09 September 2016

J D WETHERSPOON PLC
PRELIMINARY RESULTS

(For the 52 weeks ended 24 July 2016)

FINANCIAL HIGHLIGHTS

Before exceptional items

• Revenue £1,595.2m (2015: £1,513.9m)	+5.4%
• Like-for-like sales	+3.4%
• Profit before tax £80.6m (2015: £77.8m)	+3.6%
• Operating profit £109.7m (2015: £112.5m)	-2.5%
• Earnings per share (including shares held in trust) 48.3p (2015: 47.0p)	+2.8%
• Free cash flow per share 76.7p (2015: 89.8p)	-14.6%
• Full year dividend 12.0p (2015: 12.0p)	Maintained

After exceptional items*

• Profit before tax £66.0m (2015: £58.7m)	+12.5%
• Operating profit £109.7m (2015: £106.5m)	+3.0%
• Earnings per share (including shares held in trust) 43.4p (2015: 36.7p)	+18.3%

Exceptional items as disclosed in account note 4.

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

“I am pleased to report a year of progress for the company, with record sales, profit and earnings per share before exceptional items.

“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.

“In the run up to, and the aftermath of, the recent referendum, the overwhelming majority of FTSE 100 companies, the employers’ organisation CBI, the IMF, the OECD, the Treasury, the leaders of all the main political parties and almost all representatives of British universities forecast trouble, often in lurid terms, for the economy, in the event of the Leave vote. For example, claims were made by David Cameron and George Osborne that family income would eventually be reduced by £4,000 per annum, that mortgage interest rates would increase and that house prices would fall – claims which were supported, in terms, by Mark Carney of the Bank of England.

“City voices such as PwC and Goldman Sachs, and the great preponderance of banks and other institutions, also leant weight to this negative view. For example, Paul Johnson of the Institute of Fiscal Studies (The Times 28 June) stated that there was “near-unanimity” among economists in favour of Remain. Rather amazingly, he added: “I take as given that we economists were collectively right about the (bad) economic consequences of leaving the EU.” Johnson then cites this consensus as evidence for the economic truth of the Remain case. This is a strange argument to advance since consensus forecasts from economists, who generally failed to forecast the last recession or the catastrophic flaws of the euro, are almost always delusional. As Warren Buffett has said, forecasts tell you a lot about the forecaster, but not about the future. Economic forecasts from over-confident pundits such as Mr Johnson are an important component of Benjamin Graham’s ‘Mr Market’, the mythical punter who gets everything wrong.

“Just as the combined intellectual weight of the ‘good and great’ could not see through the flaws in the euro, they have, with honourable exceptions, been unable to see that the principle flaw of the EU – an absence of democracy – will almost certainly lead to further economic and political chaos, and to more dire consequences for those who are subject to EU decisions. The overwhelming economic evidence is that successful countries are democracies – Mr Johnson and like-minded economists really do need to stick that point in their pipes and smoke it. For all their faults, democracies produce the greatest level of prosperity and freedom. As in the case of the euro, the general public has a much better perception about this overriding factor than the consensus of intellectual opinion. I have written an article on this general subject for Wetherspoon News, which is attached at the end of this statement (appendix 1).

“Now that the gloomy economic forecasts for the immediate aftermath of the referendum have been proven to be false, ‘Scare Story 2’ is that failure to agree on trade deal with the EU will have devastating consequences. This was articulated by fund manager Nicola Horlick this week, who told Radio 4 listeners that leaving the Single Market would relegate the UK from the 5th-biggest economy in the world to the 8th or 9th. In contrast, Wetherspoon’s experience indicates that reaching formal trade deals with reluctant counterparties is impossible – and it is unwise to try.

“For example, I personally agreed on terms with one of our biggest suppliers, a major PLC, for a new seven-year contract about 12 years ago. Although the deal was put in the hands of lawyers, it was never signed or ‘ratified’ during this time, although we traded successfully for the anticipated duration. We subsequently agreed on a deal for a further seven years – and that has not been signed to this day. Indeed, we have traded without interruption with this company for 37 years. In contrast, deals with some suppliers have been rapidly embodied in formal contracts. Over the years, we have agreed on thousands of ‘trade deals’ with big and small suppliers: some are formal contracts, some are ‘hand-shakes’, some are short term, but many last for decades. The commercial reality is that you can lead the horse to water, but you can’t make it drink.

“This is especially true of the EU – an organisation of Byzantine complexity, run by five unelected presidents, with input from numerous other parts of the many-headed Hydra. It has struggled to reach trade deals with most of the world’s major economies, for example, the USA, China and India. The UK is an enormous trading partner of the USA, generating a substantial surplus for us, in spite of the absence of a ‘deal’ and it would be unwise to clamour after a specific formal agreement to replace existing arrangements in these circumstances – the back of the queue is a good place to be. Former Chancellor Nigel Lawson (Financial

Times, 3/4 September) and many others advocate leaving the EU and trading afterwards with it on the basis of World Trade Organisation rules. If the EU is keen for a trade deal, we should cooperate, but unelected apparatchiks like President Juncker can't be controlled – which is one of the main reasons we voted to leave.

"Common sense … suggests that the worst approach for the UK is to insist on the necessity of a 'deal' – we don't need one and the fact that EU countries sell us twice as much as we sell them creates a hugely powerful negotiating position. If WTO tariffs apply, the UK will receive twice as much as it pays. Boris Johnson, David Davis and Liam Fox will achieve far more for the UK by copying Francis Drake and playing bowls in Plymouth, rather than hankering after an EU agreement, although time spent in improving arrangements with Singapore, New Zealand and India, for example, may be well spent.

"Since the year end, Wetherspoon's sales have continued to be encouraging and increased by 4.1%. Despite this positive start, it remains to be seen whether this will continue over the remainder of the year, given the strong like-for-like sales in the last financial year and what remains a very low-inflation environment.

"We will provide updates as we progress through the year, but we currently anticipate a slightly improved trading outcome for the current financial year, compared with our expectations at the pre-close stage."

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

Notes to editors

1. JD Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed and the Company aims to maintain them in excellent condition.
2. Visit our website www.jdwetherspoon.com
3. This announcement has been prepared solely to provide additional information to the shareholders of JD Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.
4. The annual report and financial statements 2016 has been published on the Company's website on 9 September 2016.
5. The current financial year comprises 53 trading weeks to 30 July 2017.
6. The next trading update will be issued on 2 November 2016.

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 33rd year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 14.4% per annum and free cash flow per share by an average of 16.2%.

Summary accounts for the years ended July 1984 to 2016

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

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

Like-for-like sales increased by 3.4% (2015: 3.3%), with total sales of £1,595.2m, an increase of 5.4% (2015: 7.4%). Like-for-like bar sales increased by 3.3% (2015: 1.2%), food sales by 3.5% (2015: 7.3%) and slot/fruit machine sales decreased by 2.2% (2015: decreased by 2.8%). Like-for-like room sales at our hotels increased by 9.7% (2015: 24.2%) – although hotel sales form less than 1% of total sales.

Operating profit before exceptional items decreased by 2.5% to £109.7m (2015: £112.5m). The operating margin, before exceptional items, decreased to 6.9% (2015: 7.4%), as a result mainly of increases in staff costs, utilities and depreciation.

Profit before tax and exceptional items increased by 3.6% to £80.6m (2015: £77.8m), with a contribution from property profits of £5.3m (2015: £0.7m loss). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 48.3p (2015: 47.0p).

Net interest was covered 3.3 times by operating profit before exceptional items (2015: 3.3 times). Total capital investment was £124.8m in the period (2015: £173.3m), with £55.2m invested in new pubs and extensions to existing pubs (2015: £106.3m). In addition, there was expenditure of £33.5m on existing pubs and IT infrastructure (2015: £44.8m) and £36.1m on the acquisition of freeholds where Wetherspoon was already a tenant (2015: £21.6m).

Exceptional items totalled £5.7m (2015: £12.6m). The company incurred charges as a result of a number of pub disposals and closures. There was an £8.5m loss on disposal and an impairment charge of £3.9m for closed sites. A further impairment charge of £2.2m was incurred in respect of underperforming pubs, redundant computer software and onerous leases. In addition there were £8.9m of exceptional tax credits, 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 cash inflow of £14.0m, which reflected the proceeds from the pub disposals.

Free cash flow, after capital investment of £33.5m on existing pubs (2015: £44.8m), £6.9m in respect of share purchases for employees (2015: £6.8m) and payments of tax and interest, decreased by £19.3m to £90.5m (2015: £109.8m). The decrease resulted from a working capital outflow of £9.6m in the year compared with an inflow of £27.3m in 2015. Free cash flow per share was 76.7p (2015: 89.8p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay a final dividend of 8.0p per share (2015: 8.0p per share), on 24 November 2016, to those shareholders on the register on 21 October 2016, giving a total dividend for the year of 12.0p per share (2015: 12.0p per share). The dividend is covered 3.6 times (2015: 3.1 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, 5,694,546 shares (representing 4.8% of the issued share capital) were purchased by the company for cancellation, at a total cost of £39.4m, including stamp duty, representing an average cost per share of 692p.

Over the last 10 years, my shareholding has increased from 21.2% to 29.5%, as a result of the company's share 'buybacks'. The company is considering seeking a rule 9 'whitewash', under the UK City Code on Takeovers and Mergers, allowing further buybacks.

Financing

As at 24 July 2016, the company's total net debt, including bank borrowings and finance leases, but excluding derivatives, was £650.8m (2015: £601.1m), an increase of £49.7m. Factors which have led to the increase in debt are investment in new pubs and extensions of £55.2m, investment in existing pubs of £33.5m, the acquisition of freeholds of £36.1m, share buybacks of £53.6m (including £14.2m in respect of shares purchased at the end of the last financial year) and dividend payments of £14.2m. Year-end net-debt-to-EBITDA was 3.47 times (2015: 3.37 times).

As at 24 July 2016, the company had £189.6m (2015: £240.9m) of unutilised banking facilities and cash balances, with total facilities of £840.0m (2015: £840.0m). The company's existing interest-rate swap arrangements remain in place.

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 29.4% (2015: 26.1%). This rise is due mainly to an increase in the deferred tax liability, resulting from accelerated capital allowances on fixed-asset expenditure.

The 'living wage'

Wetherspoon increased the minimum hourly rate for staff by 5% in October 2014 and by a further 8% at the end of July 2015. Both decisions were taken without the knowledge that the government was about to announce a new minimum wage, now called the 'living wage'.

In addition, as Wetherspoon's shareholders are aware, we pay about 40% of our profits (£33.0m in the year under review) as a bonus or free shares, over 85% of which is paid to those who work in our pubs.

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

VAT equality

As we have previously stated, we believe that pubs are taxed excessively and that 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 between the on and off trade, to the detriment of pubs and restaurants.

Pubs have lost 50% of their beer sales to supermarkets in the last 35 years 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, as demonstrated above. 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.

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 £672.3m, an increase of £39.9m, compared with the previous year, which equates to approximately 42.1% of our sales.

This equates to an average payment per pub of £705,000 per annum or £13,600 per week.

	2016 **£m**	2015 £m
VAT	**311.7**	294.4
Alcohol duty	**164.4**	161.4
PAYE and NIC	**95.1**	84.8
Business rates	**50.2**	48.7
Corporation tax	**19.9**	15.3
Corporation tax credit	**–**	(2.0)
Machine duty	**11.0**	11.2
Climate change levies	**8.7**	6.4
Carbon tax	**3.6**	3.7
Fuel duty	**2.1**	2.9
Landfill tax	**2.2**	2.2
Stamp duty	**2.6**	1.8
Premise and TV licence	**0.8**	1.6
Total tax	**672.3**	632.4
Tax per pub (£000)	**705**	673
Tax as % of sales	**42.1%**	41.8%
Pre-exceptional profit after tax	**56.9**	57.5
Profit after tax as % of sales	**3.6%**	3.8%

Corporate governance

In previous years, I have said that many aspects of current corporate governance advice, as laid out in the Combined Code, are “deeply flawed” and have pointed out that compliant pub companies have “often fared disastrously in comparison with non-compliant ones. In particular, pub companies in which the CEO became chairman and which had a majority of executives…usually with previous experience of the pub trade, avoided making catastrophic errors to which compliant companies seem prone”.

It was also pointed out that setting precise targets for bonuses, in line with governance advice, had also often backfired, encouraging companies to take reckless decisions, in order to enhance earnings. Having presented our views in annual reports, press articles and meetings with shareholders, without any significant dissent, Wetherspoon believes that it has complied with the ‘comply or explain’ provisions of the Code and strongly believes that shareholders should regard with scepticism allegations of non-compliance from corporate governance institutions or watchdogs. A logical upshot of the views expressed in this section is that shareholders and other interested parties should be extremely wary of companies which comply strictly with current guidelines, and are better protected in companies like Wetherspoon, – which modify their governance practices along the lines we suggest.

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

- The Code itself is faulty, since it places excessive emphasis on meetings between directors and shareholders and places almost no emphasis on directors taking account of the views of customers and employees which are far more important, in practice, to the future well-being of any company. For example, in the UK Corporate Governance Code (September 2014), there are 64 references to shareholders, but only three to employees and none to customers – this emphasis is clearly mistaken.
- The average institutional shareholder turns over his portfolio twice annually, so it is advisable for directors to be wary of the often perverse views of ‘Mr Market’ (in the words of Benjamin Graham), certainly in respect of very short-term shareholders.
- A major indictment of the governance industry is that modern annual reports are far too long and often unreadable. They are full of semiliterate business jargon, including accounting jargon, and are cluttered with badly written and incomprehensible governance reports.
- It would be very helpful for companies, shareholders and the public, if the limitations of corporate governance systems were explicitly recognised. Common sense, management skills and business savvy are more important to commercial success than board structures. All of the major banks and many supermarket and pub companies have suffered colossal business and financial problems, in spite of, or perhaps because of, their adherence to inadvisable governance guidelines.
- There should be an approximately equal balance between executives and non-executives. A majority of executives is not necessarily harmful, provided that non-executives are able to make their voices heard.
- It is often better if a chairman has previously been the chief executive of the company. This encourages chief executives, who may wish to become a chairman in future, to take a long-term view, avoiding problems of profit-maximisation policies in the years running up to the departure of a chief executive.
- A maximum tenure of nine years for non-executive directors is not advisable, since inexperienced boards, unfamiliar with the effects of the ‘last recession’ on their companies, are likely to reduce financial stability.
- An excessive focus on achieving financial or other targets for executives can be counter-productive. There’s no evidence that the type of targets preferred by corporate governance guidelines actually works and there is considerable evidence that attempting to reach ambitious financial targets is harmful.
- As indicated above, it is far more important for directors to take account of the views of employees and customers than of the views of institutional shareholders. Shareholders should be listened to with respect, but caution should be exercised in implementing the views of short-term shareholders. It should also be understood that modern institutional shareholders may have a serious conflict of interest, as they are often concerned with their own quarterly portfolio performance, whereas corporate health often requires objectives which lie five, 10 or 20 years in the future.

Further progress

As in previous years, the company has tried to improve as many areas of the business as possible. For example, we have 836 pubs rated on the Food Standards Agency’s website. The average score is 4.89, with 91.7% of the pubs achieving a top rating of five stars and 6.3% 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 66 pubs have passed.

We are pleased to report that The Windmill in Stansted Airport, was named the best airport pub in the world at the 2016 FAB (International Food and Beverage Excellence) awards during the annual Airport Food and Beverage conference. Two other Wetherspoon pubs, at Birmingham Airport and Liverpool Lime Street station, were ‘highly commended’ by the same organisation.

We continue to source our traditional ales from a large number of microbreweries of varying sizes and believe that we are the biggest purchaser of microbrewery beer in the UK. We continue to run the world’s biggest real-ale festival, twice a year, and have added a cider festival in recent times, featuring a wide variety of suppliers from the UK, Europe and elsewhere in the world.

We paid £33.0m in respect of bonuses and free shares to employees in the year, a slight increase compared with the previous year, of which 97.9% was paid to staff below board level and 85.6% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2016), for the 13th 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 £1.6m, bringing the total raised to over £12.6m – more than any other corporate partner has raised for this charity.

Property

The company opened 16 pubs during the year, with 41 sold or closed, resulting in a trading estate of 926 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.5m, compared with £2.1m a year ago; two of the pubs included hotel accommodation, which contributed to the increased costs. The full-year depreciation charge was £72.2m (2015: £66.7m). We currently intend to open about 15–20 pubs in the year ending July 2017.

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.

Further shareholder information about these cases is available in a short article which I wrote for the trade publication Propel, which is disclosed later in my chairman's statement (appendix 2).

Current trading and outlook

In the run up to, and the aftermath of, the recent referendum, the overwhelming majority of FTSE 100 companies, the employers' organisation CBI, the IMF, the OECD, the Treasury, the leaders of all the main political parties and almost all representatives of British universities forecast trouble, often in lurid terms, for the economy, in the event of the Leave vote. For example, claims were made by David Cameron and George Osborne that family income would eventually be reduced by £4,000 per annum, that mortgage interest rates would increase and that house prices would fall – claims which were supported, in terms, by Mark Carney of the Bank of England.

City voices such as PwC and Goldman Sachs, and the great preponderance of banks and other institutions, also leant weight to this negative view. For example, Paul Johnson of the Institute of Fiscal Studies (The Times 28 June) stated that there was "near-unanimity" among economists in favour of Remain. Rather amazingly, he added: "I take as given that we economists were collectively right about the (bad) economic consequences of leaving the EU." Johnson then cites this consensus as evidence for the economic truth of the Remain case. This is a strange argument to advance since consensus forecasts from economists, who generally failed to forecast the last recession or the catastrophic flaws of the euro, are almost always delusional. As Warren Buffett has said, forecasts tell you a lot about the forecaster, but not about the future. Economic forecasts from over-confident pundits such as Mr Johnson are an important component of Benjamin Graham's 'Mr Market', the mythical punter who gets everything wrong.

Just as the combined intellectual weight of the 'good and great' could not see through the flaws in the euro, they have, with honourable exceptions, been unable to see that the principle flaw of the EU – an absence of democracy – will almost certainly lead to further economic and political chaos, and to more dire consequences for those who are subject to EU decisions. The overwhelming economic evidence is that successful countries are democracies – Mr Johnson and like-minded economists really do need to stick that point in their pipes and smoke it. For all their faults, democracies produce the greatest level of prosperity and freedom. As in the case of the euro, the general public has a much better perception about this overriding factor than the consensus of intellectual opinion. I have written an article on this general subject for Wetherspoon News, which is attached at the end of this statement (appendix 1).

Now that the gloomy economic forecasts for the immediate aftermath of the referendum have been proven to be false, 'Scare Story 2' is that failure to agree on trade deal with the EU will have devastating consequences. This was articulated by fund manager Nicola Horlick this week, who told Radio 4 listeners that leaving the Single Market would relegate the UK from the 5th-biggest economy in the world to the 8th or 9th. In contrast, Wetherspoon's experience indicates that reaching formal trade deals with reluctant counterparties is impossible – and it is unwise to try.

For example, I personally agreed on terms with one of our biggest suppliers, a major PLC, for a new seven-year contract about 12 years ago. Although the deal was put in the hands of lawyers, it was never signed or 'ratified' during this time, although we traded successfully for the anticipated duration. We subsequently agreed on a deal for a further seven years – and that has not been signed to this day. Indeed, we have traded without interruption with this company for 37 years. In contrast, deals with some suppliers have been rapidly embodied in formal contracts. Over the years, we have agreed on thousands of 'trade deals' with big and small suppliers: some are formal contracts, some are 'hand-shakes', some are short term, but many last for decades. The commercial reality is that you can lead the horse to water, but you can't make it drink.

This is especially true of the EU – an organisation of Byzantine complexity, run by five unelected presidents, with input from numerous other parts of the many-headed Hydra. It has struggled to reach trade deals with most of the world's major economies, for example, the USA, China and India. The UK is an enormous trading partner of the USA, generating a substantial surplus for us, in spite of the absence of a 'deal' and it would be unwise to clamour after a specific formal agreement to replace existing arrangements in these circumstances – the back of the queue is a good place to be. Former Chancellor Nigel Lawson (Financial Times, 3/4 September) and many others advocate leaving the EU and trading afterwards with it on the basis of World Trade Organisation rules. If the EU is keen for a trade deal, we should cooperate, but unelected apparatchiks like President Juncker can't be controlled – which is one of the main reasons we voted to leave.

Common sense, therefore, suggests that the worst approach for the UK is to insist on the necessity of a 'deal' – we don't need one and the fact that EU countries sell us twice as much as we sell them creates a hugely powerful negotiating position. If WTO tariffs apply, the UK will receive twice as much as it pays. Boris Johnson, David Davis and Liam Fox will achieve far more for the UK by copying Francis Drake and playing bowls in Plymouth, rather than hankering after an EU agreement, although time spent in improving arrangements with Singapore, New Zealand and India, for example, may be well spent.

Since the year end, Wetherspoon's sales have continued to be encouraging and increased by 4.1%. Despite this positive start, it remains to be seen whether this will continue over the remainder of the year, given the strong like-for-like sales in the last financial year and what remains a very low-inflation environment.

We will provide updates as we progress through the year, but we currently anticipate a slightly improved trading outcome for the current financial year, compared with our expectations at the pre-close stage.

Appendix 1 – Wetherspoon News article - Autumn 2016

How democracy has set us free

Brexit decision was not a protest vote – it was a grassroots rejection of groupthink and an elite's zeal for unreal objects

Opponents of the euro, years ago, were often patronised as 'little Englanders' by those who considered themselves to be morally and intellectually superior. In fact, the main advocates of the currency were a middle-aged, male Oxbridge elite.

So, indeed, were some of the best euro opponents, but they were the exceptions – and only a distinguished minority managed to shake off their mental chains – for example Tony Benn, Michael Howard and Simon Wolfson.

The Financial Times, then, led the pro-euro chorus for the press, with the editor Richard Lambert (Fettes College and Oxford University) censoring anti-euro arguments – a strange stance for a supposedly intellectual publication.

Lambert, in a subsequent mea culpa, analysed the reasons for establishment support for the disastrous euro, from the heads of major organisations like the CBI, as well as most major businesses, correctly concluding that it was due to 'groupthink'.

Fanaticism

The FT journalist Gillian Tett (North London Collegiate School and Cambridge University), writing some years later (28/9/12), was one of the few euro supporters to analyse the psychological factors behind euro fanaticism. She concluded that the euro was a "fantastic object" which was "unreal, but immensely attractive" and that "political idealism had subsumed economic gravity".

Tett pointed out that her father, who rejected the euro argument, worked in manufacturing and was "outside the intellectual echo chamber of the eurozone elite, and was never infected by the hype".

Tett understood the paradox which causes intellectual elites to pursue irrational causes to the edge of oblivion. Neither reason nor evidence has much effect on the afflicted… and that is why democracy works.

The non-chattering classes don't share this love of fantastic objects and consigned the euro to the dustbin of history – for the British, at least. Europhile Emily Sheffield, David Cameron's sister-in-law, writing in the Spectator (30/7/16), consoled Remainers after the referendum by saying it is "worth remembering that Eurosceptics … kept us out of the single currency". Indeed so, Emily.

Superiority

Similar assumptions of moral and intellectual superiority have been rife in the recent referendum campaign led politically on the Remain side by David Cameron (Eton and Oxford) and George Osborne (St Pauls and Oxford), supported by Nick Clegg (Westminster School and Oxford), Michael Heseltine (Shrewsbury School and Oxford), Tony Blair (Fettes College and Oxford), Ed Milliband (Haverstock Comprehensive and Oxford), Ed Balls (Nottingham High School and Oxford) and many others with a similar background.

The battle lost, there appears to be an orchestrated chorus from the same elite, alleging that Leave won by misleading the public and that the referendum result should be overturned by parliament or a second referendum commissioned.

For example, Peter Mandelson (Hendon County Grammar and Oxford) declared (FT, 2/7/16) that he had been an "architect" of the Remain campaign and that Leave arguments were "dishonest".

Former MP Tam Dalyell (Eton and Oxford) and former MEP Jack Stewart-Clark (Eton and Oxford) in a prominent letter (5/7/16) to the pro-Remain Times, said that MPs and peers should unite to block Brexit and that Leave conducted "the most dishonest political campaign this country has ever seen".

Democratic

The theme that the referendum was won by lies from Leave has been repeated on countless occasions by the panjandrums of Remain, in a brazen effort to undermine the democratic outcome.

Dalyell and Stewart-Clark gave no evidence for their allegation of dishonesty, but it has been asserted elsewhere that Leave campaigners misleadingly stated that the UK would save £350 million a week, when the actual cash saving was only half that amount.

It seems unlikely that many people can have been misled in this way, since there was a full public debate about the significance of the gross amount of £350 million and the relevance and endurance of the rebates – with the information available on the BBC website, as well as on the websites of many national and local newspapers.

For example, on BBC's Question Time, two months before the referendum, the compere, panel and studio audience patently understood the relevance of the statistics.

Fears

The second allegation from elite Remainers is that immigration fears were exaggerated and that Turkey and other countries which had been offered an accelerated path to the EU club would be unlikely to join in the near future, and it would be subject to a veto anyway.

This allegation cuts no ice, since Cameron himself promised to "be the strongest possible advocate" for Turkey joining the EU and he promised also to "pave the road from Ankara to Brussels".

The public simply didn't believe Cameron's evasive referendum stance that Turkey would not join "before 3000" or that he and the government would be in a position to veto anything, after making such fulsome promises to our Turkish friends and allies.

Lies

There is no doubt that the opinion of the electorate, reflected in the referendum result, was that a greater level of lies and exaggeration was evident in the Remain campaign.

As Mandelson's argument reveals, the Remain campaigners' tactics were to concentrate on the economic issue and to encourage organisations like the CBI, the IMF, the OECD and the boards of major companies to support their cause.

These arguments included an allegation from the head of the IMF that the economic consequences of Brexit would be "bad to very, very bad", a prediction from Cameron of an increased risk of war and genocide, a threat from Osborne that interest rates would go up in the referendum aftermath (they've gone down) and a threat of an emergency budget to increase taxes and reduce public expenditure.

The Bank of England's Mark Carney also did his best to frighten the public with the possibility of higher interest rates and a recession, while FTSE 100 directors lined up to threaten reduced investments in the referendum aftermath – most of these threats have now been retracted.

If a second referendum were to take place, it seems certain that the Leave side would win with a far bigger majority, since the economic case put forward by the Remain side has been shown to be deceitful and unfounded.

As indicated above, interest rates have gone down not up, foreign companies are lining up to invest in the UK, (contradicting the warnings from the Remain side), the German equivalent of the CBI has urged a free trade deal for the UK and the world and her husband are anxious to agree on trade deals with us.

Prosperity

Speaking for myself, the main argument in favour of leaving the EU relates to democracy. Democracy is the key provider of prosperity and freedom in the world, as countries as diverse as Australia, New Zealand, Canada, Japan and Singapore (among many others) have demonstrated.

The British public could see that the EU is becoming increasingly undemocratic, with its five unelected presidents, its unelected commissioners, its token parliament and its court, whose judgements cannot be democratically overturned by national parliaments.

Contrary to perceived opinion, many who voted Leave, including me, are also in favour of continued free movement of labour in the UK for citizens of countries which are currently in the EU, but believe that all other countries of the world should be subject to a points system, as operated in Australia, New Zealand and the USA, for example.

The puzzle for amateur philosophers is why the highly educated graduates of our universities, the great and the good of the Times, the Financial Times, the CBI and our biggest companies' board rooms were so much in favour of an undemocratic system which has brought Greece, Portugal, Spain and now Italy to their knees.

You would bet your bottom dollar that the highly educated would be the first to understand that democracy is essential for the future of humanity.

Groupthink

However, through some strange perversion of thought processes, that does not appear to be the case.

The real threat to humanity comes from the elite's groupthink and its zeal for the "unreal, but immensely attractive".

Come on, you Remainers, stop moaning about the result. And stop patronising the electorate by calling the result a "protest vote" – we perfectly understood the issues, thank you.

Let's hear your explanations about why you believe the rest of us will be better off with less democracy. We're all ears, guys. What do you say on this key issue?

Tim Martin is founder and chairman of J D Wetherspoon

Appendix 2 - Newspaper article

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

Wed 22nd May 2013 – Propel Opinion Extra

Lessons in the property market by Tim Martin

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

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

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

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

Following Mr Justice Smith's judgment, JDW issued proceedings against several third parties: Paul Ferrari of Braun's former employer Ferrari Dewe & Co; Anthony Lyons, formerly of Davis Coffer Lyons and Jason Harris, formerly of First London. Liability was denied by all. The cases were contested and were settled out of court. JDW received substantial payments in all three cases.

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

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

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

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

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

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

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

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

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

Tim Martin is founder and chairman of
J D Wetherspoon

Tim Martin
Chairman
8 September 2016

INCOME STATEMENT for the 52 weeks ended 24 July 2016

	Notes	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	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
Revenue	1	**1,595,197**	**–**	**1,595,197**	1,513,923	–	1,513,923
Operating costs		**(1,485,470)**	**–**	**(1,485,470)**	(1,401,415)	(6,013)	(1,407,428)
Operating profit	2	**109,727**	**–**	**109,727**	112,508	(6,013)	106,495
Property gains/(losses)	3	**5,335**	**(14,561)**	**(9,226)**	(694)	(13,053)	(13,747)
	6	**116**	**–**	**116**	180	–	180
Finance income							
Finance costs	6	**(34,568)**	**–**	**(34,568)**	(34,196)	–	(34,196)
Profit before tax		**80,610**	**(14,561)**	**66,049**	77,798	(19,066)	58,732
Income tax expense	7	**(23,689)**	**8,846**	**(14,843)**	(20,343)	6,435	(13,908)
Profit for the year		**56,921**	**(5,715)**	**51,206**	57,455	(12,631)	44,824
Earnings per share (p)							
– Basic[1]	8	**49.5**	**(5.0)**	**44.5**	48.6	(10.7)	37.9
– Diluted[2]	8	**48.3**	**(4.9)**	**43.4**	47.0	(10.3)	36.7
Operating profit per share (p)							
– Diluted[2]	8	**93.1**	**–**	**93.1**	92.0	(4.9)	87.1

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 24 July 2016

	Notes	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: loss taken to other comprehensive income		**(23,504)**	(9,807)
Tax on items taken directly to comprehensive income	7	**3,432**	1,961
Currency translation differences		**4,265**	(2,189)
Net loss recognised directly in other comprehensive income		**(15,807)**	(10,035)
Profit for the year		**51,206**	44,824
Total comprehensive income for the year		**35,399**	34,789

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

CASH FLOW STATEMENT for the 52 weeks ended 24 July 2016

	Notes	**52 weeks ended 24 July 2016 £000**	**Free cash flow[1] 52 weeks ended 24 July 2016 £000**	52 weeks ended 26 July 2015 £000	Free cash flow[1] 52 weeks ended 26 July 2015 £000
Cash flows from operating activities					
Cash generated from operations	9	**181,836**	**181,836**	210,181	210,181
Interest received		**136**	**136**	180	180
Interest paid		**(31,182)**	**(31,182)**	(31,931)	(31,931)
Corporation tax paid		**(19,917)**	**(19,917)**	(13,293)	(13,293)
Net cash inflow from operating activities		**130,873**	**130,873**	165,137	165,137
Cash flows from investing activities					
Purchase of property, plant and equipment		**(28,407)**	**(28,407)**	(37,577)	(37,577)
Purchase of intangible assets		**(5,104)**	**(5,104)**	(7,176)	(7,176)
Investment in new pubs and pub extensions		**(54,118)**		(106,339)	
Freehold reversions		**(36,083)**		(21,612)	
Purchase of lease premiums		**(1,091)**		(635)	
Proceeds of sale of property, plant and equipment		**22,520**		723	
Net cash outflow from investing activities		**(102,283)**	**(33,511)**	(172,616)	(44,753)
Cash flows from financing activities					
Equity dividends paid	11	**(14,190)**		(14,591)	
Purchase of own shares for cancellation		**(53,580)**		(12,714)	
Purchase of own shares for share-based payments		**(6,877)**	**(6,877)**	(6,831)	(6,831)
Advances under bank loans	10	**48,591**		47,898	
Loan issue costs	10	**–**	**–**	(3,775)	(3,775)
Finance lease principal payments	10	**(2,051)**		(2,648)	
Net cash inflow/(outflow) from financing activities		**(28,107)**	**(6,877)**	7,339	(10,606)
Net change in cash and cash equivalents	10	**483**		(140)	
Opening cash and cash equivalents		**32,175**		32,315	
Closing cash and cash equivalents		**32,658**		32,175	
Free cash flow	8		**90,485**		109,778
Free cash flow per ordinary share	8		**76.7p**		89.8p

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

BALANCE SHEET for the 52 weeks ended 24 July 2016

	Notes	24 July 2016 £000	26 July 2015 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**1,188,512**	1,153,756
Intangible assets	13	**27,051**	29,997
Investment property	14	**7,605**	8,651
Other non-current assets	15	**9,725**	10,028
Deferred tax assets	7	**11,426**	7,994
Total non-current assets		**1,244,319**	1,210,426
Assets held for sale		**950**	1,220
Current assets			
Inventories		**19,168**	19,451
Receivables		**27,616**	26,838
Cash and cash equivalents		**32,658**	32,175
Total current assets		**79,442**	78,464
Total assets		**1,324,711**	1,290,110
Liabilities			
Current liabilities			
Borrowings		**(112)**	(2,051)
Derivative financial instruments		**(79)**	–
Trade and other payables		**(266,523)**	(283,227)
Current income tax liabilities		**(8,247)**	(10,053)
Provisions		**(4,463)**	(5,231)
Total current liabilities		**(279,424)**	(300,562)
Non-current liabilities			
Borrowings		**(683,306)**	(631,232)
Derivative financial instruments		**(63,398)**	(39,973)
Deferred tax liabilities	7	**(74,441)**	(77,771)
Provisions		**(3,387)**	(4,012)
Other liabilities		**(13,307)**	(13,667)
Total non-current liabilities		**(837,839)**	(766,655)
Net assets		**207,448**	222,893
Equity			
Share capital		**2,273**	2,387
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,158**	2,044
Hedging reserve		**(52,051)**	(31,979)
Currency translation reserve		**2,340**	(2,182)
Retained earnings		**109,434**	109,329
Total equity		**207,448**	222,893

STATEMENT OF CHANGES IN EQUITY

	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 27 July 2014		**2,460**	**143,294**	**1,971**	**(24,133)**	**7**	**103,569**	**227,168**
Total comprehensive income					(7,846)	(2,189)	44,824	34,789
Profit for the period							44,824	44,824
Interest-rate swaps: cash flow hedges					(9,807)			(9,807)
Tax taken directly to comprehensive income	7				1,961			1,961
Currency translation differences						(2,189)		(2,189)
Purchase of own shares for cancellation		(73)		73			(26,900)	(26,900)
Share-based payment charges							8,907	8,907
Tax on share-based payment	7						351	351
Purchase of own shares for share-based payments							(6,831)	(6,831)
Dividends	11						(14,591)	(14,591)
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 period							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 payment	7						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**

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 2005 Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 24 July 2016, the number of shares held in trust was 2,485,848 (2015:3,682,482), with a nominal value of £49,717 (2015: £73,650) and a market value of £20,035,935 (2015: £26,274,509) and are included in retained earnings.

During the year, 5,694,546 shares were repurchased by the company for cancellation, representing approximately 4.8% of the issued share capital, at a cost of £39.4m, including stamp duty, representing an average cost per share of 692p. At the previous year end, the company had a liability for share purchases of £14.2m which was settled during the current year, ended 24 July 2016.

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 24 July 2016, the company had distributable reserves of £57.4m (2015: £75.2m). The retained earnings are fully distributable. The hedging reserves and the currency translation reserves reduce the company's distributable reserves when they are in deficit.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies and basis of preparation

The preliminary announcement for the 52-week period ended 24 July 2016 has been prepared in accordance with the accounting policies as disclosed in J D Wetherspoon plc's annual report and accounts for 2015.

The annual financial information presented in this preliminary announcement for the 52-week period ended 24 July 2016 is based on, and is consistent with, that in the company's audited financial statements for the 52-week period ended 24 July 2016, and those financial statements will be delivered to the Registrar of Companies, following the company's annual general meeting. The independent auditors' report on those financial statements is unqualified and does not contain any statement under section 498 (2) or 498 (3) of the Companies Act 2006.

Information in this preliminary announcement does not constitute statutory accounts of the company within the meaning of section 434 of the Companies Act 2006. The full financial statements for the company for the 52-week period ended 26 July 2015 have been delivered to the Registrar of Companies. The independent auditors' report on those financial statements was unqualified and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006.

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Sales of food, beverages, hotel rooms and machine income	**1,595,197**	1,513,923

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Concession rental payments	**21,971**	19,300
Minimum operating lease payments	**51,260**	52,658
Repairs and maintenance	**54,924**	53,354
Net rent receivable	**(1,496)**	(1,334)
Share-based payments (note 5)	**9,556**	8,907
Depreciation of property, plant and equipment (note 12)	**65,297**	61,458
Amortisation of intangible assets (note 13)	**5,949**	4,775
Depreciation of investment properties (note 14)	**62**	62
Amortisation of other non-current assets (note 15)	**904**	373

Auditors' remuneration	**52 weeks ended 24 July 2016 £000**	52 weeks ended 26 July 2015 £000
Fees payable for the audit of the financial statements	**186**	177
Fees payable for other services:		
– assurance services	**31**	30
– non-audit services	**–**	13
Total auditors' fees	**217**	220

Analysis of continuing operations	**52 weeks ended 24 July 2016 £000**	52 weeks ended 26 July 2015 £000
Revenue	**1,595,197**	1,513,923
Cost of sales	**(1,432,400)**	(1,347,361)
Gross profit	**162,797**	166,562
Administration costs	**(53,070)**	(54,054)
Operating profit before exceptional items	**109,727**	112,508
Exceptional items (note 4)	**–**	(6,013)
Operating profit after exceptional items	**109,727**	106,495

Included within cost of sales is £596.3m (2015: £578.0m) related to cost of inventory recognised as expense.

3. Property (gains)/losses

	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	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
(Gain)/loss on disposal of fixed assets	**(4,866)**	**7,328**	**2,462**	694	–	694
Additional costs of disposal	**63**	**1,149**	**1,212**	–	–	–
Impairment of property (note 12)	**–**	**4,809**	**4,809**	–	10,705	10,705
Impairment of intangibles (note 13)	**–**	**239**	**239**	–	–	–
Impairment of other assets (note 15)	**–**	**491**	**491**	–	490	490
Onerous lease provision	**–**	**545**	**545**	–	1,858	1,858
Other property gains and losses	**(532)**	**–**	**(532)**	–	–	–
Total property (gains)/losses	**(5,335)**	**14,561**	**9,226**	694	13,053	13,747

Please refer to note 4 for further details on exceptional items.

4. Exceptional items

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Operating exceptional items		
Inventory valuation	**–**	5,231
Restructuring costs	**–**	782
Total operating exceptional items	**–**	6,013
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**8,477**	–
Impairment of assets held for sale	**598**	–
Impairment property plant and equipment – closed pubs	**2,287**	–
Impairment of other non-current assets – closed pubs	**491**	–
Onerous lease reversal – sold pubs	**(427)**	–
Onerous lease provision – closed pubs	**944**	–
	12,370	–
Other property losses		
Onerous lease reversal	**(949)**	(841)
Onerous lease provision	**977**	2,699
Impairment of property, plant and equipment	**1,924**	11,195
Impairment of intangible assets	**239**	–
	2,191	13,053
Total pre-tax exceptional items	**14,561**	19,066
Exceptional tax		
Exceptional tax items	**(8,363)**	(4,809)
Tax effect on exceptional items	**(483)**	(1,626)
Total exceptional tax (note 7)	**(8,846)**	(6,435)
Total exceptional items	**5,715**	12,631

Disposal programme
The company has offered a number of its sites for sale. At the year end, 29 sites had been sold, three were classified as held for sale and an additional nine sites have been closed as part of the disposal programme.

In the table above, the costs classified as loss on disposal are the loss on sold sites and associated costs to sale.

The costs classified above as impairment of assets held for sale, relate to the write-down of assets to their assessed recoverable amount for any pubs which the company has committed to selling. It is the view of management that the company is committed to selling when a contract for sale has been exchanged.

4. Exceptional items (continued)

Further impairment of £2,788,000 (2015: £Nil) has been recognised for nine pubs which have been closed and made available for sale as part of the disposal programme.

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.

Other property losses
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, £28,000 (2015: £1,858,000) was charged net in respect of onerous leases.

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 £1,924,000 (2015: £11,195,000) was incurred in respect of the impairment of property, plant and equipment, as required under IAS 36. This comprises an impairment charge of £2,274,000 (2015: £12,383,000), offset by impairment reversals of £350,000 (2015: £1,188,000). The impairment of intangible assets relates to the write-off of redundant IT assets.

All exceptional items listed above generated a net cash inflow of £13,959,000 (2015: outflow of £782,000).

5. Employee benefits expenses

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Wages and salaries	**454,955**	406,821
Social Security costs	**27,766**	25,291
Other pension costs	**3,718**	3,500
Share-based payments	**9,556**	8,907
	495,995	444,519

Directors' emoluments	**2016** **£000**	2015 £000
Aggregate emoluments	**1,651**	1,450
Aggregate amount receivable under long-term incentive schemes	**393**	971
Company contributions to money purchase pension scheme	**80**	97
	2,124	2,518

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).

	2016 Number	2015 Number
Full-time equivalents		
Managerial/administration	**4,274**	4,233
Hourly paid staff	**18,774**	17,885
	23,048	22,118

	2016 Number	2015 Number
Total employees		
Managerial/administration	**4,719**	4,690
Hourly paid staff	**31,959**	30,041
	36,678	34,731

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. 2,099,842 shares were awarded during the year (2015: 1,439,218), with an average price per share of 708.40p (2015: 775.13p).

6. Finance income and costs

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Finance costs		
Interest payable on bank loans and overdrafts	**18,893**	17,202
Amortisation of bank loan issue costs	**3,595**	2,942
Interest payable on swaps	**12,039**	13,812
Interest payable on obligations under finance leases	**41**	240
Total finance costs	**34,568**	34,196
Finance income		
Bank interest receivable	**(116)**	(180)
Total finance income	**(116)**	(180)
Net finance costs	**34,452**	34,016

The net finance costs during the year increased from £34.0m to £34.5m. The finance costs in the income statement were covered 3.3 times (2015: 3.3 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 changed from 21.0% to 20.0%, with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an average rate of 20.0% (2015: 20.7%).

	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
	ended	ended	ended	ended	ended	ended
	24 July 2016	24 July 2016	24 July 2016	26 July 2015	26 July 2015	26 July 2015
	Before	Exceptional	After	Before	Exceptional	After
	exceptional	items	exceptional	exceptional	items	exceptional
	items	(note 4)	items	items	(note 4)	items
	£000	£000	£000	£000	£000	£000
Taken through income statement						
Current income tax:						
Current income tax charge	19,382	(75)	19,307	19,885	(1,626)	18,259
Previous period adjustment	(1,035)	–	(1,035)	1,659	–	1,659
Total current income tax	18,347	(75)	18,272	21,544	(1,626)	19,918
Deferred tax:						
Temporary differences	4,205	(408)	3,797	113	–	113
Previous period adjustment	1,137	–	1,137	(1,314)	(4,809)	(6,123)
Impact of change in UK tax rate	–	(8,363)	(8,363)	–	–	–
Total deferred tax	5,342	(8,771)	(3,429)	(1,201)	(4,809)	(6,010)
Tax charge/(credit)	23,689	(8,846)	14,843	20,343	(6,435)	13,908

	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
	ended	ended	ended	ended	ended	ended
	24 July 2016	24 July 2016	24 July 2016	26 July 2015	26 July 2015	26 July 2015
	Before	Exceptional	After	Before	Exceptional	After
	exceptional	items	exceptional	exceptional	items	exceptional
	items	(note 4)	items	items	(note 4)	items
	£000	£000	£000	£000	£000	£000
Taken through equity						
Tax on share-based payment						
Current tax	(159)	–	(159)	(446)	–	(446)
Deferred tax	99	–	99	95	–	95
Tax charge/(credit)	(60)	–	(60)	(351)	–	(351)

	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks	52 weeks
	ended	ended	ended	ended	ended	ended
	24 July 2016	24 July 2016	24 July 2016	26 July 2015	26 July 2015	26 July 2015
	Before	Exceptional	After	Before	Exceptional	After
	exceptional	items	exceptional	exceptional	items	exceptional
	items	(note 4)	items	items	(note 4)	items
	£000	£000	£000	£000	£000	£000
Taken through comprehensive income						
Deferred tax charge on swaps	(4,701)	–	(4,701)	(1,961)	–	(1,961)
Impact of change in UK tax rate	1,269	–	1,269	–	–	–
Tax charge/(credit)	(3,432)	–	(3,432)	(1,961)	–	(1,961)

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 (2015: higher) than the standard rate of corporation tax in the UK of 20.0% (2015: 20.7%), owing largely to less expenditure qualifying for capital allowances. On 18 November 2015, the UK corporate tax rate of 18% 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 20% to 18%.
This has resulted in a one-off credit of £8,363,000. The differences are reconciled below:

	52 weeks ended 24 Jul 2016 Before exceptional items	**52 weeks ended 24 Jul 2016 After exceptional items**	52 weeks ended 26 Jul 2015 Before exceptional items	52 weeks ended 26 Jul 2015 After exceptional items
	£000	**£000**	£000	£000
Profit before income tax	**80,610**	**66,049**	77,798	58,732
Profit multiplied by the UK standard rate of corporation tax of 20.0% (2015: 20.7%)	**16,122**	**13,210**	16,078	12,138
Abortive acquisition costs and disposals	**123**	**123**	163	163
Other disallowables	**215**	**1,197**	155	2,469
Other allowable deductions	**(112)**	**(112)**	(33)	(33)
Non-qualifying depreciation	**6,081**	**7,528**	3,577	3,577
Deduction for shares and SIPs	**470**	**470**	29	29
Remeasurement of other balance sheet items	**–**	**–**	(342)	(342)
Unrecognised losses in overseas companies	**688**	**688**	302	302
Adjustment in respect of change in tax rate - current year	**–**	**(8,363)**	69	69
Previous year adjustment – current tax	**(1,035)**	**(1,035)**	1,659	1,659
Previous year adjustment – deferred tax	**1,137**	**1,137**	(1,314)	(6,123)
Total tax expense reported in the income statement	**23,689**	**14,843**	20,343	13,908

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Bill 2015 included legislation to reduce the main rate of corporation tax to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019 – and to 18% for the financial year beginning 1 April 2020. These changes have been substantively enacted at the balance sheet date and consequently are included in these financial statements. The effect of these changes is to reduce the net deferred tax liability by £8,363,000.

Deferred tax liabilities	**Accelerated tax depreciation**	**Other temporary differences**	**Total**
	£000	**£000**	**£000**
At 26 July 2015	78,095	1,928	80,023
Previous year movement posted to the income statement	1,082	–	1,082
Movement during year posted to the income statement	2,997	1,718	4,715
Impact of tax rate change in tax rate	(8,217)	(365)	(8,582)
At 24 July 2016	**73,957**	**3,281**	**77,238**

Deferred tax assets	**Share based payments**	**Capital losses carried forward**	**Interest-rate swaps**	**Total**
	£000	**£000**	**£000**	**£000**
At 26 July 2015	999	1,253	7,994	10,246
Previous year movement posted to the income statement	–	(55)	–	(55)
Movement during year posted to the income statement	271	647	–	918
Impact of tax rate change posted to income statement	(34)	(185)	–	(219)
Movement during year posted to comprehensive income	–	–	4,701	4,701
Impact of tax rate change posted to comprehensive income	–	–	(1,269)	(1,269)
Movement during year posted to equity	(99)	–	–	(99)
At 24 July 2016	**1,137**	**1,660**	**11,426**	**14,223**

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2016 £000	2015 £000
Deferred tax liabilities	**77,238**	80,023
Offset against deferred tax assets	**(2,797)**	(2,252)
Deferred tax liabilities	**74,441**	77,771
Deferred tax assets	**14,223**	10,246
Offset against deferred tax liabilities	**(2,797)**	(2,252)
Deferred tax asset	**11,426**	7,994

As at 24 July 2016, there are potential deferred tax assets of £200,000 (2015: £170,000); these are not being recognised, owing to insufficient certainty of recovery. This comprises a deferred tax asset of £800,000, relating to losses (2015: £180,000), less a deferred tax liability of £600,000, relating to accelerated capital allowances (2015: £10,000).

8. Earnings and free cash flow per share

Earnings per share are based on the weighted average number of shares in issue of 117,898,893 (2015: 122,269,948), 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 24 July 2016**	52 weeks ended 26 July 2015
Shares in issue (used for diluted EPS)	**117,898,893**	122,269,948
Shares held in trust	**(2,854,697)**	(4,063,604)
Shares in issue less shares held in trust	**115,044,196**	118,206,344

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

52 weeks ended 24 July 2016	**Profit** **£000**	**Basic EPS pence per ordinary share**	**Diluted EPS pence per ordinary share**
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

52 weeks ended 26 July 2015	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	44,824	37.9	36.7
Exclude effect of exceptional items after tax	12,631	10.7	10.3
Earnings before exceptional items	57,455	48.6	47.0
Exclude effect of property gains/(losses)	694	0.6	0.6
Underlying earnings before exceptional items	58,149	49.2	47.6

The diluted earnings per share before exceptional items have increased by 2.8% (2015: maintained).

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

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	Basic free cash flow pence per ordinary share	Diluted free cash flow pence per ordinary share
	£000		
52 week ended 24 July 2016	**90,485**	78.7	76.7
52 week ended 26 July 2015	**109,778**	92.9	89.8

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 gain and losses less reinvestment in current properties and cash tax. Cash tax is defined as the current year current tax charge.

52 weeks ended 24 July 2016	**Owner's earnings**	**Basic owner's earnings pence per ordinary share**	**Diluted owner's earnings pence per ordinary share**
	£000		
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 cash reinvestment in current properties (cash flow statement)	**(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

52 weeks ended 26 July 2015	Owner's earnings	Basic owner's earnings pence per ordinary share	Diluted owner's earnings pence per ordinary share
	£000		
Profit before tax and exceptional items (income statement)	77,798	65.8	63.6
Exclude depreciation and amortisation (note 2)	66,668	56.4	54.5
Less cash reinvestment in current properties (cash flow statement)	(44,753)	(37.9)	(36.6)
Exclude property gains and losses (note 3)	694	0.6	0.6
Adjust for new-build reclassification	601	0.5	0.5
Less cash tax (note 7)	(19,885)	(16.8)	(16.3)
Owners' earnings	81,123	68.6	66.3

The diluted owners' earnings per share increased by 20.9% (2015: increased by 43.8%). The increase is calculated using figures to two decimal places.

Reinvestment in current properties is taken directly from the cash flow statement.
New-build reclassification represents spend on pub extension incurred as part of reinvestment works.

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

Operating profit per share

52 weeks ended 24 July 2016	Operating profit £000	Basic operating profit pence per ordinary share	Diluted operating profit pence per ordinary share
Operating profit	**109,727**	95.4	93.1

52 weeks ended 26 July 2015	Operating profit £000	Basic operating profit pence per ordinary share	Diluted operating profit pence per ordinary share
Operating profit after exceptional items	106,495	90.1	87.1
Exclude effect of exceptional operating costs	6,013	5.1	4.9
Operating profit before exceptional items	112,508	95.2	92.0

9. Cash generated from operations

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Profit for the period	**51,206**	44,824
Adjusted for:		
Tax (note 7)	**14,843**	13,908
Share-based charges (note 2)	**9,556**	8,907
Loss on disposal of property, plant and equipment (note 3)	**2,462**	694
Net impairment charge (note 3)	**5,539**	11,195
Interest receivable (note 6)	**(116)**	(180)
Amortisation of bank loan issue costs (note 6)	**3,595**	2,942
Interest payable (note 6)	**30,973**	31,254
Depreciation of property, plant and equipment (note 12)	**65,297**	61,458
Amortisation of intangible assets (note 13)	**5,949**	4,775
Depreciation on investment properties (note 14)	**62**	62
Amortisation of other non-current assets (note 15)	**904**	373
Net onerous lease provision	**545**	1,858
Aborted properties costs	**614**	787
	191,429	182,857
Change in inventories	**283**	2,861
Change in receivables	**954**	(2,937)
Change in payables	**(10,830)**	27,400
Cash flow from operating activities	**181,836**	210,181

10. Analysis of change in net debt

	26 July 2015 £000	Cash flows £000	Non-cash movement £000	**24 July 2016 £000**
Borrowings				
Cash in hand	32,175	483	–	**32,658**
Other loans	–	(112)	–	**(112)**
Finance lease creditor – due in one year	(2,051)	2,051	–	**–**
Current net borrowings	30,124	2,422	–	**32,546**
Bank loans – due after one year	(631,232)	(48,277)	(3,595)	**(683,104)**
Other loans	–	(202)	–	**(202)**
Non-current net borrowings	(631,232)	(48,479)	(3,595)	**(683,306)**
Net debt	(601,108)	(46,057)	(3,595)	**(650,760)**
Derivatives				
Interest-rate swaps liability – due before one year	–	–	(79)	**(79)**
Interest-rate swaps liability – due after one year	(39,973)	–	(23,425)	**(63,398)**
Total derivatives	(39,973)	–	(23,504)	**(63,477)**
Net debt after derivatives	(641,081)	(46,057)	(27,099)	**(714,237)**

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 £23.5m relates to the change in the ‘mark to market’ valuations for the year.

11. Dividends paid and proposed

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2013/14: 8.0p (2012/13: 8.0p)	**–**	9,761
– interim for 2014/15: 4.0p (2013/14: 4.0p)	**–**	4,830
– final for 2014/15: 8.0p (2013/14: 8.0p)	**9,543**	–
– interim for 2015/16: 4.0p (2014/15: 4.0p)	**4,647**	–
	14,190	14,591
Proposed for approval by shareholders at the AGM:		
– final for 2015/16: 8.0p (2014/15: 8.0p)	**9,084**	9,782
Dividend cover (times)	**3.6**	3.1

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 24 July 2016. Dividend cover is calculated as profit after tax and exceptional items over dividend paid.

12. 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 27 July 2014	788,299	421,059	474,258	53,484	1,737,100
Additions	63,804	11,366	46,054	39,395	160,619
Transfers	22,383	663	7,054	(30,100)	–
Exchange differences	(6)	(38)	(114)	–	(158)
Transfer to held for sale	(1,532)	–	(482)	–	(2,014)
Disposals	(43)	(4,584)	(5,989)	–	(10,616)
Reclassification	3,116	(3,116)	–	–	–
At 26 July 2015	876,021	425,350	520,781	62,779	1,884,931
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**
Accumulated depreciation and impairment:					
At 27 July 2014	(157,013)	(190,133)	(321,346)	(541)	(669,033)
Provided during the period	(13,335)	(14,272)	(33,851)	–	(61,458)
Exchange differences	1	6	18	–	25
Impairment loss	(3,589)	(4,838)	(2,278)	–	(10,705)
Transfer to held for sale	441	–	353	–	794
Disposals	–	4,112	5,090	–	9,202
Reclassification	(954)	413	–	541	–
At 26 July 2015	(174,449)	(204,712)	(352,014)	–	(731,175)
Provided during the period	(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)**
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
Net book amount at 27 July 2014	631,286	230,926	152,912	52,943	1,068,067

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% (2015: 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 £4,809,000 (2015: £10,705,000) was charged to property losses in the income statement, as described in note 3.

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.

12. Property, plant and equipment (continued)

Finance leases
Certain items of IT equipment are subject to finance leases.

The carrying value of these assets, held under finance leases at 24 July 2016, included in equipment, fixtures and fittings, was as follows:

	2016 **£000**	2015 £000
Net book value	-	5,862

13. Intangible assets

	£000
Cost	
At 27 July 2014	45,419
Additions	7,934
At 26 July 2015	53,353
Additions	3,243
Disposals	(5)
At 24 July 2016	**56,591**
Accumulated amortisation:	
At 27 July 2014	(18,581)
Provided during the year	(4,775)
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)**
Net book amount at 24 July 2016	**27,051**
Net book amount at 26 July 2015	29,997
Net book amount at 27 July 2014	26,838

Amortisation of £5,949,000 (2015: £4,775,000) 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 £1,118,000 of software in the course of development (2015: £5,046,000).

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

	2016 **£000**	2015 £000
Net book value	–	580

14. Investment property

The company owns two (2015: three) freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 27 July 2014	8,754
Additions	–
At 26 July 2015	8,754
Disposals	(1,003)
At 24 July 2016	**7,751**
Accumulated depreciation:	
At 27 July 2014	(41)
Provided during the year	(62)
At 26 July 2015	(103)
Provided during the year	(62)
Disposals	19
At 24 July 2016	**(146)**
Net book amount at 24 July 2016	**7,605**
Net book amount at 26 July 2015	8,651
Net book amount at 27 July 2014	8,713

Rental income received in the period from investment properties was £495,000 (2015: £378,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £56,000 (2015: £58,000).

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

15. Other non-current assets

	Lease premiu ms £000
Cost:	
At 27 July 2014	14,080
Additions	1,125
At 26 July 2015	15,205
Additions	1,090
Disposals	(65)
At 24 July 2016	**16,230**
Accumulated depreciation:	
At 27 July 2014	(4,314)
Provided during the year	(373)
Impairment loss	(490)
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)**
Net book amount at 24 July 2016	**9,725**
Net book amount at 26 July 2015	10,028
Net book amount at 27 July 2014	9,766