

24 March 2023

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 26 weeks ended 29 January 2023)

FINANCIAL HIGHLIGHTS	Var %
Before separately disclosed items	
• Like-for-like sales (vs FY19)	+5.0%
• Revenue £916.0m (2019: £889.6m)	+3.0%
• Profit before tax £4.6m (2019 ² : £50.3m)	-90.9%
• Operating profit £37.4m (2019 ² : £63.5m)	-41.1%
• Basic earnings per share 1.0p (2019 ² : 38.3p)	-97.4%
• Free cash inflow per share 132.4p (2019 ² : 69.4p)	+90.8%
• Half year dividend 0.0p (2019: 4.0p)	-100%
After separately disclosed items¹	
• Profit before tax £57.0m (2019 ² : £48.6m)	+17.3%
• Operating profit £37.4m (2019 ² : £63.5m)	-41.1%
• Basic earnings per share 29.4p (2019 ² : 36.8p)	-20.1%

¹Separately disclosed items as disclosed in account note 2.

²2019 figures are prior to the adoption of IFRS 16 (Lease Accounting).

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

“Trade for the last seven weeks was 9.1% above the equivalent period in FY19 and 14.9% above the equivalent period in our last financial year (FY22).

“As reported last year, the company has a full complement of staff, although the labour market is competitive, with unemployment, in spite of economic problems, at approximately its lowest level in the last 50 or so years.

“Supply or delivery issues have largely disappeared, for now, and were probably a phenomenon of the stresses induced by the worldwide reopening after the pandemic, rather than a consequence of Brexit, as many commentators have argued.

“Inflationary pressures in the pub industry, as many companies have said, have been ferocious, particularly in respect of energy, food and labour. The Bank of England, and other authorities, believe that inflation is on the wane, which will certainly be of great benefit, if correct.

“Having experienced a substantial improvement in sales and profits, compared to our most recent financial year, and with a strengthened balance sheet, compared both to last year and to the pre-pandemic period, the company is cautiously optimistic about further progress in the current financial year and in the years ahead.”

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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. The financial information set out in the announcement does not constitute the company's statutory accounts for the periods ended 30 July 2023 or 31 July 2022. The financial information for the period ended 31 July 2022 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. Statutory accounts for 2023 will be delivered to the registrar of companies in due course. 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 2022 has been published on the Company's website on 07 October 2022.
5. The current financial year comprises 52 trading weeks to 30 July 2023.
6. The next trading update will be issued on 10 May 2023.

CHAIRMAN'S STATEMENT

Background

In order to provide perspective on the recent financial performance, sales and profit comparisons are provided, below, with the last full financial year, before the pandemic (FY19), and with the last financial year (FY22). Some other comparisons, including balance sheet comparisons, are with the last financial year only.

Trading Summary

In the first half of the financial year, ended 29 January 2023, like-for-like sales were +5.0%, compared to the six-month period ended 27 January 2019, the last full financial year before the pandemic.

Sales, compared to FY19, improved to +9.1% for the most recent seven weeks to 19 March 2023, being the first seven weeks of the second half of the financial year.

Like-for-like sales were +13.0%, compared to the six-month period ended 23 January 2022 (our last financial year), and were +14.9% for the first seven weeks of the second half of the financial year, compared to the same period in FY22.

Compared to the first half of FY20, like-for-like sales were -0.6% in the six-month period and were +7.0% in the first six weeks of second half, before pubs closed as a result of the first UK lockdown.

Total sales were £916.0 million, an increase of 3.0%, compared to the pre-pandemic 26 weeks ended 27 January 2019. Total sales increased by 13.5% compared to the same period in FY22.

Compared to FY19, like-for-like bar sales decreased by 0.8%, food sales increased by 12.0%, slot/fruit machine sales increased by 44.3% and hotel rooms by 13.0%.

Compared to FY22, like-for-like bar sales increased by 8.4%, food by 19.3%, slot/fruit machines' by 31.4% and hotel rooms by 7.3%.

The operating profit, before separately disclosed items, was £37.4 million, compared to £63.5 million for the same period in 2019, and to £1.6 million for the same period in 2022.

The operating margin, before separately disclosed items, was 4.1%, compared to 7.1% in 2019 and 0.2% in 2022.

The profit before tax and separately disclosed items was £4.6 million, compared to £50.3 million in the same period in 2019 and a £26.1 million loss in 2022.

Other Financial Matters

Earnings per share, including shares held in trust by the employee share scheme, before separately disclosed items, were 1.0p (2019: earnings per share of 37.4p; 2022: losses per share of 19.7p).

Total capital investment was £47.8 million (2022: £61.0 million). £10.7 million was invested in new pubs and pub extensions (2022: £25.3 million), £24.3 million in existing pubs and IT (2022: £19.5 million) and £10.0 million in freehold reversions of properties where Wetherspoon was the tenant (2022: £19.2 million).

Separately disclosed items

There was a pre-tax gain of £52.4 million (2022: £13.0 million gain).

£65.1 million of the gain relates to the termination of interest rate swaps in the period. In addition, there was a £8.6 million property impairment charge, in respect of pubs which were deemed unlikely to generate sufficient cash flows, in the future, to support their carrying value.

The company sold or closed 10 pubs during the period. There was a £3.1 million loss on disposal, giving rise to a cash inflow of £2.7 million.

Free Cash Flow

There was a free cash inflow of £166.0 million (2022: £34.5 million outflow), after capital payments of £27.1 million for existing pubs (2022: £19.5 million), £7.5 million for share purchases for employees (2022: £7.1 million) and payments of tax and interest.

The inflow benefited from a profit of £169.4 million following the sale of the company's interest rate swaps in the period under review. Free cash inflow per share was 132.4p (2022: 27.2p outflow).

Dividends and return of capital

The board has not recommended the payment of an interim dividend (2022: £0). There have been no share buybacks in the financial year to date (2022: £0).

Financing

As at 29 January 2023, the company's total net debt, excluding derivatives and lease liabilities, was £743.9 million (23 Jan 2022: £920.4m), a decrease of £176.5m.

The half year-end net-debt-to-EBITDA ratio was 6.16 times (2022: 25.63 times).

The company's debt and liabilities to trade creditors have both reduced since H1 2020, the period before the pandemic started. Debt has decreased by £61 million and trade creditors by £57 million.

£179 million has been invested, since then, in new pubs and freehold reversions.

Financial Period ¹	Net Debt	Trade and other payables	Net Debt + Trade and other payables	Freehold Reversions
	£m	£m	£m	£m
HY 2020	805	315	1,119	71
YE 2020	817	255	1,072	28
HY 2021	812	185	997	1
YE 2021	846	260	1,105	15
HY 2022	920	245	1,165	19
YE 2022	892	283	1,174	7
HY 2023	744	259	1,003	10

¹HY refers to half year, and YE refers to year end

The company has an agreement with its lenders, who have been extremely supportive throughout the pandemic, that waives its debt covenants until October 2023 and replaces them with a minimum liquidity requirement of £100 million for the first half of the current financial year and relaxed leverage covenants for the second half. At the half-year-end liquidity was £231.9 million.

In November 2022, the company repaid government "CLBILS" loans of £100 million, which had been due to mature in August 2023.

The company has total available finance facilities of £983 million.

The company has fixed its SONIA (SONIA is a replacement for LIBOR) interest rates in respect of £580 million until July 2023 and £400 million until October 2025. The weighted average cost of the swaps, excluding the banks' margin, is currently 4.28%. The total cost of the company's debt, including the banks' margin was 6.21%, in the last 26 weeks.

The cost of the current swaps in place have been illustrated in the table below:

Swap Value	Start Date	End Date	Weighted Average %
£580m	31/10/2022	31/07/2023	4.28%
£400m	01/08/2023	31/10/2025	4.67%

Property

The company opened two pubs during the first six months and sold or closed 11, resulting in a trading estate of 843 pubs at the half year end.

As at 24 July 2011, the company's freehold/ leasehold split was 43.4%/56.6%. As at 29 January 2023, as a result of investment in freehold reversions (relating to pubs where the company was previously a tenant) and freehold pub openings, the split was 69.0%/31.0%.

Taxation

The total tax charge for the year is £20.0 million (2022: £1.6 million credit). This consists of a £6.7 million (2022: £0.4 million) 'cash' tax and a £13.3 million 'accounting' tax charge (2022: £1.2 million credit).

The accounting tax charge comprises two parts: the actual current tax charge (the 'cash' tax) and the deferred tax charge (the 'accounting' tax). The tax losses that arose in previous financial years have been carried forward for use against profits in this year and future years.

The company is seeking a refund of historic excise duty from HMRC, totalling £0.5 million, in relation to goods sent to the Republic of Ireland, when Wetherspoon pubs first opened in that country. The company has been charged excise duty on the same goods twice, as they were purchased in the UK, and excise duty was paid in full. Irish excise duty was then paid in addition.

Owing to a paperwork error, in the early days of our business in the Republic, which the company has sought to rectify, it has, to date, been unable to reclaim this duty, even though it is transparently clear that the duty has been paid.

Scotland Business Rates

Business rates are supposed to be based on the value of the building, rather than the level of trade of the tenant. This should mean that the rateable value per square foot is approximately the same for comparable pubs in similar locations.

However, as a result of the valuation approach adopted by the government "Assessor" in Scotland, Wetherspoon often pays far higher rates per square foot than its competitors.

This is highlighted (in the tables below) by assessments for the Omni Centre, a modern leisure complex in central Edinburgh, where Wetherspoon has been assessed at more than double the rate per square foot of the average of its competitors, and for The Centre in Livingston (West Lothian), a modern shopping centre, where a similar anomaly applies.

As a result of applying valuation practice from another era, which assumed that pubs charged approximately the same prices, the *raison d'être* of the rating system - that rates are based on property values, not the tenants trade - has been undermined.

Similar issues are evident in Galashiels, Arbroath, Wick, Anniesland - and indeed most Wetherspoon pubs in Scotland. In effect, the application of the rating system in Scotland discriminates against businesses like Wetherspoon, which have lower prices, and encourages businesses to charge higher prices.

As a result, consumers are likely to pay higher prices, which cannot be the intent of rating legislation.

Omni Centre, Edinburgh (April 2021 – March 2022)			
Occupier Name	Rateable Value (RV)	Customer Area (ft²)	Rates per square foot
Playfair (JDW)	£218,750	2,756	£79.37
Unit 9 (vacant)	£48,900	1,053	£46.44
Unit 7 (vacant)	£81,800	2,283	£35.83
Frankie & Benny's	£119,500	2,731	£43.76
Nando's	£122,750	2,804	£43.78
Slug & Lettuce	£108,750	3,197	£34.02
The Filling Station	£147,750	3,375	£43.78
Tony Macaroni	£125,000	3,427	£36.48
Unit 6 (vacant)	£141,750	3,956	£35.83
Cosmo	£200,000	7,395	£27.05
Average (exc JDW)	£121,800	3,358	£38.55

The Centre, Livingston (April 2021 – March 2022)			
Occupier Name	Rateable Value (RV)	Customer Area (ft²)	Rates per square foot
The Newyearfield (JDW)	£165,750	4,090	£40.53
Paraffin Lamp	£52,200	2,077	£25.13
Wagamana	£67,600	2,096	£32.25
Nando's	£80,700	2,196	£36.75
Chiquito	£68,500	2,221	£30.84
Ask Italian	£69,600	2,254	£30.88
Pizza Express	£68,100	2,325	£29.29
Prezzo	£70,600	2,413	£29.26
Harvester	£98,600	3,171	£31.09
Pizza Hut	£111,000	3,796	£29.24
Hot Flame	£136,500	4,661	£29.29

Wetherspoon News

There are two main issues discussed in the latest edition of Wetherspoon News, the company magazine, read by an estimated two million people.

The first relates to the important issue of tax equality between supermarkets and pubs. Currently, pubs pay far more VAT and business rates per pint than supermarkets.

The second relates to the government and wider political response to Covid-19, vital for pubs, but also for health and the wider economy.

The Covid-19 discussion contains articles by Professor Francois Balloux of University College London Genetics Institute, writing in the Guardian, Professor Robert Dingwall of Nottingham Trent University, writing in the Telegraph and by other respected commentators, including former Supreme Court judge, Jonathan Sumption and Spectator editor Fraser Nelson.

It is important for shareholders and the public to make up their own mind on this issue, rather than waiting a possible seven years for a government enquiry, by which time many horses may have bolted.

The articles referred to above can be found via the link below
<https://www.jdwetherspoon.com/~media/files/pdf-documents/events-2023/extracts-from-the-summer-2023-wetherspoon-news.pdf> .

How pubs contribute to the economy

Wetherspoon and other pub and restaurant companies have always generated far more in taxes than are earned in profits. Wetherspoon, its customers and staff, generated total taxes in FY19, before the pandemic, of £763.6 million. This equated to one pound in every thousand of UK government revenue.

In the financial year ended 31 July 2022, the company generated taxes of £662.7 million.

The table below shows the £5.6 billion of tax revenue generated by the company, its staff and customers in the last 9.5 years. Each pub, on average, generated £6.3 million in tax during that period. The tax generated by the company, during this 9.5-year period, equates to approximately 27 times the company's profits after tax.

	2023 H1	2022	2021	2020	2019	2018	2017	2016	2015	2014	TOTAL 2014 to 2023 H1 £m
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
VAT	177.1	287.7	93.8	244.3	357.9	332.8	323.4	311.7	294.4	275.1	2,698.2
Alcohol duty	81.3	156.6	70.6	124.2	174.4	175.9	167.2	164.4	161.4	157	1,433.0
PAYE and NIC	58.7	141.9	101.5	106.6	121.4	109.2	96.2	95.1	84.8	78.4	993.8
Business rates	26.4	50.3	1.5	39.5	57.3	55.6	53	50.2	48.7	44.9	427.4
Corporation tax	8.7	1.5	-	21.5	19.9	26.1	20.7	19.9	15.3	18.4	152.0
Corporation tax credit (historic capital allowances)	-	-	-	-	-	-	-	-	(2)	-	(2.0)
Fruit/slot Machine duty	7.6	12.8	4.3	9	11.6	10.5	10.5	11	11.2	11.3	99.8
Climate change levies	8.1	9.7	7.9	10	9.6	9.2	9.7	8.7	6.4	6.3	85.6
Stamp duty	0.7	2.7	1.8	4.9	3.7	1.2	5.1	2.6	1.8	2.1	26.6
Sugar tax	1.4	2.9	1.3	2	2.9	0.8	-	-	-	-	11.3
Fuel duty	0.9	1.9	1.1	1.7	2.2	2.1	2.1	2.1	2.9	2.1	19.1
Carbon tax	-	-	-	-	1.9	3	3.4	3.6	3.7	2.7	18.3
Premise licence and TV licences	0.3	0.5	0.5	1.1	0.8	0.7	0.8	0.8	1.6	0.7	7.8
Landfill tax	-	-	-	-	-	1.7	2.5	2.2	2.2	1.5	10.1
Employee support grants	-	(4.4)	(213)	(124.1)	-	-	-	-	-	-	(341.5)
Eat out to help out	-	-	(23.2)	-	-	-	-	-	-	-	(23.2)
Local Government Grants	-	(1.4)	(11.1)	-	-	-	-	-	-	-	(12.5)
TOTAL TAX	371.1	662.7	37	440.7	763.6	728.8	694.6	672.3	632.4	600.5	5,522.5
TAX PER PUB	0.44	0.78	0.04	0.53	0.87	0.83	0.77	0.71	0.67	0.66	6.30
TAX AS % OF NET SALES	40.52%	38.10%	4.80%	34.90%	42.00%	43.00%	41.80%	42.10%	41.80%	42.60%	37.16%
PROFIT/(LOSS) AFTER TAX	1.3	-24.9	-146.5	-38.5	79.6	83.6	76.9	56.9	57.5	58.9	204.8

Note – this table is prepared on a cash basis.

IFRS 16 was implemented in the year ending 26 July 2020 (FY20). From this period all profit numbers in the above table are on a Post-IFRS 16 basis. Prior to this date all profit numbers are on a Pre-IFRS 16 basis.

Corporate Governance

Wetherspoon has been a strong critic of the composition of the boards of UK-quoted companies. As a result of the “nine-year rule”, limiting the tenure of NEDs and the presumption in favour of “independent”, part-time chairmen, boards are often composed of short-term directors, with very little representation from those who understand the company best - people who work for it full-time, or have worked for it full-time.

Wetherspoon’s review of the boards of major banks and pub companies, which teetered on the edge of failure in the 2008-2010 recession, highlighted the short “tenure”, on average, of directors.

In contrast, Wetherspoon noted the relative success, during this fraught financial period, of pub companies Fuller’s and Young’s, the boards of which were dominated by experienced executives, or former executives.

As a result, Wetherspoon has increased the level of executive experience on the Wetherspoon board by appointing four “worker directors”.

All four worker directors started on the “shop floor” and eventually became successful pub managers. Three have been promoted to area management roles. They have worked for the company for an average of 24 years.

Board composition cannot guarantee future success, but it makes sensible decisions, based on experience at the coalface of the business, more likely.

The UK Corporate Governance Code 2018 (the “Code”) is a vast improvement on previous codes, emphasising the importance of employees, customers and other stakeholders in commercial success. It also emphasises the importance of its ‘comply or explain’ ethos, and the consequent need for shareholders to engage with companies in order to understand their explanations.

A major impediment to the effective implementation of comply or explain seems to be the undermanning of the corporate governance departments of major shareholders.

For example, Wetherspoon met a compliance officer from one major institution who is responsible for around 400 companies - an impossible task, since the written regulatory output of each company is vast, coupled with the practical impossibility of meeting with so many companies in any meaningful way.

As a result, it appears that compliance officers and governance advisors, in practice, often rely on a “tick-box” approach, which is, itself, in breach of the Code.

A further issue is that many major investors, in their own companies, for sensible reasons, do not observe the nine-year rule, and other rules, themselves. An approach of “do what I say, not what I do” is clearly unsustainable.

Further progress

As always, the company has tried to improve as many areas of the business as possible, on a week-to-week basis, rather than aiming for ‘big ideas’ or grand strategies.

Frequent calls on pubs by senior executives, the encouragement of criticism from pub staff and customers and the involvement of pub and area managers, among others, in weekly decisions, are the keys to success.

Wetherspoon paid £15.0 million in respect of bonuses and free shares to employees in the period ending 29 January 2023, of which 95.9% was paid to staff below board level and 83.0% was paid to staff working in our pubs.

Wetherspoon has been the biggest corporate sponsor of ‘Young Lives vs Cancer’ (previously CLIC Sargent), having raised a total of £21.3 million since 2002. During the pandemic, our contributions had been reduced, but since the reopening of our pubs there have been great efforts seen and our contributions have bounced back significantly.

Wetherspoon has been recognised by The Top Employers Institute as a ‘Top Employer in the United Kingdom’ for 2023. This is the 18th time that Wetherspoon has been certified by the Institute.

Bonuses and Free Shares

As indicated above, Wetherspoon has, for many years (see table below), operated a bonus and share scheme for all employees.

Financial year	Bonus and free shares	(Loss)/Profit after tax ¹	Bonus and free shares as % of profits
	£m	£m	
2007	19	47	41%
2008	16	36	45%
2009	21	45	45%
2010	23	51	44%
2011	23	52	43%
2012	24	57	42%
2013	29	65	44%
2014	29	59	50%
2015	31	57	53%
2016	33	57	58%
2017	44	77	57%
2018	43	84	51%
2019	46	80	58%
2020	33	(39)	-
2021	23	(146)	-
2022	27	(25)	-
2023 H1	15	1	1,500%
Total	479	558	51.6%²

¹(IFRS 16 was implemented in the year ended 26 July 2020 (FY20). From this period all profit numbers in the above table are on a Post-IFRS 16 basis. Prior to this date all profit numbers are on a Pre-IFRS 16 basis.

² Excludes 2020, 2021 and 2022.

Length of Service

The attraction and retention of talented pub and kitchen managers is important for any hospitality business. As the table below demonstrates, the retention of managers has improved, even during the pandemic.

Financial year	Average pub manager length of service	Average kitchen manager length of service
	(Years)	(Years)
2013	9.1	6.0
2014	10.0	6.1
2015	10.1	6.1
2016	11.0	7.1
2017	11.1	8.0
2018	12.0	8.1
2019	12.2	8.1
2020	12.9	9.1
2021	13.6	9.6
2022	13.9	10.4
2023 H1	14.1	10.6

Food Hygiene Ratings

Wetherspoon has always emphasised the importance of hygiene standards.

We now have 769 pubs rated on the Food Standards Agency's website (see table below). The average score is 4.98, with 98% of the pubs achieving a top rating of five 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 59 pubs have passed.

Financial Year	Total Pubs Scored	Average Rating	Pubs with highest Rating %
2013	771	4.85	87.0
2014	824	4.91	92.0
2015	858	4.93	94.1
2016	836	4.89	91.7
2017	818	4.89	91.8
2018	807	4.97	97.3
2019	799	4.97	97.4
2020	781	4.96	97.0
2021	787	4.97	98.4
2022	775	4.98	98.6
2023 H1	769	4.98	98.0

Property litigation

As previously reported, Wetherspoon agreed on an out-of-court settlement with developer Anthony Lyons, formerly of property leisure agent Davis Coffey Lyons, in 2013 and received approximately £1.25 million 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 – 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.

Press corrections

The press and media have generally been fair and accurate in reporting on Wetherspoon over the decades. However, in the febrile atmosphere of the first lockdown, something went awry and a number of harmful inaccuracies were published.

In order to try and set the record straight, a special edition of Wetherspoon News was published, which includes details of the resulting apologies and corrections, which can be found on the company's website (https://www.jdwetherspoon.com/~media/files/pdf-documents/wetherspoon-news/does-truth-matter_.pdf).

Current trading and outlook

As indicated above, trade for the last seven weeks was 9.1% above the equivalent period in FY19 and 14.9% above the equivalent period in our last financial year (FY22).

As reported last year, the company has a full complement of staff, although the labour market is competitive, with unemployment, in spite of economic problems, at approximately its lowest level in the last 50 or so years.

Supply or delivery issues have largely disappeared, for now, and were probably a phenomenon of the stresses induced by the worldwide reopening after the pandemic, rather than a consequence of Brexit, as many commentators have argued.

Inflationary pressures in the pub industry, as many companies have said, have been ferocious, particularly in respect of energy, food and labour. The Bank of England, and other authorities, believe that inflation is on the wane, which will certainly be of great benefit, if correct.

Having experienced a substantial improvement in sales and profits, compared to our most recent financial year, and with a strengthened balance sheet, compared both to last year and to the pre-pandemic period, the company is cautiously optimistic about further progress in the current financial year and in the years ahead.

INCOME STATEMENT for the 26 weeks ended 29 January 2023

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 26 weeks ended 29 January 2023 Before separately disclosed items £000	Unaudited 26 weeks ended 29 January 2023 separately disclosed items £000	Unaudited 26 weeks ended 29 January 2023 After separately disclosed items £000	Unaudited 26 weeks ended 23 January 2022 Before separately disclosed items £000	Unaudited 26 weeks ended 23 January 2022 separately disclosed items £000	Unaudited 26 weeks ended 23 January 2022 After separately disclosed items £000
Revenue	1	915,956	-	915,956	807,395	-	807,395
Other operating income		-	-	-	-	277	277
Operating costs		(878,536)	-	(878,536)	(805,767)	-	(805,767)
Operating profit		37,420	-	37,420	1,628	277	1,905
Property gains/(losses)	2	489	(11,665)	(11,176)	1,653	(23)	1,630
Finance income	2	247	65,091	65,338	229	-	229
Finance costs	2	(33,592)	(1,037)	(34,629)	(29,574)	12,774	(16,800)
Profit/(loss) before tax		4,564	52,389	56,953	(26,064)	13,028	(13,036)
Income tax (charge)/credit	3	(3,271)	(16,767)	(20,038)	1,007	560	1,567
Profit/(loss) for the period		1,293	35,622	36,915	(25,057)	13,588	(11,469)
Profit/(loss) per ordinary share (p)							
- Basic	4	1.0	28.4	29.4	(19.7)	(10.7)	(9.0)
- Diluted	4	1.0	28.4	29.4	(19.7)	(10.7)	(9.0)

STATEMENT OF COMPREHENSIVE INCOME for the 26 weeks ended 29 January 2023

	Notes	Unaudited 26 weeks ended 29 January 2023 £000	Unaudited 26 weeks ended 23 January 2022 £000	Audited 53 weeks ended 30 July 2022 £000
Items which will be reclassified subsequently to profit or loss:				
Interest-rate swaps: gain taken to other comprehensive income	9	37,529	22,314	48,452
Interest-rate swaps: (loss)/gain reclassification to the income statement	9	(1,913)	(2,011)	(4,332)
Tax on items taken directly to other comprehensive income	3	(8,904)	(9,124)	(11,051)
Currency translation differences		3,211	(1,885)	(1,474)
Net gain recognised directly in other comprehensive income		29,923	9,294	31,595
Profit/(loss) for the period		36,915	(11,469)	19,267
Total comprehensive profit/(loss) for the period		66,838	(2,175)	50,862

CASH FLOW STATEMENT for the 26 weeks ended 29 January 2023

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited	Unaudited free cash flow ¹	Unaudited	Unaudited	Audited	Audited
		26 weeks ended 29 January 2023 £000	26 weeks ended 29 January 2023 £000	26 weeks ended 23 January 2022 £000	26 weeks ended 23 January 2022 £000	53 weeks ended 31 July 2022 £000	53 weeks ended 31 July 2022 £000
Cash flows from operating activities							
Cash generated from/(used in) operations	5	84,187	84,187	33,215	33,215	178,510	178,510
Interest received		71	71	8	8	97	97
Interest paid		(21,245)	(21,245)	(6,662)	(6,662)	(41,044)	(41,044)
Cash proceeds on termination of interest-rate swaps		169,413	169,413	–	–	–	–
Corporation tax paid		(8,730)	(8,730)	(709)	(709)	(715)	(715)
Lease interest		(8,172)	(8,172)	(9,222)	(9,222)	(17,501)	(17,501)
Net cash flow from operating activities		215,524	215,524	16,630	16,630	119,347	119,347
Cash flows from investing activities							
Reinvestment in pubs		(24,333)	(24,333)	(18,925)	(18,925)	(42,777)	(42,777)
Reinvestment in business and IT projects		(2,804)	(2,804)	(543)	(543)	(3,113)	(3,113)
Investment in new pubs and pub extensions		(10,669)	–	(22,275)	–	(51,083)	–
Freehold reversions and investment properties		(9,994)	–	(19,248)	–	(25,773)	–
Proceeds of sale of property, plant and equipment		3,327	–	2,139	–	10,547	–
Net cash flow from investing activities		(44,473)	(27,137)	(58,852)	(19,468)	(112,199)	(45,890)
Cash flows from financing activities							
Purchase of own shares for share-based payments		(7,454)	(7,454)	(7,082)	(7,082)	(12,808)	(12,808)
(Repayments)/advances under bank loans		(140,033)	–	74,990	–	50,000	–
Other loan receivables		393	–	(3,986)	–	(3,542)	–
Lease principal payments	10	(14,904)	(14,904)	(24,589)	(24,589)	(38,535)	(38,535)
Asset-financing principal payments		(2,855)	–	(3,531)	–	(7,132)	–
Net cash flow from financing activities		(164,853)	(22,358)	35,802	(31,671)	(12,209)	(51,535)
Net change in cash and cash equivalents		6,198		(6,420)		(5,061)	
Opening cash and cash equivalents		40,347		45,408		45,408	
Closing cash and cash equivalents		46,545		38,988		40,347	
Free cash flow¹			166,029		(34,509)		21,922

¹Free cash flow is a measure not required by accounting standards; a definition is provided in the accounting policies within the 2022 Annual Report

BALANCE SHEET as at 29 January 2023

J D Wetherspoon plc, company number: 1709784	Notes	Unaudited 29 January 2023 £000	Restated ¹ Unaudited 23 January 2022 £000	Audited 31 July 2022 £000
Assets				
Non-current assets				
Property, plant and equipment		1,417,559	1,440,368	1,426,862
Intangible assets		5,670	3,849	5,409
Investment property		23,276	12,653	23,364
Right-of-use assets	10	400,739	448,184	419,416
Other loan receivable		2,749	3,224	2,739
Derivative financial instruments	9	326	–	61,367
Lease assets	10	8,662	9,681	9,264
Total non-current assets		1,858,981	1,917,959	1,948,421
Current assets				
Lease assets	10	2,001	1,638	2,001
Assets held for sale	7	1,533	2,123	800
Inventories		32,483	27,007	26,402
Receivables		14,650	16,696	29,400
Current income tax receivables		4,049	2,269	2,000
Cash and cash equivalents		46,545	38,988	40,347
Total current assets		101,261	88,721	100,950
Total assets		1,960,242	2,006,680	2,049,371
Current liabilities				
Borrowings	8	(4,324)	(6,740)	(5,137)
Derivative financial instruments	9	(66)	–	–
Trade and other payables		(258,733)	(244,757)	(282,481)
Provisions		(2,877)	(3,030)	(2,661)
Lease liabilities	10	(47,409)	(50,797)	(48,471)
Total current liabilities		(313,409)	(305,324)	(338,750)
Non-current liabilities				
Borrowings	8	(789,296)	(956,605)	(930,404)
Derivative financial instruments	9	(9,631)	(3,565)	(2,031)
Deferred tax liabilities		(56,984)	(24,497)	(34,718)
Lease liabilities	10	(406,529)	(444,836)	(421,583)
Total non-current liabilities		(1,262,440)	(1,429,503)	(1,388,736)
Total liabilities		(1,575,849)	(1,734,827)	(1,727,486)
Net assets		384,393	271,853	321,885
Shareholders' equity				
Share capital		2,575	2,575	2,575
Share premium account		143,294	143,294	143,294
Capital redemption reserve		2,337	2,337	2,337
Other reserves		234,579	234,579	234,579
Hedging reserve ¹		40,329	(8,273)	13,617
Currency translation reserve		4,529	(501)	(144)
Retained earnings ¹		(43,250)	(102,158)	(74,373)
Total shareholders' equity		384,393	271,853	321,885

¹Restated 23 Jan 2022.

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other Reserves ² £000	Restated ¹ Hedging reserve ² £000	Currency translation reserve ² £000	Restated ¹ Retained earnings ² £000	Total £000
As at 25 July 2021 as previously reported		2,575	143,294	2,337	234,579	(15,403)	1,851	(91,256)	277,977
Effect of restatement		-	-	-	-	(4,049)	-	4,049	-
Restated¹ At 25 July 2021		2,575	143,294	2,337	234,579	(19,452)	1,851	(87,207)	277,977
Total comprehensive income		-	-	-	-	11,179	(2,352)	(11,003)	(2,176)
Loss for the period		-	-	-	-	-	-	(11,469)	(11,469)
Interest-rate swaps: cash flow hedges	9	-	-	-	-	22,314	-	-	22,314
Interest-rate swaps: amount reclassified to the income statement	9	-	-	-	-	(2,011)	-	-	(2,011)
Tax on items taken directly to comprehensive income	3	-	-	-	-	(9,124)	-	-	(9,124)
Currency translation differences		-	-	-	-	-	(2,352)	466	(1,886)
Share-based payment charges		-	-	-	-	-	-	3,152	3,152
Tax on share-based payment		-	-	-	-	-	-	(18)	(18)
Purchase of own shares for share-based payments		-	-	-	-	-	-	(7,082)	(7,082)
Restated¹ At 23 January 2022		2,575	143,294	2,337	234,579	(8,273)	(501)	(102,158)	271,853
Total comprehensive income		-	-	-	-	21,890	357	30,791	53,038
Profit for the period		-	-	-	-	-	-	30,736	30,736
Interest-rate swaps: cash flow hedges	9	-	-	-	-	26,138	-	-	26,138
Interest-rate swaps: amount reclassified to the income statement	9	-	-	-	-	(2,321)	-	-	(2,321)
Tax on items taken directly to comprehensive income	3	-	-	-	-	(1,927)	-	-	(1,927)
Currency translation differences		-	-	-	-	-	357	55	412
Share-based payment charges		-	-	-	-	-	-	2,722	2,722
Tax on share-based payment		-	-	-	-	-	-	(2)	(2)
Purchase of own shares for share-based payments		-	-	-	-	-	-	(5,726)	(5,726)
At 31 July 2022		2,575	143,294	2,337	234,579	13,617	(144)	(74,373)	321,885
Total comprehensive income		-	-	-	-	26,712	4,673	35,452	66,837
Profit for the period		-	-	-	-	-	-	36,914	36,914
Interest-rate swaps: cash flow hedges	9	-	-	-	-	37,529	-	-	37,529
Interest-rate swaps: amount reclassified to the income statement	9	-	-	-	-	(1,913)	-	-	(1,913)
Tax on items taken directly to comprehensive income	3	-	-	-	-	(8,904)	-	-	(8,904)
Currency translation differences		-	-	-	-	-	4,673	(1,462)	3,211
Share-based payment charges		-	-	-	-	-	-	3,125	3,125
Tax on share-based payment		-	-	-	-	-	-	-	-
Purchase of own shares for share-based payments		-	-	-	-	-	-	(7,454)	(7,454)
At 29 January 2023		2,575	143,294	2,337	234,579	40,329	4,529	(43,250)	384,393

¹Restated 23 Jan 2022.

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 retranslation of the opening reserves in the overseas branch at the current period end's currency exchange rate.

²As at 29 January 2023, the company had distributable reserves of £236.2m (23 January 2022: £123.6m).

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

	Unaudited 26 weeks ended 29 January 2023 £000	Unaudited 26 weeks ended 23 January 2022 £000
Bar	521,088	480,453
Food	351,741	292,891
Slot/fruit machines	30,269	23,144
Hotel	11,863	10,424
Other	995	483
	915,956	807,395

2. Separately disclosed items

	Unaudited 26 weeks ended 29 January 2023 £000	Unaudited 26 weeks ended 23 January 2022 £000
Operating items		
Local government support grants	–	107
Duty drawback	–	170
Operating income	–	277
Total operating costs	–	277
Property losses		
Loss on disposal of pubs	(3,052)	(23)
	(3,052)	(23)
Other property losses		
Impairment of property, plant and equipment	(7,311)	–
Impairment or intangible assets	74	–
Impairment of right-of-use assets	(1,376)	–
	(8,613)	–
Total property losses	(11,665)	(23)
Other items		
Finance income	65,091	13,774
Finance costs	(1,037)	(1,000)
	64,054	12,774
Taxation		
Other tax items	(5,847)	(189)
Tax effect on separately disclosed items	(10,920)	749
	(16,767)	560
Total separately disclosed items¹	35,622	13,588

¹separately disclosed items were previously reported as exceptional items, refer to accounting policy for further details.

2. Separately disclosed items (continued)

Loss on disposal of pubs

Costs classified under 'loss on disposal of pubs' relate to the (loss)/gain on disposal sites in the estate. During the period, seven freehold pubs were sold and the break notice served on 10 pubs.

Other property losses

Property impairment relates to pubs which are deemed unlikely to generate sufficient cash flows in the future to support their carrying value. In the year, a total impairment charge of £8,613k (2022: £nil) was incurred in respect of the impairment of assets as required under IAS 36.

Finance costs

Finance costs totalling £1,000k (2022: £1,000k) relate to covenant-waiver fees. £37k of remaining finance costs relate to other interest.

Finance income

The company has recognised finance income of £65,091k (2022: £13,774k), relating to the fair value movement on a proportion of its interest rate swaps. £49,888k (2022: -£48,527k) relates to hedge gains recognised in profit or loss in respect of hedges held at fair value through the profit or loss. £15,203k (2022: £3,802k) relates to £13,291k reclassified from the profit or loss to other comprehensive income for the amount relating to terminated swaps, and a further £1,913k for the amortisation to the profit or for cash flow hedge reserves relating to discontinued hedge relationships. See note 9 for details.

Taxation

The current tax charge of £5,847k relates primarily to derivative contracts.

The deferred tax charge of £10,920k relates primarily to derecognition of the deferred tax asset in respect of interest restrictions and the impact of the change in the UK tax rate on deferred tax balances.

3. Income tax expense

The standard rate of corporation tax in the UK is 19.0%. The company's profits for the accounting period are taxed at a rate of 21.0% (2022: 19.0%).

	Unaudited 26 weeks ended 29 January 2023 Before separately disclosed items £000	Unaudited 26 weeks ended 29 January 2023 After separately disclosed items £000	Unaudited 26 weeks ended 23 January 2022 Before separately disclosed items £000	Unaudited 26 weeks ended 23 January 2022 After separately disclosed items £000	Audited 53 weeks ended 31 July 2022 Before separately disclosed items £000	Audited 53 weeks ended 31 July 2022 After separately disclosed items £000
Taken through income statement						
Current income tax:						
Current income tax charge	866	6,625	(378)	(378)	22	22
Previous period adjustment	–	88	–	2	–	–
Total current income tax	866	6,713	(378)	(376)	22	22
Deferred tax:						
Origination and reversal of temporary differences	2,405	15,771	(629)	(1,380)	(4,529)	10,133
Prior year deferred tax credit	–	(36)	–	–	(1,053)	(1,053)
Impact of change in UK tax rate	–	(2,410)	–	189	–	(2,102)
Total deferred tax	2,405	13,325	(629)	(1,191)	(5,582)	6,978
Tax charge/(credit)	3,271	20,038	(1,007)	(1,567)	(5,560)	7,000
Taken through equity						
Current tax	–	–	(2)	(2)	(2)	(2)
Deferred tax	–	–	20	20	22	22
Tax charge	–	–	18	18	20	20
Taken through comprehensive income						
Deferred tax charge on swaps	7,479	7,479	7,079	7,079	8,404	8,404
Prior year deferred tax charge/ (credit)	–	–	–	–	–	–
Impact of change in UK tax rate	1,425	1,425	2,045	2,045	2,647	2,647
Tax charge	8,904	8,904	9,124	9,124	11,051	11,051

4. Basic earnings/(loss) per share

Weighted average number of shares

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) after tax for the period by the weighted average number of ordinary shares in issue during the financial year of 128,750,155 (2022: 128,750,155) less the weighted average number of shares held in trust during the financial year of 3,337,132 (2022: 1,804,137). Shares held in trust are shares purchased by the company to satisfy employee share schemes which have not yet vested.

Weighted average number of shares	Unaudited 26 weeks ended 29 January 2023	Unaudited 26 weeks ended 23 January 2022	Audited 53 weeks ended 31 July 2022
Shares in issue	128,750,155	128,750,155	128,750,155
Shares held in trust	(3,337,132)	(1,804,137)	(1,924,810)
Shares in issue - Basic	125,413,023	126,946,018	126,825,345
Dilutive shares	-	-	-
Shares in issue - Diluted	125,413,023	126,946,018	126,825,345

Earnings / (loss) per share

26 weeks ended 29 January 2023 unaudited	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	36,915	29.4	29.4
Exclude effect of separately disclosed items after tax	(35,622)	(28.4)	(28.4)
Earnings before separately disclosed items	1,293	1.0	1.0
Exclude effect of property gains	(489)	(0.4)	(0.4)
Underlying earnings before separately disclosed items	804	0.6	0.6

26 weeks ended 23 January 2022 unaudited	Loss £000	Basic EPS pence	Diluted EPS pence
Earnings (loss after tax)	(11,469)	(9.0)	(9.0)
Exclude effect of separately disclosed items after tax	(13,588)	(10.7)	(10.7)
Earnings before separately disclosed items	(25,057)	(19.7)	(19.7)
Exclude effect of property gains	(1,653)	(1.3)	(1.3)
Underlying earnings before separately disclosed items	(26,710)	(21.0)	(21.0)

5. Cash used in/generated from operations

	Unaudited 26 weeks ended 29 January 2023 £000	Unaudited 26 weeks ended 23 January 2022 £000	Audited 53 weeks ended 31 July 2022 £000
Profit/(loss) for the period	36,915	(11,469)	19,267
Adjusted for:			
Tax (note 3)	20,038	(1,567)	7,002
Share-based charges	3,125	3,152	5,874
Loss on disposal of property, plant and equipment	3,738	1,485	3,589
Gain on remeasurement of capitalised leases (note 10)	(489)	(3,449)	(7,368)
Gain on disposal of capitalised leases (note 10)	(686)	-	-
Net impairment charge (note 2)	8,613	-	24,430
Interest payable & receivable	24,411	18,949	41,292
Lease interest (note 10)	7,966	9,394	17,655
Separately disclosed Interest (note 2)	(64,054)	(12,774)	(51,859)
Amortisation of bank loan and private placement issue costs	968	1,002	1,983
Depreciation and amortisation	54,847	59,883	116,845
Aborted properties costs	688	2,283	2,947
Cancelled principal payments	-	(2,250)	(4,726)
Foreign exchange movements	(3,214)	-	(1,474)
	92,866	64,640	175,457
Change in inventories	(6,081)	(154)	452
Change in receivables	14,143	(269)	(10,810)
Change in payables	(16,741)	(31,002)	13,524
Cash flow from operating activities	84,187	33,215	178,623

6. Analysis of change in net debt

	Audited			Audited			Unaudited
	25 July	Cash	Other	31 July	Cash	Other	29 January
	2021	flows	changes	2022	flows	changes	2023
	£000	£000	£000	£000	£000	£000	£000
Borrowings							
Cash and cash equivalents	45,408	(5,061)	–	40,347	6,198	–	46,545
Other loan receivable - before one year	–	803	–	803	(401)	–	402
Asset-financing obligations – before one year	(7,610)	2,473	–	(5,137)	813	–	(4,324)
Current net borrowings	37,798	(1,785)	–	36,013	6,610	–	42,623
Bank loans – due after one year	(776,871)	(49,808)	(1,937)	(828,616)	140,033	(945)	(689,528)
Asset-financing obligations – after one year	(8,633)	4,659	–	(3,974)	2,043	–	(1,931)
Other loan receivable - after one year	–	2,739	–	2,739	–	–	2,739
Private placement – after one year	(97,768)	–	(46)	(97,814)	–	(23)	(97,837)
Non-current net borrowings	(883,272)	(42,410)	(1,983)	(927,665)	142,076	(968)	(786,557)
Net debt	(845,474)	(44,195)	(1,983)	(891,652)	148,686	(968)	(743,934)
Derivatives							
Interest-rate swaps asset - after one year	–	–	61,367	61,367	–	(61,041)	326
Interest-rate swaps liability – within one year	–	–	–	–	–	(66)	(66)
Interest-rate swaps liability – after one year	(37,643)	–	35,612	(2,031)	–	(7,600)	(9,631)
Total derivatives	(37,643)	–	96,979	59,336	–	(68,707)	(9,371)
Net debt after derivatives	(883,117)	(44,195)	94,996	(832,316)	148,686	(69,675)	(753,305)
Leases							
Lease assets – before one year	1,638	(1,423)	1,786	2,001	(826)	38	1,213
Lease assets – after one year	9,890	–	(626)	9,264	–	184	9,448
Lease obligations – before one year	(65,219)	40,049	(23,301)	(48,471)	15,730	(14,668)	(47,409)
Lease obligations – after one year	(458,596)	–	37,014	(421,582)	–	15,053	(406,529)
Net lease liabilities	(512,287)	38,626	14,873	(458,788)	14,904	607	(443,277)
Net debt after derivatives and lease liabilities	(1,395,404)	(5,569)	109,869	(1,291,104)	163,590	(69,068)	(1,196,582)

The cash movement on bank loans of £140,033k primarily relates to the repayment of the CLBILs in November 2022 of £100,033k. The remaining repayment relates to the variable-rate facility which has reduced from £730,000k to £690,000k from 31 July 2022 to 29 January 2023.

The cash movement on asset-financing of £2,855k is disclosed in the cash flow statement as 'asset-financing principal payments'.

Lease obligations represent long-term payables, while lease assets represent long-term receivables – both are, therefore, disclosed in the table above.

Non-cash movements

The non-cash movement in bank loans and the private placement relate to the amortisation of loan issue costs. These are arrangement fees paid in respect of new borrowings and are charged to the income statement over the expected life of the loans.

The movement in interest-rate swaps relates to the termination of the majority of the interest-rate swaps in place, the change in the 'mark to market' valuations for the 26 week financial period and the addition of new swaps. See note 9.

7. Assets held for sale

These relate to situations in which the company had exchanged contracts to sell a property, but the transaction is not yet complete. As at 29 January, one site was classified as held for sale (23 January 2022: three sites and 31 July 2022: two sites).

	Unaudited 29 January 2023 £000	Unaudited 23 January 2022 £000	Audited 31 July 2022 £000
Property, plant and equipment	1,533	2,123	800

8. Borrowings

	Unaudited 29 January 2023 £000	Unaudited 23 January 2022 £000	Audited 31 July 2022 £000
Current (due within one year)			
Other			
Lease liabilities	47,409	50,797	48,471
Asset-financing obligations	4,324	6,740	5,137
Total current borrowings (including lease liabilities)	51,733	57,537	53,608
Non-current (due after one year)			
Bank loans			
Variable-rate facility	690,000	755,000	730,000
CLBILS	–	100,033	100,033
Unamortised bank loan issue costs	(472)	(2,192)	(1,417)
	689,528	852,842	828,616
Private placement			
Fixed-rate facility	98,000	98,000	98,000
Unamortised private placement issue costs	(163)	(209)	(186)
	97,837	97,791	97,814
Other			
Lease liabilities	406,529	444,836	421,582
Asset-financing	1,931	5,972	3,974
	408,460	450,808	425,556
Total non-current borrowings (including lease liabilities)	1,195,825	1,401,441	1,351,986
Total borrowings (including lease liabilities)	1,247,558	1,458,978	1,405,594

Lease liabilities

The carrying amounts of lease liabilities and the movements during the period are outlined in note 10.

Asset-financing obligations

These relate to asset finance leases of equipment in pubs.

Variable-rate facility

The secured revolving credit facility is £875m. As at 29 January 2023, £690m was drawn down (31 July 2022: £730m). There are 14 participating lenders. £20m matures in February 2024 while £855m matures in February 2025. The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt, see note 9.

CLBILS

On 14 November 2022, the company repaid the two secured loans under the CLBILS of £48.3m and £51.7m, respectively. The loans had four participating lenders and an average fixed-interest charge of 1.94%; they were set to mature in August 2023.

Unamortised bank loan issue costs

These relate primarily to refinancing, securing and extending the variable-rate facility.

Private placement

The fixed-rate facility relates to senior secured notes of £98m. The notes mature in 2026.

The company has an overdraft facility of £10m.

9. Financial instruments

The below table outlines the movements in fair value among the hedging reserve, comprehensive income and the income statement during the year:

	Unaudited 29 January 2023	Audited 31 July 2022
	£000	£000
Interest-rate swaps		
Carrying value of derivative financial instruments - Liability	(9,697)	(2,031)
Carrying value of derivative financial instruments - Asset	326	61,367
Change in fair value of derivatives	(68,707)	96,979
Hedge gains recognised in comprehensive income in respect of continuing hedges	(50,819)	(48,452)
Hedge gains recognised in P&L in respect of hedges held at fair value through the profit or loss	(49,887)	(48,527)
Transaction proceeds received in respect of terminated hedges (net of termination fees)	169,413	-
Hedge ineffectiveness reclassified from the reserve to P&L in respect of continuing hedges	-	(8,134)
Amount recognised to P&L relating to terminated swaps	13,290	
Amortisation to P&L of cash flow hedge reserve relating to discontinued hedge relationship	1,913	3,802
Hedging reserve balance in respect of continuing hedges	345	(14,516)
Hedging reserve balance in respect of discontinued hedges	(40,674)	899
Hedging Reserve	£000	£000
Opening	(13,617)	19,452
Hedging gains recognised in comprehensive income	(37,529)	(48,452)
Hedge ineffectiveness reclassified from the reserve to P&L in respect of continuing hedges	-	8,134
Amortisation to P&L of cash flow hedge reserve relating to discontinued hedge relationships	1,913	(3,802)
Deferred tax posted to comprehensive income	8,904	11,051
Closing	(40,329)	(13,617)

The company had eight designated hedge relationships at the beginning of the reporting period, which each, individually held a number of interest-rate swaps. As at 29 January 2023, the interest-rate swaps were in a liability position of £9,371k (31 July 2022: asset position £59,336k). The following changes have taken place during the six months to 29 January 2023:

On 14 October 2022, the company terminated the majority of the interest-rate swaps which it had in place with the exception of five individual interest-rate swaps sitting between two of its hedge relationships. Upon termination, the company received a cash inflow of £169,413k being proceeds less termination fees. The terminated interest-rate swaps which were previously subject to hedge accounting have been treated as discontinued and an assessment made to determine whether the hedged future cash flows will still occur.

The hedges terminated are as follows:

- Hedge relationship two contained six interest-rate swaps which were all terminated, two of which had been previously discontinued due to novation's. Hedge relationship three contained five interest-rate swaps, one of which had been previously discontinued due to novation. These interest-rate swaps were previously hedge accounted for and the future hedged cash flows are still expected to occur. The fair value in OCI was crystallised at termination and will be recycled to the P&L in line with the future hedged cash flows.
- Hedge relationships five, six and seven each contained one interest-rate swap. These hedge relationships were previously discontinued. Any fair value movements were previously recognised in the P&L and amounts in OCI recycled to profit or loss at the date of termination.
- Hedge relationship eight was previously not hedge accounted for. Any fair value movements were previously recognised in the P&L.

The two hedge relationships with active swaps remaining had previously been hedge accounted for:

- Hedge relationship one contained four interest-rate swaps, all of which have remained active. Previously the hedge relationship had been partially discontinued as two of these interest-rate swaps had been novated. The remaining two interest-rate swaps will be hedge accounted for until maturity.
- Hedge relationship four had two out of three interest-rate swaps terminated. On 14 October 2022, the maturity date of the remaining interest-rate swap was amended from 30 June 2028 to 31 July 2023. As a result of the above, the hedge has been fully discontinued given that the critical terms have materially changed.

On 24 October 2022, three new interest-rate swaps were enacted under one new hedge relationship (hedge relationship nine) with a total nominal value of £400m. Management elected not to apply hedge accounting to the hedge relationship from inception as it did not meet the risk strategy for the company.

Remaining in the hedging reserve, is £345k of fair value relating to continuing hedges (31 July 2022: -£14,516k) and -£40,674k of fair value relating to hedges which have been derecognised or discontinued (31 July 2022: £899k). The fair value of derecognised and discontinued hedges will be recycled to the income statement over the remaining period of maturity in line with the hedged cash flows.

10. Leases

The following amounts, relating to lease cash flows, were debited/credited to the income statement during the period:

Rent Cash flow Analysis	Unaudited 29 January 2023 £000	Unaudited 23 January 2022 £000
Cash outflows relating to capitalised leases	24,081	34,787
Expense relating to short term leases	194	375
Expense relating to variable element of concessions	7,665	2,196
Total rent cash outflows for period	31,940	37,358
Cash inflows relating to capitalised leases	(1,005)	(884)
Income relating to lessor sites	(1,188)	(757)
Total rent cash inflows for period	(2,193)	(1,641)

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	£000
Cost	
As at 31 July 2022	557,262
Additions	11,344
Remeasurement	(17,053)
Transfer to property, plant and equipment	(5,243)
Disposals and derecognised leases	(204)
At 29 January 2023	546,106
Accumulated depreciation and impairment:	
As at 31 July 2022	(137,846)
Provided during the period	(18,238)
Exchange differences	147
Impairment loss	(1,376)
Transfer to property, plant and equipment	996
Remeasurement	10,858
Disposals and derecognised leases	92
At 29 January 2023	(145,367)
Net book amount at 29 January 2023	400,739

During the period, additions related to six new signed lease contracts. 24 leases were remeasured as a result of changes in the agreed payments under the lease contracts and changes in the lease terms. Exchange differences occur as a result of translating the capitalised leases in the Republic of Ireland. Four freehold reversions took place during the period, while one lease was disposed of. In the year ended 31 July 2022, lease additions totalled £4,458k and depreciation £42,291k.

10. Leases (continued)

(b) Lease liability

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Unaudited 29 January 2023 £000	Audited 31 July 2022 £000
Lease liability as at commencement of period	(470,054)	(523,815)
Additions	(11,344)	(4,458)
Freehold Reversions	–	15,740
Transfer to property, plant and equipment	4,623	–
Remeasurements of leases	7,146	(6,742)
Disposals	120	4,514
Cancelled principal payments (due to expedient)	–	4,726
Exchange differences	(159)	(67)
Lease liabilities before payments	(469,668)	(510,102)
Interest payable in period:		
Interest expense within period (discounting element)	(8,351)	(18,083)
Cancelled interest expense (due to expedient)	–	501
	(8,351)	(17,582)
Total cash outflow for leases in period:		
Lease payment commitments for period	24,081	62,857
Cancelled payment commitments (due to expedient)	–	(5,227)
	24,081	57,630
Net principal payments	15,730	40,048
Lease liability as at closing of period	(453,938)	(470,054)

(c) Lease assets

	Unaudited 29 January 2023 £000	Audited 31 July 2022 £000
Recognition of Asset liability	11,264	11,528
Additions of leases	225	447
Lease assets before payments	11,489	11,975
Interest due in period	179	228
Total cash Inflow for leases in period	(1,005)	(884)
Net principal payments	(826)	(656)
Lease asset	10,663	11,319

11. Going Concern

The directors have made enquiries into the adequacy of the company's financial resources, through a review of the company's budget and medium-term financial plan, including capital expenditure plans and cash flow forecasts.

The company has agreed with its lenders to replace normal financial covenant tests with relaxed leverage covenant tests for the second half of the current financial year to 30 July 2023. The company is confident that it will be in a position to return to normal financial covenant tests thereafter.

The company has modelled a base forecast in which, over the next 18 months, sales, profit and cash flow growth continues at a modest rate. The company has anticipated within this forecast continued high levels of inflation, particularly on food products, wages and repairs.

A more cautious scenario has been analysed, in which sales are 5% lower than the base case over the next 18 months. The company has reviewed, and is satisfied with, the mitigating actions it could take if such a sales decline were to occur. Such actions could include reducing discretionary expenditure and/or implementing price increases.

The company has also reviewed a 'reverse stress test', which has analysed the additional level of sales decline the company could withstand before covenant levels would be exceeded in October 2024, when agreed waivers expire.

The directors are satisfied that the company has sufficient resources (e.g. profitability/liquidity) to withstand adjustments to the base forecast, as well as the downside and stress test scenarios.

As a result, the directors have satisfied themselves that the company will continue in operational existence for the foreseeable future. For this reason, the company continues to adopt the going-concern basis in preparing its financial statements.

12. Contingent liability

The company is in an on-going contractual dispute with a large supplier. The outcome of the dispute is yet to be determined and will be resolved by a legal process. Disclosing any further information at this stage about the ongoing contractual dispute, its financial effect (if any) and uncertainties relating to the amount or timing of any outflow might be prejudicial to the company's position.