

16 March 2018

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 26 weeks ended 28 January 2018)

FINANCIAL HIGHLIGHTS

Before exceptional items

• Revenue £830.4m (2017: £801.4m)	+3.6%*
• Like-for-like sales	+6.1%
• Profit before tax £62.0m (2017: £51.4m)	+20.6%
• Operating profit £74.0m (2017: £65.1m)	+13.6%
• Earnings per share (including shares held in trust) 45.7p (2017: 33.8p)	+35.2%
• Free cash flow per share 34.8p (2017: 44.2p)	-21.3%
• Interim dividend 4.0p (2017: 4.0p)	Maintained

After exceptional items**

• Profit before tax £54.3m (2017: £39.9m)	+36.1%
• Operating profit £74.0m (2017: £65.1m)	+13.6%
• Earnings per share (including shares held in trust) 39.2p (2017: 27.2p)	+44.1%

* In our pre-close statement of 24 January 2018, we stated that total sales growth was 4.3%. For the purposes of the pre-close statement, we compared weeks 1 to 25 of this financial year with weeks 2 to 26 of the last financial year – the same 25 ‘calendar weeks’. In the current half-year statement, we compare weeks 1 to 26 of this financial year with weeks 1 to 26 of the previous financial year. The reason for the difference in reference periods is that the year ended 30 July 2017 was a 53-week period.

**Exceptional items as disclosed in account note 7 to the Interim Report 2018.

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

“There has been a huge debate, since the referendum, about the economic effects of Brexit. In particular, trade organisations like the CBI and the BRC, supported by the FT, the Sunday Times, the Guardian, the chairmen of Whitbread and Sainsbury’s and others, have misled the public by saying that food prices will automatically rise if we leave the EU without a deal.

“This is a fallacy – the EU is a protectionist organisation which imposes high taxes on food, clothing, wine and thousands of other items from non-EU countries – which comprise around 93% of the world’s population. Like Monty Python’s Dennis Moore, as illustrated by Sam Akaki in appendix 1 below, the EU “....steals from the poor and gives to the rich...”.

“In fact, MPs have the power to eliminate these import taxes in March 2019, thereby reducing prices for the public, just as their predecessors achieved the same objective by repealing the Corn Laws almost two centuries ago.

“Two articles I have written on this subject for Wetherspoon News (appendix 1) and The Independent newspaper (appendix 2) are included below. The issues have also been examined by Matt Ridley in The Times (appendix 3).

“Another frequently repeated Brexit concern is that the much bigger EU economy will be better able to withstand a Mexican standoff than the UK.

“This is also a fallacy. For example, Wetherspoon is one of the biggest customers, or possibly the biggest customer, of the excellent Swedish cider-maker Kopparberg. If trade barriers were imposed, so as to make Kopparberg uneconomic, then Wetherspoon could switch to UK suppliers or those from elsewhere in the world.

“In this case, the principal losers in a trade war would be the inhabitants of a small town in Sweden, where Kopparberg is produced, rather than the UK economy. Unfortunately for the Swedes, the EU negotiators, unlike those of the UK, are not subject to judgement at the ballot box, so Kopparberg’s influence on the outcome may be minimal.

“The same principle applies to thousands of EU imports including Prosecco, Champagne and many wines and spirits – in almost all cases there are suitable, and often excellent, alternatives to EU products available elsewhere.

“In fact, the biggest danger for EU producers, whose wine industry, for example, has lost huge market share to the New World, in spite of import taxes, is that UK consumers take umbrage at what they see as the overbearing behaviour of EU negotiators, and decide to favour products which originate elsewhere.

“Provided that the UK parliament votes to eliminate tariffs, EU producers will, in any event, be faced with a far more competitive UK market – since New Zealand wine producers, for example, will be able to compete on an equal, import tax-free basis, for the first time. So, the antagonistic approach of EU negotiators, which risks alienating UK consumers, is extremely unhelpful to businesses within their own bloc.

“Most economists who criticise Brexit use hypothetical arguments, but, in the real world, the UK can eliminate import taxes, improving living standards and simplifying the Byzantine tax system – both of these factors will improve the outlook for consumers and businesses in the UK.

“In the six weeks to 11 March 2018, like-for-like sales increased by 3.8% and total sales increased by 2.6%.

“The company anticipates higher costs in the second half of the financial year, in areas including pay, taxes and utilities. In view of these additional costs, and our expectation that growth in like-for-like sales will be lower in the next six months, the company remains cautious about the second half of the year.

“Nevertheless, as a result of slightly better-than-expected year-to-date sales, we currently anticipate an unchanged trading outcome for the current financial year.”

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Photographs are available at: newscast.co.uk

Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed and the Company aims to maintain them in excellent condition.
2. Visit our website jdwetherspoon.com
3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.
4. The annual report and financial statements 2017 has been published on the Company's website on 15 September 2017.
5. The current financial year comprises 52 trading weeks to 29 July 2018.
6. The next trading update will be issued on 9 May 2018.

CHAIRMAN'S STATEMENT AND OPERATING REVIEW

In the 26 weeks ended 28 January 2018, like-for-like sales increased by 6.1% with total sales increasing by 3.6% to £830.4m (2017: £801.4m).

Like-for-like bar sales increased by 5.7% (2017: 2.4%), food by 6.9% (2017: 5.1%) and fruit machines by 4.6% (2017: decreased by 2.1%). Like-for-like room sales at our hotels increased by 3.1% (2017: 14.8%). Bar sales were 61.0% of total sales, food 35.3%, fruit machines 2.5% and room sales 1.1%.

Operating profit increased by 13.6% to £74.0m (2017: £65.1m). The operating margin was 8.9% (2017: 8.1%). Profit before tax and exceptional items increased by 20.6% to £62.0m (2017: £51.4m). The improved performance in the period was due mainly to strong sales and the sale of some lower-margin pubs.

Earnings per share, including shares held in trust by the employee share scheme, and before exceptional items, increased by 35.2% to 45.7p (2017: 33.8p). Earnings-per-share growth was higher than profit growth, mainly as a result of share buybacks.

As illustrated in the table in the tax section below, the company paid taxes of £356.1m in the period under review, approximately 30.2% higher than five years ago (2013: £273.5m).

Net interest was covered 5.5 times by profit before interest, tax and exceptional items (2017: 4.6 times). Total capital investment was £61.4m in the period (2017: £102.8m). £7.5m was spent on freehold reversions of properties where Wetherspoon was the tenant (2017: £55.8m), £35.1m on existing pubs (2017: £28.6m) and £18.8m on new pub openings and extensions (2017: £18.4m).

Exceptional items totalled £6.8m (2017: £7.3m). Twelve pubs were sold or closed in the period. There was a £5.9m (2017: £6.6m) loss on disposal and an impairment charge of £1.1m (2017: £5.2m) for closed pubs and pubs which are on the market. The cash effect of the exceptional charges was an inflow of £0.8m from the proceeds of pub disposals.

Free cash flow, after capital investment of £35.0m in existing pubs (2017: £28.4m) and payments of tax and interest, was £36.8m (2017: £49.2m). Free cash flow per share decreased by 21.3% to 34.8p (2017: 44.2p). The decrease was due mainly to increased expenditure on existing pubs, increased corporation tax payments and a reduction in payables.

Dividends

The board declared an interim dividend of 4.0p per share for the current interim financial period ending 28 January 2018 (2017: 4.0p per share). The interim dividend will be paid on 31 May 2018 to those shareholders on the register at 4 May 2018.

Corporation tax

We expect the overall corporation tax charge for the financial year, including current and deferred taxation, to be approximately 23.4% before exceptional items (30 July 2017: 25.1%). 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, 3,497,500 shares were repurchased by the company for cancellation, representing approximately 3.21% of the issued share capital, at a cost of £36m, including stamp duty, representing an average cost per share of 1,025p.

At the year end, the company had a liability for share purchases of £15.5m which was settled during the half year, ended 28 January 2018.

Financing

As at 28 January 2018, the company's net debt, including bank borrowings and finance leases, but excluding derivatives, was £756.4m, an increase of £60.1m, compared with that of the previous year end (30 July 2017: £696.3m).

The net-debt-to-EBITDA ratio was 3.48 times at the period end (30 July 2017: 3.39). The company has total bank facilities available, excluding finance leases, of £860m (30 July 2017: £860m).

For the foreseeable future, it is intended that the company's net-debt-to-EBITDA ratio will be around 3.5 times. The ratio would 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.

As indicated previously, a higher level of debt may be justifiable when interest rates are low and other factors are favourable.

Property

During the period, we opened three new pubs and closed 12, bringing the number open at the period end to 886. Following a review of our estate, in recent years, we placed around 100 pubs on the market, 88 of which have now been sold, are under contract or have been closed.

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 taxes, 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)	2018 £m	2017 £m
VAT	162.5	156.5
Alcohol duty	85.4	79.3
PAYE and NIC	54.1	45.1
Business rates	27.5	25.3
Corporation tax	12.2	8.3
Machine duty	5.2	5.0
Climate change levy	4.5	4.8
Carbon tax	1.7	1.7
Landfill tax	1.3	1.2
Fuel duty	1.0	1.0
Premise licence and TV licences	0.4	0.4
Stamp duty	0.3	3.0
TOTAL TAX	356.1	331.6
Tax per pub (£000)	402.0	362.8
Tax as % of sales	42.9%	41.4%
Pre-exceptional profit after tax	48.2	37.7
Profit after tax as % of sales	5.8%	4.7%

Further progress

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

In November 2015, the government's Food Standards Agency (FSA) issued a report which named Wetherspoon equal top of the largest 20 food chains for hygiene standards over the preceding five years. Currently, 92% of our pubs have obtained the maximum five rating, under the FSA scheme, with 98% of pubs receiving a rating of four or above. This record reflects extremely hard work by our central catering, audit and operations team, as well as by the teams in our pubs.

We have recently been recognised as a 'Top Employer UK' by the Top Employers Institute for 15 consecutive years.

The company has also recently been recognised for the quality of the facilities in its pubs, winning in six categories at the 'loo of the year' awards.

During the period under review, we allocated £21.2m in bonuses and free shares to employees, 97% of which was paid to those below board level and 84% to those working in our pubs.

Current trading and outlook

There has been a huge debate, since the referendum, about the economic effects of Brexit. In particular, trade organisations like the CBI and the BRC, supported by the FT, the Sunday Times, the Guardian, the chairmen of Whitbread and Sainsbury's and others, have misled the public by saying that food prices will automatically rise if we leave the EU without a deal.

This is a fallacy – the EU is a protectionist organisation which imposes high taxes on food, clothing, wine and thousands of other items from non-EU countries – which comprise around 93% of the world's population. Like Monty Python's Dennis Moore, as illustrated by Sam Akaki in appendix 1 below, the EU "...steals from the poor and gives to the rich...".

In fact, MPs have the power to eliminate these import taxes in March 2019, thereby reducing prices for the public, just as their predecessors achieved the same objective by repealing the Corn Laws almost two centuries ago.

Two articles I have written on this subject for Wetherspoon News (appendix 1) and The Independent newspaper (appendix 2) are included below. The issues have also been examined by Matt Ridley in The Times (appendix 3).

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In this case, the principal losers in a trade war would be the inhabitants of a small town in Sweden, where Kopparberg is produced, rather than the UK economy. Unfortunately for the Swedes, the EU negotiators, unlike those of the UK, are not subject to judgement at the ballot box, so Kopparberg's influence on the outcome may be minimal.

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In fact, the biggest danger for EU producers, whose wine industry, for example, has lost huge market share to the New World, in spite of import taxes, is that UK consumers take umbrage at what they see as the overbearing behaviour of EU negotiators, and decide to favour products which originate elsewhere.

Provided that the UK parliament votes to eliminate tariffs, EU producers will, in any event, be faced with a far more competitive UK market – since New Zealand wine producers, for example, will be able to compete on an equal, import tax-free basis, for the first time. So, the antagonistic approach of EU negotiators, which risks alienating UK consumers, is extremely unhelpful to businesses within their own bloc.

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Tim Martin
Chairman
15 March 2018

Appendix 1 – Tim’s Viewpoint, Wetherspoon News, spring 2018

Ignore daft ideas – the public does know best

Wetherspoon News foils the CBI plan to fool the public about food prices

Few people are capable of expressing, with equanimity, opinions which differ from the prejudices of their social environment. Most people are incapable of forming such opinions.
– Albert Einstein

Wetherspoon News has had, at least, a temporary victory in the battle to correct the myth that food prices would inevitably rise in the absence of a ‘deal’ with the EU – a battle in which we took on much of the national press and big business.

The perpetrators of the myth – the CBI, the British Retail Consortium, the Financial Times, The Sunday Times, The Guardian, the chairmen of Sainsbury’s and Whitbread and others – have had to accept that MPs do, indeed, have the power, in March next year, to lower food prices at a stroke, by voting to eliminate taxes, also called tariffs, on non-EU food imports, including coffee, rice, wine and thousands of other products.

Imports

This will mean, under World Trade Organisation rules, that there are no taxes, either, on food imports from the EU itself.

In addition, on leaving, MPs have the power, as government lawyers have repeatedly stated, to end the £200 million per week of net payments to the EU, and to divert those funds for domestic purposes – maybe the NHS, maybe tax breaks for the less well-off... MPs can choose.

Another benefit is that the UK can regain control of its historic fishing waters – 60% of fish in UK waters are now caught by EU boats, with devastating effects in many fishing communities.

Economists

So, why have the CBI, the City and most banks and economists insisted that we’re all doomed without a deal?

The main reason is that highly educated people (and the heads of the above organisations, who all went to Oxford or Cambridge University) are often more susceptible to daft ideas than the ‘man on the Clapham omnibus’.

Philby, Burgess and the Apostles of the 1930s, seduced by undemocratic creeds, all went to Cambridge University.

The truly clever people, who created democracy and the jury system, for example, understood these dangers.

But not all graduates are seduced – as the above quotation from Einstein implies, there are non-conformist exceptions.

Indeed, some of the most articulate advocates of democracy in the referendum were Oxbridge grads. An unfortunate by-product of education, for the credulous, is the toxic belief that the elite knows best.

Twenty years ago, middle-aged Oxbridge males like Clarke, Mandelson, Blair, Heseltine and Howe, along with their peers at the CBI, Goldman Sachs, Arthur Andersen, Ernst and Young, most of the City and the Financial Times, urged us, with revolutionary zeal, to join the disastrous euro – in spite of the fact that its predecessor, the exchange rate mechanism, had brought the country to its knees only a few years before.

Luckily you, the public, remained unimpressed.

Elite

This ‘we know best’ attitude, incorporating a grudging view of democracy, is typical of the elite – and is illustrated by comments from City investment adviser, and Cambridge graduate, Mark Brumby.

In a February newsletter to clients, he said: “Democracy, which is great, but which gave us Boaty McBoatface and the Birdie Song ... has now given us Brexit.”

Brumby adds that The Times newspaper warns liberals that “they should not sneer at populism”.

Brumby himself then says that “if you substitute ‘look aghast’ for ‘sneer’ and ‘ignorance’ for ‘populism’ ... you might get a different answer”. The indiscreet Brumby, influential in the City, says in public what around 70–80% of the elite say in privat

They mistrust the hoi polloi – and have started to call ideas or movements with which they disagree ‘populism’. But, in reality, populism is Churchill in the 1930s, the Boston Tea Party, the Beatles, Rap, Punk, Martin Luther King, Mahatma Gandhi, the suffragettes, the smashing of the Berlin Wall, the Internet and a million other interventions. Not all are great, but populism, distilled through a democratic system, is humanity’s greatest achievement.

But the modern-day apostles, who evangelise the EU’s unelected presidents, unaccountable court and parliament whose MPs can’t even initiate legislation, don’t hesitate to attribute the referendum result to racism or ignorance. They also have a more immediate motive for the orchestrated campaign to frighten the public about food price rises.

Deal

If the public can be convinced about the necessity of a deal with the EU, they can also be convinced to stay in the EU’s ‘customs union’.

In effect, this means staying in the EU by stealth, since the UK would then have to obey most EU laws – and would lose the benefits of independence, such as lower food prices and control of fishing rights.

The customs union means that EU countries, which comprise seven per cent of the world’s population, charge no food taxes to one another, but charge punitive taxes to the rest of the world, thereby keeping prices at artificially high levels for UK and EU consumers.

The customs union also causes huge damage to African economies, as Sam Akaki emphasises on the opposite page.

And the food taxes on non-EU imports are sent to Brussels, too, rather than being used for the benefit of the UK public. Can you Adam and Eve it? Nice try Carolyn Fairbairn of the CBI, David Tyler of Sainsbury’s, Richard Baker of Whitbread and others, but we’ve rumbled the latest edition of Project Fear. Listen up, big chiefs. The EU is leading most of Europe on a tragic path, away from democracy. Just ask the Greeks.

Einstein, a seriously clever guy who never went to university, said that real genius was knowing what you don’t know.

So, when it comes to complex issues like the euro and democracy, take a cue from Einstein and understand that the collective intelligence of the public is infinitely greater than yours. It’s painful for big egos to accept, but the public really does know best.

Tim Martin, Chairman

Appendix 2 – Tim Martin, The Independent, 21 December 2017

“Brexit will be great for our food industry and our pubs...

According to historian Martin Gilbert the truth exists, but it's hidden in a fog by lack of evidence and lack of perspective – other impediments include intellectual arrogance and misinformation, especially in politics. It's fascinating to see, at close quarters, the process by which myths are dismantled and the truth emerges in our democratic system.

The Confederation of British Industry (CBI) and the British Retail Consortium (BRC), abetted by the chairmen of Whitbread and Sainsbury's, have had considerable success in creating a fog which has misled the public, MPs and commentators about food prices. The Financial Times, Sunday Times and Guardian, for example, have all run stories stating that failure to agree a deal with the EU will result in substantial food price rises – a key part of their “cliff-edge” narrative of economic dislocation.

The false thesis is that reverting to World Trade Organisation rules, in the absence of an EU “deal”, automatically results in tariffs, currently imposed on non-EU countries only, applying equally to imports from the EU itself. This is untrue, since WTO rules allow our Parliament to emulate New Zealand, Singapore and Hong Kong, among others, by eliminating food tariffs, provided the policy applies equally to all nations. Such rules would, as many Remainers admit, cause prices to fall in shops – and pubs.

In a Jeremy Vine show debate the Labour MP, Chuka Umunna, repeated the canard about food price rises. It was obvious that Chuka had swallowed the CBI line and really believed what he was saying, so I took to Twitter, for the first time ever, to try to correct his understandable misinterpretation. In an exchange of tweets, Chuka stuck religiously to his guns, but his followers got the point even so.

Their comments, hidden in a fog of abuse, abandoned the automatic-price-rise-post-Brexit position and instead said that UK farmers would suffer. That at least, unlike Chuka's position, is a valid argument. Indeed, it was a vexed and divisive debate in the 1830s and 40s, when almost precisely the same issues arose with regard to the Corn Laws. They were created to keep corn prices at a high level, by restricting imports, principally to protect landowners whose views predominated in Parliament at the time. However, their imposition eventually had devastating consequences for the poor, and was felt by many to have had catastrophic consequences in Ireland during the potato famine. When the Corn Laws were eventually abandoned, food prices fell.

The pub industry in the UK was also notorious for “trade protection” for most of the 20th century. Brewers were protected by a licensing system which favoured vested interests, but caused high prices and reduced competition in pubs and restaurants. Nostalgia aside, it is clear to most people that the abandonment of “barriers to entry” has led to a dramatic increase in the number of independent pubs, bars and restaurants, and to greater choice and higher standards than in the past.

There are thousands of examples of the benefits to the public of increased choice and competition. New Zealand farmers, to take one example, were protected by trade barriers in the recent past. There was huge anxiety about the elimination of tariffs there, but free trade has been a great success — farming productivity has surged, living standards have improved and food exports have boomed.

For those with long memories, tariffs and protection also did little to help the British car manufacturing industry – and are unlikely to help British farmers or manufacturers today, especially in the long run.

The CBI and big-business boardrooms, through religious attachment to the EU – which follows their equivalent zeal for the disastrous Exchange Rate Mechanism and the euro – have undoubtedly fooled some of the people some of the time. However, in a democracy the truth will emerge, and Chuka and members of the public who have been duped will quickly see through the cloud of misinformation. In due course, the debate will move on to the question of the validity of the EU's modern-day Corn Laws.

The emergence of the truth about food prices may, or may not, change political positions in the country about the EU, but the existence of the debate shows how democracy works, and why it's the best system. The main argument in favour of Brexit, ill-understood in the echo chamber of Remain, is that the EU's lack of democracy, its distant parliament, unelected presidents and unaccountable court prevent the very debates and direct dialogues with lawmakers, like Chuka, upon which freedom and prosperity depend."

Tim Martin

Appendix 3 - Matt Ridley, February 26 2018, The Times

“Corbyn’s post-Brexit customs union would hurt the poor

The Labour leader’s latest stance on Brexit ignores historic links between left-wing principles and free trade

If reports are accurate, there is at least one thing in Jeremy Corbyn’s speech today with which I will agree: “The EU is not the root of all our problems and leaving it will not solve all our problems. Likewise the EU is not the source of all enlightenment and leaving it does not inevitably spell doom for our country. Brexit is what we make of it together.” Yet this makes his overall conclusion, that we should stay in “a” customs union with the European Union, all the more baffling. That would be the worst of all worlds. It would be, in an inversion of the Labour Party’s phrase, “for the few, not the many”.

As Steven Pinker sets out in his new book *Enlightenment Now*, human beings are cursed by a pervasive negativity bias, “driven by a morbid interest in what can go wrong”. Yet again and again, we defy the pessimists and improve the world. Brexit is fertile ground for this proclivity for pessimism because it has not yet happened. Our imaginations, and those of people with political axes to grind, run riot.

This is being exploited by the paid servants of big business and big government to try to keep us in a customs union system that benefits both. Ordinary people, in my experience, mostly see through this, as they did on referendum day. As a report from the organisations Labour Leave, Economists for Free Trade and Leave Means Leave calculated, the poor would benefit most from Brexit. If the Labour Party is really on the side of the poor rather than the elite, the EU customs union is a curious thing to defend. As David Paton, the professor of industrial economics at Nottingham University Business School, pointed out in a recent paper, *The Left-wing Case for Free Trade*, free trade always used to be a left-wing cause.

Free trade says to the poorest: we will enable you to get access to the cheapest and best products and services from wherever in the world they come. We will not, in the economist Joan Robinson’s arresting image, put rocks in our own harbours to obstruct arriving cargo ships just because other people put rocks in theirs. The customs union, however, says: if Italy wants rocks in its harbours to protect its rice growers against Asian competition, then Britain must have them too, even though it grows no rice.

Take trainers. Britain makes very few such shoes. It imports lots. The average external EU customs union tariff on them is 17 per cent. Four fifths of this money goes straight to the European Commission. Poor people do not necessarily buy more trainers than rich people but trainers are a higher percentage of their spending. Their inflated trainer prices mean they spend less on other things, which hurts other producers, many of them British, affecting jobs and pay. The tariffs are there for pure protectionism: to aid the shoe industry elsewhere in Europe.

The purpose of all production is consumption, said Adam Smith. Or, as the American wit PJ O’Rourke put it, “imports are Christmas morning; exports are January’s Mastercard bill”. Yet the conversation about the customs union has been conducted almost entirely on behalf of producers, and exporters in particular. Remember, according to the Office for National Statistics in 2016, trade with the EU accounts for only 12 per cent of gross domestic product. It is not unreasonable to put the interests of the other 88 per cent first.

The poor are consumers too. So are businesses, including ones that export. They import raw materials and other goods and the cheaper those are, the more competitive our exporters will be. Outside a customs union, we would not have to cut all tariffs. If we wanted to protect certain British industries then we could, although I hope we would do so sparingly and temporarily.

This argument for free trade is not just a theoretical one. It was demonstrated unambiguously when we flourished after repealing the Corn Laws, which also privileged producers at the expense of consumers, in the mid-19th century. It was demonstrated by the two most free-trading economies in the world, Singapore and Hong Kong, as they roared past us in the prosperity league table from very poor to very rich in recent decades, and more recently by New Zealand and Australia, fast-growing since their turns towards freer trade.

The customs union diverts our trade towards Europe at the expense of poorer countries. Instead of buying ground coffee from African factories with low costs, we buy it from Germany: there is no tariff on coffee beans imported

from Africa but a tariff on processed coffee. The customs union is not a free trade area. It would be possible to be in a free trade area with the EU while outside a customs union, like Iceland, Norway and Liechtenstein.

That we voted to leave the customs union should not be in doubt. The Vote Leave organisation made clear that “Britain lacks the power to strike free trade deals with its trading partners outside Europe. Being in the EU means that Brussels has full control of our trade policy . . . if we vote Leave, we can negotiate for ourselves.” The government made clear that “a common external trade policy is an inherent and inseparable part of a customs union” and that apart from emulating Turkey’s subservient relationship with the EU, “all the alternatives involve leaving the customs union”. In 1846, two years before the publication of *The Communist Manifesto*, Richard Cobden, the campaigning manufacturer and politician whose rational optimism has proved a better guide to subsequent history than the conflict-obsessed dialectic of Karl Marx, made a speech in Manchester. “I believe that the physical gain will be the smallest gain to humanity from the success of this principle [free trade],” he said. “I look farther; I see in the free trade principle that which shall act on the moral world as the principle of gravitation in the universe — drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace.

“I have looked even farther . . . I believe that the desire and the motive for large and mighty empires; for gigantic armies and great navies — for those materials which are used for the destruction of life and the desolation of the rewards of labour — will die away; I believe that such things will cease to be necessary, or to be used, when man becomes one family, and freely exchanges the fruits of his labour with his brother man.”

Give it a try, Jeremy.”

INCOME STATEMENT FOR THE 26 WEEKS ENDED 28 January 2018

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 26 weeks ended 28 January 2018 Before exceptional items £000	Unaudited 26 weeks ended 28 January 2018 After exceptional items £000	Unaudited 26 weeks ended 22 January 2017 Before exceptional items £000	Unaudited 26 weeks ended 22 January 2017 After exceptional items £000	Audited 53 weeks ended 30 July 2017 Before exceptional items £000	Audited 53 weeks ended 30 July 2017 After exceptional items £000
Revenue	4	830,392	830,392	801,435	801,435	1,660,750	1,660,750
Operating costs		(756,405)	(756,405)	(736,334)	(736,334)	(1,532,242)	(1,532,242)
Operating profit	5	73,987	73,987	65,101	65,101	128,508	128,508
Property gains	6	1,653	1,653	586	586	2,807	2,807
Property losses - exceptional	7		(7,656)		(11,885)		(26,868)
Profit before interest and tax		75,640	67,984	65,687	53,802	131,315	104,447
Finance income		27	27	38	38	72	72
Finance income – exceptional	7		–		402		402
Finance costs		(13,666)	(13,666)	(14,310)	(14,310)	(28,557)	(28,557)
Profit before tax		62,001	54,345	51,415	39,932	102,830	76,364
Income tax expense	8	(13,785)	(13,785)	(13,760)	(13,760)	(25,846)	(25,846)
Income tax expense – exceptional	8		881		4,138		5,541
Profit for the period		48,216	41,441	37,655	30,310	76,984	56,059
Earnings per ordinary share (p)							
- Basic ¹	9	46.7	40.1	34.6	27.8	70.8	51.5
- Diluted ²	9	45.7	39.2	33.8	27.2	69.2	50.4

STATEMENT OF COMPREHENSIVE INCOME FOR THE 26 WEEKS ENDED 28 January 2018

	Notes	Unaudited 26 weeks ended 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Items which will be reclassified subsequently to profit or loss:				
Interest-rate swaps: gain taken to other comprehensive income	16	12,101	30,381	24,581
Tax on items taken directly to other comprehensive income	16	(2,056)	(5,800)	(4,814)
Currency translation differences		(762)	883	2,104
Net gain recognised directly in other comprehensive income			9,283	25,464
Profit for the period		41,441	30,310	56,059
Total comprehensive income for the period			50,724	55,774
				77,930

¹ Calculated excluding shares held in trust.

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

CASH FLOW STATEMENT FOR THE 26 WEEKS ENDED 28 January 2018

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited cash flow	Unaudited free cash flow ¹	Unaudited cash flow	Unaudited free cash flow ¹	Audited cash flow	Audited free cash flow ¹
		26 weeks ended 28 January 2018	26 weeks ended 28 January 2018	26 weeks ended 22 January 2017	26 weeks ended 22 January 2017	53 weeks ended 30 July 2017	53 weeks ended 30 July 2017
		£000	£000	£000	£000	£000	£000
Cash flows from operating activities							
Cash generated from operations	10	104,066	104,066	105,052	105,052	224,403	224,403
Interest received		15	15	26	26	57	57
Net exceptional finance income		–	–	402	–	402	–
Interest paid		(12,236)	(12,236)	(13,150)	(13,150)	(26,834)	(26,834)
Corporation tax paid		(12,163)	(12,163)	(8,250)	(8,250)	(20,683)	(20,683)
Net cash inflow from operating activities		79,682	79,682	84,080	83,678	177,345	176,943
Cash flows from investing activities							
Purchase of property, plant and equipment		(32,513)	(32,513)	(18,775)	(18,775)	(45,056)	(45,056)
Purchase of intangible assets		(2,468)	(2,468)	(9,633)	(9,633)	(13,502)	(13,502)
Investment in new pubs and pub extensions		(27,620)	–	(18,012)	–	(40,285)	–
Freehold reversions		(11,288)	–	(49,582)	–	(88,603)	–
Proceeds of sale of property, plant and equipment		2,726	–	8,798	–	19,620	–
Net cash outflow from investing activities		(71,163)	(34,981)	(87,204)	(28,408)	(167,826)	(58,558)
Cash flows from financing activities							
Equity dividends paid	17	(8,437)	–	(8,933)	–	(13,352)	–
Purchase of own shares for cancellation		(51,647)	–	(25,359)	–	(28,445)	–
Purchase of own shares for share-based payments		(7,938)	(7,938)	(6,046)	(6,046)	(10,449)	(10,449)
Loan advances	15	72,595	–	59,944	–	47,236	–
Net cash inflow/(outflow) from financing activities		4,573	(7,938)	19,606	(6,046)	(5,010)	(10,449)
Net change in cash and cash equivalents	15	13,092	–	16,482	–	4,509	–
Opening cash and cash equivalents		50,644	–	46,135	–	46,135	–
Closing cash and cash equivalents		63,736	–	62,617	–	50,644	–
Free cash flow		–	36,763	–	49,224	–	107,936
Free cash flow per ordinary share	9	–	34.8p	–	44.2p	–	97.0p

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

BALANCE SHEET AS AT 28 January 2018

J D Wetherspoon plc, company number: 1709784

	Notes	Unaudited 28 January 2018 £000	Unaudited 22 January 2017 £000	Audited 30 July 2017 £000
Assets				
Non-current assets				
Property, plant and equipment	11	1,300,358	1,229,252	1,282,633
Intangible assets	12	28,219	30,809	29,691
Investment property	13	7,522	7,577	7,550
Other non-current assets	14	8,102	8,693	8,272
Derivative financial instruments	15	16,204	17,645	11,380
Deferred tax assets		4,556	5,626	6,612
Total non-current assets		1,364,961	1,299,602	1,346,138
Assets held for sale		276	4,182	1,524
Current assets				
Inventories		20,531	20,401	21,575
Receivables		24,827	29,517	21,029
Cash and cash equivalents	15	63,736	62,617	50,644
Total current assets		109,094	112,535	93,248
Total assets		1,474,331	1,416,319	1,440,910
Liabilities				
Current liabilities				
Borrowings	15	(113)	(80)	(17,461)
Derivative financial instruments	15	(3,728)	–	–
Trade and other payables		(278,283)	(278,329)	(313,525)
Current income tax liabilities		(13,096)	(12,327)	(12,159)
Provisions		(4,408)	(4,526)	(5,175)
Total current liabilities		(299,628)	(295,262)	(348,320)
Non-current liabilities				
Borrowings	15	(819,991)	(758,536)	(729,487)
Derivative financial instruments	15	(39,271)	(50,741)	(50,276)
Deferred tax liabilities		(69,003)	(71,519)	(69,731)
Provisions		(1,890)	(2,850)	(1,890)
Other liabilities		(11,583)	(12,433)	(12,383)
Total non-current liabilities		(941,738)	(896,079)	(863,767)
Net assets		232,965	224,978	228,823
Shareholders' equity				
Share capital	18	2,110	2,211	2,180
Share premium account		143,294	143,294	143,294
Capital redemption reserve		2,321	2,220	2,251
Hedging reserve		(22,239)	(27,470)	(32,284)
Currency translation reserve		4,133	3,561	4,899
Retained earnings		103,346	101,162	108,483
Total shareholders' equity		232,965	224,978	228,823

John Hutson
DirectorBen Whitley
Director

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 24 July 2016	2,273	143,294	2,158	(52,051)	2,340	109,434	207,448
Total comprehensive income				24,581	1,221	29,972	55,774
Profit for the period						30,310	30,310
Interest-rate swaps: cash flow hedges				30,381			30,381
Tax on items taken directly to comprehensive income				(5,800)			(5,800)
Currency translation differences					1,221	(338)	883
Purchase of own shares for cancellation	(62)		62			(28,445)	(28,445)
Share-based payment charges						4,966	4,966
Tax on share-based payment						214	214
Purchase of own shares for share-based payments						(6,046)	(6,046)
Dividends						(8,933)	(8,933)
At 22 January 2017	2,211	143,294	2,220	(27,470)	3,561	101,162	224,978
Total comprehensive income				(4,814)	1,338	25,632	22,156
Profit for the period						25,749	25,749
Interest-rate swaps: cash flow hedges				(5,800)			(5,800)
Tax on items taken directly to comprehensive income				986			986
Currency translation differences					1,338	(117)	1,221
Purchase of own shares for cancellation	(31)		31			(15,442)	(15,442)
Share-based payment charges						5,745	5,745
Tax on share-based payment						208	208
Purchase of own shares for share-based payments						(4,403)	(4,403)
Dividends						(4,419)	(4,419)
At 30 July 2017	2,180	143,294	2,251	(32,284)	4,899	108,483	228,823
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	2,110	143,294	2,321	(22,239)	4,133	103,346	232,965

During the half year, 3,497,500 shares were repurchased by the company for cancellation, representing approximately 3.21% of the issued share capital, at a cost of £36.2m, including stamp duty, representing an average cost per share of 1,025p. At the year end, the company had a liability for share purchases of £15.5m which was settled during the half year, ended 28 January 2018.

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 15 March 2018.

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 30 July 2017 were approved by the board of directors on 14 September 2017 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 53 weeks ended 30 July 2017, 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 2017, pages 41 and 43.

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 53 weeks ended 30 July 2017 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 53 weeks ended 30 July 2017 is extracted from the statutory accounts of the Company for that year.

The interim results for the 26 weeks ended 28 January 2018 and the comparatives for 22 January 2017 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 30 July 2017 – 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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 31 July 2017 and will have a minimal impact on the financial statements:

- Recognition of deferred tax assets for unrealised losses – amendments to IAS 12
- Disclosure initiative – amendments to IAS 7
- Annual improvements to IFRS 2014 – 2016 cycle

Standards and interpretations which are not yet effective and have not been early adopted by the Company:

On 13 January 2016, the International Accounting Standards Board issued IFRS 16 – 'Leases' which is effective for periods starting on or after 1 January 2019. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to exceptions for short-term leases and leases of low-value assets.

The impact of this standard is expected to be material. The choice of transition method is expected to be significant.

The standard gives the option to either fully restate or recognise an asset equal to the value of the liability on the date of transition.

The Company is waiting for clarification on the tax treatment of this change, before selecting the transition method.

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. The Company does not have long-term contractual relationships with its customers.

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

Debt instruments currently classified as 'held to maturity' and measured at amortised cost will meet the conditions for classification at amortised cost under IFRS 9.

The Company believes that its current hedge relationships will qualify as continuing hedges, on the adoption of IFRS 9.

4. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Unaudited 26 weeks ended 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Sales of food, beverages, hotel rooms and machine income	830,392	801,435	1,660,750

5. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	Notes	Unaudited 26 weeks ended 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Concession rental payments		11,474	11,639	24,784
Minimum operating lease payments		22,430	23,727	44,828
Repairs and maintenance		32,182	29,232	66,219
Net rent receivable		(679)	(743)	(1,422)
Share-based payments		5,464	4,966	10,711
Depreciation of property, plant and equipment	11	34,270	32,741	66,483
Amortisation of intangible assets	12	3,992	3,332	6,931
Depreciation of investment properties	13	28	28	55
Amortisation of other non-current assets	14	170	206	400

6. Property (gains)/losses

	Notes	Unaudited 26 weeks ended 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Non-exceptional property (gains)/losses				
Loss/(gain) on disposal of fixed assets		(988)	62	(615)
Additional costs of disposal		15	–	25
Other property gains		(680)	(648)	(2,217)
		(1,653)	(586)	(2,807)
Exceptional property losses				
Loss on disposal of fixed assets – disposal programme		3,580	5,618	15,099
Additional costs of disposal		2,330	976	3,262
Impairment of property, plant and equipment		1,131	5,169	7,787
Onerous lease provision		615	122	720
	7	7,656	11,885	26,868
Total property losses		6,003	11,299	24,061

7. Exceptional items

	Unaudited 26 weeks ended 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Exceptional property losses			
Disposal programme			
Loss on disposal of pubs	5,910	6,594	18,361
Impairment of property plant and equipment	1,131	3,899	5,943
Impairment of other non-current assets	–	1,270	141
Onerous lease reversal	–	(235)	(1,319)
Onerous lease provision	242	252	1,659
	7,283	11,780	24,785
Other property losses			
Impairment of property, plant and equipment	–	–	1,664
Impairment of intangible assets	–	–	39
Onerous lease reversal	(110)	(208)	(696)
Onerous lease provision	483	313	1,076
	373	105	2,083
Total exceptional property losses	7,656	11,885	26,868
Other exceptional items			
Net exceptional finance income	–	(402)	(402)
	–	(402)	(402)
Total pre-tax exceptional items	7,656	11,483	26,466
Exceptional tax			
Exceptional tax items	–	(4,413)	(4,155)
Tax effect on exceptional items	(881)	275	(1,386)
	(881)	(4,138)	(5,541)
Total exceptional items	6,775	7,345	20,925

Disposal programme

The Company has offered several of its sites for sale. During the half year end, 11 pubs had been sold, two were classified as held for sale and two additional pubs had been closed as part of the pub-disposal programme. 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 held for sale of £1,131,000 relate to the write-down of assets to their assessed recoverable amount for any pubs which the Company has committed to selling. It is the view of management that the Company is committed to selling when a contract for sale has been exchanged.

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, £373,000 was charged net in respect of onerous leases.

Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their current book value. In the period, no exceptional charge was incurred in respect of the impairment of property, plant and equipment, as required under IAS 36. All exceptional items listed above generated a net cash inflow of £845,000.

Impairments recognised in last half-year accounts were reclassified as disposal losses in the full-year accounts, if the pub was sold in the second half of the year.

8. Income tax expense

The taxation charge for the 26 weeks ended 28 January 2018 is based on the pre-exceptional profit before tax of £62.0m and the estimated effective tax rate before exceptional items for the 26 weeks ended 28 January 2018 of 22.2% (July 2017: 25.1%). This comprises a pre-exceptional current tax rate of 22.0% (July 2017: 23.9%) and a pre-exceptional deferred tax charge of 0.2% (July 2017: 1.2%).

The UK standard weighted average tax rate for the period is 19% (2017: 19.67%). The current tax rate is higher than the UK standard weighted average tax rate owing, mainly to depreciation which is not eligible for tax relief.

	Unaudited 26 weeks ended 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Income tax before exceptional items			
Current income tax:			
Current tax	13,645	12,491	24,837
Prior year adjustment	(6)	(93)	(246)
Total current income tax	13,639	12,398	24,591
Deferred tax:			
Origination and reversal of temporary differences	(162)	1,601	1,103
Adjustment in respect of prior period	308	(239)	152
Total deferred tax	146	1,362	1,255
Total income tax expense before exceptional items	13,785	13,760	25,846
Exceptional income tax			
Exceptional current income tax:			
Current tax on exceptional items	(221)	59	161
Total exceptional current income tax	(221)	59	161
Exceptional deferred tax:			
Deferred tax on exceptional items	(660)	216	(1,547)
Impact of change in the UK tax rate – exceptional	–	(4,413)	(4,155)
Total exceptional deferred tax	(660)	(4,197)	(5,702)
Total exceptional income tax credit on exceptional items	(881)	(4,138)	(5,541)
Tax charge in the income statement	12,904	9,622	20,305
Taken through equity			
Current tax on share-based payment	(320)	(127)	(159)
Deferred tax on share-based payment	(214)	(87)	(263)
Tax charge credit	(534)	(214)	(422)
Taken through comprehensive income			
Deferred tax charge on swaps	2,299	5,496	4,835
Impact of change in UK tax rate	(243)	304	(21)
Tax charge	2,056	5,800	4,814

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 105,605,135 (2017: 111,364,354), 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.

	Unaudited 26 weeks ended 28 January 2018	Unaudited 26 weeks ended 22 January 2017	Audited 53 weeks ended 30 July 2017
Weighted average number of shares			
Shares in issue (used for diluted EPS)	105,605,135	111,364,354	111,293,971
Shares held in trust	(2,366,388)	(2,441,371)	(2,500,717)
Shares in issue less shares held in trust	103,238,747	108,922,983	108,793,254

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

(b) Earning per share

26 weeks ended 22 January 2017 unaudited	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
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

26 weeks ended 22 January 2017 unaudited	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	30,310	27.8	27.2
Exclude effect of exceptional items after tax	7,345	6.8	6.6
Earnings before exceptional items	37,655	34.6	33.8
Exclude effect of property gains/(losses)	(586)	(0.6)	(0.5)
Underlying earnings before exceptional items	37,069	34.0	33.3

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

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 items and one-off items. Owners' earnings are calculated as profit before tax, exceptional items, depreciation and amortisation and property gains and losses less reinvestment in current properties and cash tax. Cash tax is defined as the current year current tax charge.

26 weeks ended 28 January 2018 unaudited	Owner's Earnings £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Profit before tax and exceptional items (income statement)	62,001	60.1	58.7
Exclude depreciation and amortisation (note 2)	38,460	37.3	36.4
Less reinvestment in current properties	(35,091)	(34.0)	(33.2)
Exclude property gains and losses (note 3)	(1,653)	(1.7)	(1.6)
Less cash tax (note 7)	(13,645)	(13.2)	(12.9)
Owners' earnings	50,072	48.5	47.4

26 weeks ended 22 January 2017 unaudited	Owner's Earnings £000	Basic EPS pence per ordinary share	Diluted EPS pence per Ordinary Share
Profit before tax and exceptional items (income statement)	51,415	47.2	46.2
Exclude depreciation and amortisation (note 2)	36,307	33.3	32.6
Less reinvestment in current properties	(28,588)	(26.2)	(25.7)
Exclude property gains and losses (note 3)	(586)	(0.5)	(0.5)
Less cash tax (note 7)	(12,491)	(11.5)	(11.2)
Owners' earnings	46,057	42.3	41.4

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

The diluted owners' earnings per share increased by 14.5% (year end 2017: decreased by 6.9%).

Analysis of additions by type	Unaudited 26 weeks ended 28 January 2018	Unaudited 26 weeks ended 22 January 2017	Audited 53 weeks Ended 30 July 2017
Reinvestment in existing pubs	35,091	28,588	65,912
Investment in new pubs and pub extensions	18,803	18,371	46,894
Freehold reversions	7,520	55,831	95,326
	61,414	102,790	208,132

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

Analysis of additions by category	Unaudited 26 weeks ended 28 January 2018	Unaudited 26 weeks ended 22 January 2017	Audited 53 weeks ended 30 July 2017
Property, plant and equipment (note 11)	58,894	95,700	198,556
Intangible assets (note 12)	2,520	7,090	9,576
	61,414	102,790	208,132

(d) Free cash flow per share

	Free cash flow £000	Basic free cash flow pence per ordinary share	Diluted free cash flow pence per ordinary share
26 weeks ended 28 January 2018	36,763	35.6	34.8
26 weeks ended 22 January 2017	49,224	45.2	44.2
53 weeks ended 30 July 2017	107,936	99.2	97.0

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 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Profit for the period		41,441	30,310	56,059
Adjusted for:				
Tax	8	12,904	9,622	20,305
Share-based charges	5	5,464	4,966	10,711
Loss on disposal of property, plant and equipment	6	2,592	5,680	14,484
Net onerous lease provision	6	615	122	720
Net impairment charge	7	1,131	5,169	7,787
Interest receivable		(27)	(38)	(72)
Interest payable		13,105	12,533	25,740
Depreciation of property, plant and equipment	11	34,270	32,741	66,483
Amortisation of intangible assets	12	3,992	3,332	6,931
Depreciation on investment properties	13	28	28	55
Amortisation of other non-current assets	14	170	206	400
Amortisation of bank loan issue costs	15	561	1,777	2,817
Aborted properties costs		262	631	1,157
Net exceptional finance income	7	–	(402)	(402)
		116,508	106,677	213,175
Change in inventories		1,044	(1,233)	(2,407)
Change in receivables		(2,788)	(793)	4,980
Change in payables		(10,698)	401	8,655
Cash flow from operating activities		104,066	105,052	224,403

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 24 July 2016	935,742	413,661	541,125	60,545	1,951,073
Additions	52,097	1,855	14,507	27,241	95,700
Transfers	14,403	3,163	2,860	(20,426)	–
Exchange differences	435	80	156	365	1,036
Transfer to held for sale	(10,059)	(5,004)	(4,493)	–	(19,556)
Disposals	(13,723)	(8,082)	(10,813)	–	(32,618)
Reclassification	16,546	(16,546)	–	–	–
At 22 January 2017	995,441	389,127	543,342	67,725	1,995,635
Additions	60,640	3,911	30,966	7,339	102,856
Transfers	6,525	107	974	(7,606)	–
Exchange differences	434	82	161	376	1,053
Transfer to held for sale	6,570	1,511	1,811	–	9,892
Disposals	(18,439)	(17,364)	(15,453)	–	(51,256)
Reclassification	15,765	(15,765)	–	–	–
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
Accumulated depreciation and impairment:					
At 24 July 2016	(181,040)	(207,144)	(374,377)	–	(762,561)
Provided during the period	(7,746)	(6,729)	(18,266)	–	(32,741)
Exchange differences	(13)	(8)	(82)	–	(103)
Impairment loss	(3,885)	(836)	(447)	–	(5,168)
Transfer to held for sale	6,134	5,234	4,055	–	15,423
Disposals	6,259	4,400	8,108	–	18,767
Reclassification	(9,644)	9,644	–	–	–
At 22 January 2017	(189,935)	(195,439)	(381,009)	–	(766,383)
Provided during the period	(8,056)	(6,294)	(19,392)	–	(33,742)
Exchange differences	(23)	(15)	(104)	–	(142)
Impairment loss	1,023	(2,637)	(825)	–	(2,439)
Transfer to held for sale	(4,208)	(1,682)	(1,398)	–	(7,288)
Disposals	6,362	15,737	12,348	–	34,447
Reclassification	(10,537)	10,537	–	–	–
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)
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
Net book amount at 22 January 2017	805,506	193,688	162,333	67,725	1,229,252
Net book amount at 24 July 2016	754,702	206,517	166,748	60,545	1,188,512

11. Property, plant and equipment (continued)

During the period, two (2017: seven) pubs, with a carrying value of £276,000 (2017: £4,133,000), were classified as held for sale. These pubs are being disposed of as part of the Company's pub-disposal programme. Other movements include property impairment and foreign currency translation.

In addition, a carrying value of £Nil (2017: £49,000) was transferred out of other non-current assets held for sale, totalling £276,000 (2017: £4,182,000) related to the same pubs.

12. Intangible assets

	£000
Cost:	
At 24 July 2016	56,591
Additions	7,090
Transfer to held for sale	(8)
Disposals	(6)
At 22 January 2017	63,667
Additions	2,486
Transfer to held for sale	8
Disposals	(487)
At 30 July 2017	65,674
Additions	2,520
Disposals	(2)
At 28 January 2018	68,192
Accumulated depreciation and impairment:	
At 24 July 2016	(29,540)
Provided during the period	(3,332)
Transfer to held for sale	8
Disposals	6
At 22 January 2017	(32,858)
Provided during the period	(3,599)
Exchange differences	1
Transfer to held for sale	(8)
Disposals	481
At 30 July 2017	(35,983)
Provided during the period	(3,992)
Disposals	2
At 28 January 2018	(39,973)
Net book amount at 28 January 2018	28,219
Net book amount at 30 July 2017	29,691
Net book amount at 22 January 2017	30,809
Net book amount at 24 July 2016	27,051

The intangible assets relates to computer software and development.

13. Investment property

	£000
Cost:	
At 24 July 2016	7,751
At 22 January 2017	7,751
At 30 July 2017	7,751
At 28 January 2018	7,751
Accumulated depreciation and impairment:	
At 24 July 2016	(146)
Provided during the period	(28)
At 22 January 2017	(174)
Provided during the period	(27)
At 30 July 2017	(201)
Provided during the period	(28)
At 28 January 2018	(229)
Net book amount at 28 January 2018	7,522
Net book amount at 30 July 2017	7,550
Net book amount at 22 January 2017	7,577
Net book amount at 24 July 2016	7,605

Rental income received in the period from investment properties was £157,000 (2017: £177,000).
 Operating costs, excluding depreciation, incurred in relation to these properties amounted to £10,000 (2017: £4,000).

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 24 July 2016	16,230
Transfer to held for sale	(76)
Disposals	(1,661)
At 22 January 2017	14,493
Transfer to held for sale	(181)
Disposals	(1,585)
At 30 July 2017	12,727
At 28 January 2018	12,727
Accumulated depreciation and impairment:	
At 24 July 2016	(6,505)
Provided during the period	(206)
Transfer to held for sale	27
Disposals	884
At 22 January 2017	(5,800)
Provided during the period	(194)
Impairment loss	(180)
Transfer to held for sale	235
Disposals	1,484
At 30 July 2017	(4,455)
Provided during the period	(170)
At 28 January 2018	(4,625)
Net book amount at 28 January 2018	8,102
Net book amount at 30 July 2017	8,272
Net book amount at 22 January 2017	8,693
Net book amount at 24 July 2016	9,725

15. Analysis of change in net debt

	30 July 2017 £000	Cash flows £000	Non-cash movement £000	28 January 2018 £000
Cash and cash equivalents				
Cash in hand	50,644	13,092	–	63,736
Total cash and cash equivalents	50,644	13,092	–	63,736
Borrowings				
Bank loans – due before one year	(17,347)	17,347	–	–
Other loans	(114)	61	(60)	(113)
Current net borrowings	(17,461)	17,408	(60)	(113)
Bank loans – due after one year	(729,397)	(90,003)	(561)	(819,961)
Other loans	(90)	–	60	(30)
Non-current net borrowings	(729,487)	(90,003)	(501)	(819,991)
Total borrowings	(746,948)	(72,595)	(561)	(820,104)
Net debt	(696,304)	(59,503)	(561)	(756,368)
Derivatives				
Interest-rate swaps asset – due after one year	11,380	–	4,824	16,204
Interest-rate swaps liability – due before one year	–	–	(3,728)	(3,728)
Interest-rate swap liability – due after one year	(50,276)	–	11,005	(39,271)
Total derivatives	(38,896)	–	12,101	(26,795)
Net debt after derivatives	(735,200)	(59,503)	11,540	(783,163)

16. Fair values

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

	Unaudited 28 January 2018 Book value £000	Unaudited 28 January 2018 Fair value £000	Unaudited 22 January 2017 Book value £000	Unaudited 22 January 2017 Fair value £000	Audited 30 July 2017 Book value £000	Audited 30 July 2017 Fair value £000
Financial assets at amortised cost						
Cash and cash equivalents	63,736	63,736	62,617	62,617	50,644	50,644
Receivables	6,514	6,514	4,312	4,312	2,122	2,122
	70,250	70,250	66,929	66,929	52,766	52,766
Financial liabilities at amortised cost						
Trade and other payables	(219,061)	(219,061)	(224,316)	(224,316)	(259,798)	(259,798)
Borrowings	(820,104)	(820,165)	(758,616)	(754,916)	(746,948)	(746,951)
	(1,039,165)	(1,039,226)	(982,932)	(979,232)	(1,006,746)	(1,006,749)
Derivatives – cash flow hedges						
Non-current interest-rate swap assets	16,204	16,204	17,645	17,645	11,380	11,380
Current interest-rate swap liabilities	(3,728)	(3,728)	–	–	–	–
Non-current interest-rate swap liabilities	(39,271)	(39,271)	(50,741)	(50,741)	(50,276)	(50,276)
	(26,795)	(26,795)	(33,096)	(33,096)	(38,896)	(38,896)

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 28 January 2018, 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.

	Change in fair value £000	Deferred tax £000	Total £000
Changes in valuation of swaps			
Fair value at 22 January 2017 (unaudited)	33,096	(5,626)	27,470
Gain taken directly to other comprehensive income	5,800	(986)	4,814
Fair value at 30 July 2017 (audited)	38,896	(6,612)	32,284
Loss taken directly to other comprehensive income	(12,101)	2,056	(10,045)
Fair value at 28 January 2018 (unaudited)	26,795	(4,556)	22,239

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 £26.8m 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 28 January 2018 £000	Unaudited 26 weeks ended 22 January 2017 £000	Audited 53 weeks ended 30 July 2017 £000
Paid in the period			
2016 final dividend	–	8,933	8,933
2017 interim dividend	–	–	4,419
2017 final dividend	8,437	–	–
	8,437	8,933	13,352
Dividends in respect of the period			
Interim dividend	4,215	4,416	–
Final dividend	–	–	8,488
	4,215	4,416	8,488
Dividend per share	4p	4p	8p
Dividend cover	4.9	3.4	4.2

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

18. Share capital

	Number of shares 000s	Share capital £000
Opening balance at 24 July 2016 (audited)	113,655	2,273
Repurchase of shares	(3,106)	(62)
Closing balance at 22 January 2017 (unaudited)	110,549	2,211
Repurchase of shares	(1,550)	(31)
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

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 £28.1m of capital commitments for which no provision had been made, in respect of property, plant and equipment, at 28 January 2018 (2017: £5.6m).

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.

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 30 July 2017. A list of current directors is maintained on the J D Wetherspoon plc website: jdwetherspoon.com

By order of the board

John Hutson
Director
15 March 2018

Ben Whitley
Director
15 March 2018

INDEPENDENT REVIEW REPORT TO J D WETHERSPOON PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report of J D Wetherspoon plc for the 26 weeks ended 28 January 2018 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.

This report is made solely to the Company, 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' issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to it 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 for our review work, for this report, or for the conclusion we have formed.

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 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 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' issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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 28 January 2018 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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
15 March 2018

PUBS OPENED SINCE 31 JULY 2017

Name	Address	Town	Postcode	Country
Royal Victoria Pavilion	Harbour Parade	Ramsgate	CT11 8LS	UK
The Crown Hotel	23 High Street	Biggleswade	SG18 0JE	UK
Captain Ridley's Shooting Party	183-185 Queensway	Bletchley	MK2 2ED	UK

PUB CLOSED SINCE 31 JULY 2017

Name	Address	Town	Postcode	Country
The Thomas Telford	65–69 Whitby Road	Ellesmere Port	CH65 8AB	UK
The John Laird	88 Claughton Road	Birkenhead	CH41 6ES	UK
The Ice Wharf	22–24 Strand Road	Derry	BT48 7AB	UK
The Diamond Tap	42 Cheap Street	Newbury	RG14 5BX	UK
The Railway	202 Upper Richmond Road	Putney	SW15 6TD	UK
The Crockerton	Greyfriars Road	Cardiff	CF10 3AD	UK
The Isaac Wilson	61 Wilson Street	Middlesbrough	TS1 1SF	UK
The Squire Knott	55–57 Yorkshire Street	Oldham	OL1 3SL	UK
The Robert Hamilton	12–14 Bank Street	Airdrie	ML6 6AF	UK
The Gaffers Row	48 Victoria Street	Crewe	CW1 2JE	UK
The Gatehouse	Chichester Gate, Terminus Road	Chichester	PO19 8EL	UK
The Granite City	Main Terminal Aberdeen Airport	Aberdeen	AB21 7DU	UK