J D Wetherspoon plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 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 HIGHLIGHTS

Like-for-like sales
+6.8%

Revenue £1,818.8m
(2018: £1,693.8m)
+7.4%

Free cash flow[1] £97.0m
(2018: £93.4m)
+3.9%

Free cash flow[1] per share 92.0p
(2018: 88.4p)
+4.1%

Full-year dividend 12.0p
(2018: 12.0p)
Maintained

Contribution to the economy:
taxes paid £764.4m (2018: £728.8m)
+4.9%

Before exceptional items

Operating profit £131.9m
(2018: £132.3m)
-0.3%

Profit before tax £102.5m
(2018: £107.2m)
-4.5%

Earnings per share
(including shares held in trust) 75.5p
(2018: 79.2p)
-4.7%

After exceptional items[2]

Operating profit £131.9m
(2018: £132.3m)
-0.3%

Profit before tax £95.4m
(2018: £89.0m)
+7.2%

Earnings per share
(including shares held in trust) 69.0p
(2018: 63.2p)
+9.2%

Non-financial measures

Food hygiene rating[3] 4.97 out of 5
(2018: 4.97)
No change

Pub manager length of service
12.2 years
(2018: 12.0 years)

[1] Free cash flow is defined in note 8 and in the company's accounting policies. The calculation of free cash flow can be found on the cash flow statement.
[2] Exceptional items as disclosed in the notes to the annual report and financial statements, note 4.
[3] An average score of the pubs listed on the Food Standards Agency's website.

Financial performance

I am pleased to report a year of record sales for the company.

The company was founded in 1979 – and this is the 36th year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 14.6% per annum and free cash flow per share by an average of 15.0%.

Summary accounts for the years ended July 1984 to 2019

Financial year	Total sales £000	Profit/(loss) before tax and exceptional items £000	Earnings per share before exceptional items pence	Free cash flow £000	Free cash flow per share pence
1984	818	(7)	0		
1985	1,890	185	0.2		
1986	2,197	219	0.2		
1987	3,357	382	0.3		
1988	3,709	248	0.3		
1989	5,584	789	0.6	915	0.4
1990	7,047	603	0.4	732	0.4
1991	13,192	1,098	0.8	1,236	0.6
1992	21,380	2,020	1.9	3,563	2.1
1993	30,800	4,171	3.3	5,079	3.9
1994	46,600	6,477	3.6	5,837	3.6
1995	68,536	9,713	4.9	13,495	7.4
1996	100,480	15,200	7.8	20,968	11.2
1997	139,444	17,566	8.7	28,027	14.4
1998	188,515	20,165	9.9	28,448	14.5
1999	269,699	26,214	12.9	40,088	20.3
2000	369,628	36,052	11.8	49,296	24.2
2001	483,968	44,317	14.2	61,197	29.1
2002	601,295	53,568	16.6	71,370	33.5
2003	730,913	56,139	17.0	83,097	38.8
2004	787,126	54,074	17.7	73,477	36.7
2005	809,861	47,177	16.9	68,774	37.1
2006	847,516	58,388	24.1	69,712	42.1
2007	888,473	62,024	28.1	52,379	35.6
2008	907,500	58,228	27.6	71,411	50.6
2009	955,119	66,155	32.6	99,494	71.7
2010	996,327	71,015	36.0	71,344	52.9
2011	1,072,014	66,781	34.1	78,818	57.7
2012	1,197,129	72,363	39.8	91,542	70.4
2013	1,280,929	76,943	44.8	65,349	51.8
2014	1,409,333	79,362	47.0	92,850	74.1
2015	1,513,923	77,798	47.0	109,778	89.8
2016	1,595,197	80,610	48.3	90,485	76.7
2017	1,660,750	102,830	69.2	107,936	97.0
2018	1,693,818	107,249	79.2	93,357	88.4
2019	1,818,793	102,459	75.5	96,998	92.0

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

Total sales were £1,818.8m, an increase of 7.4%. Like-for-like sales increased by 6.8%, bar sales by 5.8%, food sales by 8.3%, slot/fruit machine sales by 10.3% and hotel room sales by 3.9%.

Operating profit, before exceptional items, decreased by 0.3% to £131.9m (2018: £132.3m). The operating margin, before exceptional items was 7.3% (2018: 7.8%).

Profit before tax and exceptional items decreased by 4.5% to £102.5m (2018: £107.2m), including property profit of £5.6m (2018: £2.9m). Earnings per share, including shares held in trust by the employee share scheme, before exceptional items, were 75.5p (2018: 79.2p).

Net interest was covered 3.9 times by operating profit before interest, tax and exceptional items (2018: 4.8 times), owing mainly to an increase in the cost of interest-rate 'swaps' or hedges and a reduction in operating profit. Total capital investment was £167.6m in the period (2018: £110.1m). £35.2m was invested in new pubs and pub extensions (2018: £35.9m), £55.2m in existing pubs and IT (2018: £64.7m) and £77.2m in freehold reversions, where Wetherspoon was already a tenant (2018: £9.5m).

Exceptional items totalled £7.0m (2018: £18.3m). There was a £1.6m loss on disposal and an impairment charge of £5.5m.

The total cash effect of exceptional items is a cash outflow of £6.0m. The outflow related to payments to landlords in relation to lease terminations. Since starting the current disposal programme in 2015, the company has had a net inflow of £20m from the disposal of 101 pubs.

Free cash flow, after capital payments of £54.3m for existing pubs (2018: £68.9m), £16.0m for share purchases for employees (2018: £13.6m) and payments of tax and interest, increased by £3.6m to £97.0m (2018: £93.4m). Free cash flow per share was 92.0p (2018: 88.4p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay an unchanged final dividend of 8.0p per share, on 28 November 2019, to shareholders on the register on 25 October 2019, giving an unchanged total dividend for the year of 12.0p per share. The dividend is covered 5.8 times (2018: 5.3 times).

In view of the level of capital investment made and the potential for further investment going forward, the board has decided to maintain the dividend per share at its current level for the time being.

During the year, 402,899 shares (0.38% of the share capital) were purchased by the company for cancellation, at a cost of £5.4m, an average cost per share of 1,327p.

My shareholding over the last 15 years has increased, as a result of the company's share 'buybacks', to 31.8% of the issued share capital. The company has in place a rule 9 'whitewash', under the UK City Code on Takeovers and Mergers, allowing further buybacks. At the annual general meeting this year, the company will seek approval for a renewal of the whitewash.

Financing

As at 28 July 2019, the company's total net debt, excluding derivatives, was £737.0m (2018: £726.2m), an increase of £10.8m.

Year-end net-debt-to-EBITDA was 3.36 times (2018: 3.39 times) – EBITDA was £5m higher in 2019, offsetting a small increase in debt.

As at 28 July 2019, the company had £158.0m (2018: £133.9m) of unutilised banking facilities and cash or cash equivalents, with a slight increase in total facilities to £895.0m (2018: £860.0m). In August the company raised an additional £98m from a private placement debt facility.

In order to avoid increased costs, the company has fixed its LIBOR interest rates in respect of £770m until March 2029.

Corporation tax

The current tax charge (ie the cash the company will pay to HMRC) for the period is £22.5m (2018: £23.7m). The rate of corporation tax paid on current year profits is the same as that of the previous year at 22.8%. The 'accounting' tax charge, which appears in the income statement, is £22.8m (2018: £23.6m).

IFRS 16

On 29 July 2019, the company adopted the IFRS 16 leases standard. This has not affected the financial statements for the year under review (ended 28 July 2019). All things being equal, the company estimates that for the year ending 26 July 2020, EBITDA will increase by c£58m and operating profit by c£8m. The interest charge will increase by c£22m and profit before tax will decrease by c£14m. On the balance sheet, a net lease liability of c£617m and total assets of c£618m will be recognised, with no change to net assets. There will be no impact on cash flows except in relation to tax payments.

VAT equality

As we have previously stated, the government would generate more revenue and jobs if it were to create tax equality among supermarkets, pubs and restaurants. Supermarkets pay virtually no VAT in respect of food sales, whereas pubs pay 20%. This has enabled supermarkets to subsidise the price of alcoholic drinks, widening the price gap to the detriment of pubs and restaurants.

Pubs also pay around 20 pence a pint in business rates, whereas supermarkets pay only about 2 pence, creating further inequality.

Pubs have lost 50% of their beer sales to supermarkets in the last 35 or so years.

It makes no sense for supermarkets to be treated more leniently than pubs, since pubs generate far more jobs per pint or meal than supermarkets do, as well as far higher levels of tax. Pubs also make an important contribution to the social life of many communities and have better visibility and control of those who consume alcoholic drinks.

Tax equality is particularly important for residents of less affluent areas, since the tax differential is more important there – people can less afford to pay the difference in prices between the on and off trade.

As a result, there are often fewer pubs, coffee shops and restaurants, with less employment and increased high-street dereliction, in less affluent areas.

Tax equality would also be in line with the principle of fairness in applying taxes to different businesses.

Contribution to the economy

Wetherspoon is proud to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we generated total taxes of £764.4m, an increase of £35.6m, compared with the previous year, which equates to approximately 42% of our sales – and also amounts to approximately one-thousandth of all UK government revenue.

This results in an average payment per pub of £871,400 per annum or £16,800 per week.

	2019 £m	2018 £m
VAT	**357.9**	332.8
Alcohol duty	**174.4**	175.9
PAYE and NIC	**121.4**	109.2
Business rates	**57.3**	55.6
Corporation tax	**19.9**	26.1
Machine duty	**11.6**	10.5
Climate change levy	**10.4**	9.2
Stamp duty	**3.7**	1.2
Sugar tax	**2.9**	0.8
Fuel duty	**2.2**	2.1
Carbon tax	**1.9**	3.0
Premise licence and TV licences	**0.8**	0.7
Landfill tax	**–**	1.7
TOTAL TAX	**764.4**	728.8
Tax per pub (£000)	**871.4**	825.0
Tax as % of sales	**42.0%**	43.0%
Pre-exceptional profit after tax	**79.6**	83.7
Profit after tax as % of sales	**4.4%**	4.9%

Corporate governance

The underlying ethos of corporate governance is to comply with the guidelines or to explain why you do not.

The original creators of the rules must have realised that business success takes many forms, so a rigid structure, applicable to all companies cannot be devised – hence the requirement to explain non-compliance.

Wetherspoon has always explained its approach. For example, in 2016, our approach to corporate governance was summed up in the annual report as follows:

"..*I have said that many aspects of current corporate governance advice, as laid out in the Combined Code, are deeply flawed*…"

I then went on to say:

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

The Code itself is faulty, since it places excessive emphasis on meetings between directors and shareholders and places almost no emphasis on directors taking account of the views of customers and employees which are far more important, in practice, to the future well-being of any company. For example, in the UK Corporate Governance Code (September 2014), there are 64 references to shareholders, but only three to employees and none to customers – this emphasis is clearly mistaken.

- *The average institutional shareholder turns over his portfolio twice annually, so it is advisable for directors to be wary of the often perverse views of 'Mr Market' (in the words of Benjamin Graham), certainly in respect of very short-term shareholders.*
- *A major indictment of the governance industry is that modern annual reports are far too long and often unreadable. They are full of semiliterate business jargon, including accounting jargon, and are cluttered with badly written and incomprehensible governance reports.*
- *It would be very helpful for companies, shareholders and the public, if the limitations of corporate governance systems were explicitly recognised. Common sense, management skills and business savvy are more important to commercial success than board structures. All of the major banks and many supermarket and pub companies have suffered colossal business and financial problems, in spite of, or perhaps because of, their adherence to inadvisable governance guidelines.*
- *There should be an approximately equal balance between executives and non-executives. A majority of executives is not necessarily harmful, provided that non-executives are able to make their voices heard.*
- *It is often better if a chairman has previously been the chief executive of the company. This encourages chief executives, who may wish to become a chairman in future, to take a long-term view, avoiding problems of profit-maximisation policies in the years running up to the departure of a chief executive.*
- *A maximum tenure of nine years for non-executive directors is not advisable, since inexperienced boards, unfamiliar with the effects of the 'last recession' on their companies, are likely to reduce financial stability.*
- *An excessive focus on achieving financial or other targets for executives can be counter-productive. There's no evidence that the type of targets preferred by corporate governance guidelines actually works and there is considerable evidence that attempting to reach ambitious financial targets is harmful.*
- *As indicated above, it is far more important for directors to take account of the views of employees and customers than of the views of institutional shareholders. Shareholders should be listened to with respect, but caution should be exercised in implementing the views of short-term shareholders. It should also be understood that modern institutional shareholders may have a serious conflict of interest, as they are often concerned with their own quarterly portfolio performance, whereas corporate health often requires objectives which lie five, 10 or 20 years in the future.*"

I also quoted Sam Walton of Walmart in the 2014 annual report. He said:

"*What's really worried me over the years is not our stock price, but that we might someday fail to take care of our customers or that our managers might fail to motivate and take care of our (employees)…. Those challenges are more real than somebody's theory that we're heading down the wrong path…. As business leaders, we absolutely cannot afford to get all caught up in trying to meet the goals that some … institution … sets for us. If we do that, we take our eye off the ball…. If we fail to live up to somebody's hypothetical projection for what we should be doing, I don't care. We couldn't care less about what is forecast or what the market says we ought to do.*"

It is, therefore, very disappointing that one large institutional shareholder does not appear, by its actions, to support the central tenet of our stance on the issue of governance, which is that experience is extremely important and that the so-called 'nine-year rule' is perverse and counterproductive.

This shareholder failed to support the re-election of two of our non-executive directors at last year's AGM. I arranged a meeting for all of our main institutional shareholders in April 2019, to further explain our position, which the shareholder in question failed to attend. I then arranged a further meeting with the shareholder at their offices in May 2019.

Following the meeting there was no confirmation that the shareholder would support the re-election of our long-serving non-executive directors. As a result, three of our four non-executives, in the best interests of the company, offered to leave, on a rotational basis.

The company contacted all of its main shareholders to inform them of this proposal. The shareholder in question agreed. However, a number of other shareholders expressed their discontent with the proposed resignations (Appendix 1).

The executive board and I strongly feel that these sorts of board changes disrupt and weaken the company. I wrote to the shareholder on 9 September 2019 to ask them to reconsider their position, but have not received a reply.

Wetherspoon has had harmonious relationships with almost all of its shareholders over many years and has complied with the corporate governance requirement for explanation. Judging from the absence of any adverse comment, our approach has generally been accepted by investors.

Further progress

As always, the company has tried to improve as many areas of the business as possible, on a week-to-week basis, rather than aiming for 'big ideas' or grand strategies. Frequent calls on pubs by senior executives, the encouragement of criticism from pub staff and customers and the involvement of pub and area managers, among others, in weekly decisions, are the keys to success.

We now have 799 pubs rated on the Food Standards Agency's website – the average score is 4.97, with 97.4% of the pubs achieving a top rating of five stars and 2.1% receiving four stars. We believe this to be the highest average rating for any substantial pub company.

In the separate Scottish scheme, which records either a 'pass' or a 'fail', all of our 65 pubs have passed.

We paid £46m in respect of bonuses and free shares to employees in the year, of which 98% was paid to staff below board level and 86% was paid to staff working in our pubs

The company has been recognised as a Top Employer UK (2019) by The Top Employers Institute for the 16th consecutive year.

Thanks to fantastic efforts by our employees and customers, in association with the charity CLIC Sargent, approximately £1.6m was raised, bringing the total (since August 2002) to over £17.6m.

Property

The company opened five pubs during the year, with nine sold or closed, resulting in a trading estate of 879 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.6m, compared with £2.8m a year ago. The full-year depreciation charge was £81.8m (2018: £79.3m). We currently intend to open 10–15 pubs in the year ending July 2020.

Property litigation

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

The payment relates to litigation in which Wetherspoon claimed that Mr Lyons had been an accessory to frauds committed by Wetherspoon's former retained agent Van de Berg and its directors Christian Braun, George Aldridge and Richard Harvey. Mr Lyons denied the claim – and the litigation was contested.

The claim related to properties in Portsmouth, Leytonstone and Newbury. The Portsmouth property was involved in the 2008/9 Van de Berg case itself.

In that case, Mr Justice Peter Smith found that Van de Berg, but not Mr Lyons (who was not a party to the case), fraudulently diverted the freehold from Wetherspoon to Moorstown Properties Limited, a company owned by Simon Conway. Moorstown leased the premises to Wetherspoon. Wetherspoon is still a leaseholder of this property – a pub called The Isambard Kingdom Brunel.

The properties in Leytonstone and Newbury (the other properties in the case against Mr Lyons) were not pleaded in the 2008/9 Van de Berg case. Leytonstone was leased to Wetherspoon and trades today as The Walnut Tree public house. Newbury was leased to Pelican plc and became Café Rouge.

As we have also reported, the company agreed to settle its final claim in this series of cases and accepted £400,000 from property investor Jason Harris, formerly of First London and now of First Urban Group. Wetherspoon alleged that Harris was an accessory to frauds committed by Van de Berg. Harris contested the claim and has not admitted liability.

Before the conclusion of the above cases, Wetherspoon also agreed on a settlement with Paul Ferrari of London estate agent Ferrari Dewe & Co, in respect of properties referred to as the 'Ferrari Five' by Mr Justice Peter Smith.

Current trading and outlook
Journalists regularly ask Wetherspoon for comments on Brexit – although some publications begrudge our few paragraphs on the subject in this section.

The UK is clearly in political deadlock, parliament having refused to carry out the pre-referendum promise in the leaflet (Appendix 2) sent to every household which said *"The Government will implement what you decide."*

Democratic power in the UK in the last 30 years has been diluted by a political faction in parliament, the media and boardrooms, which has a quasi-religious belief in the undemocratic EU – with its unelected presidents, MEPs who cannot instigate legislation and unaccountable court. Voters resent this loss of power – and distrust of politicians and the 'elite' is the result.

In recent weeks, the 21 'Tory rebels' (over half Oxbridge), who helped to block 'no-deal' were joined by 25 bishops (two-thirds Oxbridge), the latter group asserting (Appendix 3), contrary, many of us believe, to common sense, that no-deal will be disadvantageous to the poor.

As another straw in the wind, former Supreme Court judge and Reith lecturer Lord Sumption described Brexit supporters as 'grim fanatics' (Appendix 4).

John Bercow, Emily Thornberry, Dominic Grieve, Keir Starmer, Jo Johnson, Philip Hammond, David Gauke, David Lidington, Hilary Benn, Rory Stewart and many other pro-EU Oxbridge MPs have played a leading role in frustrating the referendum result, by enmeshing parliament in a legal and administrative spider's web.

The economic judgement of this faction, led in the past by the likes of Michael Heseltine, Peter Mandelson and Tony Blair, the CBI and the Financial Times, has been extremely poor.

It advocated joining the disastrous predecessor of the euro, the exchange rate mechanism, the euro itself, and incorrectly forecast an immediate recession in the event of a Leave vote in the referendum.

Author and athlete Matthew Syed has recently illustrated how a lack of diversity among elites leads to poor decisions. Investment guru Warren Buffett has pointed out that forecasts tell you a lot about the forecaster – but nothing about the future.

The faction's forecast today is that leaving the EU without a deal will be a 'cliff-edge', a 'catastrophe' or a 'disaster'.

Remainer MPs' main argument – having consistently voted against the only deal on offer – to justify their attempts to scupper Brexit, is that costs for consumers and businesses will axiomatically increase in the event of 'no deal'.

However, leaving without a deal avoids a legal liability to pay £39 billion (Appendix 5), allows the UK to eliminate protectionist import taxes (tariffs) on over 12,000 non-EU products, (including rice, oranges, bananas, Antipodean wine, children's clothes and car parts etc) and results in resumption of the control of fishing waters.

Above all, no-deal increases UK democracy – the most powerful economic stimulant.

It is an absurdity to argue that a reduction in UK input costs, combined with increased democracy, will have a harmful effect on the economy – just as it would be absurd for a business to adopt this argument if its own costs were reduced.

Free trade, which the ending of tariffs implies, never made any country poorer, as former Australian High Commissioner, Alexander Downer, recently said (Appendix 6).

Elite Remainers are ignoring the 'big picture', regarding lower input costs and more democracy, and are mistakenly concentrating on assumed short-term problems, such as potential delays at Channel ports – which are easier to extrapolate on their computer models.

Despite continuing political problems, stemming from the transfer of democratic power to a technocratic elite, Wetherspoon continues to perform well. Like-for-like sales for the six weeks to 8 September 2019 were up 5.9%.

We currently anticipate a reasonable outcome (pre IFRS16) for the current financial year, subject to our future sales performance.

As in previous years, we will provide updates, during the year, on the company's trading.

Tim Martin
Chairman
12 September 2019

Appendix 1 – Comments from institutional shareholders

Shareholder 1

"I can confirm that XXX are willing to support all of the proposed resolutions as outlined in your letter dated 28th June 2019. XXX intends to vote in favour of the re-election of all of the non-executive directors and vote in favour of the remuneration report at the next AGM.

"Furthermore, I would like to emphasise that XXX are fully supportive of J D Wetherspoon in its position regarding the UK Corporate Governance Code. The explanations given by the company for its non-compliance to the code are logical and rational in our opinion."

Shareholder 2

"We'd very much appreciate a brief chat on the proposals in this letter—we're happy to chat with whoever can best answer our question:

"We'd like to understand why the board feels there's a need for Elizabeth, Debra, or Sir Richard to be succeeded, given the shared views of Tim and ourselves that tenure itself shouldn't be a reason—despite what the UK Corporate Governance Code suggests. Does the board consider Elizabeth, Debra, and Sir Richard to no longer be the most qualified to be non-executive board members, even when taking into account the benefit of their experience with Wetherspoon, including their now very well-developed understanding of its unique approach and culture? Like Tim we believe that experience helps not hinders non-executive directors.

"Thank you, and we look forward to talking."

Appendix 2 – Extract from HM Government pre-referendum promise leaflet, June 2016

A once in a generation decision.

"The referendum on Thursday, 23rd June is your chance to decide if we should remain in or leave the European Union.

The Government believes it is in the best interests of the UK to remain in the EU.

This is the way to protect jobs, provide security, and strengthen the UK's economy for every family in this country – a clear path into the future, in contrast to the uncertainty of leaving.

This is your decision. The Government will implement what you decide."

Appendix 3 – Extract from open letter from 25 Bishops, 28 August 2019

"*The Archbishop of Canterbury has conditionally agreed to chair a Citizens Forum in Coventry and, without prejudice for any particular outcome, we support this move to have all voices in the current Brexit debate heard.*

However, we also have particular concerns about the potential cost of a No Deal Brexit to those least resilient to economic shocks….

Exiting the EU without an agreement is likely to have a massive impact on all our people and the Government is rightly preparing for this outcome. The Government believes that leaving the EU on 31 October is essential to restoring trust and confidence. It is unlikely, however, that leaving without an agreement, regardless of consequences, will lead to reconciliation or peace in a fractured country….. "

The Rt Revd Nick Baines, Bishop of Leeds
The Rt Revd Donald Allister, Bishop of Peterborough
The Rt Revd Robert Atwell, Bishop of Exeter
And 22 others

Appendix 4 – Extract from The Spectator 'Diary' column, 1 June 2019, former Supreme Court judge and Reith lecturer Lord Jonathan Sumption

"*…Back to London and the Brexit bubble. Theresa May's last days as Prime Minister have finally arrived amid a torrent of abuse on every side. But pause for a moment to reflect upon her personal and political tragedy, for history will be kinder to her than we have been. Faced with what many regard as an act of economic vandalism by a bare majority of the electorate, she did her loyal best to limit the damage. Her mistake was to repudiate those who would have been her natural allies. Instead, she made her pitch to the grim fanatics behind her, with whom no agreement on damage limitation was ever possible. Their guide was faith, not reason; compromise was treason and the EU was the Antichrist. Naturally, they responded by devouring her, and destroying their own party in the process. But by the time she realised this, it was too late. May's courage in the face of adversity commands respect. She was let down by her insularity, which deprived her of wise advice, and by her own utter lack of political imagination, tactical agility or basic communication skills.*

In Austria for the 150th anniversary of the Vienna State Opera and the opening of Richard Strauss's Die Frau Ohne Schatten. The Viennese are in the middle of their own political crisis, but over sekt and canapés in the intervals, they seem more interested in ours. They have heard of only one candidate for May's job. 'Who is this Joris Hobson who is going to be your next prime minister?', they ask. 'Boris Johnson, but don't count on it.' 'Yes, yes, Morris Watson. Is he some kind of fascist?' 'Not at all. A romantic, a bit of a clown, but perfectly harmless when out of office.' 'Well, if it is not Moggson, then who?' 'No idea.' My short-lived authority as an expert on British politics is over. "

Appendix 5 – Extract from "Summary" of BREXIT AND THE EU BUDGET (page 3) (House of Lords / European Union Committee - 15th Report of Session 2016-17), 4 March 2017

"*…the strictly legal position of the UK on this issue appears to be strong. Article 50 provides for a 'guillotine' after two years if a withdrawal agreement is not reached unless all Member States, including the UK, agree to extend negotiations. Although there are competing interpretations, we conclude that if agreement is not reached, all EU law—including provisions concerning ongoing financial contributions and machinery for adjudication—will cease to apply, and the UK would be subject to no enforceable obligation to make any financial contribution at all.* "

Appendix 6 – Extract from The Spectator, 12 May 2018, James Forsyth

“ ***What Aussies really think of Brexit***

Alexander Downer is coming to the end of his four-year stint as High Commissioner to the UK. His common sense will be missed

When friends speak, you should listen — and you would be hard pressed to find a better friend of this country in the London diplomatic corps than Alexander Downer. The 66-year-old, who has just finished a four-year stint as the Australian High Commissioner, is an Anglophile by instinct and upbringing. He spent much of his childhood here because his father was appointed to the job in 1964.

When Downer's father left in 1972, he worried about this country joining the European Economic Community and what that would mean for relations with Australia and other Commonwealth countries. So there is a neat symmetry in his son being High Commissioner when Britain decided to reverse that decision. But Downer is not particularly ideological about Brexit. In 2016 he dutifully joined in the chorus of diplomatic panjandrums urging Britain to vote Remain. But since then, he has been quick to talk about the opportunities it presents.

On its own, he says Brexit won't be transformative: 'Your fate when you leave the EU will depend much more on the domestic policies you pursue than the fact you're not in the EU. You will do well if you open your markets and you embrace free trade; there was never a country that embraced free trade that was poor as a result.'

Free-trade will also mean leaving the customs union: 'If you stay in the single market and the customs union, you have left the decision-making part of the EU but you remain in the rest of it… I can tell you what, you wouldn't persuade the average Aussie to contract out decision making to ASEAN [Association of South East Asian Nations], they'd just change the government if the government tried to do that!' Some Tory MPs might think the same is true in Britain.

Downer argues that the more attention the customs union gets, the more voters will reject it: 'The more the public understands that remaining in the customs union means that other people make all of your trade policy for you, they would regard that as completely unacceptable. I don't think they necessarily know the details of what all these terms mean, because they've got other things on their minds; you can't blame them for that. But I think if you were a really effective politician, you could make a very strong point on this.'

You might think: Downer would say that, wouldn't he? After all, if Britain stays in the customs union there is no chance of that UK Australia trade agreement. But he is surely right that it would be absurd for the sixth largest economy in the world not to have control over its trade policy.

On a UK-Australia free trade deal, Downer is keen to offer reassurance, emphasising it is nothing to be afraid of. He stresses that Australia doesn't want 'radical change to regulations' and that farmers shouldn't fear the market being flooded with cheap beef and lamb, as Australia 'doesn't have much interest in the British market'. Rather, its sights are focused on Asia, where 'there is a massive rise of the middle class. Honestly, we cannot produce enough meat at the moment to meet the market demand in Asia.'

Whether the agricultural lobby is reassured by this answer remains to be seen. But when Downer talks about the Australia-US freetrade deal, you can see why Canberra is so keen on one with Britain. Downer points out that in the 13 years since the deal was signed, trade between the two countries has increased by 50 per cent and investment is up 130 per cent. Interestingly, Downer adds that he would like a UK-Australia trade deal to be accompanied by the kind of immigration accord Australia and the US have, which allows professionals to work in each other's country for two years, with the option to renew indefinitely…

Perhaps Downer's most important advice is that the Brexit debate has 'laid a little more bare the division between the liberal elite and the mainstream of British society'. The 'great challenge' will be to reconnect them once this is over. If the two sides were looking for a marriage counsellor, they could do worse than this softly spoken Australian. ”

INCOME STATEMENT for the 52 weeks ended 28 July 2019

J D Wetherspoon plc, company number: 1709784

	Notes	**52 weeks ended 28 July 2019 Before exceptional items £000**	**52 weeks ended 28 July 2019 Exceptional items (note 4) £000**	**52 weeks ended 28 July 2019 After exceptional items £000**	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Revenue	1	**1,818,793**	**–**	**1,818,793**	1,693,818	–	1,693,818
Operating costs		**(1,686,876)**	**–**	**(1,686,876)**	(1,561,527)	–	(1,561,527)
Operating profit	2	**131,917**	**–**	**131,917**	132,291	–	132,291
Property gains/(losses)	3	**5,599**	**(7,040)**	**(1,441)**	2,900	(18,251)	(15,351)
Finance income	6	**41**	**–**	**41**	48	–	48
Finance costs	6	**(35,098)**	**–**	**(35,098)**	(27,990)	–	(27,990)
Profit before tax		**102,459**	**(7,040)**	**95,419**	107,249	(18,251)	88,998
Income tax expense	7	**(22,830)**	**188**	**(22,642)**	(23,567)	1,278	(22,289)
Profit for the period		**79,629**	**(6,852)**	**72,777**	83,682	(16,973)	66,709
Earnings per share (p)							
– Basic[1]	8	**77.2**	**(6.6)**	**70.6**	81.1	(16.5)	64.6
– Diluted[2]	8	**75.5**	**(6.5)**	**69.0**	79.2	(16.0)	63.2
Operating profit per share (p)							
– Diluted[2]	8	**125.1**	**–**	**125.1**	125.3	–	125.3

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 28 July 2019

	Notes	**52 weeks ended 28 July 2019 £000**	52 weeks ended 29 July 2018 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: (loss)/gain taken to other comprehensive income	23	**(24,963)**	14,787
Tax on items taken directly to other comprehensive income	7	**4,243**	(2,513)
Currency translation differences		**181**	(320)
Net (loss)/gain recognised directly in other comprehensive income		**(20,539)**	11,954
Profit for the period		**72,777**	66,709
Total comprehensive income for the period		**52,238**	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	52 weeks ended 28 July 2019 £000	Free cash flow[1] 52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000	Free cash flow[1] 52 weeks ended 29 July 2018 £000
Cash flows from operating activities					
Cash generated from operations	9	**227,176**	**227,176**	228,300	228,300
Interest received		**33**	**33**	36	36
Interest paid		**(33,957)**	**(33,957)**	(25,824)	(25,824)
Corporation tax paid		**(19,661)**	**(19,661)**	(26,113)	(26,113)
Net cash inflow from operating activities		**173,591**	**173,591**	176,399	176,399
Cash flows from investing activities					
Reinvestment in pubs		**(47,398)**	**(47,398)**	(63,753)	(63,753)
Reinvestment in business and IT projects [2]		**(6,923)**	**(6,923)**	(5,166)	(5,166)
Investment in new pubs and pub extensions		**(26,778)**		(46,386)	
Freehold reversions		**(77,207)**		(16,278)	
Proceeds of sale of property, plant and equipment		**9,319**		4,742	
Lease premiums paid		**(451)**		–	
Net cash outflow from investing activities		**(149,438)**	**(54,321)**	(126,841)	(68,919)
Cash flows from financing activities					
Equity dividends paid	11	**(12,652)**		(12,655)	
Purchase of own shares for cancellation	28	**(5,399)**		(51,647)	
Purchase of own shares for share-based payments		**(16,004)**	**(16,004)**	(13,605)	(13,605)
Advances under bank loans	10	**–**		41,314	
Repayment of bank loans	10	**(13,865)**		–	
Loan issue costs	10	**(6,268)**	**(6,268)**	(518)	(518)
Advances under finance lease	10	**12,000**		–	
Finance lease principal payments	10	**(2,106)**		–	
Net cash outflow from financing activities		**(44,294)**	**(22,272)**	(37,111)	(14,123)
Net change in cash and cash equivalents	10	**(20,141)**		12,447	
Opening cash and cash equivalents	19	**63,091**		50,644	
Closing cash and cash equivalents	19	**42,950**		63,091	
Free cash flow	8		**96,998**		93,357
Free cash flow per ordinary share	8		**92.0p**		88.4p

[1]Free cash flow is a measure not required by accounting standards; a definition is provided in our accounting policies.
[2] Within reinvestment in business and IT projects, £5,859,000 were intangible assets (2018: £3,072,000), with the remaining balance being related equipment.

BALANCE SHEET as at 28 July 2019

J D Wetherspoon plc, company number: 1709784

	Notes	28 July 2019 £000	29 July 2018 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**1,384,971**	1,306,073
Intangible assets	12	**23,070**	24,779
Investment property	14	**5,531**	7,494
Other non-current assets	15	**7,888**	7,925
Derivative financial instruments	23	**321**	14,976
Deferred tax assets	7	**8,342**	4,099
Total non-current assets		**1,430,123**	1,365,346
Assets held for sale	18	**3,146**	1,455
Current assets			
Inventories	16	**23,717**	23,300
Receivables	17	**21,903**	23,122
Cash and cash equivalents	19	**42,950**	63,091
Total current assets		**88,570**	109,513
Total assets		**1,521,839**	1,476,314
Liabilities			
Current liabilities			
Borrowings	21	**(3,287)**	(8,864)
Derivative financial instruments	23	**–**	(160)
Trade and other payables	20	**(308,326)**	(290,602)
Current income tax liabilities		**(10,986)**	(8,950)
Provisions	22	**(4,072)**	(8,052)
Total current liabilities		**(326,671)**	(316,628)
Non-current liabilities			
Borrowings	21	**(776,683)**	(780,420)
Derivative financial instruments	23	**(49,393)**	(38,925)
Deferred tax liabilities	7	**(39,416)**	(38,980)
Provisions	22	**(1,934)**	(2,453)
Other liabilities	24	**(10,930)**	(12,346)
Total non-current liabilities		**(878,356)**	(873,124)
Net assets		**316,812**	286,562
Equity			
Share capital	28	**2,102**	2,110
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,329**	2,321
Hedging reserve		**(40,730)**	(20,010)
Currency translation reserve		**5,370**	4,767
Retained earnings		**204,447**	154,080
Total equity		**316,812**	286,562

The financial statements, on pages 12 to 46, approved by the board of directors and authorised for issue on 12 September 2019, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	**Total £000**
Reported at 30 July 2017		**2,180**	**143,294**	**2,251**	**(32,284)**	**4,899**	**138,092**	**258,432**
Total comprehensive income					12,274	(132)	66,521	78,663
Profit for the period							66,709	66,709
Interest-rate swaps: cash flow hedges	23				14,787			14,787
Tax taken directly to comprehensive income	7				(2,513)			(2,513)
Currency translation differences						(132)	(188)	(320)
Purchase of own shares for cancellation		(70)		70			(36,205)	(36,205)
Share-based payment charges							11,405	11,405
Tax on share-based payment	7						527	527
Purchase of own shares for share-based payments							(13,605)	(13,605)
Dividends	11						(12,655)	(12,655)
At 29 July 2018		**2,110**	**143,294**	**2,321**	**(20,010)**	**4,767**	**154,080**	**286,562**
Total comprehensive income					(20,720)	603	72,355	52,238
Profit for the period							72,777	72,777
Interest-rate swaps: cash flow hedges	23				(24,963)			(24,963)
Tax taken directly to comprehensive income	7				4,243			4,243
Currency translation differences						603	(422)	181
Purchase of own shares for cancellation		(8)		8			(5,399)	(5,399)
Share-based payment charges							11,558	11,558
Tax on share-based payment	7						509	509
Purchase of own shares for share-based payments							(16,004)	(16,004)
Dividends	11						(12,652)	(12,652)
At 28 July 2019		**2,102**	**143,294**	**2,329**	**(40,730)**	**5,370**	**204,447**	**316,812**

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

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

Shares acquired in relation to the employee Share Incentive Plan and the Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 28 July 2019, the number of shares held in trust was 2,259,401 (2018: 2,367,991), with a nominal value of £45,188 (2018: £47,360) and a market value of £34,794,775 (2018: £28,865,810); these are included in retained earnings.

During the year, 402,899 shares were repurchased by the company for cancellation, representing approximately 0.38% of the issued share capital, at a cost of £5.4m, including stamp duty, representing an average cost per share of 1,327p.

Hedging gains and losses arise from fair value movements in the company's financial derivative instruments, in line with the accounting policy disclosed in section 2.

The currency translation reserve contains the accumulated currency gains and losses on the long-term financing and balance sheet translation of the overseas branch. The currency translation difference reported in retained earnings is the restatement of the opening reserves in the overseas branch at the current year end currency exchange rate.

As at 28 July 2019, the company had distributable reserves of £169.1m.

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Bar	**1,094,001**	1,031,672
Food	**656,955**	599,937
Slot/fruit machines	**46,404**	42,161
Hotel	**19,699**	18,400
Other	**1,734**	1,648
	1,818,793	1,693,818

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Concession rental payments	**32,086**	25,075
Minimum operating lease payments	**38,241**	42,754
Repairs and maintenance	**76,879**	71,261
Net rent receivable	**(1,545)**	(1,407)
Share-based payments (note 5)	**11,558**	11,405
Depreciation of property, plant and equipment (note 13)	**73,779**	70,918
Amortisation of intangible assets (note 12)	**7,634**	7,984
Depreciation of investment properties (note 14)	**55**	56
Amortisation of other non-current assets (note 15)	**343**	347

Auditors' remuneration	**52 weeks ended 28 July 2019 £000**	52 weeks ended 29 July 2018 £000
Fees payable for the audit of the financial statements		
– Standard audit fees	**167**	167
– Additional audit work	**23**	–
Fees payable for other services:		
– Audit related services	**–**	38
– Assurance services	**27**	27
Total auditors' fees	**217**	232

Analysis of continuing operations	**52 weeks ended 28 July 2019 £000**	52 weeks ended 29 July 2018 £000
Revenue	**1,818,793**	1,693,818
Cost of sales	**(1,639,378)**	(1,517,255)
Gross profit	**179,415**	176,563
Administration costs	**(47,498)**	(44,272)
Operating profit after exceptional items	**131,917**	132,291

Included within cost of sales is £640.5m (2018: £602.4m) relating to cost of inventory recognised as expense.

3. Property gains and losses

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
(Gain)/loss on disposal of fixed assets	**(4,650)**	**1,015**	**(3,635)**	(1,865)	5,076	3,211
Additional costs of disposal	**230**	**568**	**798**	117	3,625	3,742
Impairment of property, plant and equipment	**–**	**3,550**	**3,550**	–	3,588	3,588
Impairment of other assets	**–**	**145**	**145**	–	–	–
Onerous lease provision	**–**	**1,762**	**1,762**	–	5,962	5,962
Other property gains	**(1,179)**	**–**	**(1,179)**	(1,152)	–	(1,152)
Total property (gains)/losses	**(5,599)**	**7,040**	**1,441**	(2,900)	18,251	15,351

The gain of £5,599,000 (2018: £2,900,000) relates to non-disposal programme sites.

4. Exceptional items

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**1,583**	8,701
Impairment property plant and equipment	**1,298**	–
Impairment of other non-current assets	**93**	–
Onerous lease provision	**1,134**	4,520
	4,108	13,221
Other property losses		
Impairment of property, plant and equipment	**2,252**	3,588
Impairment of other non-current assets	**52**	–
Onerous lease provision	**628**	1,442
	2,932	5,030
Total exceptional property losses	**7,040**	18,251
Exceptional tax		
Tax effect on exceptional items	**(188)**	(1,278)
Total exceptional items	**6,852**	16,973

Disposal programme
The company has offered several of its sites for sale. At the year end, a further eight (2018: 19) sites had been sold, including those which were closed in the previous year; two (2018: one) were classified as held for sale.

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

Onerous lease provision relates to sites which have been closed.

4. Exceptional items (continued)

Other property losses
Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their current book value. In the year, an exceptional charge of £2,304,000 (2018: £3,588,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £2,304,000 (2018: £6,898,000), offset by impairment reversals of £Nil (2018: £3,310,000).

The onerous lease provision relates to pubs for which future trading profits, or income from subleases, are not expected to cover the rent. The provision takes several factors into account, including the expected future profitability of the pub and also the amount estimated as payable on surrender of the lease, where this is a likely outcome. In the year, £628,000 (2018: £1,442,000) was charged net in respect of onerous leases outside of the disposal programme.

All exceptional items listed above generated a net cash outflow of £6,040,000 (2018: outflow of £629,000).

5. Employee benefits expenses

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Wages and salaries	**568,758**	501,229
Social Security costs	**35,783**	34,455
Other pension costs	**6,912**	4,510
Share-based payments	**11,558**	11,405
	623,011	551,599

Directors' emoluments	2019 £000	2018 £000
Aggregate emoluments	**1,858**	1,895
Aggregate amount receivable under long-term incentive schemes	**515**	1,297
Company contributions to money purchase pension scheme	**162**	154
	2,535	3,346

For further details of directors' emoluments, please see the directors' remuneration report on pages 59 to 67.

The totals below relate to the monthly average number of employees during the year, not the total number of employees at the end of the year (including directors on a service contract).

	2019 Number	2018 Number
Full-time equivalents		
Managerial/administration	**4,442**	4,335
Hourly paid staff	**21,035**	19,727
	25,477	24,062

	2019 Number	2018 Number
Total employees		
Managerial/administration	**4,541**	4,424
Hourly paid staff	**37,358**	33,960
	41,899	38,384

For details of the Share Incentive Plan and the Deferred Bonus Scheme, refer to the directors' remuneration report on pages 59 to 67.

5. Employee benefits expenses (continued)

The shares awarded as part of the above schemes are based on the cash value of the bonuses at the date of the awards. These awards vest over three years – with their cost spread over their three-year life. The share-based payment charge above represents the annual cost of bonuses awarded over the past three years. All awards are settled in equity.

The company operates two share-based compensation plans. In both schemes, the fair values of the shares granted are determined by reference to the share price at the date of the award. The shares vest at a £Nil exercise price – and there are no market-based conditions to the shares which affect their ability to vest.

Share-based payments	**52 weeks ended 28 July 2019**	52 weeks ended 29 July 2018
Shares awarded during the year (shares)	**1,390,290**	1,366,435
Average price of shares awarded (pence)	**1,313**	1,268
Market value of shares vested during the year (£000)	**17,173**	14,199
Reserve for share-based payments scheme (£000)	**16,259**	15,668

6. Finance income and costs

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Finance costs		
Interest payable on bank loans and overdrafts	**21,089**	18,899
Amortisation of bank loan issue costs (note 10)	**925**	1,540
Interest payable on swaps	**12,705**	7,544
Interest payable on obligations under finance leases	**152**	–
Interest payable on other loans	**227**	7
Total finance costs	**35,098**	27,990
Bank interest receivable	**(41)**	(48)
Total finance income	**(41)**	(48)

The finance costs in the income statement were covered 3.9 times (2018: 4.8 times) by earnings before interest, tax and exceptional items.

7. Income tax expense

(a) Tax on profit on ordinary activities

The standard rate of corporation tax in the UK is 19.00%. The company's profits for the accounting period are taxed at a rate of 19.00% (2018: 19.00%).

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Taken through income statement						
Current income tax:						
Current income tax charge	**23,406**	**(273)**	**23,133**	24,466	(325)	24,141
Previous period adjustment	**(922)**	**–**	**(922)**	(765)	–	(765)
Total current income tax	**22,484**	**(273)**	**22,211**	23,701	(325)	23,376
Deferred tax:						
Temporary differences	**2,174**	**85**	**2,259**	(70)	(953)	(1,023)
Previous period adjustment	**(1,828)**	**–**	**(1,828)**	(64)	–	(64)
Total deferred tax	**346**	**85**	**431**	(134)	(953)	(1,087)
Tax charge/(credit)	**22,830**	**(188)**	**22,642**	23,567	(1,278)	22,289

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Taken through equity						
Tax on share-based payment						
Current tax	**(514)**	**–**	**(514)**	(472)	–	(472)
Deferred tax	**5**	**–**	**5**	(55)	–	(55)
Tax credit	**(509)**	**–**	**(509)**	(527)	–	(527)

	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	**(4,243)**	**–**	**(4,243)**	2,513	–	2,513
Tax (credit)/charge	**(4,243)**	**–**	**(4,243)**	2,513	–	2,513

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 52 weeks ended 28 July 2019 is based on the pre-exceptional profit before tax of £102.5m and the estimated effective tax rate before exceptional items for the 52 weeks ended 28 July 2019 of 22.3% (2018: 22.0%). This comprises a pre-exceptional current tax rate of 22.0% (2018: 22.1%) and a pre-exceptional deferred tax charge of 0.3% (2018: 0.1% credit).

The UK standard weighted average tax rate for the period is 19.00% (2018: 19.00%). 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.

	52 weeks ended 28 Jul 2019 Before exceptional items £000	**52 weeks ended 28 Jul 2019 After exceptional items £000**	52 weeks ended 29 Jul 2018 Before exceptional items £000	52 weeks ended 29 Jul 2018 After exceptional items £000
Profit before income tax	**102,459**	**95,419**	107,249	88,998
Profit multiplied by the UK standard rate of corporation tax of 19.00% (2018: 19.00%)	**19,467**	**18,130**	20,377	16,910
Abortive acquisition costs and disposals	**85**	**85**	103	103
Other disallowables	**384**	**567**	117	2,315
Other allowable deductions	**(111)**	**(111)**	(106)	(106)
Capital gains – effects of reliefs	**(380)**	**(295)**	53	(471)
Non-qualifying depreciation	**2,487**	**3,368**	3,645	4,068
Deduction for shares and SIPs	**(449)**	**(449)**	(61)	31
Remeasurement of other balance sheet items	**(71)**	**(71)**	(272)	(272)
Unrecognised losses in overseas companies	**557**	**557**	540	540
Unrecognised losses capital losses	**3,611**	**3,611**	–	–
Previous year adjustment – current tax	**(922)**	**(922)**	(765)	(765)
Previous year adjustment – deferred tax	**(1,828)**	**(1,828)**	(64)	(64)
Total tax expense reported in the income statement	**22,830**	**22,642**	23,567	22,289

7. Income tax expense (continued)

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Act 2017 included legislation to reduce the main rate of corporation tax to 17% for the financial year beginning 1 April 2020.

Deferred tax liabilities	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 29 July 2018	40,178	3,587	43,765
Previous year movement posted to the income statement	(1,557)	(82)	(1,639)
Movement during year posted to the income statement	(1,822)	750	(1,072)
At 28 July 2019	**36,799**	**4,255**	**41,054**

Deferred tax assets	Share based payments £000	Capital losses carried forward £000	Interest-rate swaps £000	Total £000
At 29 July 2018	1,443	3,342	4,099	8,884
Previous year movement posted to the income statement	–	189	–	189
Movement during year posted to the income statement	200	(3,531)	–	(3,331)
Movement during year posted to comprehensive income	–	–	4,243	4,243
Movement during year posted to equity	(5)	–	–	(5)
At 28 July 2019	**1,638**	**–**	**8,342**	**9,980**

Deferred tax assets and liabilities have been offset as follows:

	2019 £000	2018 £000
Deferred tax liabilities	**41,054**	43,765
Offset against deferred tax assets	**(1,638)**	(4,785)
Deferred tax liabilities	**39,416**	38,980
Deferred tax assets	**9,980**	8,884
Offset against deferred tax liabilities	**(1,638)**	(4,785)
Deferred tax asset	**8,342**	4,099

As at 28 July 2019 the company had a potential deferred tax asset of £3.6m relating to capital losses. A deferred tax asset was recognised in respect of the losses in 2018, however, the deferred tax asset has been derecognised as there is not sufficient certainty of recovery.

8. 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 105,439,345 (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	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Shares in issue (used for diluted EPS)	**105,439,345**	105,605,135
Shares held in trust	**(2,313,464)**	(2,402,603)
Shares in issue less shares held in trust (used for basic EPS)	**103,125,881**	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, yet remain in trust.

(b) Earnings per share

52 weeks ended 28 July 2019	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	**72,777**	**70.6**	**69.0**
Exclude effect of exceptional items after tax	6,852	6.6	6.5
Earnings before exceptional items	**79,629**	**77.2**	**75.5**
Exclude effect of property gains	(5,599)	(5.4)	(5.3)
Underlying earnings before exceptional items	74,030	71.8	70.2

52 weeks ended 29 July 2018	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	(2,900)	(2.8)	(2.7)
Underlying earnings before exceptional items	80,782	78.3	76.5

The diluted earnings per share before exceptional items have decreased by 4.7% (2018: increased by 14.5%).

(c) Free cash flow per share

The calculation of free cash flow per share is based on the net cash generated by business activities and available for investment in new pub developments and extensions to current pubs, after funding interest, corporation tax, all other reinvestment in pubs open at the start of the period and the purchase of own shares under the employee Share Incentive Plan ('free cash flow'). It is calculated before taking account of proceeds from property disposals, inflows and outflows of financing from outside sources and dividend payments and is based on the weighted average number of shares in issue, including those held in trust in respect of the employee share schemes.

	Free cash flow £000	Basic free cash flow per share pence	Diluted free cash flow per share pence
52 weeks ended 28 July 2019	**96,998**	94.1	92.0
52 weeks ended 29 July 2018	**93,357**	90.5	88.4

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

(d) Owners' earnings per share

Owners' earnings measure the earnings 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's current tax charge.

52 weeks ended 28 July 2019	Owner's Earnings £000	Basic Owner's EPS pence	Diluted Owner's EPS pence
Profit before tax and exceptional items (income statement)	102,459	99.4	97.2
Exclude depreciation and amortisation (note 2)	81,811	79.3	77.6
Less cash reinvestment in current properties	(55,239)	(53.6)	(52.4)
Exclude property gains and losses (note 3)	(5,599)	(5.4)	(5.3)
Less cash tax (note 7)	(23,406)	(22.7)	(22.2)
Owners' earnings	100,026	97.0	94.9

52 weeks ended 29 July 2018	Owner's Earnings £000	Basic Owner's EPS pence	Diluted Owner's EPS pence
Profit before tax and exceptional items (income statement)	107,249	103.9	101.6
Exclude depreciation and amortisation (note 2)	79,305	76.8	75.1
Less cash reinvestment in current properties	(64,665)	(62.7)	(61.2)
Exclude property gains and losses (note 3)	(2,900)	(2.8)	(2.7)
Less cash tax (note 7)	(24,466)	(23.6)	(23.3)
Owners' earnings	94,523	91.6	89.5

The diluted owners' earnings per share increased by 6.0% (2018: increased by 19.8%). The increase is calculated using figures to two decimal places.

Analysis of additions by type	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Reinvestment in existing pubs	55,239	64,665
Investment in new pubs and pub extensions	35,172	35,863
Freehold reversions	77,207	9,555
	167,618	110,083

Analysis of additions by category	52 weeks ended 28 July 2019	52 weeks ended 29 July 2018
Property, plant and equipment (note 13)	161,242	107,011
Intangible assets (note 12)	5,925	3,072
Other non-current assets (note 15)	451	–
	167,618	110,083

(e) Operating profit per share

	Operating profit £000	Basic operating profit per share pence	Diluted operating profit per share pence
52 weeks ended 28 July 2019	131,917	127.9	125.1
52 weeks ended 29 July 2018	132,291	128.2	125.3

9. Cash generated from operations

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Profit for the period	**72,777**	66,709
Adjusted for:		
Tax (note 7)	**22,642**	22,289
Share-based charges (note 2)	**11,558**	11,405
Gain/(loss) on disposal of property, plant and equipment (note 3)	**(3,635)**	3,211
Net impairment charge (note 3)	**3,695**	3,588
Interest receivable (note 6)	**(41)**	(48)
Amortisation of bank loan issue costs (note 6)	**925**	1,540
Interest payable (note 6)	**34,173**	26,450
Depreciation of property, plant and equipment (note 13)	**73,779**	70,918
Amortisation of intangible assets (note 12)	**7,634**	7,984
Depreciation on investment properties (note 14)	**55**	56
Amortisation of other non-current assets (note 15)	**343**	347
Net onerous lease provision (note 22)	**1,762**	5,962
Aborted properties costs	**430**	541
	226,097	220,952
Change in inventories	**(417)**	(1,725)
Change in receivables	**1,228**	(1,225)
Change in payables	**268**	10,298
Cash flow from operating activities	**227,176**	228,300

10. Analysis of change in net debt

	29 July 2018 £000	Cash flows £000	Non-cash movement £000	28 July 2019 £000
Borrowings				
Cash in hand	63,091	(20,141)	–	**42,950**
Bank loans – due before one year	(8,804)	8,804	–	**–**
Finance lease creditor – due before one year	–	(3,287)	–	**(3,287)**
Other loans	(60)	60	–	**–**
Current net borrowings	54,227	(14,564)	–	**39,663**
Bank loans – due after one year	(780,420)	11,269	(925)	**(770,076)**
Finance lease creditor – due after one year	–	(6,607)	–	**(6,607)**
Non-current net borrowings	(780,420)	4,662	(925)	**(776,683)**
Net debt	(726,193)	(9,902)	(925)	**(737,020)**
Derivatives				
Interest-rate swaps asset – due after one year	14,976	–	(14,655)	**321**
Interest-rate swaps liability – due before one year	(160)	–	160	**–**
Interest-rate swaps liability – due after one year	(38,925)	–	(10,468)	**(49,393)**
Total derivatives	(24,109)	–	(24,963)	**(49,072)**
Net debt after derivatives	**(750,302)**	**(9,902)**	**(25,888)**	**(786,092)**

Non-cash movements
The non-cash movement in bank loans due after one year relates to the amortisation of bank loan issue costs.

The movement in interest-rate swaps relates to the change in the 'mark to market' valuations for the year.

10. Analysis of change in net debt (continued)

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Profit before tax (income statement)	**102,459**	107,249
Interest (note 6)	**35,057**	27,942
Depreciation (note 2)	**81,811**	79,305
Earnings before interest, tax and depreciation (EBITDA)	**219,327**	214,496
Net debt / EBITDA	**3.36**	3.39

11. Dividends paid and proposed

	52 weeks ended 28 July 2019 £000	52 weeks ended 29 July 2018 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2016/17: 8.0p (2015/16: 8.0p)	**–**	8,437
– interim for 2017/18: 4.0p (2016/17: 4.0p)	**–**	4,218
– final for 2017/18: 8.0p (2016/17: 8.0p)	**8,435**	–
– interim for 2018/19: 4.0p (2017/18: 4.0p)	**4,217**	–
	12,652	12,655
Proposed for approval by shareholders at the AGM:		
– final for 2018/19: 8.0p (2017/18: 8.0p)	**8,397**	8,428
Dividend cover (times)	**5.8**	5.3

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

12. Intangible assets

	£000
Cost:	
At 30 July 2017	65,674
Additions	3,072
Disposals	(3)
At 29 July 2018	68,743
Additions	5,925
Disposals	(22)
At 28 July 2019	**74,646**
Accumulated amortisation:	
At 30 July 2017	(35,983)
Provided during the period	(7,984)
Disposals	3
At 29 July 2018	(43,964)
Provided during the period	(7,634)
Disposals	22
At 28 July 2019	**(51,576)**
Net book amount at 28 July 2019	**23,070**
Net book amount at 29 July 2018	24,779
Net book amount at 30 July 2017	29,691

The majority of intangible assets relates to computer software and software development. Examples include the development costs of our SAP accounting system, our 'Wisdom' property-maintenance system and the 'Wetherspoon app'.

Included in the intangible assets is £4,429,000 of software in the course of development (2018: £1,799,000).

13. 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	28,048	6,834	56,650	15,479	107,011
Transfers	20,675	1,491	6,914	(29,080)	–
Exchange differences	(87)	(16)	(31)	(31)	(165)
Transfer to held for sale	(1,509)	–	(347)	–	(1,856)
Disposals	(9,302)	(7,644)	(7,187)	–	(24,133)
Reclassification	6,114	(6,114)	–	–	–
At 29 July 2018	1,110,875	356,160	617,800	54,202	2,139,037
Additions	75,547	2,429	38,214	45,052	161,242
Transfers from investment property	1,984	–	–	–	1,984
Transfers	23,689	1,492	5,316	(30,497)	–
Exchange differences	226	22	90	294	632
Transfer to held for sale	(5,076)	–	(810)	–	(5,886)
Disposals	(7,605)	(3,412)	(4,349)	–	(15,366)
Reclassification	29,532	(29,532)	–	–	–
At 28 July 2019	**1,229,172**	**327,159**	**656,261**	**69,051**	**2,281,643**
Accumulated depreciation and impairment:					
At 30 July 2017	(205,374)	(179,793)	(390,380)	–	(775,547)
Provided during the period	(16,428)	(12,966)	(41,524)	–	(70,918)
Exchange differences	(36)	(14)	(109)	–	(159)
Impairment loss (reversal)	(953)	(1,516)	(1,119)	–	(3,588)
Transfer to held for sale	129	–	272	–	401
Disposals	3,075	7,264	6,508	–	16,847
Reclassification	(2,450)	2,450	–	–	–
At 29 July 2018	(222,037)	(184,575)	(426,352)	–	(832,964)
Provided during the period	(18,271)	(11,733)	(43,775)	–	(73,779)
Transfers from investment property	(76)	–	–	–	(76)
Exchange differences	(45)	(18)	(117)	–	(180)
Impairment loss (reversal)	(1,326)	(1,404)	(820)	–	(3,550)
Transfer to held for sale	2,063	–	677	–	2,740
Disposals	3,648	3,497	3,992	–	11,137
Reclassification	(17,781)	17,781	–	–	–
At 28 July 2019	**(253,825)**	**(176,452)**	**(466,395)**	**–**	**(896,672)**
Net book amount at 28 July 2019	**975,347**	**150,707**	**189,866**	**69,051**	**1,384,971**
Net book amount at 29 July 2018	888,838	171,585	191,448	54,202	1,306,073
Net book amount at 30 July 2017	861,562	181,816	171,421	67,834	1,282,633

Impairment of property, plant and equipment
In assessing whether a pub has been impaired, the book value of the pub is compared with its anticipated future cash flows and fair value. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 7% (2018: 7%).

If the value, based on the higher of future anticipated cash flows and fair value, is lower than the book value, the difference is written off as property impairment.

As a result of this exercise, a net impairment loss of £3,550,000 (2018: £3,588,000) was charged to property losses in the income statement, as described in note 4. The assets impaired in the year had a recoverable value at year end of £3,742,000.

14. Investment property

The company owns one (2018: two) freehold property with an existing tenant – and this asset has been classified as an investment property. During the year, the company started developing one of its investment properties into a pub. The property has been transferred to property, plant and equipment.

	£000
Cost:	
At 30 July 2017	7,751
At 29 July 2018	7,751
Transfer to property, plant and equipment	(1,984)
At 28 July 2019	**5,767**
Accumulated depreciation:	
At 30 July 2017	(201)
Provided during the period	(56)
At 29 July 2018	(257)
Provided during the period	(55)
Transfer to property, plant and equipment	76
At 28 July 2019	**(236)**
Net book amount at 28 July 2019	**5,531**
Net book amount at 29 July 2018	7,494
Net book amount at 30 July 2017	7,550

Rental income received in the period from investment properties was £310,000 (2018: £314,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £8,000 (2018: £23,000).

In the opinion of the directors, the fair value of the investment property is approximately £12,000,000.

15. Other non-current assets

	Lease premiums £000
Cost:	
At 30 July 2017	12,727
At 29 July 2018	12,727
Additions	451
Disposals	(75)
At 28 July 2019	**13,103**
Accumulated depreciation:	
At 30 July 2017	(4,455)
Provided during the period	(347)
At 29 July 2018	(4,802)
Provided during the period	(343)
Impairment loss (reversal)	(145)
Disposals	75
At 28 July 2019	**(5,215)**
Net book amount at 28 July 2019	**7,888**
Net book amount at 29 July 2018	7,925
Net book amount at 30 July 2017	8,272

16. Inventories

Bar, food and non-consumable stock held at our pubs and national distribution centre.

	2019 £000	2018 £000
Goods for resale at cost	**23,717**	23,300

17. Receivables

This category relates to situations in which third parties owe the company money. Examples include rebates from suppliers and overpayments of certain taxes.

Prepayments relate to payments which have been made in respect of liabilities after the period's end.

	2019 £000	2018 £000
Other receivables	**1,135**	3,969
Receivables loss allowance	**(8)**	–
Accrued income	**2,327**	1,936
Prepayments	**18,449**	17,217
	21,903	23,122

Accrued income relates to discounts which are calculated based on certain products delivered at an agreed rate per item.

Credit risk	**2019 £000**	2018 £000
Owed by suppliers – not due	**898**	3,577
Owed by suppliers – overdue	**237**	392
	1,135	3,969

Credit risk is the risk that a counterparty does not settle its financial obligation with the company. At the year end, the company has assessed the credit risk on amounts due from suppliers, based on historic experience, meaning that the expected lifetime credit loss was £8,000. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 – the identified impairment loss was immaterial.

18. Assets held for sale

These relate to situations in which the company has exchanged contracts to sell a property, but the transaction is not yet complete. As at 28 July 2019, two sites were classified as held for sale (2018: one).

	2019 £000	2018 £000
Property, plant and equipment	**3,146**	1,455

19. Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents	**42,950**	63,091

Cash at bank earns interest at floating rates, based on daily bank deposit rates.

20. Trade and other payables

This category relates to money owed by the company to suppliers and the government.

Accruals refer to allowances made by the company for future anticipated payments to suppliers and other creditors.

	2019 £000	2018 £000
Trade payables	**162,070**	174,070
Other payables	**18,056**	15,837
Other tax and Social Security	**62,081**	58,819
Accruals and deferred income	**66,119**	41,876
	308,326	290,602

21. Borrowings

	2019 £000	2018 £000
Current (due within one year)		
Bank loans		
Variable-rate facility	**–**	8,804
	–	8,804
Other		
Finance lease obligations	**3,287**	–
Other borrowings	**–**	60
Total current borrowings	**3,287**	8,864
Non-current (due after one year)		
Bank loans		
Variable-rate facility	**775,000**	780,420
Unamortised bank loan issue costs	**(4,924)**	–
	770,076	780,420
Other		
Finance lease obligations	**6,607**	–
Total non-current borrowings	**776,683**	780,420

22. Provisions

	Legal claims £000	Onerous lease £000	Total £000
At 29 July 2018	3,131	7,374	10,505
Charged to the income statement:			
– Additional charges	3,254	2,597	5,851
– Unused amounts reversed	(1,283)	(834)	(2,117)
– Used during year	(1,579)	(6,654)	(8,233)
At 28 July 2019	**3,523**	**2,483**	**6,006**

	2019 £000	2018 £000
Current	**4,072**	8,052
Non-current	**1,934**	2,453
Total provisions	**6,006**	10,505

Legal claims
The amounts represent a provision for ongoing legal claims brought against the company by customers and employees in the normal course of business. Owing to the nature of the business, we expect to have a continuous provision for outstanding employee and public liability claims. All claim provisions are considered current and are not, therefore, discounted to take into account the passage of time.

Onerous lease
The amounts represent a provision for future rent payments on sites which are not expected to generate sufficient profits. Also included are provisions on any sublet properties for which rent is not fully recovered. These provisions are expected to be utilised over a period of up to 22 years and are discounted to take into account the passage of time.

23. Financial instruments

The table below analyses the company's financial liabilities in relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity profile of financial liabilities

At 28 July 2019	**Within 1 year £000**	**1–2 years £000**	**2–3 years £000**	**3–4 years £000**	**4–5 years £000**	**More than 5 years £000**	**Total £000**
Bank loans	20,039	20,039	20,039	20,039	786,726	–	**866,882**
Trade and other payables	246,245	–	–	–	–	–	**246,245**
Derivatives	13,089	13,089	6,962	6,877	3,052	18,651	**61,720**
Finance lease obligations	3,287	3,287	3,287	819	–	–	**10,680**

At 29 July 2018	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Bank loans	29,092	791,059	–	–	–	–	820,151
Trade and other payables	231,783	–	–	–	–	–	231,783
Derivatives	12,934	12,968	12,968	6,820	6,757	10,025	62,472
Other borrowings	60	–	–	–	–	–	60

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.

At the balance sheet date, the company had loan facilities of £895m (2018: £860m) as detailed below:

- Unsecured revolving-loan facility of £875m
  - Matures January 2024
  - 14 participating lenders
- Overdraft facility of £20m

The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt which has fixed £770m of these borrowings at rates of between 0.61% and 3.84%. The effective weighted average interest rate of the swap agreements used during the year is 2.88% (2018: 1.68%), fixed for a weighted average period of 4.8 years (2018: 3.7 years). In addition, the company has entered into forward-starting interest-rate swaps as detailed in the table below.

Weighted average by swap period:

From	To	Total swap value £m	Weighted average interest %
02/07/2018	29/07/2021	770	2.42%
30/07/2021	30/07/2023	770	1.61%
31/07/2023	30/07/2026	770	1.10%
31/07/2026	30/06/2028	770	1.33%
01/07/2028	29/03/2029	770	1.32%

At the balance sheet date, £775m (2018: £780m) was drawn down under the £875m unsecured-term revolving-loan facility. The amounts drawn under this agreement can be varied, depending on the requirements of the business. It is expected that the draw-down required by the company will not drop below £770m for the duration of the interest-rate swaps detailed above.

23. Financial instruments (continued)

Capital risk management
The company's capital structure comprises shareholders' equity and loans. The objective of capital management is to ensure that the company is able to continue as a going concern and provide shareholders with returns on their investment, while managing risk.

The company does not have a specific measure for managing capital structure; instead, the company plans its capital requirements and manages its loans, dividends and share buybacks accordingly. The company measures loans using a ratio of net debt to EBITDA which was 3.36 times (2018: 3.39 times) at the year end.

Section 2, on page 49, discusses the financial risks associated with financial instruments, including credit risk and liquidity risk.

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 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.

Interest-rate and currency risks of financial liabilities
An analysis of the interest-rate profile of financial liabilities, after taking account of all interest-rate swaps, is set out in the following table.

Interest-rate and currency risks of financial liabilities

	2019 £000	2018 £000
Analysis of interest-rate profile of financial liabilities		
Bank loans	**–**	8,804
Floating rate due after one year	**76**	85,420
Fixed rate due after one year	**770,000**	695,000
	770,076	789,224
Finance lease obligation		
Fixed rate due in one year	**3,287**	–
Fixed-rate due after one year	**6,607**	–
	9,894	–
Other borrowings		
Fixed rate due in one year	**–**	60
	–	60
	779,970	789,284

The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to one month. The fixed-rate loan is the element of the company's borrowings which has been fixed with interest-rate swaps.

23. Financial instruments (continued)

Fair values
In some cases, payments which are due to be made in the future by the company or due to be received by the company have to be given a fair value.

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

	2019 Book value £000	2019 Fair value £000	2018 Book value £000	2018 Fair value £000
Financial assets at amortised cost				
Cash and cash equivalents	**42,950**	**42,950**	63,091	63,091
Receivables	**1,127**	**1,127**	3,969	3,969
	44,077	**44,077**	67,060	67,060
Financial liabilities at amortised cost				
Trade and other payables	**(246,245)**	**(246,245)**	(231,783)	(231,783)
Finance lease obligations	**(9,894)**	**(9,915)**	–	–
Borrowings	**(770,076)**	**(771,093)**	(789,284)	(788,923)
	(1,026,215)	**(1,027,253)**	(1,021,067)	(1,020,706)
Derivatives used for hedging (fair value)				
Non-current derivative financial asset: cash flow hedges	**321**	**321**	14,976	14,976
Current derivative financial asset: cash flow hedges	**–**	**–**	(160)	(160)
Non-current derivative financial liability: cash flow hedges	**(49,393)**	**(49,393)**	(38,925)	(38,925)
	(49,072)	**(49,072)**	(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 year end's prevailing interest rates.

Obligations under finance leases
The minimum lease payments under finance leases fall due as follows:

	2019 £000	2018 £000
Within one year	**3,287**	–
In the second to fifth year, inclusive	**7,393**	–
	10,680	–
Less future finance charges	**(786)**	–
Present value of lease obligations	**9,894**	–
	–	
Less amount due for settlement within one year	**(3,287)**	–
Amount due for settlement during the second to fifth year, inclusive	**6,607**	–

All finance lease obligations are in respect of various equipment used in the business. No escalation clauses are included in the agreements.

23. Financial instruments (continued)

Interest – rate swaps
At 28 July 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 up to one month.

	Loss/(Gain) on interest-rate swaps £000	Deferred tax £000	Charged to equity £000
As at 30 July 2017	38,896	(6,612)	32,284
Change in fair value posted to comprehensive income	(14,787)	–	(14,787)
Deferred tax posted to comprehensive income	–	2,513	2,513
As at 29 July 2018	24,109	(4,099)	20,010
Change in fair value posted to comprehensive income	24,963	–	24,963
Deferred tax posted to comprehensive income	–	(4,243)	(4,243)
As at 28 July 2019	**49,072**	**(8,342)**	**40,730**

No ineffectiveness arose during the period (2018: £Nil). Amounts charged to the profit and loss account in relation to interest-rate swaps are charged to finance costs – see note 6.

Interest-rate hedges
The company's interest-rate swap agreements are in place as protection against future changes in borrowing costs. Under these agreements, the company pays a fixed interest charge and receives variable interest income which matches the variable interest payments made on the company's borrowings.

There is an economic relationship among the company's revolving-loan facility, the hedged item and the company's interest-rate swaps, the hedging instruments, where the company pays a floating interest charge on the loan and receives a floating interest-rate credit on the interest-rate swap. The interest-rate swap agreement allows the company to receive a floating interest-rate credit and requires the company to pay an agreed fixed interest charge.

The company has established a hedging ratio of 1:1 between the interest-rate swaps and the company's floating-rate borrowings, meaning that floating interest rates paid should be identical to the amounts received for a given amount of borrowings.

These hedges could be ineffective if the:
- period over which the borrowings were drawn were changed. This could result in the borrowings being made at a different floating rate than the interest-rate swap.
- gross amount of borrowings was less than the value swapped.
- impact of LIBOR reform causes a mismatch between the interest rate of the swaps and that of the company's debt

The company tests hedge effectiveness prospectively using the hypothetical derivative method and compares the changes in the fair value of the hedging instrument with those in the fair value of the hedged item attributable to the hedged risk.

Interest rate sensitivity
During the 52 weeks ended 28 July 2019, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax profit for the year would have been reduced by £692,000 and equity increased by £69,592,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve. The Company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

24. Other liabilities

	2019	2018
	£000	£000
Operating lease incentives	**10,930**	12,346

Included in other liabilities are lease incentives on leases where the lessor retains substantially all of the risks and benefits of ownership of the asset. The lease incentives are recognised as a reduction in rent over the lease term and shown as a liability on the balance sheet. The current element of lease incentives is included within other payables.

The weighted average period to maturity of operating lease incentives is 6.1 years (2018: 6.4 years).

25. Financial commitments

About 39% of the company's pubs are leasehold. New leases are normally for 30 years, with a break clause after 15 years. Most leases have upwards-only rent reviews, based on open-market rental at the time of review, but most new pub leases have an uplift in rent which is fixed at the start of the lease.

The minimum aggregate contractual operating lease commitments fall due as follows:

Land and buildings	**2019**	2018
	£000	£000
Within one year	**61,252**	47,439
Between two and five years	**233,150**	169,765
After five years	**541,916**	510,345
	836,318	727,549

The company has some lease commitments with rentals determined in relation to sales. The future minimum rental payments under such leases are included in the table above.

The company has an investment property and sublets certain units or receives a rental income with respect to properties with space ancillary to that of the pub. The minimum aggregate contractual operating lease rentals due to the company are as follows:

Land and buildings	**2019**	2018
	£000	£000
Within one year	**2,703**	2,655
Between two and five years	**8,625**	9,414
After five years	**11,529**	12,400
	22,857	24,469

26. Capital commitments

At 28 July 2019, the company had £37.9m (2018: £55.3m) of capital commitments, relating to the purchase of 16 (2018: 17) sites, for which no provision had been made, in respect of property, plant and equipment.

The company had some other 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.

27. Related-party disclosures

During the year Tim Martin paid the company £1,938,000 in reimbursement of the Company's costs for distributing Wetherspoon News to households in the UK. Operating costs have been shown net of this amount. At the year end, these amounts had been paid in full.

During the year, no other transactions have been entered into with related parties.

The company has a written agreement with Tim Martin which covers the provision in listing rule 6.5.4 on controlling shareholdings.

J D Wetherspoon is the owner of the share capital of the following companies:

Company name	Country of incorporation	Ownership	Status
J D Wetherspoon (Scot) Limited	Scotland	Wholly owned	Dormant
J D Wetherspoon Property Holdings Limited	England	Wholly owned	Dormant
Moon and Spoon Limited	England	Wholly owned	Dormant
Moon and Stars Limited	England	Wholly owned	Dormant
Moon on the Hill Limited	England	Wholly owned	Dormant
Moorsom & Co Limited	England	Wholly owned	Dormant
Sylvan Moon Limited	England	Wholly owned	Dormant
Checkline House (Head Lease) Limited	Wales	Wholly owned	Dormant

All of these companies are dormant and contain no assets or liabilities and are, therefore, immaterial. As a result, consolidated accounts have not been produced. The company has an overseas branch located in the Republic of Ireland.

As required by IAS 24, the following information is disclosed about key management compensation.

Key management compensation	2019 £000	2018 £000
Short-term employee benefits	**2,796**	2,881
Post-employment pension benefits	**263**	319
Share-based payment	**848**	2,187
	3,907	5,387

Key management comprises the executive directors, non-executive directors and management board, as detailed on page 55.

For additional information about directors' emoluments, please refer to the directors' remuneration report on pages 59 to 67.

Directors' interests in employee share plans
Details of the shares held by executive members of the board of directors' are included in the remuneration report on pages 59 to 67 which forms part of these financial statements.

28. Share capital

	Number of shares 000s	Share capital £000
At 30 July 2017	108,999	2,180
Repurchase of shares	(3,498)	(70)
At 29 July 2018	105,501	2,110
Repurchase of shares	(403)	(8)
At 28 July 2019	**105,098**	**2,102**

The total authorised number of 2p ordinary shares is 500,000,000 (2018: 500,000,000). All issued shares are fully paid. In the year, there were no proceeds from the issue of shares (2018: £Nil).

During the year, 402,899 shares were repurchased by the company for cancellation, representing approximately 0.38% of the issued share capital, at a cost of £5.4m, including stamp duty, representing an average cost per share of 1,327p.

While the memorandum and articles of association allow for preferred, deferred or special rights to attach to ordinary shares, no shares carried such rights at the balance sheet date.

29. Events after the balance sheet date

On 20 August 2019, the company signed an additional funding agreement. This was for a £98m private placement with a fixed seven-year term. All existing financing agreements will remain in place.

ACCOUNTING POLICIES

Authorisation of financial statements and statement of compliance with IFRSs
The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 28 July 2019 were authorised for issue by the board of directors on 12 September 2019, and the balance sheet was signed on the board's behalf by John Hutson and Ben Whitley.

J D Wetherspoon plc is a public limited company, incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.
The Company's financial statements have been prepared in accordance with the European Union-endorsed IFRSs and IFRSIC (IFRS Interpretations Committee) interpretations as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under IFRS. The principal accounting policies adopted by the Company are set out on pages 40 to 46.

Basis of preparation
The financial statements of the Company have been prepared in accordance with IFRSs as adopted by the European Union, IFRSIC interpretations and the Companies Act 2006, applicable to companies reporting under IFRS. The financial statements have been prepared on the going-concern basis, using the historical cost convention, except for the revaluation of financial instruments.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 28 July 2019. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Important judgements
The key judgements made in preparing the financial statements are detailed below.

Hedging
The Company adopts hedge accounting, meaning that the effective portion of the changes in the fair value of the derivatives is dealt with in comprehensive income. Any gain or loss relating to the ineffective portion would be recognised immediately in the income statement.

The Company makes assumptions on the requirements for future borrowings, as well as future interest rates, when assessing the effectiveness of interest-rate swaps. Changes in the forecast amount of future borrowings or interest rates may result in all or part of the gain or loss, which was originally reported in equity, being transferred to the income statement.

Accounting standards require interest-rate swaps, purchased at market interest rates, to be recognised at a zero fair value. At acquisition swaps will have a market value which represents the margin charged by the issuing counterparty. This margin is amortised over the term of the interest-rate swap.

Exceptional items
A degree of judgement is required in determining whether certain transactions merit separate presentation to allow shareholders to better understand financial performance in the year, when compared with that of previous years and trends.

Important estimates
The areas where the Company has made significant estimates are listed below.

Impairment of property, plant and equipment
The Company will impair the value of a pub if it is believed it will generate future cash flows lower than its current book value. Future cash flows will be the greater of those generated by continued trading or the sale of the pub's assets. Cash flows in future periods are reduced by applying a pre-tax discount rate for future years of 7%.

Management makes several estimates when assessing the recoverable value of each pub, in terms of future sales growth, costs, operating efficiency and standards, management and staffing performance, as well as general economic factors. In all of these areas, different estimates could be made. Management believed that applying a different set of reasonable estimates will change the recoverable value of pubs, yet the impact of such a change would be less than reported materiality.

If a previously recognised impairment charge is reversed, the value of the pub will be increased to the lower of the book value as if the asset had not been impaired and the future cash flows which the pub will generate.

Onerous leases
A provision for onerous leases is made for pubs for which future trading profits, or income from subleases, are not expected to cover rent. The provision takes several factors into account, including the expected future profitability of the pub and the amount estimated as payable on surrender of the lease, where this is a likely outcome.

Segmental reporting
The Company operates predominantly one type of business (pubs) in the United Kingdom and the Republic of Ireland. Given the size of the Company's hotel business and trading presence in the Republic of Ireland, these have not been separately disclosed as a business segment.

Exceptional items
The Company presents, on the face of the income statement, those items of income and expense which, because of the nature and magnitude of the event giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year. This helps to facilitate comparison with previous years and to better assess trends in financial performance. Impairment of fixed assets and onerous lease charges and reversals are reported as exceptional, regardless of magnitude, to provide consistency of treatment with previous years and a better understanding for the financial statements' users.

Property gains and losses
The Company defines property gains and losses as those items of income and expenditure which are the result of owning and leasing assets which are non-recurring in nature. These include the impairment of fixed assets, movements in the onerous lease provision and proceeds and costs from the disposal of assets. These items are presented on the face of the income statement to more clearly show the Company's underlying performance.

Fixed assets
Fixed assets include property, plant and equipment, intangible assets, investment property and lease premiums. They are all stated at cost, less accumulated depreciation and any impairment in value.

Cost of assets includes acquisition costs, as well as other directly attributable costs in bringing the asset into use.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset as follows:
- Freehold land is not depreciated
- Freehold and long-leasehold buildings are depreciated to their estimated residual values over 50 years
- Short-leasehold buildings and lease premiums are depreciated over the lease period
- Equipment, fixtures and fittings are depreciated over 3 to 10 years
- Computer software, including related development and implementation costs – 3 to 10 years
- Assets are not depreciated until such time as they are ready for use

Residual values and useful economic lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Profits and losses on disposal of fixed assets reflect the difference between the net selling price and the carrying amount at the date of disposal and are recognised in the income statement.

The carrying value of fixed assets is reviewed annually for impairment, with any impairment losses recognised in the income statement.

Assets held for sale
Where the value of an asset will be recovered through a sale transaction, rather than continuing use, the asset is classified as held for sale. Assets held for sale are valued at the lower of book value and fair value, less any costs of disposal, and are no longer depreciated.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis, with net realisable value being the estimated selling price, less any costs of disposal. Provision is made for obsolete, slow-moving or damaged inventory, where appropriate.

Bar and food inventory is recognised as an expense when sold. Non-consumable inventory is recognised as an expense immediately on receipt at a pub or hotel.

Provisions
Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of that obligation's amount.

Revenue recognition
Revenue is recognised when bar and food products are served to customers, after deducting discounts and sales-based taxes.

Slot machine sales are recognised at the net proceeds taken from the machines, after deducting gaming duty.

Revenue from hotel rooms is recognised when rooms are occupied and services are provided, after deduction of discounts and sales-based taxes.

The Company operates a gift card scheme – revenue from these cards is deferred until the card is redeemed in pubs. Except for hotel revenue, which is generally received in advance of occupation, all other payments for goods and services are received at the point of sale.

There are no significant judgements or estimations made in calculating and recognising revenue. Revenue is not materially accrued or deferred between one accounting period and the next.

Like-for-like sales
Like-for-like sales growth is calculated by taking the revenue, as per the accounting policy, for all pubs which have traded for more than 12 months and comparing their revenue to the corresponding revenue of the previous year.

Leases

Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the lower of their fair value and the present value of future lease payments. The corresponding liability is included in the balance sheet as a finance lease payable. Finance charges included in lease payments are charged as an expense to the income statement, while the asset is depreciated in line with the accounting policy for property, plant and equipment.

Leases where the lessor retains substantially all of the asset's risks and benefits of ownership are classified as operating leases. If the operating lease is subject to fixed uplifts over the term of the lease, rental payments are charged to the income statement on a straight-line basis, over the period of the lease, in line with adopted accounting standards. If the operating lease is subject to open-market rents, rental payments are charged at the prevailing rates.

The Company also has concession rentals, payable based on turnover. These are charged to operating profit at the higher of minimum contractual obligations under the agreements or based as a percentage of turnover.

Lease incentives

Lease incentives are recognised as a reduction of rental expense and are amortised on a straight-line basis.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the requirements by the adopted accounting standards for the capitalisation of borrowing costs relating to assets are met. For the purpose of the cash flow reporting interest paid and received are considered operating cash flows.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws which are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from an asset or liability in a transaction which, at the time of the transaction, affects neither accounting nor taxable profit or loss

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried-forward tax credits or tax losses can be utilised

Deferred income tax assets and liabilities are measured at the tax rates which are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to the income statement, comprehensive income or equity. The income tax charged or credited will follow the accounting treatment of the underlying item which has given rise to the income tax charged or credited.

Free cash flow

The calculation of free cash flow is based on the net cash generated by business activities after funding interest, corporation tax, loan issue costs, all reinvestment in information technology, head office and pubs trading at the start of the period (excluding extensions) and the purchase of own shares under the employee share incentive plan.

Financial instruments

Financial assets and liabilities are recognised on the date on which the Company becomes party to the contractual provisions of the instrument giving rise to the asset or liability.

Financial assets held at amortised costs

Financial assets held at amortised costs are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise 'other receivables' and 'cash and cash equivalents' on the balance sheet.

Other receivables

Other receivables are recognised initially at fair value and carried at amortised cost less any expected credit losses. The Company has a small number of receivables at any one time; these are generally with companies with which the Company has an established trading relationship.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above. Bank overdrafts are shown within current financial liabilities on the balance sheet.

Credit risk

Credit risk losses arise when debtors fail to pay their obligation to the Company. The Company assesses credit risk, based on historic experience. The Company has no significant history of non-payment; as a result, the expected credit losses on financial assets are not material.

Financial liabilities
The Company classifies its financial liabilities as other financial liabilities. Other financial liabilities are measured at fair value on initial recognition and subsequently measured at amortised cost, using the effective-interest method.

Trade and other payables
Trade and other payables are recognised initially at fair value and subsequently at amortised cost, using the effective-interest method.

Bank loans and borrowings
Interest-bearing bank loans and other borrowings are recorded initially at fair value of consideration received, net of direct issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount recorded initially and the redemption value recognised in the income statement over the period of the bank loans, using the effective-interest method.

Bank loans and loan notes are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments and hedging activities
Derivative financial instruments used by the Company are stated at fair value on initial recognition and at subsequent balance sheet dates.

Hedge accounting is used only where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, there is an economic relationship between the item being hedged and the hedging derivative and credit risk does not dominate the economic relationship.

Interest-rate swaps
Interest-rate swaps are classified as hedges where they hedge exposure to cash flow variability in interest rates.

For interest-rate swaps, the effective portion of the gain or loss on the hedging instrument is recognised directly in comprehensive income, while the ineffective portion is recognised in the income statement within ‘fair value gain/loss on financial derivatives’.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When the Company repurchases its own shares the cost of the shares purchased and associated transaction costs are taken directly to equity and deducted from retained earnings. The nominal value of shares purchases is transferred from share capital to the capital redemption reserve.

Foreign currencies
Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities are translated at the year-end exchange rates, with the resulting exchange differences taken to the income statement.

The Irish branch’s results are translated at the average exchange rate for the reporting period; the balance sheet is translated at the year-end exchange rate. Resulting exchange differences are recognised in comprehensive income.

Revaluation gains and losses on the long-term financing of the Irish branch are recognised in comprehensive income.

Retirement benefits
Contributions to personal pension schemes are recognised in the income statement in the period in which they fall due. All contributions are in respect of a defined contribution scheme. The Company has no future payment obligations, once the contributions have been paid.

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

Dividends
Dividends recommended by the board, but unpaid at each period end, are not recognised in the financial statements until they are paid (in the case of the interim dividend) or approved by shareholders at the annual general meeting (in the case of the final dividend).

Changes in net debt
Changes in net debt are both the cash and non-cash movements of the year, including movements in finance leases, borrowings, cash and cash equivalents.

Share-based charges
The Company has an employee share incentive plan which awards shares to qualifying employees; there is also a deferred bonus scheme which awards shares to directors and senior managers, subject to specific performance criteria.

The cost of the awards in respect of these plans is measured by reference to the fair value at the date at which they are granted and is amortised as an expense over the vesting period. In assessing the initial fair value, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of the Company.

The Company currently has no other share-based transactions.

Shares purchased for share-based payment awards are held in equity at historic cost, until the awards vest, when they are transferred to employees.

Changes in standards
The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 29 July 2019 and will have a minimal impact on the financial statements:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

IFRS 9 Financial Instruments
The standard sets out the requirements of the recognition, derecognition, impairment and measurement of financial instruments, as well as the rules for hedge accounting. The standard replaces IAS 39 Financial Instruments: reporting and measurement.

The Company applied the new hedge accounting requirements in IFRS 9 prospectively from 30 July 2018. Comparative figures have not been restated. On adoption of IFRS 9, all hedging relationships which were hedging relationships under IAS 39 at the 29-July-2018 reporting date met IFRS 9's criteria for hedge accounting at 30 July 2018 and were therefore regarded as continuing hedging relationships. There has been no change in measurement of the numbers recognised as a result of the transition.

Finance assets which were classified as loans and receivables under IAS 39 and measured at amortised cost are classified and measured at amortised cost under IFRS 9. There is no change in the classification and measurement for the Company's financial liabilities.

IFRS 9 introduced a new impairment model of assessing the recoverability of debts. The Company's financial assets are a small amount of trade receivables in relation to retrospective discounts from suppliers with which the Company generally has a long trading relationship and bank deposits which are immediately accessible and held with major UK and Irish banks. The Company has assessed that the application of the impairment requirements as at 30 July 2018 is not material.

IFRS 15 Revenue from Contracts with Customers
The standard was adopted on 30 July 2018, using the modified retrospective approach. Under IFRS 15, revenue is recognised when goods or services are transferred to a customer. The Company does not have a loyalty programme which would extend the period over which goods and services are transferred to the customer.

The Company has undertaken a review of its revenue streams under IFRS 15 and has concluded that a large proportion of revenue is recognised at the point of sale when goods or services are provided to the customer in exchange for payment. Based on this, it is concluded that IFRS 15 does not materially differ from the revenues previously recognised under IAS 18.

There are no significant judgements or estimations made in calculating and recognising revenue. Revenue is recognised when the goods or services are provided to the customer.

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

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

- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS 2015-2017 Cycle (Amendments to IAS 12, IAS 23, IFRS 3 and IFRS 11)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)

IFRS 16 Leases
This standard replaces IAS 17 Leases and is effective for accounting periods beginning on or after 1 January 2019. The standard was adopted by the Company 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.

Lessor accounting remains similar to the current standard. The lessor continues to classify leases as finance or operating leases, depending on whether the risks and rewards of ownership have been transferred to the lessee. Some of the Company's sublet properties will be classified as finance leases under the new standard as the risks and rewards of ownership of the IFRS 16 right-of-use asset will have been transferred to the lessee, whereas, under IAS 17, there was no asset recognised in the accounts; as a result, the leases were treated as operating leases.

Transition

On 29 July 2019, the Company adopted the standard using the modified retrospective approach. The new standard allows, on a lease-by-lease basis, for the value of the right-of-use assets to be determined as if the lease had started on the date of transition or the start date of the lease. This choice does not affect the recognised lease liability, but does affect the value of the asset. Valuing on the day of transition results in a right-of-use asset of broadly the same value as the lease liability. Valuing at the start date of the lease results in a lower asset value at transition, reflecting the amortisation which would have been charged on the asset between the start of the lease and the date of transition. The reduction in the asset value would be offset by a reduction in distributable reserves on the balance sheet. The Company has chosen to value all leases on the date of transition.

The Company has elected to use the following practical exemptions in transitioning to IFRS 16:

- The application of a signal discount rate to a portfolio of leases with reasonably similar characteristics
- The use of existing onerous lease provisions, rather than preforming an impairment review on right-of-use assets
- The use of hindsight in determining the lease term

Balance sheet

On 29 July 2019, the Company recognised a right-of-use asset of £618m, a lease liability of £631m and a finance lease asset of £14m, related to sublet sites. The right-of-use assets comprise the net lease liability of £617m, rent prepayments of £14m, operating lease incentives of £11m and onerous leases of £2m. There was no adjustment to retained earnings.

As at 28 July 2019, see note 25, the Company had contractual operating lease commitments payable of £836m and contractual operating lease commitments receivable of £23m. A reconciliation to the transition value is provided below.

The table below shows the transition adjustments applied to the opening balance sheet for the year ending 26 July 2020.

	July 19 £m	IFRS 16 £m	Re-stated £m
Other	1,422	–	1,422
Other non-current assets	8	(8)	–
Right-of-use assets	–	618	618
Lease receivables	–	12	12
Total non-current assets	**1,430**	**622**	**2,052**
Other current assets	70	–	70
Lease receivables	–	2	2
Receivables	22	(6)	16
Total assets	**1,522**	**618**	**2,140**
Other current liabilities	(326)	–	(326)
Lease liabilities	–	(61)	(61)
Total current liabilities	**(326)**	**(61)**	**(387)**
Other non-current liabilities	(866)	–	(866)
Lease liabilities	–	(570)	(570)
Provisions	(2)	2	–
Other liabilities	(11)	11	–
Total liabilities	**(1,205)**	**(618)**	**(1,823)**
Net assets	**317**	**–**	**317**
Equity	**317**	**–**	**317**

The incremental borrowing rate applied to lease liabilities was 2.7–3.9%, depending on the length of the lease.

Income statement

The total profit and loss charge over the life of a lease will remain unchanged under IFRS 16, but the new standard will change the pattern of how the expense is recognised in the income statement, over time, with more costs recognised in the early years of a lease and fewer in the latter. The expense will be recognised as a depreciation and interest charge replacing the operating expenses under IAS 17.

The Company estimates that, for the year ending 26 July 2020, EBITDA will have increased by £58m and operating profit by £8m. Finance costs are expected to increase by £22m, resulting in a decrease in profit before tax of £14m. These estimates are based on the leaseholds held at year end and will be affected by the Company purchasing the freehold interest in its leasehold sites.

Tax impact on changes to the income statement
The IFRS 16 depreciation and interest expense will be deducted when calculating current tax. It is estimated, in the next financial year, that current tax will be reduced by £2m. The reduction in tax payments in the early years of a lease will be offset by higher tax payments in the later years of the lease.

The Company expects a small increase in the effective tax rate. This is due to the disallowable expenses, which will remain unchanged, being a larger proportion of reduced profits.

Cash flow statement
There will be no impact to cash flows on the application of IFRS 16, except in relation to tax payments. The presentation of cash flows will change. Cash flows from operating activities will increase, yet will be exactly offset by an increase in interest and lease principal payments.

Reconciliation to lease commitments
The table below shows a reconciliation between the operating lease commitments, as disclosed in note 25, and the lease liability and assets to be recognised under IFRS 16.

	2019 £000
Lease commitments, payable	**836,318**
Discounting lease liability	**(205,014)**
Lease liability recognised	**631,304**

	2019 £000
Lease commitments, receivable	**22,857**
Leases not capitalised	(6,427)
Discounting lease asset	(2,994)
Lease asset recognised	**13,436**

Strategy
The Company's strategy is to seek a return on capital in excess of the cost of the capital which will provide funds for developments, dividends and reinvestment.

Business model
The Company operates pubs in the UK and Ireland and aims to sell high-quality products, at reasonable prices, in well-maintained premises.

Business review and future trends
A review of the Company's business and the key measures of its performance, sometimes called key performance indicators (KPIs), can be found in the chairman's statement under the financial performance section. The chairman's statement also discusses trends and factors likely to affect the future development, performance and position of the Company. The Company's financial and non-financial KPIs are listed in the financial highlights section of this report.

Social matters
Wetherspoon provides jobs for over 40,000 people, paying a reasonable percentage of its profits as bonus for those working in our pubs and head office, training large numbers of staff and paying a significant percentage of our sales as taxes to the government.

Further information about these policies are published on: jdwetherspoon.com

Environment
The Company has several initiatives which reduce its environmental impact, some examples of these being:

- Plastic straws removed and replaced with 100% biodegradable and 100% recyclable paper straws and wrappers
- Complimentary water fountains available in all pubs, as part of the nationwide Refill scheme; alternatives to the current single-use plastic bottles are being reviewed
- Most hot drinks sold in the pubs are consumed on the premises, including unlimited complimentary refills, all served in mugs
- During the financial year, 11.6 tonnes of food waste recycled (2018: 3.2 tonnes)
- Used cooking oil is converted to biodiesel for agricultural use

Human rights
The Company is committed to respecting human rights within our business by complying with all relevant laws and regulations. We prohibit any form of discrimination, forced, trafficked or child labour and are committed to safe and healthy working conditions for all individuals, whether employed by the Company directly or by a supplier in our supply chain.

Employees
All employees are encouraged to participate in the business, some examples of how this is achieved being:

- Several Company initiatives to encourage employees to suggest small and continuous improvements to the running of their pubs
- 'Tell Tim' suggestion scheme for all employees
- Pub managers, area managers and other pub employees attending and contributing to weekly operations meetings, hosted by the chairman or chief executive
- Area managers invited to meet the board of directors (before each board meeting)
- Regular liaison meetings held with employees, at all levels, to gain feedback on aspects of the business and ideas for improvement
- Directors and senior management complete regular visits to pubs – and pub employees regularly visiting head office
- Weekly e-mail from the chief executive to all employees
- Employee-related measures are part of the pub bonus scheme
- Head-office staff complete regular pub and kitchen shifts (both front of house and in the kitchen) to help in understanding any staff/customer issues
- Pub employees involved in the decision-making process for key business issues

Employee diversity
The table below shows the breakdown of directors, senior managers and employees.

	Male	Female
Directors	5	3
Senior managers	734	462
All employees	19,565	21,958

Legal and ethical conduct
The Company has comprehensive measures to meet its statutory requirements across all areas of its operation and also those expected by our customers and employees, as necessary, for the long-term success of the business. Risks in this area can occur from corruption, bribery and human rights abuses, including discrimination, harassment and bullying.

The Company has training programmes for all employees. It also has a documented whistleblowing procedure programme, documented process and procedures and a supply chain audit programme.

Principal risks and uncertainties facing the Company
In the course of normal business, the Company continually assesses significant risks faced and takes action to mitigate their potential impact.

The following risks, while not intended to be a comprehensive analysis, constitute (in the opinion of the board) the principal risks and uncertainties currently facing the Company

Strategic risks

Economic outlook
The Company aims to improve its customer offering continually, so that it remains competitively placed in the market in which it operates. Adverse economic conditions can theoretically have an effect on the Company's performance, although, historically, these effects have been muted.

Regulation of the sale of alcohol
The pub business is highly regulated, with frequent increases in alcohol duty and other taxes – a feature of the industry for many decades.

Succession-planning
The Company is reliant on the knowledge and experience of its executive management team. The Company involves the broader senior management team in decision-making to provide it with sufficient exposure, so that, if the need to replace a member of the executive management team were to arise there are well-qualified internal candidates.

Commercial risks

Cost increases
Inflationary pressures on the Company's costs pose a risk to profits, although the Company has been able to achieve satisfactory arrangements with its suppliers, up until now, in both good and difficult economic conditions.

Operational risks

Recruitment and retention
Ensuring that our pubs are sufficiently staffed is crucial to their successful operation. Reductions in the pool of available labour will make it harder for the Company to staff its pubs.

To attract and retain employees, the Company offers bonuses, free shares, long-services awards, paid training, staff discounts and a genuine opportunity to progress within the business.

Health and safety
The Company endeavours to ensure that all reasonable standards of health and safety are met, by trying to identify risks and taking action to avert problems.

Supply chain risks
It is fundamental to our operations that we should be able to supply our pubs with the required goods and services.

It is important that we understand our supply chain and have accurate information relating to provenance, ingredients and ethical practices.

We work closely with our suppliers and central distribution partners, in order to maintain availability of products, at all times.

The Company conducts audits of its supply chain – and standards are assessed in accordance with our Supplier Charter.

Food safety
Achieving and maintaining food hygiene standards are critical to any organisation which prepares food for public consumption. Ensuring the safety of our customers and employees is a priority for the Company. The Company takes food hygiene very seriously; extensive operational procedures have been implemented to embed best practice in our pubs. The Company monitors the results of food hygiene audits and provides its pubs with the necessary resources and support to ensure that standards are met at all times.

Head office and national distribution centre
Any disasters at the Company's head office (in Watford) or its national distribution centre (in Daventry) could seriously disrupt its daily operations. Various measures have been undertaken by the Company, including a comprehensive disaster-recovery plan, seeking to minimise the impact of any such incidents.

Information technology
The Company's daily operations are increasingly reliant on its information technology systems. Any prolonged or significant failure of these systems could pose a risk to trading. The Company seeks to minimise this risk by ensuring that there are technologies, policies and procedures to ensure protection of hardware, software and information (by various means), including a disaster-recovery plan, a system of backups and external hardware and software.

The Company recognises that cyber threats pose a significant risk to the hospitality industry. The Company continually assesses the risks posed by cyber threats and makes changes to its technologies, policies and procedures to mitigate identified risks.

Reputational risk
The Company is aware that, in operating in a consumer-facing business, its business reputation, built over many years, can be damaged in a significantly shorter timeframe. The Company, therefore, in its daily business, maintains substantial efforts in this area to improve operational controls.

Financial risks

Capital risk management
The Company aims to maintain reasonable levels of capital and debt. Debt always involves risk, although the Company has always been able to fulfil its obligations under its loan agreements.

Sales, profitability, debt requirements and cash flow are reviewed weekly by a team which includes the chairman, chief executive, finance director and senior finance managers (see note 23).

Interest-rate risk
The Company has dealt with the risks of an increase in interest rates by swapping the majority of its floating-rate borrowings into fixed rates which expire in 2029 (see note 23).

During the 52 weeks ended 28 July 2019, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax profit for the year would have been reduced by £692,000 and equity increased by £69,592,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve. The Company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

Credit risk
The Company does not have a significant concentration of credit risk, as the majority of its revenue is in cash. At the balance sheet date, the Company was exposed to a maximum credit risk of £1.1m, of which £0.2m was overdue.

Cash deposits with financial institutions and derivative transactions are permitted with investment-grade financial institutions only. The Company receives a small amount of income from properties which it has sublet to third parties, but the sums involved from any one letting are immaterial.

Liquidity risk
The Company regularly monitors cash flow forecasts and endeavours to ensure that there are enough funds, including committed bank and finance lease facilities, to meet its business requirements and comply with banking covenants.

The risks in this area relate to miscalculating cash flow requirements, being unable to renew credit facilities or a substantial fall in sales and profits.

Foreign currency
Foreign exchange exposure is currently not significant to the Company. The Company monitors the growth and risks associated with its overseas operations and will undertake hedging activities as and when they are required.

By order of the board

Nigel Connor
Company Secretary
12 September 2019

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of J D Wetherspoon plc (the Company') for the period ended 28 of July 2019, which comprise the Income statement, the Statement of comprehensive income, the Cash flow statement, the Balance Sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 July 2019 and of the Company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 48-49 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 56 of the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 57 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 57 of the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £5.1m, which represents 5.0% of the company's profit before taxation and exceptional items;
- Key audit matters were identified as impairment of property, plant and equipment, the impact of the new financial reporting standard - IFRS 16, Leases and the classification of exceptional items;
- We have performed full scope audit procedures on the financial statements of the Company.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Impairment of property, plant and equipment As explained in Note 13 management has produced an annual impairment assessment for property, plant and equipment in line with IAS 36. The process for measuring and recognising impairment under IAS 36: "Impairment of Assets" is complex and requires significant judgement. Each individual pub is treated as a separate cash-generating unit for impairment purposes, and assumptions include management's assessment of the trading activity of each pub and the determination of the appropriate discount rate. We have therefore identified the impairment of property, plant and equipment as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ■ Assessing the accounting policy and disclosures for compliance with IFRS as adopted by the EU; ■ Checked the book value of assets and profits are being appropriately allocated to each cash generating unit; ■ Testing the arithmetical accuracy and integrity of the underlying data, by checking the consistency of the formulas and agreeing inputs to supporting documentation including lease agreements and historic profit figures and the fixed asset register; ■ Challenging the model prepared by management for the assessment of the impairment of each pub and an assessment of current trading for each pub, considering local market conditions; ■ Obtaining corroborative evidence to support the judgments used for high risk pubs; ■ Using our valuation experts to assess the reasonableness of the discount rate applied to cash flows, which included benchmarking to comparative companies and market information. The Company's accounting policy for impairment and onerous leases is shown on page 40 and related disclosures are included in respect of impairment in Note 13. **Key observations** As a result of the audit procedures performed and after considering management's disclosures of judgements applied by them, we have concluded that the total impairment charge recognised of £3.8m is free from misstatement and is in accordance with the relevant accounting standards.
Future impact of the new Financial Reporting Standard – IFRS 16, Leases As explained on pages 44-46 management have disclosed, in respect of IFRS 16, the Company's accounting policy, and the impact it will have on next year's financial statements. Management have elected to adopt the modified retrospective approach to transitioning to the new standard. The process for measuring the impact of IFRS 16 is complex and requires significant judgement. We have therefore identified the disclosure of the future impact of the new Financial Reporting Standard - IFRS 16, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ■ Assessing the accounting policy and disclosures for compliance with IFRS as adopted by the EU; ■ Testing the arithmetical accuracy and integrity of the underlying data, by checking the consistency of the formulas and agreeing inputs to supporting documentation including lease agreements; ■ Testing the completeness of the leases identified to known leases and lease payments made in the year; ■ Using our valuation experts to assess the reasonableness of the discount rate applied; ■ Obtaining corroborative evidence to support the judgements made by management for the key assumptions in applying IFRS 16. The Company's accounting policy and related disclosures in relation to IFRS 16 is shown on pages 44-46. **Key observations** As a result of the audit procedures performed and after considering management's disclosures of judgements applied by them, we have concluded that the disclosure included on pages 44-46 is free from misstatement and is in accordance with the relevant accounting standards.

Key Audit Matters	How the matter was addressed in the audit
The classification of exceptional items	
The risk of management override of controls relates to judgmental areas within the annual report. The key judgments are highlighted on page 40 of the annual report and exceptional items is flagged as one of these areas. Exceptional items include impairments, onerous leases and costs associated with the pub disposal programme, which is in line with previous years. There are a number of key judgements around the disposal programme including, when is it ending, which pubs are ring-fenced as being within the programme and whether it is part of a one- off strategic exit from underperforming pubs. Given the high levels of judgment included within this classification, we therefore identified the classification of exceptional items as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ■ Assessing items included as exceptional in the financial statements, and discussing with management as to the rationale for this classification; ■ Checking that management's classification of exceptional items is consistent with prior year; ■ Challenging management around the classification of gains and losses in relation to the continuing pub disposal programme; ■ Testing of a sample of items classified as exceptional to agree to supporting documentation, including completion statements and invoice; ■ Checking disclosures in respect of exceptional items provide clear and adequate information for the users of the financial statements. The Company's accounting policy for exceptional items is shown on page 41 and related disclosures are included in Note 4. **Key observations** As a result of the audit procedures performed, we have concluded that management's classification of exceptional items is appropriate and consistent with prior years.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.
Materiality was determined as follows:

Materiality measure	Company
Financial statements as a whole	£5.1 million (2018: £5.3 million), which is 5% (2018: 5%) of the Company's profit before tax and exceptional items. This benchmark is considered the most appropriate because this is a key measure used by the directors to report to investors on the financial performance of the Company. Materiality for the current period is lower than the level determined for the period ended 29 July 2018 to reflect the lower profit before tax and exceptional items in the period.
Performance materiality used to drive the extent of our testing	65% of financial statement materiality.
Specific materiality	We determined a lower level of materiality for certain specific areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	All misstatements above £265,000 have been reported to the Audit Committee.

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Company's business and is risk based, undertaking substantive testing on significant transactions and material account balances. We have formulated our risk assessment based on discussions with management, internal audit and operational teams, including visits to the National Distribution Centre in Daventry and ten pubs around the country in order to perform stock counts and to obtain a detailed understanding of the operations of the business. Our audit has been carried out in line with the agreed audit plan.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and industry in which it operates. We determined that the following laws and regulations were most significant: IFRSs as adopted by the European Union, Companies Act 2006, Listing Rules and the UK Corporate Governance Code.
- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the audit team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - challenging assumptions and judgements made by management in its significant accounting estimates;
  - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.
- We did not identify any key audit matters relating to irregularities, including fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 57 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 70 and 71 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 68 – the parts of the Directors' statement required under the Listing Rules relating to the Company compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;

- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 56 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board on 9 November 2017 after going through an audit tender process in the Summer of 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is between 1 and 2 years.

We did not provide any non-audit services to the Company which are prohibited by the FRC's Ethical Standard and we remain independent of the company in conducting our audit. Non audit services provided to the Company have been disclosed within note 2 to the financial statements on page 16.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
12 September 2019

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 64
Founded the Company in 1979, having previously studied law at Nottingham University and qualified as a barrister. He became chairman in 1983.

John Hutson Chief Executive Officer, aged 54
Joined in 1991 and was appointed to the board in 1996. He is a graduate of Exeter University and previously worked with Allied Domecq.

Ben Whitley Finance Director, aged 41
Joined in 1999 and was appointed to the board in 2015. He is a graduate of Durham University and qualified as a chartered management accountant in 2012.

Su Cacioppo Personnel and Legal Director, aged 52
Joined in 1991 and was appointed to the board in 2008. She is a graduate of South Bank University and London Guildhall University and previously worked for Courage Limited and Allied Leisure.

Nigel Connor Company Secretary and Head of Legal, aged 50
Joined in 2009 and was appointed Company Secretary in 2014.
He is a graduate of Newcastle University and qualified as a solicitor in 1997.

Elizabeth McMeikan Senior Independent Director, aged 57
Appointed to the board in 2005 and is a member of the audit, remuneration and nomination committees. She is a graduate of Cambridge University. She is the Senior Independent Director and Remuneration Committee Chair for UNITE plc. She also sits on the board of one privately owned company.

Debra van Gene Non-Executive Director, aged 64
Appointed to the board in 2006 and is chair of the remuneration committee and a member of the audit and nomination committees. She is a graduate of Oxford University. She has previously been a partner at Heidrick and Struggles Inc and a Commissioner with the Judicial Appointments Commission.

Sir Richard Beckett Non-Executive Director, aged 75
Appointed to the board in 2009 and is chair of the nomination committee and a member of the audit and remuneration committees. He was called to the bar in 1965 and took silk in 1987. He was one of the pre-eminent practitioners in regulatory and licensing matters.

Harry Morley Non-Executive Director, aged 54
Appointed to the board in 2016 and is chair of the audit committee and a member of the nomination and remuneration committees. He is a graduate of Oxford University. He is a non-executive director of The Mercantile Investment Trust plc and TheWorks.co.uk plc. He is also a trustee of the Ascot Authority. He qualified as a chartered accountant in 1991.

Management board
The management board comprises John Hutson, Su Cacioppo, Ben Whitley and the following:

David Capstick IT and Property Director, aged 58
Joined in 1998. He was appointed to the management board in 2003.
He is a graduate of the University of Surrey and previously worked for Allied Domecq.

Martin Geoghegan Operations Director, aged 50
Joined in 1994, having previously worked for Safeway plc. He worked in several operational roles, before being appointed as operations director in 2004.

Miles Slade Retail Director, aged 38
Joined in 2000. He worked in several operational roles before being appointed as deputy operations director in January 2012. He is a graduate of Nottingham Trent University.

James Ullman, Audit Director, aged 48
Joined in 1994. He was appointed to the management board in 2018. He is a graduate of Brighton University and Birmingham City University and became a chartered auditor in 2011.

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Barclays Bank plc
BNP Paribas
Clydesdale Bank plc
Co Operative Rabbobank U.A
Crédit Industriel et Commercial.
Handelsbanken Bank
HSBC Bank plc
Mediobanca S.p.A
MUFG Bank Ltd
National Westminster Bank plc
Santander UK plc
The Governor and Company of the Bank of Ireland

Financial advisers
Investec Bank plc

Stockbrokers
Investec Bank plc

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 55.

Dividends
The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p (2018: 8.0p) per share, on 28 November 2019, to those shareholders on the register on 25 October 2019, giving a total dividend for the year of 12.0p per share.

Return of capital
At the annual general meeting of the Company, held on 15 November 2018, the Company was given authority to make market purchases of up to 15,825,155 of its own shares. During the year to 28 July 2019, 402,899 shares were purchased, with a nominal value of £8,000, for a total consideration of £5,399,000, including stamp duty. This represented 0.38% of the called-up share capital.

Directors' interest in contracts
No director has any material interest in any contractual agreement, other than an employment contract, subsisting during or at the end of the year, which is or may be significant to the Company.

Takeover directive disclosures
The Company has an authorised share capital comprising 500,000,000 ordinary shares of 2p each. As at 28 July 2019, the total issued share capital comprised 105,098,136 fully paid-up shares of 2p each. The rights to these shares are set out in the Company's articles of association. There are no restrictions on the transfer of these shares or their attached voting rights.

Details of significant shareholdings at year end and as at 26 July 2019 are given on page 73.

No person holds shares with specific rights regarding control of the Company.

The Company operates an employee share incentive plan. However, no specific rights with respect to the control of the Company are attached to these shares. In addition, the Company operates a deferred bonus scheme, whereby, should a takeover occur, all shares held in trust would be transferred to the employee immediately.

The Company is not aware of any agreements among holders of securities known to the Company which may result in restrictions on the transfer of securities or voting rights.

The Company has the power to issue and buy back shares as a result of resolutions passed at the annual general meeting in 2018. It is the Company's intention to renew these powers; the resolutions approving them are found in the notice of the annual general meeting for 2019.

In the event of a change of control, the Company is obliged to notify its main bank lenders. The lenders shall not be obliged to fund any new borrowing requests; facilities will lapse 10 days after the change of control, if the terms on which they can continue have not been agreed on. Any borrowings, including accrued interest, will become immediately repayable on such lapse.

There are no other significant agreements to which the Company is party which may be subject to change-of-control provisions.

There are no agreements with the Company's directors or employees which provide for compensation for loss of office or employment which occurs because of a takeover bid.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements, unless they are satisfied that they give a true, fair and balanced view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates which are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records, sufficient to show and explain the Company's transactions and which disclose, with reasonable accuracy, the financial position of the Company, at any time. The accounting records enable the directors to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and that the Company's financial statements comply with article 4 of the IAS regulation. The directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide that information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the section headed 'directors, officers and advisers', confirms, to the best of his or her knowledge, that:

- The Company's financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company

- The strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties which it faces

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware

- He or she has taken all steps which he or she ought to have taken as a director, in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision, as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained, throughout the financial year, directors and officers' liability insurance, in respect of itself and its directors.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years.

The directors have determined that a three-year period is an appropriate period over which to assess viability, as it aligns with the Company's capital investment plans and gives a greater certainty over the forecasting assumptions used.

The directors' assessment has been made with reference to the Company's current position, financial plan and its principal risks and uncertainties set out on pages 48 to 49, specifically economic, regulatory, reputational and interest-rate risks. To assess the impact of the Company's principal risks and uncertainties on its long term viability, scenarios were applied to the Company's financial forecasts in the form of reduced like-for-like sales, reduced margins and increased borrowing costs. It is assumed that the Company's financial plans would be adjusted in response to each scenario.

In making this statement, the directors carried out a robust assessment of the principal risks and uncertainties facing the Company, including those which would threaten its business model, future performance, solvency or liquidity. Principal risks and uncertainties set out on pages 48 to 49 are the result of internal risk management and control processes, with further details set out in the audit committee's report on pages 70 and 71.

Going concern

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

Greenhouse gas (GHG) emissions

GMG Emissions	Unit	Quantity 2019	2018
Scope 1	Tonnes CO_2e	47,064	50,725
Scope 2	Tonnes CO_2e	93,436	115,315
Intensity	Tonnes CO_2e / £m revenue	77.2	98.0

- Conversion factors are those published by the Department for Environment, Food and Rural Affairs

- Reported data is for the year ended 31 March 2019
- Scope 1 – combustion of gas
- Scope 2 – purchase of electricity
- Refrigerant emissions from our pubs are not reported, as they are immaterial

Overseas branches

The Company has an overseas branch in the Republic of Ireland.

Listing Rule 9.8.4 R
Information required to be disclosed by LR 9.8.4 R (starting on page indicated, if applicable):

- Details of long-term incentive schemes, page 18 to 19
- Provision of services by a controlling shareholder page 59 to 67,
- Agreements with controlling shareholders, page 38
- Corporate governance (DTR 7.2.9 R), pages 68 to 72

Events after the reporting period
The details of events after the reporting period can be found in note 29 on page 39.

By order of the board

Nigel Connor
Company Secretary
12 September 2019

Annual statement

Dear shareholder

This year the following salary increases and awards were made to executive board members, in accordance with the remuneration policy agreed on shareholders at the Company's AGM in November 2017:

Salary
The salaries of the CEO and the personnel and legal director have been increased by 3.0% this year. This compares with a 4.1% increase for the general workforce.

Following consultation with several of the Company's top shareholders, the committee has exercised its discretion in relation to the salary increase awarded to the Finance Director, increasing his salary by 15.4%. In 2015, the board decided to make an internal appointment to the role of finance director. Following this appointment, the remuneration committee decided to increase the finance director's salary, in stepped levels, over several years, so that his salary would, over time, increase towards market levels for a finance director of a FTSE 250 company, while minimising the upfront cost to the company.

Annual cash bonus
There will be no award to executive directors under the profit element of the agreed annual cash bonus plan.

Executive directors will receive 5% of basic salary under the quality-and-standards element. These payments are made not just at board level – and reflect the importance of operational standards throughout the business, requiring a set number of calls on pubs to monitor standards and communicate directly with pub employees.

Deferred bonus scheme
Under the current agreed Deferred Bonus Scheme, executive directors will receive 15% of their basic salary in shares. The calculation for this award is included underneath the bonus and incentives table on page 64

Company Share Incentive Plan
Under the agreed Company SIP, executive directors will receive an amount equivalent to 25% of their salary in shares. The Company SIP is open to all employees in the Company, at varying levels, according to each individual's seniority and length of service. SIP awards are not subject to performance conditions. The aim is for all employees to be able to accumulate shares over time, in order to encourage long-term loyalty and joint purpose.

The CEO and the personnel and legal director will each receive an additional award equivalent to 5% of their salary, because of their length of service. This additional 5% is available to all employees with over 25 years' service with the Company.

Pension
Under the current agreed Company policy, the Company paid 12% pension contributions or a cash equivalent to executive directors this year.

The CEO and the personnel and legal director will each receive an additional award equivalent to 2% of their salary, because of their length of service. This additional 2% is available to all employees with over 25 years' service with the Company.

In line with the revised Corporate Governance Code 2018, which will come into force in our next reported financial year, the remuneration committee is reviewing the base percentage to be paid to any new executive directors, with a view to aligning this with the percentage paid to the majority of the workforce. Any change in policy will be brought to a shareholder vote as part of the new remuneration policy to be presented for approval in 2020.

Directors' shareholding requirements
In addition to this, in line with the revised Corporate Governance Code 2018, the committee is looking at executive directors' shareholding, both during and post employment. This has not been a requirement at the Company to date. Any change in policy will be brought to shareholders as part of the new remuneration policy vote in 2020.

Workforce engagement
Wider workforce policies and issues, including (but not exclusively) remuneration, are a standing item on board agendas. The personnel and legal director provides the main liaison point between the workforce and the remuneration committee, with individual committee members also regularly meeting pub employees.

In setting remuneration for the executive board, the committee takes into account wider workforce remuneration policies throughout the Company. Many of the elements of executive board remuneration outlined above extend throughout much of the Company, at varying levels, according to seniority and length of tenure.

Further details are set out below, with shareholders invited to approve this report and proposals at the AGM on 21 November 2019.

Debra van Gene
Chair of the Remuneration Committee
12 September 2019

Remuneration policy
The committee reviews the executive directors' remuneration packages at least annually.
The aim of the remuneration policy is to:

- Provide attractive and fair remuneration for directors
- Align directors' long-term interests with those of shareholders, employees and the wider community
- Incentivise directors to perform to a high level

In agreeing on remuneration, account is taken of the pay levels at Wetherspoon, as well as those in the hospitality industry in general, along with other comparisons and reports. The committee aims to take a fair and commonsense approach.

This policy came into force on the date of the AGM – 9 November 2017. The elements of the remuneration packages of each executive director are as follows:

Component	Reason	Operation, maximum achievable and performance criteria
Base salary	Provide attractive and fair remuneration for directors.	Salaries are reviewed at least annually, with any changes normally taking effect from 1 October each year. Salary increases are awarded at the discretion of the remuneration committee. When considering salary levels and whether an increase should be offered, the committee takes account of a variety of factors, including Company performance, individual performance, experience and responsibilities, market information and the level of increase being offered to other employees.
Benefits	Provide attractive and fair remuneration for directors.	A range of taxable benefits is available to executive directors. These benefits comprise principally the provision of a car allowance, life assurance, private medical insurance and fuel expenses. The cost of benefits provided changes in accordance with market conditions. The committee monitors the overall cost of the package periodically.
Pension	Provide attractive and fair remuneration for directors.	The Company does not operate any defined benefit pension schemes. Contributions of 12% of executive directors' base salary are made by the Company to the Company's stakeholder pension scheme. After 25 years' service, executive directors receive additional pension payments of 2% of their salary. This rises by a further 2% after each additional five years' service. The increases which apply to directors after 25 years and after each additional five years apply to all other employees also. Executive directors may receive a salary supplement in lieu of pension, at the discretion of the remuneration committee.
Annual bonus plan	Incentivise directors to perform to a high level.	Annual bonus payments are paid in cash, at the discretion of the remuneration committee. The major part of the bonus is based on profit growth, multiplied by a factor of 1.5 and paid to a maximum of 45% of salary. Profit growth is calculated on profit before tax and exceptional items. In addition, a further 5% is awarded for carrying out a set number of calls on our pubs per month, in order to monitor service and other standards. Provisions are in place which permit the Company to reclaim awards under this scheme, in exceptional circumstances of misstatement or misconduct.

Component	Reason	Operation, maximum achievable and performance criteria
Share Incentive Plan (SIP)	Align directors' long-term interests with those of shareholders, employees and the wider community.	The SIP allocates shares equivalent to 5% of salary to all Company employees after an 18-month qualifying period. Shares do not vest for at least three years under this plan – and tax-free returns are possible, if the shares are held for five years or more. The Company offers extra shares under this scheme to some employees: pub managers receive an extra 5% annual award; head-office staff 10–15%; directors, including executive board directors, 20%. After 25 years' service, executive directors receive additional SIPs of 5% of their salary. This rises by a further 5% after each additional five years' service. The increases which apply to directors after 25 years and after each additional five years apply to all other employees also. Awards under this scheme are not based on financial or other targets. The Company believes that excessive use of financial targets can lead to distortions in companies' behaviour and that it is important for there to be some share awards which can be accumulated gradually, the value of which depends on the overall success of the Company. Directors must be in office when the shares vest. If changes are made to SIPs which apply to all employees in the schemes, they may be applied to executive directors, at the discretion of the remuneration committee.
Deferred Bonus Scheme	Align directors' long-term interests with those of shareholders, employees and the wider community.	The Deferred Bonus Scheme may award shares to all senior managers, including executive directors. Bonus awards are made under the scheme, annually, at the discretion of the remuneration committee. Bonus awards are satisfied in shares. One-third of a participant's shares will vest to the participant on calculation of the amount of the award, one-third will vest after one year and the remaining third will vest to the participant after two years (in each case subject to the participant being employed at the release date). The current performance criteria are based on earnings per share and owners' earnings per share. The performance criteria for executive directors are the same as those for senior managers who are eligible for the scheme. Awards are made using a multiple based on an employee's grade. The maximum bonus to be earned under the scheme is 100% of annual salary. Any changes made to the Deferred Bonus Scheme for eligible senior managers may, at the discretion of the remuneration committee, be applied to executive directors. Provisions are in place which permit the Company to reclaim awards under this scheme, in exceptional circumstances of misstatement or misconduct.
Non-executive directors' fees	Provide attractive and fair remuneration for directors.	The fees paid to non-executive directors are determined by the executive board, taking into account the level of fees for similar positions in the market and the time commitment which each non-executive director makes. The non-executive directors receive no other remuneration or benefits from the Company.

Difference between the policy for directors and that for employees
Members of the wider management team may receive each of the components of remuneration awarded to the executive directors, although the amounts due for each component may vary, depending on their level of seniority.

Non-executive directors are not entitled to any component other than fees.

The wider employee population of the Company will receive remuneration which is considered to be appropriate to their level of responsibility and performance.

Approach to recruitment remuneration
The aim, when agreeing on components of a remuneration package, including any variable pay for incoming directors, would be in accordance with the table above.

Account is taken of the individual's experience, the nature of the role being offered and his or her existing remuneration package. Relocation expenses or allowances may be paid, as appropriate.

The committee may, at its discretion, offer cash or share-based elements, as necessary, to secure an appointment, although it does not normally do so. Shareholders will be informed of any such payments at the time of appointment.

Our main principle is that payments made to prospective directors as compensation for loss of benefits at a previous company are inherently unfair, since it would be extremely rare for anyone below board level to receive this sort of compensation.

Chairman and directors' service contracts
The executive directors are employed on rolling contracts, requiring the Company to give up to one year's notice of termination, while the director may give six months' notice. In the event of termination of employment with the Company, without the requisite period of notice, executive directors' service contracts provide for the payment of a sum equivalent to the net value of salary and benefits to which the executive would have been entitled during the notice period. The executive is required to mitigate his or her loss and such mitigation may be taken into account in any payment made. The Company's policies on the duration of directors' service contracts, notice periods and termination payments are all in accordance with best industry practice. The commencement dates for executive directors' service contracts were as follows:

Tim Martin – 20 October 1992
John Hutson – 2 February 1998
Su Cacioppo – 10 March 2008
Ben Whitley – 5 November 2015

All directors will be standing for re-election at the AGM. Their current service contracts do not have an explicit expiry date.

Non-executive directors
The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2018, with a term of 12 months.

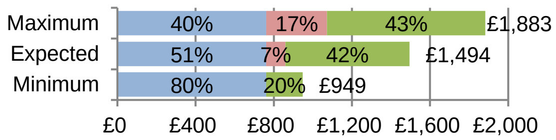
If their appointment is terminated early, the non-executive directors are entitled to the fees to which they would have been entitled up to the end of their term. They do not participate in the Company's bonus or share schemes. Their fees are determined by the executive directors, following consultation with professional advisers, as appropriate.

External appointments
Executive directors are not allowed to take external appointments without the prior consent of the Company. The Company has not released any executive directors to serve as a non-executive director elsewhere.

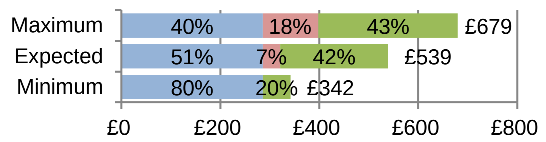
Illustration of the application of the remuneration policy
The charts below set out the composition of the chairman and executive directors' remuneration packages in £000, at a minimum, a reasonable expectation target and as a possible maximum:

Tim Martin

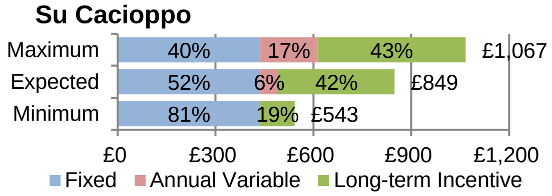
John Hutson



Ben Whitley



Su Cacioppo



The fixed annual values include:

- Fixed annual salary, benefits and allowances, in line with those outlined in the policy section, and based on the salaries applicable as at 28 July 2019

The annual variable values include the cash bonus which may be achievable. In the case of the 'expected', an average percentage achieved over the last five years has been used as a basis.

The long-term incentive plan values include:

- The fixed 25% awarded under the Company's Share Incentive Plan
- An average achieved in respect of the Deferred Bonus Scheme over the last five years

Payments for loss of office
The Company's policy is that the period of notice for executive directors will not exceed 12 months; accordingly, the employment contracts of the executive directors are terminable on 12 months' notice by the Company or six months' notice by a director.
The Company may terminate a director's employment without notice or compensation, in the event of gross misconduct.

In the event of a director's departure, the Company's policy on termination payments is as follows:

- The Company will seek to ensure that no more is paid than is warranted in each individual case
- Salary payments will be limited to notice periods
- There is no entitlement to bonus paid (or associated deferred shares or SIPs) following notice of termination
- The committee's normal policy is that, where the individual is considered a 'good leaver', a prorated bonus may be paid
- The Company may enable the provision of outplacement services to a departing director

Consideration of employment conditions elsewhere in the Company
The committee receives information on salary increases, bonus payments and other benefits available at the Company. These are taken into consideration when conducting the review of executive remuneration, although no formal consultation with employees is undertaken in this regard.

Consideration of shareholders' views
Any views in respect of directors' remuneration expressed to the Company by shareholders have been, and will be, taken into account in the formulation of the directors' remuneration policy.

Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year are provided in the annual report on remuneration.

Annual report on remuneration

The table below sets out in a single figure the total amount of remuneration, including each element, received by each director for the year ended 28 July 2019.

Single-figure table – audited

	Salary/fees		Taxable benefits[1]		Performance bonus[2]		Long-term incentives		Pension contributions[3]		Total	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Executive directors												
B Whitley	220	192	17	16	11	28	84	210	26	23	358	469
J Hutson	620	603	21	20	31	87	276	696	87	84	1,035	1,490
S Cacioppo	348	338	20	16	17	49	155	391	49	47	589	841
	1,188	1,133	58	52	59	164	515	1,297	162	154	1,982	2,800
Non-executive directors and chairman												
T R Martin	324	324	17	18	–	–	–	–	–	–	341	342
E McMeikan	53	51	–	–	–	–	–	–	–	–	53	51
D van Gene	53	51	–	–	–	–	–	–	–	–	53	51
R Beckett	53	51	–	–	–	–	–	–	–	–	53	51
H Morley	53	51	–	–	–	–	–	–	–	–	53	51
	536	528	17	18	–	–	–	–	–	–	553	546
Total	**1,724**	1,661	**75**	70	**59**	164	**515**	1,297	**162**	154	**2,535**	3,346

1) Taxable benefits include car allowances and the provision of rail travel for Tim Martin, as well as private health and fuel expenses for executive directors.
2) No bonus was awarded under the profit growth element of the bonus scheme, in line with policy. 5% was awarded in respect of the element for pub calls made to monitor standards, in line with the policy.
3) Executive directors receive either pension contributions, equivalent to 12% of salary, to the stakeholder pension plan or salary in lieu of pension contributions. Additional pension payments are made, equivalent to 2% of salary for 25–29 years' service, a further 2% for 30–34 years' service and a further 2% at 35+ years' service. Su Cacioppo, John Hutson and Ben Whitley took a portion of their pension in salary.

Details of targets applicable during the year are disclosed in the directors' remuneration policy statement. The resultant percentages against each of the bonus measures achieved are shown below, with the percentage awarded for each director being the same.

	Maximum	Awarded	B Whitley	J Hutson	S Cacioppo
Pub calls	5.0%	5.0%	11,000	30,989	17,397
Profit growth	45.0%	0.0%	–	–	–
Total performance bonus	50.0%	5.0%	11,000	30,989	17,397
Employee share scheme	25.0%	25.0%	51,223	152,640	85,682
Employee share scheme – long service*	5.0%	5.0%	–	30,528	17,137
Deferred Bonus Scheme	100.0%	15.0%	33,000	92,966	52,191
Total long-term incentives	130.0%	45.0%	84,223	276,134	155,010
Total	**180.0%**	**50.0%**	**95,223**	**307,123**	**172,407**

*J Hutson and S Cacioppo received an additional 5%, as they have completed 25 years' service with the Company.

There was no earnings-per-share growth this year. Awards under the Deferred Bonus Scheme are based on growth in owners' earnings per share of 6.0% and are multiplied by 2.5. Please see note 8 of our financial statements for the calculations of the above growth numbers.

Long-term incentive awards – audited

	Number of shares			Face value in £		
	*Share Incentive Plan	Bonus Scheme	**Deferred Total	Share Incentive Plan	Deferred Bonus Scheme	Total
B Whitley	3,901	12,496	16,397	51,223	164,447	215,670
J Hutson	13,956	39,293	53,249	183,168	517,096	700,264
S Cacioppo	7,834	22,059	29,893	102,819	290,296	393,115
	25,691	**73,848**	**99,539**	**337,210**	**971,839**	**1,309,049**

*Awarded at an average share price of £13.12, three days before grant, shares will vest three years after grant.
**Awarded at an average share price of £13.16, five days before grant, shares vest in three equal tranches, in September of each of 2018, 2019 and 2020.

All awards have no further performance conditions attached, except to be employed by the Company at the vesting date.

Directors and connected persons' interests in shares: audited
The interests of the directors in the shares of the Company, as at 28 July 2019, were as follows:

Ordinary shares of 2p each, held beneficially

	Shares	**Share Incentive Plan**	**Deferred Bonus Scheme**	**2019**	Shares	Share Incentive Plan	Deferred Bonus Scheme	2018
T R Martin*	**33,466,934**			**33,466,934**	33,466,934	–	–	33,466,934
B Whitley	**5,680**	**11,648**	**12,948**	**30,276**	3,079	11,949	12,251	27,279
J Hutson	**111,461**	**45,671**	**42,016**	**199,148**	101,632	51,696	43,935	197,263
S Cacioppo	**25,368**	**25,637**	**23,588**	**74,593**	24,734	27,954	24,479	77,167
E McMeikan	**1,000**	**–**	**–**	**1,000**	1,000	–	–	1,000
D van Gene	**1,000**	**–**	**–**	**1,000**	1,000	–	–	1,000
R Beckett	**2,000**	**–**	**–**	**2,000**	2,000	–	–	2,000
H Morley	**2,000**	**–**	**–**	**2,000**	2000	–	–	2000

*In last year's accounts some shares were incorrectly included within Tim Martin's holding. The comparative numbers in this year's accounts have been corrected.

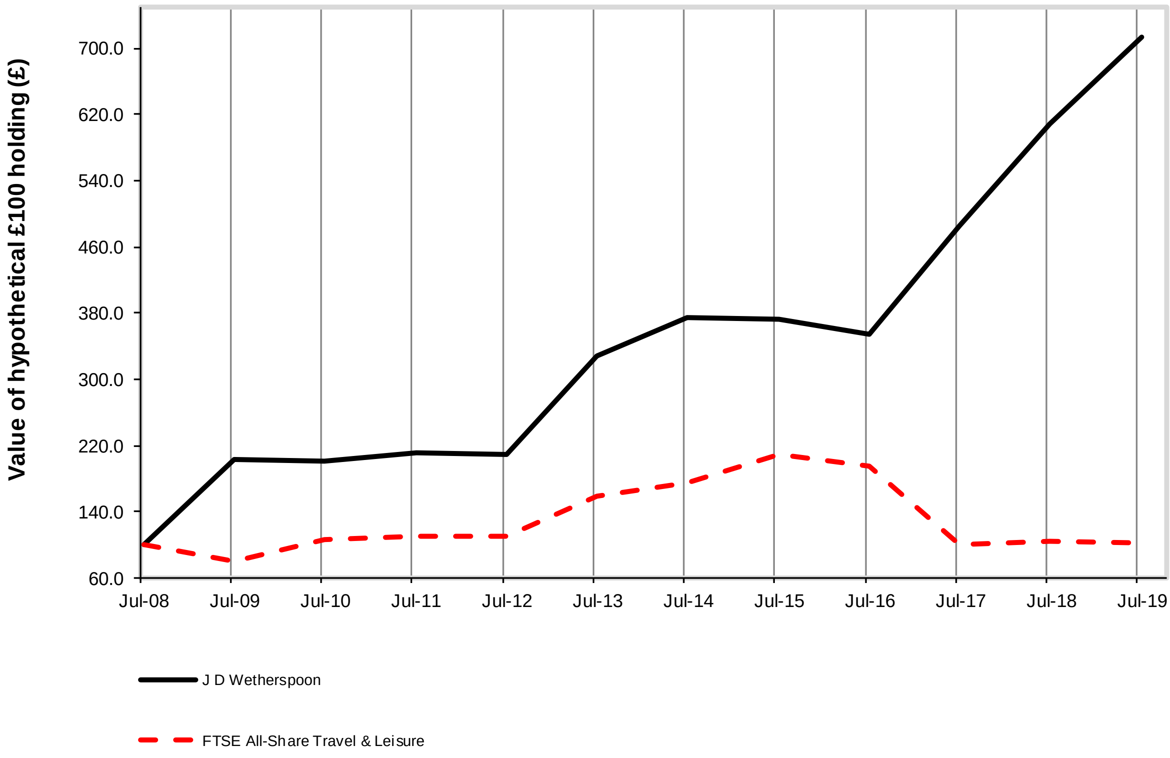
The Company does not enforce any specific requirements as to directors' shareholdings. With the exception of partnership shares, there have been no changes to these interests since 28 July 2019.

Partnership shares
John Hutson, Su Cacioppo and Ben Whitley are participants of the partnership share scheme and acquired 141 shares each in the year. The market price of the shares purchased ranged from 1,087.9 to 1,516.0p. Since 28 July 2019, John Hutson, Su Cacioppo and Ben Whitley acquired 10 shares each under the share partnership scheme.

Performance graph – non-audited information

This graph shows the total shareholder return (with dividends reinvested) of a holding of the Company's shares against a hypothetical holding of shares in the FTSE All-Share Travel & Leisure sector index. The directors selected this index, as it contains most of the Company's competitors and is considered to be the most appropriate index for the Company.

Growth in the value of a hypothetical £100 holding since July 2008, based on 30-trading-day average values



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Chief executive officer's remuneration

John Hutson	Single figure of total remuneration	Performance bonus payment achieved against maximum possible	Long-term incentives scheme shares vesting against maximum possible*
	£000	%	%
2019	1,035	10	100
2018	1,490	29	100
2017	1,698	85	100
2016	1,187	21	100
2015	1,202	10	100
2014	741	19	100
2013	1,079	43	100
2012	847	34	100
2011	628	24	100
2010	656	44	100

*As long-term incentive scheme shares issued have no further performance criteria attached, all shares previously awarded vest in full when the vesting date is reached.

The following table compares the change in remuneration of the chief executive with that of all employees.

John Hutson	2019	2018	Change	Total employees
	£000	£000	%	%
Salary	620	603	2.8	4.1
Taxable benefits	21	20	(5.0)	26.5
Performance bonus	31	87	(64.4)	6.9
	672	710	(5.4)	10.3

Change in total employees' salary is calculated based on the amounts paid to all employees adjusted for redundancy and employer's National Insurance payments, divided by the number of hours worked by employees.

Comparison of increases in remuneration, dividends and share buy-backs

	2019	2018	Change
	£000	£000	%
Dividends	12,652	12,655	(0.02)
Share buy-backs	5,399	36,205	(85.09)
Total employee remuneration	623,011	551,599	12.95

Remuneration committee

The remuneration committee comprises the following independent directors: Debra van Gene (chair), Elizabeth McMeikan, Sir Richard Beckett and Harry Morley.

The committee meets regularly and considers executive directors' remuneration annually. It approves all contractual and compensation arrangements for the executive directors, including performance-related payments.

Shareholders' vote on 2018 directors' remuneration report

The table below shows the voting outcomes at the 15 November 2018 AGM for the directors' remuneration report.

	Number of votes	% of votes
For	77,743,889	85.20%
Against	13,473,995	14.77%
Abstentions	24,781	0.03%
Total Cast	91,242,665	100.00%

Shareholders' vote on 2017 directors' remuneration policy.

The table below shows the voting outcomes at the 9 November 2017 AGM for the directors' remuneration policy.

	Number of votes	% of votes
For	86,183,895	94.84%
Against	4,477,466	4.93%
Abstentions	213,196	0.23%
Total Cast	90,874,557	100.00%

By order of the board

Nigel Connor
Company Secretary
12 September 2019

Statement of compliance
The Company is committed to high standards of corporate governance. The board believes that the Company has been compliant with the Code throughout the 52 weeks ended 28 July 2019, except as described below.

B.1.1 – Non-executive director independence

Elizabeth McMeikan, Debra van Gene and Sir Richard Beckett have served more than nine years on the board and so may not be considered independent under the Code. The board considers that their performance as non-executive directors continues to be effective. They contribute significantly as directors through their individual skills, considerable knowledge and experience of the Company. They also continue to demonstrate strong independence in the manner in which they discharge their responsibilities as directors. Consequently, the board has concluded that, despite their length of tenure, there is no association with management which could compromise their independence.

B.4.2 – Development

The chairman does not formally sit down with individual directors and identify specific training and development needs for them. The chairman and executive directors hold a series of weekly meetings, with head-office and pub managers, to try to identify areas of improvement for the business. Minutes are taken of these meetings and action points identified for a range of participants. In the opinion of the board, this process is effective in identifying problems and solutions and assists in training and developing directors on an informal, yet effective, basis.

B.6.2 – External board evaluation

A requirement of corporate governance is a recommendation for a third party to evaluate the functioning of the board. Delegation of a key task of the chairman and of the directors of the board itself to a third party, often with little or no connection with the Company's business and with a very limited knowledge of the directors, may be a dangerous step for a board to take. It is the function of the board itself to evaluate its own performance – and that performance is most evident from the results of the underlying business. For this reason, it is believed best for the Company to continue with its current system of 'self-evaluation'.

E.1.1 – Dialogue with shareholders

The Code indicates that the chairman should discuss governance and strategy with major shareholders. The chairman has had many discussions with shareholders since the Company's flotation in 1992, although corporate governance has rarely been raised. The majority of discussions with major shareholders now takes place among the CEO, finance director and shareholders. The chairman is available for discussion with major shareholders, when requested.

A full version of the Code is available on the official website of the Financial Reporting Council: frc.org.uk

Directors' conflicts of interest
The board expects the directors to declare any conflicts of interest and does not believe that any material conflicts of interest exist.

The board of directors
The board comprises the following members:
- Tim Martin, chairman
- John Hutson, chief executive officer
- Ben Whitley, finance director
- Su Cacioppo, personnel and legal director
- Elizabeth McMeikan, senior independent director
- Debra van Gene, non-executive director
- Sir Richard Beckett, non-executive director
- Harry Morley, non-executive director

The board considers each of Elizabeth McMeikan, Debra van Gene, Sir Richard Beckett and Harry Morley to be independent.

Biographies of all non-executive and executive directors are provided on page 55 and can be viewed on the Company's website: jdwetherspoon.com

The chairman regularly meets the non-executive directors and evaluates the performance of the board, its committees and its individual directors.

It is not advantageous, in a company like Wetherspoon, for there to be high barriers or exaggerated distinctions between the role of chairman and that of chief executive officer. However, some general distinctions are outlined overleaf.

Chairman's responsibility	Chief executive officer's responsibility
The chairman is responsible for the smooth running of the board and ensuring that all directors are fully informed of matters relevant to their roles	The chief executive officer is responsible for the smooth daily running of the business
Delegated responsibility of authority from the Company to exchange contracts for new pubs and to sign all contracts with suppliers	Developing and maintaining effective management controls, planning and performance measurements
Providing support, advice and feedback to the chief executive officer	Maintaining and developing an effective organisational structure
Supporting the Company's strategy and encouraging the chief executive officer with development of that strategy	External and internal communications, in conjunction with the chairman, on any issues facing the Company
Chairing general meetings, board meetings, operational meetings and agreeing on board agendas and ensuring that adequate time is available for discussion of agenda items	Implementing and monitoring compliance with board policies
Management of the chief executive officer's contract, appraisal and remuneration, by way of making recommendations to the remuneration committee	Timely and accurate reporting of the above to the board
Providing support to executive directors and senior managers of the Company	Recruiting and managing senior managers in the business
Helping to provide the 'ethos' and 'vision' of the Company, after discussions and debates with employees of all levels, customers, shareholders and including organisations such as CAMRA	Developing and maintaining effective risk-management and regulatory controls
Helping to provide information on customers and employees' views by calling on pubs	Maintaining primary relationships with shareholders and investors
Helping to make directors aware of shareholders' concerns	Chairing the management board responsible for implementing the Company's strategy
Helping to ensure that a culture of openness and debate exists in the Company	
Ensuring compliance with the London Stock Exchange and legal and regulatory requirements, in consultation with the board and the Company's external advisers	

The board has several established committees as set out below. The board met eight times during the year ending 28 July 2019; attendance of the directors and non-executives, where appropriate, is shown below.

	Board	Audit	Remuneration	Nomination
Number of meetings held in the year	8	4	3	1
Tim Martin	6	N/A	N/A	N/A
John Hutson	8	N/A	N/A	N/A
Su Cacioppo	8	4	N/A	1
Ben Whitley	8	4	N/A	1
Elizabeth McMeikan	8	3	3	1
Debra van Gene	8	4	3	1
Sir Richard Beckett	7	3	2	1
Harry Morley	8	4	3	1
Nigel Connor	8	4	N/A	N/A

Matters reserved for the board

The following matters are reserved for the board:

- **Board and management**
  - Structure and senior management responsibilities
  - Nomination of directors
  - Appointment and removal of chairman and company secretary

- **Strategic matters**
  - Strategic, financing or adoption of new business plans, in respect of any material aspect of the Company

- **Business control**
  - Agreement of code of ethics and business practice
  - Internal audit
  - Authority limits for heads of department

- **Operating budgets**
  - Approval of a budget for investments and capital projects
  - Changes in major supply contracts

- **Finance**
  - Raising new capital and confirmation of major facilities
  - The entry into finance leases
  - Specific risk-management policies, including insurance, hedging and borrowing limits
  - Final approval of annual and interim accounts and accounting policies
  - Appointment of external auditors

- **Legal matters**
  - Consideration of regular reports on material issues relating to any litigation affecting the Company
  - Institution of legal proceedings, where costs exceed certain values

- **Secretarial**
  - Call of all shareholders' meetings
  - Delegation of board powers
  - Disclosure of directors' interests

- **General**
  - Board framework of executive remuneration and costs
  - Any other matters not within the terms of reference of any committee of the board
  - Any other matter as determined from time to time by the board

Board committees

Audit committee
The committee is chaired by Harry Morley and comprises, Elizabeth McMeikan, Debra van Gene and Sir Richard Beckett.

Representatives of the Company's external auditors, Grant Thornton UK LLP, and the Company's internal audit director, finance director and personnel and legal director are invited to attend each audit committee meeting.

The committee's primary role is to assist the board in the provision of effective governance over the Company's financial reporting, risk management and internal control and, in particular, it performs the following activities:

- Assumes direct responsibility for the appointment, compensation, resignation and dismissal of the external auditors, including review of the external audit, its cost and effectiveness
- Reviews the independence of the external auditors, including consideration of the level of non-audit work carried out by them
- Reviews the scope and nature of the work to be performed by the external auditors, before audit commences
- Reviews the half-year and annual financial statements
- Ensures compliance with accounting standards and monitors the integrity of the financial statements and formal announcements relating to the financial performance of the Company and supports the board in its responsibility to ensure that the annual financial statements are fair, balanced and understandable
- Reviews the internal audit plan, which is updated to reflect the changing needs of the business and the concerns of management and the audit committee
- Reviews and raises questions on all internal audit reports and requests management to adjust the prioritisation of mitigating actions, as needed. Areas reviewed this year included supply chain and distribution centre, operations, system security & IT, cyber-crime, succession planning and payroll systems failure
- Reviews, with the support of specialists as required, controls over access to the IT systems used around the business and agrees with management on the timing of any mitigating actions to be carried out
- Reviews and monitors procedures in relation to the Company's whistle-blowing policy
- Reviews and questions the effectiveness of all risk-management and internal control systems
- Reviews the audit director's statement on internal controls on completed audits
- Considers the overall impact on the business of the matters arisen from the various reviews described above and any other matters which the auditors, internal or external, may bring to the attention of the committee
- Ensures that all matters, where appropriate, are raised and brought to the attention of the board

Significant financial reporting items
The accounting policies of the Company and the estimates and judgements made by management are assessed by the committee for their suitability. The following areas are those considered to be the most significant by the committee:

- The provision for the impairment of fixed assets and the onerous leases – several judgements are used in making this calculation, primarily on expected future sales and profits. The committee received reports and questioned management on the calculations made and the assumptions used

- Significant one-off items of expense or income are reported as exceptional on the face of the income statement. All exceptional items are reviewed by the committee
- The committee reviewed and raised questions on the calculations made by the Company in relation to the effectiveness and hedge accounting for interest-rate swaps

The committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the accounts.

Non-audit services
During the year, the Company made no use of specialist teams from Grant Thornton UK LLP, relating to accounting or tax services. The fees paid to Grant Thornton UK LLP for non-audit services were £Nil (2018: £37,500). The use of Grant Thornton UK LLP for non-audit work is monitored regularly, to achieve the necessary independence and objectivity of the auditors. In addition, the chair of the audit committee is consulted before awarding to the external auditors any non-audit services in excess of £20,000. Where the auditors provide non-audit services, their objectivity and independence are safeguarded by the use of different teams. See note 2 on page 16, for a breakdown of auditors' remuneration for audit and non-audit services.

External auditors
The audit committee is responsible for making recommendations to appoint, reappoint or remove external auditors. Following a review by the audit committee, the board agreed, in September 2019, to recommend to shareholders, at the annual general meeting, the appointment of Grant Thornton UK LLP as external auditors for a period of one year, following the external audit tender during the last financial year.

Audit-tendering and rotation
The audit committee keeps under review the requirements on audit-tendering and rotation from the European Union and the Competition and Markets Authority. The Company will be required to change its audit firm for the year ending 25 July 2038, at the latest.

Effectiveness of external auditors
The audit committee assesses the ongoing effectiveness of the external auditors and audit process, on the basis of meetings and internal reviews with finance and other senior executives.

In reviewing the independence of the external auditors, the audit committee considers several factors. These include the standing, experience and tenure of the external auditors, the nature and level of services provided and confirmation from the external auditors that they have complied with relevant UK independence standards.
The terms of reference of the audit committee are available on the Company's website.

Remuneration committee
The committee is chaired by Debra van Gene and comprises Elizabeth McMeikan, Sir Richard Beckett and Harry Morley. The directors' report on remuneration is set out on pages 59 to 67.

The terms of reference of the remuneration committee are available on the Company's website.

Nomination committee
The committee is chaired by Sir Richard Beckett and comprises Elizabeth McMeikan, Debra van Gene and Harry Morley. The committee meets at least annually and considers, among other matters, board appointments and the re-election of directors.
No director is involved in any decision about his or her own reappointment. In carrying out these activities, the non-executive directors follow the guidelines of the Institute of Chartered Secretaries and Administrators (ICSA) and comply with the Code.

The terms of reference of the nomination committee are available on the Company's website.

Employment policies
Staff are encouraged to make a commitment to the Company's success and to progress to more senior roles as they develop.

In selecting, training and promoting staff, the Company has to take account of the physically demanding nature of much of its work. The Company is committed to equality of opportunity and to the elimination of discrimination in employment.

The Company aims to create and maintain a working environment, terms and conditions of employment and personnel and management practices which ensure that no individual receives less favourable treatment on the grounds of his or her race, religion or belief, nationality, ethnic origin, age, disability, gender (including gender reassignment), sexual orientation, part-time status or marital status.

Employees who become disabled will be retained, where possible, and retrained, where necessary.

The Company has established a range of policies, covering issues such as diversity, employees' well-being and equal opportunities, aimed at ensuring that all employees are treated fairly and consistently.

Internal communications seek to ensure that staff are well informed about the Company's progress, through the use of regular newsletters, the Company's intranet and staff liaison discussion, at which employees' views are discussed and taken into account.

All pub staff participate in bonus schemes related to sales, profits, stocks and service standards.

Relations with shareholders
The board takes measures to ensure that all board members are kept aware of both the views of major shareholders and changes in the major shareholdings of the Company. Efforts made to accomplish effective communication include:

- Annual general meeting, considered to be an important forum for shareholders to raise questions with the board
- Regular feedback from the Company's stockbrokers
- Interim, full and ongoing announcements circulated to shareholders
- Any significant changes in shareholder movement being notified to the board by the company secretary, when necessary
- The company secretary maintaining procedures and agreements for all announcements to the Stock Market
- A programme of regular meetings between investors and directors of the Company

Risk management
The board is responsible for the Company's risk-management process.

The internal audit department, in conjunction with feedback from senior management of the business functions, produces a risk register annually.

The identified risks are assessed, based on the likelihood of a risk occurring and the potential impact to the business, should the risk materialise.

The audit director determines and reviews the risk-assessment process and will communicate the timetable annually.

The risk register is presented to the audit committee and management board annually, with a schedule of audit work agreed on, on a rolling basis. The purpose of this work is to review, on behalf of the Company and the board, those key risks and the systems of control necessary to manage such risks.

Where recommendations are made for changes in systems or processes to reduce risk, internal audit will follow up regularly to ensure that the recommendations are implemented.

A summary of the financial risks and treasury policies can be found on page 49, together with other risks and uncertainties.

Internal control
During the year, the Company provided an internal audit and risk-management function. The creation of a system of internal control and risk mitigation is a key part of the Company's operations and culture. The board is responsible for maintaining a sound system of internal control and reviewing its effectiveness. The function can only manage, rather than entirely eliminate, the risk of failure to achieve business objectives. It can provide only reasonable, and not absolute, assurance against material misstatement or loss. Ongoing reviews, assessments and management of significant risks took place throughout the year under review and up to the date of the approval of the annual report and accord with the Turnbull Guidance (Guidance on Internal Control).

The Company has an internal audit function which is discharged as follows:

- Regular audits of the Company's stock
- Unannounced visits to pub sites
- Monitoring systems which control the Company's cash
- Health & safety visits, ensuring compliance with Company procedures
- Reviewing and assessing the impact of legislative and regulatory change
- Risk-management process, identifying key risks facing the business

The Company has key controls, as follows:

- Authority limits and controls over cash-handling, purchasing commitments and capital expenditure
- A budgeting process, with a detailed 12-month operating plan and a mid-term financial plan, both approved by the board
- Business results reported weekly, with a report compared with budget and the previous year
- Forecasts prepared regularly throughout the year, for review by the board
- Complex treasury instruments are not used. The Company, from time to time, as stated in our report and accounts, enters into swap arrangements which fix interest rates at certain levels for a number of years and enters into supply arrangements with fixed prices for electricity and gas, for example, which run for between one and three years
- An annual review of the amount of external insurance which it obtains, bearing in mind the availability of such cover, its costs and the likelihood of the risks involved
- Regular evaluation of processes and controls, in relation to the Company's financial reporting requirements

The directors confirm that they have reviewed the effectiveness of the system of internal control.

Approved by order of the board

Nigel Connor
Company Secretary
12 September 2019

INFORMATION FOR SHAREHOLDERS

Ordinary shareholdings at 28 July 2019

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	3,772	89.3	1,646,360	1.6
2,501–10,000	230	5.4	1,083,846	1.0
10,001–250,000	183	4.3	10,160,261	9.7
250,001–500,000	20	0.5	6,729,477	6.4
500,001–1,000,000	6	0.1	4,231,121	4.0
Over 1,000,000	16	0.4	81,247,071	77.3
	4,227	100.0	105,098,136	100.0

Source: Computershare Investor Services plc

Substantial shareholdings
The Company has been notified of the following substantial holdings in its share capital at 24 July 2019:

	Number of ordinary shares	% of share capital
Tim Martin	33,466,934	31.8
Columbia Threadneedle Investments	17,276,010	16.4
Immersion Capital	5,630,272	5.4
Phoenix Asset Management Partners	4,107,378	3.9
Norges Bank Investment Mgt	3,518,738	3.4
J D Wetherspoon plc Company Share Plan*	3,465,054	3.3
Setanta Asset Mgt	2,485,199	2.4
Aberdeen Standard Investments (SWIP)	2,098,084	2.0

Source: Investec Bank plc. This schedule shows the consolidated shareholdings of individuals and companies, whereas the first table shows shareholdings by individual holding.

*This represents shares which have been purchased by the Company for the benefit of employees under the SIP. Please see page 61. This includes vested shares held by employees.

Share prices

29 July 2018	1,219p
Low	1,066p
High	1,581p
28 July 2019	1,540p

Shareholders' enquiries

If you have a query about your shareholding, please contact the Company's registrars directly:
Computershare Investor Services plc: uk.computershare.com/investor
0370 707 1091

Annual report

Paper copies of this annual report are available from the company secretary, at the registered office.

E-mail: investorqueries@jdwetherspoon.co.uk

This annual report is available on the Company's website: jdwetherspoon.com/investors-home

PUBS OPENED DURING THE FINANCIAL YEAR

Name	Address	Town	Postcode	Country
Palladium Electric	110 High Street	Midsomer Norton,	BA3 2DA	England
The Barrel Vault	Unit 23 St Pancras International Station, Pancras Road	London	N1C 4QP	England
The Tullow Gate	7 Tullow Street	Carlow		Republic of Ireland
The Captain Alexander	Victoria House, James Street	Liverpool	L2 7NX	England
The Silver Penny	12a/12c Abbey Street Lower	Dublin		Republic of Ireland

PUBS CLOSED DURING THE FINANCIAL YEAR

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 Newton 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
The Crown and Sceptre	2a Streatham Hill	Streatham	SW2 4AH	England
The Baron Cadogan	22-24 Prospect Street	Caversham	RG4 8JG	England
The King John’s Tavern	1 South Road	Hartlepool	TS26 9HD	England

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