J D Wetherspoon plc

INTERIM REPORT 2019

Wetherspoon owns and operates pubs throughout the UK and Ireland. The company aims to provide customers with good-quality food and drinks, 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.

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Financial calendar

Year end
28 July 2019

Preliminary announcement for 2019
13 September 2019

Report and accounts for 2019
13 September 2019

Annual general meeting
21 November 2019

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FINANCIAL HIGHLIGHTS

Revenue £889.6m
(2018: £830.4m)
+7.1%

Like-for-like sales
+6.3%

Free cash flow[1] £71.7m
(2018: £36.8m)
+94.8%

Free cash flow[1] per share 67.9p
(2018: 34.8p)
+95.1%

Half-year dividend 4.0p
(2018: 4.0p)
Maintained

Contribution to the economy
taxes paid £375.6m
(2018: £356.1m)

Before exceptional items

Operating profit £63.5m
(2018: £74.0m)
-14.2%

Profit before tax £50.3m
(2018: £62.0m)
-18.9%

Earnings per share
(including shares held in trust) 37.4p
(2018: 45.7p)
-18.2%

After exceptional items[2]

Operating profit £63.5m
(2018: £74.0m)
-14.2%

Profit before tax £48.6m
(2018: £54.3m)
-10.5%

Earnings per share
(including shares held in trust) 36.0p
(2018: 39.2p)
-8.2%

[1] As defined in note 9 to the interim financial statements and our accounting policies, as disclosed in the company's annual report for the year ended 29 July 2018.
[2] Exceptional items as disclosed in the notes to the interim financial statements, note 7.

CHAIRMAN'S STATEMENT AND OPERATING REVIEW

In the 26 weeks ended 27 January 2019, like-for-like sales increased by 6.3%, with total sales increasing by 7.1% to £889.6m (2018: £830.4m).

Like-for-like bar sales increased by 5.9% (2018: 5.7%), food by 7.1% (2018: 6.9%) and fruit/slot machines by 5.7% (2018: 4.6%). Like-for-like hotel room sales increased by 0.3% (2018: 3.1%). Bar sales were 60.5% of total sales, food 35.9%, fruit/slot machines 2.5% and rooms 1.1%.

Operating profit decreased by 14.2% to £63.5m (2018: £74.0m). The operating margin was 7.1% (2018: 8.9%). Profit before tax and exceptional items decreased by 18.9% to £50.3m (2018: £62.0m). Lower profit in the period was due to cost increases in areas including labour (+£33.0m), repairs (+£3.7m), utilities (+£2.5m), interest (+£3.3m) and depreciation (+£2.4m).

Earnings per share, including shares held in trust by the employee share scheme, and before exceptional items, decreased by 18.2% to 37.4p (2018: 45.7p).

As illustrated in the table in the tax section below, the company paid taxes of £375.6m in the period under review (2018: £356.1m), which is 27.4% higher than five years ago.

Net interest was covered 4.0 times by profit before interest, tax and exceptional items (2018: 5.5 times), as a result of higher interest charges and lower profits. Total capital investment was £95.5m in the period (2018: £61.4m). £55.7m was spent on freehold reversions of properties where Wetherspoon was the tenant (2018: £7.5m), £24.9m on existing pubs (2018: £35.1m) and £14.8m on new pub openings and extensions (2018: £18.8m).

Exceptional items totalled £1.6m (2018: £6.8m). Two pubs were sold or closed in the period, as part of the disposal programme. There was a £0.3m (2018: £5.9m) loss on disposal and an impairment charge of £0.8m (2018: £1.1m). The cash effect of the exceptional charges was an outflow of £0.7m.

Free cash flow, after capital investment of £26.1m in existing pubs (2018: £35.0m), £9.0m for share purchases for employees (2018: £7.9m) and payments of tax and interest, was £71.7m (2018: £36.8m). Free cash flow per share increased by 95.1% to 67.9p (2018: 34.8p). The increase was due mainly to the timing of supplier payments, expected to reverse by the year end, and to lower investment in existing pubs.

Dividends

The board declared an interim dividend of 4.0p per share for the current interim financial period ending 27 January 2019 (2018: 4.0p per share). The interim dividend will be paid on 30 May 2019 to those shareholders on the register at 3 May 2019.

Corporation tax

We expect the overall corporation tax charge for the financial year, including current and deferred taxation, to be approximately 21.4% before exceptional items (2018: 22.0%). This reduction is due primarily to decreases in the amounts of non-qualifying depreciation and expenditure not allowable for tax purposes.

As in previous years, the company's tax rate is higher than the standard UK tax rate, owing mainly to depreciation which is not eligible for tax relief.

Share buybacks

During the half year, no shares were repurchased by the company for cancellation (2018: £51.6m).

Financing

As at 27 January 2019, the company's net debt, including bank borrowings and finance leases, but excluding derivatives, was £724.0m, a decrease of £2.2m, compared with that of the previous year end (2018: £726.2m).

The net-debt-to-EBITDA ratio was 3.47 times at the period end (29 July 2018: 3.39 times).

On 22 January, the company entered into a new five-year banking agreement which extends its total facilities, excluding finance leases, from £860m to £895m.

As previously stated, it is intended that the company's net-debt-to-EBITDA ratio will be around 3.5 times for the foreseeable future. The ratio might rise for a temporary period, if there were, for example, a sudden deterioration in trading, in which instance the company would seek to reduce the level in a timely manner. Insofar as it is possible to generalise, the board believes that debt levels of between 0 and 2 times EBITDA are a sensible long – term benchmark. A higher level of debt may be justifiable – at times when interest rates are low and other factors are favourable.

Property

During the period, we opened two new pubs and closed six, bringing the number open at the period end to 879. Following a review of our estate, in recent years, we placed around 100 pubs on the market, most of which have now been sold.

10 years ago our freehold/leasehold split was 41.7/58.3%. At the half year end it was 60.2/39.8%.

UK taxes and regulation

Pubs and restaurants pay proportionally far higher levels of UK tax than do supermarkets. The main disparity relates to VAT (value added tax), since supermarkets pay no VAT in respect of their food sales, whereas pubs pay 20%, enabling supermarkets to subsidise their alcoholic drinks prices. Pubs also pay approximately 18p per pint in respect of business rates, while supermarkets pay less than 2p per pint.

In addition, the government has, in recent years, introduced both a 'late-night levy' and additional fruit/slot machine taxes, further reducing the competitive position of pubs in relation to supermarkets.

The tax disparity with supermarkets is unfair. Pubs create significantly more jobs and more taxes per pint or per meal than do supermarkets and it does not make social or economic sense for the UK tax régime to favour supermarkets. We acknowledge the need for companies to pay a reasonable level of tax, but hope that legislators will make prompt progress in creating a level playing field for all businesses which sell similar products.

The taxes paid by Wetherspoon in the period under review were as follows:

First half (estimate – UK only)	**2019 £m**	2018 £m
VAT	**175.5**	162.5
Alcohol duty	**86.2**	85.4
PAYE and NIC	**59.0**	54.1
Business rates	**28.7**	27.5
Corporation tax	**8.5**	12.2
Fruit/slot machine duty	**5.5**	5.2
Climate change levy	**5.2**	4.5
Stamp duty	**2.6**	0.3
Sugar tax	**1.5**	–
Carbon tax	**1.4**	1.7
Fuel duty	**1.1**	1.0
Premises licences and TV licences	**0.4**	0.4
Landfill tax	**–**	1.3
TOTAL TAX	**375.6**	356.1
Tax per pub (£000)	**427.3**	402.0
Tax as % of sales	**42.2%**	42.9%
Pre-exceptional profit after tax	**39.5**	48.2
Profit after tax as % of sales	**4.4%**	5.8%

Further progress

As previously highlighted, the company's philosophy is to try continuously to upgrade as many areas of the business as possible.

The Food Standards Agency, in association with local authorities, regularly inspects licensed and other food businesses in the UK and awards marks from zero to five, according to the standards it finds.

Currently, 97.6% of our pubs have obtained the maximum five rating (2018: 92.0%), under the FSA scheme, with 99.5% of pubs receiving a rating of four or above (2018: 98.0%). This record reflects extremely hard work by our central catering, audit and operations team, as well as by the excellent teams in our pubs.

We have again been recognised, for the 16th year in a row, as a 'Top Employer UK' by the Top Employers Institute, in association with the Guardian newspaper.

A pub company is only as good as its employees – and Wetherspoon recognises this through its bonus and training schemes. Of our pub employees, 91% received a bonus in the period under review, which totalled £21m, equal to 53% of our net profits, and hundreds of employees underwent training at our various 'academies' for pub, kitchen and shift managers, as well as for other grades of employee.

In addition, the company runs a government-approved apprenticeship scheme and participates in a professional management diploma and degree course, in conjunction with Leeds Beckett University.

Corporate governance

As Warren Buffet has said, it is easy to criticise corporate governance rules, but more difficult to say what should replace them.

However, it is obvious that the current rules are ineffective, in many respects, since the catastrophes and abuses which they were designed to prevent have continued in recent decades.

For example, some of the major banks in the UK effectively became insolvent in the global financial crisis, in spite of the compliance of their boardrooms with the major tenets of corporate governance guidance.

In the pub world, the compliance, in the past, of the major pubcos may have increased their susceptibility to the groupthink for which the City is notorious – leading to excessive borrowings under the guise of 'efficient balance sheets'.

Paradoxically, non-compliant family brewers, historically sceptical of governance rules, were more sensible, eschewing the debt fashion which laid low their bigger rivals.

In summary, Wetherspoon's critique of corporate governance rules has been:

- The nine-year rule for non-executives is absurd, since it 'institutionalises' inexperience. It is doubtful whether there is a non-executive director on a major bank board today, for example, who was there during the last financial crisis.

- The obsession with targets for bonuses is often counterproductive. EPS targets tend to incentivise the short term at the expense of the long term. For example, the world of pubs is plagued by underspending on areas such as labour and repairs, often disguised as 'good cost control', which eventually undermines the fabric of any business.

- The 'comply or explain' ethos is not observed, in reality, by many organisations which advise institutions on corporate governance. Wetherspoon has regularly explained its reasons for non-compliance – which have not been contradicted. However, compliance organisations have consistently ignored the explanations and advised clients to vote against my own job as chairman, or to abstain. A similar approach has been taken to non-executives who have been directors for more than nine years.

- The prohibition which relates to chief executives becoming chairman is often counterproductive. If a chief executive has run a business very well for many years, it can be advantageous to retain that experience. Warren Buffet's retention of Tony Nicely as the chair of GEICO, America's second-largest insurer, is an interesting case in point (see appendix 3).

In summary, the above points have been made to many shareholders over the years. We will make the case again to our major shareholders in the near future.

Current trading and outlook

The vexed debate about Brexit has continued since the referendum, nearly three years ago. Although the public voted to leave, the majority of 'the establishment', including most MPs, most universities, the Bank of England, the CBI and media organisations such as The Times, the Financial Times and The Economist favoured 'Remain'.

The result has been a barrage of negative economic forecasts from those quarters, predicting that the UK will go to hell in a handcart without a 'deal' with the EU – which will effectively tie the country into EU membership and taxation, yet without representation.

The doomsters ignore the most powerful nexus in economics, between democracy and prosperity – and the fact that the EU is becoming progressively less democratic, as it pursues an 'ever-closer union', for which there is no public consensus.

Previous referendum results on major constitutional issues have always been respected in the UK, but if parliament votes either for Theresa May's 'deal' (which keeps us in the EU by the back door) or to remain in the EU, the referendum result will not have been respected. This may well have significantly adverse economic consequences, as the country turns in on itself to endure months, or years, of stifling constitutional argument.

In appendix 1 below can be found an excellent article on these issues from The Spectator magazine, by former Australian prime minister Tony Abbott. In appendix 2, there is a less good article by me, from the latest edition of Wetherspoon News.

In the six weeks to 10 March 2019, like-for-like sales increased by 9.6%, helped by excellent weather this year and snow last year, and total sales increased by 10.9%.

As previously indicated, costs in the second half of the year will be higher than those of the same period last year. The company anticipates an unchanged trading outcome for the current financial year.

Tim Martin
Chairman
14 March 2019

Appendix 1 – Tony Abbott, 2 March 2019, The Spectator

"No deal? No problem

Britain must – and can – hold its nerve

Britain, we're led to be believe, is heading for the worst catastrophe in its history. Officialdom is warning that a no-deal Brexit would mean trucks backed up for miles at Dover, chaos at airports, a special poverty fund to cope with the fallout and – horror! – a shortage of Guinness. So apparently the country that saw off Hitler, the Kaiser, Napoleon and the Spanish Armada is now paralysed with fear at the very thought of leaving the EU.

Here in Australia, this story just doesn't fit with the Britain that we know. A disorderly Brexit would mean, at most, a few months of inconvenience. Perhaps some modest transition costs. But these difficulties would quickly pass. By far the more serious threat comes from Britain caving in and agreeing to a bad deal that imposes most of the burdens of EU membership but with few of the benefits. Or, almost as bad, a Brexit delay that would keep the UK as a tethered goat – while the EU shows how it will humiliate any country with the temerity to leave. For Britain to lose its nerve now would represent failure on an epic scale.

Theresa May was quite correct two years ago when she said that no deal was better than a bad deal. What she should have known, even then, was that a bad deal was all that Britain was ever going to get from an EU with a vested interest in ensuring that no country ever leaves. The error all along has been not explaining the terms on which Britain wanted to leave. And not preparing to implement those terms unilaterally, given the near certainty that no satisfactory deal would be negotiated in advance.

As a former prime minister of a country that has a perfectly satisfactory 'no deal' relationship with the EU, let me assure you: no deal would be no problem. Or at least no problem that Britain couldn't quickly take in its stride. Especially if Britain is ready to keep tariff- and quota-free entry of European goods, and recognise their standards. That's what you need for easy trade and Britain has the power to do this unilaterally. You don't need Michel Barnier's permission.

Might there be queues at Calais? Perhaps, if a vengeful EU imposed one-sided tariff and regulatory burdens on Britain. But there need be no queues at Dover. If there were, it would be the EU and not the United Kingdom that would be responsible for any hard border, including one with Ireland. (Which, of course, would never be erected: it's a bluff.) If Britain did its best – and even if the EU did its worst – the problems would be on the EU side of the border. In the longer run, the EU would clearly be the loser from spitefully jacking up the cost of the British goods and British services that its citizens currently enjoy. Just in time for the EU elections. A no-deal relationship with the EU has not stopped Australia doing about US$70 billion worth of trade with the EU in goods and services. This is about 15 per cent of our total trade, and it makes the EU our second biggest overall trade partner. Of this, about $20 billion is with Britain – on your own, you are our fifth biggest trade partner. And this is without any special trade deal, just bonds of history and affection. It must baffle the pundits, but Australia trades with the EU (and with Britain) without being part of any customs union.

Yes, our exports to the EU do face tariffs. But the World Trade Organisation rules impose strict caps on these tariffs: the same rules that would protect Britain. Under these terms, Australian trade with the EU has grown by about 1.4 per cent a year over the past decade.

Hard borders are an inconvenience, but they're hardly insurmountable. Think of Oakridge Chardonnay or Hill of Grace Shiraz, shipped to you half way around the globe for a better price (and taste) than rivals from France. How? Why? It's the miracle of trade. People overcome barriers.

If Britain unilaterally declared that post-Brexit trade with the EU would be tariff-free and quota-free – and that there would be full mutual recognition of standards and credentials – there's every chance that the EU would swiftly do likewise. Because that's exactly what happens now; it would involve no damage or disruption to anyone. Throw in provisions for routine movement of people for well-paid work, not welfare, and you'd have a good clean Brexit. Britain would still be economically integrated with the countries of Europe, but also entirely free to chart its own course in its dealings with the wider world.

All along, the real difficulty has not been negotiating Brexit. It has been the neurotic anxiety of the official political class about leaving the European project, which they see somehow as a civilising force. The Brexit vote was possibly the greatest ever vote of confidence in the project of the United Kingdom. It was a reminder of the global leadership that Britain has historically provided. The risk you face now isn't no-deal Brexit, but rather the official class losing its nerve and proving incapable of quickly resolving this muddle. If that happens, it would be hard to take Britain seriously again."

Appendix 2 – Tim Martin, spring 2019, Wetherspoon News

“ **The Oxbridge orthodoxy, led by Theresa May, is undermining democracy in the UK –** *even though a small minority of its peers are democracy's best advocates.*

During the debate about whether the UK should join the euro, about 20 years ago, I said that most advocates of the experimental currency were older Oxbridge males, for whom Europeanism, disdainful of democracy, was a type of religion: Heseltine, Howe, Mandelson, Clarke, Blair and many others – plus their counterparts in the CBI, the Financial Times, the media generally and in boardrooms.

The religious aspect was evident from their promotion of the euro – despite the failure of its predecessor, the disastrous exchange rate mechanism (ERM).

The ERM had tried to join European currencies together in a tight band, by adjusting interest rates.

To keep up with the German Deutsche Mark, UK interest rates rose all the way to 15% by September 1992, at which point the ERM fell apart, but, in the meantime, the cost of mortgages and business loans had doubled, causing economic mayhem, recession, negative equity, unemployment and widespread bankruptcies.

Democratic

Surely, no one could be daft enough to want to join the euro, the successor to the failed ERM, losing democratic control of interest rates and government budgets in the process?

Oh yes they could! It was at that point that many people understood that Europeanism involved a type of religious conviction, rather than pragmatic politics or economics.

Luckily for the UK, the public, following a long and bitter debate, rejected the euro out of hand – and the UK economy has subsequently greatly outperformed the eurozone, which has been beset by high unemployment, low growth rates and, consequently, radicalised politics.

I thought of the history of the ERM and the euro when I appeared on BBC Politics Live, in December 2018, with Vicky Ford, the Conservative MP for Chelmsford, Rushanara Ali, the Labour MP for Bethnal Green and Bow and Sonia Sodha, chief leader writer at the Observer.

In response to a question from Jo Coburn, the interviewer, I said that the EU was a protectionist system which charged import taxes (tariffs) on over 12,000 goods, including rice, oranges, coffee, New World wine and children's clothes.

I added that MPs have the power to end these tariffs, reducing prices for constituents, without loss to the government, since tariff income is today remitted to Brussels – provided that parliament's rights are not signed away in a ‘deal'.

The interviewer said: “Everyone [in the studio] is saying that's not true. Sonia Sodha, a disciple of Brussels religiosity, said: “It's just wrong to say the EU is protectionist… the EU is not protectionist. It's ridiculous to argue that [it is].”

The MPs, Ms Ford and Ms Ali strongly supported this view.

Yet the undisguised protectionist nature of the EU is crystal clear and it is not possible to articulate a coherent view as to our future trading relationship with the EU, unless the existing system, which keeps shop prices artificially high, is understood.

How could a senior journalist, and MPs representing their parties on national television, not understand basic facts about the customs union?

The answer, I'm afraid, is the same as it was 20 years ago.

For many people, and all three panellists are graduates of Oxford University, Europeanism is a secular religion which blinds adherents to reality.

Protective

Just as the failure of the ERM was not seen by Blair and others as a reason to avoid its successor, the euro, for these panellists today, the existence of a vast number of protective tariffs doesn't mean the EU is protectionist.

The worry is that pro-Remain ideologues are in charge of our proposed exit from the EU – and they don't believe in it and fully intend to thwart it.

Just look at Theresa May's closest team. Chief of Staff Gavin Barwell, Chief Brexit Negotiator Olly Robbins, ‘deputy prime minister' David Lidington, Attorney General Geoffrey Cox, Chancellor Philip Hammond and so on – all Remainers… and all Oxbridge.

Trade

Personally, I was baffled in October last when the President of the European Council, Donald Tusk, said that he had, from the beginning, offered a free-trade deal – a ‘Canada plus plus plus' – to the UK.

Surely, this was a solution in the best interests of all parties?

So, why had Theresa May turned it down and tried, instead, to railroad through her wretched Chequers deal, which would keep us indefinitely in the customs union – and, therefore, in effect, in the EU?

The answer, my friends, was blowing in the wind, but only became clear to me when I read a great article by Charles Moore of The Daily Telegraph (2 February 2019).

As Moore says, Mrs May and her main advisers simply don't want to leave the EU.

And her chosen tactic is to keep us indefinitely in the customs union and as near as dammit in the EU, by using the Irish backstop as superglue.

This may have been obvious to some, but when Mrs May promised to implement the referendum result, many of us mistakenly took her at her word.

Some may say that I'm exaggerating the Oxbridge influence, since many of the most articulate advocates for independence from the EU attended those universities.

That is true, up to a point, but Oxbridge Brexiteers are a nonconformist minority, as rare among their peers as rocking horse manure.

Threat
In my opinion, Europeanism has become a Moonie-like cult at those universities, oblivious to increasing democratic shortfalls in the EU and consequently the greatest threat to our democracy today.

So, the battle, as the revered Dan Maskell used to say, is well and truly joined (two all, Wimbledon final, McEnroe v Borg).

On one side, we have Theresa May, her Oxbridge acolytes and two-thirds of parliament; on the other, one-third of parliament and the people.

Who will win? In the end, it has to be the people.

For the EU is heading in the wrong direction, since, without greater democracy, in the world, as well as in the UK, the future of humanity is surely in doubt. ”

Tim Martin
Chairman

Appendix 3 – Warren Buffet,
23 February 2019

Extract from Berkshire Hathaway Inc. shareholder letter

"GEICO and Tony Nicely

That title says it all: The company and the man are inseparable.

Tony joined GEICO in 1961 at the age of 18; I met him in the mid-1970s. At that time, GEICO, after a four-decade record of both rapid growth and outstanding underwriting results, suddenly found itself near bankruptcy. A recently-installed management had grossly underestimated GEICO's loss costs and consequently underpriced its product. It would take many months until those loss-generating policies on GEICO's books – there were no less than 2.3 million of them – would expire and could then be repriced. The company's net worth in the meantime was rapidly approaching zero.

In 1976, Jack Byrne was brought in as CEO to rescue GEICO. Soon after his arrival, I met him, concluded that he was the perfect man for the job, and began to aggressively buy GEICO shares. Within a few months, Berkshire bought about ⅓ of the company, a portion that later grew to roughly ½ without our spending a dime. That stunning accretion occurred because GEICO, after recovering its health, consistently repurchased its shares. All told, this half- interest in GEICO cost Berkshire $47 million, about what you might pay today for a trophy apartment in New York.

Let's now fast-forward 17 years to 1993, when Tony Nicely was promoted to CEO. At that point, GEICO's reputation and profitability had been restored – but not its growth. Indeed, at yearend 1992 the company had only 1.9 million auto policies on its books, far less than its pre-crisis high. In sales volume among U.S. auto insurers, GEICO then ranked an undistinguished seventh.

Late in 1995, after Tony had re-energized GEICO, Berkshire made an offer to buy the remaining 50% of the company for $2.3 billion, about 50 times what we had paid for the first half (and people say I never pay up!). Our offer was successful and brought Berkshire a wonderful, but underdeveloped, company and an equally wonderful CEO, who would move GEICO forward beyond my dreams.

GEICO is now America's Number Two auto insurer, with sales 1,200% greater than it recorded in 1995. Underwriting profits have totaled $15.5 billion (pre-tax) since our purchase, and float available for investment has grown from $2.5 billion to $22.1 billion.

By my estimate, Tony's management of GEICO has increased Berkshire's intrinsic value by more than $50 billion. On top of that, he is a model for everything a manager should be, helping his 40,000 associates to identify and polish abilities they didn't realize they possessed.

Last year, Tony decided to retire as CEO, and on June 30th he turned that position over to Bill Roberts, his long-time partner. I've known and watched Bill operate for several decades, and once again Tony made the right move. Tony remains Chairman and will be helpful to GEICO for the rest of his life. He's incapable of doing less.

All Berkshire shareholders owe Tony their thanks. I head the list."

INCOME STATEMENT For the 26 weeks ended 27 January 2019

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited 26 weeks ended 27 January 2019 Before exceptional items £000**	**Unaudited 26 weeks ended 27 January 2019 After exceptional items £000**	Unaudited 26 weeks ended 28 January 2018 Before exceptional items £000	Unaudited 26 weeks ended 28 January 2018 After exceptional items £000	Audited 52 weeks ended 29 July 2018 Before exceptional items £000	Audited 52 weeks ended 29 July 2018 After exceptional items £000
Revenue	4	**889,606**	**889,606**	830,392	830,392	1,693,818	1,693,818
Operating costs		**(826,135)**	**(826,135)**	(756,405)	(756,405)	(1,561,527)	(1,561,527)
Operating profit		**63,471**	**63,471**	73,987	73,987	132,291	132,291
Property gains	6	**3,772**	**3,772**	1,653	1,653	2,900	2,900
Property losses - exceptional	7		**(1,651)**		(7,656)		(18,251)
Profit before interest and tax		**67,243**	**65,592**	75,640	67,984	135,191	116,940
Finance income		**26**	**26**	27	27	48	48
Finance costs		**(16,993)**	**(16,993)**	(13,666)	(13,666)	(27,990)	(27,990)
Profit before tax		**50,276**	**48,625**	62,001	54,345	107,249	88,998
Income tax expense	8	**(10,776)**	**(10,776)**	(13,785)	(13,785)	(23,567)	(23,567)
Income tax expense – exceptional	8		**99**		881		1,278
Profit for the period		**39,500**	**37,948**	48,216	41,441	83,682	66,709
Earnings per ordinary share (p)							
- Basic[1]	9	**38.3**	**36.8**	46.7	40.1	81.1	64.6
- Diluted[2]	9	**37.4**	**36.0**	45.7	39.2	79.2	63.2

STATEMENT OF COMPREHENSIVE INCOME For the 26 weeks ended 27 January 2019

	Notes	**Unaudited 26 weeks ended 27 January 2019 £000**	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Items which will be reclassified subsequently to profit or loss:				
Interest-rate swaps: gain taken to other comprehensive income	16	**64**	12,101	14,787
Tax on items taken directly to other comprehensive income		**(11)**	(2,056)	(2,513)
Currency translation differences		**(1,122)**	(762)	(320)
Net (loss)/gain recognised directly in other comprehensive income		**(1,069)**	9,283	11,954
Profit for the period		**37,948**	41,441	66,709
Total comprehensive income for the period		**36,879**	50,724	78,663

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

J D Wetherspoon plc, company number: 1709784

	Notes	**Unaudited cash flow 26 weeks ended 27 January 2019 £000**	**Unaudited free cash flow[1] 26 weeks ended 27 January 2019 £000**	Unaudited cash flow 26 weeks ended 28 January 2018 £000	Unaudited free cash flow[1] 26 weeks ended 28 January 2018 £000	Audited cash flow 52 weeks ended 29 July 2018 £000	Audited free cash flow[1] 52 weeks ended 29 July 2018 £000
Cash flows from operating activities							
Cash generated from operations	10	**133,232**	**133,232**	104,066	104,066	228,300	228,300
Interest received		**20**	**20**	15	15	36	36
Interest paid		**(17,556)**	**(17,556)**	(12,236)	(12,236)	(25,824)	(25,824)
Corporation tax paid		**(8,539)**	**(8,539)**	(12,163)	(12,163)	(26,113)	(26,113)
Net cash inflow from operating activities		**107,157**	**107,157**	79,682	79,682	176,399	176,399
Cash flows from investing activities							
Purchase of property, plant and equipment		**(22,672)**	**(22,672)**	(32,513)	(32,513)	(63,753)	(63,753)
Purchase of intangible assets		**(3,413)**	**(3,413)**	(2,468)	(2,468)	(5,166)	(5,166)
Investment in new pubs and pub extensions		**(15,214)**		(27,620)		(46,386)	
Freehold reversions		**(51,902)**		(11,288)		(16,278)	
Lease premiums paid		**(93)**		–		–	
Proceeds of sale of property, plant and equipment		**5,818**		2,726		4,742	
Net cash outflow from investing activities		**(87,476)**	**(26,085)**	(71,163)	(34,981)	(126,841)	(68,919)
Cash flows from financing activities							
Equity dividends paid	17	**(8,435)**		(8,437)		(12,655)	
Purchase of own shares for cancellation		**–**		(51,647)		(51,647)	
Purchase of own shares for share-based payments		**(8,960)**	**(8,960)**	(7,938)	(7,938)	(13,605)	(13,605)
Loan advances	15	**(26,863)**		72,595		41,314	
Loan issue cost		**(462)**	**(462)**	–	–	(518)	(518)
Finance lease principal payments		**(698)**					
Net cash (outflow) from financing activities		**(45,418)**	**(9,422)**	4,573	(7,938)	(37,111)	(14,123)
Net change in cash and cash equivalents	15	**(25,737)**		13,092		12,447	
Opening cash and cash equivalents		**63,091**		50,644		50,644	
Closing cash and cash equivalents		**37,354**		63,736		63,091	
Free cash flow	9		**71,650**		**36,763**		**93,357**
Free cash flow per ordinary share	9		**67.9p**		34.8p		88.4p

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

BALANCE SHEET as at 27 January 2019

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 27 January 2019 £000	Unaudited Restated[1] 28 January 2018 £000	Audited 29 July 2018 £000
Assets				
Non-current assets				
Property, plant and equipment	11	**1,356,259**	1,300,358	1,306,073
Intangible assets	12	**23,313**	28,219	24,779
Investment property	13	**7,467**	7,522	7,494
Other non-current assets	14	**7,849**	8,102	7,925
Derivative financial instruments	15	**11,420**	16,204	14,976
Deferred tax assets		**4,088**	4,556	4,099
Total non-current assets		**1,410,396**	1,364,961	1,365,346
Assets held for sale		**3,383**	276	1,455
Current assets				
Inventories		**22,769**	20,531	23,300
Receivables		**24,335**	24,827	23,122
Cash and cash equivalents	15	**37,354**	63,736	63,091
Total current assets		**84,458**	109,094	109,513
Total assets		**1,498,237**	1,474,331	1,476,314
Liabilities				
Current liabilities				
Borrowings	15	**(3,207)**	(113)	(8,864)
Derivative financial instruments	15	**–**	(3,728)	(160)
Trade and other payables		**(320,501)**	(278,283)	(290,602)
Current income tax liabilities		**(11,164)**	(13,096)	(8,950)
Provisions		**(5,499)**	(4,408)	(8,052)
Total current liabilities		**(340,371)**	(299,628)	(316,628)
Non-current liabilities				
Borrowings	15	**(758,112)**	(819,991)	(780,420)
Derivative financial instruments	15	**(35,465)**	(39,271)	(38,925)
Deferred tax liabilities		**(38,506)**	(39,394)	(38,980)
Provisions		**(2,453)**	(1,890)	(2,453)
Other liabilities		**(11,235)**	(11,583)	(12,346)
Total non-current liabilities		**(845,771)**	(912,129)	(873,124)
Net assets		**312,095**	262,574	286,562
Shareholders' equity				
Share capital	18	**2,110**	2,110	2,110
Share premium account		**143,294**	143,294	143,294
Capital redemption reserve		**2,321**	2,321	2,321
Hedging reserve		**(19,957)**	(22,239)	(20,010)
Currency translation reserve		**3,697**	4,133	4,767
Retained earnings		**180,630**	132,955	154,080
Total shareholders' equity		**312,095**	262,574	286,562

The financial statements, on pages 10 to 27, approved by the board of directors and authorised for issue on 14 March 2019, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

[1] Deferred tax liabilities and retained earnings have been restated. See note 7 in our 2018 financial statements for further details.

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	**Total £000**
At 30 July 2017[1]	**2,180**	**143,294**	**2,251**	**(32,284)**	**4,899**	**138,092**	**258,432**
Total comprehensive income				10,045	(766)	41,445	50,724
Profit for the period						41,441	41,441
Interest-rate swaps: cash flow hedges				12,101			12,101
Tax on items taken directly to comprehensive income				(2,056)			(2,056)
Currency translation differences					(766)	4	(762)
Purchase of own shares for cancellation	(70)		70			(36,205)	(36,205)
Share-based payment charges						5,464	5,464
Tax on share-based payment						534	534
Purchase of own shares for share-based payments						(7,938)	(7,938)
Dividends						(8,437)	(8,437)
At 28 January 2018[1]	**2,110**	**143,294**	**2,321**	**(22,239)**	**4,133**	**132,955**	**262,574**
Total comprehensive income				2,229	634	25,076	27,939
Profit for the period						25,268	25,268
Interest-rate swaps: cash flow hedges				2,686			2,686
Tax on items taken directly to comprehensive income				(457)			(457)
Currency translation differences					634	(192)	442
Share-based payment charges						5,941	5,941
Tax on share-based payment						(7)	(7)
Purchase of own shares for share-based payments						(5,667)	(5,667)
Dividends						(4,218)	(4,218)
At 29 July 2018	**2,110**	**143,294**	**2,321**	**(20,010)**	**4,767**	**154,080**	**286,562**
Total comprehensive income				53	(1,070)	37,896	36,879
Profit for the period						37,948	37,948
Interest-rate swaps: cash flow hedges				64			64
Tax on items taken directly to comprehensive income				(11)			(11)
Currency translation differences					(1,070)	(52)	(1,122)
Share-based payment charges						5,651	5,651
Tax on share-based payment						398	398
Purchase of own shares for share-based payments						(8,960)	(8,960)
Dividends						(8,435)	(8,435)
At 27 January 2019	**2,110**	**143,294**	**2,321**	**(19,957)**	**3,697**	**180,630**	**312,095**

[1] Deferred tax liabilities and retained earnings have been restated. See note 7 in our 2018 financial statements for further details.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

J D Wetherspoon plc is a public limited company, incorporated and domiciled in England and Wales. Its registered office address is:
Wetherspoon House, Central Park, Reeds Crescent, Watford, WD24 4QL.

The company is listed on the London Stock Exchange.

This condensed half-yearly financial information was approved for issue by the board on 14 March 2019.

This interim report does not comprise statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006. Statutory accounts for the year ended 29 July 2018 were approved by the board of directors on 13 September 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis-of-matter paragraph or any statement under Sections 498 to 502 of the Companies Act 2006.

There are no changes to the principal risks and uncertainties as set out in the financial statements for the 52 weeks ended 29 July 2018, which may affect the company's performance in the next six months. The most significant risks and uncertainties relate to the taxation on, and regulation of, the sale of alcohol, cost increases and UK disposable consumer incomes. For a detailed discussion of the risks and uncertainties facing the company, refer to the annual report for 2018, pages 36 and 37.

2. Basis of preparation

This condensed half-yearly financial information of J D Wetherspoon plc (the 'Company'), which is abridged and unaudited, has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standards (IAS) 34, Interim Financial Reporting, as adopted by the European Union. This interim report should be read in conjunction with the annual financial statements for the 52 weeks ended 29 July 2018 which were prepared in accordance with IFRSs, as adopted by the European Union.

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; they have satisfied themselves that the Company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the Company's financial statements.

The financial information for the 52 weeks ended 29 July 2018 is extracted from the statutory accounts of the Company for that year.

The interim results for the 26 weeks ended 27 January 2019 and the comparatives for 28 January 2018 are unaudited, yet have been reviewed by the independent auditors. A copy of the review report is included at the end of this report.

3. Accounting policies

With the exception of tax, the accounting policies adopted in the preparation of the interim report are consistent with those applied in the preparation of the Company's annual report for the year ended 29 July 2018 – and the same methods of computation and presentation are used.

Income tax

Taxes on income in the interim periods are accrued using the tax rate which would be applicable to expected total annual earnings.

Changes in standards

At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published which are not yet effective and have not been adopted early by the Company. Information on those expected to be relevant to the financial statements is provided below:

IFRS 16 Leases is effective for accounting periods starting on or after 1 January 2019, replacing IAS 17 Leases. The accounting standard will become effective for the Company from the start of next financial year, starting on 29 July 2019.

When the new standard becomes effective, the Company will recognise, on the balance sheet, a right-of-use asset and a lease liability for future lease payments in respect of all leases, excluding those with terms less than 12 months and those for low-value assets. Within the income statement, the rental expense will be replaced with a depreciation charge on the right-of-use assets and an interest expense on the lease liability. Over the term of a lease, the expense charged to the income statement for depreciation and interest under IFRS 16 will be exactly equal to the rental charge under the current accounting rules. IFRS 16 will change the timing of the expense charged to the income statement, with higher costs charged in the early years of a lease and lower costs charged in the latter years. There will be no impact on cash flows as a result of this accounting change. Although the new standard will change the presentation of the leases within the accounts, the Company does not believe that the new standard will change the underlying economics of the business.

The terms of leases taken by the Company vary, but typically, at inception, a property lease will be for a period of up to 30 years, with a break at 15 years. As disclosed in note 25, in our 2018 annual report, we had operating lease commitments totalling £728m; therefore, IFRS 16 will have a material impact on our accounts.

We have made draft calculations of the impact of IFRS 16 and are in the process of validating our lease data. There are several policies and procedures to be introduced to support the new accounting standard. Until we have finalised this work, we do not think it practicable to provide a reasonable estimate on the financial reporting effect of IFRS 16.

On 28 May 2014, the International Accounting Standards Board issued IFRS 15 – 'Revenue from Contracts with Customers' which is effective for periods starting on or after 1 January 2018. The impact of this accounting standard on the Company's accounts is considered immaterial.

On 24 July 2014, the International Accounting Standards Board issued IFRS 9 – 'Financial Instruments: Recognition and Measurement' which was effective for periods starting on or after 1 January 2018. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

Debt instruments previously classified as held to maturity and measured at amortised cost have met the conditions for classification at amortised cost under IFRS 9.

The Company's hedge relationships qualified as continuing hedges, on the adoption of IFRS 9.

Other standards which are not expected to have a material impact are shown below:

- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

4. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Sales of food, beverages, hotel rooms and machine income	**889,606**	830,392	1,693,818

5. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	Notes	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Concession rental payments		**14,737**	11,474	25,075
Minimum operating lease payments		**20,271**	22,430	42,754
Repairs and maintenance		**35,937**	32,182	71,261
Net rent receivable		**(678)**	(679)	(1,407)
Share-based payments		**5,651**	5,464	11,405
Depreciation of property, plant and equipment	11	**36,825**	34,270	70,918
Amortisation of intangible assets	12	**3,847**	3,992	7,984
Depreciation of investment properties	13	**27**	28	56
Amortisation of other non-current assets	14	**169**	170	347

6. Property (gains)/losses

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Non-exceptional property (gains)/losses			
Loss/(gain) on disposal of fixed assets	**(3,634)**	(988)	(1,865)
Additional costs of disposal	**196**	15	117
Other property gains	**(334)**	(680)	(1,152)
	(3,772)	(1,653)	(2,900)
Exceptional property losses			
Loss on disposal of fixed assets – disposal programme	**16**	3,580	5,076
Additional costs of disposal	**306**	2,330	3,625
Impairment of property, plant and equipment	**806**	1,131	3,588
Onerous lease provision	**523**	615	5,962
	1,651	7,656	18,251
Total property (gains)/ losses	**(2,121)**	6,003	15,351

7. Exceptional items

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Exceptional property losses			
Disposal programme			
Loss on disposal of pubs	**322**	5,910	8,701
Impairment of property plant and equipment	**806**	1,131	–
Impairment of other non-current assets	**–**	–	–
Onerous lease reversal	**(322)**	–	(173)
Onerous lease provision	**480**	242	4,693
	1,286	7,283	13,221
Other property losses			
Impairment of property, plant and equipment	**–**	–	3,588
Impairment of intangible assets	**–**	–	–
Onerous lease reversal	**(154)**	(110)	–
Onerous lease provision	**519**	483	1,442
	365	373	5,030
Total exceptional property losses	**1,651**	7,656	18,251
Exceptional tax			
Tax effect on exceptional items	**(99)**	(881)	(1,278)
	(99)	(881)	(1,278)
Total exceptional items	**1,552**	6,775	16,973

Disposal programme
The Company has offered several of its sites for sale. During the half year end, two pubs had been sold and two were classified as held for sale. In the table above, those 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 of £806,000 relate to the write-down of assets on two sites where the Company has committed to exiting.

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 period, £365,000 was charged net in respect of onerous leases.

8. Income tax expense

The taxation charge for the 26 weeks ended 27 January 2019 is based on the pre-exceptional profit before tax of £50.3m and the estimated effective tax rate before exceptional items for the 26 weeks ended 27 January 2019 of 21.4% (July 2018: 22.0%). This comprises a pre-exceptional current tax rate of 22.6% (July 2018: 22.1%) and a pre-exceptional deferred tax credit of 1.2% (July 2018: 0.1%).

The UK standard weighted average tax rate for the period is 19% (2018: 19%). The current tax rate is higher than the UK standard weighted average tax rate, owing mainly to depreciation which is not eligible for tax relief.

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Income tax before exceptional items			
Current income tax:			
Current tax	**11,802**	13,645	24,466
Prior year adjustment	**(415)**	(6)	(765)
Total current income tax	**11,387**	13,639	23,701
Deferred tax:			
Origination and reversal of temporary differences	**(452)**	(58)	(70)
Adjustment in respect of prior period	**(159)**	204	(64)
Total deferred tax	**(611)**	146	(134)
Total income tax expense before exceptional items	**10,776**	13,785	23,567
Exceptional income tax			
Exceptional current income tax:			
Current tax on exceptional items	**(99)**	(221)	(325)
Total exceptional current income tax	**(99)**	(221)	(325)
Exceptional deferred tax:			
Deferred tax on exceptional items	**–**	(660)	(953)
Total exceptional deferred tax	**–**	(660)	(953)
Total exceptional income tax credit on exceptional items	**(99)**	(881)	(1,278)
Tax charge in the income statement	**10,677**	12,904	22,289

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Taken through equity			
Current tax on share-based payment	**(536)**	(320)	(472)
Deferred tax on share-based payment	**138**	(214)	(55)
Tax charge credit	**(398)**	(534)	(527)

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Taken through comprehensive income			
Deferred tax charge on swaps	**11**	2,299	2,513
Impact of change in UK tax rate	**–**	(243)	–
Tax charge	**11**	2,056	2,513

9. Earnings and free cash flow per share

(a) Weighted average number of shares

Earnings per share are based on the weighted average number of shares in issue of 105,501,035 (2018: 105,605,135), 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	**Unaudited 26 weeks ended 27 January 2019**	Unaudited 26 weeks ended 28 January 2018	Audited 52 weeks ended 29 July 2018
Shares in issue (used for diluted EPS)	**105,501,035**	105,605,135	105,605,135
Shares held in trust	**(2,248,342)**	(2,366,388)	(2,402,603)
Shares in issue less shares held in trust	**103,252,693**	103,238,747	103,202,532

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

(b) Earning per share

26 weeks ended 27 January 2019 unaudited	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	**37,948**	**36.8**	**36.0**
Exclude effect of exceptional items after tax	1,552	1.5	1.4
Earnings before exceptional items	**39,500**	**38.3**	**37.4**
Exclude effect of property gains/(losses)	(3,772)	(3.7)	(3.5)
Underlying earnings before exceptional items	35,728	34.6	33.9

26 weeks ended 28 January 2018 unaudited	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	41,441	40.1	39.2
Exclude effect of exceptional items after tax	6,775	6.6	6.5
Earnings before exceptional items	48,216	46.7	45.7
Exclude effect of property gains/(losses)	(1,653)	(1.6)	(1.6)
Underlying earnings before exceptional items	46,563	45.1	44.1

52 weeks ended 29 July 2018 audited	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	66,709	64.6	63.2
Exclude effect of exceptional items after tax	16,973	16.5	16.0
Earnings before exceptional items	83,682	81.1	79.2
Exclude effect of property gains/(losses)	(2,900)	(2.8)	(2.7)
Underlying earnings before exceptional items	80,782	78.3	76.5

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

(c) Owners' earnings per share

Owners' earnings measure the earning attributable to shareholders from current activities adjusted for significant non-cash and one-off items. Owners' earnings are calculated as profit before tax, exceptional items, depreciation and amortisation and property gains and losses less reinvestment in current properties and cash tax. Cash tax is defined as the current year current tax charge.

26 weeks ended 27 January 2019	**Owners' Earnings £000**	**Basic Owners' EPS pence**	**Diluted Owners' EPS pence**
Profit before tax and exceptional items (income statement)	**50,276**	48.7	47.7
Exclude depreciation and amortisation (note 5)	**40,868**	39.6	38.7
Less reinvestment in current properties	**(24,919)**	(24.1)	(23.6)
Exclude property gains and losses (note 6)	**(3,772)**	(3.7)	(3.5)
Less cash tax (note 8)	**(11,802)**	(11.4)	(11.3)
Owners' earnings	**50,651**	49.1	48.0

26 weeks ended 28 January 2018	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Profit before tax and exceptional items (income statement)	62,001	60.1	58.7
Exclude depreciation and amortisation (note 5)	38,460	37.3	36.4
Less reinvestment in current properties	(35,091)	(34.0)	(33.2)
Exclude property gains and losses (note 6)	(1,653)	(1.7)	(1.6)
Less cash tax (note 8)	(13,645)	(13.2)	(12.9)
Owners' earnings	50,072	48.5	47.4

52 weeks ended 29 July 2018	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Profit before tax and exceptional items (income statement)	107,249	103.9	101.6
Exclude depreciation and amortisation (note 5)	79,305	76.8	75.1
Less cash reinvestment in current properties	(64,665)	(62.7)	(61.2)
Exclude property gains and losses (note 6)	(2,900)	(2.8)	(2.7)
Less cash tax (note 8)	(24,466)	(23.6)	(23.3)
Owners' earnings	94,523	91.6	89.5

The diluted owners' earnings per share increased by 1.3% (year end 2018: increased by 14.5%).

Analysis of additions by type	**Unaudited 26 weeks ended 27 January 2019**	Unaudited 26 weeks ended 28 January 2018	Audited 52 weeks ended 29 July 2018
Reinvestment in existing pubs	**24,919**	35,091	64,665
Investment in new pubs and pub extensions	**14,841**	18,803	35,863
Lease premiums	**93**	–	–
Freehold reversions	**55,653**	7,520	9,555
	95,506	61,414	110,083

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

Analysis of additions by category	**Unaudited 26 weeks ended 27 January 2019**	Unaudited 26 weeks ended 28 January 2018	Audited 52 weeks ended 29 July 2018
Property, plant and equipment (note 11)	**93,032**	58,894	107,011
Intangible assets (note 12)	**2,381**	2,520	3,072
Other non-current assets (note 14)	**93**	–	–
	95,506	61,414	110,083

(d) Free cash flow per share

	Free cash flow £000	**Basic free cash flow per share pence**	**Diluted free cash flow per share pence**
26 weeks ended 27 January 2019	**71,650**	**69.4**	**67.9**
26 weeks ended 28 January 2018	36,763	35.6	34.8
52 weeks ended 29 July 2018	93,357	90.5	88.4

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, loan issue costs, all other reinvestment in pubs open at the start of the period and the purchase of own shares under the employee share-based schemes ('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.

10. Cash generated from operations

	Notes	**Unaudited 26 weeks ended 27 January 2019 £000**	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Profit for the period		**37,948**	41,441	66,709
Adjusted for:				
Tax	8	**10,677**	12,904	22,289
Share-based charges	5	**5,651**	5,464	11,405
(Profit)/Loss on disposal of property, plant and equipment	6	**(3,618)**	2,592	3,211
Net onerous lease provision	6	**523**	615	5,962
Net impairment charge	7	**806**	1,131	3,588
Interest receivable		**(26)**	(27)	(48)
Interest payable		**16,935**	13,105	26,450
Depreciation of property, plant and equipment	11	**36,825**	34,270	70,918
Amortisation of intangible assets	12	**3,847**	3,992	7,984
Depreciation on investment properties	13	**27**	28	56
Amortisation of other non-current assets	14	**169**	170	347
Amortisation of bank loan issue costs	15	**58**	561	1,540
Aborted properties costs		**407**	262	541
Net exceptional finance income		**–**	–	–
		110,229	116,508	220,952
Change in inventories		**531**	1,044	(1,725)
Change in receivables		**(1,206)**	(2,788)	(1,225)
Change in payables		**23,678**	(10,698)	10,298
Cash flow from operating activities		**133,232**	104,066	228,300

11. 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 30 July 2017	1,066,936	361,609	561,801	67,834	2,058,180
Additions	10,932	1,238	25,961	20,763	58,894
Transfers	16,799	981	4,211	(21,991)	–
Exchange differences	(280)	(52)	(102)	(242)	(676)
Transfer to held for sale	(1,506)	(529)	(951)	–	(2,986)
Disposals	(6,798)	(4,742)	(4,401)	–	(15,941)
Reclassification	5,341	(5,341)	–	–	–
At 28 January 2018	1,091,424	353,164	586,519	66,364	2,097,471
Additions	17,116	5,596	30,689	(5,284)	48,117
Transfers	3,876	510	2,703	(7,089)	–
Exchange differences	193	36	71	211	511
Transfer to held for sale	(3)	529	604	–	1,130
Disposals	(2,504)	(2,902)	(2,786)	–	(8,192)
Reclassification	773	(773)	–	–	–
At 29 July 2018	1,110,875	356,160	617,800	54,202	2,139,037
Additions	40,278	1,602	14,438	36,714	93,032
Transfers	18,461	1,034	5,107	(24,602)	–
Exchange differences	(367)	(68)	(137)	(595)	(1,167)
Transfer to held for sale	(5,450)	–	(600)	–	(6,050)
Disposals	(2,122)	(1,975)	(1,754)	–	(5,851)
Reclassification	17,641	(17,641)	–	–	–
At 27 January 2019	**1,179,316**	**339,112**	**634,854**	**65,719**	**2,219,001**
Accumulated depreciation and impairment:					
At 30 July 2017	(205,374)	(179,793)	(390,380)	–	(775,547)
Provided during the period	(8,185)	(6,237)	(19,848)	–	(34,270)
Exchange differences	–	(3)	(21)	–	(24)
Impairment loss	(826)	(149)	(156)	–	(1,131)
Transfer to held for sale	1,261	529	920	–	2,710
Disposals	2,586	4,520	4,043	–	11,149
Reclassification	(2,309)	2,309	–	–	–
At 28 January 2018	(212,847)	(178,824)	(405,442)	–	(797,113)
Provided during the period	(8,243)	(6,729)	(21,676)	–	(36,648)
Exchange differences	(36)	(11)	(88)	–	(135)
Impairment loss	(127)	(1,367)	(963)	–	(2,457)
Transfer to held for sale	(1,132)	(529)	(648)	–	(2,309)
Disposals	489	2,744	2,465	–	5,698
Reclassification	(141)	141	–	–	–
At 29 July 2018	(222,037)	(184,575)	(426,352)	–	(832,964)
Provided during the period	(9,058)	(6,019)	(21,748)	–	(36,825)
Exchange differences	39	–	41	–	80
Impairment loss	–	(545)	(261)	–	(806)
Transfer to held for sale	2,067	–	600	–	2,667
Disposals	1,459	2,000	1,647	–	5,106
Reclassification	(10,308)	10,308	–	–	–
At 27 January 2019	**(237,838)**	**(178,831)**	**(446,073)**	**–**	**(862,742)**
Net book amount at 27 January 2019	**941,478**	**160,281**	**188,781**	**65,719**	**1,356,259**
Net book amount at 29 July 2018	888,838	171,585	191,448	54,202	1,306,073
Net book amount at 28 January 2018	878,577	174,340	181,077	66,364	1,300,358
Net book amount at 30 July 2017	861,562	181,816	171,421	67,834	1,282,633

12. Intangible assets

	£000
Cost:	
At 30 July 2017	65,674
Additions	2,520
Disposals	(2)
At 28 January 2018	68,192
Additions	552
Disposals	(1)
At 29 July 2018	68,743
Additions	2,381
At 27 January 2019	**71,124**
Accumulated depreciation and impairment:	
At 30 July 2017	(35,983)
Provided during the period	(3,992)
Disposals	2
At 28 January 2018	(39,973)
Provided during the period	(3,992)
Disposals	1
At 29 July 2018	(43,964)
Provided during the period	(3,847)
At 27 January 2019	**(47,811)**
Net book amount at 27 January 2019	**23,313**
Net book amount at 29 July 2018	24,779
Net book amount at 28 January 2018	28,219
Net book amount at 30 July 2017	29,691

The intangible assets relates to computer software and development.

13. Investment property

	£000
Cost:	
At 30 July 2017	7,751
At 28 January 2018	7,751
At 29 July 2018	7,751
At 27 January 2019	**7,751**
Accumulated depreciation and impairment:	
At 30 July 2017	(201)
Provided during the period	(28)
At 28 January 2018	(229)
Provided during the period	(28)
At 29 July 2018	(257)
Provided during the period	(27)
At 27 January 2019	**(284)**
Net book amount at 27 January 2019	**7,467**
Net book amount at 29 July 2018	7,494
Net book amount at 28 January 2018	7,522
Net book amount at 30 July 2017	7,550

Rental income received in the period from investment properties was £157,000 (2018: £157,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £59,000 (2018: £10,000).

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

14. Other non-current assets

	Lease premiums £000
Cost:	
At 30 July 2017	12,727
At 28 January 2018	12,727
At 29 July 2018	12,727
Additions	93
At 27 January 2019	**12,820**
Accumulated depreciation and impairment:	
At 30 July 2017	(4,455)
Provided during the period	(170)
At 28 January 2018	(4,625)
Provided during the period	(177)
At 29 July 2018	(4,802)
Provided during the period	(169)
At 27 January 2019	**(4,971)**
Net book amount at 27 January 2019	**7,849**
Net book amount at 29 July 2018	7,925
Net book amount at 28 January 2018	8,102
Net book amount at 30 July 2017	8,272

15. Analysis of change in net debt

	29 July 2018 £000	Cash flows £000	Non-cash movement £000	**27 January 2019 £000**
Cash and cash equivalents				
Cash in hand	63,091	(25,737)	–	**37,354**
Total cash and cash equivalents	63,091	(25,737)	–	**37,354**
Borrowings				
Bank loans – due before one year	(8,804)	8,804	–	**–**
Finance lease creditor – due before one year	–	(3,207)	–	**(3,207)**
Other loans	(60)	60	–	**–**
Current net borrowings	(8,864)	5,657	–	**(3,207)**
Bank loans – due after one year	(779,999)	29,999	–	**(750,000)**
Finance lease creditor – due after one year	–	(8,095)	–	**(8,095)**
Other loans	(421)	462	(58)	**(17)**
Non-current net borrowings	(780,420)	22,366	(58)	**(758,112)**
Total borrowings	(789,284)	28,023	(58)	**(761,319)**
Net debt	(726,193)	2,286	(58)	**(723,965)**
Derivatives				
Interest-rate swaps asset – due after one year	14,976	–	(3,556)	**11,420**
Interest-rate swaps liability – due before one year	(160)	–	160	**–**
Interest-rate swap liability – due after one year	(38,925)	–	3,460	**(35,465)**
Total derivatives	(24,109)	–	64	**(24,045)**
Net debt after derivatives	**(750,302)**	**2,286**	**6**	**(748,010)**

16. Fair values

The table below highlights any differences between the book value and the fair value of financial instruments.

	Unaudited 27 January 2019 Book value £000	**Unaudited 27 January 2019 Fair value £000**	Unaudited 28 January 2018 Book value £000	Unaudited 28 January 2018 Fair value £000	Audited 29 July 2018 Book value £000	Audited 29 July 2018 Fair value £000
Financial assets at amortised cost						
Cash and cash equivalents	**37,354**	**37,354**	63,736	63,736	63,091	63,091
Receivables	**6,528**	**6,528**	6,514	6,514	3,969	3,969
	43,882	**43,882**	70,250	70,250	67,060	67,060
Financial liabilities at amortised cost						
Trade and other payables	**(267,235)**	**(267,235)**	(219,061)	(219,061)	(231,783)	(231,783)
Borrowings	**(761,319)**	**(760,750)**	(820,104)	(820,165)	(789,284)	(788,923)
	(1,028,554)	**(1,027,985)**	(1,039,165)	(1,039,226)	(1,021,067)	(1,020,706)
Derivatives – cash flow hedges						
Non-current interest-rate swap assets	**11,420**	**11,420**	16,204	16,204	14,976	14,976
Current interest-rate swap liabilities	**–**	**–**	(3,728)	(3,728)	(160)	(160)
Non-current interest-rate swap liabilities	**(35,465)**	**(35,465)**	(39,271)	(39,271)	(38,925)	(38,925)
	(24,045)	**(24,045)**	(26,795)	(26,795)	(24,109)	(24,109)

The fair value of derivatives has been calculated by discounting all future cash flows by the market yield curve at the balance sheet date. The fair value of borrowings has been calculated by discounting the expected future cash flows at the half year end's prevailing interest rates.

16. Fair values (continued)

Interest-rate swaps

At 27 January 2019, the Company had fixed-rate swaps designated as hedges of floating-rate borrowings.
The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of one month.

Changes in valuation of swaps	Change in fair value £000	Deferred tax £000	Total £000
Fair value at 28 January 2018 (unaudited)	26,795	(4,556)	22,239
Gain taken directly to other comprehensive income	(2,686)	457	(2,229)
Fair value at 29 July 2018 (audited)	24,109	(4,099)	20,010
Gain taken directly to other comprehensive income	(64)	11	(53)
Fair value at 27 January 2019 (unaudited)	**24,045**	**(4,088)**	**19,957**

Fair value of financial assets and liabilities

IFRS 7 requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included in level 1 which are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs for the asset or liability which are not based on observable market data (level 3)

The fair value of the interest-rate swaps of £24.0m is considered to be level 2. All other financial assets and liabilities are measured in the balance sheet at amortised cost, and their valuation is also considered to be level 2.

17. Dividends paid and proposed

	Unaudited 26 weeks ended 27 January 2019 £000	Unaudited 26 weeks ended 28 January 2018 £000	Audited 52 weeks ended 29 July 2018 £000
Paid in the period			
2017 final dividend	**–**	8,437	8,437
2018 interim dividend	**–**	–	4,218
2018 final dividend	**8,435**	–	–
	8,435	8,437	12,655
Dividends in respect of the period			
Interim dividend	**4,215**	4,215	4,215
Final dividend	**–**	–	8,428
	4,215	4,215	12,643
Dividend per share	**4p**	4p	12p
Dividend cover	**4.5**	4.9	5.3

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

18. Share capital

	Number of shares 000s	Share capital £000
Balance at 30 July 2017 (audited)	108,999	2,180
Repurchase of shares	(3,498)	(70)
Closing balance at 28 January 2018 (unaudited)	105,501	2,110
Balance at 29 July 2018 (audited)	105,501	2,110
Closing balance at 27 January 2019 (unaudited)	**105,501**	**2,110**

All issued shares are fully paid.

19. Related-party disclosure

There were no material changes to related-party transactions described in the last annual financial statements. There have been no related-party transactions having a material effect on the Company's financial position or performance in the first half of the current financial year.

20. Capital commitments

The Company had £27.5m of capital commitments for which no provision had been made, in respect of property, plant and equipment, at 27 January 2019 (2018: £28.1m).

The Company has some sites in the property pipeline; however, any legal commitment is contingent on planning and licensing. Therefore, there are no commitments at the balance sheet date, in respect of these sites.

21. Events after the balance sheet date

There were no significant events after the balance sheet date.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that this condensed interim financial information has been prepared in accordance with IAS 34, as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events which have occurred during the first 26 weeks and their impact on the condensed set of financial statements, plus a description of the changes in principal risks and uncertainties for the remaining 26 weeks of the financial year.
- material related-party transactions in the first 26 weeks and any material changes in the related-party transactions described in the last annual report.

The directors of J D Wetherspoon plc are listed in the J D Wetherspoon annual report for 29 July 2018.
A list of current directors is maintained on the J D Wetherspoon plc website: jdwetherspoon.com

By order of the board

John Hutson
Director
14 March 2019

Ben Whitley
Director
14 March 2019

INDEPENDENT REVIEW REPORT TO J D WETHERSPOON PLC

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of J D Wetherspoon plc (the 'Company') for the 26 weeks ended 27th January 2019 which comprises the Income Statement, the Statement of Comprehensive Income, Cash Flow Statement, Balance Sheet, Statement of Changes in Equity and the related notes. We have read the other information contained in the half yearly financial report which comprises the Financial Highlights, Chairman's Statement and Operating Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 27 January 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
14 March 2019

PUBS OPENED SINCE 30 JULY 2018

Name	Address	Town	Postcode	Country
Palladium Electric	110 High Street	Midsomer Norton, Roadstock	BA3 2DA	England
The Barrel Vault	Unit 23 St Pancras International Station, Pancras Road	London	N1C 4QP	England

PUBS CLOSED SINCE 30 JULY 2018

Name	Address	Town	Postcode	Country
Stick or Twist	The Podium Site, Merrion Way	Leeds	LS2 8PD	England
The Grapes	198 High Street	Sutton	SM1 1NR	England
The Gold Balance	6–10 Newtown Gardens	Kirkby	L32 8RR	England
The White Lion of Mortimer	223 London Road	Mitcham	CR4 2JD	England
The Moon Under Water	194 Balham High Road	Balham	SW12 9BP	England
The Green Ayre (Lloyds)	63 North Road	Lancaster	LA1 1LU	England

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