J D Wetherspoon plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Wetherspoon owns and operates pubs throughout the UK and Ireland. The company aims to provide customers with good-quality food and drinks, served by well-trained and friendly staff, at reasonable prices.

The pubs are individually designed, and the company aims to maintain them in excellent condition.

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Year end
31 July 2022 (53 weeks)

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18 November 2021

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Financial performance

Summary accounts for the years ended July 1984-2021

Financial year	Total number of Pubs (Sites)	Total sales £000	Profit/(loss) before tax and exceptional items (Pre-IFRS16) £000	Profit/(loss) before tax and exceptional items (Post-IFRS16) £000	Earnings per share before exceptional items (Pre-IFRS16) pence	Earnings per share before exceptional items (Post-IFRS16) pence	Free cash flow £000	Free cash flow per share pence
1984	1	818	(7)	-	0	-		
1985	2	1,890	185	-	0.2	-		
1986	2	2,197	219	-	0.2	-		
1987	5	3,357	382	-	0.3	-		
1988	6	3,709	248	-	0.3	-		
1989	9	5,584	789	-	0.6	-	915	0.4
1990	19	7,047	603	-	0.4	-	732	0.4
1991	31	13,192	1,098	-	0.8	-	1,236	0.6
1992	45	21,380	2,020	-	1.9	-	3,563	2.1
1993	67	30,800	4,171	-	3.3	-	5,079	3.9
1994	87	46,600	6,477	-	3.6	-	5,837	3.6
1995	110	68,536	9,713	-	4.9	-	13,495	7.4
1996	146	100,480	15,200	-	7.8	-	20,968	11.2
1997	194	139,444	17,566	-	8.7	-	28,027	14.4
1998	252	188,515	20,165	-	9.9	-	28,448	14.5
1999	327	269,699	26,214	-	12.9	-	40,088	20.3
2000	428	369,628	36,052	-	11.8	-	49,296	24.2
2001	522	483,968	44,317	-	14.2	-	61,197	29.1
2002	608	601,295	53,568	-	16.6	-	71,370	33.5
2003	635	730,913	56,139	-	17.0	-	83,097	38.8
2004	643	787,126	54,074	-	17.7	-	73,477	36.7
2005	655	809,861	47,177	-	16.9	-	68,774	37.1
2006	657	847,516	58,388	-	24.1	-	69,712	42.1
2007	671	888,473	62,024	-	28.1	-	52,379	35.6
2008	694	907,500	58,228	-	27.6	-	71,411	50.6
2009	731	955,119	66,155	-	32.6	-	99,494	71.7
2010	775	996,327	71,015	-	36.0	-	71,344	52.9
2011	823	1,072,014	66,781	-	34.1	-	78,818	57.7
2012	860	1,197,129	72,363	-	39.8	-	91,542	70.4
2013	886	1,280,929	76,943	-	44.8	-	65,349	51.8
2014	927	1,409,333	79,362	-	47.0	-	92,850	74.1
2015	951	1,513,923	77,798	-	47.0	-	109,778	89.8
2016	926	1,595,197	80,610	-	48.3	-	90,485	76.7
2017	895	1,660,750	102,830	-	69.2	-	107,936	97.0
2018	883	1,693,818	107,249	-	79.2	-	93,357	88.4
2019	879	1,818,793	102,459	-	75.5	-	96,998	92.0
2020	872	1,262,048	(34,095)	(44,687)	(27.6)	(35.5)	(58,852)	(54.2)
2021	861	772,555	(154,676)	(167,166)	(110.3)	(119.2)	(83,284)	(67.8)

Notes
Adjustments to statutory numbers
1. Where appropriate, the earnings per share (EPS), as disclosed in the statutory accounts, have been recalculated to take account of share splits, the issue of new shares and capitalisation issues.
2. Free cash flow per share excludes dividends paid which were included in the free cash flow calculations in the annual report and accounts for the years 1995–2000.
3. The weighted average number of shares, EPS and free cash flow per share include those shares held in trust for employee share schemes.
4. Before 2005, the accounts were prepared under UKGAAP. All accounts from 2005 to date have been prepared under IFRS.
5. Apart from the items in notes 1–4, all numbers are as reported in each year's published accounts.
6. From financial year 2020 data is based on both pre-IFRS16 numbers and post-IFRS16 numbers following the transition from IAS17 to IFRS16.
7. Free cash flow is defined in note 8 and in the Company's accounting policies. The calculation of free cash flow can be found on the cash flow statement.

Financial outcome

It is very difficult to interpret, in a meaningful way, financial results for the last year, since pubs were closed nationally for a period of around 19 weeks.

In addition, there were regional lockdowns and a bewildering range of national and local restrictions, which applied to different areas at different times.

Comparisons are also problematical in respect of the previous financial year, which was itself affected by lockdowns and restrictions.

Bearing in mind these caveats, we have presented comparisons between the two years, as we normally do.

Total sales in the financial year were £772.6m, a decrease of 38.8%. Like-for-like sales decreased by 38.4%. Bar sales decreased by 42.2%, food sales by 37.4%, slot/fruit machine sales by 52.5% and hotel room sales by 27.1%.

The unaudited pre-IFRS16 operating loss, before exceptional items, was £105.1m (2020: £7.2m profit). The operating margin, before exceptional items, was -13.6% (2020: 0.6%).

The unaudited pre-IFRS16 loss before tax and exceptional items increased to -£154.7m (2020: -£34.1m), including property losses of £2.3m (2020: £0.6m). Losses per share, including shares held in trust by the employee share scheme, before exceptional items, were -110.3p (2020: -27.6p).

Total capital investment was £62.7m (2020: £171.6m). £24.1m was invested in new pubs and pub extensions (2020: £41.0m), £20.0m in existing pubs and IT (2020: £32.1m) and £16.9m in freehold reversions, where Wetherspoon was already a tenant (2020: £98.5m).

Pre-tax exceptional items totalled £27.5m (2020: £60.7m). There was a £1.7m loss on disposal, an impairment charge of £4.1m, expenditure in relation to Covid-19 of £2.8m, head office restructuring costs of £6.2m and £12.7m of interest costs relating to ineffective interest rate swaps. The total cash effect of exceptional items, which related to head office restructuring and Covid-19 costs, was an outflow of £8.9m.

Free cash outflow, after capital payments of £22.3m for existing pubs (2020: £44.3m), £7.7m for share purchases for employees (2020: £11.1m) and payments of tax and interest, increased by £1.6m to -£60.5m (2020: -£58.9m). Free cash outflow per share was -67.8p (2020: -54.2p).

The effect of IFRS16 on a hypothetical leasehold pub

In order to illustrate the differences between old and new accounting, the example below shows how a leasehold pub would be affected. The following assumptions have been made:

- a 25-year lease, at a rent of £100k per annum, rising by 7.5% at each five-year rent review
- capital development costs of £1m funded by equity, without debt
- £30k of capital reinvestment per annum from year 6 to year 25
- pub EBITDA profits of £160k per annum
- head office costs and tax excluded from calculations

Year	1	5	10	15	20	25	Total
	£000	£000	£000	£000	£000	£000	£000
Pub EBITDAR	260	260	268	276	284	294	**6,904**
Accounting Profit **pre IFRS16** (before head office costs & corporation tax)	100	100	100	100	100	100	**2,500**
Accounting Profit **post IFRS16** (before head office costs & corporation tax)	60	65	81	101	125	154	**2,500**
Cash earnings	160	160	130	130	130	130	**3,400**

As the table illustrates, "cash earnings" are the same in both examples, however accounting earnings vary greatly.

Pre-IFRS16 treatment results in stable accounting profit of £100k, reflecting stable cash earnings, whereas post-IFRS16 treatment gives rise to erratic accounting profits, which vary from £60k to £154k, over the term of the lease.

As a result, it will be difficult for investors to understand the performance of the business, using IFRS16 accounting standards, at any given point in the lease, from an examination of the profit and loss account.

In appendix 1, below, we have provided profit and loss, balance sheet and cash flow statements, using pre-IRFS16 accounting methodology, for those who find the new accounting too complex or unhelpful.

Dividends and return of capital

No interim dividend was paid in March 2021. The board is not proposing a final dividend payment for the year. There were no share buybacks in the financial year.

Financing

As at 25 July 2021, the company's total net debt, excluding derivatives, was £845.5m (2020: £817.0m), an increase of £28.5m.

Year-end net-debt-to-EBITDA ratio was -27.32 times (2020: 9.48 times).

The company has an agreement with its lenders which waives its debt covenants until October 2022 and replaces it with a minimum liquidity requirement of £75m. At the year end liquidity was £240.4m.

There has been an increase in total finance facilities to £1,083.0m (2020: £993.0m), as a result of government-backed CLBILS loans, which are due for repayment by August 2023.

As previously reported, the company has fixed its LIBOR interest rates in respect of £770m until March 2029. The weighted average cost of the swaps was 2.42% for FY21, reducing to 1.61% in the current financial year. The annual cost of the swaps is illustrated in the table below:

Swap Value	Start Date	End Date	Weighted Average %
£770m	02-Jul-18	29-Jul-21	2.42%
£770m	30-Jul-21	30-Jul-23	1.61%
£770m	31-Jul-23	30-Jul-26	1.10%
£770m	31-Jul-26	30-Jun-28	1.33%
£770m	01-Jul-28	29-Mar-29	1.32%

In April 2021, the company conducted a non-pre-emptive placing of 6.95% of the company's issued ordinary share capital to raise £94m, which was supported by a number of institutional investors. The proceeds were used to strengthen the company's balance sheet, working capital and liquidity.

Property

The company opened five pubs during the year and sold or closed 16, resulting in a trading estate of 861 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.1m, compared with £2.3m a year ago. The full-year depreciation charge, excluding depreciation for "right-of-use" assets (a new charge to the profit and loss account, post-IFRS16) was £76.4m (2020: £79.3m).

10 years ago, the company's freehold/leasehold split was 43.4%/56.6%. As at 25 July 2021, 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 66.3%/33.7%. As at 25 July 2021, 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.

Taxation

The current corporation tax credit for the year is £0.4m (2020: a £2.6m credit). The rate of corporation tax recovered on current year losses is 0.2%. The 'accounting' tax credit, which appears in the income statement, is £20.7m (2020: £6.2m).

The accounting tax credit comprises two parts: the actual current tax credit (the 'cash' tax) and the deferred tax credit (the 'accounting' tax). The tax losses arising in the financial year will be carried forward for use against profits in future years, meaning that the cash tax benefit will be received in future years. Therefore, a 'deferred tax' benefit is created which will reverse in future years when the cash tax benefit of the losses is realised.

The company is seeking a refund of excise duty from HMRC, totalling £524k, in relation to goods sent to the Republic of Ireland, when Wetherspoon pubs first opened in that 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. Irish excise duty was then paid in addition.

Owing to a paperwork error, in the early days of our business in the Republic, which the company has sought to rectify, it has been unable to reclaim this duty, even though it is transparently clear that the duty has been paid. We believe this is a draconian and unfair outcome, and that companies trying to set up businesses abroad, already a difficult process, should receive a greater level of cooperation.

Scotland Business Rates

Business rates are supposed to be based on the value of the building, rather than the level of trade of the tenant. This should mean that the rateable value per square foot is approximately the same for comparable pubs in similar locations. However, as a result of the valuation approach adopted by the government "Assessor" in Scotland, Wetherspoon often pays far higher rates per square foot than its competitors.

This is highlighted (in the tables below) by assessments for the Omni Centre, a modern leisure complex in central Edinburgh, where Wetherspoon has been assessed at more than double the rate per square foot of the average of its competitors, and for The Centre in Livingston (West Lothian), a modern shopping centre, where a similar anomaly applies.

As a result of applying valuation practice from another era, which assumed that pubs charged approximately the same prices, the raison d'être of the rating system - that rates are based on property values, not the tenants trade- has been undermined.

Omni Centre, Edinburgh			
Occupier Name	**Rateable Value (RV)**	**Customer Area (ft²)**	**Rates per square foot**
Playfair (JDW)	**£218,750**	**2,756**	**£79.37**
Unit 9 (vacant)	£48,900	1,053	£46.44
Unit 7 (vacant)	£81,800	2,283	£35.83
Frankie & Benny's	£119,500	2,731	£43.76
Nando's	£122,750	2,804	£43.78
Slug & Lettuce	£108,750	3,197	£34.02
The Filling Station	£147,750	3,375	£43.78
Tony Macaroni	£125,000	3,427	£36.48
Unit 6 (vacant)	£141,750	3,956	£35.83
Cosmo	£200,000	7,395	£27.05
Average (exc JDW)	**£121,800**	**3,358**	**£38.55**

The Centre, Livingston			
Pub Name	**Rateable Value (RV)**	**Customer Area (ft²)**	**Rates per square foot**
The Newyearfield (JDW)	**£165,750**	**4,090**	**£40.53**
Paraffin Lamp	£52,200	2,077	£25.13
Wagamama	£67,600	2,096	£32.25
Nando's	£80,700	2,196	£36.75
Chiquito	£68,500	2,221	£30.84
Ask Italian	£69,600	2,254	£30.88
Pizza Express	£68,100	2,325	£29.29
Prezzo	£70,600	2,413	£29.26
Harvester	£98,600	3,171	£31.09
Pizza Hut	£111,000	3,796	£29.24
Hot Flame	£136,500	4,661	£29.29
Average (exc JDW)	**£82,340**	**2,721**	**£30.40**

Similar issues are evident in Galashiels, Arbroath, Wick, Anniesland - and indeed most Wetherspoon pubs in Scotland. In effect, the application of the rating system in Scotland discriminates against businesses like Wetherspoon, which have lower prices, and encourages businesses to charge higher prices. As a result, consumers are likely to pay higher prices, which cannot be the intent of rating legislation.

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.

In 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 lower prices indefinitely.

How pubs contribute to the economy

Wetherspoon and other pub and restaurant companies have always generated far more in taxes than are earned in profits. Wetherspoon generated total taxes in FY19, before the pandemic, of £763.6m. This equated to one pound in every thousand of UK government revenue.

In FY21, mainly as a result of the lockdown, total taxes paid to the government declined from the 2019 level of £763.6m to £37.0m, net of furlough payments – yet the company made a positive contribution to the Treasury, even in these dire circumstances.

The table below shows the tax revenue generated by the company, its staff and customers in the last 10 years. Each pub, on average, generated £6.3m in tax during that period:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	TOTAL 2012 to 2021
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
VAT	93.8	244.3	357.9	332.8	323.4	311.7	294.4	275.1	253.0	241.2	**2,727.6**
Alcohol duty	70.6	124.2	174.4	175.9	167.2	164.4	161.4	157.0	144.4	136.8	**1,476.3**
PAYE and NIC	101.5	106.6	121.4	109.2	96.2	95.1	84.8	78.4	70.2	67.1	**930.5**
Business rates	1.5	39.5	57.3	55.6	53.0	50.2	48.7	44.9	46.4	43.9	**441.0**
Corporation tax	-	21.5	19.9	26.1	20.7	19.9	15.3	18.4	18.4	18.2	**178.4**
Corporation tax credit (historic capital allowances)	-	-	-	-	-	-	-2.0	-	-	-	**-2.0**
Fruit/slot Machine duty	4.3	9.0	11.6	10.5	10.5	11	11.2	11.3	7.2	3.3	**89.9**
Climate change levies	7.9	10.0	9.6	9.2	9.7	8.7	6.4	6.3	4.3	1.9	**74.0**
Stamp duty	1.8	4.9	3.7	1.2	5.1	2.6	1.8	2.1	1.0	0.8	**25.0**
Sugar tax	1.3	2.0	2.9	0.8	-	-	-	-	-	-	**7.0**
Fuel duty	1.1	1.7	2.2	2.1	2.1	2.1	2.9	2.1	2.0	1.9	**20.2**
Carbon tax	-	-	1.9	3.0	3.4	3.6	3.7	2.7	2.6	2.4	**23.3**
Premise licence and TV licences	0.5	1.1	0.8	0.7	0.8	0.8	1.6	0.7	0.7	0.5	**8.2**
Landfill tax	-	-	-	1.7	2.5	2.2	2.2	1.5	1.3	1.3	**12.7**
Furlough Tax Rebate	-213.0	-124.1	-	-	-	-	-	-	-	-	**-337.1**
Eat out to help out	-23.2	-	-	-	-	-	-	-	-	-	**-23.2**
Local Government Grants	-11.1	-	-	-	-	-	-	-	-	-	**-11.1**
TOTAL TAX	**37.0**	**440.7**	**763.6**	**728.8**	**694.6**	**672.3**	**632.4**	**600.5**	**551.5**	**519.3**	**5.6bn**
TAX PER PUB (£000)	**43**	**533**	**871**	**825**	**768**	**705**	**673**	**662**	**632**	**617**	**6.3m**
TAX AS % OF NET SALES	**4.8%**	**34.9%**	**42.0%**	**43.0%**	**41.8%**	**42.1%**	**41.8%**	**42.6%**	**43.1%**	**43.4%**	**39.7%**

Note – this table is prepared on a cash basis.

Worker Directors

Almost all thoughtful investors and commentators understand that it is important to retain the architecture and culture of successful businesses, characteristics which have usually been developed over many years – and are often referred to as the "DNA" of a company.

Unfortunately, the UK corporate governance system, in practice, has little regard for DNA, which is often diluted, or even destroyed, by frequent changes of directors, and by under-representation of executives and workers.

As Wetherspoon has previously argued, the pattern of a low level of executive representation and non-executives who stay, on average, for short tenures, is bound to have a deleterious effect on DNA.

In the pub industry, in recent decades, companies like Fuller's and Young's, which have generally had "non-compliant" boards, have fared far better than their larger PLC brethren- many of which have disappeared- with their ever-changing rota of directors.

This issue becomes particularly acute as long-serving directors, in any company, approach or pass retirement age.

If the nine-year maximum tenure rule, the basis of corporate governance lore, were to be strictly applied at Wetherspoon, the chairman and two of four non-executives, would be immediately replaced by "independents", destabilising the company and jeopardising DNA.

Wetherspoon has sought to counteract the negative effects of corporate governance by encouraging long-serving directors, and is planning the promotion of a number of "worker directors", who are experienced pub or area managers, to board positions.

It is hoped that the creation of more experience of the 'front line' at board level will help to protect the DNA of the business for future generations.

For a number of years, the Wetherspoon annual report has included a critique of corporate governance rules which, as indicated above, the company feels are often irrational and counter-productive. This critique, summarised in the 2019 annual report, has been reproduced in appendix 2.

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.

Wetherspoon paid £22.8m in respect of bonuses and free shares to employees in the year, of which 99.6% was paid to staff below board level and 89.8% was paid to staff working in our pubs.

As previously reported, the company was recognised as a Top Employer UK, in 2020, by The Top Employers Institute, for the 17th consecutive year.

Wetherspoon has been the biggest corporate sponsor of 'Young Lives vs Cancer' (previously CLIC Sargent), having raised a total of £18.8m since 2002. During the pandemic, our contributions have been reduced, but great efforts are being made to increase our level of support in the current financial year.

Bonuses and Free Shares

As indicated above, Wetherspoon has, for many years (see table below), operated a bonus and share scheme for all employees. Before the pandemic, these awards increased, as earnings increased for shareholders.

Financial year	Bonus and free shares	(Loss)/Profit after tax[1]	Bonus and free shares as % of profits
	£m	£m	
2006	17	40	41%
2007	19	47	41%
2008	16	36	45%
2009	21	45	45%
2010	23	51	44%
2011	23	52	43%
2012	24	57	42%
2013	29	65	44%
2014	29	59	50%
2015	31	57	53%
2016	33	57	58%
2017	44	77	57%
2018	43	84	51%
2019	46	80	58%
2020	33	(30)	-
2021	23	(136)	-
Total	**454**	**641**	**49.3%[2]**

[1](Loss)/Profit is Pre-IFRS16 and before exceptional items
[2] Excludes 2020 and 2021

Length of Service

The attraction and retention of talented pub and kitchen managers is important for any hospitality business. As the table below demonstrates, the retention of managers has improved, even during the pandemic.

Financial year	Average pub manager length of service (Years)	Average kitchen manager length of service (Years)
2012	9.0	5.1
2013	9.1	6.0
2014	10.0	6.1
2015	10.1	6.1
2016	11.0	7.1
2017	11.1	8.0
2018	12.0	8.1
2019	12.2	8.1
2020	12.9	9.1
2021	13.6	9.6

Food Hygiene Ratings

Wetherspoon has always emphasised the importance of hygiene standards.

We now have 787 pubs rated on the Food Standards Agency's website (see table below). The average score is 4.97, with 98.4% of the pubs achieving a top rating of five 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 61 pubs have passed.

Financial Year	Total Pubs Scored	Average Rating	Pubs with highest Rating %
2012	647	4.72	-
2013	771	4.85	87.0
2014	824	4.91	92.0
2015	858	4.93	94.1
2016	836	4.89	91.7
2017	818	4.89	91.8
2018	807	4.97	97.3
2019	799	4.97	97.4
2020	781	4.96	97.0
2021	787	4.97	98.4

ESG matters

It is in the company's interest to run an ethical and sustainable business. Initiatives that have been undertaken include:

- the replacement of plastic straws with 100% biodegradable and 100% recyclable paper straws and wrappers.

- the availability of complimentary water fountains in all pubs, as part of the nationwide 'Refill' scheme.

- the conversion of used cooking oil to biodiesel for agricultural use.

- the cessation of single-use portion pots in the kitchens.

- the cessation of the use of cling film in pubs.

- the segregation of waste into seven recycling streams including glass, tin/cans, cooking oil, paper/cardboard, plastic, lightbulbs and general waste. Any remaining non-recyclable waste is sent to waste-to-energy power plants which reduce CO2 and the use of fossil fuels. No waste is sent to landfill.

- the inclusion of calories on menus. For many years, Wetherspoon has included the number of calories for each item on its menu. In recent years, the number of units of alcohol has also been included. In these cases, Wetherspoon may have been the first substantial company to take the initiative, before any legislative requirement.

- the introduction of customer allergen screens in most pubs and detailed allergen information on the company's website.

- the introduction of 'Good Food Talks', so that visually impaired customers can listen to the menu through a fully accessible website and iOS mobile app.

- the introduction of guaranteed-hours contracts, which apply to 96% of hourly paid staff - a small percentage of employees prefer flexible contracts, with no minimum hours, and they are entitled to receive exactly the same benefits as those on a guaranteed-hours contract.

- the establishment of three network groups to support employees at all levels:
  • Women
  • LGBTQIA+
  • Race and ethnic diversity

- the establishment of an apprenticeship programme which offers 10 different qualifications.

- a complementary meal and a drink for employees working a shift of four hours or longer.

- a staff discount for all employees, which may be used on and off duty, in our pubs and hotels.

- a reduction of 47% in greenhouse gas emissions, adjusted for sales, between 2014 and 2019, confirmed by energy consultants ISTA. Initiatives include the installation of Cheetah energy management systems, which reduce energy consumption in kitchen ventilation, LED lighting and other measures.

- from October 2022, all electricity supplied to Wetherspoon pubs in the UK being generated from 100% renewable sources.

- membership of Zero Carbon Forum, a non-profit making organisation, which is helping the hospitality industry in compliance matters and in implementing a plan to achieve net zero carbon emissions.

- investment in the restoration of old buildings- an area in which the company has won many design awards. There have been awards in recent years for The Caley Picture House in Edinburgh, The Royal Victoria Pavilion in Ramsgate, The Iron Duke in Wellington (Somerset), The Greenwood Hotel in Northolt, The Velvet Coaster in Blackpool and The Old Swanne Inne in Evesham. Apart from these examples, there have been a large number of design awards in earlier years.

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

Wetherspoon has been the subject of a number of inaccurate media stories on a variety of different subjects. After complaining to the organisations concerned, the company obtained corrections and/or apologies from a number of publications, including:

Daily Express	The Daily Telegraph
Daily Mail	The Guardian
Daily Mirror	The Independent
Daily Star	The Times
Sky News	Forbes

The company has published a special edition of Wetherspoon News which includes details of the apologies and corrections which can be found on the Company's website (https://www.jdwetherspoon.com/~/media/files/pdf-documents/wetherspoon-news/does-truth-matter_.pdf).

Current trading and outlook

Like-for-like sales in the first nine weeks of the current financial year were 8.7% lower than the same weeks in August and September 2019, before the pandemic started. In the last four weeks of the period, like-for-like sales were minus 6.4%.

Excluding airport pubs, where like-for-like sales declined by 47.3%, like-for-like sales declined by 7.1% in the first nine weeks, and by 4.9% in the last four.

Total employee numbers averaged 39,025 in the financial year, which increased to 42,003 for the week ending 20 September 2021.

On average, Wetherspoon has received a reasonable number of applications for vacancies, as indicated by the increase in employee numbers, but some areas of the country, especially "staycation" areas in the West Country and elsewhere, have found it hard to attract staff.

During the pandemic, the pressure on pub managers and staff has been particularly acute, with a number of nationwide and regional pub closures and reopenings, often with very little warning, each of which resulted in different regulations.

In the last year, the country moved, in succession, from lockdown, to 'Eat Out to Help Out', to curfews, to firebreaks, to pints with a substantial meal only, to different tier systems and to further lockdowns.

Pub management teams, and indeed the entire hospitality industry, had an almost impossible burden in trying to communicate often conflicting and arbitrary rules to customers.

One of the most surprising statistics has been the apparent low level of transmission of the virus in pubs.

For example, in more than 50 million customer visits, recorded in the second half of 2020, before the introduction of vaccines, Wetherspoon had zero outbreaks of the virus, as defined by the health authorities, among customers.

Yet there has clearly been a high level of transmission in some other environments, including private parties, weddings, production facilities, university halls of residence and homes.

Pubs have been at the forefront of business closures during the pandemic, at great cost to the industry - but at even greater cost to the Treasury.

In spite of these obstacles, Wetherspoon is cautiously optimistic about the outcome for the financial year, on the basis that there is no further resort to lockdowns or onerous restrictions.

The biggest threat to the pub industry, and also, inter alia, to restaurants, theatres, cinemas, airlines and travel companies, relates to the precedent set by the government for the use of lockdowns and draconian restrictions, imposed under emergency powers. This threat, which is also a threat to civil society and democracy, has been regularly articulated by many commentators, including the former Supreme Court judge Lord Sumption (please see appendix 3 below).

Tim Martin
Chairman
30 September 2021

Appendix 1 – Unaudited primary financial statements (pre-IFRS16 accounting)

As outlined on page 2, the following unaudited financial statements are included to aid understanding.

Pre-IFRS16 income statement (before exceptional items):

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Revenue	772,555	1,262,048
Operating costs	(877,645)	(1,254,896)
Operating (loss)/profit	(105,090)	7,152
Property (losses)/gains	(2,323)	(641)
Finance income	188	161
Finance costs	(47,451)	(40,767)
Loss before tax	(154,676)	(34,095)
Income tax credit	19,149	4,158
Loss for the period	(135,527)	(29,937)

Pre-IFRS16 income statement reconciliation (before exceptional items):

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Loss for the period before IFRS16	(135,527)	(29,937)
Operating costs	49,582	58,503
Amortisation and Depreciation		
- ROU Assets	(44,936)	(49,059)
- Lease Premiums	86	368
Disposal of leases	2,200	1,125
Finance income	407	451
Finance costs	(19,829)	(21,980)
Income tax credit	1,546	2,012
Loss for the period	(146,471)	(38,517)

Pre-IFRS16 cash flow statement:

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Net cash flows from operating activities	(52,854)	(2,108)
Net cash flow from investing activites	(57,726)	(188,361)
Net cash flow from financing activities	(18,463)	321,970
Net change in cash and cash equivalents	(129,043)	131,501
Opening cash and cash equivalents	174,451	42,950
Closing cash and cash equivalents	45,408	174,451
Free cash flow	(83,284)	(58,852)
Free cash flow per ordinary share (p)	(67.8)	(54.2)

Pre-IFRS16 balance sheet:

	As at 25 July 2021 £000	As at 26 July 2020 £000
Non-current assets		
Property, plant and equipment	1,420,515	1,439,467
Intangible assets	5,358	8,895
Investment property	10,533	11,527
Other non-current assets	7,434	7,520
Deferred tax assets	-	-
Total non-current assets	1,443,840	1,467,409
Current assets		
Inventories	26,853	23,095
Receivables	34,477	36,387
Current income tax receivables	-	7,672
Cash and cash equivalents	45,408	174,451
Total current assets	106,738	241,605
Total assets	1,550,578	1,709,014
Current liabilities		
Borrowings	(7,610)	(7,610)
Trade and other payables	(287,758)	(267,677)
Current income tax liabilities	(1,454)	-
Provisions	(4,725)	(4,759)
Total current liabilities	(301,547)	(280,046)
Non-current liabilities		
Borrowings	(883,272)	(983,828)
Derivative financial instruments	(37,643)	(82,194)
Deferred tax liabilities	(16,546)	(26,521)
Provisions	(1,488)	(1,488)
Other liabilities	(9,738)	(9,738)
Total non-current liabilities	(948,687)	(1,103,769)
Total liabilities	(1,250,244)	(1,383,815)
Net assets	300,344	325,199
Shareholders' equity		
Share capital	2,575	2,408
Share premium account	143,294	143,294
Capital redemption reserve	2,337	2,337
Other reserve	234,579	141,002
Hedging reserve	(15,403)	(66,577)
Currency translation reserve	1,851	7,089
Retained earnings	(68,889)	95,646
Total shareholders' equity	300,344	325,199

Appendix 2 – Corporate Governance, Extract from J D Wetherspoon Annual Report 2019

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

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

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

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

I then went on to say:

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

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

■ *The average institutional shareholder turns over his portfolio twice annually, so it is advisable for directors to be wary of the often perverse views of 'Mr Market' (in the words of Benjamin Graham), certainly in respect of very short-term shareholders.*

■ *A major indictment of the governance industry is that modern annual reports are far too long and often unreadable. They are full of semiliterate business jargon, including accounting jargon, and are cluttered with badly written and incomprehensible governance reports.*

■ *It would be very helpful for companies, shareholders and the public, if the limitations of corporate governance systems were explicitly recognised. Common sense, management skills and business savvy are more important to commercial success than board structures. All of the major banks and many supermarket and pub companies have suffered colossal business and financial problems, in spite of, or perhaps because of, their adherence to inadvisable governance guidelines.*

■ *There should be an approximately equal balance between executives and non-executives. A majority of executives is not necessarily harmful, provided that non-executives are able to make their voices heard.*

■ *It is often better if a chairman has previously been the chief executive of the company. This encourages chief executives, who may wish to become a chairman in future, to take a long-term view, avoiding problems of profit-maximisation policies in the years running up to the departure of a chief executive.*

■ *A maximum tenure of nine years for non-executive directors is not advisable, since inexperienced boards, unfamiliar with the effects of the 'last recession' on their companies, are likely to reduce financial stability.*

■ *An excessive focus on achieving financial or other targets for executives can be counter-productive. There's no evidence that the type of targets preferred by corporate governance guidelines actually works and there is considerable evidence that attempting to reach ambitious financial targets is harmful.*

■ *As indicated above, it is far more important for directors to take account of the views of employees and customers than of the views of institutional shareholders. Shareholders should be listened to with respect, but caution should be exercised in implementing the views of short-term shareholders. It should also be understood that modern institutional shareholders may have a serious conflict of interest, as they are often concerned with their own quarterly portfolio performance, whereas corporate health often requires objectives which lie five, 10 or 20 years in the future.*"

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

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

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

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

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

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

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

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

Appendix 3 – Tyranny of the Covid experts: finger-wagging SAGE scientist Jeremy Farrar penned a book about how he's the only person Boris Johnson should ever have listened to, Jonathan Sumption, The Mail on Sunday, 31 July 2021

Professor Sir Jeremy Farrar is a distinguished epidemiologist, a member of the Sage scientific committee, the director of the Wellcome Trust health research charity and an influential government adviser. He is also the most hawkish of lockdown hawks, and he has written a book with journalist Anjana Ahuja, called Spike. It is a revealing read.

Spike is basically about Farrar himself: how he saw it all coming, how he personally forced the Chinese government to release the genetic sequence of the Covid-19 virus that allowed scientists to develop a vaccine, how he warned the world of imminent doom, how the Government could have saved lives by treasuring his words more, and how he risked assassination by the Chinese ('If anything happens to me, this is what you need to know', he told friends).

The talk is all of wars, battle plans, and people heading for precipices. All this is a bit melodramatic and self-obsessed for my taste. but Farrar is a distinguished scientist who means well. He is terrifyingly sincere and really does have the interest of mankind at heart. Therein lies the problem.

There are few more obsessive fanatics than the technocrat who is convinced that he is reordering an imperfect world for its own good.

If Spike is largely about its author, it also tells us much about those who have been in charge of our lives through Covid-19.

Farrar represents most of what has gone wrong. His main target is the British Government. But he actually agrees with nearly everything they have done.

Farrar's complaint is that they did not do it quickly or brutally enough when he suggested it, and stopped doing it before he gave them the all-clear.

His views about how governments should deal with public health crises are broadly the same as those of Dominic Cummings. Both men are frustrated autocrats who believed that from Day One we needed 'a command-and-control structure'. He speaks well of Chinese methods of disease control.

'Panic was called for,' in March 2020, he says at one point. At another, he tells us that at a time when governments were panicking all over Europe, there was not enough panic in Britain.

This is all very odd. It does not seem to have occurred to Farrar that the jerky, ill-considered and inconsistent improvisations that passed for policy-making in the Johnson Government, and which he rightly criticises, were the direct result of the panic that he recommends.

The great object is of course to ensure that 'the science' is applied. No ifs, no buts and no delay. In Farrar's world, this is easy as there is only one science, namely his own.

He is convinced he's right and the Government should listen to no one else. Challenge from other scientists is normally regarded as fundamental to scientific advance. But for Farrar disagreement is a 'hurdle'. It just gets in his way.

So, serious scientists such as Professors Carl Heneghan, Karol Sikora and Sunetra Gupta, who have had the temerity to offer opinions differing from his own, are dismissed as being 'responsible for a number of unnecessary deaths', although Farrar has had a great deal of influence on Government policy and they have had almost none.

This kind of attitude to colleagues is, frankly, unworthy of a scientist of Sir Jeremy's eminence.

Anders Tegnell, the Swedish state epidemiologist, is dismissed in a brief footnote, although Sweden is a standing repudiation of much that Farrar stands for. Sweden has avoided a lockdown, yet has done much better than the UK.

Like many technocrats, Farrar believes in coercion. Otherwise, people might not do what he wants. 'You cannot tell people to stay at home only if they feel like it,' he says.

This is an obtuse misunderstanding of the argument against coercion. The point is that people differ widely in their vulnerability to Covid-19. It causes serious illness among the old and those with severe underlying conditions, but the symptoms are mild for nearly everyone else.

We therefore have to be able to make our own risk assessments. It is simply untrue that the vulnerable would ignore advice 'if they felt like it'. People have a basic sense of self-preservation.

This was Sage's consistent advice right up to the first lockdown. Farrar denies it, but the record speaks for itself.

On March 10 and 13, the minutes record that Sage advised guidance on isolation, selectively directed to the old and vulnerable.

On March 13, they said that the public should be treated as 'rational actors, capable of taking decisions for themselves and managing personal risk.' Farrar participated in both meetings.

Of course, selective coercion would be impractical, as he points out. But universal coercion is pointless, inefficient and wasteful.

It treats people as if all were vulnerable, when only some are. Instead of spending several times the cost of the NHS on paying young, healthy people who were at negligible risk not to work, we should have been pouring resources into protecting the vulnerable.

Interestingly, Farrar accepts that lockdowns only push infections and associated deaths into a future period after they are lifted.

He also appears to accept it would have been intolerable to lock down the whole population until a vaccine was developed and everyone had received it, which would have taken at least 18 months and possibly never happen.

His preferred course seems to be a series of lockdowns starting each time that we look like approaching the intensive care capacity of the NHS. In other words, very much what we have had. However, Farrar has wagged his finger every time that restriction has been lifted.

In theory, we can switch lockdown on and off like a malfunctioning internet router, but in practice it seems that the time is never ripe. We only have to look around us to see that lockdowns have failed to halt the virus, either here or anywhere else in the world. The problem is in the concept, not the application.

This brings me to the most remarkable feature of this book, which is Farrar's brushing aside of the appalling collateral consequences of lockdowns: other illnesses which go untreated such as cancer or accelerate like dementia, impacts on education, equality and public debt, not to speak of the worst recession in 300 years.

Farrar regards all this as a regrettable but unavoidable result of desirable measures, and not as reasons for questioning whether they were ever desirable in the first place.

In keeping with this blinkered approach, he refers to the collateral disasters as consequences of Covid-19. They are not. They are manmade consequences of the policy responses he has been advocating.

I shall resist the temptation to apply to him the criticism he gratuitously and unfairly applied to Messrs Sikora, Heneghan and Gupta.

Entirely missing from Farrar's worldview is any conception of the complexity of the moral judgments involved. Of course public health matters, but it is not all that matters.

Interaction with other human beings is a fundamental human need. Criminalising it is a sustained assault on our humanity. Doing so without assessing the wider consequences is irresponsible folly.

Sir Jeremy Farrar adopts the current habit of using 'libertarian' as a word of abuse.

But I am proud to be a libertarian. Personal autonomy is a basic condition of human happiness and creativity. I am a libertarian because the opposite of liberty is despotism.

INCOME STATEMENT for the 52 weeks ended 25 July 2021

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After exceptional items £000	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
Revenue	1	**772,555**	**-**	**772,555**	1,262,048	-	1,262,048
Other operating income		**-**	**15,541**	**15,541**	-	15,890	15,890
Operating costs		**(872,913)**	**(24,482)**	**(897,395)**	(1,245,084)	(29,091)	(1,274,175)
Operating (loss)/profit	2	**(100,358)**	**(8,941)**	**(109,299)**	16,964	(13,201)	3,763
Property (losses)/gains	3	**(123)**	**(5,839)**	**(5,962)**	484	(47,476)	(46,992)
Finance income	6	**595**	**-**	**595**	612	-	612
Finance costs	6	**(67,280)**	**(12,690)**	**(79,970)**	(62,747)	-	(62,747)
Loss before tax		**(167,166)**	**(27,470)**	**(194,636)**	(44,687)	(60,677)	(105,364)
Income tax credit	7	**20,695**	**(7,114)**	**13,581**	6,170	1,633	7,803
Loss for the period		**(146,471)**	**(34,584)**	**(181,055)**	(38,517)	(59,044)	(97,561)
Loss per ordinary share (p)							
- Basic[1]	8	**(119.2)**	**(28.2)**	**(147.4)**	(35.5)	(54.4)	(89.9)
- Diluted[1]	8	**(119.2)**	**(28.2)**	**(147.4)**	(35.5)	(54.4)	(89.9)

STATEMENT OF COMPREHENSIVE INCOME for the 52 weeks ended 25 July 2021

	Notes	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Items which will be reclassified subsequently to profit or loss:			
Interest-rate swaps: gain/(loss) taken to other comprehensive income	21	**44,551**	(33,122)
Interest-rate swaps: gain/(loss) reclassification to the income statement	21	**11,707**	-
Tax on items taken directly to other comprehensive income	7	**(5,084)**	7,275
Currency translation differences		**(3,510)**	1,293
Net gain/(loss) recognised directly in other comprehensive income		**47,664**	(24,554)
Loss for the period		**(181,055)**	(97,561)
Total comprehensive loss for the period		**(133,391)**	(122,115)

[1] See page 28 for basis of calculation

CASH FLOW STATEMENT for the 52 weeks ended 25 July 2021

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 25 July 2021 £000	Free cash flow 52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000	Free cash flow 52 weeks ended 26 July 2020 £000
Cash flows from operating activities					
Cash generated from operations	9	**25,208**	**25,208**	75,665	75,665
Interest received		**187**	**187**	59	59
Interest paid		**(48,428)**	**(48,428)**	(29,914)	(29,914)
Corporation tax paid		**7,673**	**7,673**	(10,971)	(10,971)
Lease interest		**(19,942)**	**(19,942)**	(18,080)	(18,080)
Net cash flow from operating activities		**(35,302)**	**(35,302)**	16,759	16,759
Cash flows from investing activities					
Reinvestment in pubs		**(19,692)**	**(19,692)**	(43,370)	(43,370)
Reinvestment in business and IT projects		**(2,620)**	**(2,620)**	(926)	(926)
Investment in new pubs and pub extensions		**(21,131)**	**–**	(50,408)	–
Freehold reversions and investment properties		**(16,858)**	**–**	(98,467)	–
Proceeds of sale of property, plant and equipment		**2,575**	**–**	4,810	–
Net cash flow from investing activities		**(57,726)**	**(22,312)**	(188,361)	(44,296)
Cash flows from financing activities					
Equity dividends paid	11	**–**	**–**	(8,371)	–
Purchase of own shares for cancellation	27	**–**	**–**	(6,456)	–
Purchase of own shares for share-based payments		**(7,684)**	**(7,684)**	(11,125)	(11,125)
Loan issue cost	10	**(434)**	**(434)**	(1,323)	(1,323)
Advances under private placement	10	**–**	**–**	98,000	–
(Repayment)/advances under bank loans	10	**(195,000)**	**–**	100,000	–
Advances under CLBILS	10	**100,033**	**–**	–	–
Advances under asset-financing	10	**–**	**–**	16,152	–
Lease principal payments	22	**(17,552)**	**(17,552)**	(18,867)	(18,867)
Issue of share capital	27	**91,523**	**–**	137,995	–
Asset-financing principal payments	10	**(6,901)**	**–**	(2,902)	–
Net cash flow from financing activities		**(36,015)**	**(25,670)**	303,103	(31,315)
Net change in cash and cash equivalents	10	**(129,043)**		131,501	
Opening cash and cash equivalents	17	**174,451**		42,950	
Closing cash and cash equivalents	17	**45,408**		174,451	
Free cash flow	8		**(83,284)**		(58,852)
Free cash flow per ordinary share	8		**(67.8)p**		(54.2)p

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

BALANCE SHEET as at 25 July 2021

J D Wetherspoon plc, company number: 1709784

	Notes	25 July 2021 £000	26 July 2020 Restated £000
Assets			
Non-current assets			
Property, plant and equipment	13	**1,423,826**	1,442,778
Intangible assets	12	**5,358**	8,895
Investment property	14	**10,533**	11,527
Right-of-use assets	22	**468,538**	532,584
Deferred tax assets	7	**-**	-
Lease assets	22	**9,890**	11,115
Total non-current assets		**1,918,145**	2,006,899
Current assets			
Lease assets	22	**1,638**	1,736
Inventories	15	**26,853**	23,095
Receivables	16	**16,427**	32,176
Current income tax receivables		**1,187**	10,313
Cash and cash equivalents	17	**45,408**	174,451
Total current assets		**91,513**	241,771
Total assets		**2,009,658**	2,248,670
Current liabilities			
Borrowings	19	**(7,610)**	(7,610)
Trade and other payables	18	**(259,791)**	(255,085)
Provisions	20	**(3,004)**	(3,038)
Lease liabilities	22	**(65,219)**	(65,343)
Total current liabilities		**(335,624)**	(331,076)
Non-current liabilities			
Borrowings	19	**(883,272)**	(983,828)
Derivative financial instruments	21	**(37,643)**	(82,194)
Deferred tax liabilities	7	**(16,546)**	(26,521)
Lease liabilities	22	**(458,596)**	(507,803)
Total non-current liabilities		**(1,396,057)**	(1,600,346)
Total liabilities		**(1,731,681)**	(1,931,422)
Net assets		**277,977**	317,248
Shareholders' equity			
Share capital	27	**2,575**	2,408
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,337**	2,337
Other reserves		**234,579**	141,002
Hedging reserve		**(15,403)**	(66,577)
Currency translation reserve		**1,851**	7,089
Retained earnings		**(91,256)**	87,695
Total shareholders' equity		**277,977**	317,248

See accounting policies on page 57 for restatement details to the period ended 25 July 2020.
The financial statements, on pages 15-50, approved by the board of directors and authorised for issue on 30 September 2021, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other Reserves £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	**Total £000**
At 28 July 2019		**2,102**	**143,294**	**2,329**	**-**	**(40,730)**	**5,370**	**204,447**	**316,812**
Total comprehensive income		-	-	-	-	(25,847)	1,719	(97,987)	(122,115)
Loss for the period		-	-	-	-	-	-	(97,561)	(97,561)
Interest-rate swaps: cash flow hedges	21	-	-	-	-	(33,122)	-	-	(33,122)
Tax on items taken directly to comprehensive income	7	-	-	-	-	7,275	-	-	7,275
Currency translation differences		-	-	-	-	-	1,719	(426)	1,293
Issued share capital restated		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 payment	7	-	-	-	-	-	-	(197)	(197)
Purchase of own shares for share-based payments		-	-	-	-	-	-	(11,125)	(11,125)
Dividends	11	-	-	-	-	-	-	(8,371)	(8,371)
As at 26 July 2020 as previously reported		**2,408**	**280,975**	**2,337**	**-**	**(66,577)**	**7,089**	**91,016**	**317,248**
Effect of restatements		-	(137,681)	-	141,002	-	-	(3,321)	-
At 26 July 2020 restated		**2,408**	**143,294**	**2,337**	**141,002**	**(66,577)**	**7,089**	**87,695**	**317,248**
Total comprehensive income		-	-	-	-	51,174	(5,238)	(179,327)	(133,391)
Loss for the period		-	-	-	-	-	-	(181,055)	(181,055)
Interest-rate swaps: cash flow hedges	21	-	-	-	-	44,551	-	-	44,551
Interest-rate swaps: amount reclassified to the income statement	21	-	-	-	-	11,707	-	-	11,707
Tax on items taken directly to comprehensive income	7	-	-	-	-	(5,084)	-	-	(5,084)
Currency translation differences		-	-	-	-	-	(5,238)	1,728	(3,510)
Issued share capital (net of expenses)		167	-	-	93,577	-	-	(2,221)	91,523
Share-based payment charges		-	-	-	-	-	-	10,267	10,267
Tax on share-based payment		-	-	-	-	-	-	16	16
Purchase of own shares for share-based payments		-	-	-	-	-	-	(7,684)	(7,684)
At 25 July 2021		**2,575**	**143,294**	**2,337**	**234,579**	**(15,403)**	**1,851**	**(91,256)**	**277,977**

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 retranslation of the opening reserves in the overseas branch at the current period end's currency exchange rate.

As at 25 July 2021, the company had distributable reserves of £129.8m.

On 20 January 2021 the company raised gross proceeds of £93.7m via a share placement. The placing shares were issued for non-cash consideration by way of a 'cash box' structure, involving a newly incorporated Jersey subsidiary of the company ('JerseyCo'). This structure involved the issue of ordinary and preference shares by JerseyCo to the investment bank advising the company in respect of the placement. These preference and ordinary shares were subsequently acquired by the company and the preference shares redeemed by JerseyCo. The acquisition by the company of the ordinary shares in JerseyCo held by the investment bank resulted in the company securing over 90% of the equity share capital of JerseyCo. The company was able therefore, to rely on section 612 of the Companies Act 2006, this provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. Therefore, no share premium was recorded in relation to the placing shares. The premium over the nominal value of the placing shares was credited to an 'other reserve'. This other reserve is determined to be distributable for the purposes of the Companies Act 2006.

Within the period the company reclassified the net proceeds from the share placement completed on 30 April 2020 which had been structured in exactly the same way as the more recent placement. This reclassification was to move these net proceeds from the share premium to other reserves. The financial statements for last financial year have been restated as a result.

1. Revenue

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Bar	**440,119**	761,065
Food	**283,192**	452,150
Eat out to help out scheme (note 23)	**23,248**	-
Slot/fruit machines	**17,059**	35,931
Hotel	**8,592**	11,780
Other	**345**	1,122
	772,555	1,262,048

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

This is stated after charging/(crediting):	**52 weeks ended 25 July 2021 £000**	52 weeks ended 26 July 2020 £000
Variable concession rental payments	**2,801**	4,609
Short term leases	**784**	204
Cancelled principal payments (note 22)	**(10,933)**	(6,127)
Repairs and maintenance	**64,020**	75,861
Net rent receivable	**(1,873)**	(1,484)
Share-based payments (note 5)	**10,267**	10,705
Depreciation of property, plant and equipment (note 13)	**73,193**	75,386
Amortisation of intangible assets (note 12)	**3,151**	3,806
Depreciation of investment properties (note 14)	**44**	79
Depreciation of right-of-use assets (note 22)	**44,532**	49,059

Included in cost of sales is £292.7m (2020: £449.2m) relating to cost of inventory recognised as expense.

Analysis of continuing operations	**52 weeks ended 25 July 2021 £000**	52 weeks ended 26 July 2020 £000
Revenue	**772,555**	1,262,048
Cost of sales	**(844,574)**	(1,217,521)
Gross profit	**(72,019)**	44,527
Administration costs	**(37,280)**	(40,764)
Operating (loss)/profit after exceptional items	**(109,299)**	3,763

Auditor's remuneration	**52 weeks ended 25 July 2021 £000**	52 weeks ended 26 July 2020 £000
Fees payable for the audit of the financial statements		
– Standard audit fees	**303**	171
– Additional audit work (for previous year audit)	**100**	-
Fees payable for other services:		
– Audit related services	**33**	27
Total auditor's fees	**436**	198

3. Property losses and gains

	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After exceptional items £000	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
Disposals						
Fixed assets	**1,548**	**1,592**	**3,140**	1,002	2,769	3,771
Leases	**(2,200)**	**–**	**(2,200)**	(1,125)	–	(1,125)
Additional costs of disposal	**775**	**115**	**890**	258	684	942
	123	**1,707**	**1,830**	135	3,453	3,588
Impairments						
Property, plant and equipment (note 13)	**–**	**1,999**	**1,999**	–	28,602	28,602
Intangible assets (note 12)	**–**	**–**	**–**	–	10,699	10,699
Right-of-use assets (note 22)	**–**	**2,133**	**2,133**	–	4,722	4,722
	–	**4,132**	**4,132**	–	44,023	44,023
Other						
Other property gains	**–**	**–**	**–**	(619)	–	(619)
	–	**–**	**–**	(619)	–	(619)
Total property losses/(gains)	**123**	**5,839**	**5,962**	(484)	47,476	46,992

Non-exceptional property losses, excluding disposal of lease assets, were £2,323,000 in the period (2020: £1,260,000).

4. Exceptional items

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Exceptional operating items		
Gaming machine settlement	**–**	(15,890)
Local government support grants	**(11,123)**	–
Duty drawback	**(4,418)**	–
Exceptional operating income	**(15,541)**	(15,890)
Equipment	**3,753**	6,167
Stock losses	**4,158**	5,862
Staff costs	**15,692**	17,062
Other	**879**	–
Exceptional operating costs	**24,482**	29,091
Total exceptional operating loss	**8,941**	13,201
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**1,707**	3,453
Impairment of property plant and equipment	**–**	4,698
	1,707	8,151
Other property losses		
Impairment of property, plant and equipment	**1,999**	23,904
Impairment of intangible assets	**–**	10,699
Impairment of right-of-use assets	**2,133**	4,722
	4,132	39,325
Total exceptional property losses	**5,839**	**47,476**
Other exceptional items		
Exceptional finance costs	**12,690**	–
	12,690	–
Exceptional tax		
Exceptional tax Items	**10,385**	4,252
Tax effect on exceptional items	**(3,271)**	(5,885)
	7,114	(1,633)
Total exceptional items	**34,584**	59,044

Stock and duty drawback
A provision of £4,158,000 (2020: £5,862,000) was made for perished stock, as a result of the closure during the financial period 2020/21. A credit of £4,418,000 for duty drawback were received for perished stock during the closure periods.

Exceptional equipment
The company has recognised £3,753,000 (2020: £6,167,000) for personal protective equipment and hygiene products relating to the Covid-19 pandemic.

Local government support grants
The company has recognised £11,123,000 income of local government support grants in the UK and the Republic of Ireland relating to the Covid-19 pandemic. These are recognised on receipt.

Staff costs
The company has recognised an exceptional charge of £15,692,000, which included £9,513,000 of payments made by the company to staff over and above the furlough grants received and associated taxes, and £6,179,000 of redundancy and restructuring payments.

Disposal programme
The company has offered several of its sites for sale. At the end of the period, one further site (2020: eight) sites had been sold.

In the table on the previous page, the costs classified under the 'exceptional property losses – disposal programme' relate to the loss on disposal of this sold site.

Other property losses
Property impairment relates to pubs that are unlikely to generate sufficient cash flows in the future to support their carrying value. In the year, a total impairment charge of £4,132,000 (2020: £39,325,000) was incurred in respect of the impairment of assets as required under IAS 36. There was £Nil reversal of impairments recognised in the year (2020: £Nil).

Exceptional finance costs
The company has recognised an exceptional charge of £12,690,000, £11,707,000 of which relates to a reclassification due to hedge accounting. See page 44 for details. The remaining £983,000 is related to covenant-waiver fees.

Taxation
The exceptional tax charge of £7,114,000 relates to the creation of a deferred tax asset in respect of tax losses arising from exceptional expenditure (£2,546,000 credit), a previous year adjustment to current and deferred tax in relation to items recognised as exceptional in a prior period (£725,000 credit) and the impact of the change in UK tax rate on the deferred tax balance (£10,385,000 charge).

5. Employee benefits expenses

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Wages and salaries	**520,339**	565,032
Employee support grants	**(208,986)**	(131,539)
Social security costs	**23,380**	31,710
Other pension costs	**7,877**	8,308
Share-based payments	**10,267**	10,705
Redundancy and restructuring costs (note 4)	**6,179**	–
	359,056	484,216

Directors' emoluments	2021 £000	2020 £000
Aggregate emoluments	**1,709**	1,547
Aggregate amount receivable under long-term incentive schemes	**181**	173
Company contributions to money purchase pension scheme	**178**	165
	2,068	1,885

Employee support grants disclosed above are amounts claimed by the company under the coronavirus job retention schemes in the UK and the Republic of Ireland.

For further details of directors' emoluments including the highest paid director, please see the directors' remuneration report on pages 76-85.

	2021 Number	2020 Number
Full-time equivalents		
Managerial/administration	**4,586**	4,696
Hourly paid staff	**18,736**	20,952
	23,322	25,648

	2021 Number	2020 Number
Total employees		
Managerial/administration	**4,703**	4,792
Hourly paid staff	**34,322**	38,427
	39,025	43,219

The totals above relate to the monthly average number of employees during the year, not the total of employees at the end of the year.

Share-based payments	52 weeks ended 25 July 2021	52 weeks ended 26 July 2020
Shares awarded during the year (shares)	**852,261**	568,821
Average price of shares awarded (pence)	**957**	1,542
Market value of shares vested during the year (£000)	**9,169**	14,097
Total obligation of the share based payments scheme (£000)	**14,608**	14,999

5. Employee benefits expenses (continued)

For details of the Share Incentive Plan and the Deferred Bonus Scheme, refer to the directors' remuneration report on pages 76-85.

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

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

6. Finance income and costs

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Finance costs		
Interest payable on bank loans and overdrafts	**21,903**	21,292
Amortisation of bank loan issue costs (note 10)	**1,746**	1,541
Interest payable on swaps	**18,228**	14,522
Interest payable on asset-financing	**664**	503
Interest payable on private placement	**4,907**	2,909
Finance costs excluding lease interest	**47,448**	40,767
Interest payable on leases	**19,832**	21,980
Total finance costs	**67,280**	62,747
Bank interest receivable	**(188)**	(161)
Lease interest receivable	**(407)**	(451)
Total finance income	**(595)**	(612)
Net finance costs before exceptional items	**66,685**	62,135
Exceptional finance costs (note 4)	**12,690**	–
Net finance costs after exceptional items	**79,375**	62,135

7. Income tax expense

(a) Tax on loss on ordinary activities

The standard rate of corporation tax in the UK is 19.0%. The company's profits for the accounting period are taxed at a rate of 19.0% (2020: 19.0%).

	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After exceptional items £000	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
Taken through income statement						
Current income tax:						
Current income tax charge	**(380)**	**–**	**(380)**	(2,827)	(7,502)	(10,329)
Previous period adjustment	**–**	**1,836**	**1,836**	227	–	227
Total current income tax	**(380)**	**1,836**	**1,456**	(2,600)	(7,502)	(10,102)
Deferred tax:						
Origination and reversal of temporary differences	**(19,158)**	**(2,546)**	**(21,704)**	(3,660)	1,617	(2,403)
Prior year deferred tax (credit)/charge	**(1,157)**	**(2,561)**	**(3,718)**	90	–	90
Impact of change in UK tax rate	**–**	**10,385**	**10,385**	–	4,252	4,252
Total deferred tax	**(20,315)**	**5,278**	**(15,037)**	(3,570)	5,869	2,299
Tax charge/(credit)	**(20,695)**	**7,114**	**(13,581)**	(6,170)	(1,633)	(7,803)

	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After exceptional items £000	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
Taken through equity						
Current tax	**6**	**–**	**6**	(226)	–	(226)
Deferred tax	**(22)**	**–**	**(22)**	423	–	423
Tax (credit)/charge	**(16)**	**–**	**(16)**	197	–	197

	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After exceptional items £000	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
Taken through comprehensive income						
Deferred tax charge on swaps	**6,241**	**–**	**6,241**	(5,720)	–	(5,720)
Impact of change in UK tax rate	**(1,157)**	**–**	**(1,157)**	(1,555)	–	(1,555)
Tax charge/(credit)	**5,084**	**–**	**5,084**	(7,275)	–	(7,275)

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 52 weeks ended 25 July 2021 is based on the pre-exceptional loss before tax of £167.2m and the estimated effective tax rate before exceptional items for the 52 weeks ended 25 July 2021 of 12.4% (2020: 13.8%).
This comprises a pre-exceptional current tax rate of 0.2% (2020: 5.8%) and a pre-exceptional deferred tax charge of 12.2% (2020: 8.0% charge).

The UK standard weighted average tax rate for the period is 19.0% (2020: 19.0%). The current tax rate is lower than the UK standard weighted average tax rate, owing to tax losses in the period.

	52 weeks ended 25 July 2021 Before exceptional items £000	**52 weeks ended 25 July 2021 After exceptional items £000**	52 weeks ended 26 July 2020 Before exceptional items £000	52 weeks ended 26 July 2020 After exceptional items £000
(Loss) before income tax	**(167,166)**	**(194,636)**	(44,687)	(105,364)
Loss multiplied by the UK standard rate of corporation tax of 19.0% (2020: 19.0%)	**(31,762)**	**(36,981)**	(8,491)	(20,019)
Abortive acquisition costs and disposals	**–**	**–**	6	6
Expenditure not allowable	**1,791**	**4,680**	86	216
Other allowable deductions	**(18)**	**(18)**	(35)	(35)
Non-qualifying depreciation	**7,029**	**7,029**	83	5,122
Capital gains - effect of reliefs	**728**	**728**	603	603
Share options and SIPs	**955**	**955**	622	622
Deferred tax on balance-sheet-only items	**–**	**–**	(67)	(67)
Effect of different tax rates and unrecognised losses in overseas companies	**1,740**	**1,524**	706	1,180
Adjust current year deferred tax movement to average of 19% to 25%	**–**	**10,385**	-	4,252
Previous year adjustment – current tax	**–**	**1,836**	227	227
Previous year adjustment – deferred tax	**(1,158)**	**(3,719)**	90	90
Total tax expense reported in the income statement	**(20,695)**	**(13,581)**	(6,170)	(7,803)

7. Income tax expense (continued)

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The main rate of corporation tax is currently 19% but this will increase to 25% from 1 April 2023. The rate increase has been substantively enacted and therefore the deferred tax balances have been recognised at the rate they are expected to reverse.

Deferred tax liabilities

	Accelerated tax depreciation £000	Other temporary differences £000	Total £000
At 26 July 2020	36,217	6,739	42,956
Previous year movement posted to the income statement	(1,177)	(2,542)	(3,719)
Movement during year posted to the income statement	3,411	11	3,422
Impact of tax rate change posted to the income statement	12,142	1,328	13,470
At 25 July 2021	**50,593**	**5,536**	**56,129**

Deferred tax assets

	Share based payments £000	Tax losses and interest capacity carried forward £000	Interest-rate swaps £000	Total £000
At 26 July 2020	818	–	15,617	16,435
Previous year movement posted to the income statement	–	–	–	–
Movement during year posted to the income statement	(33)	27,383	(2,224)	25,126
Movement during year posted to comprehensive income	–	–	(6,241)	(6,241)
Movement during year posted to equity	22	–	–	22
Impact of change in tax rate posted to income statement	–	1,982	1,103	3,085
Impact of change in tax rate posted to comprehensive income	–	–	1,157	1,157
At 25 July 2021	**807**	**29,365**	**9,412**	**39,584**

The company has recognised deferred tax assets of £39.6m (2020: £16.4m), which are expected to offset against future profits. This includes a deferred tax asset of £29.4m (2020: £Nil) in respect of UK tax losses and current-year interest restrictions capable of reactivation in future periods. This is on the basis that it is probable that profits will arise in the foreseeable future, enabling the assets to be utilised.

Deferred tax assets and liabilities have been offset as follows:

	2021 £000	Restated 2020 £000
Deferred tax liabilities	**56,129**	42,956
Offset against deferred tax assets	**(30,172)**	(818)
Offset against deferred tax assets (restated)	**(9,412)**	(15,617)
Deferred tax liabilities	**16,546**	26,521
Deferred tax assets	**39,584**	16,435
Offset against deferred tax liabilities	**(30,172)**	(818)
Offset against deferred tax liabilities (restated)	**(9,412)**	(15,617)
Deferred tax asset	**-**	–

As at 25 July 2021, the company had a potential deferred tax asset of £9.1m (2020: £4.9m) relating to capital losses and tax losses in the Republic of Ireland. A deferred tax asset has not been recognised, as there is insufficient certainty of recovery.

On 3 March 2021, the chancellor confirmed that the UK rate of corporation tax will increase to 25% from 1 April 2023. Deferred tax has been calculated at the rate of taxation for the peiod that the deferred tax items are expected reverse.

In accordance with IAS 12, the deferred tax asset and liability must be offset where there is a right of offset, this has been applied in the period and the prior year balance restated. This results in a reduction in the prior year deferred tax asset of £15,617,000 and the corresponding reduction in the deferred tax liability.

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 124,668,915 (2020: 108,550,647), 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 122,827,248 (2020: 106,554,289).

From financial year 2021, the weighted average number of shares held in trust for employee share schemes has been adjusted to exclude those shares which are expected to vest, yet remain in trust.

Weighted average number of shares	**52 weeks ended 25 July 2021**	52 weeks ended 26 July 2020
Shares in issue (used for diluted EPS)	**124,668,915**	108,550,647
Shares held in trust	**(1,841,667)**	(1,996,358)
Shares in issue less shares held in trust (used for basic EPS)	**122,827,248**	106,554,289

(b) Earnings per share

52 weeks ended 25 July 2021	Loss £000	Basic EPS pence	Diluted EPS pence
Earnings (loss after tax)	**(181,055)**	**(147.4)**	**(147.4)**
Exclude effect of exceptional items after tax	34,584	28.2	28.2
Earnings before exceptional items	**(146,471)**	**(119.2)**	**(119.2)**
Exclude effect of property gains/(losses)	123	0.1	0.1
Underlying earnings before exceptional items	(146,348)	(119.1)	(119.1)

52 weeks ended 25 July 2021 – pre-IFRS16 unaudited	Loss £000	Basic EPS pence	Diluted EPS pence
Earnings (loss after tax)	**(170,111)**	**(138.5)**	**(138.5)**
Exclude effect of exceptional items after tax	34,584	28.2	28.2
Earnings before exceptional items	**(135,527)**	**(110.3)**	**(110.3)**
Exclude effect of property gains	2,323	1.9	1.9
Underlying earnings before exceptional items	(133,204)	(108.4)	(108.4)

52 weeks ended 26 July 2020	Loss £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 losses	(484)	(0.4)	(0.4)
Underlying earnings before exceptional items	(39,001)	(35.9)	(35.9)

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

(c) Free cash flow per share

The calculation of free cash flow per share is based on the net cash generated by business activities and available for investment in new pub developments and extensions to current pubs, after funding interest, corporation tax, lease principal payments, loan issues 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 scheme.

	Free cash flow £000	Basic free cash flow per share pence	Diluted free cash flow per share pence
52 weeks ended 25 July 2021	**(83,284)**	(67.8)	(67.8)
52 weeks ended 26 July 2020	**(58,852)**	(54.2)	(54.2)

(d) Owners' earnings per share

Owners' earnings measures' those earnings attributable to shareholders from current activities adjusted for significant non-cash items and one-off items. Owners' earnings are calculated as pre-IFRS16 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. The weighted average number of shares in issue used in this metric is disclosed above (see note 8a).

52 weeks ended 25 July 2021 - unaudited	**Owners' Earnings £000**	**Basic Owners' EPS pence**	**Diluted Owners' EPS pence**
Loss before tax and exceptional items (Pre-IFRS16 income statement)	**(154,676)**	(125.9)	(125.9)
Exclude depreciation and amortisation	**76,388**	62.2	62.2
Less reinvestment in current properties	**(19,962)**	(16.3)	(16.3)
Exclude property gains and losses	**2,323**	1.9	1.9
Less cash tax (note 7a)	**380**	0.3	0.3
Owners' earnings	**(95,547)**	(77.8)	(77.8)

52 weeks ended 26 July 2020 - unaudited	Owners' earnings £000	Basic owners' EPS pence	Diluted owners' EPS pence
Loss before tax and exceptional items (Pre-IFRS16 income statement)	(34,095)	(32.0)	(31.4)
Exclude depreciation and amortisation	79,271	74.4	73.0
Less reinvestment in existing pubs	(32,062)	(29.5)	(30.1)
Exclude property gains and losses	641	0.6	0.6
Less cash tax (note 7a)	2,827	2.7	2.7
Owners' earnings	16,582	16.1	14.8

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

Analysis of additions by type	52 weeks ended 25 July 2021	52 weeks ended 26 July 2020
Reinvestment in existing pubs	**19,962**	32,062
Investment in new pubs and pub extensions	**24,051**	41,047
Lease premium	**1,800**	–
Freehold reversions and investment properties	**16,858**	98,463
	62,671	171,572

Analysis of additions by category	52 weeks ended 25 July 2021	52 weeks ended 26 July 2020
Property, plant and equipment (note 13)	**58,139**	164,450
Intangible assets (note 12)	**4**	1,047
Investment properties (note 14)	**4,528**	6,075
	62,671	171,572

These additions tables have been inserted to reconcile the total fixed asset additions during the period to the reinvestment in existing pubs metric used in the owners' earnings calculation.

9. Cash used in/generated from operations

	Unaudited* 52 weeks ended 25 July 2021 £000	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Loss for the period	**(170,111)**	**(181,055)**	(97,561)
Adjusted for:			
Tax (note 7)	**(12,035)**	**(13,581)**	(7,803)
Share-based charges (note 2)	**10,267**	**10,267**	10,705
Loss on disposal of property, plant and equipment (note 3)	**3,140**	**3,140**	3,771
Disposal of capitalised leases (note 3)	**–**	**(2,200)**	(1,125)
Net impairment charge (note 3)	**2,000**	**4,132**	44,023
Interest receivable (note 6)	**(188)**	**(188)**	(161)
Interest payable (note 6)	**45,702**	**45,702**	39,226
Lease interest receivable (note 6)	**–**	**(407)**	(451)
Lease interest payable (note 6)	**–**	**19,832**	21,980
Exceptional finance costs (note 6)	**12,690**	**12,690**	-
Amortisation of bank loan issue costs (note 6)	**1,746**	**1,746**	1,541
Depreciation of property, plant and equipment (note 13)	**73,193**	**73,193**	75,386
Amortisation of intangible assets (note 12)	**3,151**	**3,151**	3,806
Depreciation on investment properties (note 14)	**44**	**44**	79
Aborted properties costs	**628**	**628**	33
Cancelled principal payments (note 22)	**–**	**(10,993)**	(6,127)
Amortisation of right-of-use assets (note 22)	**–**	**44,532**	49,059
	(29,773)	**10,633**	136,381
Change in inventories	**(3,758)**	**(3,758)**	622
Change in receivables	**1,910**	**15,748**	(17,052)
Change in payables	**20,081**	**2,585**	(44,286)
Cash flow from operating activities	**(11,540)**	**25,208**	75,665

*This column shows the cash generated from operations as it would have been reported, before the introduction of IFRS16.

10. Analysis of change in net debt

	26 July 2020 Restated £000	Cash flows £000	Other changes £000	25 July 2021 £000
Borrowings				
Cash and cash equivalents	174,451	(129,043)	–	**45,408**
Asset-financing obligations – due before one year	(7,610)	–	–	**(7,610)**
Current net borrowings	166,841	(129,043)	–	**37,798**
Bank loans – due after one year	(870,572)	95,401	(1,700)	**(776,871)**
Asset-financing obligations – due after one year	(15,534)	6,901	–	**(8,633)**
Private placement – due after one year	(97,722)	–	(46)	**(97,768)**
Non-current net borrowings	(983,828)	102,302	(1,746)	**(883,272)**
Net debt	(816,987)	(26,741)	(1,746)	**(845,474)**
Derivatives				
Interest-rate swaps liability – due after one year	(82,194)	–	44,551	**(37,643)**
Total derivatives	(82,194)	–	44,551	**(37,643)**
Net debt after derivatives	(899,181)	(26,741)	42,805	**(883,117)**
Leases				
Lease assets – due before one year	1,736	(1,323)	1,225	**1,638**
Lease assets – due after one year	11,115	–	(1,225)	**9,890**
Lease obligations – due before one year	(65,343)	18,875	(18,751)	**(65,219)**
Lease obligations – due after one year	(507,803)	–	49,207	**(458,596)**
Net lease liabilities	(560,295)	17,552	30,456	**(512,287)**
Net debt after derivatives and lease liabilities	(1,459,476)	(9,189)	73,261	**(1,395,404)**

The cash movement on bank loans is the addition of four loans under the Coronavirus Large Business Interruption Scheme (CLBILS) which total £100,033,332; this is offset by a loan repayment of the revolving facility of £195,000,000. Both of these cash movements are disclosed in the cash flow statement as advances under CLBILS and (repayment)/advances under bank loans, respectively. This cash movement on bank loans is also made up of a cash payment of loan issue costs of £434,000, which is also disclosed in the cash flow statement.

Management considered whether to account for the CLBILS loans as government grants, as the rate of interest outlined on page 41 is lower than that achieved on other facilities. However, in the absence of a reliable estimate of a market rate of borrowing at the time, these have been accounted for within borrowings.

The cash movement on asset-financing of £6,901,000 is disclosed in the cash flow statement as asset-financing principal payments.

Lease obligations represent long term payables and lease assets represent long term receivables, and are therefore both disclosed in the table above.

Non-cash movements
The non-cash movement in bank loans and the private placement relate to the amortisation of loan issue costs.
The amortisation charge for the year of £1,746,000 is disclosed in note 6. These are arrangement fees paid in respect of new borrowings and are charged to the income statement over the expected life of the loans.

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

The non-cash movement in lease liabilities is analysed in the table overleaf.

10. Analysis of change in net debt (continued)

Non-cash movement in net lease liabilities	25 July 2021 £000
Recognition of new leases (note 22)	**(12,162)**
Remeasurements of existing lease liabilities (note 22)	**15,602**
Remeasurements of existing lease assets (note 22)	**–**
Disposal of leases (note 22)	**15,790**
Cancelled principal payments (note 22)	**10,993**
Exchange differences (note 22)	**233**
Non-cash movement in net lease liabilities	**30,456**

52 weeks ended 26 July 2020

	28 July 2019 £000	IFRS16 migration £000	Cash flows £000	Other changes £000	26 July 2020 Restated £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)	–	62,249	**(507,803)**
Net lease liabilities	–	(617,868)	18,867	38,706	**(560,295)**
Net debt after derivatives and lease liabilities	(786,092)	(617,868)	(59,559)	4,043	**(1,459,476)**

10. Analysis of change in net debt (continued)

52 weeks ended 26 July 2020

Non-cash movement in net lease liabilities	**26 July 2020 Restated £000**
Recognition of new leases (note 22)	**(45,776)**
Remeasurements of existing leases liabilities (note 22)	**(7,207)**
Remeasurements of existing leases assets (note 22)	**471**
Disposal of lease (note 22)	**85,115**
Cancelled principal payments (note 22)	**6,127**
Exchange differences (note 22)	**(24)**
Non-cash movement in net lease liabilities	**38,706**

The table below calculates a ratio between net debt, being borrowing less cash and cash equivalents, and earnings before interest, tax, and depreciation (EBITDA). The numbers in this table are all before the effect of IFRS16.

	Unaudited 52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Loss before tax (income statement)	**(154,676)**	(34,095)
Interest	**47,260**	40,606
Depreciation and amortisation	**76,474**	79,639
Earnings before interest, tax and depreciation (EBITDA)	**(30,942)**	86,150
Net debt / EBITDA	**-27.32**	9.48

11. Dividends paid and proposed

	52 weeks ended 25 July 2021 £000	52 weeks ended 26 July 2020 £000
Declared and during the year:		
Dividends on ordinary shares:		
– final for 2018/19: 8.0p (2017/18: 8.0p)	–	8,371
– interim for 2019/20: 0.0p (2018/19: 4.0p)	–	–
– final for 2019/20: 0.0p (2018/19: 8.0p)	–	–
	–	8,371
Proposed for approval by shareholders at the AGM:		
– final for 2020/21: 0.0p (2019/20: 0.0p)	**–**	–
	–	–
Dividend per share	**–**	8p
Dividend cover	**–**	–

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

12. Intangible assets

	Computer software and development £000	Assets under construction £000	Total £000
Cost:			
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
Additions	–	4	4
Transfers	804	(804)	–
Disposals	(1,474)	–	(1,474)
At 25 July 2021	**32,747**	**4**	**32,751**
Accumulated amortisation and impairment:			
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)
Provided during the period	(3,151)	–	(3,151)
Exchange differences	(1)	–	(1)
Disposals	1,085	–	1,085
At 25 July 2021	**(27,393)**	**–**	**(27,393)**
Net book amount at 25 July 2021	**5,354**	**4**	**5,358**
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

The majority of intangible assets relates to computer software and software development. Examples include the development costs of the SAP accounting and property-maintenance systems and bespoke J D Wetherspoon apps.

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 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
Additions	14,783	132	11,251	31,973	58,139
Transfers from investment property	5,768	–	–	–	5,768
Transfers	41,023	4,164	8,385	(53,572)	–
Exchange differences	(1,357)	(144)	(426)	(1,157)	(3,084)
Disposals	(2,623)	(4,385)	(3,631)	–	(10,639)
Reclassification	7,842	(7,842)	–	–	–
At 25 July 2021	**1,428,542**	**286,934**	**700,311**	**63,868**	**2,479,655**
Accumulated depreciation and impairment:					
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)
Provided during the period	(20,281)	(10,499)	(42,413)	–	(73,193)
Transfers from investment property	(290)	–	–	–	(290)
Exchange differences	282	23	249	–	554
Impairment loss	(1,631)	(368)	–	–	(1,999)
Disposals	874	2,405	2,513	–	5,792
Reclassification	(4,090)	4,090	–	–	–
At 25 July 2021	**(332,433)**	**(171,358)**	**(552,038)**	**–**	**(1,055,829)**
Net book amount at 25 July 2021	**1,096,109**	**115,576**	**148,273**	**63,868**	**1,423,826**
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

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 8.7% (2020: 8%).

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

As a result of this exercise, a net impairment loss of £1,999,000 (2020: £28,602,000) 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 £4,974,000 at year end.

14. Investment property

The company owns three (2020: three) freehold properties with existing tenants – and these assets have been classified as investment properties. During the year, the company developed one of its investment properties into a pub. The property has been transferred to property, plant and equipment. During this year, the company has purchased an additional investment property.

	£000
Cost:	
At 28 July 2019	5,767
Additions	6,075
At 26 July 2020	11,842
Additions	4,528
Transfer to property, plant and equipment	(5,768)
At 25 July 2021	**10,602**
Accumulated amortisation:	
At 28 July 2019	(236)
Provided during the period	(79)
At 26 July 2020	(315)
Provided during the period	(44)
Transfer to property, plant and equipment	290
At 25 July 2021	**(69)**
Net book amount at 25 July 2021	**10,533**
Net book amount at 26 July 2020	11,527
Net book amount at 28 July 2019	5,531

Rental income received in the period from investment properties was £397,000 (2020: £641,000). Operating costs, excluding depreciation, incurred in relation to these properties amounted to £12,000 (2020: £38,000).

At the year end, two investment properties were independently valued at £5,400,000. The third investment property was purchased during the period and, the value at purchase price paid of £4,528,000 is deemed a reasonable fair value of this property. The total fair value of all of our investment properties at the year end is £9,928,000.

15. Inventories

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

	25 July 2021 £000	26 July 2020 £000
Goods for resale at cost	**26,853**	23,095

16. Receivables

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

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

	25 July 2021 £000	26 July 2020 £000
Other receivables	**2,004**	974
Accrued income	**1,499**	737
Prepayments	**12,924**	30,465
	16,427	**32,176**

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

Included in prepayments is £3,400,000 (2020: £6,100,000) in relation to government grants receivable under the coronavirus job retention scheme.

At 26 July 2020, within prepayments was an amount of £15,890,000 in relation to the gaming machine settlement disclosed in note 4.

Credit risk	25 July 2021 £000	26 July 2020 £000
Due from suppliers – not due	**1,040**	–
Due from suppliers – overdue	**964**	974
	2,004	**974**

Credit risk is the risk that a counterparty does not settle its financial obligation with the company. At the period's end, the company has assessed the credit risk on amounts due from suppliers, based on historic experience, meaning that the expected lifetime credit loss was immaterial. Cash and cash equivalents are also subject to the impairment requirements of IFRS9 – the identified impairment loss was immaterial.

17. Cash and cash equivalents

	25 July 2021 £000	26 July 2020 £000
Cash and cash equivalents	**45,408**	174,451

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

18. Trade and other payables

This category relates to money owed by the company to third parties.

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

	25 July 2021 £000	26 July 2020 £000
Trade payables	**111,918**	104,145
Other payables	**27,759**	27,260
Other tax and social security	**44,237**	54,135
Accruals	**74,787**	67,762
Deferred income	**1,090**	1,783
	259,791	255,085

19. Borrowings

	25 July 2021 £000	26 July 2020 £000
Current (due within one year)		
Other		
Lease liabilities	**65,219**	65,343
Asset-financing obligations	**7,610**	7,610
Total current borrowings	**72,829**	72,953
Non-current (due after one year)		
Bank loans		
Variable-rate facility	**680,000**	875,000
CLBILS	**100,033**	–
Unamortised bank loan issue costs	**(3,162)**	(4,428)
	776,871	870,572
Private placement		
Fixed-rate facility	**98,000**	98,000
Unamortised private placement issue costs	**(232)**	(278)
	97,768	97,722
Other		
Lease liabilities	**458,596**	507,803
Asset-financing obligations	**8,633**	15,534
Total non-current borrowings	**1,341,868**	1,491,631

The company entered into four new loans under the CLBILS during the period. The first three were agreed by the company in one transaction on 7 August 2020. The fourth loan was agreed by the company on 18 March 2021. For more details see page 41.

20. Provisions

	Legal claims £000	Total £000
At 26 July 2020	3,038	3,038
Charged to the income statement:		
– Additional charges	3,160	3,160
– Unused amounts reversed	(1,021)	(1,021)
– Used during year	(2,173)	(2,173)
At 25 July 2021	**3,004**	**3,004**

	25 July 2021 £000	26 July 2020 £000
Current	**3,004**	3,038
Non-current	**–**	–
Total provisions	**3,004**	3,038

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

21. Financial instruments

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

Maturity profile of financial liabilities

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
At 25 July 2021							
Bank loans	21,798	21,798	11,857	41,549	855,000	–	952,002
Bank loans - CLBILS	2,005	2,005	100,138	–	–	–	104,148
Private placement	3,655	3,655	3,655	3,655	3,655	99,828	118,103
Trade and other payables	214,464	–	–	–	–	–	214,464
Derivatives	12,054	11,969	5,342	5,293	5,207	5,231	45,096
Lease Liabilities	65,219	49,587	49,508	47,872	45,290	427,520	684,996
Asset-financing obligations	7,610	5,145	4,323	–	–	–	17,078

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
At 26 July 2020							
Bank loans	21,809	17,013	17,013	177,340	723,693	–	956,868
Private placement	3,288	2,920	2,920	2,920	2,920	102,381	117,349
Trade and other payables	200,950	–	–	–	–	–	200,950
Derivatives	18,171	12,044	11,959	8,280	8,061	34,381	92,896
Lease liabilities (restated)	66,043	53,245	52,516	51,844	50,313	482,185	756,146
Asset-financing obligations	7,610	7,610	5,145	4,324	–	–	24,689

The lease liabilities restated for 26 July 2020 reflect the recalculation of a lease liability. Further information on this previous year restatement can be seen in the accounting policies on page 57.

The company has agreed a one-year extension for £855m of its existing banking agreement. The original loan, agreed in February 2019, was for five years with two one-year extension options, the first of which has been exercised. The second extension option will be reviewed in January 2022.

On 7 August 2020 and 18 March 2021, the company agreed to four, three-year secured loans under the CLBILS for £48,333,332 and £51,700,000, respectively. The loan has four participating lenders. The loan has an average fixed-interest charge of 1.94%.

At the balance sheet date, the company had loan facilities of £1,083m (2020: £993m) as detailed below:

- Secured revolving-loan facility of £875m
  - £20m matures February 2024
  - £855m matures February 2025
  - 14 participating lenders
- Sale of senior secured notes £98m
  - Matures August 2026
  - The purchase of loan notes split among 5 participants.
- CLBILS secured loan of £100m
  - Matures August 2023
  - Four participating lenders
- Overdraft facility of £10m

These facilities have been entered into to meet the short and long term liquidity needs of the business. The objective is to ensure that the company has sufficient financial resources to meet working capital requirements as well as funds for reinvestment and development. The company manages liquidity risk through its revolving-loan facility as well as other longer term facilities to avoid reliance on short term borrowings. The company's borrowings are dependent on the meeting of financial covenants, which if breached, could result in funding being withdrawn. The company has agreed covenant waivers with its lenders as outlined in the going concern section of the accounting policies (page 51) and have ensured liquidity through share placings in the current and prior year.

21. Financial instruments (continued)

The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt which has fixed £770m of these borrowings at rates of between 0.61 and 3.84%. The effective weighted average interest rate of the swap agreements used during the year is 2.42% (2020: 2.42%), fixed for a weighted average period of 3.8 years (2020: 4.2 years). In addition, the company has entered into forward-starting interest-rate swaps as detailed in the table below.

Weighted average by swap period:

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

At the balance sheet date, £680m (2020: £875m) was drawn down under the £875m secured-term revolving-loan facility. The amounts drawn under this agreement can be varied, depending on the requirements of the business.

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

The company does not have a specific measure for managing capital structure; instead, the company plans its capital requirements and manages its loans, dividends and share buybacks accordingly. In a normal trading year, the company measures loans using a ratio of net debt to EBITDA which was 3.36 times in 2019. With covenant waivers agreed, management's primary metric is liquidity.

Section 2, on page 61, discusses the financial risks associated with financial instruments, including credit risk and liquidity risk.

Fair value of financial assets and liabilities
IFRS13 requires disclosure of fair value measurements by level, using the following fair value measurement hierarchy:

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

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

	25 July 2021 £000	26 July 2020 £000
Analysis of interest-rate profile of financial liabilities		
Floating rate due after one year	**(3,162)**	100,572
Fixed rate due after one year	**780,033**	770,000
	776,871	870,572
Asset-financing obligations		
Fixed rate due in one year	**7,610**	7,610
Fixed-rate due after one year	**8,633**	15,534
	16,243	23,144
Private placement		
Fixed rate due after one year	**97,768**	97,722
	97,768	97,722
	890,882	991,438

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

21. Financial instruments (continued)

Fair values
In some cases, payments which are due to be made in the future by the company or due to be received by the company have to be given a fair value. The table below highlights any differences between book value and fair value of financial instruments.

	25 July 2021 Book value £000	**25 July 2021 Fair value £000**	26 July 2020 Restated Book value £000	26 July 2020 Restated Fair value £000
Financial assets at amortised cost				
Cash and cash equivalents	**45,408**	**45,408**	174,451	174,451
Receivables	**2,004**	**2,004**	974	974
Lease assets	**11,528**	**11,643**	12,851	12,939
	58,940	**59,055**	188,276	188,364
Financial liabilities at amortised cost				
Trade and other payables	**(214,464)**	**(214,464)**	(200,950)	(200,950)
Asset-financing obligations	**(16,243)**	**(16,406)**	(23,144)	(23,485)
Lease obligations	**(523,815)**	**(529,053)**	(573,146)	(578,456)
Private placement	**(97,768)**	**(98,746)**	(97,722)	(99,171)
Borrowings	**(776,871)**	**(784,639)**	(870,572)	(879,088)
	(1,629,161)	**(1,643,308)**	(1,765,334)	(1,781,123)
Derivatives – cash flow hedges				
Non-current derivative financial liability	**(37,643)**	**(37,643)**	(82,194)	(82,194)
	(37,643)	**(37,643)**	(82,194)	(82,194)

The lease obligation balance for 26 July 2020 has been restated, owing to an incorrect lease date applied to one lease in the previous period. See page 57 in the accounting policies section for further information on this previous year restatement.

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

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

	25 July 2021 £000	26 July 2020 £000
Within one year	**7,610**	7,610
In the second to fifth year, inclusive	**9,468**	17,079
	17,078	24,689
Less future finance charges	**(835)**	(1,545)
Present value of lease obligations	**16,243**	23,144
Less amount due for settlement within one year	**(7,610)**	(7,610)
Amount due for settlement during the second to fifth year, inclusive	**8,633**	15,534

All asset-financing obligations are in respect of various equipment used in the business. No escalation clauses are included in the agreements.

21. Financial instruments (continued)

Interest-rate swaps
At 26 July 2021, the company had fixed-rate swaps designated as hedges of floating-rate borrowings.
The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to one month.

	Loss/(Gain) on interest-rate swaps	Deferred tax	Income Statement	Total Hedging Reserve
	£000	£000	£000	£000
As at 26 July 2020	82,194	(15,617)	-	66,577
Change in fair value posted to comprehensive income	(44,551)	-	-	(44,551)
Amounts posted to income statement	-	-	(11,707)	(11,707)
Deferred tax posted to comprehensive income	-	5,084	-	5,084
As at 25 July 2021	**37,643**	**(10,533)**	**(11,707)**	**15,403**

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

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

The company adopts hedge accounting, meaning that the effective portion of changes in the fair value of derivatives is recognised in comprehensive income, with any gain or loss relating to an ineffective portion accounted for in the income statement.

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

These hedges could be ineffective if the:

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

The company tests hedge effectiveness prospectively using the hypothetical derivative method and compares the changes in the fair value of the hedging instrument with those in the fair value of the hedged item attributable to the hedged risk. For interest rate swaps which were designated as part of a hedging relationship a gain of £44,551,000 (2020: £33,122,000) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement. A change in fair value of £11,707,000 has been recognised in the income statement as exceptional finance costs (note 4). This recognises hedge ineffectiveness and the associated reclassification of hedges based on the forecast future borrowings for the life of the hedges. It has been considered highly probable that floating-rate utilised core debt will be less than the total value of interest rate swaps in place, over the remaining life of the swaps, giving rise to over-hedging. A number of designated hedge relationships have become fully ineffective and therefore have been discontinued and recognised in the income statement. There are no amounts recognised in the hedge reserves for discontinued hedge relationships.

Interest-rate sensitivity
During the 52 weeks ended 25 July 2021, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax loss for the year would have been reduced by £705,000 and equity increased by £41,120,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the company has entered, calculated by a 1% shift of the market yield curve. The company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

22. Leases

About 34% of the company's pubs are leasehold. New leases are normally for 30 years, with a break clause after 15 years. Most leases have upwards-only rent reviews, based on open-market rental at the time of review, but most new pub leases have an uplift in rent which is fixed at the start of the lease.

(a) Right-of-use assets

The table below shows the movements in the company's right-of-use assets.
During the period, 54 leases were remeasured as a result of changes in the agreed payments under the lease contracts and changes in the lease terms. In additions, three new lease contracts were agreed on.

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

	£000
Recognition of assets	617,837
Additions restated	46,180
Remeasurement	6,736
Exchange differences	10
Disposals and derecognised leases	(89,151)
At 26 July 2020 restated	581,612
Additions	12,162
Remeasurement	(18,078)
Exchange differences	(208)
Disposals and derecognised leases	(16,591)
At 25 July 2021	**558,897**
Accumulated depreciation and impairment:	
Provided during the period restated	(49,463)
Exchange differences	(3)
Impairment loss	(4,722)
Disposals and derecognised leases	5,160
26 July 2020 restated	(49,028)
Provided during the period	(44,532)
Exchange differences	10
Impairment loss	(2,133)
Disposals and derecognised leases	1,620
Remeasurment	3,704
At 25 July 2021	**(90,359)**
Net book amount at 25 July 2021	**468,538**
Net book amount at 26 July 2020 restated	532,584

The July 2020 position has been restated to reflect a lease extension which was incorrectly accounted for. Details of this restatement is discussed in the accounting policies on page 57.

22. Leases (continued)

(b) Lease maturity profile

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

Lease liabilities	**25 July 2021 £000**	26 July 2020 Restated £000
Within one year	**65,219**	66,043
Between one and two years	**49,587**	53,245
Between two and three years	**49,508**	52,516
Between three and four years	**47,872**	51,844
Between four and five years	**45,290**	50,313
After five years	**427,520**	482,185
Lease commitments payable	**684,996**	756,146
Discounting lease liability	**(161,181)**	(183,000)
Lease liability	**523,815**	573,146

Lease assets	**2021 £000**	2020 £000
Within one year	**1,638**	1,736
Between one and two years	**1,586**	1,638
Between two and three years	**1,130**	1,586
Between three and four years	**1,084**	1,130
Between four and five years	**1,070**	1,084
After five years	**7,255**	8,325
	13,763	15,499
Discounting lease asset	**(2,235)**	(2,648)
Lease asset	**11,528**	12,851

The July 2020 position has been restated owing to an incorrect lease end date applied to one lease at previous year end.

22. Leases (continued)

(c) Lease liability

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

Lease liability	**2021** **£000**	**2020 Restated** **£000**
Lease liability as at commencement of period	**573,146**	**631,304**
Additions restated	**12,162**	**45,776**
Remeasurements of leases	**(15,602)**	**7,207**
Disposals	**(15,790)**	**(85,115)**
Cancelled principal payments (due to expedient)	**(10,993)**	**(6,127)**
Exchange differences	**(233)**	**24**
Lease liabilities before payments	**542,690**	**593,069**
Interest payable in period:		
Interest expense within period (discounting element)	**19,872**	**20,241**
Cancelled interest expense (due to expedient)	**(2,918)**	**(1,834)**
	16,954	**18,407**
Total cash outflow for leases in period:		
Lease payment commitments for period	**(53,602)**	**(57,854)**
Cancelled payment commitments (due to expedient)	**13,911**	**7,960**
Deferred payment commitments	**3,862**	**11,564**
	(35,829)	**(38,330)**
Net principal payments at 25 July 2021	**(18,875)**	**(19,923)**
At 25 July 2021	**523,815**	**573,146**

The company has applied the practical expedient during the financial period, which is an amendment to IFRS16 – an amendment which allows reductions in rent payments due on or before June 2022 to be credited to the income statement, rather than requiring the remeasurement of the lease and spreading of rent reduction received in this period over the term of the lease.

This practical expedient was extended in March 2021 for a further 12 months to June 2022. This 2021 amendment is effective for annual reporting periods beginning on or after 1 April 2021 and has been applied to all rent concessions which meet the conditions of the expedient.

The application of this amendment results in principal payments of £10,993,000 being credited to the income statement and a reduction in associated interest charges of £2,918,000, resulting in a total credit to the income statement of £13,911,000 which is disclosed in cash generated from operations, note 9. Future rental payments, up to the end of the lease, are capitalised, including any agreed increases.

Future rent payments could change as a result of open-market rent reviews or options being exercised to terminate a lease early. Any changes in the minimum unavoidable lease payments will be included as a remeasurement of the lease liability. The accounting policies (page 54) further describe the policy in relation to the termination of leases.

Leases with lease terms of under one year are not capitalised.

The July 2020 position has been restated to reflect a lease extension that was incorrectly accounted for, details of this restatement is discussed within the accounting policies on page 57.

22. Leases (continued)

Lease assets

	2021 £000	2020 £000
Recognition of Asset liability	**12,851**	**13,436**
Remeasurements of leases	**–**	**471**
Lease assets before payments at 25 July 2021	**12,851**	**13,907**
Interest due in period	413	327
Total cash Inflow for leases in period	(1,736)	(1,383)
Net principal payments at 25 July 2021	**(1,323)**	**(1,056)**
At 25 July 2021	**11,528**	**12,851**

Rent Cash flow Analysis	2021 £000
Cash outflows relating to capitalised leases	**35,829**
Expense relating to short term leases	**784**
Expense relating to variable element of concessions	**2,801**
Total rent cash outflows for 52 weeks to 25 July 2021	**39,414**
Cash inflows relating to capitalised leases	**(1,736)**
Income relating to lessor sites	**(1,609)**
Total rent cash Inflows for 52 weeks to 25 July 2021	**(3,345)**

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

Where needed, deferral terms were agreed on with lessees in relation to the coronavirus pandemic. The assessment is that there is no material expected credit loss.

The interest payable and receivable shown in the tables above is the interest element of the payments made and received in the period. These amounts differ from the lease interest charged/credited to the income statement in the period – see note 6. The amounts charged/credited to the income statement in the period will also include amounts due, yet not paid, in the period. The incremental borrowing rate applied to lease liabilities and assets was 1.9–3.9%, depending on the lease's length.

Transition: On 29 July 2019, the company adopted the standard using the modified retrospective approach.
For the full details of transition, please see pages 49–51 of the annual report and financial statements for 2020.

23. Government support

	25 July 2021 £000	26 July 2020 £000
Eat out to help out (note 1)	**(23,248)**	–
Local government grants (note 4)	**(11,123)**	–
Employee support grants (note 5)	**(208,986)**	(131,539)
	(243,357)	(131,539)

The government support in the table above should be viewed in context of the contribution to the economy as on page 5. In the five years before the pandemic the company paid 42.1% of its sales as taxes.

Eat out to help out
This scheme was implemented, by the government, following the first national lockdown to assist businesses. A discount was offered to diners to encourage them to eat out at hospitality venues. The discount was applicable all day, Monday-Wednesday, from the 3 August to 31 August 2020, for meals and non-alcoholic drinks (up to a maximum of £10 discount per diner). Over the five weeks of the scheme the total value of discount reclaimed by the company was £23.2m. The income statement revenue includes amounts reimbursed in respect of this scheme.

Local government grants
From the 9 September 2020, the UK Government made available several grants to support those businesses which had been adversely affected by the pandemic. Applications were made to the respective local authorities in line with the eligibility criteria for each scheme. The Irish Government introduced a similar grant called “COVID Restrictions Support Scheme”, for which the company applied for centrally. Government grants were recognised at the point at which funds were receipted. In the year, £11.1m was receipted: £10.6m in relation to the UK and £0.5m in relation to the Republic or Ireland). The grants were treated as exceptional income.

Employee support grants
The coronavirus job retention scheme, (CJRS) and equivalent Republic of Ireland schemes, were introduced at the beginning of the pandemic to support companies in retaining employees, in the form of grants to cover a proportion of the wages and salaries of furloughed staff. The claims have been made weekly since April 2020 for weekly paid employees and monthly for salaried employees. These are accounted for as a credit to wages and salaries within employee costs.

The company was also eligible for a business rates holiday, which represented a saving of £56m in the period.

The 5% VAT rate on food, non-alcoholic drinks and hotel room sales, introduced in July 2020, was passed on to customers in the form of lower selling prices.

The company has entered into an agreed repayment schedule with HMRC for outstanding liabilities. At the end of the period the outstanding amount was £25.7m, which will be repaid in full by January 2022.

24. Capital commitments

At 25 July 2021, the company had £10.0m (2020: £7.1m) of capital commitments, relating to the purchase of eight (2020: eight) sites, for which no provision had been made in respect of property, plant and equipment.

The company had some other sites in the property pipeline; however, any legal commitment is contingent on planning and licensing. Therefore, there are no commitments at the balance sheet date.

25. Contingent asset

IAS 37 requires disclosure when it is probable (more than 50% likelihood) that an inflow of benefits will occur. A claim has been submitted to HMRC in relation to the historic VAT treatment of gaming machines. The company is stood behind the lead case of Rank Group PLC and 2016 G1 Limited v HMRC, and will then apply the relevant judgment. The decision of the First-Tie tribunal was released on 30 June 2021 and was found in favour of the taxpayers, and HMRC has subsequently confirmed that it will not appeal against the decision. The timing and amount of the receipt are to be determined, although management’s best estimate is an approximately £35m cash inflow.

26. Related-party disclosures

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

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

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

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

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

Key management compensation	**2021 £000**	2020 £000
Short-term employee benefits	**2,493**	2,310
Post-employment pension benefits	**280**	263
Share-based payment	**273**	285
	3,046	2,858

Key management comprises the executive directors, non-executive directors and management board, as detailed on page 72.

For additional information about directors' emoluments, please refer to the directors' remuneration report on pages 76-85.

Directors' interests in employee share plans
Details of the shares held by executive members of the board of directors' are included in the remuneration report on pages 76-85 which forms part of these financial statements.

27. Share capital

	Number of shares 000s	**Share capital £000**
At 28 July 2019	105,098	2,102
Repurchase of shares	(420)	(8)
Issue of shares	15,702	314
At 26 July 2020	120,380	2,408
Issue of shares	8,370	167
At 25 July 2021	**128,750**	**2,575**

The total authorised number of 2p ordinary shares is 500,000,000 (2020: 500,000,000). All issued shares are fully paid.

On 20 January 2021, 8,370,000 shares were issued by the company, representing 6.95% of the issued share capital, at a value of £93.7m, before fees, representing an average cost per share of 1,120p. The total fees on this issue were £2,221,000.

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

Authorisation of financial statements and statement of compliance with IFRSs
The financial statements of J D Wetherspoon plc (the 'Company') for the 52 weeks ended 25 July 2021 were authorised for issue by the board of directors on 30 September 2021, and the balance sheet was signed on the board's behalf by John Hutson and Ben Whitley.

J D Wetherspoon plc is a public limited Company, incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

Basis of preparation
The Company's financial statements have been prepared in accordance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the going-concern basis, using the historical cost convention, except for the revaluation of financial instruments.

The principal accounting policies adopted by the Company are set out on pages 51–57. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 25 July 2021.

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

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

The Company has modelled a range of scenarios, with the base forecast being one in which, over the next 12 months, sales broadly recover to pre Covid levels. More cautious scenarios have been analysed, including ones with significant reductions to revenue, these have been prepared with reference to the actual cash outflows in the previous lockdown periods.

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.

Material uncertainty, which may cast significant doubt over the Company's ability to continue as a going concern, has resulted from the impact of the Covid-19 virus on the economy and the hospitality industry and it is also not clear when public confidence and self-imposed social distancing measures will allow trading to return to 'normal' pre Covid 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 2022. There is material uncertainty, which may cast significant doubt over the Company's ability to continue as a going concern, beyond this date about 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.

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

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

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

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

The Company makes assumptions on the requirements for future borrowings, as well as future interest rates, when assessing the effectiveness of interest-rate swaps. Changes in the forecast amount of highly probable future borrowings or interest rates may result in all or part of the gain or loss, which was originally reported in comprehensive income, being transferred to the income statement. As outlined in note 21, Financial instruments, hedge ineffectiveness has been recognised in the period.

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

The application of the IBOR reform amendments to IFRS9 are further discussed on pages 56-57.

Exceptional items
A degree of judgement is required in determining whether certain transactions merit separate presentation to allow shareholders to better understand financial performance in the year, when compared with that of previous years and trends.
In the period, the Company recognised as exceptional those costs related to the Covid-19 closure. The Company treated as exceptional those costs which were incurred directly as a result of the pubs' closure and reopening.

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

Impairment of property, plant and equipment
The Company will impair the value of a pub, if it is believed that it will generate future cash flows lower than its current book value. Future cash flows will be the greater of those generated by continued trading or the sale of the pub's assets. Cash flows in future periods are reduced by applying a pre-tax discount rate for future years of 8.7%. Pubs with right-of-use assets will use a weighted average discount rate of between 8.7% and the Company's incremental borrowing rate appropriate for the length of the lease. The 8.7% and incremental borrowing rate will be assigned a weighting, based on the book value of the pub's property, plant and equipment and its right-of-use assets.

Management makes several estimates when assessing the recoverable value of each pub, in terms of future sales growth, costs, operating efficiency and standards, management and staffing performance, as well as general economic factors and government interventions in relation to Covid-19 management. In all of these areas different estimates could be made. A reduction of 30% in next year's future cash flows in relation to those pubs which have indicators of impairment and are thus included in management's impairment review process, would increase the impairment charge by £6.5m. An increase of 0.8% in the discount rate on the same pubs would increase the impairment charge by £9.7m. There are also some sites at which sales have been affected more during the pandemic and subsequent reopening period, for example the airport sites. At these sites, a 50% reduction in next year's future cash flows has been considered. This would increase the impairment charge by £5.8m. However, each of these amounts are theoretical – and the Company would respond to an event which caused a reduction in future cash flows. In addition, an increase in discount rates would normally imply an increase in expected future inflation. To the extent that the increased discount rate would be offset by inflation, the increased impairment loss would be mitigated.

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

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

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

Property gains and losses
The Company defines property gains and losses as those items of income and expenditure which are the result of owning and leasing assets which are non-recurring in nature. These include the impairment of fixed assets, along with the proceeds and costs from the disposal of assets. These items are presented on the face of the income statement to more clearly show the Company's underlying performance. The Company does not consider these costs to be operating in nature.

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

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

Within note 13: property, plant and equipment, fixed assets are categorised as:
- Freehold and long-leasehold property, which includes all land, buildings and structural / building improvement assets at freehold and long leasehold pubs;
- Short-leasehold property, which includes structural / building improvement assets at leasehold pubs;
- Equipment, fixtures and fittings, which includes assets within pubs (both freehold and leasehold) including kitchen, bar and cellar equipment, furniture and IT hardware; and
- Assets under construction, which includes all assets at sites which are not yet trading and/or extension works to existing pubs.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold land is not depreciated
- Freehold and long-leasehold buildings are depreciated to their estimated residual values over 50 years
- Short-leasehold buildings are depreciated over the lease period
- Equipment, fixtures and fittings are depreciated over 3 to 10 years
- Computer software, including related development and implementation costs, is depreciated over 5 years
- Assets are not depreciated, until such time as they are ready for use

Residual values and useful economic lives are reviewed and adjusted, if appropriate, at each balance sheet date.
Profits and losses on disposal of fixed assets reflect the difference between the net selling price and the carrying amount at the date of disposal and are recognised in the income statement.

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

Assets held for sale
Where the value of an asset will be recovered through a sale transaction, rather than continuing use, the asset is classified as held for sale. It is the view of management that the Company is not committed to selling a site until a contract for sale has been exchanged. Assets held for sale are valued at the lower of book value and fair value, less any costs of disposal, and are no longer depreciated.

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

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

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

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

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

Revenue from hotel rooms is recognised when rooms are occupied and services are provided, after deduction of discounts and sales-based taxes. The Company operates a gift card scheme – revenue from these cards is deferred until the card is redeemed in pubs. Except for hotel revenue, which is generally received in advance of occupation, all other payments for goods and services are received at the point of sale.

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

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

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

Grants are disclosed in the note 23 to the accounts on page 49, which discloses government support.

Leases
The Company has leases for properties across the UK and the Republic of Ireland. There are no other material leases which are recognised under the other categories under IFRS16.

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

The lease liability is measured initially at the present value of unavoidable lease payments over the term of the lease which in all cases is to the end of the lease. These payments are discounted at the Company's incremental borrowing rate. For sites at which rent is payable as a percentage of revenue, the lease liability is measured at the present value of the unavoidable minimum guarantee payments over the term of the lease while any amounts above this minimum amount will be expensed to the income statement.

Where a lease is identified, the Company recognises a right-of-use asset and a corresponding lease liability. The lease assets are presented as a separate line in the balance sheet.

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

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

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

IFRS16 Rent concession
The Company has adopted the amendment to IFRS16 which provides lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification.

Applying the practical expedient, the Company has recognised the rent forgiveness as a variable lease payment in accordance with IFRS16. There is a corresponding adjustment to the lease liability, derecognising the part of the lease liability which has been forgiven, with the corresponding adjustment to operating expenses.

Where amounts have been deferred they do not extinguish the lessee's liability or substantially change the consideration of the lease. These have been accounted for as an increase in the accrual for rent outstanding.

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

Termination and break of leases
Where the Company notifies the landlord to purchase the freehold of a leasehold site, the lease is derecognised and any difference in the value of the lease liability and the right-of-use asset will be charged to the income statement as a property gain or loss. Where the Company notifies the landlord of the intention to terminate (break) a lease early, the lease is remeasured.

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

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

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

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

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

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

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

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

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

Financial assets held at amortised cost
Financial assets held at amortised cost are non-derivative financial assets which are held within a business model where the objective is to collect the contractual cash flow at the same time as the contractual terms give rise to cash flows which are solely payments of principal and interest. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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

Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above. Bank overdrafts are shown within current financial liabilities on the balance sheet. Cash and cash equivalents includes recognition of amounts for cash in transit, including electronic card payments not yet receipted as these are highly liquid and low credit risk.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Owners' earnings
Owners' earnings measures the earnings attributable to shareholders from current activities, adjusted for significant non-cash and one-off items. They are calculated as pre-IFRS16 profit before tax, exceptional items, depreciation and amortisation and property gains and losses less reinvestment in current properties and cash tax. Cash tax is defined as the current year's current tax charge.

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

Changes in net debt
These are both the cash and non-cash movements of the year, including movements in asset-financing, borrowings, cash and cash equivalents.

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

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

The Company currently has no other share-based transactions.

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

Changes in standards
At the date of authorisation of these financial statements, certain new standards and amendments to existing standards have been published which are not yet effective and have not been adopted early by the Company. Information on those expected to be relevant to the financial statements is provided below:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS9, IAS39, IFRS7, IFRS4 and IFRS16)
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)

Amendments to IFRS9, IAS39 and IFRS7
Interest Rate Benchmark Reform
The Company has several interest-rate swaps which swap floating interest rates paid for a fixed interest rate. The floating interest rates are based on an index called the London Interbank Offered Rate (LIBOR). Reforms are currently under way which plan to replace sterling LIBOR with an index called Sterling Overnight Index Average (SONIA).

Under previous accounting rules, this change of reference index in the Company interest-rate swap contract could result in the discontinuation of hedge accounting. The Company has elected to early adopt the amendments to IFRS9, IAS39 and IFRS7 Interest Rate Benchmark Reform issued in September 2019 and mandatory for accounting periods starting after 1 January 2020. The amendments have been adopted retrospectively to hedging relationships which existed at the start of the reporting period or were designated thereafter.

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

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

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

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

The new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 27 July 2020 and will have a minimal impact on the financial statements:

- Conceptual Framework for Financial Reporting
- Definition of a Business (Amendments to IFRS3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS16)
This amendment is a 12 month extension to the original Covid-19 related rent concession amendment which was issued by the IASB in May 2020. This relief covers rent concessions which reduce only lease payments due on or before 30 June 2022.

This amendment has been adopted by the Company and its impact disclosed in note 22.

Previous year restatements
During the period it was identified and agreed that three previous year restatements should be recognised for the period ending 26 July 2020 (previous year). The restatements are disclosed in the adjacent table and described below:

Restatement of IFRS 16 Lease Liability and Right-of-use Asset
It was identified that the right-of-use asset and liability of one leasehold pub, had been incorrectly calculated as a result of the incorrect lease end date being applied. The correction resulted in an increase to the right-of-use asset and liability of £18,415,000 (Undiscounted £21,935,000). This lease related to an airport site with a minimum guaranteed rent.

Reclassification of share placement proceeds
On 29 April 2020, 15,701,760 shares were issued by the Company. The net proceeds of this share placement, £137.7m were initially recognised in the share premium account as part of equity. However, it was subsequently identified that these net proceeds should be recognised separately from the share premium account and shown as part of a separate other reserves account within equity. This treatment was due to the Company being able to rely on section 612 of the Companies Act 2006 which provides relief from the requirements under section 610 to create a share premium account following such a transaction. As a result, this share placement was structured in the exact same way as the most recent placement which arose during the current year as mentioned in the statement of changes in equity.The total proceeds generated from the share placement of £141.0m (excluding fees) were reclassified from the share premium account to other reserves, while the fees incurred on the share placement of £3.3m were reclassified from the share premium account to retained earnings.

Restatement of deferred tax asset and liability
In accordance with IAS 12, the deferred tax asset and liability must be offset where there is a right of offset, this has been applied in the period and the prior year balance restated. This results in a reduction in the prior year deferred tax asset of £15,617,000 and the corresponding reduction in the deferred tax liability.

Impact of restatements on the balance sheet
The below table shows the impact of the above three prior year restatements on the balance sheet when comparing the amounts reported in the 2020 Annual Report.

Impact of restatements on the income statement
The impacts of these prior year restatements are not considered material and as such the income statement has not been adjusted.

	2020 Annual Report (£000')	IFRS 16 Lease Balances	Share Placement Proceeds	Deferred tax asset and liability	2021 Annual Report (£000')
Right-of-use asset	514,169	18,415	-	-	532,584
Deferred tax asset	15,617	-	-	(15,617)	-
Lease Liabilities	(489,388)	(18,415)	-	-	(507,803)
Deferred tax liability	(42,138)	-	-	15,617	(26,521)
Share Premium Account	280,975	-	(137,681)	-	143,294
Other Reserves	-	-	141,002	-	141,002
Retained Earnings	91,016	-	(3,321)	-	87,695

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

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

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

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

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

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

- Plastic straws removed and replaced with 100% biodegradable and 100% recyclable paper straws and wrappers
- Complimentary water fountains available in all pubs, as part of the nationwide Refill scheme; alternatives to the current single-use plastic bottles are being reviewed
- Most hot drinks sold in the pubs are consumed on the premises, including unlimited complimentary refills, all served in mugs
- During the financial year, 5.4 tonnes of food waste was recycled (2020: 7.3 tonnes)
- Used cooking oil is converted to biodiesel for agricultural use
- Removal of single-use portion pots in the kitchens
- Discontinuing cling film use in pubs
- In the last 18 months, the Company has redistributed 24 tonnes of surplus meat, ready meals and desserts to food redistribution charity FareShare, enough to create over 50,000 meals for vulnerable people.

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

From October 2022 all of the Company's electricity supply will be 100% renewable.

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

In the year ended 25 July 2021, the Company achieved a consumption saving of 42.1% which is largely due to the various lockdowns which arose in the past 12 months.

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

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

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

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

The Company has an energy and environment group which meets on a monthly basis and includes two of the executive board directors. Each pub has an energy champion, responsible for reducing consumption at his or her pub and communicating best practice and new initiatives to staff.

The Company is a member of the Zero Carbon forum – a group which supports the hospitality sector to meet its carbon reduction targets. The Company is also working with Carbon Intelligence to develop and implement a robust and credible carbon reduction strategy.

All employees receive training on recycling and waste management processes.

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

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

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

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

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

	Male	Female
Directors	6	2
Senior managers	685	431
All employees	19,955	22,617

Section 172 statement
Section 172 of the Companies Act 2006 requires that directors of a Company act in good faith to promote the success of the Company for all stakeholders.

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

In the period, the directors have taken decisions in a number of areas, including: the safe operation of its pubs and compliance with Covid legislation and guidance; Company funding including the share placement, loan waivers and liquidity; and head-office restructuring.

Examples of the Company's engagement with stakeholders are:
- Wherever practical, the directors consult widely among the Company's employees, regarding decisions to be made about the Company. The directors believe that wide consultation and a management team with extensive industry experience are likely to make the best long-term decisions. The Company's senior management team regularly engages with pub-based employees through meetings, pub visits and surveys.
- Most of the Company's employees are customers and many are shareholders. The Company encourages its employees to feed back their views, as well as those views of their friends and familiy. The Company operates a suggestion scheme whereby any employee can send in ideas or make a recommendation for the improvement of the Company.
- Details of the Company's employment policy are disclosed on page 91. Information on employee engagement can be found above.
- Where possible, the Company forms long-term relationships with suppliers, so that all parties have a more certain environment in which to operate. The Company's responsible retailing policy is published on our website. During the pandemic the Company mutually agreed on payment plans with suppliers and landlords, with the vast majority of suppliers paid on time throughout.
- The Company aims to provide customers with good-quality food and drinks, served by well-trained and friendly staff, at reasonable prices. In the period, the temporary 5% VAT rate that was introduced in July 2020, on food, non-alcoholic drinks and hotel room sales, was passed on to customers in full, in the form of reduced selling prices.
- The Company communicates with its customers through its website and Wetherspoon News. These were maintained throughout the pandemic, including a special magazine edition which focused on press misrepresentations.
- Information on human rights, environmental and social matters, food safety, cyber security and reputational matters is provided in this strategic report, while further information is published on our website.

■ Information on shareholder engagement is provided in the corporate governance report. Questions and answers from the interim results investor roadshow (March 2021) were published on the Company's website and the London Stock Exchange Regulatory News Service (RNS).

Principal risks and uncertainties facing the Company

In the course of normal business, the Company continually assesses significant risks, categorised based on impact and likelihood. These risks are informed by consultation with the wider senior management team which takes action to mitigate their potential impact. For details of the approach to emerging risks see page 90.

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

Strategic risks

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

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

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

Commercial risks

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

Operational risks

Widespread pub closures
This is where an external event leads either directly or through government action to widespread pub closures, an example of this risk being the closures during 20 March to 4 July 2020 and 6 January to 17 May 2021, due to the coronavirus pandemic. The impact of such an event will depend on the nature of the event and the reaction to that event by the government and the public.

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

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

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

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

Supply chain risks
It is fundamental to the operation of the pubs that they are supplied with the required goods and services.

The Company recognises that is is critical to understand the supply chain and have accurate information relating to provenance, ingredients and ethical practices.

The Company works closely with its suppliers and central distribution partners, in order to maintain availability of products.

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

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

There have been limitations on the Company's food-hygiene-monitoring, owing to restrictions implemented to control the coronavirus pandemic. With the easing of these restrictions, monitoring of food hygiene standards has been reintroduced.

Head office and national distribution centre
Any major incidents at the Company's head office

(Watford) or its national distribution centre (Daventry) could seriously disrupt its daily operations. Various measures have been taken by the Company, including a comprehensive disaster-recovery plan, seeking to minimise the impact of any such incidents.

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

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

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

Financial risks

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

Sales, profitability, debt requirements and cash flow are reviewed weekly by a team which includes the chairman, chief executive, finance director and senior finance managers (see note 21).

Interest-rate risk
The Company has dealt with the risks of an increase in interest rates by swapping the majority of its floating-rate borrowings into fixed rates which expire in 2029 (see note 21).

During the 52 weeks ended 25 July 2021, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax loss for the year would have been reduced by £705,000 and equity increased by £41,120,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve. The Company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

Credit risk
The Company does not have a significant concentration of credit risk, as the majority of its revenue is in cash. At the balance sheet date, the Company was exposed to a maximum credit risk of £2.0m, of which £1.0m was overdue.

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

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

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

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

By order of the board

Nigel Connor
Company Secretary
30 September 2021

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of J D Wetherspoon plc (the 'company') for the 52 weeks ended 25 July 2021, which comprise the Income statement, the Statement of comprehensive income, the Cash flow statement, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:
- give a true and fair view of the state of the company's affairs as at 25 July 2021 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the going concern narrative on page 51 in the financial statements, which indicates material uncertainty, which may cast significant doubt over the company's ability to continue as a going concern, which has resulted from the impact of the Covid-19 virus on the economy and the hospitality industry and the ongoing uncertainty surrounding when public confidence and self-imposed social distancing measures will allow trading to return to "normal" pre Covid-19 levels. The company has agreed with its lenders to replace existing covenant tests up to and including 25 July 2022 but beyond this date, there is material uncertainty as to whether financial covenant tests will be satisfied, or whether further waivers will be agreed on by lenders.

As stated on page 51, these events or conditions, along with the other matters as set out on page 51, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of management's assessment of the company's ability to continue as a going concern

In responding to the risks relating to going concern and evaluating whether a material uncertainty exists, our procedures evaluated management's assessment of the ongoing impact of Covid-19 on the company's business model, working capital and covenant compliance by undertaking the following work:
- obtained management's base case forecast for a period of 16 months from the anticipated date of approval of the financial statements, together with supporting evidence for all key trading, working capital and cash flow assumptions;
- obtained management's three alternative scenarios, which reflect management's assessment of sales growth over the going concern period and management's "cash burn" during a prolonged closure period;
- robustly challenged the process that management has undertaken to conclude on the appropriateness of the going concern basis of preparation, including challenging and applying sensitivities to the key assumptions made by management in preparing the forecasts;
- tested the robustness of forecasts prepared by comparison to forecasts made in prior periods, including assessing management's historic ability to forecast, and in light of our understanding of the company's operations;
- obtained correspondence in relation to covenant waivers and amendments and confirmed that the terms and conditions therein were consistent with those applied by management in their base case and downside scenario forecasts, including the period over which the bank has confirmed that these waivers and amendments are in place;
- considered the reasonableness of any further mitigating actions identified by management, which included an assessment of the feasibility and quantification of such mitigative measures available to management; and
- assessed the disclosures made within the financial statements for consistency with management's assessment of going concern and in line with the accounting standards.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Reporting under the UK Corporate Governance Code

In relation to the company's reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting and directors' identification in the financial statements of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Our approach to the audit

Grant Thornton

Overview of our audit approach

Overall materiality: £5,500,000, which represents 4.9% of the company's preliminary 3-period average profit/(loss) before tax.

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

Key audit matters were identified as:

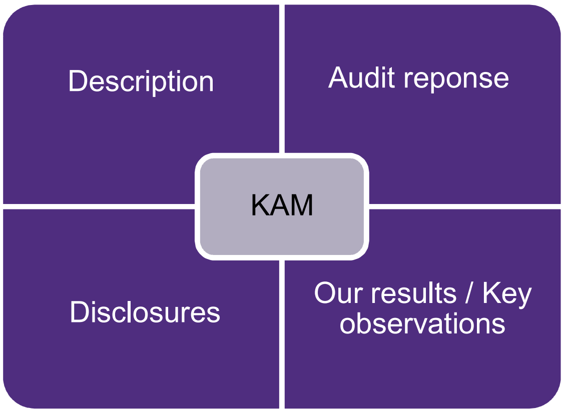
- The impairment of property plant and equipment and right-of-use assets (same as previous period);
- The application of International Financial Reporting Standard (IFRS) 16 'Leases' (same as previous period); and
- Management override of controls – the presentation of exceptional items (same as previous period).

Our auditor's report for the 52 weeks ended 25 July 2020 did not include any matters that have not been reported as a key audit matter in our current period's audit report.

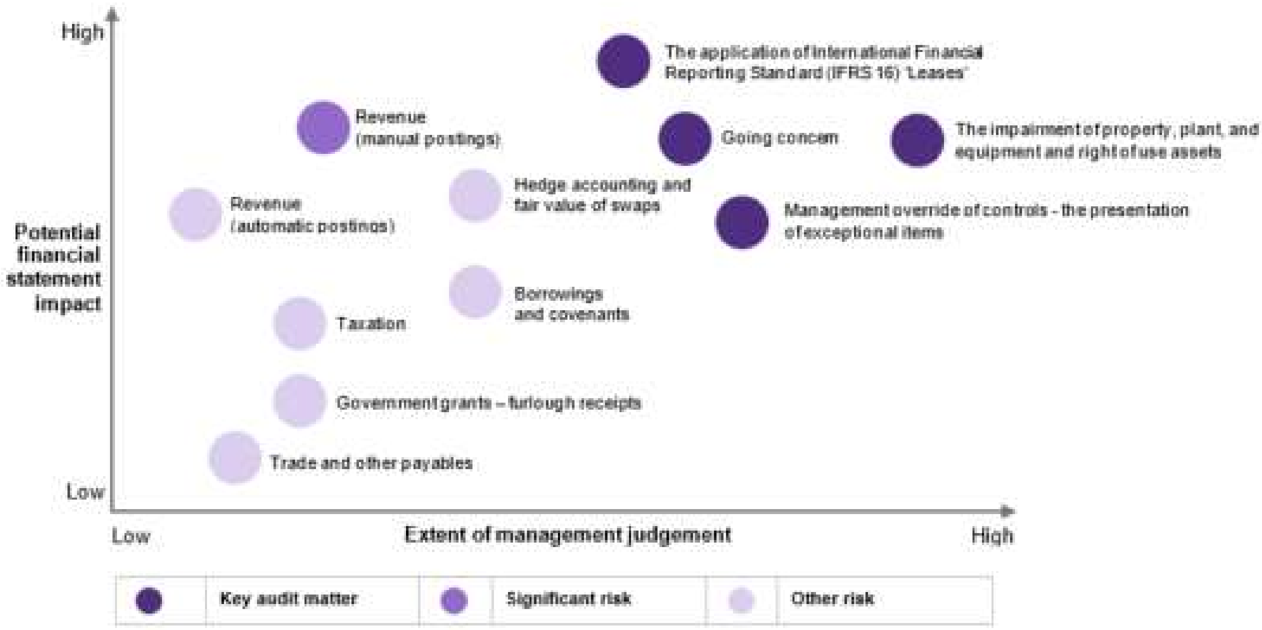
We have performed full scope audit procedures on the financial statements of the company.

Key audit matters

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



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

Key Audit Matter	How our scope addressed the matter
The impairment of property, plant and equipment and right-of-use assets We identified impairment of property, plant and equipment and right-of-use assets as one of the most significant assessed risks of material misstatement due to error. Property, plant and equipment represents the largest balance on the balance sheet (25 July 2021: £1.4bn). Further to this, 'Right-of-Use' assets (25 July 2021:£469m) must be considered for impairment. The directors consider each individual pub to be a separate cash generating unit for impairment purposes and as explained in note 13 to the financial statements, the directors are required to undertake an impairment assessment where events indicate that the carrying value of the cash generating unit may not be recoverable. The ongoing uncertainties within the current economic climate caused by Covid-19 have been included within management's consideration of qualitative and quantitative impairment indicators. The process for measuring and recognising impairment under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex and requires significant judgement, including assumptions on management's assessment of the impact of Covid-19 on the future trading activity for each pub, the determination of the appropriate discount rate to be applied to those cashflows, as well as the valuation of properties. Management performs a risk categorisation of pubs based on the improvements required to forecast future cash flows to identify those pubs considered to be of a high risk of impairment. Our significant risk has been pinpointed to those pubs classified as high risk. **Relevant disclosures in the Annual Report and Financial Statements 2021** ■ Financial Statements: Note 13, Property, plant and equipment ■ Accounting Policies: Important estimates, Impairment of property, plant and equipment ■ Corporate Governance: Significant financial reporting items.	In responding to the key audit matter, we performed the following audit procedures: ■ Assessing the design effectiveness of controls, including the methodology applied by management to identify indicators of impairment and when performing their impairment test for each of the relevant pubs; ■ Testing the allocation of costs to each cash generating unit; ■ Testing the arithmetical accuracy and integrity of management's impairment model, by checking the internal consistency of formulae; ■ Agreeing inputs to supporting documentation, including lease agreements and historic pub profit figures and the fixed asset register; ■ Comparing management's assumptions against external economic forecasts reflecting the uncertainties inherent within the current economic environment; ■ Obtaining management's risk categorisation and performing work on the pubs included in each category to assess reasonableness; ■ Obtaining corroborative evidence to support management's judgements used for those pubs with indicators of impairment, with special audit consideration on pubs classified as high risk; ■ Using our valuation experts to assess the reasonableness of the discount rate applied to cash flows, which included benchmarking to comparator companies and other market information; ■ Performing sensitivity analysis on the various assumptions used in the model; ■ Assessing whether any impairment charges have been appropriately reflected in the company's accounting records; ■ Considering the accounting policy for compliance with IAS 36 and that the application by the company is consistent with the stated policy; and ■ Assessing whether disclosures in respect of the accounting policy and disclosures in the financial statements relating to impairment are appropriate. **Key observations** Management concluded that additional immaterial impairments were required having considered our audit findings in relation to the impairment of property, plant and equipment and right-of-use assets. There are no further material misstatements identified from our audit work which have not been adjusted by management.

Key Audit Matter	How the scope addressed the matter
The application of IFRS 16 'Leases' We identified the application of IFRS 16 'Leases' as one of the most significant assessed risks of material misstatement due to error. IFRS 16 requires lessees to account for leases on balance sheet by recognising a right-of-use asset and lease liability. Whilst no longer the first period of adoption, this standard remains complex and associated disclosure is material to the financial statements. At 25 July 2021, the right-of-use asset totalled £469m and the lease liability totalled £524m. The process for measuring the impact of IFRS 16 is complex and requires significant judgement, including: ■ Determination of the discount rate applied in calculating lease liabilities, specifically in assessing the company's Incremental Borrowing Rate (IBR); ■ Lease term including break clauses, termination and extension options; and ■ Lease modifications, reassessment and the application of the Covid-19 related rent concession practical expedient.	In responding to the key audit matter, we performed the following audit procedures: ■ Assessing the design effectiveness of controls for determining lease accounting under IFRS 16, including the identification of leases, reassessments and modifications, and reconciliations performed to ensure that data is appropriately captured; ■ Testing the arithmetical accuracy and integrity of the underlying data, by checking the consistency of the formulae and agreeing inputs to supporting documentation; ■ Testing the completeness of leases identified to known leases and lease payments made in the period; ■ Validating a sample of new leases and lease modifications to verify the accuracy of the underlying lease data and validate the inputs used in the calculation; ■ Using our valuation experts to assess the reasonableness of the discount rate applied; ■ Obtaining corroborative evidence to support the judgements made by management for the key assumptions in applying IFRS 16; and ■ Assessing whether disclosures in respect of the accounting policy and disclosures in the financial statements are appropriate and in accordance with IFRS 16, including updated guidance in relation to the practical expedient to provide rent concessions related to Covid-19. **Key observations** Management concluded that amendments were required to their IFRS 16 accounting having considered our audit findings in relation to their application of the Covid-19 related rent concession practical expedient.
Relevant disclosures in the Annual Report and Financial Statements 2021 ■ Financial Statements: Note 22, Leases ■ Accounting Policies: Leases, Right-of-use-asset and Termination and break of leases ■ Corporate Governance: Significant financial reporting items.	In addition to this, as a result of our work, a prior period adjustment was identified in relation to a lease agreement that was incorrectly accounted for, which has been adjusted by management, as disclosed in the Accounting Policies of the financial statements. .

Key Audit Matter	How our scope addressed the matter
Management override of controls - the presentation of exceptional items We identified management override of controls – presentation of exceptional items as one of the most significant assessed risks of material misstatement due to error. The risk of management override of controls arises in the judgemental areas within the financial statements. The key judgements are highlighted on pages 51-52 of the annual report and financial statements and exceptional items is flagged as one of those areas. Exceptional items are presented separately in the income statement and further detailed in Note 4 of the financial statements, and total £34.6m (2020 - £59.0m). There are a number of key management judgements around which items should be presented as exceptional. **Relevant disclosures in the Annual Report and Financial Statements 2021** ■ Financial Statements: Note 4, Exceptional items ■ Accounting Policies: Important estimates, Exceptional items ■ Corporate Governance: Significant financial reporting items.	In responding to the key audit matter, we performed the following audit procedures: ■ Assessing items included as exceptional in the financial statements and discussing with management as to the rationale for this classification; ■ Assessing whether management's classification of exceptional items is consistent with the prior period, including gains and losses in relation to the continuing pub disposal programme and other property losses; ■ Challenging management regarding the disclosure of costs associated with Covid-19 within exceptional items; ■ Testing a sample of items classified as exceptional to supporting documentation, including completion statements and invoices; and ■ Reading the exceptional items disclosures to assess whether they provide a clear and adequate information for the users of the financial statements. **Key observations** As a result of audit procedures performed, we have not identified any material misstatement with respect to management's classification of exceptional items.

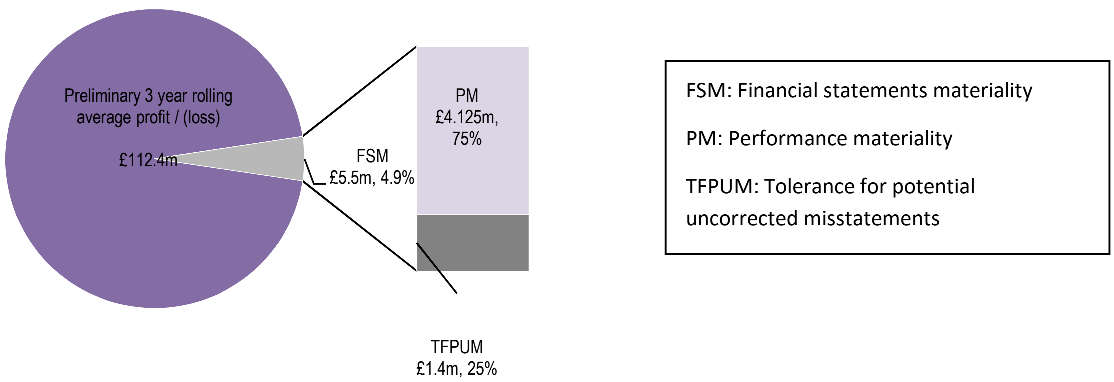
Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£5,500,000, which is 4.9% of the company's preliminary 3-period average profit/(loss) before tax.
Significant judgements made by auditor in determining the materiality	This use of a 3-period average as opposed to a single period and a benchmark based on profit/(loss) before tax is considered the most appropriate because of the unprecedented impact of Covid-19 on the company's results and annual report. A market based measurement percentage was chosen which also reflected our knowledge of the business obtained from prior year audits. Materiality for the current period is higher than the level that we determined for the period ended 26 July 2020 to reflect the increased loss before tax and the lower Covid-19 uncertainty in the current period.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£4,125,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we considered all pertinent facts from prior period audits, including the quantitative and qualitative factors behind adjusted and unadjusted misstatements, control deficiencies and also changes in overall business risk and the control environment.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for certain specific areas, being directors' remuneration and related party transactions, set at £10,000.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£275,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



An overview of the scope of our audit
We performed a risk-based audit that requires an understanding of the company's business and in particular matters related to:

Understanding the company and its environment, including controls
The engagement team obtained an understanding of the company and its environment, including the controls and the assessed risks of material misstatement. We performed interim and advanced audit procedures as well as an evaluation of the internal control environment, including the company's IT systems and controls.

Performance of the audit
We performed the majority of our work on-site and undertook substantive testing on significant transactions and material account balances, including the procedures outlined above in relation to key audit matters. We performed a full scope audit of the financial statements of the company.

Changes in approach from previous period
There were no significant changes to the scope of the audit compared to the prior period audit.

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

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

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and

■ information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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

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

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

Matters on which we are required to report by exception

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

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

Corporate governance statement

The listing rules require us to review the directors' statement in relation to going concern, longer term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Aside from the impact of the matters disclosed in the 'Material uncertainty related to going concern' section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

■ the directors' explanation in the annual report and financial statements as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
■ the directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy;
■ the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the company including the impact of Covid-19 and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated including the impact of Covid-19;
■ the section of the annual report that describes the review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
■ the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

■ We obtained an understanding of legal and regulatory frameworks applicable to the company and the industry in which it operates. We determined that the following laws and regulations were most significant: international accounting standards in conformity with the requirements of the Companies Act 2006, IFRIC interpretations, Companies Act 2006, Listing Rules and the UK Corporate Governance Code.

■ We enquired of management, the finance team, legal counsel, internal audit, the audit committee and the board of directors about the company's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations and the results of these enquiries were communicated to audit team;

■ We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures, internal audit and the company secretary. Our findings were corroborated by review of the board minutes and papers provided to the audit committee and a review of HMRC correspondence.

■ The engagement partner assessed the appropriateness of the collective competence and capabilities of the engagement team, by considering the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity.

■ We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Obtaining an understanding of how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgements made by management in its significant accounting estimates;
- Identifying and testing journal entries selected based on risk profiling, with a focus on entries made with unusual accounting combinations;
- Applying audit data analytics techniques across the revenue population to match revenue recorded to cash receipts and investigating and corroborating any expected exceptions;
- Assessing matters reported through the company's whistleblowing programme and the results of management's investigation of such matters; and
- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud.

Other matters which we are required to address
Following the recommendation of the audit committee, we were appointed by the board on 9 November 2017 to audit the financial statements for the period ended 29 July 2018 and subsequent financial periods.
The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the periods ended 29 July 2018 to 25 July 2021.The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

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

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

30 September 2021

DIRECTORS, OFFICERS AND ADVISORS

Tim Martin Chairman, aged 66

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

John Hutson Chief Executive Officer, aged 56
Joined in 1991 and was appointed to the board in 1996. He is a graduate of Exeter University and previously worked with Allied Domecq.

Ben Whitley Finance Director, aged 43
Joined in 1999 and was appointed to the board in 2015. He is a graduate of Durham University and qualified as a chartered management accountant in 2012.

Su Cacioppo Personnel and Legal Director, aged 54
Joined in 1991 and was appointed to the board in 2008. She is a graduate of South Bank University and London Guildhall University and previously worked for Courage Limited and Allied Leisure.

Nigel Connor Company Secretary and Head of Legal, aged 52
Joined in 2009 and was appointed Company Secretary in 2014.
He is a graduate of Newcastle University and qualified as a solicitor in 1997.

Debra van Gene Non-Executive Director, Remuneration Committee Chair, aged 66
Appointed to the board in 2006 and is chair of the remuneration committee and a member of the audit and nomination committees. She is a graduate of Oxford University. She has previously been a partner at Heidrick and Struggles Inc and a Commissioner with the Judicial Appointments Commission.

Sir Richard Beckett Non-Executive Director, Nomination Committee Chair, aged 77
Appointed to the board in 2009 and is chair of the nomination committee and a member of the audit and remuneration committees. He was called to the bar in 1965 and took silk in 1987. He was one of the pre-eminent practitioners in regulatory and licensing matters.

Harry Morley Non-Executive Director, Audit Committee Chair, aged 56
Appointed to the board in 2016 and is chair of the audit committee and a member of the nomination and remuneration committees. He is a graduate of Oxford University. He is a non-executive director of The Mercantile Investment Trust plc, TheWorks.co.uk plc and of Cadogan Group and its related subsidiary companies. He is also a trustee of the Ascot Authority. He qualified as a chartered accountant in 1991.

Ben Thorne Non-Executive Director, aged 62
Appointed to the board in 2020 and a member of the nomination, audit and remuneration committees. He qualified as a solicitor in 1985 specialising in corporate law. He subsequently moved into investment banking in 1987 and has over 30 years' experience of advising corporates. He is currently a managing director at WH Ireland.

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

David Capstick IT and Property Director, aged 60
Joined in 1998. He was appointed to the management board in 2003.
He is a graduate of the University of Surrey and previously worked for Allied Domecq.

Martin Geoghegan Operations Director, aged 52
Joined in 1994, having previously worked for Safeway plc. He worked in several operational roles, before being appointed as operations director in 2004.

James Ullman, Audit Director, aged 50
Joined in 1994. He was appointed to the management board in 2019. He is a graduate of Brighton University and Birmingham City University and became a chartered auditor in 2011.

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

Company number
1709784

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Solicitors
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EC4A 1LT

Bankers
Allied Irish Banks
Banco de Sabadell S.A London Branch
Barclays Bank plc
BNP Paribas
Clydesdale Bank plc
Co Operative Rabbobank U.A
Crédit Industriel et Commercial.
Handelsbanken Bank
HSBC Bank plc
Mediobanca S.p.A
MUFG Bank Ltd
National Westminster Bank plc
Santander UK plc
The Governor and Company of the Bank of Ireland

Financial advisers

Investec Bank plc

Stockbrokers
Investec Bank plc

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 72.

Dividends
No dividend will be paid for the year.

Return of capital
At the annual general meeting of the Company, held on 17 December 2020, the Company was given authority to make market purchases of up to 18,057,023 of its own shares. During the year to 25 July 2021, no shares were purchased.

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

Takeover directive disclosures
The Company has an authorised share capital comprising 500,000,000 ordinary shares of 2p each. As at 25 July 2021, the total issued share capital comprised 128,750,155 fully paid-up shares of 2p each. The rights to these shares are set out in the Company's articles of association. There are no restrictions on the transfer of these shares or their attached voting rights.

Details of significant shareholdings at year end and as at 25 July 2021 are given on page 92.

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

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

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

The Company has the power to issue and buy back shares as a result of resolutions passed at the annual general meeting in 2021. It is the Company's intention to renew these powers; the resolutions approving them are found in the notice of the annual general meeting for 2021.

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

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

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with the International Accounting Standards in conformity with the requirements of the Companies Act 2006. Under Company law, the directors must not approve the financial statements, unless they are satisfied that they give a true, fair and balanced view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates which are reasonable and prudent
- state whether applicable international accounting standards (IASs) in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Company will continue in business

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

The directors confirm that:

- so far as each director is aware, there is no relevant audits information of which the Company's auditor is unaware
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

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

To the best of our knowledge:

- the Company's financial statements are prepared in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties which it faces.

Business relations
Information on the Company's relations with customers and suppliers is disclosed in the strategic report on page 59.

Employment policies
Information on the Company's employment policies is disclosed in the corporate governance report on page 91.

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

Viability statement
In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its liabilities, as they fall due, for the next three years.

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

The directors' assessment has been made with reference to the Company's current position, financial plan and its principal risks and uncertainties set out on pages 60–61, specifically economic, regulatory, reputational and interest-rate risks. To assess the impact of the Company's principal risks and uncertainties on its long-term viability, scenarios were applied to the Company's financial forecasts in the form of reduced like-for-like sales, the closure of some or all of its pubs and increased borrowing costs. It is assumed that the Company's financial plans would be adjusted in response to each scenario.

In making this statement, the directors carried out a robust assessment of the principal risks and uncertainties facing the Company, including those which would threaten its business model, future performance, solvency or liquidity. Principal risks and uncertainties set out on pages 60–61 are the result of internal risk management and control processes, with further details set out in the audit committee's report on pages 89-91.

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 broadly recover to pre Covid levels. More cautious scenarios have been analysed, including ones with significant reductions to revenue, these have been prepared with reference to the actual cash outflows in the previous lockdown periods.

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.

Material uncertainty, which may cast significant doubt over the Company's ability to continue as a going concern, has resulted from the impact of the Covid-19 virus on the economy and the hospitality industry and it is also not clear when public confidence and self-imposed social distancing measures will allow trading to return to 'normal' pre Covid 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 2022. There is material uncertainty, which may cast significant doubt over the Company's ability to continue as a going concern, beyond this date about whether financial covenant tests will be satisfied or whether further waivers will be agreed on by lenders. The Company will remain in regular dialogue with its lenders throughout the period.

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

Greenhouse gas (GHG) emissions

GHG Emissions	Unit	Quantity	
		2021	2020
Scope 1	Tonnes CO_2e	24,726	45,012
Scope 2	Tonnes CO_2e	57,079	68,297
Fuel (car)	Tonnes CO_2e	33	745
Intensity	Tonnes CO_2e / £m revenue	105.9	63.1

Consumption (kWh)

	2021	2020
Scope 1	134,994,694	244,801,679
Scope 2	178,260,013	292,946,271
Fuel (car)	139,138	3,138,550
Total	313,393,845	540,886,500

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

- Reported data is for the year ended 25 July 2021
- Scope 1 – combustion of gas
- Scope 2 – purchase of electricity
- Refrigerant emissions from our pubs are not reported, as they are immaterial

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

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

- Details of long-term incentive schemes, page 78-79
- Provision of services by a controlling shareholder page 76-85,
- Agreements with controlling shareholders, page 50
- Corporate governance (DTR 7.2.9 R), pages 86-91.

Events after the reporting period
There are no events to disclose.

By order of the board

Nigel Connor
Company Secretary
30 September 2021

Annual statement

Dear shareholder

The following salary adjustments and awards were made to executive board members this year, in accordance with the remuneration policy agreed on by shareholders at the Company's AGM in December 2020:

Salary

The salaries of all directors were unchanged in this financial year. This compares with a 2% increase for the general salaried workforce.

During the year, reflecting the pandemic and associated pub closures, the directors voluntarily reduced their salaries to varying degrees, during 9 November 2020-31 March 2021. The details of these reductions are shown on page 82.

Annual cash bonus

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

Deferred Bonus Scheme

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

Company Share Incentive Plan (SIP)

These awards are ordinarily made twice yearly throughout the Company. The SIP award took place in October 2020 as normal, but not in March 2021.

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

The CEO and the personnel and legal director each received an additional award equivalent to 2.5% (normally 5%) of their salary, because of their length of service. This additional award is available to all employees with over 25 years' service with the Company.

Pension

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

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

Workforce engagement

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

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

Debra van Gene

Chair of the Remuneration Committee

30 September 2021

Remuneration policy

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

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

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

This statement of our remuneration policy was approved by shareholders at the Company's AGM on 17 December 2020.

Component	Reason	Operation, maximum achievable and performance criteria
Base salary	Provide attractive and fair remuneration for directors.	Salaries are reviewed at least annually, with any changes normally taking effect from 1 October each year. Salary increases are awarded at the discretion of the remuneration committee. When considering salary levels and whether an increase should be offered, the committee takes account of a variety of factors, including Company performance, individual performance, experience and responsibilities, market information and the level of increase being offered to other employees.
Benefits	Provide attractive and fair remuneration for directors.	A range of taxable benefits is available to executive directors. These benefits comprise principally the provision of a car allowance, life assurance, private medical insurance and fuel expenses. In addition, an allowance equivalent to 5% of salary is paid for a set number of calls to monitor service and standards in pubs, predominantly in the evening and at weekends. This is paid quarterly. The cost of benefits provided changes in accordance with market conditions. The committee monitors the overall cost of the package periodically.
Pension	Provide attractive and fair remuneration for directors.	The Company does not operate any defined benefit pension schemes. Newly appointed executive directors will receive a pension contribution of 6% which is aligned with that made on average to the wider workforce at the date of this policy. For the basis of this, please see the table on page 82. Existing executive directors will continue to receive 12% of base salary, on the basis that this has never been excessive, is lower than the average for FTSE250 firms and is not disproportionate with that of the wider workforce. After 25 years' service, all employees in the Company, including executive directors receive additional pension payments of 2% of their salary. This rises by a further 2% after each additional five years' service. Executive directors may receive a salary supplement in lieu of pension, at the discretion of the remuneration committee.

Component	Reason	Operation, maximum achievable and performance criteria
Annual bonus plan	Incentivise directors to perform to a high level.	Annual bonus payments are paid in cash, at the discretion of the remuneration committee. The bonus is based on profit growth, multiplied by a factor of 1.5 and paid to a maximum of 45% of salary. Profit growth is calculated on profit before tax, property gains/losses and exceptional items.
Share Incentive Plan (SIP)	Align directors' interests with those of shareholders, employees and the wider community.	The SIP allocates shares equivalent to 5% of salary to all Company employees after an 18-month qualifying period. Shares do not vest for at least three years under this plan – and tax-free returns are possible, if the shares are held for five years or more. The Company offers extra shares under this scheme to some employees: pub managers receive an extra 5% annual award; head-office staff 10–15%; directors, including executive board directors, 20%. After 25 years' service, executive directors receive additional SIPs of 5% of their salary. This rises by a further 5% after each additional five years' service. The increases which apply to directors after 25 years and after each additional five years apply to all other employees also. Awards under this scheme are not based on financial or other targets. The Company believes that excessive use of financial targets can lead to distortions in companies' behaviour and that it is important for there to be some share awards which can be accumulated gradually, the value of which depends on the overall success of the Company. The aim is for all employees to be able to accumulate shares over time, to encourage loyalty and joint purpose. Awards are made twice yearly throughout the Company. Directors must be in office when the shares vest. If changes are made to SIPs which apply to all employees in the schemes, they may be applied to executive directors, at the discretion of the remuneration committee.

Component	Reason	Operation, maximum achievable and performance criteria
Deferred Bonus Scheme	Align directors' interests with those of shareholders, employees and the wider community.	The Company does not operate a shareholding scheme with a minimum vesting period of five years. The Deferred Bonus Scheme may award shares to all senior managers, including executive directors. Bonus awards are made under the scheme, annually, at the discretion of the remuneration committee. Bonus awards are satisfied in shares. One-third of a participant's shares will vest to the participant on calculation of the amount of the award, one-third will vest after one year and the remaining third will vest to the participant after two years (in each case subject to the participant being employed at the release date). The current performance criteria are based on earnings per share and owners' earnings per share. The performance criteria for executive directors are the same as those for senior managers who are eligible for the scheme. Awards are made using a multiple based on an employee's grade. The maximum bonus to be earned under the scheme is 100% of annual salary. Any changes made to the Deferred Bonus Scheme for eligible senior managers may, at the discretion of the remuneration committee, be applied to executive directors.
Non-executive directors' fees	Provide attractive and fair remuneration for directors.	The fees paid to non-executive directors are determined by the executive board, taking into account the level of fees for similar positions in the market and the time commitment which each non-executive director makes. The non-executive directors receive no other remuneration or benefits from the Company.

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

To the extent that any executive director holds less than the required number of shares, he or she has a five-year period to meet this requirement from the date on which the requirement was set (17 December 2020). During this period, at least 50% of any vested share awards must be retained, until the required shareholding is attained.

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

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

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

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

	Number of shares	
	Minimum Requirement	Shares held as 25 July 2021
B Whitley	28,000	21,997
J Hutson	76,000	184,084
S Cacioppo	44,000	56,607
T Martin	41,000	28,174,709

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

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

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

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

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

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

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

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

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

Chairman and directors' service contracts
The executive directors are employed on rolling contracts, requiring the Company to give up to one year's notice of termination, while the director may give six months' notice.

In the event of termination of employment with the Company, without the requisite period of notice, executive directors' service contracts provide for the payment of a sum equivalent to the net value of salary and benefits to which the executive would have been entitled during the notice period.

The executive is required to mitigate his or her loss and such mitigation may be taken into account in any payment made. The Company's policies on the duration of directors' service contracts, notice periods and termination payments are all in accordance with best industry practice.

The commencement dates for executive directors' service contracts were as follows:

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

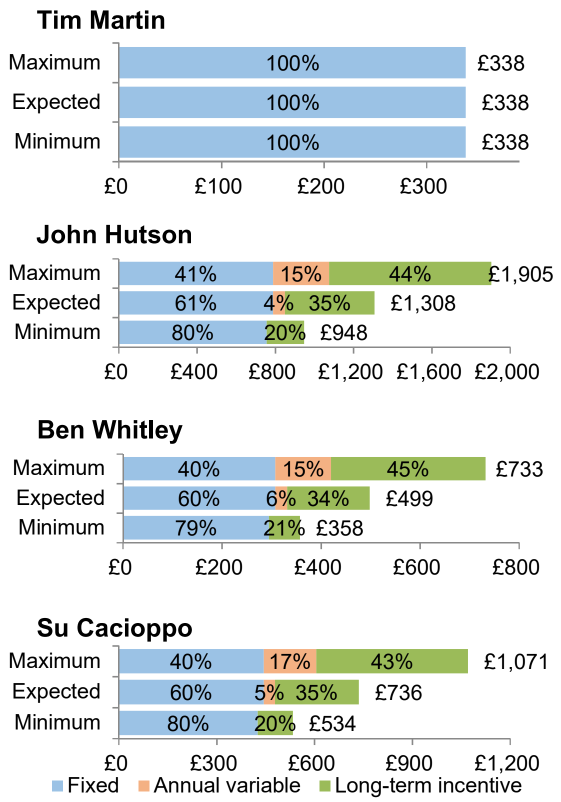
All directors will be standing for re-election at the AGM. Their current service contracts do not have an explicit expiry date.

Non-executive directors
The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2020, with a term of 12 months.

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

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

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



The fixed annual values include:

- Fixed annual salary, benefits and allowances, in line with those outlined in the policy section, and based on the salaries applicable as at 25 July 2021

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

The long-term incentive plan values include:
- The fixed 25% awarded under the Company's Share Incentive Plan
- An average achieved in respect of the Deferred Bonus Scheme over the last five years

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

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

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

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

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

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

Annual report on remuneration

The table below sets out in a single figure the total amount of remuneration, including each element, received by each director for the year ended 25 July 2021.

Single-figure table – audited

	Full Basic Salary (Pre Deductions)		Voluntary Covid-19 Reductions[1]		Taxable Benefits/Allowance[2]		Performance Bonus[3]		Long-term Incentives[5]		Pension contributions[4]		Total		Total Fixed		Total Variable	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Executive directors																		
Ben Whitley	250	246	(4)	(34)	20	23	–	–	31	28	30	29	327	292	296	264	31	28
John Hutson	638	635	(51)	(113)	33	36	–	–	96	93	97	87	813	738	717	645	96	93
Su Cacioppo	358	357	(6)	(53)	24	27	–	–	54	52	51	49	481	432	427	380	54	52
	1,246	1,238	(61)	(200)	77	86	–	–	181	173	178	165	1,621	1,462	1,440	1,289	181	173
Non-executive directors and chairman																		
Tim Martin	324	324	(51)	(57)	14	12	–	–	–	–	–	–	287	279	287	279	–	–
Elizabeth McMeikan	–	9	–	-	–	–	–	–	–	–	–	–	–	9	–	9	–	–
Ben Thorne	32	–	(7)	-	–	–	–	–	–	–	–	–	25	–	25	–	–	–
Debra van Gene	54	54	(9)	(9)	–	–	–	–	–	–	–	–	45	45	45	45	–	–
RIchard Beckett	54	54	(9)	(9)	–	–	–	–	–	–	–	–	45	45	45	45	–	–
Harry Morley	54	54	(9)	(9)	–	–	–	–	–	–	–	–	45	45	45	45	–	–
	518	495	(85)	(84)	14	12	–	–	–	–	–	–	447	423	447	423	–	–
Total	**1,764**	1,733	**(146)**	(284)	**91**	98	**–**	–	**181**	173	**178**	165	**2,068**	1,885	**1,887**	1,712	**181**	173

1) Between 9 November 2020 and 31 March 2021 (the pub closure period), the directors volunteered salary reductions of differing percentages. Additionally, no pub call allowance was paid during this closure period.
2) Taxable benefits include car allowances and the provision of rail travel for Tim Martin, as well as private health and fuel expenses for executive directors. In respect of the element for pub calls made to monitor standards, 2.1% was awarded, in line with policy.
3) No bonus was awarded under the profit growth element of the bonus scheme, in line with policy.
4) Executive directors receive either pension contributions, equivalent to 12% of salary, to the stakeholder pension plan or salary in lieu of pension contributions. Additional pension payments are made, equivalent to 2% of salary for 25–29 years' service, a further 2% for 30–34 years' service and a further 2% at 35+ years' service. Su Cacioppo, John Hutson and Ben Whitley took, in salary, the portion of their Company pension contribution which was above the annual cap.
5) There was no SIP award during March 2021. The amount in the table under long term incentives include cash received following the vesting of shares during the period which have been awarded to the directors in previous years.

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

Company pension contributions for any newly appointed executive directors will be 6%. This aligns with contributions in the wider workforce. As at the date of the remuneration policy, the average employer contribution across all levels (pubs and head office) for the stakeholder plan was 5.4%, and the average employer contribution across all levels (head office only) for the stakeholder plan was 6.2%.

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

	Maximum	Awarded	B Whitley	J Hutson	S Cacioppo
Profit growth	45.0%	0.0%	–	–	–
Total performance bonus	45.0%	0.0%	–	–	–
Employee share scheme	25.0%	12.5%	31,236	79,766	44,780
Employee share scheme – long service*	5.0%	2.5%	–	15,953	8,956
Deferred Bonus Scheme	100.0%	0.0%	–	–	–
Total long-term incentives	130.0%	15.0%	31,236	95,719	53,736
Total	**175.0%**	**15.0%**	**31,236**	**95,719**	**53,736**

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

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

Long-term incentive awards – audited

	Number of shares			Face value in £		
	*Share Incentive Plan	**Deferred Bonus Scheme	Total	Share Incentive Plan	Deferred Bonus Scheme	Total
B Whitley	3,264	–	3,264	31,236	–	31,236
J Hutson	10,002	–	10,002	95,719	–	95,719
S Cacioppo	5,615	–	5,615	53,736	–	53.736
	18,881	**–**	**18,881**	**180,691**	**–**	**180,691**

*Awarded at an average share price of £9.57, three days before grant; shares will vest three years after grant.
** No deferred bonus scheme was awarded in the period.

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

Directors and connected persons' interests in shares: audited
The interests of the directors in the shares of the Company, as at 25 July 2021, were as follows:

Ordinary shares of 2p each, held beneficially

	Shares	**Share Incentive Plan**	**Deferred Bonus Scheme**	**2021**	Shares	Share Incentive Plan	Deferred Bonus Scheme	2020
T R Martin	**28,174,709**	**–**	**–**	**28,174,709**	32,976,209	–	–	32,976,209
B Whitley	**12,287**	**8,987**	**723**	**21,997**	9,670	9,296	5,611	24,577
J Hutson	**152,035**	**30,013**	**2,036**	**184,084**	140,039	33,928	17,170	191,137
S Cacioppo	**38,616**	**16,848**	**1,143**	**56,607**	26,969	19,045	9,639	55,653
B Thorne	**–**	**–**	**–**	**–**	–	–	–	–
D van Gene	**3,777**	**–**	**–**	**3,777**	3,777	–	–	3,777
R Beckett	**2,000**	**–**	**–**	**2,000**	2,000	–	–	2,000
H Morley	**3,111**	**–**	**–**	**3,111**	3,111	–	–	3,111

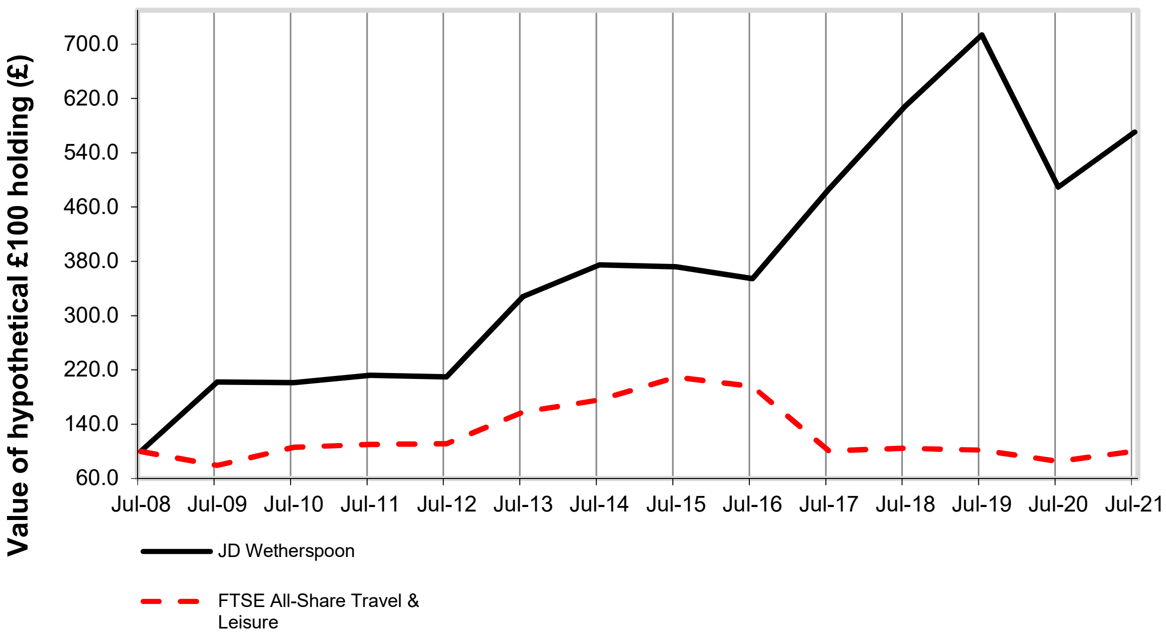
With the exception of partnership shares, there have been no changes to these interests since 25 July 2021.

Partnership shares
John Hutson and Ben Whitley are participants of the partnership share scheme and acquired 113 shares each in the year. Su Cacioppo is a participant in the partnership share scheme and acquired 112 shares in the year. The market price of the shares purchased ranged 1,064.0–1,383.0p.

Performance graph – non-audited information

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

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



Chief executive officer's remuneration

John Hutson	Single figure of total remuneration £000	Performance bonus payment achieved against maximum possible %	Long-term incentives scheme shares vesting against maximum possible* %
2021	813	-	100
2020	738	-	100
2019	1,035	10	100
2018	1,490	29	100
2017	1,698	85	100
2016	1,187	21	100
2015	1,202	10	100
2014	741	19	100
2013	1,079	43	100
2012	847	34	100

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

The following table compares the change in remuneration of all the directors, non-executive directors and chairman with that of all employees

	Change in Annual Salary[1] %	Change in Taxable Benefits %	Change in Annual Bonus %
Ben Whitley	1.6	(13.0)	-
John Hutson	0.5	(8.3)	-
Su Cacioppo	0.3	(11.1)	-
Tim Martin	-	16.7	-
Debra Van Gene	-	-	-
Richard Beckett	-	-	-
Harry Morley	-	-	-
Ben Thorne	-	-	-
Total Employees	(6.5)	(16.6)	(46.1)

[1]The annual salary referenced above for the directors, non-executive directors and chairman is before any Covid-19 deductions which are disclosed within the single figure table on page 82.

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

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

Pay ratios table

Year	Method	25th	50th	75th
2021	Option B	41:1	40:1	38:1
2020	Option B	50:1	32:1	27:1

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

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

	2021 £000	2020 £000	Change %
Dividends	-	8,371	(100.00)
Share buy-backs	-	6,456	(100.00)
Total employee remuneration	352,877	484,216	(27.12)

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

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

Shareholders' vote on 2020 directors' remuneration report
The table below shows the voting outcomes at the 17 December 2020 AGM for the directors' remuneration report.

	Number of votes	% of votes
For	96,038,266	94.58%
Against	4,698,133	4.63%
Abstentions	805,967	0.79%
Total cast	101,542,366	100.00%

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

Shareholders' vote on 2020 directors' remuneration policy
The table below shows the voting outcomes at the 17 December 2020 AGM for the directors' remuneration policy.

	Number of votes	% of votes
For	86,184,868	84.88%
Against	14,880,202	14.65%
Abstentions	477,476	0.47%
Total cast	101,542,546	100.00%

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

By order of the board
Nigel Connor
Company Secretary
30 September 2021

CORPORATE GOVERNANCE

Introduction
This section of the report sets out how the Company has applied the relevant principles and provisions of the 2018 code and identifies and explains where it has not.

1. Board Leadership and Company Purpose

The Company's approach is set out on page 87

2. Division of Responsibilities

Details of our governance and management structure are set out on pages 87-88

3. Composition, Succession and Evaluation

The board's approach to these areas via the work of the nomination committee and the Company's employment policies are set out on page 91

4. Audit, Risk and Internal Control

An outline of our internal processes in this area set out on page 89-91

5. Remuneration

A report on how the Company has applied the current Remuneration Policy and payments made to directors during the period is on pages 76-85.

Statement of compliance
The Company is committed to high standards of corporate governance. The board believes that the Company has been compliant with the Code throughout the 52 weeks ended 25 July 2021, except as described below.

3 – Dialogue with shareholders

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

10 – Non-executive directors' independence

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

12 – Senior independent director

The Company's previous senior independent director Elizabeth McMeikan resigned in October 2019. Recruitment of a replacement was interrupted by the Covid pandemic. While it is still the Company's intention to appoint a replacement, the Company had not, at the end of the period, appointed a senior independent director.

19 – Chairman's term

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

21 – External board evaluation

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

30 – Long-term shareholdings

To promote long-term shareholdings by executive directors and align their interests with shareholders, the Code requires that any share awards given to executive directors should have a minimum vesting period of five years. The executive directors receive shares under schemes which are open to other employees and have vesting periods of less than five years. The Company has disclosed details of the share award schemes in the remuneration policy on pages 78–79. To promote long-term shareholding by executive directors, the Company requires directors to hold a minimum number of shares as disclosed on page 80. Restrictions are in place on the sale of shares, if directors have not achieved the minimum holding.

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

Board leadership and Company purpose

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

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

Biographies of all non-executive and executive directors are provided on page 72 and can be viewed on the Company's website: jdwetherspoon.com

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

The Company's purpose and how it establishes its values and culture through engagement with employees are disclosed on page 59.

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

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

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

Matters reserved for the board

The following matters are reserved for the board:

- **Board and management**
  - ☐ Structure and senior management responsibilities
  - ☐ Nomination of directors
  - ☐ Appointment and removal of chairman and Company secretary
- **Strategic matters**
  - ☐ Strategic, financing or adoption of new business plans, in respect of any material aspect of the Company
- **Business control**
  - ☐ Agreement of code of ethics and business practice
  - ☐ Internal audit
  - ☐ Authority limits for heads of department
- **Operating budgets**
  - ☐ Approval of a budget for investments and capital projects
  - ☐ Changes in major supply contracts
- **Finance**
  - ☐ Raising new capital and confirmation of major facilities
  - ☐ The entry into asset-financing transactions
  - ☐ Specific risk-management policies, including insurance, hedging and borrowing limits
  - ☐ Final approval of annual and interim accounts and accounting policies
  - ☐ Appointment of external auditors
- **Legal matters**
  - ☐ Institution of legal proceedings, where costs exceed certain values
- **Secretarial**
  - ☐ Call of all shareholders' meetings
  - ☐ Delegation of board powers
  - ☐ Disclosure of directors' interests
- **General**
  - ☐ Board framework of executive remuneration and costs

Culture and Values
The board monitors the culture and the values of the Company in a number of ways:
- ☐ Meeting and talking with employees from our pubs during pub visits, regional meetings and at head office weekly meetings
- ☐ Attendance of area managers at the opening section of the board meetings to discuss issues relating to the operation of their pubs and the Company generally
- ☐ Reviewing the outcome of weekly discussion meetings of selected pub and area managers led by senior Company employees
- ☐ Reviewing whistleblowing reports and outcomes via the audit committee

Division of responsibilities

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

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

The board has several established committees as set out below. The board met 10 times during the year ending 25 July 2021. During lockdown, the board met weekly via conference call. Attendance of the directors and non-executives, where appropriate, is shown below.

	Board	**Audit**	**Remuneration**	**Nomination**
Number of meetings held in the year	10	4	1	2
Tim Martin	9	N/A	N/A	N/A
John Hutson	10	N/A	N/A	N/A
Su Cacioppo	10	4	N/A	1
Ben Whitley	10	4	N/A	1
Debra van Gene	9	4	1	2
Sir Richard Beckett	10	4	1	2
Harry Morley	9	4	1	2
Nigel Connor	10	4	N/A	N/A
Ben Thorne	7	3	1	1

Audit, risk and internal control

Audit committee

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

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

Significant financial reporting items

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

- The provision for the impairment of fixed assets – several judgements are used in making this calculation, primarily on expected future sales and profits. The committee received reports and questioned management on the calculations made and the assumptions used
- Significant one-off items of expense or income are reported as exceptional on the face of the income statement. All exceptional items are reviewed by the committee
- The ongoing application of IFRS 16 – Lease to the Company's lease portfolio, including the accounting for lease modifications and the application of the Covid-19 related rent concession practical expedient along with the presentation and disclosure of leases.
- The committee reviewed the financial plans, modelled scenarios and assumptions made by the Company in support of the presentation of the financial statements on a going concern basis
- The committee reviewed and raised questions on the calculations made by the Company in relation to the hedge accounting and effectiveness for interest-rate swaps

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

Non-audit services

During the year, the Company made no use of specialist teams from Grant Thornton UK LLP, relating to accounting or tax services. The fees paid to Grant Thornton UK LLP for non-audit services were £Nil (2020: £Nil). The use of Grant Thornton UK LLP for non-audit work is monitored regularly, to achieve the necessary independence and objectivity of the auditors. Where the auditor provides non-audit services, their objectivity and independence are safeguarded by the use of different teams. See note 2 on page 19, for a breakdown of the auditor's remuneration for audit and non-audit services.

External auditors

The audit committee is responsible for making recommendations to appoint, reappoint or remove external auditors. Following a review by the audit committee, the board agreed to recommend the reappointment of Grant Thornton UK LLP as external auditors at the annual general meeting in November 2021.

Audit-tendering and rotation
The audit committee keeps under review the regulatory requirements on audit-tendering and rotation.
The Company will be required to change its audit firm for the year ending 25 July 2038, at the latest. The audit was last tendered in 2018 – and Grant Thornton UK LLP has been in place as the Company's auditor for four years.

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

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

Since the year end the Audit Quality Review ("AQR") group of the Financial Reporting Council has completed a review of Grant Thornton's audit of our financial statement for the 52 weeks ended 26 July 2020. The audit committee considered the report from the AQR and discussed the findings with Grant Thornton. There were no key findings arising from the review.

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

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

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

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

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

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

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

A summary of the financial risks and treasury policies can be found on page 61, together with other risks and uncertainties.

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

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

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

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

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

The Company has key controls, as follows:

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

■ Regular evaluation of processes and controls, in relation to the Company's financial reporting requirements

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

Remuneration and nomination

Remuneration committee

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

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

The directors' report on remuneration is set out on pages 76–85.

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

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

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

Nomination committee

The committee meets at least annually and:

■ reviews the board structure, size, diversity (including gender), composition and successional needs, keeping under review the balance of membership between executive and non-executive and the required blend of skills, experience, knowledge and independence on the board.

■ formally proposes any new executive or non-executive directors for the approval of the whole board, following a reasonable process for such an appointment.

■ reviews the leadership and successional needs of the organisation, with a view to ensuring the long-term success of the Company.

■ ensures that all directors offer themselves for annual re-election by shareholders.

No director is involved in any decision about his or her own reappointment. In carrying out these activities, the non-executive directors follow the guidelines of the Chartered Governance Institute and comply with the Code.

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

Employment policies

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

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

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

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

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

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

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

The Company has not appointed a director for the workforce, set up a workforce advisory panel or designated a non-executive director as being responsible for the workforce. The Company believes that workforce engagement is the responsibility of all directors. Examples of steps taken to foster workforce engagement are disclosed in the strategic report on page 59.

Approved by order of the board

Nigel Connor
Company Secretary
30 September 2021

Ordinary shareholdings at 25 July 2021

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	3,899	87.7	1,707,728	1.3
2,501–10,000	250	5.6	1,204,648	0.9
10,001–250,000	233	5.3	15,119,436	11.7
250,001–500,000	23	0.5	8,583,219	6.7
500,001–1,000,000	18	0.4	13,357,541	10.4
Over 1,000,000	22	0.5	88,777,583	69.0
	4,445	100.0	128,750,155	100.0

Source: Computershare Investor Services plc

Substantial shareholdings
The Company has been notified of the following substantial holdings in its share capital at 25 July 2021:

	Number of ordinary shares	% of share capital
Tim Martin	28,174,709	21.9
Columbia Threadneedle Investments	15,717,128	12.2
Franklin Templeton Investments	3,531,118	2.7
Phoenix Asset Management Partners	3,461,490	2.7
J D Wetherspoon plc Company Share Plan*	3,396,340	2.6
Ninety One	2,950,256	2.3
Artemis Investment Management	2,623,460	2.0
FIL Investment International	2,574,855	2.0

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

*This represents shares which have been purchased by the Company for the benefit of employees under the SIP. Please see pages 78–79. This includes vested shares held by employees.

Share prices

26 July 2020	892p
Low	752p
High	1,453p
25 July 2021	1,124p

Shareholders' enquiries

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

Annual report

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

E-mail: investorqueries@jdwetherspoon.co.uk

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

PUBS OPENED DURING THE FINANCIAL YEAR

Name	Address	Town/City	Postcode	Country
The Cross Inn	High Street	Kingswinford	DY6 8AA	England
The London and South Western	276-288 Lavender Hill	London	SW11 1LJ	England
The Buck Inn	237-238 High Street	Northallerton	DL7 8LU	England
The Golden Beam	Headingley Lane	Leeds	LS6 1BL	England
Stick or Twist	16 Merrion Way	Leeds	LS2 8PT	England

PUBS CLOSED DURING THE FINANCIAL YEAR

Name	Address	Town/City	Postcode	Country
The Sanderling	Airside, Glasgow Airport	Paisley	PA3 2ST	Scotland
The Sandpiper	Landside, Glasgow Airport	Paisley	PA3 2SW	Scotland
The Crown	Crown Square, Derwent House	Matlock	DE4 3AT	England
The Company Inn	Castle Wharf, Canal Street	Nottingham	NG1 7EH	England
The Blacksmith's Forge	5 Newmills Road	Dalkeith	EH22 1DU	Scotland
The New Moon	25-26 Kenton Park Parade, Kenton Road	Harrow	HA3 8DN	England
The Postal Order	21-33 Westow Street	London	SE19 3RW	England
The Dragon Inn	15 Meadow Street	Weston-super-Mare	BS23 1QG	England
The Tuesday Bell (Lloyds)	4 Lisburn Square	Lisburn	BT28 1TS	Northern Ireland
Wetherspoons Express	Terminal 5, Airside, Heathrow Airport	Hounslow	TW6 2GA	England
The Flying Chariot	Terminal 2, Landside, Heathrow Airport	Hounslow	TW6 1EW	England
The King James	2-3 Lynton Parade, Turners Hill	Cheshunt	EN8 8LF	England
The Edward Rayne	8-12 Coombe Lane	London	SW20 8ND	England
The Queen's Hotel (Lloyds)	19 Bridge Street	Newport	NP20 4AN	Wales
The Turnhouse	Landside, Edinburgh Airport	Edinburgh	EH12 9DN	Scotland
Wetherspoons Express	Airside, Stansted Airport	Stansted	CM24 1RW	England

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