J D Wetherspoon plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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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1. In the period the company adopted IFRS 16 leases with effect from 29 July 2019 which replaced the previous applicable accounting standard, IAS 17 Leases. To provide meaningful comparatives an income statement, cash flow and balance sheet under IAS 17 have been published on pages 14–16. These pages do not form part of the audited financial statements and are prepared under the previous year's accounting standards.

FINANCIAL HIGHLIGHTS

Like-for-like sales
-29.5%

Revenue £1,262.0m
(2019: £1,818.8m)
-30.6%

Free cash flow[1] -£58.9m
(2019: £97.0m)
-160.7%

Free cash flow[1] per share -54.2p
(2019: 92.0p)
-158.9%

Full-year dividend 0.0p
(2019: 12.0p)
-100.0%

Contribution to the economy:
taxes paid £560.9m (2019: £764.4m)
-26.6%

Before exceptional items

Operating profit[4] £7.2m
(Post-IFRS 16: £17.0m)
(2019: £131.9m)
-94.6%

(Loss)/profit before tax[4] -£34.1m
(Post IFRS 16: -£44.7m)
(2019: £102.5m)
-133.3%

Earnings per share[4]
(including shares held in trust) -27.6p
(Post IFRS 16: -35.5p)
(2019: 75.5p)
-136.6%

After exceptional items[2]

Operating (loss)/profit[4] -£6.0m
(Post IFRS 16: £3.8m)
(2019: £131.9m)
-104.6%

(Loss)/profit before tax[4] -£94.8m
(Post IFRS 16: -£105.4m)
(2019: £95.4m)
-199.3%

Earnings per share[4]
(including shares held in trust) -82.6p
(Post IFRS 16: -89.9p)
(2019: 69.0p)
-219.7%

Non-financial measures

Food hygiene rating[3] 4.96 out of 5
(2019: 4.97)
-0.2%

Pub manager length of service
12.9 years
(2019: 12.2 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.
[4] Excluding impact of IFRS 16.

Financial performance

The company was founded in 1979 – and this is the 37th year since incorporation in 1983. The table below outlines some key aspects of our performance during that period.

Summary accounts for the years ended July 1984 to 2020

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
2020	1,262,048	(34,095)	(27.6)	(58,852)	(54.2)

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
6. Financial year 2020 data is based on pre-IFRS 16 numbers.

Hygiene record and reopening preparations
For many years, Wetherspoon has emphasised the importance of hygiene standards, an area under close scrutiny today. Local authorities run a 'scores on the doors' scheme in England, Wales and Northern Ireland; this awards pubs from zero to five stars, following inspections by environmental health officers. Wetherspoon is rated the top large pub company, averaging 4.96 out of a maximum of five, with 758 pubs scoring a maximum of five.

Before pubs reopened after lockdown, the company, after consultation with employees, local authorities, the police and licensing officers, invested £13.1m to ensure that its staff and customers were safe.

Since reopening, Wetherspoon has operated comprehensive social distancing and hygiene practices in all of its pubs. These include reduced capacity levels, the spacing-out of tables, the installation of floor screens between tables and the addition of till-surround screens at the bar.

Staff conduct regular surface-cleaning, so that all hand contact-points in our pubs are frequently cleaned and sanitised throughout the day. Numerous hand sanitisers have been installed in each pub. All pubs are also thoroughly cleaned at the end of every trading day.

The financial consequences of the UK government's Covid-19 policies
The financial effects of the closure of pubs by the government in March, which lasted for approximately three months, were severe. Pretax profits* of £102m in the financial year ended July 2019 were followed by a loss of £34m* in the year of the lockdown – the financial year ended July 2020. In addition, exceptional costs of £29.1m were incurred in respect of Covid-19-related matters in FY20.

Wetherspoon and other pub and restaurant companies have always generated far more in taxes than is earned in profits. Wetherspoon generated total taxes of £764m in FY19 (see table below). In FY20, mainly as a result of the lockdown, total taxes paid to the government declined by £327m to £437m, net of furlough payments.

Taxes generated by Wetherspoon (including staff and customers):

	2020 **£m**	2019 £m
VAT	**244.3**	357.9
Alcohol duty	**124.2**	174.4
PAYE and NIC	**106.6**	121.4
Business rates	**39.5**	57.3
Corporation tax	**21.5**	19.9
Machine duty	**9.0**	11.6
Climate change levy	**6.1**	10.4
Carbon tax	**0.0**	1.9
Fuel duty	**1.7**	2.2
Stamp duty	**4.9**	3.7
Sugar tax	**2.0**	2.9
Premise licence and TV licences	**1.1**	0.8
TOTAL TAX	**560.9**	764.4
Tax per pub (£000)	**677.6**	871.4
Tax as % of sales	**44.4%**	42.0%
Furlough tax rebate	**-124.2**	0
TOTAL TAX ADJUSTED FOR FURLOUGH TAX REBATE	**436.7**	764.4
Tax per pub adjusted for furlough tax rebate (£000)	**527.6**	871.4

Mainly as a result of the lockdown, there have been substantial further 'knock-on' effects on the sales and profits of our third-party suppliers and contractors, ranging from large international brewers to architects, builders and small suppliers, such as window cleaners. Their losses are difficult to quantify, but we estimate that the total cost to the UK economy – to Wetherspoon (decline in profits equals £165.6m), the government (decline in tax generated equals £327.7m) and third parties – of closing Wetherspoon's pubs for approximately three months in the financial year was probably over £500m.

The academic, medical and political worlds have been split regarding the efficacy of lockdowns and the extent to which they confer health benefits which might justify these costs. SAGE members and the government appear broadly to believe that lockdowns improve health outcomes, whereas Professors Gupta and Heneghan of Oxford University, Professor Woolhouse of Edinburgh University, Nobel Prize winner Professor Levitt of Stanford University and many others broadly take the opposite view.

* Before exceptional items

In general, Wetherspoon supports the Swedish view of Professor Johan Giesecke, Anders Tegnell and others, which emphasises social distancing, hand-washing and trusting the people, rather than coercive measures such as lockdowns, curfews and fines, favoured by the UK government and its advisers. It seems to us that the Swedish approach is working relatively well, with fewer fatalities per million people than the UK, Spain and Italy, for example, as well as materially less economic damage.

Examples of important contributions to the debate also include those of writer Mathew Parris, who has argued that the view against lockdown is 'mainstream' and is under-represented in some sections of the media, and former Supreme Court judge Jonathan Sumption QC, who has argued that the use of emergency powers has infringed basic democratic rights and led to poor administrative standards.

Covid-19- the risks associated with pubs

There have been approximately 46 million customer visits to Wetherspoon's UK pubs since 4 July. There have been no instances reported to Wetherspoon through the NHS test and trace system, or from local health officials, of a transfer of the virus from staff to customers or vice versa – or among customers.

There has been one case in which enquiries by Wetherspoon auditors and local authority health officials concluded that insufficient social distancing in staff areas, not accessible to customers, probably resulted in four staff members testing positive. Following this incident, further training and information were provided to all Wetherspoon staff.

Many people presume that pubs are likely to be centres of virus transmission – it's 'commonsensical', as one government minister recently said. However counterintuitive though it may be, that does not appear to be the case. As Professor Johan Giesecke said in April (see Sky News interview, appendix 1): "If you don't get too close to other people, they won't infect you." The pub industry generally has worked very hard to maintain social distancing and Covid-safe environments, with considerable success.

As Councillor Ian Ward, leader of Birmingham City Council, has said:

"The data we have shows that the infection rate has risen, mainly due to social interactions, particularly private household gatherings. In shops and hospitality venues there are strict measures in place to ensure they are Covid-safe, whereas it is much easier to inadvertently pass on the virus in someone's house, where people are more relaxed and less vigilant."

Following a significant increase in testing in the UK, 429 (1%) Wetherspoon employees have tested positive for the virus since 4 July – from a total of 43,000 employees. In the UK as a whole, there have been 603,716 (0.9%) positive tests (as at Sunday 11 October, www.worldometers.info). Comparative information is not widely available, but Amazon, for example, recently reported 20,000 positive tests among its 1.37 million US employees (1.5%). If pubs were, indeed, 'centres of transmission', it might be expected that infection rates would be higher among employees than those of either the general population or companies like Amazon.

Internal enquiries indicate that most Wetherspoon employees who tested positive have had mild symptoms or been asymptomatic.

Certainty is impossible, yet it appears that most positive tests resulted from contacts outside of work. 670 pubs (77%) have had zero positive tests among staff; 116 pubs (13%) have had one positive test; 85 pubs (10%) have had two or more positive tests.

Financial outcome

Total sales in the financial year were £1,262.0m, a decrease of 30.6%. Like-for-like sales decreased by 29.5%, having increased by 5.9% in the first half. Bar sales decreased by 29.3%, food sales by 30.1%, slot/fruit machine sales by 20.9% and hotel room sales by 38.7%.

Pre-IFRS 16 operating profit, before exceptional items decreased by 94.6% to £7.2m (2019: £131.9m). The operating margin, before exceptional items was 0.6% (2019: 7.3%).

Pre-IFRS 16 profit before tax and exceptional items decreased by 133.3% to -£34.1m (2019: £102.5m), including property losses of £0.6m (2019: £5.6m). Earnings per share, including shares held in trust by the employee share scheme, before exceptional items, were -27.6p (2019: 75.5p).

Net interest was covered 0.3 times by operating profit before interest, tax and exceptional items (2019: 3.9 times).

Total capital investment was £171.6m in the period (2019: £167.6m), almost all of which occurred, or was contracted, before lockdown. £41.0m was invested in new pubs and pub extensions (2019: £35.2m), £32.1m in existing pubs and IT (2019: £55.2m) and £98.5m in freehold reversions, where Wetherspoon was already a tenant (2019: £77.2m).

Exceptional items totalled £60.7m (2019: £7.0m). There was a £3.5m loss on disposal, an impairment charge of £44.0m, expenditure in relation to Covid-19 of £29.1m and a credit of £15.9m in respect of a long-standing claim with HMRC for VAT on fruit/slot machines.

The total cash effect of exceptional items was a net cash outflow of £10.6m. There was an outflow related to Covid-19 expenditure of £23.2m, while beer and food stock losses, as a result of lockdown, were £5.9m. An inflow resulted from a successful HMRC fruit/slot machine VAT claim of £15.9m and pub disposal receipts of £2.6m. Since the current pub disposal programme started in 2015, it has produced a net inflow of £23m from the disposal of 109 pubs.

Free cash flow, after capital payments of £44.3m for existing pubs (2019: £54.3m), £11.1m for share purchases for employees (2019: £16.0m) and payments of tax and interest, decreased by £155.9m to -£58.9m (2019: £97.0m). Free cash flow per share was -54.2p (2019: 92.0p).

IFRS 16

On 29 July 2019, the company adopted the IFRS 16 leases standard. For the year ending 26 July 2020, as a result of the new standard, EBITDA has increased by £58.5m and operating profit by £9.8m. Finance costs increased by £21.5m. There will be no impact on cash flows, except in relation to tax payments. As a result of this new accounting standard, gross assets as at 26 July 2020 are £521.1m higher than last year and net assets are £8.0m lower.

Management actions

The company implemented an extensive set of measures to safeguard the business when the government closed pubs in March. These measures included the cancellation of the dividend, the raising of equity, a reduction in capital expenditure and the introduction of the government furlough scheme for employees.

Following a downturn of trade in the pub and restaurant industry, the company took the difficult decision to reduce the number of employees at its head office by 108. It has also started a consultation process to reduce staff numbers at airport pubs, where sales are generally much lower and where a high percentage is closed.

Dividends and return of capital

No interim dividend was paid in March 2020. The board is not proposing a final dividend payment for the year.

During the year, 419,741 shares (0.40% of the share capital) were purchased by the company for cancellation, at a cost of £6.5m, an average cost per share of 1,523p.

Financing

As at 26 July 2020, the company's total net debt, excluding derivatives, was £817.0m (2019: £737.0m), an increase of £80.0m.

Year-end net-debt-to-EBITDA ratio was 9.48 times (2019: 3.36 times) – EBITDA was £133m lower and net debt increased by £80m in 2020. The company has a waiver agreement in place, against the financial covenant tests, which extends to October 2021.

As at 26 July 2020, the company had £194.0m (2019: £158.0m) of cash or cash equivalents. There has been an increase in total facilities to £993.0m (2019: £895.0m), following the addition of a US private placement in August 2019.

In August 2020, the company raised an additional £48.3m under the coronavirus large business interruption loan scheme (CLBILS).

In order to try to avoid increased costs, the company has fixed its LIBOR interest rates in respect of £770m until March 2029. The weighted average cost of the swaps is 2.42% for this financial year (excluded the banks' margin); this will reduce to 1.61% at the end of July 2021.

The company has fully drawn down its revolving credit facility. As previously stated, it is the company's intention that the maximum net-debt-to-EBITDA ratio should be around 3.5 times, other than in the short term. The ratio has risen mainly as a result of the temporary closure of pubs. The company intends to reduce the level in a timely manner, as and when more normal trading conditions resume. The company has previously stated that debt levels of between 0 and 2 times EBITDA are a sensible long-term benchmark, although higher levels may be justified at times of very low interest rates.

The company conducted a non-pre-emptive placing of 15% of the company's issued ordinary share capital to raise £141m, with a good level of support from institutional investors; directors and members of the senior management team participated, alongside the equity placing, to raise a further £0.3m. The net proceeds were used to strengthen the company's balance sheet, working capital and liquidity position.

Taxation

The current tax credit (ie the cash which the company will receive from HMRC) for the period is £2.6m (2019: £22.5m charge). The rate of corporation tax recovered on current year losses is 4.5%. The 'accounting' tax credit, which appears in the income statement, is £6.2m (2019: £22.8m).

The company is awaiting an HMRC refund of excise duty totalling £524k, in relation to goods sent to the Republic of Ireland, when pubs first opened in the country. The company has been charged excise duty on the same goods twice, as they were purchased in the UK, and excise duty was paid in full, then Irish excise duty was also paid in full, when the goods were sent to Ireland. To ensure that taxpayers aren't subject to 'double taxation', there are provisions in place to allow the UK duty to be reclaimed from HMRC ('duty drawback'). However, owing to alleged procedural omissions, the company has been unable to reclaim this duty, even though it is transparently clear that the duty has been paid.

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 do supermarkets, 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, in these less affluent areas, there are often fewer pubs, coffee shops and restaurants, with less employment and increased high-street dereliction.

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

On 8 July 2020, the chancellor, Rishi Sunak, announced a temporary reduction in VAT to 5% in respect of food and non-alcoholic drinks sales. As a result, the company lowered its pricing on a wide range of products, including food, soft drinks and real ale. If the chancellor decides to make these VAT reductions permanent, the company intends to retain these lower prices indefinitely.

Corporate governance

The comments made in last year's annual report are just as relevant today and are repeated here:

"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, in April 2019, for all of our main institutional shareholders, to further explain our position, which the shareholder in question failed to attend. I then arranged a further meeting, in May 2019, with the shareholder at that shareholder's office.

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, several other shareholders expressed their discontent with the proposed resignations.
The executive board and I feel strongly that these sorts of board change 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.

This year's annual general meeting will take place on 17 December 2020.

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 781 pubs rated on the Food Standards Agency's website – the average score is 4.96, with 96.9% of the pubs achieving a top rating of five stars and 2.3% receiving four stars. We believe this to be the highest average rating for any substantial pub company.

In the separate Scottish scheme, which records either a 'pass' or a 'fail', all of our 62 pubs have passed.

We paid £33m in respect of bonuses and free shares to employees in the year, of which 98% was paid to staff below board level and 87% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2020) by The Top Employers Institute for the 17th consecutive year.

Thanks to fantastic efforts by our employees and customers, in association with the charity CLIC Sargent, approximately £1.1m was raised, bringing the total (since August 2002) to over £18.7m.

Property
The company opened two pubs during the year and sold or closed nine, resulting in a trading estate of 872 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.3m, compared with £2.6m a year ago. The full-year depreciation charge, excluding right-of-use assets, was £79.3m (2019: £81.8m).

Ten years ago, the company's freehold/leasehold split was 41.3%/58.7%. As at 26 July 2020, as a result of investment in freehold reversions (relating to pubs where the company was previously a tenant) and freehold pub openings, the split was 64.3%/35.7%. As at 26 July 2020, the net book value of the property, plant and equipment of the company was £1.4 billion, including £1.1 billion of freehold and long-leasehold property. The properties have not been revalued since 1999.

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.

Press corrections
Following lockdown, a large number of press reports misrepresented Wetherspoon's position in several important areas. The company complained to the media organisations concerned and obtained apologies or corrections from the Times, the BBC, Sky News, the Mirror, the Sun, the Daily Mail, Forbes and several other publications. Please see the article I wrote on this subject in appendix 2.

Current trading and outlook
Warren Buffett, chairman of Berkshire Hathaway, commented in 1989 (below) on the dangers of what he calls the 'institutional imperative' and how it compels companies to stay on the same course, even if it's the wrong course – and how it compels companies to imitate competitors. The institutional imperative applies just as much to governments as it does to boards of directors. Professor Johan Giesecke, the Warren Buffett of epidemiology, is obviously perplexed in an April TV interview (appendix 1 below) as to how 100 countries all reacted, almost overnight, in the same way to the Covid-19 problem, based on the deeply flawed analysis of Imperial College.

As Warren Buffett explains:
"My most surprising discovery: the overwhelming importance in business of an unseen force that we might call "the institutional imperative." In business school, I was given no hint of the imperative's existence and I did not intuitively understand it when I entered the business world. I thought then that decent, intelligent, and experienced managers would automatically make rational business decisions. But I learned over time that isn't so. Instead, rationality frequently wilts when the institutional imperative comes into play.

"For example: (1) As if governed by Newton's First Law of Motion, an institution will resist any change in its current direction; (2) Just as work expands to fill available time, corporate projects or acquisitions will materialize to soak up available funds; (3) Any business craving of the leader, however foolish, will be quickly supported by detailed rate-of-return and strategic studies prepared by his troops; and (4) The behavior of peer companies, whether they are expanding, acquiring, setting executive compensation or whatever, will be mindlessly imitated.

"Institutional dynamics, not venality or stupidity, set businesses on these courses, which are too often misguided. After making some expensive mistakes because I ignored the power of the imperative, I have tried to organize and manage Berkshire in ways that minimize its influence. Furthermore, Charlie and I have attempted to concentrate our investments in companies that appear alert to the problem."

Since 100 governments adopted a lockdown strategy, it was very difficult for any government to adopt a different course. However, pubs eventually reopened in England on 4 July and in the rest of the UK shortly thereafter.
The lockdown was far longer than was necessary to achieve its stated objective of 'flattening the curve' so as to assist the health service. Before pubs reopened, a detailed and comprehensive operating plan for the hospitality industry was nevertheless agreed on among the government, parliamentary committees, UK Hospitality, civil servants and other interested parties.

The regulations and guidelines reflected in the plan drastically reduced pub capacity, but were carefully thought out and had the backing of the industry, legislators, licensing officials, local authorities and the public.

For the two months following reopening, it appeared that the hospitality industry, in difficult circumstances, was adapting to the new régime and was getting 'back on its feet', albeit in survival mode.

It appears that the government and its advisers were clearly uncomfortable as the country emerged from lockdown. They have introduced, without consultation, under emergency powers, an ever-changing raft of ill-thought-out regulations – these are extraordinarily difficult for the public and publicans to understand and to implement. None of the new regulations appears to have any obvious basis in science.

For example, a requirement for table service was introduced – which is expensive to implement and undermines the essential nature of pubs for many people – pubs have now become like restaurants. Customers can approach the till in a shop, but not in a pub – which is, in no sense, 'scientific'.

In addition, face-coverings, for which the health benefits are debatable, need not be worn while seated, yet must be worn to go to visit the bathroom – another capricious regulation.

The most damaging regulation relates to the 10pm curfew, which has few supporters outside of the narrow cloisters of Downing Street and SAGE meetings.

This has meant that many thousands of hospitality industry employees, striving to maintain hygiene and social-distancing standards, go off duty at 10pm, leaving people to socialise in homes and at private events which are, in reality, impossible to regulate.

In marked contrast to the consistency of the comparatively successful Swedish approach, which emphasises social distancing, hygiene and trust in the people, the erratic UK government is jumping from pillar to post and is both tightening and tinkering with regulations, so we are now in quasi-lockdown which is producing visibly worse outcomes than those in Sweden, in respect of both health and the economy.

Risk cannot be eliminated completely in pubs, but sensible social-distancing and hygiene policies, combined with continued assistance and co-operation from the authorities, should minimise it.

Like-for-like sales in the first 11 weeks have been 15.0% below those of last year, with strong sales in the first few weeks, followed by a marked slowdown since the introduction of a curfew and other regulations, some of which are referred to above.

The recent curfew and introduction of table service only have been particularly damaging for trade, depressing sales for customers who find it too much 'faff', at the same time as substantially increasing costs.

As a result of recent changes in regulations, the outlook for pubs over the remainder of the current financial year is even more unpredictable than hitherto.

The company has successfully adapted its business, over the last 41 years, to cope with widely different political and economic circumstances. We now employ over 40,000 people, 10,000 of whom are shareholders in the company, and are a major contributor to national income, paying approximately one pound in every thousand of treasury receipts in 2019 and in preceding years.

However, the company and the entire hospitality industry need a more sensible and consistent regulatory framework in which to operate – the current environment of lockdowns, curfews and constantly changing regulations and announcements threatens not only pub companies, but the entire economy. The most important lesson, as Professor Mark Woolhouse of Edinburgh University has said, is that "lockdown just defers the problem; it doesn't solve it".

Tim Martin
Chairman
15 October 2020

Appendix 1 – Transcript of interview, former Swedish chief epidemiologist Johan Giesecke, SKY NEWS AUSTRALIA – 29th April 2020

"**Question:** You've been a strong critic of the idea of lockdowns, Sweden has avoided these sort of lockdowns that we're seeing here in Australia. Tell us your thoughts - are lockdowns the correct way to go?

Johan: You introduced me by saying that I would say that you got it all wrong. I don't think you go it all wrong but you painted yourself into a corner and I'm watching with interest how you and 100 other countries will climb out of the lockdown, because I don't think any government that I know gave a minute's thought about how they would get out of the different lockdowns that are installed. Take the school closure for example, if you close the schools, when are you going to open them, what's the criteria? I don't think anyone thought about that when the closure was decided on. Anyway, so Sweden doesn't have such a strict lockdown, there are a few things that are forbidden – the crowd can't be more than 50 people, at restaurants that are mostly open, there should be 5ft or 1.5 meters between the tables, you have to sit down to eat, there are a few things like that but rather mild things… there are very few laws and ordinances passed, you can go out without being stopped by the police and fined or threatened with prison and mostly we talk about trust… we trust the people - people are not stupid. That's… the basic line [in Sweden]. If you tell people what's good for them and what's good for their neighbours and other people, they do that. You take a restriction that's sensible and understandable, people will follow it.

Question: You said that you think the results are going to be similar across most countries regardless of the approach they've taken, can you take us through that?

Johan: There is a tsunami of a rather mild infection spreading around the globe and I think that's there's very little chance to stop it by any measure we take. Most people will become infected by this and most people won't even notice. We have data now from Sweden that shows between 98 and 99 percent of the cases have had a very mild infection or didn't even realise they were infected. So we have this spread of this mild disease around the globe and most of it is happening where we don't see it. It's among people that don't get very sick, spread it to someone else that doesn't get very sick and what we're looking at is a thin layer at the top of people who do develop the disease and even thinner layer of people that go into intensive care and then even thinner layer of people who die. But the real outbreak is happening where we don't see it.

Question: So…..you're saying that at some point pretty much everybody is going to get this disease to some degree or another. Here in Australia we've done an incredibly good job suppressing it. I'm wondering do you think we've done too good a job, is it possible to do too good a job suppressing it in the early stages such that you won't ever be able to take the foot off the break on your restrictions to get the disease just to a manageable flow of cases that the health system, which we were told this was all about preparing for that, be allowed to handle the cases as they come through.

Johan: Yes… one point is to flatten the curve a bit so that the health care isn't overused. You may succeed, and New Zealand may also succeed, but I've been asking myself when New Zealand or Australia has stamped out every case in the country, what do you do for the next 30 years. Will you close your borders completely? Quarantine everyone who is going to Australia or New Zealand? Because the disease will be out there. I don't know how you are going to handle that. That's your problem.

Question: You've said you think in most countries regardless of the measures we take, eg. Taiwan has been very successful and other countries like Italy have been disaster cases, but you think at the end of the day they're all pretty much going to end up with the same fatalities, the same results, the same deaths regardless of what measures they took. Explain that.

Johan: Yes. Basically I think it will be the same because, like I said, the real epidemic is invisible and it's going on all the time around us. The other thing with a lockdown is when you open it, you will have more cases, so the countries who pride themselves in having a few deaths now, will get these deaths when they start lifting the lockdown.

Question: Tell us briefly about the Imperial College results that sparked this worldwide panic. You believe they were flawed, these were the initial results that were coming out and the modelling that was saying millions are gonna die. You thought that was flawed, tell us why.

Johan: Yes, there are a few procedural things… One is that the paper was never published which is normal scientific behaviour. The second thing it wasn't peer-reviewed, which means it wasn't looked upon by other people, which is also normal scientific procedure. So it was more like an internal departmental communication, a memo. And then the big mistake of the Imperial group was under-estimating the proportion of the very mild cases that would never be detected, that's the main thing with that prediction. And it's fascinating how it changed the policy of the world. The UK made a u-turn overnight [upon] the publication of the paper which is fascinating. So, yes, there were several other mistakes with the paper but it gets very technical to get into that.

Question: You mention that the overwhelming majority of people that get this disease have no symptoms or very minimal symptoms. Do we even know the real fatality rate of the coronavirus?

Johan: No. Well it's around 0.1%.

Question: We were told it was 3% initially, initially 2%, are you saying now that it's 0.1%., that's pretty much the same fatality rate as the regular flu isn't it?

Johan: I think it's a bit higher actually. I said before in Sweden that this is like a severe influenza. I don't think that's completely true – it will be a bit more severe than the influenza, maybe double but not tenfold.

Question: With all of the health care systems focusing on flattening the curve and being prepared for these waves of infection, which aren't necessarily coming because of the very restrictive measures, overall are we gonna see more people dying, we talked a little bit about this before on the show, of cancers, heart attacks, things like that, simply because they're too scared to go to the hospital because they think they won't get treated. Is there going to be other deaths that are going to be caused by our overweighting focus just on this one particular disease?

Johan: Could well be. The emergency rooms here in Stockholm have about 50% of the usual number of patients coming in, and one reason is probably that people are scared of contracting the disease when they go into hospitals, and another is that, I think, they say they can wait a bit until the thing is over.

Question: You've said the best policy, the correct policy, would be to simply protect the old and the frail. Is that correct?

Johan: Yes, and that's the Swedish model. It has… two pillars. One is only use measures that are evidence-based. And there are two that are evidence-based… one is washing hands… we've known that for 150 years since Semmelweis in Austria a long time ago. The other is social distancing. If you don't get too close to other people, they won't infect you. And the third may be trust people. People are not stupid, if you tell them what's good for them they will do what you say. You don't need soldiers on the street - and police. It's unnecessary. ”

Appendix 2 – Tim's Viewpoint, Wetherspoon News, Summer 2020

The press plays a vital role – but don't believe everything you read

"Some journalists apply more spin than a Shane Warne googly and more venom than a Waqar Younis Yorker

The press plays a vital role in a free society by shining a light on privilege and power, including on those who run businesses – and by informing and entertaining.

We blame the press for many sins, but there's some truth in the defence that it's often just saying what we like to read.

To understand what makes a press 'story', it's useful to hark back to 2003, when a customer wrote to Wetherspoon News complaining about swearing in one of our pubs.

I replied in this magazine that I would ask customers to 'mind their language'.

Believe it or not, that workaday response to a customer in our humble publication became one of the biggest news stories in the world, for a few days.

It was a leading news headline on BBC and ITV and featured in most local papers – as well as in numerous publications in faraway India, Canada, the US, Australia and elsewhere.

I was even phoned by a relative living in the Swedish 'outback', saying that the story was on the front page of the village paper… but why did it go viral?

In truth, the story was given a 'twist' by a journalist from a pub industry newspaper who said that Wetherspoon might 'punish' customers for swearing.

This transformed the story from 'true, but boring' into 'not quite true, but very interesting'.

Some people think that newspapers should always stick to the truth, but, to be fair, the 'Wetherspoon bans swearing' story was probably innocent fun – no harm done
– and the public knew instinctively that it wasn't LITERALLY true.

Part (but only part) of the reason for buying a newspaper is to be entertained – no one attending a Billy Connolly or Kevin Bridges show expects them, for example, to stick to the literal truth.

Artistic licence is permitted to embellish a comedian's monologue, and the same can be true of journalists – with the proviso that, in the process, innocent parties should not be unfairly damaged or duped.

Hence, we have libel laws and controls over press accuracy, including a 'right of reply' – to protect what Shakespeare called the 'bubble reputation'.

However, a vicious side of the press was revealed after 20 March, when pubs and restaurants were closed, without notice, by the government, throwing Wetherspoon and almost the entire pub and restaurant industry into default on bank loans – with hundreds of thousands out of work.

I recorded an internal company video, less than 48 hours after pubs were closed, hoping to reassure employees that they would be 'furloughed' and would not lose their jobs – which was happening, on a large scale, elsewhere in the economy.

The video said: "All our endeavours are going to be on trying to make sure that you get your money."

And an e-mail, which went out with the video, said that "employees will be paid as normal on Friday 27 March".

In fact, staff were paid on that Friday and have been paid on every Friday since – thanks, above all, to the lightning-quick creation of a furlough scheme and, in our case at least, great flexibility from banks.

However, the press was looking for a 'story' with a villain, and the truth was subject to malicious distortion.

Times journalist Caitlin Moran, for example, with more spin than a Shane Warne googly, said that Wetherspoon employees "wouldn't get paid until the end of April for work they had done" which The Times has now retracted through gritted teeth.

Fellow Times columnist Alistair Osborne referred to me as a rat, while Caitlin Moran herself, with more venom than a Waqar Younis yorker, called me the worst word in the language, albeit with hyphens replacing some letters – as did the Daily Mail.

Ben Marlow of The Daily Telegraph said that I was "Britain's worst ever boss" – and scores of press stories made similar accusations.

Maybe the press can justify this hyperbole – it has newspapers to sell in an Internet-ravaged industry.

However, the wackiest behaviour, during these mad March days, was from two MPs, Rachel Reeves and Jo Stevens, who, with Wetherspoon and the hospitality industry at their most vulnerable, tried to turn the story to personal political advantage.

Jo Stevens, MP for Cardiff Central, invented a story on Twitter that I had appeared in front of a parliamentary committee (the BEIS) then chaired by Rachel Reeves, MP for Leeds West, and, as a result of that appearance, had “u-turned on decision not to pay 43,000 staff while pubs are shut”.

This was complete cobblers.

I never appeared in front of the BEIS Committee, as both Stevens and Reeves know, and Wetherspoon had already undertaken to pay staff on 27 March.

They must have been bonkers to have made up a fictitious appearance in front of a parliamentary committee – since that could so easily be disproved.

Rachel Reeves added to Twitter ‘disinformation’ and confusion (7, opposite) by saying that Wetherspoon was at “first refusing to lock down altogether”.

That’s a complete lie.

All Wetherspoon pubs shut, when requested, on Friday 20 March – ask any of our staff or customers.

I wrote to Reeves on 2 April to complain, yet received no reply.

Wetherspoon’s response to the torrent of ‘disinformation’ has been to wade through the press articles, one by one, and to write to the various publications to ask them to print a correction.

Bravo and thanks to publications like the Daily Mirror, Sky News and local newspapers like the Herald Express and the Loughborough Echo which cared enough about the truth to publish a correction or a Wetherspoon article in response.

For democracy to work, the press itself, given its huge power, has to be subject to regulation and scrutiny.

If the press is the guardian of democracy, who guards the guardians, as Lord Leveson famously asked in his inquiry into the press, stemming from the phone-hacking scandal.

Politicians themselves, over the years, have championed the campaign to require the media to correct inaccurate statements.

As the public realises, the press often, but not always, bends the truth out of any recognisable shape, in pursuit of a story.

It is disturbing, therefore, that MPs Jo Stevens and Rachel Reeves have, themselves, resorted to blatant fabrication – which, itself, was the source of much media inaccuracy.

Perhaps John Webster, Shakespeare’s contemporary, was right when he said:

“A politician is the devil’s quilted anvil; he fashions all sins on him, and the blows are never heard.”

But just as a free society needs the press, it also needs honest politicians.

Even in our murky and compromised world, the truth will out – that’s why democracy works so well, despite its trials and tribulations. ”

Tim Martin
Chairman

PRE-IFRS 16 INCOME STATEMENT for the 52 weeks ended 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items £000	52 weeks ended 26 July 2020 After exceptional items £000	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
Revenue	1	**1,262,048**	**–**	**1,262,048**	1,818,793	–	1,818,793
Operating costs		**(1,254,896)**	**(13,201)**	**(1,268,097)**	(1,686,876)	–	(1,686,876)
Operating profit/(loss)	2	**7,152**	**(13,201)**	**(6,049)**	131,917	–	131,917
Property (losses)/gains	3	**(641)**	**(47,476)**	**(48,117)**	5,599	(7,040)	(1,441)
Finance income	6	**161**	**–**	**161**	41	–	41
Finance costs	6	**(40,767)**	**–**	**(40,767)**	(35,098)	–	(35,098)
(Loss)/profit before tax		**(34,095)**	**(60,677)**	**(94,772)**	102,459	(7,040)	95,419
Income tax expense		**4,158**	**1,004**	**5,162**	(22,830)	188	(22,642)
(Loss)/profit for the period		**(29,937)**	**(59,673)**	**(89,610)**	79,629	(6,852)	72,777
Earnings per share (p)							
– Basic[1]	8	**(27.6)**	**(55.0)**	**(82.6)**	77.2	(6.6)	70.6
– Diluted[2]	8	**(27.6)**	**(55.0)**	**(82.6)**	75.5	(6.5)	69.0

RECONCILIATION TO STATUTORY PROFIT for the 52 weeks ended 26 July 2020

	Notes	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items £000	52 weeks ended 26 July 2020 After exceptional items £000	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
(Loss)/profit before IFRS 16		**(29,937)**	**(59,673)**	**(89,610)**	79,629	(6,852)	72,777
Operating costs		**58,503**	**–**	**58,503**	–	–	–
Amortisation and depreciation							
Right-of-use assets	25	**(49,059)**	**–**	**(49,059)**	–	–	–
Lease premium		**368**	**–**	**368**	–	–	–
Disposal of leases	3	**1,125**	**–**	**1,125**	–	–	–
Impairment							
Right-of-use assets	3	**–**	**(4,722)**	**(4,722)**	–	–	–
Property, plant and equipment		**–**	**3,311**	**3,311**	–	–	–
Onerous leases provision		**–**	**1,411**	**1,411**	–	–	–
Finance income	6	**451**	**–**	**451**	–	–	–
Finance costs	6	**(21,980)**	**–**	**(21,980)**	–	–	–
Income tax expense		**2,012**	**629**	**2,641**	–	–	–
(Loss)/profit for the period		**(38,517)**	**(59,044)**	**(97,561)**	79,629	(6,852)	72,777

[1] Calculated excluding shares held in trust.
[2] Calculated using issued share capital which includes shares held in trust.
To provide meaningful comparatives the above statement has been presented under the previous year's accounting standards and does not form part of the audited financial statements.

PRE-IFRS 16 CASH FLOW STATEMENT for the 52 weeks ended 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 Jul 2020 £000	Free cash flow[1] 52 weeks ended 26 Jul 2020 £000	52 weeks ended 28 Jul 2019 £000	Free cash flow[1] 52 weeks ended 28 Jul 2019 £000
Cash flows from operating activities					
Cash generated from operations	9	**38,718**	**38,718**	227,176	227,176
Interest received		**59**	**59**	33	33
Interest paid		**(29,914)**	**(29,914)**	(33,957)	(33,957)
Corporation tax paid		**(10,971)**	**(10,971)**	(19,661)	(19,661)
Net cash flow from operating activities		**(2,108)**	**(2,108)**	173,591	173,591
Cash flows from investing activities					
Reinvestment in pubs		**(43,370)**	**(43,370)**	(47,398)	(47,398)
Reinvestment in business and IT projects		**(926)**	**(926)**	(6,923)	(6,923)
Investment in new pubs and pub extensions		**(50,408)**		(26,778)	
Freehold reversions and investment properties		**(98,467)**		(77,207)	
Lease premiums paid		**–**		(451)	
Proceeds of sale of property, plant and equipment		**4,810**		9,319	
Net cash flow from investing activities		**(188,361)**	**(44,296)**	(149,438)	(54,321)
Cash flows from financing activities					
Equity dividends paid	11	**(8,371)**		(12,652)	
Purchase of own shares for cancellation	28	**(6,456)**		(5,399)	
Purchase of own shares for share-based payments		**(11,125)**	**(11,125)**	(16,004)	(16,004)
Loan issue cost	10	**(1,323)**	**(1,323)**	(6,268)	(6,268)
Advances under private placement	10	**98,000**		–	
Advances under / (repayment of) bank loans	10	**100,000**		(13,865)	
Advances under asset-financing	10	**16,152**		12,000	
Issue of share capital	28	**137,995**		–	
Asset-financing principal payments	10	**(2,902)**		(2,106)	
Net cash flow from financing activities		**321,970**	**(12,448)**	(44,294)	(22,272)
Net change in cash and cash equivalents	10	**131,501**		(20,141)	
Opening cash and cash equivalents	19	**42,950**		63,091	
Closing cash and cash equivalents	19	**174,451**		42,950	
Free cash flow	8		**(58,852)**		**96,998**
Free cash flow per ordinary share (p)	8		**(54.2)**		92.0

To provide meaningful comparatives the above statement has been presented under the previous year's accounting standards and does not form part of the audited financial statements.

PRE-IFRS 16 BALANCE SHEET as at 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	26 Jul 2020 £000	28 Jul 2019 £000
Non-current assets			
Property, plant and equipment		**1,439,467**	1,384,971
Intangible assets	12	**8,895**	23,070
Investment property	14	**11,527**	5,531
Other non-current assets		**7,520**	7,888
Derivative financial instruments	23	**–**	321
Deferred tax assets	7	**15,617**	8,342
Total non-current assets		**1,483,026**	1,430,123
Current assets			
Assets held for sale	18	**–**	3,146
Inventories	16	**23,095**	23,717
Receivables		**36,387**	21,903
Current income tax receivables		**7,672**	–
Cash and cash equivalents	19	**174,451**	42,950
Total current assets		**241,605**	91,716
Total assets		**1,724,631**	1,521,839
Current liabilities			
Borrowings	21	**(7,610)**	(3,287)
Trade and other payables		**(267,677)**	(308,326)
Current income tax liabilities		**–**	(10,986)
Provisions		**(4,759)**	(4,072)
Total current liabilities		**(280,046)**	(326,671)
Non-current liabilities			
Borrowings	21	**(983,828)**	(776,683)
Derivative financial instruments	23	**(82,194)**	(49,393)
Deferred tax liabilities	7	**(42,138)**	(39,416)
Provisions		**(1,488)**	(1,934)
Other liabilities		**(9,738)**	(10,930)
Total non-current liabilities		**(1,119,386)**	(878,356)
Net assets		**325,199**	316,812
Shareholders' equity			
Share capital	28	**2,408**	2,102
Share premium account		**280,975**	143,294
Capital redemption reserve		**2,337**	2,329
Hedging reserve		**(66,577)**	(40,730)
Currency translation reserve		**7,089**	5,370
Retained earnings		**98,967**	204,447
Total shareholders' equity		**325,199**	316,812

To provide meaningful comparatives the above statement has been presented under the previous year's accounting standards and does not form part of the audited financial statements.

INCOME STATEMENT for the 52 weeks ended 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	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
Revenue	1	**1,262,048**	**–**	**1,262,048**	1,818,793	–	1,818,793
Operating costs		**(1,245,084)**	**(13,201)**	**(1,258,285)**	(1,686,876)	–	(1,686,876)
Operating profit/(loss)	2	**16,964**	**(13,201)**	**3,763**	131,917	–	131,917
Property (losses)/gains	3	**484**	**(47,476)**	**(46,992)**	5,599	(7,040)	(1,441)
Finance income	6	**612**	**–**	**612**	41	–	41
Finance costs	6	**(62,747)**	**–**	**(62,747)**	(35,098)	–	(35,098)
(Loss)/profit before tax		**(44,687)**	**(60,677)**	**(105,364)**	102,459	(7,040)	95,419
Income tax expense	7	**6,170**	**1,633**	**7,803**	(22,830)	188	(22,642)
(Loss)/profit for the period		**(38,517)**	**(59,044)**	**(97,561)**	79,629	(6,852)	72,777
Earnings per share (p)							
– Basic[1]	8	**(35.5)**	**(54.4)**	**(89.9)**	77.2	(6.6)	70.6
– Diluted[2]	8	**(35.5)**	**(54.4)**	**(89.9)**	75.5	(6.5)	69.0
Operating profit/(loss) per share (p)							
– Diluted[2]	8	**15.8**	**(12.3)**	**3.4**	125.1	–	125.1

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 26 July 2020

	Notes	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: loss taken to other comprehensive income	23	**(33,122)**	(24,963)
Tax on items taken directly to other comprehensive income	7	**7,275**	4,243
Currency translation differences		**1,293**	181
Net loss recognised directly in other comprehensive income		**(24,554)**	(20,539)
(Loss)/profit for the period		**(97,561)**	72,777
Total comprehensive income for the period		**(122,115)**	52,238

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

CASH FLOW STATEMENT for the 52 weeks ended 26 July 2019

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 Jul 2020 £000	Free cash flow[1] 52 weeks ended 26 Jul 2020 £000	52 weeks ended 28 Jul 2019 £000	Free cash flow[1] 52 weeks ended 28 Jul 2019 £000
Cash flows from operating activities					
Cash generated from operations	9	**75,665**	**75,665**	227,176	227,176
Interest received		**59**	**59**	33	33
Interest paid		**(29,914)**	**(29,914)**	(33,957)	(33,957)
Corporation tax paid		**(10,971)**	**(10,971)**	(19,661)	(19,661)
Lease interest		**(18,080)**	**(18,080)**	–	–
Net cash flow from operating activities		**16,759**	**16,759**	173,591	173,591
Cash flows from investing activities					
Reinvestment in pubs		**(43,370)**	**(43,370)**	(47,398)	(47,398)
Reinvestment in business and IT projects[2]		**(926)**	**(926)**	(6,923)	(6,923)
Investment in new pubs and pub extensions		**(50,408)**		(26,778)	
Freehold reversions and investment properties		**(98,467)**		(77,207)	
Lease premiums paid		**–**		(451)	
Proceeds of sale of property, plant and equipment		**4,810**		9,319	
Net cash flow from investing activities		**(188,361)**	**(44,296)**	(149,438)	(54,321)
Cash flows from financing activities					
Equity dividends paid	11	**(8,371)**		(12,652)	
Purchase of own shares for cancellation	28	**(6,456)**		(5,399)	
Purchase of own shares for share-based payments		**(11,125)**	**(11,125)**	(16,004)	(16,004)
Loan issue cost	10	**(1,323)**	**(1,323)**	(6,268)	(6,268)
Advances under private placement	10	**98,000**		–	
Advances under / (repayment of) bank loans	10	**100,000**		(13,865)	
Advances under asset-financing	10	**16,152**		12,000	
Lease principal payments	25	**(18,867)**	**(18,867)**	–	–
Issue of share capital	28	**137,995**		–	
Asset-financing principal payments	10	**(2,902)**		(2,106)	
Net cash flow from financing activities		**303,103**	**(31,315)**	(44,294)	(22,272)
Net change in cash and cash equivalents	10	**131,501**		(20,141)	
Opening cash and cash equivalents	19	**42,950**		63,091	
Closing cash and cash equivalents	19	**174,451**		42,950	
Free cash flow	8		**(58,852)**		**96,998**
Free cash flow per ordinary share (p)	8		**(54.2)**		92.0

[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, all amounts were intangible assets (2019: £5,859,000, with the remaining balance being related equipment).

BALANCE SHEET as at 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	26 Jul 2020 £000	28 Jul 2019 £000
Non-current assets			
Property, plant and equipment	13	**1,442,778**	1,384,971
Intangible assets	12	**8,895**	23,070
Investment property	14	**11,527**	5,531
Other non-current assets	15	**–**	7,888
Right-of-use assets	25	**514,169**	–
Derivative financial instruments	23	**–**	321
Deferred tax assets	7	**15,617**	8,342
Lease assets	25	**11,115**	–
Total non-current assets		**2,004,101**	1,430,123
Current assets			
Lease assets	25	**1,736**	–
Assets held for sale	18	**–**	3,146
Inventories	16	**23,095**	23,717
Receivables	17	**32,176**	21,903
Current income tax receivables	7	**10,313**	–
Cash and cash equivalents	19	**174,451**	42,950
Total current assets		**241,771**	91,716
Total assets		**2,245,872**	1,521,839
Current liabilities			
Borrowings	21	**(7,610)**	(3,287)
Trade and other payables	20	**(255,085)**	(308,326)
Current income tax liabilities	7	**–**	(10,986)
Provisions	22	**(3,038)**	(4,072)
Lease liabilities	25	**(65,343)**	–
Total current liabilities		**(331,076)**	(326,671)
Non-current liabilities			
Borrowings	21	**(983,828)**	(776,683)
Derivative financial instruments	23	**(82,194)**	(49,393)
Deferred tax liabilities	7	**(42,138)**	(39,416)
Provisions	22	**–**	(1,934)
Other liabilities	24	**–**	(10,930)
Lease liabilities	25	**(489,388)**	–
Total non-current liabilities		**(1,597,548)**	(878,356)
Net assets		**317,248**	316,812
Shareholders' equity			
Share capital	28	**2,408**	2,102
Share premium account		**280,975**	143,294
Capital redemption reserve		**2,337**	2,329
Hedging reserve		**(66,577)**	(40,730)
Currency translation reserve		**7,089**	5,370
Retained earnings		**91,016**	204,447
Total shareholders' equity		**317,248**	316,812

The financial statements, on pages 17–61, approved by the board of directors and authorised for issue on 15 October 2020, 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**
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 on cash flow hedges	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 payments	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**
Total comprehensive income					(25,847)	1,719	(97,987)	(122,115)
Loss for the period							(97,561)	(97,561)
Interest-rate swaps: cash flow hedges	23				(33,122)		–	(33,122)
Tax on cash flow hedges	7				7,275		–	7,275
Currency translation differences						1,719	(426)	1,293
Issue of share capital		314	137,681				–	137,995
Purchase of own shares for cancellation		(8)		8			(6,456)	(6,456)
Share-based payment charges							10,705	10,705
Tax on share-based payments	7						(197)	(197)
Purchase of own shares for share-based payments							(11,125)	(11,125)
Dividends	11						(8,371)	(8,371)
At 26 July 2020		**2,408**	**280,975**	**2,337**	**(66,577)**	**7,089**	**91,016**	**317,248**

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 26 July 2020, the number of shares held in trust was 1,996,358 (2019: 2,259,401), with a nominal value of £35,447 (2019: £45,188) and a market value of £16,961,227 (2019: £34,794,775); these are included in retained earnings.

During the year, 419,741 shares were repurchased by the company for cancellation, representing approximately 0.40% of the issued share capital, at a cost of £6.5m, including stamp duty, representing an average cost per share of 1,523p.

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 26 July 2020, the company had distributable reserves of £31.5m.

1. Revenue

	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Bar	**761,065**	1,094,001
Food	**452,150**	656,955
Slot/fruit machines	**35,931**	46,404
Hotel	**11,780**	19,699
Other	**1,122**	1,734
	1,262,048	1,818,793

2. Operating profit/loss – analysis of costs by nature

This is stated after charging/(crediting):	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Concession rental payments	**–**	32,086
Minimum operating lease payments	**–**	38,241
Variable concession rental payments	**4,609**	–
Short leases	**204**	–
Repairs and maintenance	**75,861**	76,879
Net rent receivable	**(1,484)**	(1,545)
Share-based payments (note 5)	**10,705**	11,558
Depreciation of property, plant and equipment (note 13)	**75,386**	73,779
Amortisation of intangible assets (note 12)	**3,806**	7,634
Depreciation of investment properties (note 14)	**79**	55
Amortisation of right-of-use assets (note 25)	**49,059**	–
Amortisation of other non-current assets (note 15)	**–**	343

Auditor's remuneration	52 weeks Ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Fees payable for the audit of the financial statements		
– Standard audit fees	**171**	167
– Additional audit work	**–**	23
Fees payable for other services:		
– Audit related services	**27**	27
Total auditor's fees	**198**	217

Analysis of continuing operations	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Revenue	**1,262,048**	1,818,793
Cost of sales	**(1,217,521)**	(1,639,378)
Gross profit	**44,527**	179,415
Administration costs	**(40,764)**	(47,498)
Operating profit after exceptional items	**3,763**	131,917

Included within cost of sales is £449.2m (2019: £640.5m) relating to cost of inventory recognised as expense.

3. Property gains and losses

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	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
Disposals						
Fixed assets	**1,002**	**2,769**	**3,771**	(4,650)	1,015	(3,635)
Leases	**(1,125)**	**–**	**(1,125)**	–	–	–
Additional costs of disposal	**258**	**684**	**942**	230	568	798
	135	**3,453**	**3,588**	(4,420)	1,583	(2,837)
Impairments						
Property, plant and equipment (note 13)	**–**	**28,602**	**28,602**	–	3,550	3,550
Intangible assets (note 12)	**–**	**10,699**	**10,699**	–	–	–
Right-of-use assets (note 25)	**–**	**4,722**	**4,722**	–	–	–
Other assets (note 15)	**–**	**–**	**–**	–	145	145
	–	**44,023**	**44,023**	–	3,695	3,695
Other				–	–	–
Onerous lease provision (note 22)	**–**	**–**	**–**	–	1,762	1,762
Other property gains	**(619)**	**–**	**(619)**	(1,179)	–	(1,179)
	(619)	**–**	**(619)**	(1,179)	1,762	583
Total property (gains)/losses	**(484)**	**47,476**	**46,992**	(5,599)	7,040	1,441

4. Exceptional items

	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Operating exceptional items		
Covid-19		
Stock losses	**5,862**	–
Equipment	**6,167**	–
Staff costs	**17,062**	–
	29,091	–
Other		
Gaming machine settlement	**(15,890)**	–
Total exceptional operating costs	**13,201**	–
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**3,453**	1,583
Impairment of property plant and equipment	**4,698**	1,298
Impairment of other non-current assets	**–**	93
Onerous lease provision	**–**	1,134
	8,151	4,108
Other property losses		
Impairment of early stage development costs	**1,290**	–
Impairment of delayed projects	**2,112**	–
Impairment of trading pubs	**25,224**	2,304
Impairment of intangible assets	**10,699**	–
Onerous lease provision	**–**	628
	39,325	2,932
Total exceptional property losses	**47,476**	7,040
Exceptional tax		
Impact of corporate tax rate change	**4,252**	–
Tax effect on exceptional items	**(5,885)**	(188)
	(1,633)	(188)
Total exceptional items	**59,044**	6,852

4. Exceptional items (continued)

Covid-19
The company had recognised an exceptional charge of £29,091,000 which included £5,862,000 for stock which perished, £6,167,000 for personal protective equipment and hygiene products and £17,062,000 on pub-based staff costs during the closure period. The payments made to staff during this period are amounts paid by the company to staff over and above the furlough grants received and the costs of employing staff during preopening training and pub-cleaning.

Assuming that the company would have been trading in a similar manner in the second half of the year to that of the first, the full impact of 'lockdown' on the company is estimated to be £0.5 billion in lost sales, £152 million in lost profits and a £156-million reduction in free cash flow.[1]

Gaming machine settlement
The income of £15,890,000 related to a long-standing claim with HMRC, relating to VAT on gaming machines. HMRC first paid the company these monies in April 2010; following an appeal by HMRC, the company paid back the original monies and an interest charge of £997,000 in October 2013. During the financial year, HMRC agreed to settle this amount with the company. The amount recognised is the settlement value including interest less professional fees paid by the company in support of this case.

The company has requested that HMRC repay the interest of £997,000 charged to the company between April 2010 and October 2013. As repayment of these monies is not certain, it has not been recognised in the financial year ended 26 July 2020.

Disposal programme
The company has offered several of its sites for sale. At the year end, a further eight (2019: eight) sites had been sold. The company closed one pub in the year which fell outside of the disposal programme's scope.

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

Other property losses
The company has reviewed its approach to capitalising costs in the early stages of a pub's development. In future, some initial costs will be expensed to the income statement. A property impairment charge of £1,290,000 relates to similar costs held on the balance sheet at the start of the year. A further impairment charge for early stage project costs of £2,112,000 related to projects being delayed as a result of the current economic environment following lockdown.

Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash flows in the future to justify their current book value. In the year, an exceptional charge of £25,224,000 (2019: £2,304,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £25,224,000 (2019: £2,304,000), offset by impairment reversals of £Nil (2019: £Nil).

During the year, the company reviewed its accounting for the development and implementation of information technology systems. As a result of this review, it is the company's assessment that it will not achieve the future economic benefit from some of these assets, which it had previously anticipated. The impairment charge of £9,540,000 reflects the company's view of future economic benefits which will be achieved. An additional impairment charge of £1,159,000 was made for the development and implementation of information technology systems for projects which were delayed or cancelled.

The exceptional items listed above generated a net cash outflow of £10,575,000 (2019: outflow of £6,040,000).

Taxation
An exceptional tax credit of £5,885,000, relating to the exceptional operating items, the impairment of right-of-use assets and a proportion of the impairment of intangible assets, has been recognised.

During the year, the UK government has announced that corporation tax rates will increase from 17% to 19%; this has resulted in an increase in the company's deferred tax liabilities of £4,252,000.

[1] Information on the impact of Covid-19 on the full-year results is an estimate based on historic trends and does not form part of the required reporting within these financial statements; consequently, a review of these numbers does not form part of the audit work completed by the company's auditor.

5. Employee benefits expenses

	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Wages and salaries	**565,032**	568,758
Government grant	**(131,539)**	–
Social Security costs	**31,710**	35,783
Other pension costs	**8,308**	6,912
Share-based payments	**10,705**	11,558
	484,216	623,011

Directors' emoluments	**2020 £000**	2019 £000
Aggregate emoluments	**1,547**	1,858
Aggregate amount receivable under long-term incentive schemes	**173**	515
Company contributions to money purchase pension scheme	**165**	162
	1,885	2,535

Government grants disclosed above are amounts claimed by the company under the coronavirus job retention scheme.

For further details of directors' emoluments, please see the directors' remuneration report on pages 78–87.

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).

	2020 Number	2019 Number
Full-time equivalents		
Managerial/administration	**4,696**	4,442
Hourly paid staff	**20,952**	21,035
	25,648	25,477

	2020 Number	2019 Number
Total employees		
Managerial/administration	**4,792**	4,541
Hourly paid staff	**38,427**	37,358
	43,219	41,899

For details of the Share Incentive Plan and the Deferred Bonus Scheme, refer to the directors' remuneration report on pages 78–87.

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 26 July 2020**	52 weeks ended 28 July 2019
Shares awarded during the year (shares)	**568,821**	1,390,290
Average price of shares awarded (p)	**1,542**	1,313
Market value of shares vested during the year (£000)	**14,097**	17,173
Total obligation of the share-based payment scheme (£000)	**14,999**	16,259

6. Finance income and costs

	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Finance costs		
Interest payable on bank loans and overdrafts	**21,292**	21,089
Amortisation of bank loan issue costs (note 10)	**1,541**	925
Interest payable on swaps	**14,522**	12,705
Interest payable on asset-financing	**503**	379
Interest payable on private placement	**2,909**	–
Finance costs, excluding lease interest	**40,767**	35,098
Interest payable on leases	**21,980**	–
Total finance costs	**62,747**	35,098
Bank interest receivable	**(161)**	(41)
Lease interest receivable	**(451)**	–
Total finance income	**(612)**	(41)

The finance costs in the income statement were covered 0.3 times by earnings before interest, tax and exceptional items. On a pre-IFRS 16 basis, the finance costs in the income statement were covered 0.2 times (2019: 3.9 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% (2019: 19.00%).

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	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
Taken through income statement						
Current income tax:						
Current income tax (credit)/charge	**(2,827)**	**(7,502)**	**(10,329)**	23,406	(273)	23,133
Previous period adjustment	**227**	**–**	**227**	(922)	–	(922)
Total current income tax	**(2,600)**	**(7,502)**	**(10,102)**	22,484	(273)	22,211
Deferred tax:						
Temporary differences	**(3,660)**	**1,617**	**(2,043)**	2,174	85	2,259
Previous year deferred tax charge/(credit)	**90**	**–**	**90**	(1,828)	–	(1,828)
Impact of change in UK tax rate	**–**	**4,252**	**4,252**	–	–	–
Total deferred tax	**(3,570)**	**5,869**	**2,299**	346	85	431
Tax (credit)/charge	**(6,170)**	**(1,633)**	**(7,803)**	22,830	(188)	22,642

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 2019 Before exceptional items £000	52 weeks ended 28 July 2019 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 2019 After exceptional items £000
Taken through equity						
Current tax	**(226)**	**–**	**(226)**	(514)	–	(514)
Deferred tax	**423**	**–**	**423**	5	–	5
Tax charge/(credit)	**197**	**–**	**197**	(509)	–	(509)

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	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
Taken through comprehensive income						
Deferred tax charge on swaps	**(5,720)**	**–**	**(5,720)**	(4,243)	–	(4,243)
Impact of change in UK tax rate	**(1,555)**	**–**	**(1,555)**	–	–	–
Tax credit	**(7,275)**	**–**	**(7,275)**	(4,243)	–	(4,243)

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 52 weeks ended 26 July 2020 is based on the pre-exceptional loss before tax of £44.7m and the estimated effective tax rate before exceptional items for the 52 weeks ended 26 July 2020 of 13.8% (2019: 22.3%). This comprises a pre-exceptional current tax rate of 5.8% (2019: 22.0%) and a pre-exceptional deferred tax charge of 8.0% (2019: 0.3% charge).

The UK standard weighted average tax rate for the period is 19.0% (2019: 19.0%). 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 26 July 2020 Before exceptional items £000	**52 weeks ended 26 July 2020 After exceptional items £000**	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 After exceptional items £000
(Loss)/profit before income tax	**(44,687)**	**(105,364)**	102,459	95,419
Profit multiplied by the UK standard rate of corporation tax of 19.0% (2019: 19.0%)	**(8,491)**	**(20,019)**	19,467	18,130
Abortive acquisition costs and disposals	**6**	**6**	85	85
Other disallowables	**86**	**216**	384	567
Other allowable deductions	**(35)**	**(35)**	(111)	(111)
Capital gains – effects of reliefs	**603**	**603**	(380)	(295)
Non-qualifying depreciation	**83**	**5,122**	2,487	3,368
Deduction for shares and SIPs	**622**	**622**	(449)	(449)
Remeasurement of other balance sheet items	**(67)**	**(67)**	(71)	(71)
Unrecognised losses in overseas companies	**706**	**1,180**	557	557
Unrecognised losses capital losses	**–**	**–**	3,611	3,611
Adjust current year deferred tax movement to 19.0%	**–**	**4,252**	–	–
Previous year adjustment – current tax	**227**	**227**	(922)	(922)
Previous year adjustment – deferred tax	**90**	**90**	(1,828)	(1,828)
Total tax expense reported in the income statement	**(6,170)**	**(7,803)**	22,830	22,642

(c) Reconciliation of the total tax charge

Current tax liability/(asset)

	£000
As at 29 July 2018	8,950
Charge to the income statement	22,211
Credited to equity	(514)
Paid	(19,661)
As at 28 July 2019	10,986
Credited to the income statement	(10,102)
Credited to equity	(226)
Paid	(10,971)
As at 26 July 2020	**(10,313)**

7. Income tax expense (continued)

(d) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Act 2020 maintained the main rate of corporation tax rate at 19% from 1 April 2020, overriding the Finance Act 2017 which had reduced the main rate to 17% from that date. Deferred tax balances at the year end have been recognised at a corporation tax rate of 19% (2019: 17%).

Deferred tax liabilities	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 28 July 2019	36,799	4,255	41,054
Previous year movement posted to the income statement	683	(593)	90
Movement during year posted to the income statement	(5,077)	2,637	(2,440)
Impact of tax rate change posted to the income statement	3,812	440	4,252
At 26 July 2020	**36,217**	**6,739**	**42,956**

Deferred tax assets	Share based payments £000	Interest-rate swaps £000	Total £000
At 28 July 2019	1,638	8,342	9,980
Movement during year posted to the income statement	(397)	–	(397)
Movement during year posted to comprehensive income	–	5,720	5,720
Movement during year posted to equity	(423)	–	(423)
Impact of change in tax rate posted to comprehensive income	–	1,555	1,555
At 26 July 2020	**818**	**15,617**	**16,435**

The company has recognised deferred tax assets of £16.4m, which it expected to offset against future profits.

Deferred tax assets and liabilities have been offset as follows:

Other temporary differences of £6.7m include deferred tax of £2.5m on the gaming machine settlement and £4.2m of rolled-over property gains.

	2020 £000	2019 £000
Deferred tax liabilities	**42,956**	41,054
Offset against deferred tax assets	**(818)**	(1,638)
Deferred tax liabilities	**42,138**	39,416
Deferred tax assets	**16,435**	9,980
Offset against deferred tax liabilities	**(818)**	(1,638)
Deferred tax asset	**15,617**	8,342

As at 26 July 2020, the company had a potential deferred tax asset of £4.9m (2019: £3.6m), relating to capital losses.

8. Earnings and free cash flow per share

(a) Weighted average number of shares

Earnings per share (EPS) are based on the weighted average number of shares in issue of 108,550,647 (2019: 105,439,345), 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.

During a period where a company makes a loss, accounting standards require that 'dilutive' shares – for the company, those held in trust in respect of employee share schemes – not be included in the earning per share calculation, because they will reduce the reported loss per share; consequently, all per-share measures in the current period are based on the number of shares in issue less shares held in trust of 106,554,289.

Weighted average number of shares	**52 weeks ended 26 July 2020**	52 weeks ended 28 July 2019
Shares in issue (used for diluted EPS)	**108,550,647**	105,439,345
Shares held in trust	**(1,996,358)**	(2,313,464)
Shares in issue less shares held in trust (used for basic EPS)	**106,554,289**	103,125,881

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 26 July 2020	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (loss after tax)	**(97,561)**	**(89.9)**	**(89.9)**
Exclude effect of exceptional items after tax	59,044	54.4	54.4
Earnings before exceptional items	**(38,517)**	**(35.5)**	**(35.5)**
Exclude effect of property gains	(484)	(0.4)	(0.4)
Underlying earnings before exceptional items	(39,001)	(35.9)	(35.9)

52 weeks ended 26 July 2020 – pre IFRS 16	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (loss after tax)	**(89,610)**	**(82.6)**	**(82.6)**
Exclude effect of exceptional items after tax	59,673	55.0	55.0
Earnings before exceptional items	**(29,937)**	**(27.6)**	**(27.6)**
Exclude effect of property losses	641	0.6	0.6
Underlying earnings before exceptional items	(29,296)	(27.0)	(27.0)

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

The diluted earnings per share before exceptional items have decreased by 138.5% (2019: decreased by 4.7%).

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

(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, lease principal payments, loan issue costs, all other reinvestment in pubs open at the start of the period and the purchase of own shares under the employee Share 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 26 July 2020	**(58,852)**	(54.2)	(54.2)
52 weeks ended 28 July 2019	**96,998**	94.1	92.0

(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 pre-IFRS 16 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 26 July 2020	**Owners' Earnings £000**	**Basic Owners' EPS pence**	**Diluted Owners' EPS pence**
Loss before tax and exceptional items (income statement) [1]	**(34,095)**	(32.0)	(31.4)
Exclude depreciation and amortisation (note 2)	**79,271**	74.4	73.0
Exclude amortised on other fixed assets [2]	**368**	0.3	0.3
Less reinvestment in current properties	**32,062**	30.1	29.6
Exclude property losses (note 3)	**641**	0.6	0.6
Less accelerated tax relief on leases [3]	**(2,012)**	(1.9)	(1.9)
Less cash tax (note 7)	**2,827**	2.7	2.7
Owners' earnings	**79,062**	74.2	72.8

52 weeks ended 28 July 2019	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' 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 reinvestment in current properties	(55,239)	(53.6)	(52.4)
Exclude property gains (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

The diluted owners' earnings per share decreased by 23.3% (2019: increased by 6.0%).

As the company made an owners' earnings profit in the period, the 'diluted' owners'-earnings-per-share calculation includes shares held in trust, as their inclusion would not have an 'antidilutive' effect.

[1] Loss pre-IFRS 16.
[2] Being the amortisation of other fixed assets which would have been charged, if IFRS 16 were not adopted.
[3] Being the accelerated tax relief received on leases as a result of the introduction of IFRS 16.

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

Analysis of additions by type	**52 weeks ended 26 July 2020**	52 weeks ended 28 July 2019
Reinvestment in existing pubs	**32,062**	55,239
Investment in new pubs and pub extensions	**41,047**	35,172
Freehold reversions and investment properties	**98,463**	77,207
	171,572	167,618

Analysis of additions by category	**52 weeks ended 26 July 2020**	52 weeks ended 28 July 2019
Property, plant and equipment (note 13)	**164,450**	161,242
Intangible assets (note 12)	**1,047**	5,925
Investment properties (note 14)	**6,075**	–
Other non-current assets (note 15)	**–**	451
	171,572	167,618

(e) Operating profit per share

	Operating profit £000	Basic operating profit per share pence	Diluted operating profit per share pence
52 weeks ended 26 July 2020 before exceptional items	**16,964**	15.5	15.8
Impact of exceptional items	**(13,201)**	(12.3)	(12.3)
52 weeks ended 26 July 2020 after exceptional items	**3,763**	3.4	3.4
52 weeks ended 28 July 2019	**131,917**	127.9	125.1

As the company made an operating profit in the period the ‘diluted’ operating profit per shares includes shares in held in trusts as the inclusion of these share would not have an ‘anti-dilutive’ effect.

9. Cash generated from operations

	52 weeks* ended 26 July 2020 £000	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
(Loss)/profit for the period	**(89,610)**	**(97,561)**	72,777
Adjusted for:			
Tax (note 7)	**(5,162)**	**(7,803)**	22,642
Share-based charges (note 2)	**10,705**	**10,705**	11,558
Loss/(gain) on disposal of property, plant and equipment (note 3)	**3,771**	**3,771**	(3,635)
Disposal of capitalised leases (note 3)	**–**	**(1,125)**	–
Net onerous lease provision (note 3)	**1,411**	**–**	1,762
Net impairment charge (note 3)	**42,612**	**44,023**	3,695
Interest receivable (note 6)	**(161)**	**(161)**	(41)
Interest payable (note 6)	**39,226**	**39,226**	34,173
Lease interest receivable (note 6)	**–**	**(451)**	–
Lease interest payable (note 6)	**–**	**21,980**	–
Amortisation of bank loan issue costs (note 6)	**1,541**	**1,541**	925
Depreciation of property, plant and equipment (note 13)	**75,386**	**75,386**	73,779
Amortisation of intangible assets (note 12)	**3,806**	**3,806**	7,634
Depreciation on investment properties (note 14)	**79**	**79**	55
Amortisation of other non-current assets (note 15)	**368**	**–**	343
Aborted properties costs	**33**	**33**	430
Amortisation of right-of-use assets (note 25)	**–**	**49,059**	–
	84,005	**142,508**	226,097
Change in inventories	**622**	**622**	(417)
Change in receivables	**(21,263)**	**(17,052)**	1,228
Change in payables	**(24,646)**	**(50,413)**	268
Cash flow from operating activities	**38,718**	**75,665**	227,176

*This column shows the cash generated from operations as it would have been reported, before the introduction of IFRS 16. The amount of £38,718,000 shown is presented at the start of the pre-IFRS 16 cash flow presented within the primary statements.

The difference of £36,947,000 between the cash flow from operating activities of £75,665,000 and the pre-IFRS 16 number of £38,718,000 is shown in the table below.

	26 July 2020 £000
Cash flow from operating activities	**75,665**
Lease liability payments made (note 25)	**(38,330)**
Lease assets payments received (note 25)	**1,383**
Cash flow from operating activities – pre-IFRS 16	**38,718**

10. Analysis of change in net debt

	28 July 2019 £000	IFRS 16 migration £000	Cash flows £000	Non-cash movement £000	26 July 2020 £000
Borrowings					
Cash and cash equivalents	42,950	–	131,501	–	**174,451**
Asset-financing creditor – due before one year	(3,287)	–	(13,250)	8,927	**(7,610)**
Current net borrowings	39,663	–	118,251	8,927	**166,841**
Bank loans – due after one year	(770,076)	–	(98,998)	(1,498)	**(870,572)**
Asset-financing creditor – due after one year	(6,607)	–	–	(8,927)	**(15,534)**
Private placement – due after one year	–	–	(97,679)	(43)	**(97,722)**
Non-current net borrowings	(776,683)	–	(196,677)	(10,468)	**(983,828)**
Net debt	(737,020)	–	(78,426)	(1,541)	**(816,987)**
Derivatives					
Interest-rate swaps asset – due after one year	321	–	–	(321)	**–**
Interest-rate swaps liability – due after one year	(49,393)	–	–	(32,801)	**(82,194)**
Total derivatives	(49,072)	–	–	(33,122)	**(82,194)**
Net debt after derivatives	(786,092)	–	(78,426)	(34,663)	**(899,181)**
Leases					
Lease assets – due before one year	–	1,583	(1,056)	1,209	**1,736**
Lease assets – due after one year	–	11,853	–	(738)	**11,115**
Lease obligations – due before one year	–	(61,252)	19,923	(24,014)	**(65,343)**
Lease obligations – due after one year	–	(570,052)	–	80,664	**(489,388)**
Net lease liabilities	–	(617,868)	18,867	57,121	**(541,880)**
Net debt after derivatives and lease liabilities	(786,092)	(617,868)	(59,559)	22,458	**(1,441,061)**

The cash movement on the private placement of £97,679,000 is disclosed in the cash flow statement as an advance under private placement of £98,000,000 and a cash payment of loan issue costs of £321,000.

The cash movement on the bank loans of £98,998,000 is disclosed in the cash flow statement as an advance under bank loans of £100,000,000 and a cash payment of loan issue costs of £1,002,000. Total loan issue costs of £1,323,000 are disclosed in the cash flow statement.

The cash movement on asset-financing of £13,250,000 is disclosed in the cash flow statement as an advance under asset-financing of £16,152,000 and principal payments of £2,902,000.

Non-cash movements
The non-cash movement in bank loans and the private placement relate to the amortisation of loan issue costs. The amortised charge for the year of £1,541,000 is disclosed in note 6. These are upfront payments made to obtain new borrowings. These costs are charged to the income statement over the expected life of the loan. The movement in interest-rate swaps relates to the change in the 'mark to market' valuations for the year.

The migration movement of £617,868,000 is the recognition of the lease liability of £631,304,000 and the lease asset of £13,436,000 on adoption of IFRS 16. These amounts are disclosed in note 25. The non-cash movement in lease liabilities is analysed in the table below.

Non-cash movement in net lease liabilities	26 July 2020 £000
Recognition of new leases (note 25)	**(27,361)**
Remeasurements of existing leases liabilities (note 25)	**(7,207)**
Remeasurements of existing leases assets (note 25)	**471**
Disposal of lease (note 25)	**85,115**
Cancelled principal payments (note 25)	**6,127**
Exchange differences (note 25)	**(24)**
Non-cash movement in net lease liabilities	**57,121**

10. Analysis of change in net debt (continued)

The table below calculated a ratio between net debt, being borrowings less cash and cash equivalents, and earnings before interest, tax and depreciation (EBITDA). The numbers in this table are all before the effect of IFRS 16.

	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Profit before tax (income statement)	**(34,095)**	102,459
Interest (note 6)	**40,606**	35,057
Depreciation	**79,639**	81,811
Earnings before interest, tax and depreciation (EBITDA)	**86,150**	219,327
Net debt/EBITDA	**9.48**	3.36

The depreciation charge in the table above of £79,639,000 comprises the non-lease depreciation and amortisation charges disclosed in note 2 of £79,271,000 and the amortisation of £368,000 which would have been charged on other non-current assets, had IFRS 16 not been implemented.

11. Dividends paid and proposed

	52 weeks ended 26 July 2020 £000	52 weeks ended 28 July 2019 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2017/18: 8.0p (2016/17: 8.0p)	**–**	8,435
– interim for 2018/19: 4.0p (2017/18: 4.0p)	**–**	4,217
– final for 2018/19: 8.0p (2017/18: 8.0p)	**8,371**	–
	8,371	12,652
Proposed for approval by shareholders at the AGM:		
– final for 2019/20: 8.0p (2018/19: 8.0p)	**–**	8,397
	–	8,397
Dividend per share (p)	**8**	12
Dividend cover	**–**	5.8

Dividend cover is calculated as profit after tax and exceptional items over dividend paid. Dividend cover has not been shown for the current year, as the company reported a loss in the year.

12. Intangible assets

	Computer software and development £000	Assets under construction £000	Total £000
Cost:			
At 29 July 2018	66,944	1,799	68,743
Additions	1,733	4,192	5,925
Transfers	1,562	(1,562)	–
Disposals	(22)	–	(22)
At 28 July 2019	70,217	4,429	74,646
Additions	466	581	1,047
Transfers	4,206	(4,206)	–
Disposals	(41,472)	–	(41,472)
At 26 July 2020	**33,417**	**804**	**34,221**
Accumulated amortisation:			
At 29 July 2018	(43,964)	–	(43,964)
Provided during the period	(7,634)	–	(7,634)
Disposals	22	–	22
At 28 July 2019	(51,576)	–	(51,576)
Provided during the period	(3,806)	–	(3,806)
Impairment loss	(10,699)	–	(10,699)
Disposals	40,755	–	40,755
At 26 July 2020	**(25,326)**	**–**	**(25,326)**
Net book amount at 26 July 2020	**8,091**	**804**	**8,895**
Net book amount at 28 July 2019	18,641	4,429	23,070
Net book amount at 29 July 2018	22,980	1,799	24,779

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.

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 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
Additions	97,419	2,464	24,608	39,959	164,450
Transfers	11,804	1,675	9,412	(22,891)	–
Exchange differences	685	39	120	505	1,349
Disposals	(6,012)	(6,290)	(5,669)	–	(17,971)
Reclassification	30,038	(30,038)	–	–	–
At 26 July 2020	**1,363,106**	**295,009**	**684,732**	**86,624**	**2,429,471**

	Freehold and long-leasehold property £000	Short-leasehold property £000	Equipment, fixtures and fittings £000	Assets under construction £000	Total £000
Accumulated depreciation and impairment:					
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	(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)
Provided during the period	(19,675)	(10,826)	(44,885)	–	(75,386)
Exchange differences	(47)	(77)	(162)	–	(286)
Impairment loss	(17,631)	(4,122)	(6,849)	–	(28,602)
Disposals	2,051	6,298	5,904	–	14,253
Reclassification	(18,170)	18,170	–	–	–
At 26 July 2020	**(307,297)**	**(167,009)**	**(512,387)**	**–**	**(986,693)**
Net book amount at 26 July 2020	**1,055,809**	**128,000**	**172,345**	**86,624**	**1,442,778**
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

Impairment of property, plant and equipment
In assessing whether a pub has been impaired, the book value of the pub is compared with its anticipated future cash flows and fair value. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 8% (2019: 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 £28,602,000 (2019: £3,550,000) was charged to property losses in the income statement, as described in note 4. The assets impaired in the year had a recoverable value of £24,700,000 at year end. In the period depreciation was £961,000 lower, owing to historic impairment charges. At the period end, an impairment provision of £44,058,000 is carried in relation to property, plant and equipment.

14. Investment property

The company owns three (2019: one) freehold properties with existing tenants – and these assets have been classified as investment properties. During this year, the company has purchased a further two investment properties.

	£000
Cost:	
At 29 July 2018	7,751
Transfer to property, plant and equipment	(1,984)
At 28 July 2019	5,767
Additions	6,075
At 26 July 2020	**11,842**
Accumulated amortisation:	
At 29 July 2018	(257)
Provided during the period	(55)
Transfer to property, plant and equipment	76
At 28 July 2019	(236)
Provided during the period	(79)
At 26 July 2020	**(315)**
Net book amount at 26 July 2020	**11,527**
Net book amount at 28 July 2019	5,531
Net book amount at 29 July 2018	7,494

Rental income received in the period from investment properties was £641,000 (2019: £310,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £38,000 (2019: £8,000).

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

15. Other non-current assets

	£000
Cost:	
At 29 July 2018	12,727
Additions	451
Disposals	(75)
At 28 July 2019	13,103
Transfers to right-of-use asset	(13,103)
At 26 July 2020	**–**
Accumulated depreciation and impairment:	
At 29 July 2018	(4,802)
Provided during the period	(343)
Impairment loss	(145)
Disposals	75
At 28 July 2019	(5,215)
Transfers to right-of-use asset	5,215
At 26 July 2020	**–**
Net book amount at 26 July 2020	**–**
Net book amount at 28 July 2019	7,888
Net book amount at 29 July 2018	7,925

16. Inventories

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

	26 July 2020 £000	28 July 2019 £000
Goods for resale at cost	**23,095**	23,717

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.

	26 July 2020 £000	28 July 2019 £000
Other receivables	**974**	1,135
Receivables loss allowance	**–**	(8)
Accrued income	**737**	2,327
Prepayments	**30,465**	18,449
	32,176	**21,903**

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

Included in prepayments is £15.9m receivable for the gaming machine settlement (note 4) and £6.1m in government grants receivable under the coronavirus job retention scheme.

Credit risk	**26 July 2020 £000**	28 July 2019 £000
Due from suppliers – not due	**–**	898
Due from suppliers – overdue	**974**	237
	974	**1,135**

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 £Nil (2019: £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 26 July 2020, no sites were classified as held for sale (2019: two).

	26 July 2020 £000	28 July 2019 £000
Property, plant and equipment	**–**	3,146

19. Cash and cash equivalents

	26 July 2020 £000	28 July 2019 £000
Cash and cash equivalents	**174,451**	42,950

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.

	26 July 2020 £000	28 July 2019 £000
Trade payables	**104,145**	162,070
Other payables	**27,260**	18,056
Other tax and Social Security	**54,135**	62,081
Accruals and deferred income	**69,545**	66,119
	255,085	308,326

21. Borrowings

	26 July 2020 £000	28 July 2019 £000
Current (due within one year)		
Other		
Asset-financing obligations	**7,610**	3,287
Total current borrowings	**7,610**	3,287
Non-current (due after one year)		
Bank loans		
Variable-rate facility	**875,000**	775,000
Unamortised bank loan issue costs	**(4,428)**	(4,924)
	870,572	770,076
Private placement		
Fixed-rate facility	**98,000**	–
Unamortised private placement issue costs	**(278)**	–
	97,722	–
Other		
Asset-financing obligations	**15,534**	6,607
Total non-current borrowings	**983,828**	776,683

22. Provisions

	Legal claims £000	Onerous lease £000	Total £000
At 28 July 2019	3,523	2,483	6,006
Charged to the income statement:			
– Transferred to right-of-use assets	–	(2,483)	(2,483)
– Additional charges	1,971	–	1,971
– Unused amounts reversed	(988)	–	(988)
– Used during year	(1,468)	–	(1,468)
At 26 July 2020	**3,038**	**–**	**3,038**

	26 July 2020 £000	28 July 2019 £000
Current	**3,038**	4,072
Non-current	**–**	1,934
Total provisions	**3,038**	6,006

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 were expected to be utilised over a period of up to 22 years and are discounted to take into account the passage of time.

These amounts were transferred into the right-of-use assets created on migration to IFRS 16.

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

	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
At 26 July 2020							
Bank loans	21,809	17,013	17,013	177,340	723,693	–	956,868
Private placement	3,288	2,920	2,920	2,920	2,920	102,381	117,349
Trade and other payables	200,950	–	–	–	–	–	200,950
Derivatives	18,171	12,044	11,959	8,280	8,061	34,381	92,896
Lease liabilities	65,343	51,253	49,921	49,249	47,710	471,596	735,072
Asset-financing obligations	7,610	7,610	5,145	4,324	–	–	24,689

	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
At 28 July 2019							
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
Asset-financing obligations	3,287	3,287	3,287	819	–	–	10,680

On 20 August 2019, the company authorised the issue and sale of £98m aggregate principal amount of its senior secured notes due 20 August 2026; this extends its total facilities, excluding asset-financing obligations, from £895m to £993m.

On 22 January, the company agreed on a one-year extension for £715m of its existing banking agreement.

On 7 August 2020, the company agreed to a three-year secured loan under the coronavirus large business interruption loan scheme for £48,333,332. The loan has three participating lenders. The loan has an average fixed-interest charge in the first year of 1.86% and 2.03% in the second and third year.

At the balance sheet date, the company had loan facilities of £993m (2019: £895m) as detailed below:

- Secured revolving-loan facility of £875m
  - £160m matures January 2024
  - £715m matures January 2025
  - 14 participating lenders
- Secured private placement of £98m
  - Matures August 2026
  - The purchase of loan notes is split among five participants
- 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 2.42% (2019: 2.88%), fixed for a weighted average period of 4.2 years (2019: 4.8 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, £875m (2019: £775m) was drawn down under the £875m secured-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 9.48 times (2019: 3.36 times) at the year end.

Section 2, on page 65, discusses the financial risks associated with financial instruments, including credit risk and liquidity risk.

Fair value of financial assets and liabilities
IFRS 13 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.

	26 July 2020 £000	28 July 2019 £000
Analysis of interest-rate profile of financial liabilities		
Bank loans	**–**	–
Floating rate due after one year	**100,572**	76
Fixed rate due after one year	**770,000**	770,000
	870,572	770,076
Asset-financing obligations		
Fixed rate due in one year	**7,610**	3,287
Fixed rate due after one year	**15,534**	6,607
	23,144	9,894
Private placement		
Fixed rate due after one year	**97,722**	–
	97,722	–
	991,438	779,970

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.

Any differences between book value and fair value of financial instruments are set out in the following table.

	26 July 2020 Book value £000	**26 July 2020 Fair value £000**	28 July 2019 Book value £000	28 July 2019 Fair value £000
Financial assets at amortised cost				
Cash and cash equivalents	**174,451**	**174,451**	42,950	42,950
Receivables	**974**	**974**	1,127	1,127
Lease assets	**12,851**	**12,939**	–	–
	188,276	**188,364**	44,077	44,077
Financial liabilities at amortised cost				
Trade and other payables	**(200,950)**	**(200,950)**	(246,245)	(246,245)
Asset-financing obligations	**(23,144)**	**(23,485)**	(9,894)	(9,915)
Lease obligations	**(554,731)**	**(560,041)**	–	–
Private placement	**(97,722)**	**(99,171)**	–	–
Borrowings	**(870,572)**	**(879,088)**	(770,076)	(771,093)
	(1,747,119)	**(1,762,735)**	(1,026,215)	(1,027,253)
Derivatives – cash flow hedges				
Non-current derivative financial asset	**–**	**–**	321	321
Non-current derivative financial liability	**(82,194)**	**(82,194)**	(49,393)	(49,393)
	(82,194)	**(82,194)**	(49,072)	(49,072)

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 asset-financing
The minimum payments under asset-financing fall due as follows:

	26 July 2020 £000	28 July 2019 £000
Within one year	**7,610**	3,287
In the second to fifth year, inclusive	**17,079**	7,393
	24,689	10,680
Less future finance charges	**(1,545)**	(786)
Present value of obligations	**23,144**	9,894
Less amount due for settlement within one year	**(7,610)**	(3,287)
Amount due for settlement during the second to fifth year, inclusive	**15,534**	6,607

All asset-financing 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 26 July 2020, 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 28 July 2019	49,072	(8,342)	40,730
Change in fair value posted to comprehensive income	33,122	–	33,122
Deferred tax posted to comprehensive income	–	(7,275)	(7,275)
As at 26 July 2020	**82,194**	**(15,617)**	**66,577**

No ineffectiveness arose during the period (2019: £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 26 July 2020, 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 £258,000 and equity increased by £66,700,000. 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

	26 July 2020 £000	28 July 2019 £000
Operating lease incentives	–	10,930

Included in other liabilities were lease incentives on leases where the lessor retains substantially all of the risks and benefits of ownership of the asset. The lease incentives were recognised as a reduction in rent over the lease term and shown as a liability on the balance sheet. These amounts now form part of the right-of-use assets – please see note 25.

25. Leases

About 36% 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.

(a) Right-of-use assets

The table below shows the movements in the company's right-of-use assets.

	£000
Cost:	
Recognition of assets	617,837
Additions	27,361
Remeasurement	6,736
Exchange differences	10
Disposals and derecognised leases	(89,151)
At 26 July 2020	**562,793**
Accumulated depreciation and impairment:	
Provided during the period	(49,059)
Exchange differences	(3)
Impairment loss	(4,722)
Disposals and derecognised leases	5,160
At 26 July 2020	**(48,624)**
Net book amount at 26 July 2020	**514,169**

During the period, 21 leases were remeasured as a result of changes in the agreed payments under the lease contracts and changes in the lease terms. In addition, two new lease contracts were agreed on.

Disposals and derecognised leases in the period represents the purchasing of 27 formerly leasehold properties, the disposal of four leases altogether and also one lease where the fixed rent payments are now set to zero; consequently, future rental payments are no longer capitalised.

25. Leases (continued)

(b) Lease maturity profile

The tables below analyse the company's lease liabilities and assets in relevant maturity groupings, based on the remaining period at the balance sheet date to the end of the lease. The amounts disclosed in the table are the contractual undiscounted cash flows. The impact of discounting reconciles these amounts to the values disclosed in the balance sheet.

Lease liabilities	2020 £000	2019 £000
Within one year	**65,343**	61,252
Between one and two years	**51,253**	61,177
Between two and three years	**49,921**	58,523
Between three and four years	**49,249**	57,050
Between four and five years	**47,710**	56,400
After five years	**471,596**	541,916
Lease commitments payable	**735,072**	836,318
Discounting lease liability	**(180,341)**	(205,014)
Lease liability	**554,731**	631,304

Lease assets	2020 £000	2019 £000
Within one year	**1,736**	1,583
Between one and two years	**1,638**	1,545
Between two and three years	**1,586**	1,448
Between three and four years	**1,130**	1,391
Between four and five years	**1,084**	1,125
After five years	**8,325**	9,338
	15,499	16,430
Discounting lease asset	**(2,648)**	(2,994)
Lease asset	**12,851**	13,436

The comparative numbers disclosed above are those included in the migration note in the 2019 annual report.

25. Leases (continued)

(c) Lease liability

The tables below show the movements in the period of the lease liability and the lease asset.

Lease liability	2020 £000
At 28 July 2019	–
Recognition of liability	631,304
Additions	27,361
Remeasurements of leases	7,207
Cancelled principal payments	(6,127)
Disposals and derecognised leases	(85,115)
Exchange differences	24
Lease liabilities before payments	574,654
Interest due	18,407
Payments made	(38,330)
Net principal payments	(19,923)
At 26 July 2020	554,731

The company has applied the practical expedience in the May 2020 amendment to IFRS 16 – an amendment which allows reductions in rent payments made before June 2021 to be credited to the profit and loss account, rather than requiring the remeasuring of the lease and spreading rent reduction received in this period over the term of the lease.

The application of this amendment results in principal payments of £6,127,000 being credited to the profit and loss account and a reduction in associated interest charges of £1,833,000, resulting in a total credit to the profit and loss account of £7,960,000.

Future rental payments, up to the end of the lease, are capitalised, including any agreed increases. Future rent payments could change as a result of open-market rent reviews or options being exercised to terminate a lease early. Any changes in the minimum unavoidable lease payments will be included as a remeasurement of the lease liability.

Leases with lease terms of less than one year are not capitalised.

Lease assets	2020 £000
At 28 July 2019	–
Recognition of asset	13,436
Remeasurements of leases	471
Lease assets before payments	13,907
Interest due	327
Payments received	(1,383)
Net principal payments	(1,056)
At 26 July 2020	12,851

The company has sublet several of its leases which have been capitalised above, with lease assets being the capitalised future rent receivables from sublet sites. The company monitors the receipts of rental charges on sublet sites and will take the appropriates steps where any amounts remain unpaid. It is the company's view that there are no significant credit losses on the sublease assets.

The interest payable and receivable shown in the tables above is the interest element of the payments made and received in the period. These amounts differ from the lease interest charged/credited to the income statement in the period – see note 6. The amounts charged/credited to the income statement in the period will also include amounts due, but not paid, in the period.

The incremental borrowing rate applied to lease liabilities and assets was 2.7–3.9%, depending on the lease's length.

25. Leases (continued)

(d) IFRS 16 migration

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 became effective, the company recognised, 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 previous 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 were classified as finance leases under the new standard, as the risks and rewards of ownership of the IFRS 16 right-of-use asset was 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 single 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, 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.

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 its later years. The expense will be recognised as a depreciation and interest charge replacing the operating expenses under IAS 17.

In the 2019 annual report, the company estimated that, for the year ending 26 July 2020, EBITDA would increase 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 current 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 its later years.

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

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

25. Leases (continued)

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

	July 2019 £000	IFRS 16 £000	Restated £000
Other	1,422,235	–	1,422,235
Other non-current assets	7,888	(7,888)	–
Right-of-use assets	–	617,837	617,837
Lease assets	–	11,853	11,853
Total non-current assets	**1,430,123**	**621,802**	**2,051,925**
Other current assets	69,813	–	69,813
Lease assets	–	1,583	1,583
Receivables	21,903	(5,693)	16,210
Total assets	**1,521,839**	**617,692**	**2,139,531**
Other current liabilities	(326,671)	748	(325,923)
Lease liabilities	–	(61,252)	(61,252)
Total current liabilities	**(326,671)**	**(60,504)**	**(387,175)**
Other non-current liabilities	(865,492)	–	(865,492)
Lease liabilities	–	(570,052)	(570,052)
Provisions	(1,934)	1,934	–
Other liabilities	(10,930)	10,930	–
Total liabilities	**(1,205,027)**	**(617,692)**	**(1,822,719)**
Net assets	**316,812**	**–**	**316,812**
Equity	**316,812**	**–**	**316,812**

Reconciliation to lease commitments

The table below shows a reconciliation between the operating lease commitments (as disclosed in the 2019 annual report 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**

25. Leases (continued)

Recognition of right-of-use assets
The table below shows how the value of the right-of-use assets was calculated on migration.

	26 July 2020 £000
Recognition of leases	
Lease assets (note 25)	**(13,436)**
Lease liabilities (note 25)	**631,304**
Non-current assets	
Other non-current assets (note 15)	**7,888**
Current assets	
Rent prepayments (note 17)	**5,693**
Current liabilities	
Rent payables (note 20)	**(199)**
Onerous lease creditor less than one year (note 22)	**(549)**
Non-current liabilities	
Other non-current liabilities (note 24)	**(10,930)**
Onerous lease creditor more than one year (note 22)	**(1,934)**
Right-of-use assets	**617,837**

Determining the right-of-use assets

Lease liabilities and assets were calculated by discounting future unavoidable rental payments and rents receivable for any of those sites which had been sublet. To the value of the lease liabilities and assets were added all balance sheet items held in relation to these leases. These included lease premiums paid, disclosed as other non-current assets, prepaid and accrued rental charges, the onerous lease provision and lease incentives, disclosed as other non-current liabilities.

Lease terminology

Before the introduction of IFRS 16, leases in a lessee's accounts were defined as finance leases and operating leases. Finance leases are disclosed as asset-financing obligations and former operating leases as lease assets and liabilities.

26. Capital commitments

At 26 July 2020, the company had £7.1m (2019: £37.9m) of capital commitments, relating to the purchase of eight (2019: 16) 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, no 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.

The registered office of all of the above companies is the same as that of J D Wetherspoon plc, as disclosed on the final page of these accounts.

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

Key management compensation	2020 £000	2019 £000
Short-term employee benefits	**2,310**	2,796
Post-employment pension benefits	**263**	263
Share-based payment	**285**	848
	2,858	3,907

Key management comprises the executive directors, non-executive directors and management board, as detailed on page 74.

For additional information about directors' emoluments, please refer to the directors' remuneration report on pages 78–87.

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 78–87 which forms part of these financial statements.

28. Share capital

	Number of shares 000s	Share capital £000
At 29 July 2018	105,501	2,110
Repurchase of shares	(403)	(8)
At 28 July 2019	105,098	2,102
Repurchase of shares	(420)	(8)
Issue of shares	15,702	314
At 26 July 2020	**120,380**	**2,408**

The total authorised number of 2p ordinary shares is 500,000,000 (2019: 500,000,000). All issued shares are fully paid.

During the year, 419,741 shares were repurchased by the company for cancellation, representing approximately 0.40% of the issued share capital, at a cost of £6.5m, including stamp duty, representing an average cost per share of 1,523p.

On 29 April 2020, 15,701,760 shares were issued by the company, representing approximately 15.00% of the issued share capital, at a value of £138.0m, after fees, representing an average cost per share of 900p.

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 4 August 2020, the company announced a restructure of its head office, with expected redundancies of approximately 108 people, at cost of around £5m.

On 7 August 2020, the company agreed on a three-year secured loan, under the coronavirus large business interruption loan scheme, for £48,333,332.

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 26 July 2020 were authorised for issue by the board of directors on 15 October 2020, 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 54–61.

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 26 July 2020. These policies have been consistently applied to all of the years presented, unless otherwise stated.

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

The Company has modelled a range of scenarios, with the base forecast being one in which, over the next 12 months, sales recover gradually to preCovid levels. In addition, the directors have considered several 'downside' scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, regional pub closures for a prolonged time period and the possibility of another national temporary closure ('lockdown') of all of its pubs.

The directors are satisfied that the Company has sufficient liquidity to withstand adjustments to the base forecast, as well as the downside scenarios. The length of the liquidity period, in relation to each outcome, depends on those actions which the Company chooses to take (eg the extent to which cash expenditure is reduced) and also on the level of government financial support (eg reduced business rates) which the Company might receive.

In addition, the directors have noted the range of possible additional liquidity options available to the Company, should they be required.

Material uncertainty, which may cast significant doubt over the Company's ability to trade as a going concern, has resulted from the impact of the Covid-19 virus on the economy and the hospitality industry. It is not clear when the current operating restrictions, such as social distancing measures and reduced pub opening times, will return to 'normal' preCovid levels.

The Company has agreed with its lenders to replace existing financial covenant tests with a minimum liquidity covenant for the period up to and including July 2021. There is material uncertainty beyond this date as to whether financial covenant tests will be satisfied or whether further waivers will be agreed on by lenders. The Company will remain in regular dialogue with its lenders throughout the period.

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

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 highly probable future borrowings or interest rates may result in all or part of the gain or loss, which was originally reported in comprehensive income, 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.

In the period, the Company recognised costs related to the Covid-19 closure as exceptional. The Company treated as exceptional those costs which were incurred directly as a result of the pubs' closure and reopening.

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 that 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 8%. Pubs with right-of-use assets will use a weighted average discount rate of between 8% and the Company's incremental borrowing rate appropriate for the length of the lease. The 8% and incremental borrowing rate will be assigned a weighting, based on the book value of the pub's property, plant and equipment and its right-of-use assets.

Management make 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 and government interventions in relation to Covid-19 management. In all of these areas different estimates could be made. A reduction of 25% in next year's future cash flows in relation to those pubs which have indicators of impairment and are thus included in managements impairment review process, would increase the impairment charge by £2.7m. An increase of 1% in the discount rate on the same pubs would increase the impairment charge by £10m. However, both of these amounts are theoretical – and the Company would respond to an event which caused a reduction in future cash flows. In addition, an increase in discount rates would normally imply an increase in expected future inflation. To the extent that the increased discount rate would be offset by inflation, the increase impairment loss would be mitigated.

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 would generate.

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 charges and reversals of fixed assets 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, along with the 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. The Company does not consider these costs to be operating in nature.

Fixed assets
Fixed assets include property, plant and equipment, intangible assets and investment property. 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 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, is depreciated over 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 with the corresponding revenue of the previous year.

Government grants
Monetary and non-monetary resources transferred to the Company by government, government agencies or similar bodies are recognised at fair value, when the Company is certain that the grant will be received. Grants will be recognised net in the profit and loss account, on a systematic basis, over the same period during which the expenses, for which the grant was intended to compensate, are recognised.

Grants are disclosed in the notes to the accounts.

Leases

Lessee accounting
On completion of a contract (the point at which a contract becomes legally binding), the Company assesses whether the contract is or contains a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for a consideration.

The lease liability is initially measured at the present value of unavoidable lease payments discounted at the Company's incremental borrowing rate. Where a lease is identified, the Company recognises a right-of-use asset and a corresponding lease liability. The lease assets are presented as a separate line in the balance sheet.

Lessor accounting
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.

Leases where the lessor transfers substantially all of the asset's risks and benefits of ownership are classified as lease assets. This occurs when the Company sublets a leasehold site. The lease asset is initially measured at the present value of lease receipts, discounted at the Company's incremental borrowing rate. The lease assets are presented as a separate line in the balance sheet.

Remeasurement
When the Company agrees to a term extension or a change to the minimum payments made under a lease, the lease liability or asset will be remeasured on that date; the resulting increase or decrease to the asset or liability will be accounted for with an offsetting adjustment to the right-of-use asset. Any remeasurement adjustment which reduces the right-of-use asset below zero will be credited to the profit and loss account.

Right-of-use asset
The right-of-use asset comprises the initial measurement of the corresponding lease liability, any initial direct costs and the cost of any obligation to restore the site at the end of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the term of the lease.

Termination of leases
Where the Company agrees with the landlord to end a lease early or purchases the freehold of a leasehold site, the value of the lease liability and the right-of-use asset will be charged to the profit and loss account as a property gain or loss.

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 cash flow reporting, interest paid and received is considered to be 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, lease principal payments, 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 cost
Financial assets held at amortised cost 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.

Other receivables
Other receivables are recognised initially at transaction 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. These are measured at fair value on initial recognition and subsequently measured at amortised cost, using the effective-interest method.

Trade and other payables
These 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 purchased 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 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 and one-off items. They are calculated as pre-IFRS 16 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.

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
These are both the cash and non-cash movements of the year, including movements in asset-financing , 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
At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published which are not yet effective and have not been adopted early by the Company. Information on those expected to be relevant to the financial statements is provided below:
- Conceptual Framework for Financial Reporting
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
The Company has several interest-rate swaps which swap floating interest rates paid for a fixed interest rate. The floating interest rates are based on an index called the London Interbank Offer Rate (LIBOR). Reforms are currently under way which plan to replace sterling LIBOR with an index called Sterling Overnight Indexed Average (SONIA).

Under existing accounting rules, this change of reference index in the Company interest-rate swap contract could result in the discontinuation of hedge accounting. The Company has elected to early adopt the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019 and mandatory for accounting periods starting after 1 January 2020. The amendments have been adopted retrospectively to hedging relationships which existed at the start of the reporting period or were designated thereafter.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by Interbank Offer Rate (IBOR) reform. Therefore, IBOR reform should not generally cause hedge accounting to terminate; however, hedges will still be measured for effectiveness, with any ineffectiveness being charged in the profit and loss account.

The Company has £770m of LIBOR interest-rate swaps which are in place until 29 March 2029.

For the purpose of assessing whether a hedge is expected to be highly effective on a forward-looking basis, it is assumed that the GBP LIBOR interest rate on which the cash flows of the interest-rate swap (which hedges fixed-rate debt) are based is not altered by IBOR reform.

The Company is working with its banking partners on the implementation of this change.

The 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:
- 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 Amendment, 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 became effective, the Company recognised, 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 have been classified as finance leases under the new standard, as the risks and rewards of ownership of the IFRS 16 right-of-use asset 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 single discount rate to a portfolio of leases with reasonably similar characteristics
- The use of existing onerous lease provisions, rather than performing 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, relating 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 26 July 2020, 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 28 July 2019.

	July 2019 £m	IFRS 16 £m	Restated £m
Other	1,422	–	1,422
Other non-current assets	8	(8)	–
Right-of-use assets	–	618	618
Lease assets	–	12	12
Total non-current assets	**1,430**	**622**	**2,052**
Other current assets	70	–	70
Lease assets	–	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 its later years. The expense will be recognised as a depreciation and interest charge, replacing the operating expenses under IAS 17.

For the year ended 26 July 2020, EBITDA has increased by £58.5m and operating profit by £9.8m. Finance costs increased by £21.5m, resulting in a decrease in loss before tax of £10.6m.

Tax impact on changes to the income statement
The IFRS 16 depreciation and interest expense will be deducted when calculating current tax. In the financial year, the current tax charge, excluding exceptional items, was reduced by £2m. The reduction in tax payments in the early years of a lease will be offset by higher tax payments in its later years.

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 on 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 of the 2019 financial statements, 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**

Amendment to IFRS 16 Covid-19-Related Rent Concessions
This amendment has been adopted by the Company and its impact disclosed in note 25.

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 those 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, 7.3 tonnes of food waste was recycled (2019: 11.6 tonnes)
- Used cooking oil is converted to biodiesel for agricultural use

Energy consumption

The Company sets annual targets to reduce electricity, gas and water consumption through a combination of operational initiatives and the introduction of energy-efficient technology. Reduced consumption will reduce our annual CO_2 emissions.

The Company has an Energy Steering Group, chaired by a board director. Each pub has an energy champion, responsible for reducing consumption at his or her pub and communicating top tips and initiatives to staff.

Each pub receives a monthly report, detailing the amount of electricity and gas consumed, including tips on how this can be reduced.

Employees receive training in this area, along with an energy guide which provides employees, among other things, with information about when equipment should be turned off or on.

In the year ended 31 March 2020, the Company achieved a consumption saving of 5.2%.

Several pieces of energy-saving technology are now installed as standard in any new pub and have been retro-fitted in many pubs across the estate. These include:

- Cheetah extraction management systems
- Free-air cellar-cooling systems
- Sensor lighting
- LED lighting
- Heat-recovery systems

The Company trials new ideas and energy-saving technology to reduce consumption and CO_2 emissions, such as:

- Solar panels
- Rainwater-harvesting systems
- Ground-source-heat pumps
- Adiabatic cooling systems
- Wind turbines
- Light tubes
- Building energy management systems
- Voltage optimisation

The Company is a member of the Carbon Statement forum – a group which provides energy-saving technology and shares best practice with other companies in the hospitality sector.

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.

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 programme, documented processes and procedures and a supply chain audit programme.

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 completing regular visits to pubs – and pub employees regularly visiting head office
- Weekly e-mail from the chief executive to all employees
- Employee-related measures being part of the pub bonus scheme
- Head-office staff completing 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	2
Senior managers	731	454
All employees	19,661	21,837

Section 172 statement

All directors of the Company have acted in good faith in a manner most likely to achieve the long-term success of the business for its shareholders, employees, customers, suppliers and the wider community in which the Company operates.

- Wherever practical, the directors consult widely among the Company's employees, regarding decisions to be made about the Company. The directors believe that wide consultation and a management team with extensive industry experience are most likely to make the best long-term decisions.
- Details of the Company's employment policy are disclosed on page 93. Information on employee engagement can be found above.
- Where possible, the Company forms long-term relationships with suppliers, so that the Company and its suppliers have a more certain environment in which to operate. The Company's responsible retailing policy is published on its website.
- The Company aims to provide customers with good-quality food and drinks, served by well-trained and friendly staff, at reasonable prices.
- The Company communicates with its customers through its website and Wetherspoon News.
- Most of the Company's employees are also customers. The Company encourages its employees to feed back their views and the views of their friends and families.
- Information on human rights, environmental and social matters, food safety, cyber security and reputational matters is provided in this strategic report, while further information is published on the Company's website.
- Information on relations with shareholders is provided in the corporate governance report.

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

Widespread pub closures
This is where an external event leads either directly or through government action to widespread pub closures, an example of this risk being the closures during 20 March–4 July 2020, owing to the coronavirus pandemic.

The impact of such an event will depend on the nature of the event and the reaction to that event by the government and the public. The impact of the coronavirus pandemic on the 2019/20 accounts is disclosed on page 24.

The primary concern of the Company will be the health and safety of its staff and customers, ensuring that the pubs are safe places to eat and drink. Mitigating actions taken by the Company will depend on the nature of the event, how much foresight the Company had of the event and the reaction of the government, business and the public.

Recruitment and retention
Ensuring that our pubs are sufficiently staffed is crucial to their successful operation.

To attract and retain employees, the Company offers bonuses, free shares, long-service 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.

There have been limitations on the Company's food-hygiene-monitoring, owing to restrictions implemented to control the coronavirus pandemic. It is the Company's intension to reintroduce all monitoring activities as soon as that can safely be done. While restrictions have been in place, the Company has maintained food-hygiene-monitoring, wherever possible.

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 taken 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 26 July 2020, 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 £258,000 and equity increased by £66,700,000. 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 £1.0m, of which £1.0m 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 asset-financing obligations, 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
15 October 2020

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 26 July 2020, 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. 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 26 July 2020 and of its loss for the 52 week period then ended;
- 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.

Material uncertainty related to going concern

We draw attention to the going concern narrative on page 54 in the financial statements, which highlights the risks to the Company's ability to continue to trade as a going concern due to the impact of the Covid-19 virus on the economy and the hospitality industry and the ongoing uncertainty surrounding current operating restrictions, such as social distancing measures and reduced pub opening times. The Company has agreed replacement covenant tests up to and including 25 July 2021 but beyond this date, there is material uncertainty as to whether financial covenant tests will be satisfied, or whether further waivers will be agreed by lenders.

As stated on page 54, these events or conditions, along with the other matters as set out on page 54, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

In responding to the risks relating to going concern and evaluating whether a material uncertainty exists, our procedures evaluated management's assessment of the impact of Covid-19 on the company's business model, working capital and covenant compliance by undertaking the following work:

- obtained management's base case forecast for a period of 15 months from the anticipated date of approval of the financial statements, together with supporting evidence for all key trading, working capital and cash flow assumptions;
- obtained management's three downside scenarios, which reflect management's assessment of further uncertainties, and which management consider to be severe but plausible. We evaluated the assumptions regarding the forecast period of closure and reduced trading levels under each of these scenarios. We considered whether assumptions are consistent with our understanding of the business obtained during the course of the audit and the changing external circumstances arising from government Covid-19 interventions;
- robustly challenged the process that management has undertaken to conclude on the appropriateness of the going concern basis of preparation, including challenging and applying sensitivities to the key assumptions made by management in preparing the forecasts;
- tested the robustness of forecasts prepared by comparison to forecasts made in prior periods, including assessing managements historic ability to forecast, and in light of our understanding of the Company's operations;
- obtained correspondence in relation to covenant waivers and amendments and confirmed that the terms and conditions therein were consistent with those applied by management in their base case and downside scenario forecasts, including the period over which the bank has confirmed that these waivers and amendments are in place;
- considered the reasonableness of any further mitigating actions identified by management, which included an assessment of the feasibility and quantification of such mitigative measures available to management; and
- reviewed the disclosures made within the financial statements for consistency with management's assessment of going concern and in line with the accounting standards.

Conclusions relating to principal risks, going concern and viability statement

We draw attention to the Viability Statement in the Annual Report at page 76 which indicates that in making the viability statement the Board considered the material uncertainty related to going concern, as a result of the coronavirus pandemic, and the potential impact on the viability of the Company over the assessment period.

Aside from the impact of the matter disclosed above and in the material uncertainty related to going concern section, 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 64, 65 and 91 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated;
- the directors' confirmation, set out on pages 64, 65 and 91 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the directors' statements relating to going concern and the prospects of the company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 76 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: £4,500,000, which represents 4.7% of the company's preliminary 3-year average profit / (loss) before taxation;
- Key audit matters were identified as the impairment of property, plant and equipment and right of use assets, the impact of the new Financial Reporting Standard – IFRS 16 'Leases', management override of controls – the presentation of exceptional items and matters giving rise to material uncertainty related to going concern;
- 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.

In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in the audit
Impairment of property, plant and equipment and right of use assets Property, plant and equipment represents the largest balance on the balance sheet (26 July 2020: £1.4bn). Further to this, there is the new 'Right of Use' asset recognised following the adoption of IFRS 16 from the start of the year. At 26 July 2020 the carrying value was £514m. The Directors consider each individual pub to be a separate cash generating unit for impairment purposes and as explained in note 13 to the financial statements, the Directors are required to undertake an impairment assessment where events indicate that the carrying value of the cash generating unit may not be recoverable. The uncertainties inherent within the current economic environment caused by the Coronavirus pandemic, including the recent closure of all pubs in the UK and the government's ongoing response to the virus, have been included within management's consideration of qualitative and qualitative impairment indicators. The process for measuring and recognising impairment under IAS 36: 'Impairment of Assets' is complex and requires significant judgement, including assumptions on management's assessment of the impact of the Coronavirus on the future trading activity for each pub, the determination of the appropriate discount rate to be applied to those cashflows, as well as the valuation of properties. We therefore identified the assessment of impairment of property, plant and equipment and right of use asset 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 design effectiveness of controls, including the methodology applied by management to identify indicators of impairment and when performing their impairment test for each of the relevant pubs; ■ Testing the arithmetical accuracy and integrity of management's impairment model, by checking the internal consistency of the formulae; ■ 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, including assessment of the impact of Coronavirus on both short-term trading and the longer-term growth rate; ■ Comparing management's assumptions against external economic forecasts reflecting the uncertainties inherent within the current economic environment; ■ Obtaining corroborative evidence to support management's judgements used for those pubs with indicators of impairment; ■ Using our valuation experts to assess the reasonableness of the discount rate applied to cash flows, which included benchmarking to comparator companies and other market information; ■ Performing sensitivity analysis on the various assumptions used in the model and the risks and uncertainties surrounding Coronavirus; ■ Testing whether any impairment charges have been appropriately reflected in the Company's accounting records; ■ Considering the accounting policy for compliance with IAS 36 and that the application by the Company is consistent with the stated policy; and ■ Assessing whether disclosures in respect of the accounting policy and disclosures made in the financial statements relating to impairment are appropriate. The Company's accounting policy on impairments is shown on page 55 and related disclosures are included in respect of impairment in Note 13. The Audit Committee identified the provision for impairment of fixed assets as a significant financial reporting item in its report on page 91, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** Management concluded that additional impairments were required having considered our audit findings in relation to the impairment of property, plant and equipment and related right of use assets. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Key Audit Matters	How the matter was addressed in the audit
Impact of the new International Financial Reporting Standard (IFRS) 16 'Leases' IFRS 16 'Leases' is applicable to financial statements with accounting periods commencing on or after 1 January 2019 and requires lessees to account for leases on balance sheet by recognising a right of use asset and a lease liability. At 26 July 2020 the right of use asset totalled £514m, with a corresponding lease liability of £555m. The process for measuring the impact of IFRS 16 is complex and requires significant judgement, including: ■ Determination of the discount rate applied in calculating lease liabilities, specifically in assessing the Company's Incremental Borrowing Rate (IBR); ■ Lease term including break clauses, termination and extension options; and ■ Use of practical expedients on transition including judgements made around low value or short-term leases. Due to the impact of Covid-19 the International Accounting Standards Board ("IASB") has issued a practical expedient to provide relief for lessees from lease modification accounting for rent concessions related to Covid-19. The amendment is applicable for reporting periods beginning on or after 1 June 2020 and management have early adopted this practical expedient. Management must make an assessment of each change in lease payment terms to ensure it meets the requirements of the practical expedient. We have therefore identified the impact of the new International Financial Reporting Standard – IFRS 16, as a significant risk, which was one of the most significant assessed risks of material misstatements.	Our audit work included, but was not restricted to: ■ Assessing the design effectiveness of controls for determining lease accounting under IFRS 16, including the identification of leases, reassessments and modifications, and reconciliations performed to ensure the data is appropriately captured; ■ Testing the arithmetical accuracy and integrity of the underlying data, by checking the consistency of the formulae and ageing inputs to supporting documentation including lease agreements and lease modification documentation; ■ Testing the completeness of the leases identified to known leases and lease payments made in the period; ■ Validating a sample of new leases and lease modifications to verify the accuracy of the underlying lease data and validate the inputs used in the calculation; ■ 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; and ■ Assessing the accounting policy and disclosures for compliance with IFRS as adopted by the EU, including updated guidance in relation the practical expedient to provide relief for lessees from lease modification accounting for rent concessions related to Covid-19. The Company's accounting policy on IFRS 16 is shown on pages 56–57 to the financial statements and related disclosures are included in Note 25. **Key observations** Management concluded that amendments were required to their IFRS 16 accounting having considered our audit findings in relation to their application of the Covid-19 related rent concession practical expedient. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Key Audit Matters	How the matter was addressed in the audit
Management override of controls - the presentation of exceptional items The risk of management override of controls arises in the judgemental areas within the financial statements. The key judgements are highlighted on page 54 of the annual report and exceptional items is flagged as one of those areas. Exceptional items are presented separately in the income statement and further detailed in Note 4 of the financial statements, and total £59.0m (FY19 - £6.9m). This includes costs associated with Covid-19 of £29.1m, the gaming machine settlement credit of £15.9m, exceptional property losses of £47.5m, and the exceptional tax credit of £1.6m. There are a number of key management judgements around which items should be presented as exceptional. Given the high levels of judgement included within this classification and the risk of inappropriate presentation of pre-exceptional results, we therefore identified the presentation 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 the prior period, including gains and losses in relation to the continuing pub disposal programme and other property losses; ■ Challenging management around the appropriateness of costs associated with the closure of pubs due to Covid-19 being presented as exceptional; ■ Testing a sample of items classified as exceptional to agree to supporting documentation, including completion statements and invoices; and ■ Checking that disclosures 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 55 and related disclosures are included in Note 4. The Audit Committee identified exceptional items presentation as a significant financial reporting item in its report on page 91, where the Audit Committee also described the action that it has taken to address this issue. **Key observations** As a result of audit procedures performed, we have not identified any material misstatement with respect to management's classification of exceptional items.

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 work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £4,500,000 which represents 4.7% of the company's preliminary 3 year average profit / (loss) before taxation. This benchmark is considered the most appropriate because of the unprecedented impact of Covid-19 on the Company's results and annual report.

Materiality for the current period is lower than the level that we determined for the period ended 28 July 2019 to reflect the increased risk in light of Covid-19.
We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.
We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £225,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit
Our audit approach was a 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 which was updated to reflect the additional risks and uncertainties associated with Covid-19.

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 the 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 enquiries of management, those responsible for legal and compliance procedures and the company secretary. Our findings were corroborated by review of the 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:
    - Obtaining an understanding of 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, with a focus on entries made with unusual accounting combinations;
    - Assessing matters reported through the group's whistleblowing programme and the results of management's investigation of such matters; and
    - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud.
- 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 this 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 75 – 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 company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 91 and 92 – 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 88 – the parts of the directors' statement required under the Listing Rules relating to the company's 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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.

Matters 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;
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 75 and 76, 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 The period of total uninterrupted engagement including previous renewals and reappointments of the firm is between 2 and 3 periods of 52 weeks. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company 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 21.

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.

Marc Summers BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

16 October 2020

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 65
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 55
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 42
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 53
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 51
Joined in 2009 and was appointed Company Secretary in 2014.
He is a graduate of Newcastle University and qualified as a solicitor in 1997.

Debra van Gene Non-Executive Director, Remuneration Committee Chair, aged 65
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, Nomination Committee Chair, aged 76
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, Audit Committee Chair, aged 55
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, TheWorks.co.uk plc and of Cadogan Group and its related subsidiary companies. 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 59
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 51
Joined in 1994, having previously worked for Safeway plc. He worked in several operational roles, before being appointed as operations director in 2004.

James Ullman, Audit Director, aged 49
Joined in 1994. He was appointed to the management board in 2019. He is a graduate of Brighton University and Birmingham City University and became a chartered auditor in 2011.

Registered office
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Central Park
Reeds Crescent
Watford
WD24 4QL

Company number
1709784

Registrars
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PO Box 82
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Independent auditors
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
30 Finsbury Square
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EC2A 1AG

Solicitors
Macfarlanes LLP
20 Cursitor Street
London
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Bankers
Allied Irish Banks
Banco de Sabadell S.A London Branch
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 74.

Dividends
No dividend will be paid for the year.

Return of capital
At the annual general meeting of the Company, held on 21 November 2019, the Company was given authority to make market purchases of up to 15,701,759 of its own shares. During the year to 26 July 2020, 419,741 shares were purchased, with a nominal value of £8,000, for a total consideration of £6,455,000, including stamp duty. This represented 0.40% 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 26 July 2020, the total issued share capital comprised 120,380,155 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 2020 are given on page 94.

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 2019. 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 2020.

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

Business relations
Information on the Company's relations with customers and suppliers is disclosed in the strategic report on page 63.

Employment policies
Information on the Company's employment policies is disclosed in the corporate governance report on page 93.

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 31 of the UK Corporate Governance Code 2018, 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 48–57, 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, the closure of some or all of its pubs 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 64–65 are the result of internal risk management and control processes, with further details set out in the audit committee's report on pages 91 and 92.

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

The Company has modelled a range of scenarios, with the base forecast being one in which, over the next 12 months, sales recover gradually to preCovid levels. In addition, the directors have considered several 'downside' scenarios, including adjustments to the base forecast, a period of significantly lower like-for-like sales, regional pub closures for a prolonged time period and the possibility of another national temporary closure ('lockdown') of all of its pubs.

The directors are satisfied that the Company has sufficient liquidity to withstand adjustments to the base forecast, as well as the downside scenarios. The length of the liquidity period, in relation to each outcome, depends on those actions which the Company chooses to take (eg the extent to which cash expenditure is reduced) and also on the level of government financial support (eg reduced business rates) which the Company might receive.

In addition, the directors have noted the range of possible additional liquidity options available to the Company, should they be required.

Material uncertainty, which may cast significant doubt over the Company's ability to trade as a going concern, has resulted from the impact of the Covid-19 virus on the economy and the hospitality industry. It is not clear when the current operating restrictions, such as social distancing measures and reduced pub opening times, will return to 'normal' preCovid levels.

The Company has agreed with its lenders to replace existing financial covenant tests with a minimum liquidity covenant for the period up to and including July 2021. There is material uncertainty beyond this date as to whether financial covenant tests will be satisfied or whether further waivers will be agreed on by lenders. The Company will remain in regular dialogue with its lenders throughout the period.

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

Greenhouse gas (GHG) emissions

GHG Emissions	Unit	Quantity	
		2020	**2019**
Scope 1	Tonnes CO_2e	45,012	47,358
Scope 2	Tonnes CO_2e	68,297	94,016
Fuel (car)	Tonnes CO_2e	745	1,034
Intensity	Tonnes CO_2e / £m revenue	63.1	79.9

Consumption (kWh)

	2020	**2019**
Scope 1	244,801,679	257,589,099
Scope 2	292,946,271	308,430,989
Fuel (car)	3,138,550	4,277,561
Total	540,886,500	570,297,649

- The data in the above tables is calculated by taking consumption data and converting it using conversion factors published by the Department for Business, Energy & Industrial Strategy.

- Reported data is for the year ended 31 March 2020
- Scope 1 – combustion of gas
- Scope 2 – purchase of electricity
- Refrigerant emissions from our pubs are not reported, as they are immaterial

The comparative numbers for greenhouse gas emissions have been updated to include the Republic of Ireland.

Overseas branches
The Company has an overseas branch in the Republic of Ireland

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

- Details of long-term incentive schemes, page 25 to 26
- Provision of services by a controlling shareholder page 78 to 87,
- Agreements with controlling shareholders, page 52
- Corporate governance (DTR 7.2.9 R), pages 88 to 93

Events after the reporting period
The details of events after the reporting period can be found in note 29 on page 53.

By order of the board

Nigel Connor
Company Secretary
15 October 2020

Annual statement

Dear shareholder

This year, the Company's remuneration policy is due for renewal. The remuneration committee is proposing a revised policy which varies from the existing policy in the areas of executive directors' pensions and shareholding requirements, following new provisions in the revised Corporate Governance Code 2018 (see page 88). The policy will be presented for approval by shareholders at the AGM on 17 December 2020.

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

Salary

The salaries of the CEO and the personnel and legal director were increased by 2.5% at the beginning of this financial year. This compares with a 3% increase for the general salaried workforce.

Following consultation with several of the Company's top shareholders in 2019, in which it was agreed that the finance director's salary would be increased, over time, towards market levels for a finance director of a FTSE 250 company. The remuneration committee increased the finance director's salary by 11%.

With the subsequent advent of coronavirus, the chairman and CEO voluntarily reduced their salaries by 50% during 24 March–31 July 2020. The personnel and legal director and the finance director voluntarily reduced their salaries by 41.6% and 38.0%, respectively, over the same period. All non-executive directors also voluntarily reduced their fees by 50% for this period.

Annual cash bonus

There will be no annual cash bonus award to executive directors this year.

An award of 3.3% of salary was made for predominantly out-of-hours pub calls carried out in the year up until March, to maintain quality and standards. This element of the annual bonus extends beyond board level. It was suspended in March.

Deferred bonus scheme

There will be no deferred bonus award to executive directors this year.

Company Share Incentive Plan (SIP)

These awards are made twice yearly throughout the Company. The SIP award took place in September 2019 as normal, but not in March 2020.

The effect of this is that executive directors received an amount equivalent to 12.5% (normally 25%) of their salary in shares.

The CEO and the personnel and legal director each received an additional award equivalent to 2.5% (normally 5%) of their salary, because of their length of service. This additional award 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.

Please see details for pension provisions proposed under the revised Corporate Governance Code 2018 in the remuneration policy on page 79 to be presented for approval by shareholders on 17 December 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 policy proposals at the AGM on 17 December 2020.

Debra van Gene

Chair of the Remuneration Committee

15 October 2020

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 statement of our remuneration policy will apply from the company's next AGM on 17 December 2020, subject to shareholders' approval at that meeting. The statement of our policy will replace the one approved in November 2017.

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. In addition, an allowance equivalent to 5% of salary is paid for a set number of calls to monitor service and standards in pubs, predominantly in the evening and at weekends. This is paid quarterly. 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. Newly appointed executive directors will receive a pension contribution of 6% which is aligned with that made on average to the wider workforce at the date of this policy. For the basis of this, please see the table on page 84. Existing executive directors will continue to receive 12% of base salary, on the basis that this has never been excessive, is lower than the average for FTSE250 firms and is not disproportionate with that of the wider workforce. After 25 years' service, all employees in the Company, including executive directors receive additional pension payments of 2% of their salary. This rises by a further 2% after each additional five years' service. Executive directors may receive a salary supplement in lieu of pension, at the discretion of the remuneration committee.

Component	Reason	Operation, maximum achievable and performance criteria
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 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, property gains/losses and exceptional items.
Share Incentive Plan (SIP)	Align directors' 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. The aim is for all employees to be able to accumulate shares over time, to encourage loyalty and joint purpose. Awards are made twice yearly throughout 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.

Component	Reason	Operation, maximum achievable and performance criteria
Deferred Bonus Scheme	Align directors' interests with those of shareholders, employees and the wider community.	The Company does not operate a shareholding scheme with a minimum vesting period of five years. 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.
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.

Shareholdings
Executive directors are required to maintain a minimum shareholding. Minimum holding requirements are set by the remuneration committee for each director and are reviewed every three years, when the remuneration policy is reviewed. Minimum holding requirements include awarded shares which have not yet vested.

To the extent that any executive director holds less than the required number of shares, they have a five-year period to meet this requirement from the date on which the requirement is set. During this period, at least 50% of any vested share awards must be retained, until the required shareholding is attained.

On ceasing to be an executive director, a minimum holding of 50% of the previous requirement must be maintained for a minimum period of 12 months.

This guideline applies to shares which vest following the adoption of this guideline. Any shares purchased by executives would not be subject to the guideline.

The application of the minimum shareholding requirement is at the discretion of the remuneration committee.

The current minimum shareholding requirements are 200% of base salary, calculated on a £15.71 share price at 29 July 2019, which was the share price at the start of the financial year:

	Number of shares	
	Minimum Requirement	**Shares held as 26 July 2020**
B Whitley	28,000	24,577
J Hutson	76,000	191,137
S Cacioppo	44,000	55,653
T Martin	41,000	32,976,209

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 appropriate to their level of responsibility and performance.

Withholding and recovery of awards
Awards made under the bonus scheme and the deferred bonus scheme may be reclaimed, in exceptional circumstances of misstatement or misconduct.

In the event of serious misstatement or misconduct, the remuneration committee can stop bonuses from being paid and prevent share awards from vesting. The remuneration committee will make reasonable judgement, based on the facts at hand. Any actions taken will be at the discretion of the remuneration committee.

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, share-based elements or additional pension contributions, 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:

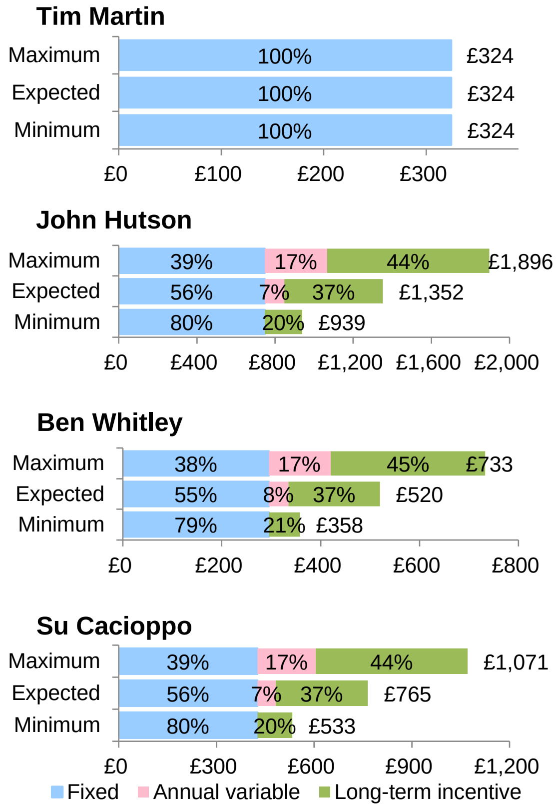
Tim Martin – 20 October 1992
John Hutson – 2 February 1998
Su Cacioppo – 10 March 2008
Ben Whitley – 5 November 2015
All directors will be standing for re-election at the AGM. Their current service contracts do not have an explicit expiry date.

Non-executive directors
The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2019, with a term of 12 months.

If their appointment is terminated early, 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:



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 26 July 2020

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

Retirement policy
The Company does not have a mandatory retirement age. Employees wishing to retire should be aged at least 55 years at the date of leaving (the minimum age a person can access a workplace pension) and serve their contractual notice period. Retiring employees are permitted to retain any unvested shares held in any Company scheme.

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 26 July 2020.

Single-figure table – audited

	Salary/fees		Taxable benefits[1]		Performance bonus[2]		Long-term incentives		Pension contributions[3]		Total	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Executive directors												
B Whitley	212	220	16	17	7	11	28	84	29	26	292	358
J Hutson	522	620	19	21	17	31	93	276	87	87	738	1,035
S Cacioppo	304	348	17	20	10	17	52	155	49	49	432	589
	1,038	1,188	52	58	34	59	173	515	165	162	1,462	1,982
Non-executive directors and chairman												
T R Martin	267	324	12	17	–	–	–	–	–	–	279	341
E McMeikan	9	53	–	–	–	–	–	–	–	–	9	53
D van Gene	45	53	–	–	–	–	–	–	–	–	45	53
R Beckett	45	53	–	–	–	–	–	–	–	–	45	53
H Morley	45	53	–	–	–	–	–	–	–	–	45	53
	411	536	12	17	–	–	–	–	–	–	423	553
Total	**1,449**	1,724	**64**	75	**34**	59	**173**	515	**165**	162	**1,885**	2,535

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. In respect of the element for pub calls made to monitor standards, 3.3% was awarded, in line with 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, in salary, the portion of their company pension contribution which was above the annual cap.

The final amount received by executive directors for long-term incentive awards will be affected by future changes in the Company's share price. A 50% increase in the share price between the award date and the vesting date will increase the value of the award by 50%. Conversely, a 50% reduction will reduce the value of the award by 50%.

Company pension contributions for any newly appointed executive directors will be 6%. This aligns with contributions in the wider workforce. The average employer contribution across all levels (pubs and head office) for the stakeholder plan is 5.4%. The average employer contribution across all levels (head office only) for the stakeholder plan is 6.2%.

Covid-19 remuneration reductions

During 24 March–31 July 2020 (the closure period), the directors volunteered salary reductions as follows:

- Ben Whitley: -£33,454
- John Hutson: -£112,400
- Su Cacioppo: -£52,537
- Tim Martin: -£57,128
- Debra van Gene: -£7,923
- Harry Morley: -£7,923
- Richard Beckett: -£7,923

No pub call allowance was paid during the closure period.

There was no SIPS award in March 2020.

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%	3.3%	7,067	17,404	10,128
Profit growth	45.0%	0.0%	–	–	–
Total performance bonus	50.0%	3.3%	7,067	17,404	10,128
Employee share scheme	25.0%	12.5%	28,113	77,858	43,706
Employee share scheme – long service*	5.0%	2.5%	–	15,571	8,741
Deferred Bonus Scheme	100.0%	0.0%	–	–	–
Total long-term incentives	130.0%	15.0%	28,113	93,429	52,447
Total	**180.0%**	**18.3%**	**35,180**	**110,833**	**62,575**

*J Hutson and S Cacioppo received an additional 2.5% (normally 5%), as they have completed 25 years' service with the Company.

There was no earnings-per-share and no owners'-earnings-per-share growth this year.

Long-term incentive awards – audited

	Number of shares			Face value in £		
	*Share Incentive Plan	**Deferred Bonus Scheme	Total	Share Incentive Plan	Deferred Bonus Scheme	Total
B Whitley	1,822	2,168	3,990	28,113	32,997	61,110
J Hutson	6,055	6,108	12,163	93,429	92,964	186,393
S Cacioppo	3,399	3,429	6,828	52,447	52,189	104,636
	11,276	**11,705**	**22,981**	**173,989**	**178,150**	**352,139**

*Awarded at an average share price of £15.43, three days before grant; shares will vest three years after grant.
**Awarded at an average share price of £15.22, five days before grant; shares vest in three equal tranches, in September of each of 2019, 2020 and 2021.

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 26 July 2020, were as follows:

Ordinary shares of 2p each, held beneficially

	Shares	**Share Incentive Plan**	**Deferred Bonus Scheme**	**2020**	Shares	Share Incentive Plan	Deferred Bonus Scheme	2019
T R Martin	**32,976,209**			**32,976,209**	33,466,934			33,466,934
B Whitley	**9,670**	**9,296**	**5,611**	**24,577**	5,680	11,648	12,948	30,276
J Hutson	**140,039**	**33,928**	**17,170**	**191,137**	111,461	45,671	42,016	199,148
S Cacioppo	**26,969**	**19,045**	**9,639**	**55,653**	25,368	25,637	23,588	74,593
E McMeikan	**–**	**–**	**–**	**–**	1,000	–	–	1,000
D van Gene	**3,777**	**–**	**–**	**3,777**	1,000	–	–	1,000
R Beckett	**2,000**	**–**	**–**	**2,000**	2,000	–	–	2,000
H Morley	**3,111**	**–**	**–**	**3,111**	2000	–	–	2000

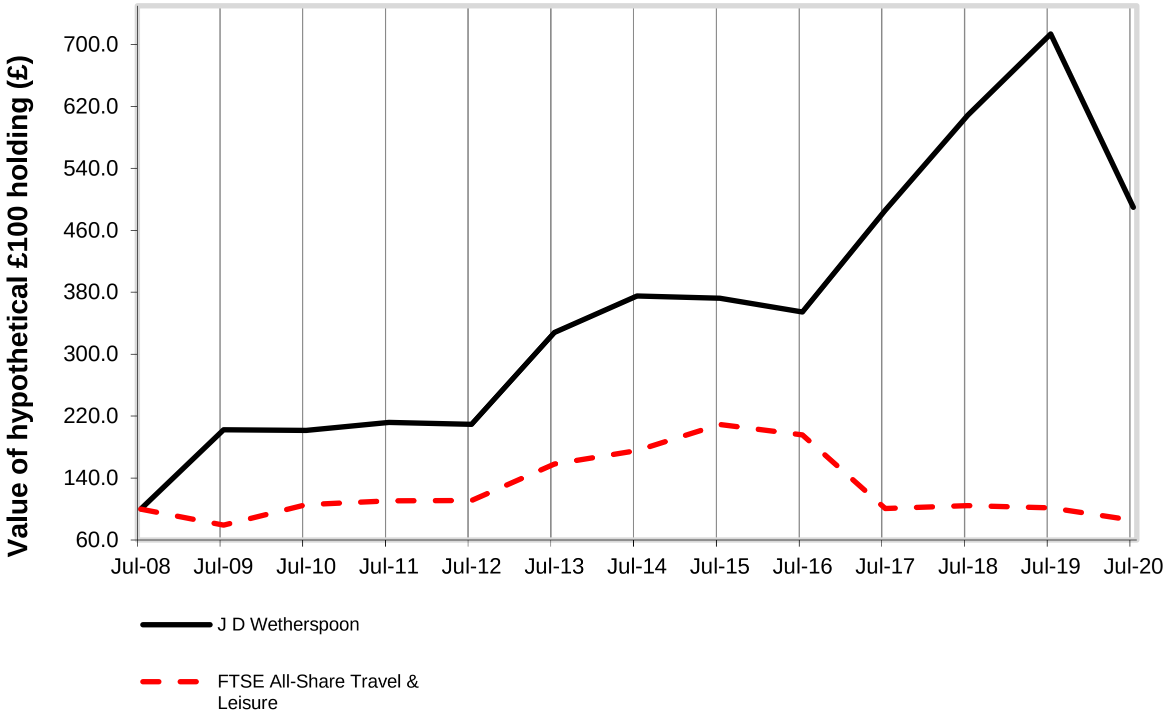
With the exception of partnership shares, there have been no changes to these interests since 26 July 2020.

Partnership shares
John Hutson and Ben Whitley are participants of the partnership share scheme and acquired 108 shares each in the year. Su Cacioppo is a participant in the partnership share scheme and acquired 109 shares in the year. The market price of the shares purchased ranged 663.7–1,704.0p.

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 £000	Performance bonus payment achieved against maximum possible %	Long-term incentives scheme shares vesting against maximum possible* %
2020	738	7	100
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

*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	2020 £000	2019 £000	Change %	Total employees %
Salary	522	620	(15.8)	(0.7)
Taxable benefits	19	21	(9.5)	14.0
Performance bonus	17	31	(45.2)	(29.0)
	558	672	(17.0)	(2.5)

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.

Chief executive pay ratios

The table below shows the chief executive's total remuneration, as disclosed in the single-figure table, compared with that of full-time equivalent employees' median (50th), 25th and 75th percentiles.

Pay ratios table

Year	Method	25th	50th	75th
2020	Option B	50:1	32:1	27:1
2019	Option B	47:1	44:7	38:1

The Company has used the same data used for gender pay reporting to determine the median, 25th and 75th percentile employees. This method is called option B in The Companies (Miscellaneous Reporting) Regulation 2018. It is believed that using a constant methodology with gender pay reporting will produce the most understandable ratios.

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

	2020 £000	2019 £000	Change %
Dividends	8,371	12,652	(33.84)
Share buy-backs	6,456	5,399	19.58
Total employee remuneration	467,886	623,011	(24.90)

Remuneration committee

The remuneration committee comprises the following independent directors: Debra van Gene (chair), 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 2019 directors' remuneration report

The table below shows the voting outcomes at the 21 November 2019 AGM for the directors' remuneration report.

	Number of votes	% of votes
For	82,541,118	93.51%
Against	5,684,207	6.44%
Abstentions	41,357	0.05%
Total cast	88,266,682	100.00%

All votes at the AGM were passed with at least 80% of the cast votes.

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%

The Corporate Governance Code requires companies to provide a summary of actions taken in relation to any agenda items being voted on and receiving less than 80% of votes. All votes at the AGM received more than the 80% threshold.

By order of the board

Nigel Connor

Company Secretary

15 October 2020

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 26 July 2020, except as described below.

3 – 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. These discussions are relayed to, and considered by, the board. The chairman is available for discussion with major shareholders, when requested.

10 – Non-executive directors' independence

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.

12 – Senior independent director

During the year the Company's senior independent director, Elizabeth McMeikan resigned. The Company is in the process of recruiting a replacement, however, at the year-end, the Company did not have a senior independent director in place.

19 – Chairman's term

Tim Martin has served more than nine years as chairman of the board. The board considers that his considerable knowledge and experience from founding the Company and leading it for over 40 years have had a positive effect on the Company's performance. The board believes that it is in the interest of the Company and its shareholders for Tim Martin to remain as chairman.

21 – 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'.

30 – Long-term shareholdings

To promote long-term shareholdings by executive directors and align their interests with shareholders, the Code requires that any share awards given to executive directors should have a minimum vesting period of five years. The executive directors receive shares under schemes which are open to other employees and have vesting periods of less than five years. The Company has disclosed details of the share award schemes in the remuneration policy on pages 80–81. To promote long-term shareholding by executive directors, the Company requires directors to hold a minimum number of shares as disclosed on page 82. Restrictions are in place on the sale of shares, if directors have not achieved the minimum holding.

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

Board leadership and Company purpose

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
- Debra van Gene, non-executive director
- Sir Richard Beckett, non-executive director
- Harry Morley, non-executive director

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

Biographies of all non-executive and executive directors are provided on page 74 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.

The Company's purpose and how it establishes its values and culture through engagement with employees are disclosed on page 63.

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.

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

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 asset-financing transactions
  - 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**
  - 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

Division of responsibilities

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 physically four times during the year ending 26 July 2020. During lockdown, the board met weekly via conference call. Attendance of the directors and non-executives, where appropriate, is shown below.

	Board	**Audit**	**Remuneration**	**Nomination**
Number of meetings held in the year	18	4	4	1
Tim Martin	14	N/A	N/A	N/A
John Hutson	18	N/A	N/A	N/A
Su Cacioppo	18	4	N/A	N/A
Ben Whitley	18	4	N/A	N/A
Debra van Gene	17	4	4	1
Sir Richard Beckett	18	4	4	1
Harry Morley	18	4	4	1
Nigel Connor	18	4	N/A	N/A

Audit, risk and internal control

Audit committee

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; 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, pub closures, system security, IT, cyber-crime, changes in business environment, decline in like-for-like sales volume and escalating costs of labour
- 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 whistleblowing 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 – 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 implementation of IFRS 16 and its presentation within the financial statements
- The committee reviewed the financial plans, modelled scenarios and assumptions made by the Company in support of the presentation of the financial statements on a going concern basis
- The committee reviewed and raised questions on the calculations made by the Company in relation to the hedge accounting and effectiveness 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 (2019: £Nil). 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 21, 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 October 2020, 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.

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. The audit was last tendered in 2018 – and Grant Thornton UK LLP has been in place as the Company's auditor for three years.

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.

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.

No significant failings of internal control were identified during these reviews.

A summary of the financial risks and treasury policies can be found on page 65, together with other risks and uncertainties.

Emerging risks
The Company monitors emerging risks through the receipt of advice and feedback from head office and pub staff, customers, suppliers, and several external advisers and by maintaining an awareness of the wider economic, political and social environment.

Any potential risks identified will be discussed in the relevant internal meetings, where any potential impact on the business will be considered. Any significant risks identified will be added to the Company's risk register.

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.

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.

Remuneration and nomination

Remuneration committee
The committee is responsible for determining the remuneration received by executive directors and senior managers. When setting levels of remuneration, the committee seeks to ensure that they are sufficient to attract and retain people with the necessary skills and experience. The committee seeks to ensure that remuneration is not excessive and is in line with amounts paid by comparable companies. In setting executive directors' remuneration, the committee takes into account wider workforce remuneration policies throughout the Company, with many elements extending throughout much of the Company at varying levels according to seniority and length of service.

The remuneration policy operated as intended during the year – no changes were made and no discretion has been applied.

The committee has taken on board feedback from shareholders. During the remuneration policy's updating in the year, it has sought to make clearer how elements of the policy are applied. The proposed new policy incorporates changes relating to company pension contributions and shareholding requirements, following the Revised Corporate Governance Code 2018.

The directors' report on remuneration is set out on pages 78–87.

Directors' remunerations are clearly presented in the accounts. The remuneration policy is clearly stated, and the calculation of performance measures is explained. The remuneration policy does not overly rely on target-based incentives, with share awards given based on profit, earnings per share and owners' earnings growth, as well as some shares awarded without performance targets as part of a companywide scheme.

Awards made are predictable and within a range of values. The remuneration committee can apply discretion in the application of awards.

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

Nomination committee
The committee meets at least annually and:

- reviews the board structure, size, diversity (including gender), composition and successional needs, keeping under review the balance of membership between executive and non-executive and the required blend of skills, experience, knowledge and independence on the board.
- formally proposes any new executive or non-executive directors for the approval of the whole board, following a reasonable process for such an appointment.
- reviews the leadership and successional needs of the organisation, with a view to ensuring the long-term success of the Company.
- ensures that all directors offer themselves for annual re-election by shareholders.

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.

The Company has not appointed a director for the workforce, set up a workforce advisory panel or designated a non-executive director as being responsible for the workforce. The Company believes that workforce engagement is the responsibility of all directors. Examples of steps taken to foster workforce engagement are disclosed in the strategic report on page 63.

Approved by order of the board

Nigel Connor
Company Secretary
15 October 2020

INFORMATION FOR SHAREHOLDERS

Ordinary shareholdings at 24 July 2020

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	3,829	88.1	1,661,827	1.4
2,501–10,000	258	5.9	1,232,602	1.0
10,001–250,000	202	4.7	13,130,043	10.9
250,001–500,000	25	0.6	8,799,680	7.3
500,001–1,000,000	16	0.4	11,863,271	9.9
Over 1,000,000	14	0.3	83,692,732	69.5
	4,344	100.0	120,380,155	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 2020:

	Number of ordinary shares	% of share capital
Tim Martin	32,976,209	27.4
Columbia Threadneedle Investments	17,512,634	14.6
Immersion Capital	6,573,354	5.5
Phoenix Asset Management Partners	3,578,490	3.0
Norges Bank Investment Mgt	3,400,223	2.8
J D Wetherspoon plc Company Share Plan*	3,395,910	2.8
Aberdeen Standard Investments (Standard Life)	3,183,925	2.6
BlackRock Investment Mgt - Index	2,722,968	2.3

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 pages 80–81. This includes vested shares held by employees.

Share prices

28 July 2019	1,540p
Low	559p
High	1,734p
26 July 2020	892p

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
The Railway	113 Station Road	Rainham	ME8 7SF	England
Charles Henry Roe	39/41 Austhorpe Road	Cross Gates	LS15 8BA	England

PUBS CLOSED DURING THE FINANCIAL YEAR

Name	Address	Town	Postcode	Country
The Last Plantagenet	107 Granby Street	Leicester	LE1 6FD	England
The Baron of Hinckley	5–7 Regent Street	Hinckley	LE10 0AZ	England
The Penny Black	14–18 Bull Ring	Kidderminster	DY10 2AZ	England
The Rhinoceros	35–37 Bridgegate	Rotherham	S60 1PL	England
The Brun Lea (Lloyds)	31–39 Manchester Road	Burnley	BB11 1HG	England
The Isaac Merritt	54–58 Torquay Road	Paignton	TQ3 3AA	England
The Time Piece	11–15a Northgate	Dewsbury	WF13 1DS	England
The Lord Moon of the Mall	16–18 Whitehall	London	SW1A 2DY	England
The Standard Bearer	1 The Plaza	Stevenage	SG1 1PF	England

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