J D Wetherspoon plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Wetherspoon owns and operates pubs and hotels 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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15 November 2018

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28 July 2019

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FINANCIAL HIGHLIGHTS

Like-for-like sales
+5.0%

Revenue £1,693.8m
(2017: £1,660.8m)
+2.0%
(excluding week 53: +4.2%)

Free cash flow[1] £93.4m
(2017: £107.9m)
-13.5%

Free cash flow[1] per share 88.4p
(2017: 97.0p)
-8.9%

Full-year dividend 12.0p
(2017: 12.0p)
Maintained

Contribution to the economy
taxes paid £728.8m (2017: £694.6m)
+4.9%

Before exceptional items

Operating profit £132.3m
(2017: £128.5m)
+2.9%
(excluding week 53: +4.8%)

Profit before tax £107.2m
(2017: £102.8m)
+4.3%
(excluding week 53: +6.2%)

Earnings per share
(including shares held in trust) 79.2p
(2017: 69.2p)
+14.5%

After exceptional items[2]

Operating profit £132.3m
(2017: £128.5m)
+2.9%
(excluding week 53: +4.8%)

Profit before tax £89.0m
(2017: £76.4m)
+16.5%
(excluding week 53: +18.6%)

Earnings per share
(including shares held in trust) 63.2p
(2017: 50.8p[3])
+24.4%

[1] As defined in note 8 to the annual report and financial statements and our accounting policies.
[2] Exceptional items as disclosed in the notes to the annual report and financial statements, note 4.
[3] Exceptional deferred tax has been restated. See note 7 for further details.

Financial performance

I am pleased to report a year of progress for the company, with record sales, profit and earnings per share before exceptional items. The company was founded in 1979 – and this is the 35th year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 15.4% per annum and free cash flow per share by an average of 15.5%.

Summary accounts for the years ended July 1984 to 2018

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

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 to 4, all numbers are as reported in each year's published accounts.

The comparisons below, unless stated, compare the 52-week period under review with the 53-week prior year.

Like-for-like sales, adjusted for 52 weeks, increased by 5.0% (2017: 4.0%). Total sales were £1,693.8m, an increase of 2.0% (2017: 4.1%). Like-for-like bar sales increased by 5.1% (2017: 3.1%), food sales by 5.1% (2017: 5.7%) and slot/fruit machine sales by 2.9% (2017: decreased by 1.2%). Hotel room sales increased by 2.3% (2017: 9.9%).

Operating profit, before exceptional items, increased by 2.9% to £132.3m (2017: £128.5m). The operating margin, before exceptional items, increased to 7.8% (2017: 7.7%).

Profit before tax and exceptional items increased by 4.3% to £107.2m (2017: £102.8m). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 79.2p (2017: 69.2p).

Net interest was covered 4.8 times by operating profit before interest, tax and exceptional items (2017: 4.6 times). Total capital investment was £110.1m in the period (2017: £208.1m). £35.9m was invested in new pubs and pub extensions (2017: £46.9m), £64.7m in existing pubs and IT (2017: £65.9m) and £9.5m in the acquisition of freehold reversions, where Wetherspoon was already a tenant (2017: £95.3m).

Exceptional items totalled £17.0m (2017: £20.4m), relating to pub disposals and closures. There was an £8.7m loss on disposal and an impairment charge of £9.6m for closed sites, underperforming pubs and onerous leases.

There were £1.3m of exceptional tax credits, owing to a reduction in the UK corporation tax rate, which creates tax credits for future years.

The total cash effect of exceptional items is a cash outflow of £0.6m.

Free cash flow, after capital payments of £68.9m for existing pubs (2017: £58.6m), £13.6m for share purchases for employees (2017: £10.4m) and payments of tax and interest, decreased by £14.6m to £93.4m (2017: £107.9 m). Free cash flow per share was 88.4p (2017: 97.0p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay an unchanged final dividend of 8.0p per share, on 29 November 2018, to shareholders on the register on 26 October 2018, giving an unchanged total dividend for the year of 12.0p per share. The dividend is covered 5.3 times (2017: 4.2 times).

In view of the level of capital expenditure and the potential for investments, the board has decided to maintain the dividend at its current level for the time being.

During the year, 3,497,500 shares (3.21% of the share capital) were purchased by the company for cancellation, at a cost of £36.2m, an average cost per share of 1,025p.

Over the last 12 years, my shareholding has increased from 21.2% to 31.9%, as a result of the company's share 'buybacks'. The company has in place a rule 9 'whitewash', under the UK City Code on Takeovers and Mergers, allowing further buybacks. At the Annual General Meeting this year, the company will seek approval for a renewal of the whitewash.

Financing

As at 29 July 2018, the company's total net debt, excluding derivatives, was £726.2m (2017: £696.3m), an increase of £29.9m.

Year-end net-debt-to-EBITDA was 3.39 times (2017: 3.39 times).

As at 29 July 2018, the company had £133.9m (2017: £163.9m) of unutilised banking facilities and cash or cash equivalents, with total facilities of £860.0m (2017: £860.0m).

Existing interest-rate swaps for £600m remain in place, and an additional £95m swap was added in the period.

Corporation tax

The current tax charge (ie the cash the company will pay to HMRC) for the period is £23.7m (2017: £24.6m), benefiting from a reduction in the rate of corporation tax and a small credit relating to previous periods. The 'accounting' tax charge, which appears in the income statement, is £23.6m (2017: £25.8m).

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

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

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

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

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

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

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

Contribution to the economy
Wetherspoon is proud to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we paid total taxes of £728.8m, an increase of £34.2m, compared with the previous year, which equates to approximately 43% of our sales.

This means an average payment per pub of £825,000 per annum or £15,900 per week.

	2018 £m	2017 £m
VAT	**332.8**	323.4
Alcohol duty	**175.9**	167.2
PAYE and NIC	**109.2**	96.2
Business rates	**55.6**	53.0
Corporation tax	**26.1**	20.7
Machine duty	**10.5**	10.5
Climate change levy	**9.2**	9.7
Carbon tax	**3.0**	3.4
Fuel duty	**2.1**	2.1
Landfill tax	**1.7**	2.5
Stamp duty	**1.2**	5.1
Sugar tax	**0.8**	–
Premise licence and TV licences	**0.7**	0.8
TOTAL TAX	**728.8**	694.6
Tax per pub (£000)	**825.0**	768.4
Tax as % of net sales	**43.0%**	41.8%
Pre-exceptional profit after tax	**83.7**	77.0
Profit after tax as % of sales	**4.9%**	4.6%

Corporate governance
The 2016 statement contained a detailed critique of corporate governance rules. There has been almost no disagreement from shareholders on the issues raised then.

Wetherspoon has a significant competitive edge in governance, since all of our directors, bar one, were in situ at the time of the last financial crisis.

In contrast, most PLCs are more vulnerable, since the average tenure of CEOs and non-executives is about five years, largely as a result of governance rules. This 'institutionalising' of inexperience seems wrong.

Most corporate governance bodies disapprove of my own role as chairman, since I am not regarded as 'independent', although shareholders have not followed their advice in the past. The 'Catch-22' is that most non-executives have little option but to comply with these 'rules', since boards are criticised for non-adherence.

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 807 pubs rated on the Food Standards Agency's website – the average score is 4.97, with 97.3% of the pubs achieving a top rating of five stars and 2.4% 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 64 pubs have passed.

We paid £43m in respect of bonuses and free shares to employees in the year (a slight increase compared with the previous year), of which 97% was paid to staff below board level and 82% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2018) by The Top Employers Institute for the 15th consecutive year. The Institute said:

"J D Wetherspoon provides exceptional employee conditions, nurtures and develops talent throughout all levels of the organisation and has demonstrated its leadership status in the HR environment, always striving to optimise its employment practices and to develop its employees."

The company substantially increased the rates of pay in the period for hourly paid staff, at a cost of about £20m. The company intends to invest a further £27m from November this year.

Under government legislation, there are different minimum rates of pay for different age groups. The company pays in excess of the minimum rates for all age groups. The company currently pays a rate in excess of the minimum rate for over 25s to those aged 21 and over. As from 5 November 2018, this higher rate of pay will apply to all employees aged 18 and over.

In the field of charity, thanks to the generosity and work of our customers, pub and head-office teams, we continue to raise record amounts of money for CLIC Sargent, supporting young cancer patients and their families.

In the last year, we raised approximately £1.7m, bringing the total raised to over £16m – more than any other corporate partner has raised for this charity.

Property

The company opened six pubs during the year, with 18 sold or closed, resulting in a trading estate of 883 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.8m, compared with £2.3m a year ago. The full-year depreciation charge was £79.3m (2017: £73.9m). We currently intend to open about 5–10 pubs in the year ending July 2019.

Property litigation

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

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

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

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

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

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

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

Current trading and outlook

There will be a huge gain for business and consumers if the UK copies the free trade approach of countries like Singapore, Switzerland, New Zealand, Australia, Canada and Israel, by slashing protectionist EU import taxes ('tariffs'), on leaving the EU in March next year.

These invisible tariffs are charged on over 12,000 non-EU products, including rice, oranges, coffee, wine and children's clothes. The proceeds are collected by the UK taxman and sent to Brussels.

Ending tariffs will reduce shop and pub prices, improve living standards, and will help non-EU suppliers, currently discouraged by tariffs, quotas and the extensive paraphernalia of EU protectionism.

If parliament votes to end tariffs and rejects the 'Chequers Deal', consumers and business will benefit additionally by avoiding a cost of £39 billion, or £60 million per UK constituency, in respect of the EU 'divorce payment' – for which there is no legal obligation.

Parliament can also regain control of UK fishing waters, where 60% of the catch is currently taken by EU boats.

Unfortunately, some individuals, businesses and business organisations have mistakenly, or misleadingly, repeated the myth that food prices will rise without a 'deal' with the EU.

In fact, the only way prices can rise post-Brexit is if parliament votes to impose tariffs. The EU will have no say in the matter, provided that the government does not sign away the UK's rights in a 'deal' in the meantime.

An article on this subject, which has appeared in several pub trade publications, can be found in appendix 1 below.

Like-for-like sales in the six weeks to 9 September increased by 5.5%. The company has had a reasonable start to the financial year, but taxes, labour and interest costs are expected to be higher than those of last year, so we estimate that like-for-like sales growth of about 4.0% will be required for the company to match last year's record profits.

Tim Martin
Chairman

Tim Martin, writing in Propel, a pub trade publication:

Appendix 1 – Propel Newsletter, 21 August 2018, Tim Martin – free trade deal will not hike food prices, 2018

Opinion Special: Free trade deal will not hike food prices, argues Tim Martin

"Like Arnold Schwarzenegger's Terminator, the cyborg assassin, fictional scare stories about food price rises post-Brexit refuse to die. For example, the Sunday Times front-page headline on 12 August said: "No deal will hike food prices by 12%."

The article itself said "tariffs on imports from the EU could include cheese, up by 44%, beef up by 40%, and chicken, up 22%". It quoted the chairman of a 'leading supermarket' who "warned food products imported from the EU would be hit by an average tariff of 22%" and reported "senior executives from the big four supermarkets" had made these predictions in "briefings to the Treasury".

The 'big four' are Tesco, Sainsbury's, Asda and Morrison's, so the reports of Treasury briefings, which haven't been denied, have clearly been authorised at the top level.

The briefings echo the misleading 2016 statement of Richard Baker, then chairman of Whitbread, who told the Evening Standard "failure to reach a trade deal would see tariffs… of 12% on clothes… and up to 27% on meat" and of David Tyler, then chairman of Sainsbury's, who told the Sunday Times in 2017 "if we don't get a deal and (instead) move to World Trade Organisation (WTO) rules, we could face an average tariff of 22% on foodstuffs we import from Europe". As Malcolm Walker, founder of food chain Iceland, said last week, these stories are rubbish.

In fact, the only way in which prices for EU imports can rise post-Brexit is if the UK government itself decides to impose taxes, also known as tariffs, on them – a sure way to lose an election. The EU has no say in the UK's import taxes after we leave.

Provided the government takes the sensible decision to opt for free trade, there would be no extra taxes/tariffs on EU imports. And by deciding not to impose taxes on the EU, there would be no taxes either on non-EU imports – WTO rules require all countries are treated in the same way, in the absence of a 'deal'.

The result of the free trade option would be a reduction in prices in shops and pubs, since the EU today charges these invisible taxes on wine, rice, coffee, oranges and more than 12,000 other non-EU products.

Lower prices boost living standards, but in this case they do so without affecting government income, since taxes on non-EU products today are collected by the UK and are paid to Brussels – price reductions in shops would cost the Treasury nothing.

In taking the free trade path, the UK would not be conducting a wild experiment. It would be following the successful approach of dynamic economies such as Singapore, Switzerland, Israel, Canada, Australia and New Zealand, which have slashed import taxes.

Other important benefits of free trade, disparagingly called 'no deal' by Remain spin doctors, are we regain control of the UK's fishing waters, where 60% of fish are today landed by EU boats, and we avoid the payment of £39bn to Brussels, which government lawyers have said there is no legal obligation to pay.

So why are the supermarkets making false claims about price rises and why are they not fighting to reduce prices? Pro-Remain ideology and ignorance are probably the answer.

John Allan, chairman of Tesco, like Private Frazer of Dad's Army, is renowned for his gloomy views. He said before the referendum "Brexit would ruin small firms" and, more recently, leaving the EU "too quickly would be a mess". And Allan is now president of the CBI, the employers' organisation, which strongly advocated the UK's participation in the disastrous exchange rate mechanism, the euro and staying in the EU. And Martin Scicluna, current chairman of Sainsbury's, was previously chairman of Deloitte UK, which, along with fellow accountants PWC, implored the public to vote Remain. Indeed, Deloitte Digital, part of the same company, is today urging a second referendum.

But the big supermarkets are playing a dangerous game, since the public implicitly expects companies to do their best for customers, by lowering prices when opportunities arise.

By participating in inaccurate scare stories, supermarkets appear keener on maintaining close ties to the EU, an obsession of the elite, rather than on low prices. "Pay more at the big four" is the subliminal message.

This approach is bad news for shareholders and customers of the big four, but is great for Aldi, Lidl, Iceland, Amazon and other 'disruptors', since they see the benefits of free trade as opportunities, not threats.

Once again, elite Remainers fail to understand the public is collectively far more intelligent than they are, which is why democracy works, after all. ”

Tim Martin is founder and chairman of J D Wetherspoon

INCOME STATEMENT for the 52 weeks ended 29 July 2018

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Revenue	1	**1,693,818**	**–**	**1,693,818**	1,660,750	–	1,660,750
Operating costs		**(1,561,527)**	**–**	**(1,561,527)**	(1,532,242)	–	(1,532,242)
Operating profit	2	**132,291**	**–**	**132,291**	128,508	–	128,508
Property gains/(losses)	3	**2,900**	**(18,251)**	**(15,351)**	2,807	(26,868)	(24,061)
Finance income	6	**48**	**–**	**48**	72	402	474
Finance costs	6	**(27,990)**	**–**	**(27,990)**	(28,557)	–	(28,557)
Profit before tax		**107,249**	**(18,251)**	**88,998**	102,830	(26,466)	76,364
Income tax expense	7	**(23,567)**	**1,278**	**(22,289)**	(25,846)	6,063[3]	(19,783)[3]
Profit for the period		**83,682**	**(16,973)**	**66,709**	76,984	(20,403)[3]	56,581[3]
Earnings per share (p)							
– Basic[1]	8	**81.1**	**(16.5)**	**64.6**	70.8	(18.8)[3]	52.0[3]
– Diluted[2]	8	**79.2**	**(16.0)**	**63.2**	69.2	(18.4)[3]	50.8[3]
Operating profit per share (p)							
– Diluted[2]	8	**125.3**	**–**	**125.3**	115.5	–	115.5

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 29 July 2018

	Notes	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: gain taken to other comprehensive income	23	**14,787**	24,581
Tax on items taken directly to other comprehensive income	7	**(2,513)**	(4,814)
Currency translation differences		**(320)**	2,104
Net gain recognised directly in other comprehensive income		**11,954**	21,871
Profit for the period		**66,709**	56,581[3]
Total comprehensive income for the period		**78,663**	78,452[3]

[1] Calculated excluding shares held in trust.
[2] Calculated using issued share capital which includes shares held in trust.
[3] Exceptional deferred tax has been restated. See note 7 for further details.

CASH FLOW STATEMENT for the 52 weeks ended 29 July 2018

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 29 July 2018 £000	Free cash flow[1] 52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000	Free cash flow[1] 53 weeks ended 30 July 2017 £000
Cash flows from operating activities					
Cash generated from operations	9	**228,300**	**228,300**	224,403	224,403
Interest received		**36**	**36**	57	57
Net exceptional finance income		**–**		402	
Interest paid		**(25,824)**	**(25,824)**	(26,834)	(26,834)
Corporation tax paid		**(26,113)**	**(26,113)**	(20,683)	(20,683)
Net cash inflow from operating activities		**176,399**	**176,399**	177,345	176,943
Cash flows from investing activities					
Purchase of property, plant and equipment		**(63,753)**	**(63,753)**	(45,056)	(45,056)
Purchase of intangible assets		**(5,166)**	**(5,166)**	(13,502)	(13,502)
Investment in new pubs and pub extensions		**(46,386)**		(40,285)	
Freehold reversions		**(16,278)**		(88,603)	
Proceeds of sale of property, plant and equipment		**4,742**		19,620	
Net cash outflow from investing activities		**(126,841)**	**(68,919)**	(167,826)	(58,558)
Cash flows from financing activities					
Equity dividends paid	11	**(12,655)**		(13,352)	
Purchase of own shares for cancellation	28	**(51,647)**		(28,445)	
Purchase of own shares for share-based payments		**(13,605)**	**(13,605)**	(10,449)	(10,449)
Advances under bank loans	10	**41,314**		47,236	
Loan issue costs	10	**(518)**	**(518)**	–	–
Net cash outflow from financing activities		**(37,111)**	**(14,123)**	(5,010)	(10,449)
Net change in cash and cash equivalents	10	**12,447**		4,509	
Opening cash and cash equivalents	19	**50,644**		46,135	
Closing cash and cash equivalents	19	**63,091**		50,644	
Free cash flow	8		**93,357**		107,936
Free cash flow per ordinary share	8		**88.4p**		97.0p

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

BALANCE SHEET as at 29 July 2018

J D Wetherspoon plc, company number: 1709784

	Notes	29 July 2018 £000	30 July 2017 Restated[1] £000	24 July 2016 Restated[1] £000
Assets				
Non-current assets				
Property, plant and equipment	13	**1,306,073**	1,282,633	1,188,512
Intangible assets	12	**24,779**	29,691	27,051
Investment property	14	**7,494**	7,550	7,605
Other non-current assets	15	**7,925**	8,272	9,725
Derivative financial instruments	23	**14,976**	11,380	–
Deferred tax assets	7	**4,099**	6,612	11,426
Total non-current assets		**1,365,346**	1,346,138	1,244,319
Assets held for sale	18	**1,455**	1,524	950
Current assets				
Inventories	16	**23,300**	21,575	19,168
Receivables	17	**23,122**	21,029	27,616
Cash and cash equivalents	19	**63,091**	50,644	46,135
Total current assets		**109,513**	93,248	92,919
Total assets		**1,476,314**	1,440,910	1,338,188
Liabilities				
Current liabilities				
Borrowings	21	**(8,864)**	(17,461)	(112)
Derivative financial instruments	23	**(160)**	–	(79)
Trade and other payables	20	**(290,602)**	(313,525)	(266,523)
Current income tax liabilities		**(8,950)**	(12,159)	(8,247)
Provisions	22	**(8,052)**	(5,175)	(4,463)
Total current liabilities		**(316,628)**	(348,320)	(279,424)
Non-current liabilities				
Borrowings	21	**(780,420)**	(729,487)	(696,783)
Derivative financial instruments	23	**(38,925)**	(50,276)	(63,398)
Deferred tax liabilities	7	**(38,980)**	(40,122)	(45,354)
Provisions	22	**(2,453)**	(1,890)	(3,387)
Other liabilities	24	**(12,346)**	(12,383)	(13,307)
Total non-current liabilities		**(873,124)**	(834,158)	(822,229)
Net assets		**286,562**	258,432	236,535
Equity				
Share capital	28	**2,110**	2,180	2,273
Share premium account		**143,294**	143,294	143,294
Capital redemption reserve		**2,321**	2,251	2,158
Hedging reserve		**(20,010)**	(32,284)	(52,051)
Currency translation reserve		**4,767**	4,899	2,340
Retained earnings		**154,080**	138,092	138,521
Total equity		**286,562**	258,432	236,535

The financial statements, on pages 9 to 35, approved by the board of directors and authorised for issue on 13 September 2018, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

[1]Deferred tax and retained earnings have been restated. See note 7 for further details.

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	**Total £000**
Reported at 24 July 2016		**2,273**	**143,294**	**2,158**	**(52,051)**	**2,340**	**109,434**	**207,448**
Restatement of previous periods	7						29,087	29,087
Restated at 24 July 2016		**2,273**	**143,294**	**2,158**	**(52,051)**	**2,340**	**138,521**	**236,535**
Total comprehensive income					19,767	2,559	56,126	78,452
Profit for the period							56,581	56,581
Interest-rate swaps: cash flow hedges	23				24,581			24,581
Tax taken directly to comprehensive income	7				(4,814)			(4,814)
Currency translation differences						2,559	(455)	2,104
Purchase of own shares for cancellation		(93)		93			(43,887)	(43,887)
Share-based payment charges							10,711	10,711
Tax on share-based payments	7						422	422
Purchase of own shares for share-based payments							(10,449)	(10,449)
Dividends	11						(13,352)	(13,352)
At 30 July 2017		**2,180**	**143,294**	**2,251**	**(32,284)**	**4,899**	**138,092**	**258,432**
Total comprehensive income					12,274	(132)	66,521	78,663
Profit for the period							66,709	66,709
Interest-rate swaps: cash flow hedges	23				14,787			14,787
Tax taken directly to comprehensive income	7				(2,513)			(2,513)
Currency translation differences						(132)	(188)	(320)
Purchase of own shares for cancellation		(70)		70			(36,205)	(36,205)
Share-based payment charges							11,405	11,405
Tax on share-based payments	7						527	527
Purchase of own shares for share-based payments							(13,605)	(13,605)
Dividends	11						(12,655)	(12,655)
At 29 July 2018		**2,110**	**143,294**	**2,321**	**(20,010)**	**4,767**	**154,080**	**286,562**

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 29 July 2018, the number of shares held in trust was 2,367,991 (2017: 2,458,000), with a nominal value of £47,360 (2017: £49,160) and a market value of £28,865,810 (2017: £25,071,600); these are included in retained earnings.

During the year, 3,497,500 shares were repurchased by the company for cancellation, representing approximately 3.21% of the issued share capital, at a cost of £36.2m, including stamp duty, representing an average cost per share of 1,025p. At the previous year end, 30 July 2017, the company had a liability for share purchases of £15.5m, which was settled during the current year, ended 29 July 2018.

Hedging gain/loss arises 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 29 July 2018, the company had distributable reserves of £138.8m.

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Sales of food, beverages, hotel rooms and machine income	**1,693,818**	1,660,750

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Concession rental payments	**25,075**	24,784
Minimum operating lease payments	**42,754**	44,828
Repairs and maintenance	**71,261**	66,219
Net rent receivable	**(1,407)**	(1,422)
Share-based payments (note 5)	**11,405**	10,711
Depreciation of property, plant and equipment (note 13)	**70,918**	66,483
Amortisation of intangible assets (note 12)	**7,984**	6,931
Depreciation of investment properties (note 14)	**56**	55
Amortisation of other non-current assets (note 15)	**347**	400

Auditors' remuneration	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Fees payable for the audit of the financial statements	**167**	197
Fees payable for other services:		
– Assurance services	**27**	32
– Audit related services	**38**	–
Total auditors' fees	**232**	229

Analysis of continuing operations	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Revenue	**1,693,818**	1,660,750
Cost of sales	**(1,505,781)**	(1,470,273)
Gross profit	**188,037**	190,477
Administration costs	**(55,746)**	(61,969)
Operating profit after exceptional items	**132,291**	128,508

Included within cost of sales is £602.4m (2017: £597.8m), related to cost of inventory recognised as expense.

3. Property gains and losses

	52 weeks ended 29 July 2018 Before exceptional items £000	**52 weeks ended 29 July 2018 Exceptional items (note 4) £000**	**52 weeks ended 29 July 2018 After exceptional items £000**	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Disposal of fixed assets	**(1,865)**	**5,076**	**3,211**	(615)	15,099	14,484
Additional costs of disposal	**117**	**3,625**	**3,742**	25	3,262	3,287
Impairment of property, plant and equipment	**–**	**3,588**	**3,588**	–	7,607	7,607
Impairment of other assets	**–**	**–**	**–**	–	180	180
Onerous lease provision	**–**	**5,962**	**5,962**	–	720	720
Other property gains	**(1,152)**	**–**	**(1,152)**	(2,217)	–	(2,217)
Total property (gains)/losses	**(2,900)**	**18,251**	**15,351**	(2,807)	26,868	24,061

4. Exceptional items

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**8,701**	18,361
Impairment property plant and equipment	**–**	5,943
Impairment of other non-current assets	**–**	141
Onerous lease reversal	**(173)**	(1,319)
Onerous lease provision	**4,693**	1,659
	13,221	24,785
Other property losses		
Impairment of property, plant and equipment	**3,588**	1,664
Impairment of other non-current assets	**–**	39
Onerous lease reversal	**–**	(696)
Onerous lease provision	**1,442**	1,076
	5,030	2,083
Total exceptional property losses	**18,251**	26,868
Other exceptional items		
Net exceptional finance income	**–**	(402)
	–	(402)
Total pre-tax exceptional items	**18,251**	26,466
Exceptional tax		
Exceptional tax items – deferred tax (note 7)	**–**	(4,155)
Tax effect on exceptional items	**(1,278)**	(1,386)
Restatement temporary differences	**–**	(2,474)
Restatement impact of change in UK tax rate	**–**	1,952
Total exceptional tax	**(1,278)**	(6,063)
Total exceptional items	**16,973**	20,403

Disposal programme
The company has offered several of its sites for sale. At the year end, 19 (2017: 45) sites had been sold, including sites which were closed in the previous year, one (2017: five) was classified as held for sale and an additional six (2017: three) sites have been closed as part of the disposal programme.

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

Onerous lease provision relates to sites which have been closed and made available for sale. A provision has been raised to cover the rental costs for the estimated period required to dispose of these sites.

4. Exceptional items (continued)

Other property losses
Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their current book value. In the year, an exceptional charge of £3,588,000 (2017: £1,703,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £6,898,000 (2017: £2,530,000), offset by impairment reversals of £3,310,000 (2017: £827,000).

The onerous lease provision relates to pubs for which future trading profits, or income from subleases, are not expected to cover the rent. The provision takes several factors into account, including the expected future profitability of the pub and also the amount estimated as payable on surrender of the lease, where this is a likely outcome. In the year, £1,442,000 (2017: £380,000) was charged net in respect of onerous leases outside of the disposal programme.

All exceptional items listed above generated a net cash outflow of £629,000 (2017: inflow of £12,214,000).

5. Employee benefits expenses

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Wages and salaries	**501,229**	475,420
Social Security costs	**34,455**	31,211
Other pension costs	**4,510**	3,696
Share-based payments	**11,405**	10,711
	551,599	521,038

Directors' emoluments	**2018 £000**	2017 £000
Aggregate emoluments	**1,894**	2,128
Aggregate amount receivable under long-term incentive schemes	**1,297**	1,387
Company contributions to money purchase pension scheme	**154**	155
	3,345	3,670

For further details of directors' emoluments, please see the directors' remuneration report on pages 46 to 53.

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).

	2018 Number	2017 Number
Full-time equivalents		
Managerial/administration	**4,335**	3,880
Hourly paid staff	**19,727**	18,900
	24,062	22,780

	2018 Number	2017 Number
Total employees		
Managerial/administration	**4,424**	4,309
Hourly paid staff	**33,960**	32,241
	38,384	36,550

For details of the Share Incentive Plan and the Deferred Bonus Scheme, refer to the directors' remuneration report on pages 46 to 53.

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 equally 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 29 July 2018**	53 weeks ended 30 July 2017
Shares awarded during the year (shares)	**1,366,435**	1,550,377
Average price of shares awarded (pence)	**1,268**	936
Market value of shares vested during the year (£000)	**14,199**	9,696
Total liability of the share based payments schemes (£000)	**15,668**	14,540

6. Finance income and costs

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Finance costs		
Interest payable on bank loans and overdrafts	**18,899**	17,273
Amortisation of bank loan issue costs (note 10)	**1,540**	2,817
Interest payable on swaps	**7,544**	8,450
Interest payable on other loans	**7**	17
Total finance costs	**27,990**	28,557
Bank interest receivable	**(48)**	(72)
Total finance income	**(48)**	(72)
Net finance costs before exceptionals	**27,942**	28,485
Exceptional bank interest receivable	**–**	(402)
Net finance costs after exceptionals	**27,942**	28,083

The finance costs in the income statement were covered 4.8 times (2017: 4.6 times) by earnings before interest and tax, before 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 an effective rate of 19.00% (2017: 19.67%).

	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Taken through income statement						
Current tax:						
Current tax charge	**24,466**	**(325)**	**24,141**	24,837	161	24,998
Previous period adjustment	**(765)**	**–**	**(765)**	(246)	–	(246)
Total current tax	**23,701**	**(325)**	**23,376**	24,591	161	24,752
Deferred tax:						
Temporary differences	**(70)**	**(953)**	**(1,023)**	1,103	(1,547)	(444)
Previous period adjustment	**(64)**	**–**	**(64)**	152	–	152
Impact of change in UK tax rate	**–**	**–**	**–**	–	(4,155)	(4,155)
Restatement of temporary differences	**–**	**–**	**–**	–	(2,474)	(2,474)
Restatement of impact of change in UK tax rate	**–**	**–**	**–**	–	1,952	1,952
Total deferred tax	**(134)**	**(953)**	**(1,087)**	1,255	(6,224)	(4,969)
Tax charge/(credit)	**23,567**	**(1,278)**	**22,289**	25,846	(6,063)	19,783

	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Taken through equity						
Tax on share-based payments						
Current tax	**(472)**	**–**	**(472)**	(159)	–	(159)
Deferred tax	**(55)**	**–**	**(55)**	(263)	–	(263)
Tax credit	**(527)**	**–**	**(527)**	(422)	–	(422)

	52 weeks ended 29 July 2018 Before exceptional items £000	52 weeks ended 29 July 2018 Exceptional items (note 4) £000	52 weeks ended 29 July 2018 After exceptional items £000	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	**2,513**	**–**	**2,513**	4,835	–	4,835
Impact of change in UK tax rate	**–**	**–**	**–**	(21)	–	(21)
Tax charge	**2,513**	**–**	**2,513**	4,814	–	4,814

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 52 weeks ended 29 July 2018 is based on the pre-exceptional profit before tax of £107.2m and the estimated effective tax rate before exceptional items for the 52 weeks ended 29 July 2018 of 22.0% (2017: 25.1%). This comprises a pre-exceptional current tax rate of 22.1% (2017: 23.9%) and a pre-exceptional deferred tax credit of 0.1% (2017: 1.2% charge).

The UK standard weighted average tax rate for the period is 19.00% (2017: 19.67%). The current tax rate is higher than the UK standard weighted average tax rate owing mainly to depreciation which is not eligible for tax relief.

	52 weeks ended 29 Jul 2018 Before exceptional items £000	**52 weeks ended 29 Jul 2018 After exceptional items £000**	53 weeks ended 30 Jul 2017 Before exceptional items £000	53 weeks ended 30 Jul 2017 After exceptional items £000
Profit before tax	**107,249**	**88,998**	102,830	76,364
Profit multiplied by the UK standard rate of corporation tax of 19.00% (2017: 19.67%)	**20,377**	**16,910**	20,227	15,021
Abortive acquisition costs and disposals	**103**	**103**	228	228
Other disallowables	**117**	**2,315**	1,004	2,520
Other allowable deductions	**(106)**	**(106)**	(83)	(83)
Capital gains – effects of reliefs	**53**	**(471)**	252	102
Non-qualifying depreciation	**3,645**	**4,068**	4,302	6,737
Restatement of the non-qualifying depreciation	**–**	**–**	–	(2,474)
Deduction for shares and SIPs	**(61)**	**31**	(156)	(137)
Remeasurement of other balance sheet items	**(272)**	**(272)**	(188)	(188)
Unrecognised losses in overseas companies	**540**	**540**	354	354
Adjustment in respect of change in tax rate	**–**	**–**	–	(4,155)
Restatement in respect of change in tax rate	**–**	**–**	–	1,952
Previous period adjustment – current tax	**(765)**	**(765)**	(246)	(246)
Previous period adjustment – deferred tax	**(64)**	**(64)**	152	152
Total tax expense reported in the income statement	**23,567**	**22,289**	25,846	19,783

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

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

These changes have been substantively enacted at the balance sheet date and are consequently included in these financial statements.

Deferred tax liabilities	**Accelerated tax depreciation £000**	**Other temporary differences £000**	**Total £000**
At 30 July 2017 (restated)	40,684	3,601	44,285
Previous period movement posted to the income statement	–	11	11
Movement during period posted to the income statement	(506)	(25)	(531)
At 29 July 2018	**40,178**	**3,587**	**43,765**

Deferred tax assets	**Share based payments £000**	**Capital losses carried forward £000**	**Interest-rate swaps £000**	**Total £000**
At 30 July 2017	1,457	2,706	6,612	10,775
Previous period movement posted to the income statement	–	75	–	75
Movement during period posted to the income statement	(69)	561	–	492
Movement during period posted to comprehensive income	–	–	(2,513)	(2,513)
Movement during period posted to equity	55	–	–	55
At 29 July 2018	**1,443**	**3,342**	**4,099**	**8,884**

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2018 £000	2017 £000
Deferred tax liabilities	**43,765**	44,285
Offset against deferred tax assets	**(4,785)**	(4,163)
Deferred tax liabilities	**38,980**	40,122
Deferred tax assets	**8,884**	10,775
Offset against deferred tax liabilities	**(4,785)**	(4,163)
Deferred tax asset	**4,099**	6,612

As at 29 July 2018, there are potential deferred tax assets of £1.3m (2017: £0.9m); these are not being recognised, owing to insufficient certainty of recovery. This comprises a deferred tax asset of £1.3m, relating to losses (2017: £1.0m), less a deferred tax liability of £Nil, relating to accelerated capital allowances (2017: £0.1m).

Restatement of deferred tax
As part of the company's review of the year end balance of assets subject to tax relief, the calculation of the value of the deferred tax liabilities has been reduced by £29.6m. Retained earnings have been increased by £29.6m. The adjustment is required to correct the value of assets subject to tax and thus the amount of tax relief to be deferred to future periods.

The comparative tax charge for the year ended 30 July 2017 has been adjusted as follows: £2m reduction to the restatement credit due to the change in corporation tax to 17% and £2.5m reduction to the deferred tax charge for the period.

Accelerated tax depreciation – restatement	Reported £000	Restatement £000	Total £000
At 24 July 2016	73,957	(29,087)	44,870
Previous period movement posted to the income statement	515	–	515
Movement during period posted to the income statement	(48)	(2,474)	(2,522)
Impact of tax rate change posted to the income statement	(4,131)	1,952	(2,179)
At 30 July 2017	**70,293**	**(29,609)**	**40,684**

8. Earnings and free cash flow per share

(a) Weighted average number of shares

Earnings per share are based on the weighted average number of shares in issue of 105,605,135 (2017: 111,293,971), including those held in trust in respect of employee share schemes. Earnings per share, calculated on this basis, are usually referred to as 'diluted', since all of the shares in issue are included.

Accounting standards refer to 'basic earnings' per share – these exclude those shares held in trust in respect of employee share schemes.

Weighted average number of shares	**52 weeks ended 29 July 2018**	53 weeks ended 30 July 2017
Shares in issue (used for diluted EPS)	**105,605,135**	111,293,971
Shares held in trust	**(2,402,603)**	(2,500,717)
Shares in issue less shares held in trust (used for basic EPS)	**103,202,532**	108,793,254

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

(b) Earnings per share

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

53 weeks ended 30 July 2017	Profit £000	Basic EPS pence	Diluted EPS pence
Earnings (profit after tax)	56,581	52.0	50.8
Exclude effect of exceptional items after tax	20,403	18.8	18.4
Earnings before exceptional items	76,984	70.8	69.2
Exclude effect of property gains	(2,807)	(2.6)	(2.6)
Underlying earnings before exceptional items	74,177	68.2	66.6

The diluted earnings per share before exceptional items have increased by 14.5% (2017: 43.3%).

Previous year figures have been restated to take into account adjustment of the exceptional deferred tax. See note 7 for further details.

(c) Free cash flow per share

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

	Free cash flow £000	**Basic free cash flow per share pence**	**Diluted free cash flow per share pence**
52 weeks ended 29 July 2018	**93,357**	90.5	88.4
53 weeks ended 30 July 2017	**107,936**	99.2	97.0

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

(d) Owners' earnings per share

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

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

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

The diluted owners' earnings per share increased by 19.8% (2017: decreased by 6.9%). The increase is calculated using figures to two decimal places.

Analysis of additions by type	**52 weeks ended 29 July 2018**	53 weeks ended 30 July 2017
Reinvestment in existing pubs	**64,665**	65,912
Investment in new pubs and pub extensions	**35,863**	46,894
Freehold reversions	**9,555**	95,326
	110,083	208,132

Analysis of additions by category	**52 weeks ended 29 July 2018**	53 weeks ended 30 July 2017
Property, plant and equipment (note 13)	**107,011**	198,556
Intangible assets (note 12)	**3,072**	9,576
	110,083	208,132

(e) Operating profit per share

	Operating profit £000	**Basic operating profit per share pence**	**Diluted operating profit per share pence**
52 weeks ended 29 July 2018	**132,291**	128.2	125.3
53 weeks ended 30 July 2017	**128,508**	118.1	115.5

9. Cash generated from operations

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Profit for the period	**66,709**	56,581
Adjusted for:		
Tax (note 7)	**22,289**	19,783
Share-based charges (note 2)	**11,405**	10,711
Loss on disposal of property, plant and equipment (note 3)	**3,211**	14,484
Net impairment charge (note 3)	**3,588**	7,787
Interest receivable (note 6)	**(48)**	(72)
Amortisation of bank loan issue costs (note 6)	**1,540**	2,817
Interest payable (note 6)	**26,450**	25,740
Depreciation of property, plant and equipment (note 13)	**70,918**	66,483
Amortisation of intangible assets (note 12)	**7,984**	6,931
Depreciation on investment properties (note 14)	**56**	55
Amortisation of other non-current assets (note 15)	**347**	400
Net onerous lease provision (note 22)	**5,962**	720
Aborted properties costs	**541**	1,157
Net exceptional finance income	**–**	(402)
	220,952	213,175
Change in inventories	**(1,725)**	(2,407)
Change in receivables	**(1,225)**	4,980
Change in payables	**10,298**	8,655
Cash flow from operating activities	**228,300**	224,403

10. Analysis of change in net debt

	30 July 2017 £000	Cash flows £000	Non-cash movement £000	29 July 2018 £000
Borrowings				
Cash in hand	50,644	12,447	–	**63,091**
Bank loans – due before one year	(17,347)	8,543	–	**(8,804)**
Other loans	(114)	144	(90)	**(60)**
Current net borrowings	33,183	21,134	(90)	**54,227**
Bank loans – due after one year	(729,397)	(49,483)	(1,540)	**(780,420)**
Other loans	(90)	–	90	**–**
Non-current net borrowings	(729,487)	(49,483)	(1,450)	**(780,420)**
Net debt	(696,304)	(28,349)	(1,540)	**(726,193)**
Derivatives				
Interest-rate swaps asset – due after one year	11,380	–	3,596	**14,976**
Interest-rate swaps liability – due before one year	–	–	(160)	**(160)**
Interest-rate swaps liability – due after one year	(50,276)	–	11,351	**(38,925)**
Total derivatives	(38,896)	–	14,787	**(24,109)**
Net debt after derivatives	**(735,200)**	**(28,349)**	**13,247**	**(750,302)**

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

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

11. Dividends paid and proposed

	52 weeks ended 29 July 2018 £000	53 weeks ended 30 July 2017 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2015/16: 8.0p (2014/15: 8.0p)	**–**	8,933
– interim for 2016/17: 4.0p (2015/16: 4.0p)	**–**	4,419
– final for 2016/17: 8.0p (2015/16: 8.0p)	**8,437**	–
– interim for 2017/18: 4.0p (2016/17: 4.0p)	**4,218**	–
	12,655	13,352
Proposed for approval by shareholders at the AGM:		
– final for 2017/18: 8.0p (2016/17: 8.0p)	**8,428**	8,488
Dividend cover (times)	**5.3**	4.2

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

12. Intangible assets

	£000
Cost:	
At 24 July 2016	56,591
Additions	9,576
Disposals	(493)
At 30 July 2017	65,674
Additions	3,072
Disposals	(3)
At 29 July 2018	**68,743**
Accumulated amortisation:	
At 24 July 2016	(29,540)
Provided during the period	(6,931)
Impairment loss	1
Reclassification	487
At 30 July 2017	(35,983)
Provided during the period	(7,984)
Disposals	3
At 29 July 2018	**(43,964)**
Net book amount at 29 July 2018	**24,779**
Net book amount at 30 July 2017	29,691
Net book amount at 24 July 2016	27,051

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

Included in the intangible assets is £1,799,000 of software in the course of development (2017: £1,474,000).

13. Property, plant and equipment

	Freehold and long-leasehold property £000	Short-leasehold property £000	Equipment, fixtures and fittings £000	Assets under construction £000	Total £000
Cost:					
At 24 July 2016	935,742	413,661	541,125	60,545	1,951,073
Additions	112,737	5,766	45,473	34,580	198,556
Transfers	20,928	3,270	3,834	(28,032)	–
Exchange differences	869	162	317	741	2,089
Transfer to held for sale	(3,489)	(3,493)	(2,682)	–	(9,664)
Disposals	(32,162)	(25,446)	(26,266)	–	(83,874)
Reclassification	32,311	(32,311)	–	–	–
At 30 July 2017	1,066,936	361,609	561,801	67,834	2,058,180
Additions	28,048	6,834	56,650	15,479	107,011
Transfers	20,675	1,491	6,914	(29,080)	–
Exchange differences	(87)	(16)	(31)	(31)	(165)
Transfer to held for sale	(1,509)	–	(347)	–	(1,856)
Disposals	(9,302)	(7,644)	(7,187)	–	(24,133)
Reclassification	6,114	(6,114)	–	–	–
At 29 July 2018	**1,110,875**	**356,160**	**617,800**	**54,202**	**2,139,037**
Accumulated depreciation and impairment:					
At 24 July 2016	(181,040)	(207,144)	(374,377)	–	(762,561)
Provided during the period	(15,802)	(13,023)	(37,658)	–	(66,483)
Exchange differences	(36)	(23)	(186)	–	(245)
Impairment loss	(2,862)	(3,473)	(1,272)	–	(7,607)
Transfer to held for sale	1,926	3,552	2,657	–	8,135
Disposals	12,621	20,137	20,456	–	53,214
Reclassification	(20,181)	20,181	–	–	–
At 30 July 2017	(205,374)	(179,793)	(390,380)	–	(775,547)
Provided during the period	(16,428)	(12,966)	(41,524)	–	(70,918)
Exchange differences	(36)	(14)	(109)	–	(159)
Impairment loss	(953)	(1,516)	(1,119)	–	(3,588)
Transfer to held for sale	129	–	272	–	401
Disposals	3,075	7,264	6,508	–	16,847
Reclassification	(2,450)	2,450	–	–	–
At 29 July 2018	**(222,037)**	**(184,575)**	**(426,352)**	**–**	**(832,964)**
Net book amount at 29 July 2018	**888,838**	**171,585**	**191,448**	**54,202**	**1,306,073**
Net book amount at 30 July 2017	861,562	181,816	171,421	67,834	1,282,633
Net book amount at 24 July 2016	754,702	206,517	166,748	60,545	1,188,512

Impairment of property, plant and equipment
In assessing whether a pub has been impaired, the book value of the pub is compared with its anticipated future cash flows and fair value. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 7% (2017: 8%).

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

As a result of this exercise, a net impairment loss of £3,588,000 (2017: £7,607,000) was charged to property losses in the income statement, as described in note 4.

Management believes that a reasonable change in any of the key assumptions, for example the discount rate applied to each pub, could cause the carrying value of the pub to exceed its recoverable amount, but that the change would be immaterial.

14. Investment property

The company owns two (2017: two) freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 24 July 2016	7,751
At 30 July 2017	7,751
At 29 July 2018	**7,751**
Accumulated depreciation:	
At 24 July 2016	(146)
Provided during the period	(55)
At 30 July 2017	(201)
Provided during the period	(56)
At 29 July 2018	**(257)**
Net book amount at 29 July 2018	**7,494**
Net book amount at 30 July 2017	7,550
Net book amount at 24 July 2016	7,605

Rental income received in the period from investment properties was £314,000 (2017: £356,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £23,000 (2017: £4,000).

15. Other non-current assets

	Lease premiums £000
Cost:	
At 24 July 2016	16,230
Transfer to held for sale	(257)
Disposals	(3,246)
At 30 July 2017	12,727
At 29 July 2018	**12,727**
Accumulated depreciation:	
At 24 July 2016	(6,505)
Provided during the period	(400)
Transfer to held for sale	(180)
Disposals	262
Reclassification	2,368
At 30 July 2017	(4,455)
Provided during the period	(347)
At 29 July 2018	**(4,802)**
Net book amount at 29 July 2018	**7,925**
Net book amount at 30 July 2017	8,272
Net book amount at 24 July 2016	9,725

16. Inventories

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

	2018 £000	2017 £000
Goods for resale at cost	**23,300**	21,575

17. Receivables

Receivables relate 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 end.

	2018 £000	2017 £000
Other receivables	**3,969**	2,122
Prepayments and accrued income	**19,153**	18,907
	23,122	21,029

At the balance sheet date, the company was exposed to a maximum credit risk of £0.7m, of which £0.3m was overdue. The company holds no collateral for these receivables.

Within accrued income is £1.9m (2017: £3.2m) of amounts due from suppliers for commercial agreements.

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 29 July 2018, one site was classified as held for sale (2017: five). The major classes of assets held, comprising the sites classified as held for sale, were as follows:

	2018 £000	2017 £000
Property, plant and equipment	**1,455**	1,524

19. Cash and cash equivalents

	2018 £000	2017 £000
Cash and cash equivalents	**63,091**	50,644

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.

	2018 £000	2017 £000
Trade payables	**174,070**	162,058
Other payables	**15,837**	33,346
Other tax and Social Security	**58,819**	53,727
Accruals and deferred income	**41,876**	64,394
	290,602	313,525

21. Borrowings

	2018 £000	2017 £000
Current (due within one year)		
Bank loans		
Variable-rate facility	**8,804**	17,347
	8,804	17,347
Other		
Other borrowings	**60**	114
Total current borrowings	**8,864**	17,461
Non-current (due after one year)		
Bank loans		
Variable-rate facility	**780,420**	729,998
Unamortised bank loan issue costs	**–**	(601)
	780,420	729,397
Other		
Other borrowings	**–**	90
Total non-current borrowings	**780,420**	729,487

22. Provisions

	Self-insurance £000	Onerous lease £000	Total £000
At 30 July 2017	3,021	4,044	7,065
Charged to the income statement:			
– Additional charges	3,626	6,135	9,761
– Unused amounts reversed	(933)	(173)	(1,106)
– Used during period	(2,583)	(2,632)	(5,215)
At 29 July 2018	**3,131**	**7,374**	**10,505**

	2018 £000	2017 £000
Current	**8,052**	5,175
Non-current	**2,453**	1,890
Total provisions	**10,505**	7,065

Self-insurance
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 our business, we expect to have a provision for outstanding employee and public liability claims on an ongoing basis. All self-insurance 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 to cover rent. Also included are provisions on any sublet properties for which rent is not fully recovered. These provisions are expected to be utilised over a period of up to 23 years and are discounted to take into account the passage of time.

23. Financial instruments

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

Maturity profile of financial liabilities

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

At 30 July 2017	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Bank loans	33,613	16,266	738,893	–	–	–	788,772
Trade and other payables	259,250	–	–	–	–	–	259,250
Derivatives	8,554	14,056	14,705	14,705	9,014	22,965	83,999
Other borrowings	121	91	–	–	–	–	212

At the balance sheet date, the company had loan facilities of £860m (2017: £860m) as detailed below:

- Unsecured revolving-loan facility of £820m
    - Matures February 2020
    - 11 participating lenders
- Overdraft facility of £40m

The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt which has fixed £695m 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 1.68% (2017: 1.79%), fixed for a weighted average period of 3.7 years (2017: 3.7 years). In addition, the company has entered into forward-starting interest-rate swaps as detailed in the table below.

Weighted average by swap period:

From	To	Total swap value £m	Weighted average interest %
31/10/2016	30/07/2018	600	1.68%
31/07/2018	29/07/2021	695	2.53%
30/07/2021	30/07/2023	695	1.64%
31/07/2023	30/07/2026	695	1.07%
31/07/2026	30/07/2028	95	1.41%

At the balance sheet date, £780m (2017: £730m) was drawn down under the £820m unsecured-term revolving-loan facility. The amounts drawn under this agreement can be varied, depending on the requirements of the business. It is expected that the draw-down required by the company will not drop below £695m for the duration of the interest-rate swaps detailed above.

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

The company does not have a specific measure for managing capital structure; instead, the company plans its capital requirements and manages its loans, dividends and share buybacks accordingly. The company measures loans using a ratio of net debt to EBITDA which was 3.39 times (2017: 3.39 times) at the year end.

Section 2, on page 37, discusses the financial risks associated with financial instruments, including credit risk and liquidity risk.

Fair value of financial assets and liabilities
IFRS 7 requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

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

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

23. Financial instruments (continued)

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.

	2018 £000	2017 £000
Analysis of interest-rate profile of financial liabilities		
Bank loans	**8,804**	17,347
Floating rate due after one year	**85,420**	129,397
Fixed rate due after one year	**695,000**	600,000
	789,224	746,744
Other borrowings		
Fixed rate due in one year	**60**	114
Fixed rate due after one year	**–**	90
	60	204
	789,284	746,948

The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to one month.

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

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

	2018 Book value £000	2018 Fair value £000	2017 Book value £000	2017 Fair value £000
Loans and receivables				
Cash and cash equivalents	**63,091**	**63,091**	50,644	50,644
Receivables	**3,969**	**3,969**	2,122	2,122
	67,060	**67,060**	52,766	52,766
Financial liabilities at amortised cost				
Trade and other payables	**(231,783)**	**(231,783)**	(259,798)	(259,798)
Borrowings	**(789,284)**	**(788,923)**	(746,948)	(746,951)
	(1,021,067)	**(1,020,706)**	(1,006,746)	(1,006,749)
Derivatives used for hedging				
Non-current interest-rate swap assets: cash flow hedges	**14,976**	**14,976**	11,380	11,380
Current interest-rate swap liabilities: cash flow hedges	**(160)**	**(160)**	–	–
Non-current interest-rate swap liabilities: cash flow hedges	**(38,925)**	**(38,925)**	(50,276)	(50,276)
	(24,109)	**(24,109)**	(38,896)	(38,896)

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

Interest – rate swaps
At 29 July 2018, the company had fixed-rate swaps designated as hedges of floating-rate borrowings. The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to one month.

	Loss/(Gain) on interest-rate swaps £000	Deferred tax £000	Charged to equity £000
As at 24 July 2016	63,477	(11,426)	52,051
Credit in the period	(24,581)	4,814	(19,767)
As at 30 July 2017	38,896	(6,612)	32,284
Credit in the period	(14,787)	2,513	(12,274)
As at 29 July 2018	**24,109**	**(4,099)**	**20,010**

24. Other liabilities

	2018 £000	2017 £000
Operating lease incentives	**12,346**	12,383

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

The weighted average period to maturity of operating lease incentives is 6.4 years (2017: 6.7 years).

25. Financial commitments

About 41% of the company's pubs are leasehold. New leases are normally for 30 years, with a break clause after 15 years. Most leases have upwards-only rent reviews, based on open-market rental at the time of review, but most new pub leases have an uplift in rent which is fixed at the start of the lease.

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

Land and buildings	2018 £000	2017 £000
Within one year	**47,439**	50,558
Between two and five years	**169,765**	187,233
After five years	**510,345**	619,893
	727,549	857,684

The company has some lease commitments, with rentals determined in relation to sales. An estimate of the future minimum rental payments under such leases of £54.7m (2017: £56.3m) is included above.

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

Land and buildings	2018 £000	2017 £000
Within one year	**2,655**	2,574
Between two and five years	**9,414**	9,194
After five years	**12,400**	14,546
	24,469	26,314

26. Capital commitments

At 29 July 2018, the company had £55.3m (2017: £8.0m) of capital commitments, relating to the purchase of 17 (2017: seven) 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

No transactions have been entered into with related parties during the year.

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

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

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

Key management compensation	2018 £000	2017 £000
Short-term employee benefits	**2,881**	3,142
Post-employment pension benefits	**319**	236
Share-based payments	**2,187**	2,229
	5,387	5,607

Key management comprises the executive directors, non-executive directors and management board, as detailed on page 43.

For additional information about directors' emoluments, please refer to the directors' remuneration report on pages 46 to 53.

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 46 to 53 which forms part of these financial statements.

28. Share capital

	Number of shares 000s	Share capital £000
At 24 July 2016	113,655	2,273
Repurchase of shares	(4,656)	(93)
At 30 July 2017	108,999	2,180
Repurchase of shares	(3,498)	(70)
At 29 July 2018	**105,501**	**2,110**

The total authorised number of 2p ordinary shares is 500 million (2017: 500 million). All issued shares are fully paid. In the year, there were no proceeds from the issue of shares (2017: £Nil).

During the year, 3,497,500 shares were repurchased by the company for cancellation, representing approximately 3.21% of the issued share capital, at a cost of £36.2m, including stamp duty, representing an average cost per share of 1,025p. At the previous year, ended 30 July 2017, the company had a liability for share purchases of £15.5m which was settled during the current year ended 29 July 2018.

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

There were no significant events after the balance sheet date.

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 29 July 2018 were authorised for issue by the board of directors on 13 September 2018, 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 32 to 35.

ACCOUNTING POLICIES

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 29 July 2018. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Important estimates and judgements

Complex areas on judgement or estimates involving sums which are significant to the accounts are disclosed below.

Impairment of property, plant and equipment

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

Judgements are made on the level of expected future cash flows and possible sales values. These judgements directly affect the calculation of any impairment charges.

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

Onerous leases

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

Hedging

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

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

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.

Segmental reporting

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

Exceptional items

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

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

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

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

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

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

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

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

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

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

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

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

Revenue recognition
Revenue recognised at the time of sale is the fair value of bar, food, slot machine and hotel room sales, after deducting discounts and sales-based taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets
The Company classifies its financial assets as loans and receivables. The Company has no assets which would fall into a category outside of loans and receivables.

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

Receivables
Other receivables are recognised initially at fair value and carried at amortised cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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.

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

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

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

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

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

Hedge accounting is used only where, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, it meets the Company's risk-management objective for undertaking the hedge and is expected to be highly effective.

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

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

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

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

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

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

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

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

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

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

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

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

The cost of the awards in respect of these plans is measured by reference to the fair value at the date at which they are granted and is amortised as an expense over the vesting period. In valuing these transactions, 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.

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:

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

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

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

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

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

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

- Annual improvements to IFRS 2014-16 Cycle and 2015-17 Cycle
- Amendments to IAS 40: Transfers of Investment Property
- Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Considerations
- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

Strategy

The Company's strategy is to acquire freehold and leasehold buildings and to obtain the necessary permissions to convert them into Wetherspoon pubs. The buildings are normally in or near town centres or in suburban locations. Our aim is to increase like-for-like sales, profits and earnings per share.

Our strategy is to seek a return on capital in excess of the cost of the capital which will provide profit for new pub developments, dividends and funds for reinvestment in the existing business.

Business model

Wetherspoon owns and operates pubs and hotels throughout the UK and Ireland and aims to sell high-quality products, at reasonable prices, in attractive and well-maintained premises. The Company aims to make lots of small improvements to its pubs, once they are open, so that sales and profit are maintained or improved.

The Company aims to recruit and retain a high standard of employee, partly by allocating a considerable percentage of profit as bonuses to pub employees and partly through a number of training programmes which help to achieve these objectives.

Business review and future trends

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

Environment and human rights

As regards human rights, our policy is to observe a wide range of legislation, designed to encourage and promote equal opportunities and protect human rights. Wetherspoon's main contribution in this area relates to creating jobs for large numbers of 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. All of these factors help to create income for employees and the government, contributing directly and indirectly to the promotion of human rights.

Further information about the Company's environmental, employee and social policies is published on the Company's website: jdwetherspoon.com

Employee diversity

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

	Male	Female
Directors	5	3
Senior managers	736	479
All employees	19,625	21,042

Principal risks and uncertainties facing the Company

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

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

Strategic risks

Economic outlook

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

Regulation of the sale of alcohol

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

Succession-planning

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

Commercial risks

Cost increases

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

Operational risks

Recruitment and retention

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

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

Health and safety

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

Supply chain risks

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

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

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

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

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

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

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

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

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

Financial risks

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

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

Interest-rate risk
The Company has dealt with the risks of an increase in interest rates by swapping the majority of its floating-rate borrowings into fixed rates which expire in 2028 (see note 23).

During the 52 weeks ended 29 July 2018, 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 £1,007,000 and equity increased by £29,187,000. 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 £0.7m, of which £0.3m was overdue.

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

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

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

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

By order of the board

Nigel Connor
Company Secretary
13 September 2018

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 29 July 2018, 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 July 2018 and of the Company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, 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.

Who we are reporting to

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.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 36 to 37 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 45 of the annual report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the Director's Report, set out on page 45 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 45 of the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

- Overall materiality: £5.3 million, which represents 4.95% of the Company's profit before tax and exceptional items;
- Key audit matters were identified as impairment of property, plant and equipment and onerous lease provisions, the classification of exceptional items and the restatement of historic deferred tax liabilities;
- This was our first year as auditor and we carried out the professional handover procedures from our predecessor auditors in line with the ISAs (UK), noting that there were no significant changes in the business from the prior period.
- We formulated our risk assessment based on discussions with management, internal audit and operational teams. We put particular emphasis on areas requiring significant estimate or judgment, and these are highlighted within the Key Audit Matters table below.

Key audit matters

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

Key Audit Matters	How the matter was addressed in the audit
Property, plant and equipment and associated impairment review together with onerous lease provisions As explained in Note 13 management have produced an annual impairment assessment for property plant and equipment in line with IAS 36. The process for measuring and recognising impairment under IAS 36: 'Impairment of assets' is complex and requires significant judgment. Each individual pub is treated as a separate cash-generating unit for impairment purposes, and assumptions include management's assessment of the trading activity of each pub and the determination of the appropriate discount rate. The provision for onerous leases is based on the pubs identified for impairment review processes. We have therefore identified the impairment of property, plant and equipment and onerous lease provisions as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ■ Assessing the accounting policy and disclosures for compliance with IFRS as adopted by the EU; ■ Testing the arithmetical accuracy and integrity of the underlying data, by checking the consistency of the formulas and agreeing inputs to supporting documentation including lease agreements and historic profit figures and the fixed asset register; ■ Challenging the model prepared by management for the assessment of the impairment of each pub and an assessment of current trading for each pub, considering local market conditions; ■ Obtaining corroborative evidence to support the judgments used for high risk pubs; ■ Using our valuation experts to assess the reasonableness of the discount rate applied to cash flows, which included benchmarking to comparative companies and market information; ■ Ensuring all pubs were appropriately considered in the onerous lease provision calculation, by reference to management's process to identify pubs that could be potentially subject to onerous leases and recalculating the provision; ■ Assessing the appropriateness of the discount rate applied to the onerous lease provision, by reference to the cost of debt to the entity in line with IAS 37; ■ Validating underlying data used in the onerous lease calculation. The Company's accounting policy for impairment and onerous leases is shown on page 32 and related disclosures are included in respect of impairment in Note 13 and onerous leases in Note 22. **Key observations** As a result of the audit procedures performed and after considering management's disclosures of judgments applied by them, we have concluded that the impairment charge recognised of £6.90m and the reversal recognised of £3.31m has been stated appropriately and in accordance with the relevant accounting standards. We are also satisfied that the onerous lease provision is appropriate.
The classification of exceptional items The risk of management override of controls relates to judgmental areas within the annual report. The key judgments are highlighted on page 32 of the annual report and exceptional items is flagged as one of these areas. Exceptional items includes impairments, onerous leases (both considered as part of the Key Audit Matter above) and costs associated with the pub disposal programme, which is in line with previous years. There are a number of key judgments around the disposal programme including, when is it ending, which pubs are ring-fenced as being within the programme and whether it is part of a one- off strategic exit from underperforming pubs. Given the high levels of judgment included within this classification, we therefore identified the classification of exceptional items as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ■ Assessing items included as exceptional in the financial statements, and discussing with management as to the rationale for this classification; ■ Ensuring that management's classification of exceptional items is consistent with prior year; ■ Challenging management around the classification of gains and losses in relation to the continuing pub disposal programme; ■ Testing of a sample of items classified as exceptional to agree to supporting documentation, including completion statements and invoice; ■ Reviewing disclosures in respect of exceptional items to ensure these provide clear and adequate information for the users of the financial statements. The Company's accounting policy for exceptional items is included on page 32 and relevant disclosures are included within Note 4. **Key observations** From our audit procedures, we have concluded that management's classification of exceptional items is appropriate and consistent with prior years.

Key Audit Matters	How the matter was addressed in the audit
Comparative restatement of historic deferred tax liabilities Following the year end, management performed an exercise to investigate fluctuations in the total tax charge and, as a consequence, identified that the deferred tax liability as at 30 July 2017 was overstated by £29.6m. This overstatement has been attributed to the historical calculation of capital allowance differences between the qualifying book value and the qualifying tax written down value. Following management informing us of this matter, we upgraded this to a significant risk area after the issue of our Audit Plan given the quantum of the adjustment and the judgment involved in the identification and calculation of percentages for allowable assets.	Our audit work included, but was not restricted to: ■ Understanding the origin and basis of the adjustment and discussing with management the process they undertook to validate the quantum of the adjustment; ■ Utilising our tax experts to challenge the judgments included in the adjustment, namely the proportion of the company's assets that are allowance for capital allowance purposes; ■ Agreeing a sample of assets in the calculation to supporting evidence to ensure the written down values included by management were valid; ■ Confirming the arithmetic accuracy of all formulas included in the calculations; ■ Considering the disclosures relating to the adjustment for compliance with IAS 8 and a third balance sheet in accordance with IAS 1. Disclosures around this restatement can be found in Note 7. **Key observations** We found that the assumptions used by management in arriving at the prior year adjustment were appropriate and we found no errors in the calculation. The disclosure is in line with IAS 1, involving the restatement of the July 2017 Balance Sheet and Income Statement, as well as the July 2016 Balance Sheet.

Our application of materiality

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

Materiality measure	Company
Financial statements as a whole	£5.3 million (2017: £5.1 million), which is 4.95% (2017: 5%) of the Company's profit before tax and exceptional items. This was calculated as 5% of a pro-rated interim profit before tax and exceptional items figure. This benchmark is considered the most appropriate because this is a key measure reported to investors on financial performance.
Performance materiality used to drive the extent of our testing	Materiality for the current period is higher than the level determined for the period ended 30 July 2017 to reflect that the Company's revenue has increased significantly in the period because of organic growth.
Specific materiality	60% of financial statement materiality.
Communication of misstatements to the audit committee	We determined a lower level of materiality of £10,000 for certain specific areas being directors' remuneration and related party transactions.

An overview of the scope of our audit

This was our first year as auditor, and we carried out the professional handover procedures from our predecessor auditors in line with the ISAs (UK), noting that there were no significant changes in the business since the prior year. Our audit approach was based on a thorough understanding of the Company's business and is risk based, undertaking substantive testing on significant transactions and material account balances. We have formulated our risk assessment based on discussions with management, internal audit and operational teams, including visits to the National Distribution Centre in Daventry and ten pubs around the country in order to perform stock counts and to obtain a detailed understanding of the operations of the business. Our audit has been carried out in line with the agreed audit plan aside from the upgrading of deferred tax to a significant risk based on the prior year restatement which is included as a Key Audit Matter above.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 44 – 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 56 to 57 – 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 54 – 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.

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 44, 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.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

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

Other matters which we are required to address
We were appointed by the Board on 9 November 2017 after going through an audit tender process in the summer of 2017. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is less than one year.

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 13.

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

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

13 September 2018

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 63
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 53
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 40
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 51
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 49
Joined in 2009 and was appointed Company Secretary in 2014.
He is a graduate of Newcastle University and qualified as a solicitor in 1997.

Elizabeth McMeikan Senior Independent Director, aged 56
Appointed to the board in 2005 and is a member of the audit, remuneration and nomination committees. She is a graduate of Cambridge University. She is a non-executive director of UNITE plc and Flybe plc. She also sits on the board of two privately owned companies.

Debra van Gene Non-Executive Director, aged 63
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 was a Commissioner with the Judicial Appointments Commission. She was a partner at Heidrick and Struggles Inc and previously ran her own executive search firm.

Sir Richard Beckett Non-Executive Director, aged 74
Appointed to the board in 2009 and is chair of the nomination committee and a member of the audit and remuneration committees. He was called to the bar in 1965 and took silk in 1987. He was one of the pre-eminent practitioners in regulatory and licensing matters.

Harry Morley Non-Executive Director, aged 53
Appointed to the board in 2016 and is chair of the audit committee and a member of the nomination and remuneration committees. He is a graduate of Oxford University. He is a non-executive director of The Mercantile Investment Trust plc and TheWorks.co.uk plc. He is also a trustee of the Ascot Authority. He qualified as a chartered accountant in 1991.

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

David Capstick IT and Property Director, aged 57
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 49
Joined in 1994, having previously worked for Safeway plc. He worked in several operational roles, before being appointed as operations director in 2004.

Miles Slade Retail Director, aged 37
Joined in 2000. He worked in several operational roles before being appointed as deputy operations director in January 2012. He is a graduate of Nottingham Trent University.

James Ullman, Audit Director, aged 47
Joined in 1994. He was appointed to the management board in 2017. He is a graduate of Brighton University and Birmingham City University and became a chartered auditor in 2011.

Registered office
Wetherspoon House
Central Park
Reeds Crescent
Watford
WD24 4QL

Company number
1709784

Registrars
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PO Box 82
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BS99 6ZY

Independent auditors
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Chartered Accountants and
Statutory Auditors
30 Finsbury Square
London
EC2A 1AG

Solicitors
Macfarlanes LLP
20 Cursitor Street
London
EC4A 1LT

Bankers
Abbey National Treasury Services plc
Allied Irish Banks
Bank of Tokyo-Mitsubishi UFJ
Barclays Bank plc
BNP Paribas
Crédit Industriel et Commercial
HSBC Bank plc
Lloyds Bank plc
Mediobanca International (Luxembourg) SA
Svenska Handelsbanken AB
The Royal Bank of Scotland plc

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 43.

Dividends
The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p (2017: 8.0p) per share, on 29 November 2018, to those shareholders on the register on 26 October 2018, giving a total dividend for the year of 12.0p per share.

Return of capital
At the annual general meeting of the Company, held on 9 November 2017, the Company was given authority to make market purchases of up to 15,825,155 of its own shares. During the year to 29 July 2018, 3,497,500 shares were purchased, with a nominal value of £70,000, for a total consideration of £36,205,000, including stamp duty. This represented 3.21% 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 million ordinary shares of 2p each. As at 29 July 2018, the total issued share capital comprised 105,501,035 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 27 July 2018 are given on page 59.

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 2017. 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 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 36 to 37, specifically economic, regulatory, reputational and interest-rate risks.
To assess the impact of the Company's principal risks and uncertainties on its long term viability, scenarios were applied to the Company's financial forecasts in the form of reduced like-for-like sales, reduced margins and increased borrowing costs. It is assumed that the Company's financial plans would be adjusted in response to each scenario.

In making this statement, the directors carried out a robust assessment of the principal risks and uncertainties facing the Company, including those which would threaten its business model, future performance, solvency or liquidity. Principal risks and uncertainties set out on pages 36 to 37 are the result of internal risk management and control processes, with further details set out in the audit committee's report on pages 56 and 57.

Going concern
The directors have made enquiries into the adequacy of the Company's financial resources, through a review of the Company's budget and medium-term financial plan, including capital expenditure plans and cash flow forecasts; they have satisfied themselves that the Company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis, in preparing the Company's financial statements.

Greenhouse gas (GHG) emissions

GMG Emissions	Unit	Quantity 2018	2017
Scope 1	Tonnes CO_2e	50,725	50,805
Scope 2	Tonnes CO_2e	115,315	138,864
Intensity	Tonnes CO_2e / £m revenue	98.0	114.2

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

- Reported data is for the year ended 31 March 2018.
- Scope 1 – combustion of gas;
- Scope 2 – purchase of electricity.
- Refrigerant emissions from our pubs are not reported, as they are immaterial.

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

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

- Details of long-term incentive schemes – page 15
- Provision of services by a controlling shareholder, Agreements with controlling shareholders, Corporate governance (DTR 7.2.9 R) – pages 46 to 58

Events after the reporting period
The details of events after the reporting period can be found in note 29 on page 31.

By order of the board

Nigel Connor
Company Secretary
13 September 2018

Annual statement

Dear shareholder

This year, the following salary increases and awards were made, in accordance with the remuneration policy agreed on by shareholders at last year's AGM:

The salaries of the CEO and the personnel and legal director have been increased by 2.0%. The salary of the finance director has been increased by 11.4%, in view of his increased seniority and contribution.

Under the agreed annual cash bonus plan, executive directors will receive an award of 14.5% of basic salary, comprising 5% of basic salary under the quality-and-standards element and 9.5% under the profit element.

Under the agreed Company SIP, executive directors will receive an amount equivalent to 25% of their salary in shares. The CEO and the personnel and legal director will receive an additional award equivalent to 5% of their salary, because of their length of service.

Under the agreed Deferred Bonus Scheme, executive directors will receive 85.8% of their basic salary in shares. The calculation for this award is included underneath the bonus and incentives table on page 51.

We believe that our proposed remuneration policy continues to be fair and reasonable and aligns the interests of directors with those of the Company and its shareholders.

Further details are set out below, with shareholders invited to approve this report and proposals at the AGM on 15 November 2018.

Debra van Gene
Chair of the Remuneration Committee
13 September 2018

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

- provide attractive and fair remuneration for directors.
- align directors' long-term interests with those of shareholders, employees and the wider community.
- incentivise directors to perform to a high level.

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

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

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

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

Difference between the policy for directors and that for employees

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

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

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

Approach to recruitment remuneration

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

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

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

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

Chairman and directors' service contracts

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

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

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

Non-executive directors

The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2017, with a term of 12 months.

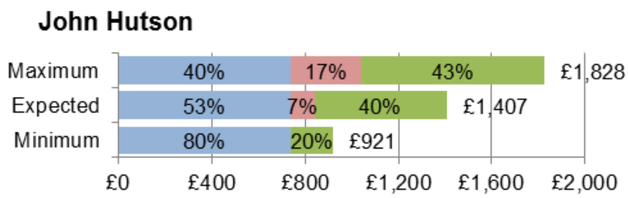
If their appointment is terminated early, the non-executive directors are entitled to the fees to which they would have been entitled up to the end of their term. They do not participate in the Company's bonus or share schemes. Their fees are determined by the executive directors, following consultation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

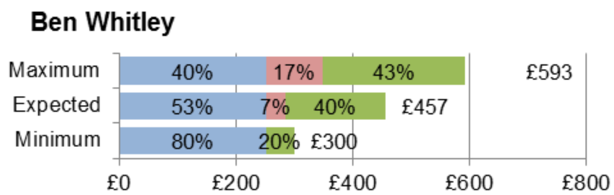
External appointments

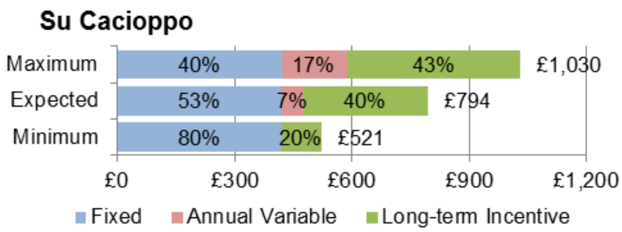
Executive directors are not allowed to take external appointments without the prior consent of the Company. The Company has not released any executive directors to serve as a non-executive director elsewhere.

Illustration of the application of the remuneration policy

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







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 29 July 2018.

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

The long-term incentive plan values include:

- the fixed 25% awarded under the Company's Share Incentive Plan.
- an average achieved in respect of the deferred bonus scheme over the last five years.

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

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

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

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

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

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

Annual report on remuneration

The table below sets out in a single figure the total amount of remuneration, including each element, received by each director for the year ended 29 July 2018.

Single-figure table – audited

	Salary/fees		Taxable benefits[1]		Performance bonus[2]		Long-term incentives		Pension contributions[3]		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Executive directors												
B Whitley	192	171	16	16	28	73	210	210	23	21	469	491
J Hutson	603	585	20	22	87	250	696	754	84	87	1,490	1,698
S Cacioppo	338	329	16	20	49	141	391	423	47	47	841	960
	1,133	1,085	52	58	164	464	1,297	1,387	154	155	2,800	3,149
Non-executive directors and chairman												
T R Martin	324	324	18	17	–	–	–	–	–	–	342	341
E McMeikan	51	47	–	–	–	–	–	–	–	–	51	47
D van Gene	51	47	–	–	–	–	–	–	–	–	51	47
R Beckett	51	47	–	–	–	–	–	–	–	–	51	47
H Morley	51	39	–	–	–	–	–	–	–	–	51	39
	528	504	18	17	–	–	–	–	–	–	546	521
Total	**1,661**	1,589	**70**	75	**164**	464	**1,297**	1,387	**154**	155	**3,346**	3,670

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) A bonus of 9.5% was awarded under the profit growth element of the bonus scheme, in line with policy. A further 5% was awarded in respect of the element for pub calls made to monitor standards, in line with the policy.
3) Executive directors receive either pension contributions, equivalent to 12% of salary, to the stakeholder pension plan or salary in lieu of pension contributions. Additional pension payments are made, equivalent to 2% of salary for 25–29 years' service, a further 2% for 30–34 years' service and a further 2% at 35+ years' service. Both Su Cacioppo and John Hutson took a portion of their pension in salary.

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

	Maximum	Awarded	B Whitley	J Hutson	S Cacioppo
Pub calls	5.0%	5.0%	9,583	30,134	16,917
Profit growth	45.0%	9.5%	18,208	57,255	32,143
Total performance bonus	50.0%	14.5%	27,791	87,389	49,060
Employee share scheme	25.0%	25.0%	45,993	149,174	83,735
Employee share scheme – long service*	5.0%	5.0%	–	29,834	16,747
Deferred Bonus scheme	100.0%	85.8%	164,354	516,798	290,132
Total long term incentives	130.0%	115.8%	210,347	695,806	390,614
Total	**180.0%**	**130.3%**	**238,138**	**783,195**	**439,674**

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

Awards under the Deferred Bonus Scheme are based on growth in owners' earnings per share of 19.8% and on earnings per share of 14.5% multiplied by 2.5 and limited to 100%. Please see note 8 of our financial statement for the calculations of the above growth numbers.

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	3,573	13,855	17,428	45,993	170,832	216,825
J Hutson	13,917	47,461	61,378	179,008	585,194	764,202
S Cacioppo	7,812	26,645	34,457	100,482	328,533	429,015
	25,302	**87,961**	**113,263**	**325,483**	**1,084,559**	**1,410,042**

*Awarded at an average share price of £12.86, three days before grant, shares will vest three years after grant.
**Awarded at an average share price of £12.33, five days before grant, shares vest in three equal tranches, in September of each of 2017, 2018 and 2019.
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 29 July 2018, were as follows:

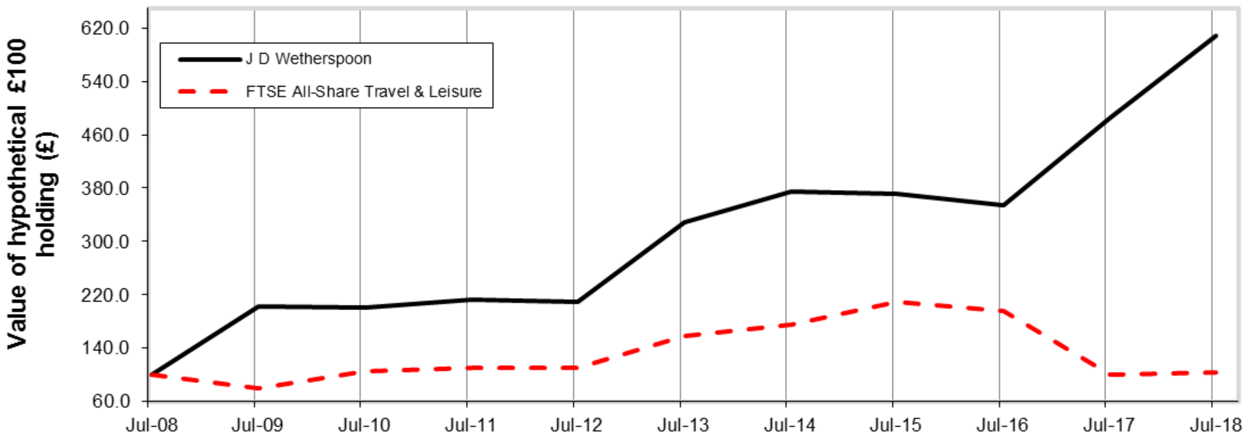
	Shares	Share Incentive Plan	Deferred Bonus Scheme	**2018**	Shares	Share Incentive Plan	Deferred Bonus Scheme	2017
T R Martin	33,667,084	–	–	**33,667,084**	33,466,934	–	–	33,466,934
B Whitley	3,079	11,949	12,251	**27,279**	1,816	10,877	10,095	22,788
J Hutson	101,632	51,696	43,935	**197,263**	81,763	52,660	47,469	181,892
S Cacioppo	24,734	27,954	24,479	**77,167**	24,136	28,509	26,280	78,925
E McMeikan	1,000	–	–	**1,000**	1,000	–	–	1,000
D van Gene	1,000	–	–	**1,000**	1,000	–	–	1,000
R Beckett	2,000	–	–	**2,000**	2,000	–	–	2,000
H Morley	2,000	–	–	**2,000**	2,000	–	–	2,000

The Company does not enforce any specific requirements as to directors' shareholdings. With the exception of partnership shares, there have been no changes to these interests since 29 July 2018.

Partnership shares
John Hutson, Su Cacioppo and Ben Whitley are participants of the partnership share scheme and acquired 148 shares each in the year. The market price of the shares purchased ranged from 1,051.0p to 1,273.0p. Since 29 July 2018, John Hutson, Su Cacioppo and Ben Whitley acquired 12, 13 and 12 shares respectively Under the share partnership scheme.

Performance graph – non-audited information
Growth in the value of a hypothetical £100 holding since July 2008 is shown, based on 30-trading-day average values. 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.



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* %
2018	1,490	29	100
2017	1,698	85	100
2016	1,187	21	100
2015	1,202	10	100
2014	741	19	100
2013	1,079	43	100
2012	847	34	100
2011	628	24	100
2010	656	44	100

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

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

John Hutson	2018 £000	2017 £000	Change %	Total employees %
Salary	603	585	3.0	4.0
Taxable benefits	20	22	(8.3)	11.2
Performance bonus	87	250	(65.0)	(10.6)
	710	857	(17.1)	7.2

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

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

	2018 £000	2017 £000	Change %
Dividends	12,655	13,352	(5.2)
Share buy-backs	36,205	43,887	(17.5)
Total employee remuneration	551,599	521,038	5.9

Remuneration committee

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

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

Shareholders' vote on 2017 directors' remuneration report

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

	Number of votes	% of votes
For	82,864,158	91.19%
Against	7,833,636	8.62%
Abstentions	176,763	0.19%
Total Cast	90,874,557	100.0%

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	94.8%
Against	4,477,466	4.9%
Abstentions	213,196	0.2%
Total Cast	90,874,557	100.0%

By order of the board

Nigel Connor
Company Secretary
13 September 2018

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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 29 July 2018, except as described below.

B.1.1 – Non-executive director independence

Elizabeth McMeikan, Debra van Gene and Sir Richard Beckett have served more than 9 years on the board and so may not be considered independent under the Code. The board considers that their performance as non-executive directors continues to be effective. They contribute significantly as directors through their individual skills, considerable knowledge and experience of the Company. They also continue to demonstrate strong independence in the manner in which they discharge their responsibilities as directors. Consequently, the board has concluded that, despite their length of tenure, there is no association with management which could compromise their independence.

B.4.2 – Development

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

B.6.2 – External board evaluation

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

E.1.1 – Dialogue with shareholders

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

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

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

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

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

Biographies of all non-executive and executive directors are provided on page 43 and can be viewed on the Company's website: jdwetherspoon.com

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

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

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

The board has several established committees as set out below. The board met nine times during the year ending 29 July 2018; attendance of the directors and non-executives, where appropriate, is shown below.

	Board	Audit	Remuneration	Nomination
Number of meetings held in the year	9	4	3	1
Tim Martin	9	N/A	N/A	N/A
John Hutson	9	N/A	N/A	N/A
Su Cacioppo	9	4	N/A	1
Ben Whitley	9	4	N/A	1
Elizabeth McMeikan	8	3	3	1
Debra van Gene	8	4	3	1
Sir Richard Beckett	9	4	2	1
Harry Morley	9	4	3	1
Nigel Connor	9	4	N/A	N/A

Matters reserved for the board

The following matters are reserved for the board:

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

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

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

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

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

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

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

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

Board committees

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

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

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

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

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

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

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

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

Non-audit services
During the year, the Company made 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 £37,500 (2017: £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 13, for a breakdown of auditors' remuneration for audit and non-audit services.

External auditors
The audit committee is responsible for making recommendations to appoint, reappoint or remove external auditors. Following a review by the audit committee, the board agreed, in September 2017, to recommend to shareholders, at the annual general meeting, the appointment of Grant Thornton UK LLP as external auditors for a period of one year, following the external audit tender during the last financial year.

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

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

In reviewing the independence of the external auditors, the audit committee considers several factors. These include the standing, experience and tenure of the external auditors, the nature and level of services provided and confirmation from the external auditors that they have complied with relevant UK independence standards.

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

Remuneration committee
The committee is chaired by Debra van Gene and comprises Elizabeth McMeikan, Sir Richard Beckett and Harry Morley. The directors' report on remuneration is set out on pages 46 to 53.

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

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

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

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

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

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

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

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

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

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

Relations with shareholders

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

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

Risk management

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

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

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

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

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

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

A summary of the financial risks and treasury policies can be found on page 37, together with other risks and uncertainties.

Internal control

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

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

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

The Company has key controls, as follows:

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

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

Approved by order of the board

Nigel Connor
Company Secretary
13 September 2018

Ordinary shareholdings at 29 July 2018

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	3,870	88.8	1,744,314	1.7
2,501–10,000	250	5.7	1,194,042	1.1
10,001–250,000	195	4.5	11,188,758	10.6
250,001–500,000	19	0.4	6,010,121	5.7
500,001–1,000,000	7	0.2	5,318,396	5.0
Over 1,000,000	16	0.4	80,046,208	75.9
	4,357	100.0	105,501,839	100.0

Source: Computershare Investor Services plc

Substantial shareholdings
The Company has been notified of the following substantial holdings in its share capital at 27 July 2018:

	Number of ordinary shares	% of share capital
Tim Martin	33,667,084	31.9
Columbia Threadneedle Investments	17,313,876	16.4
Immersion Capital	5,596,855	5.3
Phoenix Asset Management Partners	3,786,778	3.6
J D Wetherspoon plc Company Share Plan*	3,589,729	3.4
Norges Bank Investment	3,518,738	3.3
Setanta Asset Mgt	2,120,302	2.0
BlackRock Investment Management	1,859,956	1.8

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

*This represents shares which have been purchased by the Company for the benefit of employees under the SIP. Please see page 48. This includes vested shares held by employees.

Share prices

30 July 2017	1,020p
Low	993p
High	1,325p
29 July 2018	1,219p

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

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