16 October 2020

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 52 weeks ended 26 July 2020)

FINANCIAL HIGHLIGHTS	Var%
Before exceptional items (pre-IFRS 16)	
• Like-for-like sales	-29.5%
• Revenue £1,262.0m (2019: £1,818.8m)	-30.6%
• (Loss)/profit before tax -£34.1m (2019: £102.5m)	-133.3%
• Operating profit £7.2m (2019: £131.9m)	-94.6%
• Earnings per share (including shares held in trust) -27.6p (2019: 75.5p)	-136.6%
• Free cash flow per share -54.2p (2019: 92.0p)	-158.9%
• Full year dividend 0.0p (2019: 12.0p)	-100%

Before exceptional items (post-IFRS 16)

IFRS 16 did not apply in the previous financial year, so no comparison is included.

- Loss before tax -£44.7m
- Operating profit £17.0m
- Earnings per share (including shares held in trust) -35.5p

After exceptional items (pre-IFRS 16)	
• (Loss)/profit before tax -£94.8m (2019: £95.4m)	-199.3%
• Operating (loss)/profit -£6.0m (2019: 131.9m)	-104.6%
• Earnings per share (including shares held in trust) -82.6p (2019: 69.0p)	-219.7%

After exceptional items* (post-IFRS 16)

- Loss before tax -£105.4m
- Operating profit £3.8m
- Earnings per share (including shares held in trust) -89.9p

*Exceptional items as disclosed in account note 4.

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

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

“As Warren Buffett explains:

> “My most surprising discovery: the overwhelming importance in business of an unseen force that we might call "the institutional imperative." In business school, I was given no hint of the imperative's existence and I did not intuitively understand it when I entered the business world. I thought then that decent, intelligent, and experienced managers would automatically make rational business decisions. But I learned over time that isn't so. Instead, rationality frequently wilts when the institutional imperative comes into play.”
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> “For example: (1) As if governed by Newton's First Law of Motion, an institution will resist any change in its current direction; (2) Just as work expands to fill available time, corporate projects or acquisitions will materialize to soak up available funds; (3) Any business craving of the leader, however foolish, will be quickly supported by detailed rate-of-return and strategic studies prepared by his troops; and (4) The behavior of peer companies, whether they are expanding, acquiring, setting executive compensation or whatever, will be mindlessly imitated.”
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> “Institutional dynamics, not venality or stupidity, set businesses on these courses, which are too often misguided. After making some expensive mistakes because I ignored the power of the imperative, I have tried to organize and manage Berkshire in ways that minimize its influence. Furthermore, Charlie and I have attempted to concentrate our investments in companies that appear alert to the problem.”

“Since 100 governments adopted a lockdown strategy, it was very difficult for any government to adopt a different course. However, pubs eventually reopened in England on 4 July and in the rest of the UK shortly thereafter.

“The lockdown was far longer than was necessary to achieve its stated objective of ‘flattening the curve’ so as to assist the health service. Before pubs reopened, a detailed and comprehensive operating plan for the hospitality industry was nevertheless agreed on among the government, parliamentary committees, UK Hospitality, civil servants and other interested parties.

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

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

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

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

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

“The most damaging regulation relates to the 10pm curfew, which has few supporters outside of the narrow cloisters of Downing Street and SAGE meetings. This has meant that many thousands of hospitality industry employees, striving to maintain hygiene and social-distancing standards, go off duty at 10pm, leaving people to socialise in homes and at private events which are, in reality, impossible to regulate.

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

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

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

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

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

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

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

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Photographs are available at: www.newscast.co.uk

Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed and the Company aims to maintain them in excellent condition.
2. Visit our website jdwetherspoon.com
3. The financial information set out in the announcement does not constitute the company's statutory accounts for the periods ended 26 July 2020 or 28 July 2019. The financial information for the period ended 28 July 2019 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. Statutory accounts for 2020 will be delivered to the registrar of companies in due course. The auditors have reported on those accounts: their report was unqualified, contained an emphasis of matter highlighting a materiality uncertainly related to going concern and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.
4. The annual report and financial statements 2020 has been published on the Company's website on 16 October 2020.
5. The current financial year comprises 52 trading weeks to 25 July 2021.
6. The next trading update will be issued on 11 November 2020.

CHAIRMAN'S STATEMENT

Financial performance

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

Summary accounts for the years ended July 1984 to 2020

Financial year	Total sales £000	Profit/(loss) before tax and exceptional items £000	Earnings per share before exceptional items pence	Free cash flow £000	Free cash flow per share pence
1984	818	(7)	0		
1985	1,890	185	0.2		
1986	2,197	219	0.2		
1987	3,357	382	0.3		
1988	3,709	248	0.3		
1989	5,584	789	0.6	915	0.4
1990	7,047	603	0.4	732	0.4
1991	13,192	1,098	0.8	1,236	0.6
1992	21,380	2,020	1.9	3,563	2.1
1993	30,800	4,171	3.3	5,079	3.9
1994	46,600	6,477	3.6	5,837	3.6
1995	68,536	9,713	4.9	13,495	7.4
1996	100,480	15,200	7.8	20,968	11.2
1997	139,444	17,566	8.7	28,027	14.4
1998	188,515	20,165	9.9	28,448	14.5
1999	269,699	26,214	12.9	40,088	20.3
2000	369,628	36,052	11.8	49,296	24.2
2001	483,968	44,317	14.2	61,197	29.1
2002	601,295	53,568	16.6	71,370	33.5
2003	730,913	56,139	17.0	83,097	38.8
2004	787,126	54,074	17.7	73,477	36.7
2005	809,861	47,177	16.9	68,774	37.1
2006	847,516	58,388	24.1	69,712	42.1
2007	888,473	62,024	28.1	52,379	35.6
2008	907,500	58,228	27.6	71,411	50.6
2009	955,119	66,155	32.6	99,494	71.7
2010	996,327	71,015	36.0	71,344	52.9
2011	1,072,014	66,781	34.1	78,818	57.7
2012	1,197,129	72,363	39.8	91,542	70.4
2013	1,280,929	76,943	44.8	65,349	51.8
2014	1,409,333	79,362	47.0	92,850	74.1
2015	1,513,923	77,798	47.0	109,778	89.8
2016	1,595,197	80,610	48.3	90,485	76.7
2017	1,660,750	102,830	69.2	107,936	97.0
2018	1,693,818	107,249	79.2	93,357	88.4
2019	1,818,793	102,459	75.5	96,998	92.0
2020	1,262,048	(34,095)	(27.6)	(58,852)	(54.2)

Notes

Adjustments to statutory numbers

1. Where appropriate, the earnings per share (EPS), as disclosed in the statutory accounts, have been recalculated to take account of share splits, the issue of new shares and capitalisation issues.
2. Free cash flow per share excludes dividends paid which were included in the free cash flow calculations in the annual report and accounts for the years 1995–2000.
3. The weighted average number of shares, EPS and free cash flow per share include those shares held in trust for employee share schemes.
4. Before 2005, the accounts were prepared under UKGAAP. All accounts from 2005 to date have been prepared under IFRS.
5. Apart from the items in notes 1 to 4, all numbers are as reported in each year's published accounts.
6. Financial year 2020 data is based on pre IFRS 16 numbers.

Hygiene Record and Reopening Preparations

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

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

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

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

The Financial Consequences of the UK Government's Covid-19 Policies

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

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

Taxes generated by Wetherspoon (including staff and customers):

	2020	2019
	£m	£m
VAT	**244.3**	357.9
Alcohol duty	**124.2**	174.4
PAYE and NIC	**106.6**	121.4
Business rates	**39.5**	57.3
Corporation tax	**21.5**	19.9
Machine duty	**9**	11.6
Climate change levy	**6.1**	10.4
Carbon tax	**0**	1.9
Fuel duty	**1.7**	2.2
Stamp duty	**4.9**	3.7
Sugar tax	**2**	2.9
Premise licence and TV licences	**1.1**	0.8
TOTAL TAX	**560.9**	764.4
Tax per pub (£000)	**677.6**	871.4
Tax as % of sales	**44.40%**	42.00%
Furlough tax rebate	**-124.2**	0
TOTAL TAX ADJUSTED FOR FURLOUGH TAX REBATE	**436.7**	764.4
Tax per pub adjusted for furlough tax rebate (£000)	**527.6**	871.4

* Before exceptional items

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

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

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

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

Covid-19- the risks associated with pubs

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

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

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

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

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

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

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

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

Financial Outcome

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

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

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

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

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

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

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

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

IFRS 16

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

Management actions

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

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

Dividends and return of capital

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

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

Financing

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

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

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

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

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

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

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

Taxation

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

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

VAT equality

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

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

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

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

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

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

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

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

Corporate governance

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

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

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

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

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

I then went on to say:

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

"The Code itself is faulty, since it places excessive emphasis on meetings between directors and shareholders and places almost no emphasis on directors taking account of the views of customers and employees which are far more important, in practice, to the future well-being of any company.

"For example, in the UK Corporate Governance Code (September 2014), there are 64 references to shareholders, but only three to employees and none to customers – this emphasis is clearly mistaken.

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

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

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

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

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

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

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

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

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

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

Further progress

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

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

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

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

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

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

Property

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

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

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

Property litigation

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

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

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

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

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

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

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

Press corrections

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

Current trading and outlook

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

As Warren Buffett explains:

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

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

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

Since 100 governments adopted a lockdown strategy, it was very difficult for any government to adopt a different course. However, pubs eventually reopened in England on 4 July and in the rest of the UK shortly thereafter.

The lockdown was far longer than was necessary to achieve its stated objective of 'flattening the curve' so as to assist the health service. Before pubs reopened, a detailed and comprehensive operating plan for the hospitality industry was nevertheless agreed on among the government, parliamentary committees, UK Hospitality, civil servants and other interested parties.

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

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

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

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

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

The most damaging regulation relates to the 10pm curfew, which has few supporters outside of the narrow cloisters of Downing Street and SAGE meetings. This has meant that many thousands of hospitality industry employees, striving to maintain hygiene and social-distancing standards, go off duty at 10pm, leaving people to socialise in homes and at private events which are, in reality, impossible to regulate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

END.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This was complete cobblers.

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

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

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

That's a complete lie.

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

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

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

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

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

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

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

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

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

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

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

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

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

Tim Martin
Chairman

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

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks Ended 28 July 2019 After exceptional items £000
Revenue	1	1,262,048	–	1,262,048	1,818,793	–	1,818,793
Operating costs		(1,254,896)	(13,201)	(1,268,097)	(1,686,876)	–	(1,686,876)
Operating profit/(loss)	2	7,152	(13,201)	(6,049)	131,917	–	131,917
Property (losses)/gains	3	(641)	(47,476)	(48,117)	5,599	(7,040)	(1,441)
Finance income	6	161	–	161	41	–	41
Finance costs	6	(40,767)	–	(40,767)	(35,098)	–	(35,098)
(Loss)/profit before tax		(34,095)	(60,677)	(94,772)	102,459	(7,040)	95,419
Income tax expense		4,158	1,004	5,162	(22,830)	188	(22,642)
(Loss)/profit for the period		(29,937)	(59,673)	(89,610)	79,629	(6,852)	72,777
Earnings per share (p)							
– Basic[1]	8	(27.6)	(55.0)	(82.6)	77.2	(6.6)	70.6
– Diluted[2]	8	(27.6)	(55.0)	(82.6)	75.5	(6.5)	69.0

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

	Notes	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000
Profit before IFRS 16		(29,937)	(59,673)	(89,610)	79,629	(6,852)	72,777
Operating costs		58,503	–	58,503	–	–	–
Amortisation and depreciation							
Right-of-use assets		(49,059)	–	(49,059)	–	–	–
Lease premium		368	–	368	–	–	–
Disposal of leases	3	1,125	–	1,125	–	–	–
Impairment							
Right-of-use assets	3	–	(4,722)	(4,722)	–	–	–
Property, plant and equipment		–	3,311	3,311	–	–	–
Onerous leases provision		–	1,411	1,411	–	–	–
Finance income	6	451	–	451	–	–	–
Finance costs	6	(21,980)	–	(21,980)	–	–	–
Income tax expense		2,012	629	2,641	–	–	–
Profit for the period		(38,517)	(59,044)	(97,561)	79,629	(6,852)	72,777

[1] Calculated excluding shares held in trust.
[2] Calculated using issued share capital which includes shares held in trust.
To provide meaningful comparatives the above statement has been presented under IAS 17 and does not form part of the audited financial statements

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

J D Wetherspoon plc, company number: 1709784

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

[1]Free cash flow is a measure not required by accounting standards; a definition is provided in our accounting policies
To provide meaningful comparatives the above statement has been presented under IAS 17 and does not form part of the audited financial statements.

PRE-IFRS 16 BALANCE SHEET as at 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	26 Jul 2020 £000	28 Jul 2019 £000
Non-current assets			
Property, plant and equipment	13	1,439,467	1,384,971
Intangible assets	12	8,895	23,070
Investment property	14	11,527	5,531
Other non-current assets		7,520	7,888
Derivative financial instruments		–	321
Deferred tax assets	7	15,617	8,342
Total non-current assets		1,483,026	1,430,123
Current assets			
Assets held for sale		–	3,146
Inventories		23,095	23,717
Receivables		36,387	21,903
Current income tax receivables		7,672	–
Cash and cash equivalents		174,451	42,950
Total current assets		241,605	91,716
Total assets		1,724,631	1,521,839
Current liabilities			
Borrowings		(7,610)	(3,287)
Trade and other payables		(267,677)	(308,326)
Current income tax liabilities		–	(10,986)
Provisions		(4,759)	(4,072)
Total current liabilities		(280,046)	(326,671)
Non-current liabilities			
Borrowings		(983,828)	(776,683)
Derivative financial instruments		(82,194)	(49,393)
Deferred tax liabilities	7	(42,138)	(39,416)
Provisions		(1,488)	(1,934)
Other liabilities		(9,738)	(10,930)
Total non-current liabilities		(1,119,386)	(878,356)
Net assets		325,199	316,812
Shareholders’ equity			
Share capital		2,408	2,102
Share premium account		280,975	143,294
Capital redemption reserve		2,337	2,329
Hedging reserve		(66,577)	(40,730)
Currency translation reserve		7,089	5,370
Retained earnings		98,967	204,447
Total shareholders’ equity		325,199	316,812

To provide meaningful comparatives the above statement has been presented under IAS 17 and does not form part of the audited financial statements.

INCOME STATEMENT for the 52 weeks ended 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000
Revenue	1	1,262,048	–	1,262,048	1,818,793	–	1,818,793
Operating costs		(1,245,084)	(13,201)	(1,258,285)	(1,686,876)	–	(1,686,876)
Operating profit/(loss)	2	16,964	(13,201)	3,763	131,917	–	131,917
Property (losses)/gains	3	484	(47,476)	(46,992)	5,599	(7,040)	(1,441)
Finance income	6	612	–	612	41	–	41
Finance costs	6	(62,747)	–	(62,747)	(35,098)	–	(35,098)
(Loss)/profit before tax		(44,687)	(60,677)	(105,364)	102,459	(7,040)	95,419
Income tax expense	7	6,170	1,633	7,803	(22,830)	188	(22,642)
(Loss)/profit for the period		(38,517)	(59,044)	(97,561)	79,629	(6,852)	72,777
Earnings per share (p)							
– Basic[1]	8	(35.5)	(54.4)	(89.9)	77.2	(6.6)	70.6
– Diluted[2]	8	(35.5)	(54.4)	(89.9)	75.5	(6.5)	69.0
Operating profit/(loss) per share (p)							
– Diluted[2]	8	15.8	(12.3)	3.4	125.1	–	125.1

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

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

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

CASH FLOW STATEMENT for the 52 weeks ended 26 July 2020

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 26 Jul 2020 £000	Free cash Flow[1] 52 weeks ended 26 Jul 2020 £000	52 weeks ended 28 Jul 2019 £000	Free cash Flow[1] 52 weeks ended 28 Jul 2019 £000
Cash flows from operating activities					
Cash generated from operations	9	75,665	75,665	227,176	227,176
Interest received		59	59	33	33
Interest paid		(29,914)	(29,914)	(33,957)	(33,957)
Corporation tax paid		(10,971)	(10,971)	(19,661)	(19,661)
Lease interest		(18,080)	(18,080)	–	–
Net cash flow from operating activities		16,759	16,759	173,591	173,591
Cash flows from investing activities					
Reinvestment in pubs		(43,370)	(43,370)	(47,398)	(47,398)
Reinvestment in business and IT projects2		(926)	(926)	(6,923)	(6,923)
Investment in new pubs and pub extensions		(50,408)		(26,778)	
Freehold reversions and investment properties		(98,467)		(77,207)	
Lease premiums paid		–		(451)	
Proceeds of sale of property, plant and equipment		4,810		9,319	
Net cash flow from investing activities		(188,361)	(44,296)	(149,438)	(54,321)
Cash flows from financing activities					
Equity dividends paid	11	(8,371)		(12,652)	
Purchase of own shares for cancellation		(6,456)		(5,399)	
Purchase of own shares for share-based payments		(11,125)	(11,125)	(16,004)	(16,004)
Loan issue cost	10	(1,323)	(1,323)	(6,268)	(6,268)
Advances under private placement	10	98,000		–	
Advances under / (repayment of) bank loans	10	100,000		(13,865)	
Advances under asset-financing	10	16,152		12,000	
Lease principal payments		(18,867)	(18,867)	–	
Issue of share capital		137,995			
Asset-financing principal payments	10	(2,902)		(2,106)	
Net cash flow from financing activities		303,103	(31,315)	(44,294)	(22,272)
Net change in cash and cash equivalents	10	131,501		(20,141)	
Opening cash and cash equivalents		42,950		63,091	
Closing cash and cash equivalents		174,451		42,950	
Free cash flow	8		(58,852)		96,998
Free cash flow per ordinary share	8		(54.2)p		92.0p

[1] Free cash flow is a measure not required by accounting standards; a definition is provided in our accounting policies.
[2] Within reinvestment in business and IT projects, all amounts were intangible assets (2019: £5,859,000, with the remaining balance being related equipment).

BALANCE SHEET as at 26 July 2020

J D Wetherspoon plc, company number: 1709784

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

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	Total £000
At 29 July 2018		2,110	143,294	2,321	(20,010)	4,767	154,080	286,562
Total comprehensive income					(20,720)	603	72,355	52,238
Profit for the period							72,777	72,777
Interest-rate swaps: cash flow hedges					(24,963)			(24,963)
Tax on cash flow hedges	7				4,243			4,243
Currency translation differences						603	(422)	181
Purchase of own shares for cancellation		(8)		8			(5,399)	(5,399)
Share-based payment charges							11,558	11,558
Tax on share-based payments	7						509	509
Purchase of own shares for share-based payments							(16,004)	(16,004)
Dividends	11						(12,652)	(12,652)
At 28 July 2019		2,102	143,294	2,329	(40,730)	5,370	204,447	316,812
Total comprehensive income					(25,847)	1,719	(97,987)	(122,115)
Profit for the period							(97,561)	(97,561)
Interest-rate swaps: cash flow hedges					(33,122)		–	(33,122)
Tax on cash flow hedges	7				7,275		–	7,275
Currency translation differences						1,719	(426)	1,293
Issue of share capital		314	137,681				–	137,995
Purchase of own shares for cancellation		(8)		8			(6,456)	(6,456)
Share-based payment charges							10,705	10,705
Tax on share-based payments	7						(197)	(197)
Purchase of own shares for share-based payments							(11,125)	(11,125)
Dividends	11						(8,371)	(8,371)
At 26 July 2020		2,408	280,975	2,337	(66,577)	7,089	91,016	317,248

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

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

Shares acquired in relation to the employee Share Incentive Plan and the Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 26 July 2020, the number of shares held in trust was 1,996,358 (2019: 2,259,401), with a nominal value of £35,447 (2019: £45,188) and a market value of £16,961,227 (2019: £34,794,775); these are included in retained earnings.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

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

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

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

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

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

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

3. Property gains and losses

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000
Disposals						
Fixed assets	1,002	2,769	3,771	(4,650)	1,015	(3,635)
Leases	(1,125)	–	(1,125)	–	–	–
Additional costs of disposal	258	684	942	230	568	798
	135	3,453	3,588	(4,420)	1,583	(2,837)
Impairments						
Property, plant and equipment (note 13)	–	28,602	28,602	–	3,550	3,550
Intangible assets (note 12)	–	10,699	10,699	–	–	–
Right-of-use assets	–	4,722	4,722	–	–	–
Other assets (note 15)	–	–	–	–	145	145
	–	44,023	44,023	–	3,695	3,695
Other				–	–	–
Onerous lease provision	–	–	–	–	1,762	1,762
Other property gains	(619)	–	(619)	(1,179)	–	(1,179)
	(619)	–	(619)	(1,179)	1,762	583
Total property (gains)/losses	(484)	47,476	46,992	(5,599)	7,040	1,441

4. Exceptional items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Employee benefits expenses

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

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

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

5. Employee benefits expenses (continued)

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

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

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

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

6. Finance income and costs

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

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

7. Income tax expense

(a) Tax on profit on ordinary activities

The standard rate of corporation tax in the UK is 19.00%. The company's profits for the accounting period are taxed at a rate of 19.00% (2019: 19.00%).

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000
Taken through income statement						
Current income tax:						
Current income tax (credit)/charge	(2,827)	(7,502)	(10,329)	23,406	(273)	23,133
Previous period adjustment	227	–	227	(922)	–	(922)
Total current income tax	(2,600)	(7,502)	(10,102)	22,484	(273)	22,211
Deferred tax:						
Temporary differences	(3,660)	1,617	(2,043)	2,174	85	2,259
Previous year deferred tax charge/(credit)	90	–	90	(1,828)	–	(1,828)
Impact of change in UK tax rate	–	4,252	4,252	–	–	–
Total deferred tax	(3,570)	5,869	2,299	346	85	431
Tax (credit)/charge	(6,170)	(1,633)	(7,803)	22,830	(188)	22,642

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

	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 Exceptional items (note 4) £000	52 weeks ended 26 July 2020 After exceptional items £000	52 weeks ended 28 July 2019 Before exceptional items £000	52 weeks ended 28 July 2019 Exceptional items (note 4) £000	52 weeks ended 28 July 2019 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	(5,720)	–	(5,720)	(4,243)	–	(4,243)
Impact of change in UK tax rate	(1,555)	–	(1,555)	–	–	–
Tax credit	(7,275)	–	(7,275)	(4,243)	–	(4,243)

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

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

The UK standard weighted average tax rate for the period is 19.0% (2019: 19.0%). The current tax rate is higher than the UK standard weighted average tax rate, owing mainly to depreciation which is not eligible for tax relief.

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

(c) Reconciliation of the total tax charge

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

7. Income tax expense (continued)

(d) Deferred tax

The deferred tax in the balance sheet is as follows:

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

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

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

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

Deferred tax assets and liabilities have been offset as follows:

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

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

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

8. Earnings and free cash flow per share

(a) Weighted average number of shares

Earnings per share are based on the weighted average number of shares in issue of 108,550,647 (2019: 105,439,345), including those held in trust in respect of employee share schemes. Earnings per share, calculated on this basis, are usually referred to as ‘diluted’, since all of the shares in issue are included.

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

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

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

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

(b) Earnings per share

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

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

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

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

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

(c) Free cash flow per share

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

	Free cash flow £000	Basic free cash flow per share pence	Diluted free cash flow per share pence
52 weeks ended 26 July 2020	(58,852)	(54.2)	(54.2)
52 weeks ended 28 July 2019	96,998	94.1	92.0

(d) Owners' earnings per share

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

52 weeks ended 26 July 2020	Owners' Earnings £000	Basic Owners' EPS pence	Diluted Owners' EPS pence
Loss before tax and exceptional items (income statement) [1]	(34,095)	(32.0)	(31.4)
Exclude depreciation and amortisation (note 2)	79,271	74.4	73.0
Exclude amortised on other fixed assets [2]	368	0.3	0.3
Less reinvestment in current properties	(32,062)	(29.5)	(30.1)
Exclude property losses (note 3)	641	0.6	0.6
Less accelerated tax relief on leases [3]	(2,012)	(1.9)	(1.9)
Less cash tax (note 7)	2,827	2.7	2.7
Owners' earnings	13,656	12.6	12.8

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

The diluted owners' earnings per share decreased by 86.5% (2019: increased by 6.0%).

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

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

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

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

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

(e) Operating profit per share

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

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

9. Cash generated from operations

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

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

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

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

10. Analysis of change in net debt

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

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

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

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

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

10. Analysis of change in net debt (continued)

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

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

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

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

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

11. Dividends paid and proposed

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

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

12. Intangible assets

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

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

13. Property, plant and equipment

	Freehold and long-leasehold property £000	Short-leasehold property £000	Equipment, fixtures and fittings £000	Assets under construction £000	Total £000
Cost:					
At 29 July 2018	1,110,875	356,160	617,800	54,202	2,139,037
Additions	75,547	2,429	38,214	45,052	161,242
Transfers from investment property	1,984	–	–	–	1,984
Transfers	23,689	1,492	5,316	(30,497)	–
Exchange differences	226	22	90	294	632
Transfer to held for sale	(5,076)	–	(810)	–	(5,886)
Disposals	(7,605)	(3,412)	(4,349)	–	(15,366)
Reclassification	29,532	(29,532)	–	–	–
At 28 July 2019	1,229,172	327,159	656,261	69,051	2,281,643
Additions	97,419	2,464	24,608	39,959	164,450
Transfers	11,804	1,675	9,412	(22,891)	–
Exchange differences	685	39	120	505	1,349
Disposals	(6,012)	(6,290)	(5,669)	–	(17,971)
Reclassification	30,038	(30,038)	–	–	–
At 26 July 2020	1,363,106	295,009	684,732	86,624	2,429,471
Accumulated depreciation and impairment:					
At 29 July 2018	(222,037)	(184,575)	(426,352)	–	(832,964)
Provided during the period	(18,271)	(11,733)	(43,775)	–	(73,779)
Transfers from investment property	(76)	–	–	–	(76)
Exchange differences	(45)	(18)	(117)	–	(180)
Impairment loss	(1,326)	(1,404)	(820)	–	(3,550)
Transfer to held for sale	2,063	–	677	–	2,740
Disposals	3,648	3,497	3,992	–	11,137
Reclassification	(17,781)	17,781	–	–	–
At 28 July 2019	(253,825)	(176,452)	(466,395)	–	(896,672)
Provided during the period	(19,675)	(10,826)	(44,885)	–	(75,386)
Exchange differences	(47)	(77)	(162)	–	(286)
Impairment loss	(17,631)	(4,122)	(6,849)	–	(28,602)
Disposals	2,051	6,298	5,904	–	14,253
Reclassification	(18,170)	18,170	–	–	–
At 26 July 2020	(307,297)	(167,009)	(512,387)	–	(986,693)
Net book amount at 26 July 2020	1,055,809	128,000	172,345	86,624	1,442,778
Net book amount at 28 July 2019	975,347	150,707	189,866	69,051	1,384,971
Net book amount at 29 July 2018	888,838	171,585	191,448	54,202	1,306,073

Impairment of property, plant and equipment
In assessing whether a pub has been impaired, the book value of the pub is compared with its anticipated future cash flows and fair value. Assumptions are used about sales, costs and profit, using a pre-tax discount rate for future years of 8% (2019: 7%).

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

As a result of this exercise, a net impairment loss of £28,602,000 (2019: £3,550,000) was charged to property losses in the income statement, as described in note 4. The assets impaired in the year had a recoverable value of £24,700,000 at year end. In the period depreciation was £961,000 lower due historic impairment charges. At the period end, an impairment provision of £44,058,000 in carried in relation to property, plant and equipment.

14. Investment property

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

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

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

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

15. Other non-current assets

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

16. Going concern

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

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

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

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

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

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

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