise.

By participating in inaccurate scare stories, supermarkets appear keener on maintaining close ties to the EU, an obsession of the elite, rather than on low prices. "Pay more at the big four" is the subliminal message.

This approach is bad news for shareholders and customers of the big four, but is great for Aldi, Lidl, Iceland, Amazon and other 'disruptors', since they see the benefits of free trade as opportunities, not threats.

Once again, elite Remainers fail to understand the public is collectively far more intelligent than they are, which is why democracy works, after all."

Tim Martin is founder and chairman of JD Wetherspoon.

INCOME STATEMENT for the 52 weeks ended 29 July 2018

J D Wetherspoon plc, company number: 1709784

	Notes	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	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Revenue	**1**	**1,693,818**	**–**	**1,693,818**	**1,660,750**	**–**	**1,660,750**
Operating costs		(1,561,527)	–	(1,561,527)	(1,532,242)	–	(1,532,242)
Operating profit	**2**	**132,291**	**–**	**132,291**	**128,508**	**–**	**128,508**
Property gains/(losses)	3	2,900	(18,251)	(15,351)	2,807	(26,868)	(24,061)
Finance income	6	48	–	48	72	402	474
Finance costs	6	(27,990)	–	(27,990)	(28,557)	–	(28,557)
Profit before tax		**107,249**	**(18,251)**	**88,998**	**102,830**	**(26,466)**	**76,364**
Income tax expense	7	(23,567)	1,278	(22,289)	(25,846)	6,063[3]	(19,783)[3]
Profit for the period		**83,682**	**(16,973)**	**66,709**	**76,984**	**(20,403)[3]**	**56,581[3]**
Earnings per share (p)							
– Basic[1]	8	81.1	(16.5)	64.6	70.8	(18.8)[3]	52.0[3]
– Diluted[2]	8	79.2	(16.0)	63.2	69.2	(18.4)[3]	50.8[3]
Operating profit per share (p)							
– Diluted[2]	8	125.3	–	125.3	115.5	–	115.5

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 29 July 2018

	Notes	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: gain taken to other comprehensive income		14,787	24,581
Tax on items taken directly to other comprehensive income	7	(2,513)	(4,814)
Currency translation differences		(320)	2,104
Net gain recognised directly in other comprehensive income		**11,954**	**21,871**
Profit for the period		66,709	56,581[3]
Total comprehensive income for the period		**78,663**	**78,452[3]**

[1] Calculated excluding shares held in trust.
[2] Calculated using issued share capital which includes shares held in trust.
[3] Prior year figures have been restated to take into account adjustment of the exceptional deferred tax. Please refer to note 7 for further details.

CASH FLOW STATEMENT for the 52 weeks ended 29 July 2018

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 29 July 2018 £000	Free cash Flow[1] 52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000	Free cash Flow[1] 53 weeks ended 30 July 2017 £000
Cash flows from operating activities					
Cash generated from operations	9	228,300	228,300	224,403	224,403
Interest received		36	36	57	57
Net exceptional finance income		–		402	
Interest paid		(25,824)	(25,824)	(26,834)	(26,834)
Corporation tax paid		(26,113)	(26,113)	(20,683)	(20,683)
Net cash inflow from operating activities		**176,399**	**176,399**	**177,345**	**176,943**
Cash flows from investing activities					
Purchase of property, plant and equipment		(63,753)	(63,753)	(45,056)	(45,056)
Purchase of intangible assets		(5,166)	(5,166)	(13,502)	(13,502)
Investment in new pubs and pub extensions		(46,386)		(40,285)	
Freehold reversions		(16,278)		(88,603)	
Proceeds of sale of property, plant and equipment		4,742		19,620	
Net cash outflow from investing activities		**(126,841)**	**(68,919)**	**(167,826)**	**(58,558)**
Cash flows from financing activities					
Equity dividends paid	11	(12,655)		(13,352)	
Purchase of own shares for cancellation		(51,647)		(28,445)	
Purchase of own shares for share-based payments		(13,605)	(13,605)	(10,449)	(10,449)
Advances under bank loans	10	41,314		47,236	
Loan issue costs	10	(518)	(518)	–	–
Net cash outflow from financing activities		**(37,111)**	**(14,123)**	**(5,010)**	**(10,449)**
Net change in cash and cash equivalents	**10**	**12,447**		**4,509**	
Opening cash and cash equivalents		50,644		46,135	
Closing cash and cash equivalents		63,091		50,644	
Free cash flow	**8**		**93,357**		**107,936**
Free cash flow per ordinary share	8		88.4p		97.0p

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

BALANCE SHEET as at 29 July 2018

J D Wetherspoon plc, company number: 1709784

	Notes	29 July 2018	30 July 2017 Restated[1]	24 July 2016 Restated[1]
		£000	£000	£000
Assets				
Non-current assets				
Property, plant and equipment	13	1,306,073	1,282,633	1,188,512
Intangible assets	12	24,779	29,691	27,051
Investment property	14	7,494	7,550	7,605
Other non-current assets	15	7,925	8,272	9,725
Derivative financial instruments		14,976	11,380	–
Deferred tax assets	7	4,099	6,612	11,426
Total non-current assets		**1,365,346**	**1,346,138**	**1,244,319**
Assets held for sale		**1,455**	**1,524**	**950**
Current assets				
Inventories		23,300	21,575	19,168
Receivables		23,122	21,029	27,616
Cash and cash equivalents		63,091	50,644	46,135
Total current assets		109,513	93,248	92,919
Total assets		**1,476,314**	**1,440,910**	**1,338,188**
Liabilities				
Current liabilities				
Borrowings		(8,864)	(17,461)	(112)
Derivative financial instruments		(160)	–	(79)
Trade and other payables		(290,602)	(313,525)	(266,523)
Current income tax liabilities		(8,950)	(12,159)	(8,247)
Provisions		(8,052)	(5,175)	(4,463)
Total current liabilities		**(316,628)**	**(348,320)**	**(279,424)**
Non-current liabilities				
Borrowings		(780,420)	(729,487)	(696,783)
Derivative financial instruments		(38,925)	(50,276)	(63,398)
Deferred tax liabilities	7	(38,980)	(40,122)	(45,354)
Provisions		(2,453)	(1,890)	(3,387)
Other liabilities		(12,346)	(12,383)	(13,307)
Total non-current liabilities		**(873,124)**	**(834,158)**	**(822,229)**
Net assets		**286,562**	**258,432**	**236,535**
Equity				
Share capital		2,110	2,180	2,273
Share premium account		143,294	143,294	143,294
Capital redemption reserve		2,321	2,251	2,158
Hedging reserve		(20,010)	(32,284)	(52,051)
Currency translation reserve		4,767	4,899	2,340
Retained earnings		154,080	138,092	138,521
Total equity		**286,562**	**258,432**	**236,535**

The financial statements, approved by the board of directors and authorised for issue on 13 September 2018, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

[1]Deferred tax and retained earnings have been restated, see note 7 for further details.

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital	Share premium account	Capital redemption reserve	Hedging reserve	Currency translation reserve	Retained earnings	Total
		£000	£000	£000	£000	£000	£000	£000
Reported at 24 July 2016		**2,273**	**143,294**	**2,158**	**(52,051)**	**2,340**	**109,434**	**207,448**
Restatement of previous periods	7						29,087	29,087
Restated at 24 July 2016		**2,273**	**143,294**	**2,158**	**(52,051)**	**2,340**	**138,521**	**236,535**
Total comprehensive income					19,767	2,559	56,126	78,452
Profit for the period							56,581	56,581
Interest-rate swaps: cash flow hedges					24,581			24,581
Tax taken directly to comprehensive income	7				(4,814)			(4,814)
Currency translation differences						2,559	(455)	2,104
Purchase of own shares for cancellation		(93)		93			(43,887)	(43,887)
Share-based payment charges							10,711	10,711
Tax on share-based payments	7						422	422
Purchase of own shares for share-based payments							(10,449)	(10,449)
Dividends	11						(13,352)	(13,352)
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**

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 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 29 July 2018, the number of shares held in trust was 2,367,991 (2017: 2,458,000), with a nominal value of £47,360 (2017: £49,160) and a market value of £28,865,810 (2017: £25,071,600); these are included in retained earnings.

During the year, 3,497,500 shares were repurchased by the company for cancellation, representing approximately 3.21% of the issued share capital, at a cost of £36.2m, including stamp duty, representing an average cost per share of 1,025p. At the previous year end, 30 July 2017, the company had a liability for share purchases of £15.5m, which was settled during the current year, ended 29 July 2018.

Hedging gain/loss arises 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 29 July 2018, the company had distributable reserves of £138.8m.

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Sales of food, beverages, hotel rooms and machine income	1,693,818	1,660,750

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Concession rental payments	25,075	24,784
Minimum operating lease payments	42,754	44,828
Repairs and maintenance	71,261	66,219
Net rent receivable	(1,407)	(1,422)
Share-based payments (note 5)	11,405	10,711
Depreciation of property, plant and equipment (note 13)	70,918	66,483
Amortisation of intangible assets (note 12)	7,984	6,931
Depreciation of investment properties (note 14)	56	55
Amortisation of other non-current assets (note 15)	347	400

Auditors' remuneration	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Fees payable for the audit of the financial statements	167	197
Fees payable for other services:		
– Assurance services	27	32
– Audit related services	38	–
Total auditors' fees	232	229

Analysis of continuing operations	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Revenue	1,693,818	1,660,750
Cost of sales	(1,505,781)	(1,470,273)
Gross profit	188,037	190,477
Administration costs	(55,746)	(61,969)
Operating profit after exceptional items	132,291	128,508

Included within cost of sales is £602.4m (2017: £597.8m), related to cost of inventory recognised as expense.

3. Property gains and losses

	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	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Disposal of fixed assets	(1,865)	5,076	3,211	(615)	15,099	14,484
Additional costs of disposal	117	3,625	3,742	25	3,262	3,287
Impairment of property, plant and equipment	–	3,588	3,588	–	7,607	7,607
Impairment of other assets	–	–	–	–	180	180
Onerous lease provision	–	5,962	5,962	–	720	720
Other property gains	(1,152)	–	(1,152)	(2,217)	–	(2,217)
Total property (gains)/losses	(2,900)	18,251	15,351	(2,807)	26,868	24,061

4. Exceptional items

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	8,701	18,361
Impairment property plant and equipment	–	5,943
Impairment of other non-current assets	–	141
Onerous lease reversal	(173)	(1,319)
Onerous lease provision	4,693	1,659
	13,221	24,785
Other property losses		
Impairment of property, plant and equipment	3,588	1,664
Impairment of other non-current assets	–	39
Onerous lease reversal	–	(696)
Onerous lease provision	1,442	1,076
	5,030	2,083
Total exceptional property losses	18,251	26,868
Other exceptional items		
Net exceptional finance income	–	(402)
	–	(402)
Total pre-tax exceptional items	18,251	26,466
Exceptional tax		
Exceptional tax items – deferred tax (note 7)	–	(4,155)
Tax effect on exceptional items	(1,278)	(1,386)
Restatement temporary differences	–	(2,474)
Restatement impact of change in UK tax rate	–	1,952
Total exceptional tax	(1,278)	(6,063)
Total exceptional items	16,973	20,403

Disposal programme
The company has offered several of its sites for sale. At the year end, 19 (2017: 45) sites had been sold, including sites which were closed in the previous year, one (2017: five) was classified as held for sale and an additional six (2017: three) sites have been closed as part of the disposal programme.

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 and made available for sale. A provision has been raised to cover the rental costs for the estimated period required to dispose of these sites.

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 £3,588,000 (2017: £1,703,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £6,898,000 (2017: £2,530,000), offset by impairment reversals of £3,310,000 (2017: £827,000).

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, £1,442,000 (2017: £380,000) was charged net in respect of onerous leases outside of the disposal programme.

All exceptional items listed above generated a net cash outflow of £629,000 (2017: inflow of £12,214,000).

5. Employee benefits expenses

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Wages and salaries	501,229	475,420
Social Security costs	34,455	31,211
Other pension costs	4,510	3,696
Share-based payments	11,405	10,711
	551,599	521,038

Directors' emoluments	2018 £000	2017 £000
Aggregate emoluments	1,894	2,128
Aggregate amount receivable under long-term incentive schemes	1,297	1,387
Company contributions to money purchase pension scheme	154	155
	3,345	3,670

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).

	2018 Number	2017 Number
Full-time equivalents		
Managerial/administration	4,335	3,880
Hourly paid staff	19,727	18,900
	24,062	22,780

	2018 Number	2017 Number
Total employees		
Managerial/administration	4,424	4,309
Hourly paid staff	33,960	32,241
	38,384	36,550

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 29 July 2018	53 weeks ended 30 July 2017
Shares awarded during the year (shares)	1,366,435	1,550,377
Average price of shares awarded (pence)	1,268	936
Market value of shares vested during the year (£000)	14,199	9,696
Total liability of the share based payments schemes (£000)	15,668	14,540

6. Finance income and costs

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Finance costs		
Interest payable on bank loans and overdrafts	18,899	17,273
Amortisation of bank loan issue costs (note 10)	1,540	2,817
Interest payable on swaps	7,544	8,450
Interest payable on other loans	7	17
Total finance costs	27,990	28,557
Bank interest receivable	(48)	(72)
Total finance income	(48)	(72)
Net finance costs before exceptionals	27,942	28,485
Exceptional bank interest receivable	–	(402)
Net finance costs after exceptionals	27,942	28,083

The finance costs in the income statement were covered 4.8 times (2017: 4.6 times) by earnings before interest and tax, before 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 an effective rate of 19.00% (2017: 19.67%).

	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	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Taken through income statement						
Current tax:						
Current tax charge	24,466	(325)	24,141	24,837	161	24,998
Previous period adjustment	(765)	–	(765)	(246)	–	(246)
Total current tax	23,701	(325)	23,376	24,591	161	24,752
Deferred tax:						
Temporary differences	(70)	(953)	(1,023)	1,103	(1,547)	(444)
Previous period adjustment	(64)	–	(64)	152	–	152
Impact of change in UK tax rate	–	–	–	–	(4,155)	(4,155)
Restatement of temporary differences	–	–	–	–	(2,474)	(2,474)
Restatement of impact of change in UK tax rate	–	–	–	–	1,952	1,952
Total deferred tax	(134)	(953)	(1,087)	1,255	(6,224)	(4,969)
Tax charge/(credit)	23,567	(1,278)	22,289	25,846	(6,063)	19,783

	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	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Taken through equity						
Tax on share-based payments						
Current tax	(472)	–	(472)	(159)	–	(159)
Deferred tax	(55)	–	(55)	(263)	–	(263)
Tax credit	(527)	–	(527)	(422)	–	(422)

	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	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	2,513	–	2,513	4,835	–	4,835
Impact of change in UK tax rate	–	–	–	(21)	–	(21)
Tax charge	2,513	–	2,513	4,814	–	4,814

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 52 weeks ended 29 July 2018 is based on the pre-exceptional profit before tax of £107.2m and the estimated effective tax rate before exceptional items for the 52 weeks ended 29 July 2018 of 22.0% (2017: 25.1%). This comprises a pre-exceptional current tax rate of 22.1% (2017: 23.9%) and a pre-exceptional deferred tax credit of 0.1% (2017: 1.2% charge).

The UK standard weighted average tax rate for the period is 19.00% (2017: 19.67%). 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 29 Jul 2018 Before exceptional items £000	52 weeks ended 29 Jul 2018 After exceptional items £000	53 weeks ended 30 Jul 2017 Before exceptional items £000	53 weeks ended 30 Jul 2017 After exceptional items £000
Profit before tax	107,249	88,998	102,830	76,364
Profit multiplied by the UK standard rate of corporation tax of 19.00% (2017: 19.67%)	20,377	16,910	20,227	15,021
Abortive acquisition costs and disposals	103	103	228	228
Other disallowables	117	2,315	1,004	2,520
Other allowable deductions	(106)	(106)	(83)	(83)
Capital gains – effects of reliefs	53	(471)	252	102
Non-qualifying depreciation	3,645	4,068	4,302	6,737
Restatement of the non-qualifying depreciation	–	–	–	(2,474)
Deduction for shares and SIPs	(61)	31	(156)	(137)
Remeasurement of other balance sheet items	(272)	(272)	(188)	(188)
Unrecognised losses in overseas companies	540	540	354	354
Adjustment in respect of change in tax rate	–	–	–	(4,155)
Restatement in respect of change in tax rate	–	–	–	1,952
Previous period adjustment – current tax	(765)	(765)	(246)	(246)
Previous period adjustment – deferred tax	(64)	(64)	152	152
Total tax expense reported in the income statement	23,567	22,289	25,846	19,783

(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.

These changes have been substantively enacted at the balance sheet date and are consequently included in these financial statements.

Deferred tax liabilities	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 30 July 2017 (restated)	40,684	3,601	44,285
Previous period movement posted to the income statement	–	11	11
Movement during period posted to the income statement	(506)	(25)	(531)
At 29 July 2018	40,178	3,587	43,765

Deferred tax assets	Share based payments £000	Capital losses carried forward £000	Interest-rate swaps £000	Total £000
At 30 July 2017	1,457	2,706	6,612	10,775
Previous period movement posted to the income statement	–	75	–	75
Movement during period posted to the income statement	(69)	561	–	492
Movement during period posted to comprehensive income	–	–	(2,513)	(2,513)
Movement during period posted to equity	55	–	–	55
At 29 July 2018	1,443	3,342	4,099	8,884

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2018	2017
	£000	£000
Deferred tax liabilities	43,765	44,285
Offset against deferred tax assets	(4,785)	(4,163)
Deferred tax liabilities	38,980	40,122
Deferred tax assets	8,884	10,775
Offset against deferred tax liabilities	(4,785)	(4,163)
Deferred tax asset	4,099	6,612

As at 29 July 2018, there are potential deferred tax assets of £1.3m (2017: £0.9m); these are not being recognised, owing to insufficient certainty of recovery. This comprises a deferred tax asset of £1.3m, relating to losses (2017: £1.0m), less a deferred tax liability of £Nil, relating to accelerated capital allowances (2017: £0.1m).

Restatement of deferred tax
As part of the company's review of the year end balance of assets subject to tax relief, the calculation of the value of the deferred tax liabilities has been reduced by £29.1m. Retained earnings have been increased by £29.1m. The adjustment is required to correct the value of assets subject to tax and thus the amount of tax relief to be deferred to future periods.

The comparative tax charge for the year ended 30 July 2017 has been adjusted as follows: £2m reduction to the restatement credit due to the change in corporation tax to 17% and £2.5m reduction to the deferred tax charge for the period.

Accelerated tax depreciation – restatement	Reported	Restatement	Total
	£000	£000	£000
At 24 July 2016	73,957	(29,087)	44,870
Previous period movement posted to the income statement	515	–	515
Movement during period posted to the income statement	(48)	(2,474)	(2,522)
Impact of tax rate change posted to the income statement	(4,131)	1,952	(2,179)
At 30 July 2017	70,293	(29,609)	40,684

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 105,605,135 (2017: 111,293,971), 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 29 July 2018	53 weeks ended 30 July 2017
Shares in issue (used for diluted EPS)	105,605,135	111,293,971
Shares held in trust	(2,402,603)	(2,500,717)
Shares in issue less shares held in trust (used for basic EPS)	103,202,532	108,793,254

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 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

53 weeks ended 30 July 2017	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	56,581	52.0	50.8
Exclude effect of exceptional items after tax	20,403	18.8	18.4
Earnings before exceptional items	76,984	70.8	69.2
Exclude effect of property gains	(2,807)	(2.6)	(2.6)
Underlying earnings before exceptional items	74,177	68.2	66.6

The diluted earnings per share before exceptional items have increased by 14.5% (2017: 43.3%).

Prior year figures have been restated to take into account adjustment of the exceptional deferred tax. Please refer to note 7 for further details.

(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 29 July 2018	93,357	90.5	88.4
53 weeks ended 30 July 2017	107,936	99.2	97.0

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 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

53 weeks ended 30 July 2017	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Profit before tax and exceptional items (income statement)	102,830	94.5	92.4
Exclude depreciation and amortisation (note 2)	73,869	67.9	66.4
Less cash reinvestment in current properties (cash flow statement)	(65,912)	(60.6)	(59.2)
Exclude property gains and losses (note 3)	(2,807)	(2.6)	(2.6)
Less cash tax (note 7)	(24,837)	(22.8)	(22.3)
Owners' earnings	83,143	76.4	74.7

The diluted owners' earnings per share increased by 19.8% (2017: decreased by 6.9%). The increase is calculated using figures to two decimal places.

Analysis of additions by type	52 weeks ended 29 July 2018	53 weeks ended 30 July 2017
Reinvestment in existing pubs	64,665	65,912
Investment in new pubs and pub extensions	35,863	46,894
Freehold reversions	9,555	95,326
	110,083	208,132

Analysis of additions by category	52 weeks ended 29 July 2018	53 weeks ended 30 July 2017
Property, plant and equipment (note 13)	107,011	198,556
Intangible assets (note 12)	3,072	9,576
	110,083	208,132

(e) Operating profit per share

	Operating profit £000	Basic operating profit per share pence	Diluted operating profit per share pence
52 weeks ended 29 July 2018	132,291	128.2	125.3
53 weeks ended 30 July 2017	128,508	118.1	115.5

9. Cash generated from operations

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Profit for the period	66,709	56,581
Adjusted for:		
Tax (note 7)	22,289	19,783
Share-based charges (note 2)	11,405	10,711
Loss on disposal of property, plant and equipment (note 3)	3,211	14,484
Net impairment charge (note 3)	3,588	7,787
Interest receivable (note 6)	(48)	(72)
Amortisation of bank loan issue costs (note 6)	1,540	2,817
Interest payable (note 6)	26,450	25,740
Depreciation of property, plant and equipment (note 13)	70,918	66,483
Amortisation of intangible assets (note 12)	7,984	6,931
Depreciation on investment properties (note 14)	56	55
Amortisation of other non-current assets (note 15)	347	400
Net onerous lease provision	5,962	720
Aborted properties costs	541	1,157
Net exceptional finance income	–	(402)
	220,952	213,175
Change in inventories	(1,725)	(2,407)
Change in receivables	(1,225)	4,980
Change in payables	10,298	8,655
Cash flow from operating activities	228,300	224,403

10. Analysis of change in net debt

	30 July 2017 £000	Cash flows £000	Non-cash movement £000	29 July 2018 £000
Borrowings				
Cash in hand	50,644	12,447	–	63,091
Bank loans – due before one year	(17,347)	8,543	–	(8,804)
Other loans	(114)	144	(90)	(60)
Current net borrowings	33,183	21,134	(90)	54,227
Bank loans – due after one year	(729,397)	(49,483)	(1,540)	(780,420)
Other loans	(90)	–	90	–
Non-current net borrowings	(729,487)	(49,483)	(1,450)	(780,420)
Net debt	(696,304)	(28,349)	(1,540)	(726,193)
Derivatives				
Interest-rate swaps asset – due after one year	11,380	–	3,596	14,976
Interest-rate swaps liability – due before one year	–	–	(160)	(160)
Interest-rate swaps liability – due after one year	(50,276)	–	11,351	(38,925)
Total derivatives	(38,896)	–	14,787	(24,109)
Net debt after derivatives	(735,200)	(28,349)	13,247	(750,302)

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.

11. Dividends paid and proposed

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2015/16: 8.0p (2014/15: 8.0p)	–	8,933
– interim for 2016/17: 4.0p (2015/16: 4.0p)	–	4,419
– final for 2016/17: 8.0p (2015/16: 8.0p)	8,437	–
– interim for 2017/18: 4.0p (2016/17: 4.0p)	4,218	–
	12,655	13,352
Proposed for approval by shareholders at the AGM:		
– final for 2017/18: 8.0p (2016/17: 8.0p)	8,428	8,488
Dividend cover (times)	5.3	4.2

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

12. Intangible assets

	£000
Cost:	
At 24 July 2016	56,591
Additions	9,576
Disposals	(493)
At 30 July 2017	65,674
Additions	3,072
Disposals	(3)
At 29 July 2018	68,743
Accumulated amortisation:	
At 24 July 2016	(29,540)
Provided during the period	(6,931)
Impairment loss	1
Reclassification	487
At 30 July 2017	(35,983)
Provided during the period	(7,984)
Disposals	3
At 29 July 2018	(43,964)
Net book amount at 29 July 2018	24,779
Net book amount at 30 July 2017	29,691
Net book amount at 24 July 2016	27,051

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 £1,799,000 of software in the course of development (2017: £1,474,000).

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 24 July 2016	935,742	413,661	541,125	60,545	1,951,073
Additions	112,737	5,766	45,473	34,580	198,556
Transfers	20,928	3,270	3,834	(28,032)	–
Exchange differences	869	162	317	741	2,089
Transfer to held for sale	(3,489)	(3,493)	(2,682)	–	(9,664)
Disposals	(32,162)	(25,446)	(26,266)	–	(83,874)
Reclassification	32,311	(32,311)	–	–	–
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
Accumulated depreciation and impairment:					
At 24 July 2016	(181,040)	(207,144)	(374,377)	–	(762,561)
Provided during the period	(15,802)	(13,023)	(37,658)	–	(66,483)
Exchange differences	(36)	(23)	(186)	–	(245)
Impairment loss	(2,862)	(3,473)	(1,272)	–	(7,607)
Transfer to held for sale	1,926	3,552	2,657	–	8,135
Disposals	12,621	20,137	20,456	–	53,214
Reclassification	(20,181)	20,181	–	–	–
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	(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)
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
Net book amount at 24 July 2016	754,702	206,517	166,748	60,545	1,188,512

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% (2017: 8%).

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 £3,588,000 (2017: £7,607,000) 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.

14. Investment property

The company owns two (2017: two) freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 24 July 2016	7,751
At 30 July 2017	7,751
At 29 July 2018	7,751
Accumulated depreciation:	
At 24 July 2016	(146)
Provided during the period	(55)
At 30 July 2017	(201)
Provided during the period	(56)
At 29 July 2018	(257)
Net book amount at 29 July 2018	7,494
Net book amount at 30 July 2017	7,550
Net book amount at 24 July 2016	7,605

Rental income received in the period from investment properties was £314,000 (2017: £356,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £23,000 (2017: £4,000).

15. Other non-current assets

	Lease premiums £000
Cost:	
At 24 July 2016	16,230
Transfer to held for sale	(257)
Disposals	(3,246)
At 30 July 2017	12,727
At 29 July 2018	12,727
Accumulated depreciation:	
At 24 July 2016	(6,505)
Provided during the period	(400)
Transfer to held for sale	(180)
Disposals	262
Reclassification	2,368
At 30 July 2017	(4,455)
Provided during the period	(347)
At 29 July 2018	(4,802)
Net book amount at 29 July 2018	7,925
Net book amount at 30 July 2017	8,272
Net book amount at 24 July 2016	9,725