15 September 2017

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 53 weeks ended 30 July 2017)

FINANCIAL HIGHLIGHTS	**Var%**	**Var%****
Before exceptional items		
• Revenue £1,660.8m (2016: £1,595.2m)	+4.1%	+1.9%
• Like-for-like sales	+4.0%	
• Profit before tax £102.8m (2016: £80.6m)	+27.6%	+25.3%
• Operating profit £128.5m (2016: £109.7m)	+17.1%	+15.1%
• Earnings per share (including shares held in trust) 69.2p (2016: 48.3p)	+43.3%	
• Free cash flow per share 97.0p (2016: 76.7p)	+26.5%	
• Full year dividend 12.0p (2016: 12.0p)	Maintained	
After exceptional items*		
• Profit before tax £76.4m (2016: £66.0m)	+15.6%	+13.7%
• Operating profit £128.5m (2016: £109.7m)	+17.1%	+15.1%
• Earnings per share (including shares held in trust) 50.4p (2016: 43.4p)	+16.1%	

* Exceptional items as disclosed in account note 4.
** Excluding week 53.

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

“Most ‘PLCs’ are expected to comment, in their results' statements, on the UK's prospects outside of the EU and on the likely impact on their individual companies.

“It is my view that the main risk from the current Brexit negotiations is not to Wetherspoon, but to our excellent EU suppliers – and to EU economies.

“As the public instinctively understands, but few academics, economists, boardrooms and City institutions grasp, democracy is the strongest economic steroid – hence the astonishing rise of countries like Japan, Singapore and South Korea, after its adoption. A fascinating insight into the thought processes of many pro-Remain ‘elites’ can be found in an article in The Spectator (appendix 2 below) by Professor Robert Tombs of Cambridge University.

“In the current negotiations, democratically-elected politicians from the UK are dealing with unelected oligarchs from the EU. Since the oligarchs are not subject to judgement at the ballot box, their approach is dictated by more sectarian factors – the interests and ideology of EU apparatchiks like them, rather than residents or businesses from EU countries.

“As a result of their current posturing and threats, EU negotiators are inevitably encouraging importers like Wetherspoon to look elsewhere for supplies. This process is unlikely to have adverse effects on the UK economy, as companies will be able to switch to suppliers representing the 93% of the world's population which is not in the EU, but this evolution will eventually be highly damaging to the economy of the EU.

"Wetherspoon is extremely confident that it can switch from EU suppliers, if required, although we would be very reluctant to initiate such actions.

"It is my view that Juncker, Barnier, Selmayr, Verhofstadt and others need to take a wise-up pill in order to avoid causing further economic damage to struggling economies like Greece, Portugal, Spain and Italy – where youth unemployment, in particular, is at epidemic levels.

"There seems to be little genuine appetite for a free-trade deal from the Brussels bureaucracy, so EU companies are, paradoxically, reliant on the goodwill of UK consumers, who are likely to prefer tariff-free goods in the future from non-EU countries, which are generally in favour of free trade, rather than deals with companies which are subject to the diktat of those who wish to punish the UK.

"I have written an article dealing with several issues related to Brexit, which can be found in the latest edition of Wetherspoon News – and is included below in appendix 1.

"Since the year end, Wetherspoon's like-for-like sales have continued to be encouraging and have increased by 6.1%. This is a positive start, but is for a few weeks only – and is very unlikely to continue for the rest of the year. Comparisons will become more stretching – and sales, which were very strong in the summer holidays, are likely to return to more modest levels. It is anticipated that like-for-like sales of around 3–4% will be required in order to match last year's profit before tax. We will provide updates as we progress through the year. We currently anticipate a trading outcome for the current financial year in line with our expectations."

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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 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 2017 has been published on the Company's website on 15 September 2017.
5. The current financial year comprises 52 trading weeks to 29 July 2018.
6. The next trading update will be issued on 1 November 2017.

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 34th 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 15.5% per annum and free cash flow per share by an average of 16.6%.

Summary accounts for the years ended July 1984 to 2017

Financial year	Revenue	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

Notes

Adjustments to statutory numbers

1. Where appropriate, the earnings per share (EPS), as disclosed in thestatutory 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 theyears 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 4.0% (2016: 3.4%), with total sales of £1,660.8m, an increase of 4.1% (2016: 5.4%). Like-for-like bar sales increased by 3.1% (2016: 3.3%), food sales by 5.7% (2016: 3.5%) and slot/fruit machine sales decreased by 1.2% (2016: decreased by 2.2%). Like-for-like hotel room sales increased by 9.9% (2016: 9.7%) – although they continue to be a small percentage of overall sales.

Operating profit before exceptional items
increased by 17.1% to £128.5m (2016: £109.7m). The operating margin, before exceptional items, increased to 7.7% (2016: 6.9%). The overall performance was helped by improved sales, lower utility and interest costs, and the sale of some lower-margin pubs. These factors helped to counter cost increases in labour of 4.5%, as well as in other areas, including repairs and taxes.

Profit before tax and exceptional items increased
by 27.6% to £102.8m (2016: £80.6m), with a contribution from property profits of £2.8m (2016: £5.3m). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 69.2p (2016: 48.3p). Net interest was covered 4.6 times by operating profit before interest, tax and exceptional items (2016: 3.3 times). Total capital investment was £187.5m in the period (2016: £124.8m), with £46.9m invested in new pubs and extensions to existing pubs (2016: £55.2m), £65.9m on existing pubs and IT infrastructure (2016: £33.5m) and £88.6m on the acquisition of freehold 'reversions', pubs where Wetherspoon was already a tenant (2016: £36.1m). The capital expenditure numbers differ slightly from the cash outflows, owing to changes in working capital.

Exceptional items totalled £20.9m (2016: £5.7m). These included an £18.4m loss on disposal and an impairment charge of £8.4m for closed sites, underperforming pubs and onerous leases. During the year, the company received £0.4m in compensation in respect of a transfer of interest-rate swaps between two financial institutions, which has been treated as an exceptional item.

In addition, there were £5.5m of exceptional tax credits, mainly as a result of a reduction in the UK average corporation tax rate, which has the effect of creating an exceptional tax credit for future years. The total cash effect of these exceptional items resulted in a cash inflow of £12.2m, owing to the proceeds from pub disposals.

Free cash flow, after an outflow of £58.6m on existing pubs (2016: £33.5m), £10.4m in respect of share purchases for employees (2016: £6.9m) and payments of tax and interest, increased by £17.4m to £107.9m (2016: £90.5m). The increase resulted from a working capital inflow of £11.2m in the year compared with an outflow of £9.6m in 2016. Free cash flow per share was 97.0p (2016: 76.7p).

Dividends and return of capital
The board proposes, subject to shareholders' approval, to pay a final dividend of 8.0p per share (2016: 8.0p per share), on 30 November 2017, to those shareholders on the register on 27 October 2017, giving a total dividend for the year of 12.0p per share (2016: 12.0p per share). The dividend is covered 4.2 times (2016: 3.6 times).

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

During the year, 4,656,300 shares (representing 4.1% of the issued share capital) were purchased by the company for cancellation, at a total cost of £43.9m, including stamp duty, representing an average cost per share of 943p.

Over the last 11 years, my shareholding has increased from 21.2% to 31.7%, as a result of the company's share buybacks. As with last year, the company is again considering seeking a rule 9 'whitewash', under UK City Code on Takeover and Mergers, allowing further buybacks.

Financing
As at 30 July 2017, the company's total net debt, including bank borrowings and finance leases, but excluding derivatives, was £696.3m (2016: £650.8m), an increase of £45.5m. Factors which have led to the increase in debt are expenditure on new pubs and extensions of £40.3m, expenditure on existing pubs of £58.6m, the acquisition of freeholds of £88.6m, share buybacks of £28.4m (excluding £15.5m in respect of shares purchased at the end of the financial year and settled post year-end) and dividend payments of £13.4m. Year-end net-debt-to-EBITDA was 3.39 times (2016: 3.47 times).

As at 30 July 2017, the company had £163.9m (2016: £189.6m) of unutilised banking facilities and cash balances, with total facilities of £860.0m (2016: £840.0m). The company's existing interest-rate swap arrangements remain in place.

It is anticipated that interest costs in the current year will be approximately the same as those of last year.

Corporation tax
The overall tax charge (including deferred tax and excluding the one-off benefit of the tax rate change) on profit before exceptional items is 25.1% (2016: 29.4%). This fall is due mainly to a decrease in the deferred tax liability, resulting from accelerated capital allowances on fixed-asset expenditure.

VAT equality
As we have previously stated, we believe that pubs are taxed excessively and that the government would generate more tax 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 between the on and off trade, to the detriment of pubs and restaurants.

Pubs have lost 50% of their beer sales to supermarkets since the 1970s as VAT has climbed from 8% to 20%.

It makes no sense for the government to treat supermarkets 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 create better visibility and control of consumers of alcoholic drinks.

The campaign for tax equality with supermarkets has particular significance for MPs and residents of less affluent areas, since the tax differential is more important there. Where people can less afford to pay the difference in prices between the on and off trade, there are fewer pubs, coffee shops and restaurants, with a corresponding reduction in employment and an increase in high-street dereliction.

The government is actively considering ideas for generating jobs and economic activity, especially in areas outside the affluent south of the country – VAT equality, as the trade organisations BBPA and ALMR have demonstrated, is a very efficient and sensible method of helping to achieve these objectives. Tax equality also accords with the underlying 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 £694.6m, an increase of £22.3m, compared with the previous year, which equates to approximately 41.8% of our sales.

This equates to an average payment per pub of £768,400 per annum or £14,500 per week.

	2017	2016
	£m	£m
VAT	323.4	311.7
Alcohol duty	167.2	164.4
PAYE and NIC	96.2	95.1
Business rates	53.0	50.2
Corporation tax	20.7	19.9
Machine duty	10.5	11.0
Climate change levy	9.7	8.7
Stamp duty	5.1	2.6
Carbon tax	3.4	3.6
Landfill tax	2.5	2.2
Fuel duty	2.1	2.1
Premise licence and TV licences	0.8	0.8
Total tax	694.6	672.3
Pre-exceptional profit after tax	77.0	56.9
Tax per pub (£000)	768.4	705.0
Tax as % of sales	41.8%	42.1%
Profit after tax as % of sales	4.6%	3.6%

Corporate governance
Last year, this statement contained a summary of criticisms of corporate governance guidelines. Similar views have been expressed in Wetherspoon's annual reports for several years and there have been almost no objections or dissent from shareholders, or other interested parties.

As it stands today, one danger of these faulty guidelines is that many quoted businesses have no board directors who were present in the company during the last financial crisis – an undesirable and dangerous state of affairs.

'It's a people thing'
As in previous years, the company has tried to improve as many areas of the business as possible, on a week-to-week basis, invariably in mundane areas of our operations. This concentration on the 'nuts and bolts' is far more important than issues such as 'strategy', with which most boards are preoccupied. Frequent calls on pubs by senior executives, the encouragement of ideas and criticisms from pub staff and customers, and the involvement of pub and area managers, among others, in weekly decisions, are the keys to success. An example of the success of this approach is that we have 818 pubs rated on the Food Standards Agency's website. The average score is 4.89, with 91.8% of the pubs achieving a top rating of five and 6.2% receiving a rating of four. 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 66 pubs have passed.We continue to emphasise the importance of training. For some years, we have run a three-week catering academy for kitchen managers, with 1,371 people having completed these courses. We have recently started a similar academy for cellar and coffee training, so that we can improve quality in these areas.

We paid £43.7m to employees in the year in respect of bonuses and free shares, an increase of £10.7m compared with the previous year, of which 96% was paid to staff below board level and 74% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2017) for the 14th consecutive year. The Top Employers Institute said:

"Our comprehensive independent research revealed that 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."

In the field of charity, thanks to the generosity and work of our dedicated 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 £1.8m, bringing the total raised to over £14m – more than any other corporate partner has raised for this charity.

Property
The company opened 10 pubs during the year, with 41 closed, resulting in a trading estate of 895 pubs at the financial year end. The average development cost for a new pub (excluding the cost of freeholds) was £2.3m, compared with £2.5m a year ago. The full-year depreciation charge was £73.9m (2016: £72.2m). We currently intend to open about 10–15 pubs in the year ending July 2018.

We have sold, or terminated the leases of, 76 pubs, in the last 2 years, at a loss of approximately £45m, including previously reported impairments. Some mistakes are inevitable in site selection, but we hope to learn from these experiences, in order to try to avoid similar mistakes in the future.

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
Most 'PLCs' are expected to comment, in their results' statements, on the UK's prospects outside of the EU and on the likely impact on their individual companies.

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Tim Martin
Chairman
14 September 2017

Appendix 1 – Tim's Viewpoint, Wetherspoon News, Autumn 2017

"Democracy is the key to prosperity and freedom

Do economists at the CBI, The Times and the FT model themselves on Edmund Blackadder, asks Tim Martin

In the last edition of Wetherspoon News, I quoted Cambridge professor Simon Baron-Cohen, who correctly said that "each example of the erosion of democracy leads to an even greater erosion of human rights".

Like the great majority of Oxbridge graduates – albeit with many notable exceptions – the professor is an ardent EU supporter, even so. He appears, subconsciously, to exempt the undemocratic EU from criticism. I also quoted Financial Times journalist Edward Luce, who criticised the last two American presidents for failing to support the 'democracy promoting creed' in their conduct of foreign relations.

Unelected
Yet the Financial Times fails to apply the same criteria to the EU, with its unelected presidents, its court which is not subject to democratic control and its pseudoparliament, whose MPs cannot even initiate legislation. In a previous edition of Wetherspoon News, we quoted in full a Financial Times article by Peter Mandelson, which appeared shortly after the referendum. The article explained that Mandelson, Cameron and Osborne, the architects of the Remain campaign, Oxbridge graduates all, decided not to deal directly with questions about issues such as the absence of democracy in the EU. Instead, when asked, they decided to avoid the question by 'pivoting' to the economy, with support from discredited organisations such as the IMF, the OECD, the Treasury and their ilk. This blindness to, or evasion of, the EU's evident democratic shortfalls recalled the strange events of Britain's debate about the euro 15 years or so ago.

Overwhelming
Then, the Financial Times the CBI, most boardrooms, the majority of MPs, Blair, Mandelson, Heseltine, Clarke and the overwhelming majority of economists, supported the UK's euro application with religious fervour, even though its predecessor, the Exchange Rate Mechanism, had caused economic mayhem only a few years before. The same paradox was evident then. The most highly educated lent support to a currency which lacked a basic ingredient: a government. The new currency could only work by transferring normal democratic powers over interest rates, budgets and taxation to unelected bureaucrats. Or perhaps autocrats is a better word. Charlie Munger, a partner of the world's greatest investor, Warren Buffet, may have an answer. Munger's view, which explains the often idiotic behaviour of financial markets, is that intelligent people suffer from extremely poor judgement when they become ideological, whether through religion or other deep beliefs. And, for some people, the EU is a semi-religious project. Gillian Tett, a Financial Times journalist, reached a similar conclusion in trying to assess why so many in the tightknit circle of business, media and academia got it so badly wrong over the euro. 'Groupthink' was her explanation, which is perhaps not too different from Munger's analysis.

Referendum
Leaving aside these theories, the fact is that the UK voted to leave the EU in the referendum, article 50 was triggered by an overwhelming majority of MPs and 85 per cent of MPs were recently elected on the basis of manifestos which accepted the referendum result. However, the gloom and disruption of the diehard Remainers in the media, parliament and boardrooms have reached epidemic proportions. The CBI, representing big British business, is one of the worst offenders. Its boss, Carolyn 'we're all doomed' Fairbairn, set the tone with her Blackadder-style warning, before the referendum, that "a dark cloud of uncertainty is looming over global growth … particularly around the outcome of the EU referendum". Closet Remainer David Smith of the Sunday Times is not to be outdone in apocalyptic prose: "Slower growth has been staring us in the face since sterling's post-referendum plunge guaranteed a squeeze on household real incomes and a cloud of renewed uncertainty descended on business." Well, David, it hasn't descended on our business, nor on most businesses, from what I can tell.

Economy
Since the referendum, the economy has generated a stunning 300,000 new jobs, employment is at its highest ever level, the stock market has risen by around 20 per cent and household incomes, as at the end of the first quarter of this year, were at a record high. The Financial Times is the epicentre of gloom. The first sentence of a July editorial reads: "The uncertainty surrounding Brexit means the UK economy is set on a journey with no compass." Surely, this was written by Edmund Blackadder. If the editor of the FT is Blackadder, Baldrick is the FT's economist Martin Wolf, who darkly prophesied that "Britain is incapable of managing Brexit and calamity will follow". Not to be outdone, the Remain- supporting Times is full of predictions of doom and despair. The doyen of doomsters is Matthew Parris, a former conservative MP. In a bleak and doom-laden article on his return from holidays, he said: "I left Spain feeling ashamed to be British. I returned to England ashamed to be a conservative." Stroll on, Matthew. Take it easy, old chap. The sun will still rise in the east tomorrow morning. Perhaps the most comic aspect of gloomy media reports on Brexit negotiations is the constant reference to 'cliff-edges'. A recent edition of the FT had more examples of cliff-edges than the Cornish coastal path.

Phenomena
Similar phenomena occurred during the battle to save the country from the euro. In almost every debate I had during that period, euro proponents said "the euro train is leaving the station and the UK is not on it" or intoned similar metaphors. When critics start talking of cliff-edges and compasses, it usually means that rational arguments are running short. The most melodramatic recent requests have come from business organisations like the CBI and the Institute of Directors. They want the government to clarify and publish its objectives in the current EU negotiations. The obvious problem with this approach is that manifesting a clear desire for a particular outcome will result in the EU upping the price – or vetoing the proposal. Necessity never made a good bargain, as Benjamin Franklin said. People like Carolyn Fairbairn, and the majority of economists, who insist on a 'deal' are, in effect, sabotaging the UK's negotiating position. As Mervyn King, the former governor of the Bank of England, has recently pointed out: "If you're going to have any success in this negotiation, you need to have a fallback position which the other side understands and thinks is credible. It's not the first choice, but we have to have an option, otherwise the other side won't listen. This ought to be something people can agree on… whether they voted for Brexit or not." Mr King understands that the government needs to be able to say: "We're happy to agree a free trade deal, if the European negotiators are agreeable, but we are more than happy to trade using World Trade Organisation rules, if we can't agree."

Successfully
That's the basis on which we trade successfully with 93 per cent of the world which is not in the EU. Our most successful engineer, James Dyson, adopts a similar approach to Mervyn King's and states that relying on WTO rules would be "no big deal". In any event, as we did in the pre-referendum edition of Wetherspoon News, we have included a section from pages 50 to

58 with four articles from optimistic Brexiteers and four from gloomy Remainers. Once you've digested their views, you can make up your own mind as to how we'll do. I think democracy is the key to prosperity and freedom, and a lot of the other points which have been made are hogwash. But you can decide. Indeed, in a democracy, you WILL decide."

Tim Martin

Appendix 2 – Cambridge University professor, Robert Tombs, Writing in The Spectator, says:

"The myth of Britain's decline

Our glory days are not over – they're in full swing

On the anniversary of Britain voting to leave the European Union, the Principal of Hertford College, Oxford, found some words to sum it up. 'An entire society crucified by the delusional ambitions of Brexiteers chasing moonshine,' wrote Will Hutton. 'An anniversary to mourn.' One might agree or disagree with his position on the European Union, but has British society really committed suicide? It's a theme we have heard rather a lot recently: that Britain is a mess, an international laughing stock, leader-less and futureless. The case is normally made by Brits.

Rapid shocks – terrorism, the surprising election result, the Grenfell Tower disaster – have inspired forebodings just as the Brexit negotiations are beginning. This is not just the cry of shell-shocked Tories or traumatised Remainers; it goes deeper. We're seeing the revival of an old and familiar malady: declinism', a periodic fear that the nation has declined and is declining from some earlier time of strength, cohesion and success. Declinism is a syndrome: it assumes a combination of moral, political and economic failures. Britain suffered a bout of it in the 1880s when German competition in manufactured goods was first felt. It came back in the 1960s and 1970s, coloured by economic worries, rapid decolonisation and a perception of dwindling power and influence in every field.

Today, it has re-emerged as a core anti-Brexit sentiment. With a familiar mixture of despair (from the right) and glee (from the left), we are being told that we must eschew 'nostalgia' and 'post-imperial delusions', and 'wake up to reality' as 'a small offshore island', while the big strong powers of the European Union put us in our place, leaving us a stark choice between accepting the terms they dictate or facing economic and political disaster. Some germ of declinism has been bred into all of us. Who would deny that Britain is no longer the great power it once was? Well, speaking as a historian, I would. Declinism is at best a distortion of reality, and mostly mere illusion. But so important is it in shaping our view of ourselves and our relations with the world that it demands sceptical scrutiny. It rests, above all, on two assumptions. First, that we have long been failing economically. Second, that we have suffered a loss of sheer power and hence influence in the world.

In the context of the Brexit debate, the conclusions are that the EU, 'our largest market', is our economic crutch; and that outside the EU club our feeble power and influence will dwindle to insignificance. We will be comparable, declinists scoff, to Albania or North Korea.

The belief in economic decline is a mixture of illusion and misunderstanding. Britain has been relatively wealthy at least since the Middle Ages, and industrial pioneers gave us a temporary dominance in manufacturing during the mid 19th century. This was a brief and unique episode. Naturally, other countries adopted British technology – helped by British capital and expertise – and began to catch up. This was desirable, as well as natural, because it provided richer markets for British goods and services and valuable investment opportunities for British savers.

Since the 1880s, pessimists have always tended to compare British economic performance at any moment with those most rapidly catching up. When postwar European integration began in the 1950s, Italy, France and Germany were the most spectacular catchers-up, recovering from their wartime devastation and shifting their large and relatively unproductive agricultural sectors into industry. This gave temporary 'windfall growth' that Britain could not equal, having no large agricultural sector to modernise. But an uncritical comparison of growth rates was mistaken for evidence of British economic failure. As early as 1953, an official report warned of 'relegation of the UK to the second division'. This was the prime cause of our desperate pleas to join the Common Market in the 1960s and 1970s: Britain was 'the sinking Titanic', as one of Edward Heath's advisors put it, and Europe the lifeboat.

Ironically, just as Britain joined in the early 1970s, European catching-up ended, and so did its seemingly superior economic prowess. In short, Britain's long-term economic decline in relation to Europe never happened. Supporters of the EU nevertheless still maintain that membership rescued the British economy in the 1970s and remains vital to shoring it up today.

In fact, British economic performance was never significantly affected by EU membership. Growth did not increase after joining the Common Market, essentially because trade was diverted from other markets to Europe just as Europe's own postwar growth went into long-term deceleration. Despite the hopes and political efforts expended on creating the single market (not least by Margaret Thatcher), it has not proved very successful in increasing internal EU trade, and has never been fully extended into services, Britain's main strength. Due to both the greater dynamism of global markets and the problems of the EU itself, Britain's trade with Europe has been declining sharply in importance for two decades. This was predicted to continue even if Britain had stayed in the EU. The recent overdue depreciation of an overvalued pound will provide some stimulus to our exports both inside and outside Europe, whatever the nature of the post-Brexit deal, and would more than compensate for possible tariffs.

Over the long term, membership (or not) of the EU has made no discernible difference to our economic performance. Britain's increase in prosperity (growth in per capita GDP using purchasing power parity) has almost exactly kept pace with that of the United States ever since 1945, whether outside or inside 'Europe'. The belief that leaving the EU must mean long-term economic decline therefore has no rational basis, just as the economic reports predicting that a vote for Brexit would mean immediate financial misery had no rational basis either.

The second element of declinism concerns the loss of sheer power and importance in the world. This seems as obvious to the stoutest Tory as to the most mocking Guardianista. After all, Churchill himself was haunted by it. Yet this too is largely, if not wholly, an illusion based on comparing a pessimistic view of our current state (whenever that might be – probably any time since the 1890s) with a highly inflated view of past power: usually the High Victorian age, or else round about the time of the battle of El Alamein.

The story of Britain being on a long slide to irrelevance always revolves round decolonisation. It's quite true that the British empire is 'one with Nineveh and Tyre' – but so are all the other empires. No state has replaced Britain as the great global imperial power: empires are no longer possible or desirable, as Britain realised in the 1960s. Though a source of prestige (and of constant trouble – 'a millstone round our necks,' said Disraeli), it's doubtful whether the empire was a source of wealth or power to Britain. Overall, it cost more than it brought in, especially after Britain turned to universal free trade in the 1840s, and colonies ceased to be an exclusive economic domain.

The empire's power was used up in defending itself: it was, as one historian aptly puts it, 'a brontosaurus with huge, vulnerable limbs which the central nervous system had little capacity to protect, direct or control.' Throughout its imperial heyday, Britain had naval power, but on land was no match for Europe's great powers or even its smaller ones. It was constantly worried by threats from France, Russia, Germany and even the USA to its economy, its empire and its home islands.

What of today? Britain is more secure from major external threat than for half a millennium. Taking a long view (say the last three centuries) it remains what it always has been – one of the half-dozen or so strongest states in the world, and one of the most global in its attachments, its vision, and its trade. Within this leading group of states, Britain has not declined but has actually advanced, being now more powerful than its ancient rivals France, Germany and Russia. The Cambridge international relations specialist Brendan Simms puts Britain even higher. Taking into account economic and military potential, population, 'soft power', diplomatic influence, political resilience and self-determination, he judges it the world's third great power after the USA and China, and Europe's only truly independent force.

Power is also based on intangibles such as self-confidence, a clear strategy and determination, and here we may be lacking. Russia, with an economy the same size as Spain's, behaves like a superpower in the Middle East and is treated as one. But we fear we cannot even negotiate a mutually beneficial trade agreement with the EU. At least as much as by age and education, our attitudes seem to be determined by the division between confidence and self-doubt.

Declinism has always been a form of insularity, obsessed with Britain's failings, but ignorant of those elsewhere. Today, unemployment is lower here than among most of our neighbours. Crime is falling. Schools are improving. We have evident problems too. But to see only weaknesses, and to diagnose them as part of a syndrome of decline, is to cling to a distorted view of the world and of our place within it. At worst, this undermines our position, and risks bringing about the very outcome it fears.

Brexit was a vote of confidence in our ability to shape our future as an independent democratic nation – a choice that few of our European neighbours feel they still have. We should not allow declinist panics to confuse the outcome."

Robert Tombs, Cambridge University professor
The Spectator 8 July 2017

INCOME STATEMENT for the 53 weeks ended 30 July 2017

J D Wetherspoon plc, company number: 1709784

	Notes	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	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000
Revenue	1	1,660,750	–	1,660,750	1,595,197	–	1,595,197
Operating costs		(1,532,242)	–	(1,532,242)	(1,485,470)	–	(1,485,470)
Operating profit	**2**	**128,508**	**–**	**128,508**	**109,727**	**–**	**109,727**
Property gains/(losses)	3	2,807	(26,868)	(24,061)	5,335	(14,561)	(9,226)
Finance income	6	72	402	474	116	–	116
Finance costs	6	(28,557)	–	(28,557)	(34,568)	–	(34,568)
Profit before tax		**102,830**	**(26,466)**	**76,364**	**80,610**	**(14,561)**	**66,049**
Income tax expense	7	(25,846)	5,541	(20,305)	(23,689)	8,846	(14,843)
Profit for the year		**76,984**	**(20,925)**	**56,059**	**56,921**	**(5,715)**	**51,206**
Earnings per share (p)							
– Basic1	8	70.8	(19.3)	51.5	49.5	(5.0)	44.5
– Diluted2	8	69.2	(18.8)	50.4	48.3	(4.9)	43.4
Operating profit per share (p)							
– Diluted2	8	115.5	–	115.5	93.1	–	93.1

STATEMENT OF COMPRAHENSIVE INCOME for the 53 weeks ended 30 July 2017

	Notes	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: gain/(loss) taken to other comprehensive income		24,581	(23,504)
Tax on items taken directly to other comprehensive income	7	(4,814)	3,432
Currency translation differences		2,104	4,265
Net gain/(loss) recognised directly in other comprehensive income		21,871	(15,807)
Profit for the year		56,059	51,206
Total comprehensive income for the year		77,930	35,399

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

CASH FLOW STATEMENT for the 53 weeks ended 30 July 2017

J D Wetherspoon plc, company number: 1709784

	Notes	53 weeks ended 30 July 2017 £000	Free cash flow1 53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000	Free cash flow1 52 weeks ended 24 July 2016 £000
Cash flows from operating activities					
Cash generated from operations	9	224,403	224,403	181,836	181,836
Interest received		57	57	136	136
Net exceptional finance income		402		–	
Interest paid		(26,834)	(26,834)	(31,182)	(31,182)
Corporation tax paid		(20,683)	(20,683)	(19,917)	(19,917)
Net cash inflow from operating activities		**177,345**	**176,943**	**130,873**	**130,873**
Cash flows from investing activities					
Purchase of property, plant and equipment		(45,056)	(45,056)	(28,407)	(28,407)
Purchase of intangible assets		(13,502)	(13,502)	(5,104)	(5,104)
Investment in new pubs and pub extensions		(40,285)		(54,118)	
Freehold reversions		(88,603)		(36,083)	
Purchase of lease premiums		-		(1,091)	
Proceeds of sale of property, plant and equipment		19,620		22,520	
Net cash outflow from investing activities		**(167,826)**	**(58,558)**	**(102,283)**	**(33,511)**
Cash flows from financing activities					
Equity dividends paid	11	(13,352)		(14,190)	
Purchase of own shares for cancellation		(28,445)		(53,580)	
Purchase of own shares for share-based payments		(10,449)	(10,449)	(6,877)	(6,877)
Advances under bank loans	10	47,236		10,314	
Finance lease principal payments		–		(2,051)	
Net cash inflow/(outflow) from financing activities		**(5,010)**	**(10,449)**	**(66,384)**	**(6,877)**
Net change in cash and cash equivalents	10	4,509		(37,794)	
Opening cash and cash equivalents		46,135		83,929	
Closing cash and cash equivalents		**50,644**		**46,135**	
Free cash flow	**8**		**107,936**		**90,485**
Free cash flow per ordinary share	**8**		**97.0p**		**76.7p**

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

BALANCE SHEET as at 30 July 2017

J D Wetherspoon plc, company number: 1709784

	Notes	30 July 2017 £000	24 July 2016 £000
Assets			
Non-current assets			
Property, plant and equipment	12	1,282,633	1,188,512
Intangible assets	13	29,691	27,051
Investment property	14	7,550	7,605
Other non-current assets	15	8,272	9,725
Derivative financial instruments		11,380	–
Deferred tax assets	7	6,612	11,426
Total non-current assets		**1,346,138**	**1,244,319**
Assets held for sale		**1,524**	**950**
Current assets			
Inventories		21,575	19,168
Receivables		21,029	27,616
Cash and cash equivalents		50,644	46,135
Total current assets		93,248	92,919
Total assets		**1,440,910**	**1,338,188**
Liabilities			
Current liabilities			
Borrowings		(17,461)	(112)
Derivative financial instruments		–	(79)
Trade and other payables		(313,525)	(266,523)
Current income tax liabilities		(12,159)	(8,247)
Provisions		(5,175)	(4,463)
Total current liabilities		**(348,320)**	**(279,424)**
Non-current liabilities			
Borrowings		(729,487)	(696,783)
Derivative financial instruments		(50,276)	(63,398)
Deferred tax liabilities	7	(69,731)	(74,441)
Provisions		(1,890)	(3,387)
Other liabilities		(12,383)	(13,307)
Total non-current liabilities		**(863,767)**	**(851,316)**
Net assets		**228,823**	**207,448**
Equity			
Share capital		2,180	2,273
Share premium account		143,294	143,294
Capital redemption reserve		2,251	2,158
Hedging reserve		(32,284)	(52,051)
Currency translation reserve		4,899	2,340
Retained earnings		108,483	109,434
Total equity		**228,823**	**207,448**

The financial statements approved by the board of directors and authorised for issue on 14 September 2017, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital	Share premium account	Capital redemption reserve	Hedging reserve	Currency translation reserve	Retained earnings	Total
		£000	£000	£000	£000	£000	£000	£000
At 26 July 2015		**2,387**	**143,294**	**2,044**	**(31,979)**	**(2,182)**	**109,329**	**222,893**
Total comprehensive income					(20,072)	4,522	50,949	35,399
Profit for the year							51,206	51,206
Interest-rate swaps: cash flow hedges					(23,504)			(23,504)
Tax taken directly to comprehensive income	7				3,432			3,432
Currency translation differences						4,522	(257)	4,265
Purchase of own shares for cancellation		(114)		114			(39,393)	(39,393)
Share-based payment charges							9,556	9,556
Tax on share-based payments							60	60
Purchase of own shares for share-based payments							(6,877)	(6,877)
Dividends	11						(14,190)	(14,190)
At 24 July 2016		**2,273**	**143,294**	**2,158**	**(52,051)**	**2,340**	**109,434**	**207,448**
Total comprehensive income					19,767	2,559	55,604	77,930
Profit for the year							56,059	56,059
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							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**	**108,483**	**228,823**

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

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

Shares acquired in relation to the employee Share Incentive Plan and the Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 30 July 2017, the number of shares held in trust was 2,458,000 (2016: 2,485,848), with a nominal value of £49,160 (2016: £49,717) and a market value of £25,071,600 (2016: £20,035,935) and are included in retained earnings.

During the year, 4,656,300 shares were repurchased by the company for cancellation, representing approximately 4.1% of the issued share capital, at a cost of £43.9m, including stamp duty, representing an average cost per share of 943p. At the year end, the company had a liability for share purchases of £15.5m, which will be settled during the current year, ended 29 July 2018.

Hedging gain/loss arises from the movement of fair value in the company's financial derivative instruments, in line with the accounting policy.

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 30 July 2017, the company had distributable reserves of £76.2m (2016: £57.4m).

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Sales of food, beverages, hotel rooms and machine income	1,660,750	1,595,197

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Concession rental payments	24,784	21,971
Minimum operating lease payments	44,828	51,260
Repairs and maintenance	66,219	54,924
Net rent receivable	(1,422)	(1,496)
Share-based payments (note 5)	10,711	9,556
Depreciation of property, plant and equipment (note 12)	66,483	65,297
Amortisation of intangible assets (note 13)	6,931	5,949
Depreciation of investment properties (note 14)	55	62
Amortisation of other non-current assets (note 15)	400	904

Auditors' remuneration	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Fees payable for the audit of the financial statements	197	186
Fees payable for other services:		
– assurance services	32	31
Total auditors' fees	229	217

Analysis of continuing operations	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Revenue	1,660,750	1,595,197
Cost of sales	(1,470,273)	(1,432,400)
Gross profit	190,477	162,797
Administration costs	(61,969)	(53,070)
Operating profit after exceptional items	128,508	109,727

Included within cost of sales is £597.8m (2016: £596.3m) related to cost of inventory recognised as expense.

3. Property (gains)/losses

	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	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000
Disposal of fixed assets	(615)	15,099	14,484	(4,866)	7,328	2,462
Additional costs of disposal	25	3,262	3,287	63	1,149	1,212
Impairment of property, plant and equipment	–	7,607	7,607	–	4,809	4,809
Impairment of intangible assets	–	–	–	–	239	239
Impairment of other assets	–	180	180	–	491	491
Onerous lease provision	–	720	720	–	545	545
Other property gains	(2,217)	–	(2,217)	(532)	–	(532)
Total property (gains)/losses	(2,807)	26,868	24,061	(5,335)	14,561	9,226

4. Exceptional items

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	18,361	8,477
Impairment property plant and equipment	5,943	2,885
Impairment of other non-current assets	141	491
Onerous lease reversal	(1,319)	(427)
Onerous lease provision	1,659	944
	24,785	12,370
Other property losses		
Impairment of property, plant and equipment	1,664	1,924
Impairment of other non-current assets	39	–
Impairment of intangible assets	–	239
Onerous lease reversal	(696)	(949)
Onerous lease provision	1,076	977
	2,083	2,191
Total exceptional property losses	26,868	14,561
Other exceptional items		
Net exceptional finance income	(402)	–
	(402)	–
Total pre-tax exceptional items	26,466	14,561
Exceptional tax		
Exceptional tax items – deferred tax (note 7)	(4,155)	(8,363)
Tax effect on exceptional items	(1,386)	(483)
Total exceptional tax	(5,541)	(8,846)
Total exceptional items	20,925	5,715

Disposal programme
The company has offered several of its sites for sale. At the year end, 45 (2016: 29) sites had been sold, including sites which were closed in the previous year, five were classified as held for sale and an additional three (2016: nine) sites have been closed and remain unsold 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.

An impairment of £6,084,000 has been recognised for pubs which have been closed or were in the process of being closed at the year end.

The 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 the 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 £1,703,000 (2016: £2,163,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £2,530,000 (2016: £2,513,000), offset by impairment reversals of £827,000 (2016: £350,000).

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, £380,000 (2016: £28,000) was charged net in respect of onerous leases.

All exceptional items listed above generated a net cash inflow of £12,214,000 (2016: inflow of £13,959,000).

Exceptional finance income
During the year, the company transferred two of its interest-rate swaps to other banks. Transferring the swaps has not changed, in any way, the terms, conditions or future cash flows of the swaps. The bank which originally issued the swaps paid the company £402,000 compensation for agreeing to the transfer.

5. Employee benefits expenses

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Wages and salaries	475,420	454,955
Social Security costs	31,211	27,766
Other pension costs	3,696	3,718
Share-based payments	10,711	9,556
	521,038	495,995

Directors' emoluments	2017 £000	2016 £000
Aggregate emoluments	2,128	1,651
Aggregate amount receivable under long-term incentive schemes	1,387	393
Company contributions to money purchase pension scheme	155	80
	3,670	2,124

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).

	2017 Number	2016 Number
Full-time equivalents		
Managerial/administration	3,880	4,274
Hourly paid staff	18,900	18,774
	22,780	23,048

	2017 Number	2016 Number
Total employees		
Managerial/administration	4,309	4,719
Hourly paid staff	32,241	31,959
	36,550	36,678

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	53 weeks ended 30 July 2017	52 weeks ended 24 July 2016
Shares awarded during the year (shares)	1,550,377	2,099,842
Average price of shares awarded (pence)	935.91	708.40
Market value of shares vested during the year (£000)	9,696	10,731
Total liability of the share based payments schemes (£000)	14,540	12,582

6. Finance income and costs

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Finance costs		
Interest payable on bank loans and overdrafts	17,273	18,893
Amortisation of bank loan issue costs	2,817	3,595
Interest payable on swaps	8,450	12,039
Interest payable on other loans	17	41
Total finance costs	28,557	34,568
Bank interest receivable	(72)	(116)
Total finance income	(72)	(116)
Net finance costs before exceptionals	28,485	34,452
Exceptional bank interest receivable	(402)	–
Net finance costs after exceptionals	28,083	34,452

The net finance costs during the year decreased from £34.5m to £28.1m. The finance costs in the income statement were covered 4.6 times (2016: 3.3 times) by earnings before interest and tax, before exceptional items.

7. Income tax expense

Tax on profit on ordinary activities

The standard rate of corporation tax in the UK is 19.67%. The company's profits for the accounting period are taxed at an effective rate of 19.67% (2016: 20%).

	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	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000
Taken through income statement						
Current income tax:						
Current income tax charge	24,837	161	24,998	19,382	(75)	19,307
Previous period adjustment	(246)	–	(246)	(1,035)	–	(1,035)
Total current income tax	24,591	161	24,752	18,347	(75)	18,272
Deferred tax:						
Temporary differences	1,103	(1,547)	(444)	4,205	(408)	3,797
Previous period adjustment	152	–	152	1,137	–	1,137
Impact of change in UK tax rate	–	(4,155)	(4,155)	–	(8,363)	(8,363)
Total deferred tax	1,255	(5,702)	(4,447)	5,342	(8,771)	(3,429)
Tax charge/(credit)	25,846	(5,541)	20,305	23,689	(8,846)	14,843

	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	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000
Taken through equity						
Tax on share-based payments						
Current tax	(159)	–	(159)	(159)	–	(159)
Deferred tax	(263)	–	(263)	99	–	99
Tax credit	(422)	–	(422)	(60)	–	(60)

	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	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	4,835	–	4,835	(4,701)	–	(4,701)
Impact of change in UK tax rate	(21)	–	(21)	1,269	–	1,269
Tax charge/(credit)	4,814	–	4,814	(3,432)	–	(3,432)

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The tax expense after exceptional items in the income statement for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.67% (2016: 20%), owing largely to less expenditure qualifying for capital allowances. On 6 September 2016, the UK corporate tax rate of 17% for 1 April 2020 onwards was substantively enacted. As a result, the deferred tax liability (which predominantly unwinds in periods on or after 1 April 2020) has been remeasured from 18% to 17%. This has resulted in a one-off credit of £4.2m. The differences are reconciled below:

	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 After exceptional items £000	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 After exceptional items £000
Profit before tax	102,830	76,364	80,610	66,049
Profit multiplied by the UK standard rate of corporation tax of 19.67% (2016: 20%)	20,227	15,021	16,122	13,210
Abortive acquisition costs and disposals	228	228	123	123
Other disallowables	1,004	2,520	215	1,197
Other allowable deductions	(83)	(83)	(112)	(112)
Capital gains - effects of reliefs	252	102		
Non-qualifying depreciation	4,302	6,737	6,081	7,528
Deduction for shares and SIPs	(156)	(137)	470	470
Remeasurement of other balance sheet items	(188)	(188)	–	–
Unrecognised losses in overseas companies	354	354	688	688
Adjustment in respect of change in tax rate – current year	–	(4,155)	–	(8,363)
Previous year adjustment – current tax	(246)	(246)	(1,035)	(1,035)
Previous year adjustment – deferred tax	152	152	1,137	1,137
Total tax expense reported in the income statement	25,846	20,305	23,689	14,843

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Act 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. The Finance Act 2016 reduced the rate further 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. The effect of these changes is to reduce the net deferred tax liability by £4.2m.

Deferred tax liabilities	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 24 July 2016	73,957	3,281	77,238
Previous year movement posted to the income statement	515	(253)	262
Movement during year posted to the income statement	(48)	858	810
Impact of tax rate change posted to the income statement	(4,131)	(285)	(4,416)
At 30 July 2017	70,293	3,601	73,894

Deferred tax assets	Share based payments £000	Capital losses carried forward £000	Interest-rate swaps £000	Total £000
At 24 July 2016	1,137	1,660	11,426	14,223
Previous year movement posted to the income statement	–	110	–	110
Movement during year posted to the income statement	57	1,197	–	1,254
Impact of tax rate change posted to income statement	–	(261)	–	(261)
Movement during year posted to comprehensive income	–	–	(4,835)	(4,835)
Impact of tax rate change posted to comprehensive income	–	–	21	21
Movement during year posted to equity	263	–	–	263
At 30 July 2017	1,457	2,706	6,612	10,775

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2017	2016
	£000	£000
Deferred tax liabilities	73,894	77,238
Offset against deferred tax assets	(4,163)	(2,797)
Deferred tax liabilities	69,731	74,441
Deferred tax assets	10,775	14,223
Offset against deferred tax liabilities	(4,163)	(2,797)
Deferred tax asset	6,612	11,426

As at 30 July 2017, there are potential deferred tax assets of £0.9m (2016: £0.7m); these are not being recognised, owing to insufficient certainty of recovery. This comprises a deferred tax asset of £1.0m, relating to losses (2016: £0.8m), less a deferred tax liability of £0.1m, relating to accelerated capital allowances (2016: £0.1m).

A deferred tax asset has been recognised in respect of the capital losses, as the company considers it more likely than not that profits will arise in the future which are capable of being relieved by the capital losses

8. Earnings and free cash flow per share

Earnings per share are based on the weighted average number of shares in issue of 111,293,971 (2016: 117,898,893), 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	53 weeks ended 30 July 2017	52 weeks ended 24 July 2016
Shares in issue (used for diluted EPS)	111,293,971	117,898,893
Shares held in trust	(2,500,717)	(2,854,697)
Shares in issue less shares held in trust	108,793,254	115,044,196

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.

Earnings per share

53 weeks ended 30 July 2017	Profit	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
	£000		
Earnings (profit after tax)	56,059	51.5	50.4
Exclude effect of exceptional items after tax	20,925	19.3	18.8
Earnings before exceptional items	76,984	70.8	69.2
Exclude effect of property gains/(losses)	(2,807)	(2.6)	(2.6)
Underlying earnings before exceptional items	74,177	68.2	66.6

52 weeks ended 24 July 2016	Profit	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
	£000		
Earnings (profit after tax)	51,206	44.5	43.4
Exclude effect of exceptional items after tax	5,715	5.0	4.9
Earnings before exceptional items	56,921	49.5	48.3
Exclude effect of property gains/(losses)	(5,335)	(4.7)	(4.5)
Underlying earnings before exceptional items	51,586	44.8	43.8

The diluted earnings per share before exceptional items have increased by 43.3% (2016: 2.8%).

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

Owners' earnings per share

Owners' earnings measure the earning 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 current tax charge.

53 weeks ended 30 July 2017	Owner's Earnings £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
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 reinvestment in current properties (see below)	(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

52 weeks ended 24 July 2016	Owner's Earnings £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Profit before tax and exceptional items (income statement)	80,610	70.1	68.4
Exclude depreciation and amortisation (note 2)	72,212	62.8	61.2
Less reinvestment in current properties (see below)	(33,511)	(29.1)	(28.4)
Exclude property gains and losses (note 3)	(5,335)	(4.8)	(4.6)
Less cash tax (note 7)	(19,382)	(16.8)	(16.4)
Owners' earnings	94,594	82.2	80.2

The diluted owners' earnings per share decreased by 6.9% (2016: increased by 20.9%).

Analysis of additions by type	53 weeks ended 30 July 2017	52 weeks ended 24 July 2016
Reinvestment in existing pubs	65,912	33,511
Investment in new pubs and pub extensions	46,894	60,611
Freehold reversions	95,326	36,083
	208,132	130,205

Analysis of additions by category	53 weeks ended 30 July 2017	52 weeks ended 24 July 2016
Property, plant and equipment (note 12)	198,556	125,872
Intangible assets (note 13)	9,576	3,243
Other non-current assets (note 15)	–	1,090
	208,132	130,205

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

Operating profit per share

	Operating profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
53 weeks ended 30 July 2017	128,508	118.1	115.5
52 weeks ended 24 July 2016	109,727	95.4	93.1

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 pence per ordinary share	Diluted free cash flow pence per ordinary share
53 weeks ended 30 July 2017	107,936	99.2	97.0
52 weeks ended 24 July 2016	90,485	78.7	76.7

9. Cash generated from operations

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Profit for the year	56,059	51,206
Adjusted for:		
Tax (note 7)	20,305	14,843
Share-based payments (note 2)	10,711	9,556
Loss on disposal of property, plant and equipment (note 3)	14,484	2,462
Net impairment charge (note 3)	7,787	5,539
Interest receivable (note 6)	(72)	(116)
Amortisation of bank loan issue costs (note 6)	2,817	3,595
Interest payable (note 6)	25,740	30,973
Depreciation of property, plant and equipment (note 12)	66,483	65,297
Amortisation of intangible assets (note 13)	6,931	5,949
Depreciation on investment properties (note 14)	55	62
Amortisation of other non-current assets (note 15)	400	904
Net onerous lease provision	720	545
Aborted properties costs	1,157	614
Net exceptional finance income (note 4)	(402)	–
	213,175	191,429
Change in inventories	(2,407)	283
Change in receivables	4,980	954
Change in payables	8,655	(10,830)
Cash flow from operating activities	224,403	181,836

10. Analysis of change in net debt

	24 July 2016 £000	Cash flows £000	Non-cash movement £000	30 July 2017 £000
Borrowings				
Cash in hand	46,135	4,509	–	50,644
Bank loans – due before one year	–	(17,347)	–	(17,347)
Other loans	(112)	110	(112)	(114)
Current net borrowings	46,023	(12,728)	(112)	33,183
Bank loans – due after one year	(696,581)	(29,999)	(2,817)	(729,397)
Other loans	(202)	–	112	(90)
Non-current net borrowings	(696,783)	(29,999)	(2,705)	(729,487)
Net debt	(650,760)	(42,727)	(2,817)	(696,304)
Derivatives				
Interest-rate swaps asset – due after one year	–	–	11,380	11,380
Interest-rate swaps liability – due before one year	(79)	–	79	–
Interest-rate swaps liability – due after one year	(63,398)	–	13,122	(50,276)
Total derivatives	(63,477)	–	24,581	(38,896)
Net debt after derivatives	(714,237)	(42,727)	21,764	(735,200)

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 £24.6m relates to the change in the 'mark to market' valuations for the year.

11. Dividends paid and proposed

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2014/15: 8.0p (2013/14: 8.0p)	–	9,543
– interim for 2015/16: 4.0p (2014/15: 4.0p)	–	4,647
– final for 2015/16: 8.0p (2014/15: 8.0p)	8,933	–
– interim for 2016/17: 4.0p (2015/16: 4.0p)	4,419	–
	13,352	14,190
Proposed for approval by shareholders at the AGM:		
– final for 2016/17: 8.0p (2015/16: 8.0p)	8,488	9,084
Dividend cover (times)	4.2	3.6

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 30 July 2017. Dividend cover is calculated as profit after tax and exceptional items over dividend paid.

12. Property, plant and equipment

	Freehold and long-leasehold property	Short-leasehold property	Equipment, fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 26 July 2015	**876,021**	**425,350**	**520,781**	**62,779**	**1,884,931**
Additions	53,896	9,613	32,030	30,333	125,872
Transfers	27,565	1,810	5,840	(35,215)	–
Exchange differences	1,065	343	549	2,648	4,605
Transfer to held for sale	(3,869)	(1,889)	(2,149)	–	(7,907)
Disposals	(32,488)	(8,014)	(15,926)	–	(56,428)
Reclassification	13,552	(13,552)	–	–	–
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**
Accumulated depreciation and impairment:					
At 26 July 2015	**(174,449)**	**(204,712)**	**(352,014)**	**–**	**(731,175)**
Provided during the year	(14,742)	(14,674)	(35,881)	–	(65,297)
Exchange differences	(18)	(11)	(97)	–	(126)
Impairment loss	(869)	(2,986)	(954)	–	(4,809)
Transfer to held for sale	3,228	1,846	1,883	–	6,957
Disposals	12,484	6,719	12,686	–	31,889
Reclassification	(6,674)	6,674	–	–	–
At 24 July 2016	**(181,040)**	**(207,144)**	**(374,377)**	**–**	**(762,561)**
Provided during the year	(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)**
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
Net book amount at 26 July 2015	701,572	220,638	168,767	62,779	1,153,756

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 8% (2016: 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 £7,607,000 (2016: £4,809,000) 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.

13. Intangible assets

	£000
Cost:	
At 26 July 2015	53,353
Additions	3,243
Disposals	(5)
At 24 July 2016	56,591
Additions	9,576
Disposals	(493)
At 30 July 2017	65,674
Accumulated amortisation:	
At 26 July 2015	(23,356)
Provided during the year	(5,949)
Exchange differences	(1)
Impairment loss	(239)
Disposals	5
At 24 July 2016	(29,540)
Provided during the year	(6,931)
Exchange differences	1
Disposals	487
At 30 July 2017	(35,983)
Net book amount at 30 July 2017	29,691
Net book amount at 24 July 2016	27,051
Net book amount at 26 July 2015	29,997

Amortisation of £6,931,000 (2016: £5,949,000) 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 £1,474,000 of software in the course of development (2016: £1,118,000).

14. Investment property

The company owns two (2016: two) freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 26 July 2015	8,754
Disposals	(1,003)
At 24 July 2016	7,751
Disposals	–
At 30 July 2017	7,751
Accumulated depreciation:	
At 26 July 2015	(103)
Provided during the year	(62)
Disposals	19
At 24 July 2016	(146)
Provided during the year	(55)
At 30 July 2017	(201)
Net book amount at 30 July 2017	7,550
Net book amount at 24 July 2016	7,605
Net book amount at 26 July 2015	8,651

Rental income received in the period from investment properties was £356,000 (2016: £495,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £4,000 (2016: £56,000).

15. Other non-current assets

	Lease premiums £000
Cost:	
At 26 July 2015	15,205
Additions	1,090
Disposals	(65)
At 24 July 2016	16,230
Transfers to held for sale	(257)
Disposals	(3,246)
At 30 July 2017	12,727
Accumulated depreciation:	
At 26 July 2015	(5,177)
Provided during the year	(904)
Exchange differences	2
Impairment loss	(491)
Disposals	65
At 24 July 2016	(6,505)
Provided during the year	(400)
Impairment loss	(180)
Transfers to held for sale	262
Disposals	2,368
At 30 July 2017	(4,455)
Net book amount at 30 July 2017	8,272
Net book amount at 24 July 2016	9,725
Net book amount at 26 July 2015	10,028