J D Wetherspoon plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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.

Contents

SECTION 1

1	Financial highlights
2	Chairman's statement
12	Income statement
12	Statement of comprehensive income
13	Cash flow statement
14	Balance sheet
15	Statement of changes in equity
16	Notes to the financial statements

SECTION 2

37	Authorisation of financial statements and statement of compliance with IFRSs
38	Accounting policies
43	Strategic report
45	Independent auditors' report
51	Directors, officers and advisers
52	Directors' report
55	Directors' remuneration report
64	Corporate governance
70	Information for shareholders
71	Pubs opened during the financial year

Financial calendar

Annual general meeting
10 November 2016

Interim report for 2017
March 2017

Year end
30 July 2017

Preliminary announcement for 2017
September 2017

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FINANCIAL HIGHLIGHTS

Revenue £1,595.2m
(2015: £1,513.9m)
+5.4%

Like-for-like sales
+3.4%

Free cash flow[1] £90.5m
(2015: £109.8m)
-17.6%

Free cash flow[1] per share 76.7p
(2015: 89.8p)
-14.6%

Full-year dividend 12.0p
(2015: 12.0p)
Maintained

Contribution to the economy
taxes paid £672.3m
(2015: £632.4m)
+6.3%

Before exceptional items

Operating profit £109.7m
(2015: £112.5m)
-2.5%

Profit before tax £80.6m
(2015: £77.8m)
+3.6%

Earnings per share
(including shares held in trust) 48.3p
(2015: 47.0p)
+2.8%

After exceptional items[2]

Operating profit £109.7m
(2015: £106.5m)
+3.0%

Profit before tax £66.0m
(2015: £58.7m)
+12.5%

Earnings per share
(including shares held in trust) 43.4p
(2015: 36.7p)
+18.3%

[1] As defined in note 8 to the annual report and financial statements and our accounting policies.
[2] Exceptional items as disclosed in the notes to the annual report and financial statements, note 4.

Financial performance

I am pleased to report a year of progress for the company, with record sales, profit and earnings per share before exceptional items. The company was founded in 1979 – and this is the 33rd year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 14.4% per annum and free cash flow per share by an average of 16.2%.

Summary accounts for the years ended July 1984 to 2016

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

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.

Like-for-like sales increased by 3.4% (2015: 3.3%), with total sales of £1,595.2m, an increase of 5.4% (2015: 7.4%). Like-for-like bar sales increased by 3.3% (2015: 1.2%), food sales by 3.5% (2015: 7.3%) and slot/fruit machine sales decreased by 2.2% (2015: decreased by 2.8%). Like-for-like room sales at our hotels increased by 9.7% (2015: 24.2%) – although hotel sales form less than 1% of total sales.

Operating profit before exceptional items decreased by 2.5% to £109.7m (2015: £112.5m). The operating margin, before exceptional items, decreased to 6.9% (2015: 7.4%), as a result mainly of increases in staff costs, utilities and depreciation.

Profit before tax and exceptional items increased by 3.6% to £80.6m (2015: £77.8m), with a contribution from property profits of £5.3m (2015: £0.7m loss). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 48.3p (2015: 47.0p).

Net interest was covered 3.3 times by operating profit before exceptional items (2015: 3.3 times). Total capital investment was £124.8m in the period (2015: £173.3m), with £55.2m invested in new pubs and extensions to existing pubs (2015: £106.3m). In addition, there was expenditure of £33.5m on existing pubs and IT infrastructure (2015: £44.8m) and £36.1m on the acquisition of freeholds where Wetherspoon was already a tenant (2015: £21.6m).

Exceptional items totalled £5.7m (2015: £12.6m). The company incurred charges as a result of a number of pub disposals and closures. There was an £8.5m loss on disposal and an impairment charge of £3.9m for closed sites. A further impairment charge of £2.2m was incurred in respect of underperforming pubs, redundant computer software and onerous leases. In addition there were £8.9m of exceptional tax credits, as a result of a reduction in the UK average corporation tax rate, which has the effect of creating an exceptional tax credit for future years. The total cash effect of these exceptional items resulted in cash inflow of £14.0m, which reflected the proceeds from the pub disposals.

Free cash flow, after capital investment of £33.5m on existing pubs (2015: £44.8m), £6.9m in respect of share purchases for employees (2015: £6.8m) and payments of tax and interest, decreased by £19.3m to £90.5m (2015: £109.8m). The decrease resulted from a working capital outflow of £9.6m in the year compared with an inflow of £27.3m in 2015. Free cash flow per share was 76.7p (2015: 89.8p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay a final dividend of 8.0p per share (2015: 8.0p per share), on 24 November 2016, to those shareholders on the register on 21 October 2016, giving a total dividend for the year of 12.0p per share (2015: 12.0p per share). The dividend is covered 3.6 times (2015: 3.1 times).

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

During the year, 5,694,546 shares (representing 4.8% of the issued share capital) were purchased by the company for cancellation, at a total cost of £39.4m, including stamp duty, representing an average cost per share of 692p.

Over the last 10 years, my shareholding has increased from 21.2% to 29.5%, as a result of the company's share 'buybacks'. The company is considering seeking a rule 9 'whitewash', under the UK City Code on Takeovers and Mergers, allowing further buybacks.

Financing

As at 24 July 2016, the company's total net debt, including bank borrowings and finance leases, but excluding derivatives, was £650.8m (2015: £601.1m), an increase of £49.7m. Factors which have led to the increase in debt are investment in new pubs and extensions of £55.2m, investment in existing pubs of £33.5m, the acquisition of freeholds of £36.1m, share buybacks of £53.6m (including £14.2m in respect of shares purchased at the end of the last financial year) and dividend payments of £14.2m. Year-end net-debt-to-EBITDA was 3.47 times (2015: 3.37 times).

As at 24 July 2016, the company had £189.6m (2015: £240.9m) of unutilised banking facilities and cash balances, with total facilities of £840.0m (2015: £840.0m). The company's existing interest-rate swap arrangements remain in place.

Corporation tax

The overall tax charge (including deferred tax and excluding the one-off benefit of the tax rate change) on profit before exceptional items is 29.4% (2015: 26.1%). This rise is due mainly to an increase in the deferred tax liability, resulting from accelerated capital allowances on fixed-asset expenditure.

The 'living wage'

Wetherspoon increased the minimum hourly rate for staff by 5% in October 2014 and by a further 8% at the end of July 2015. Both decisions were taken

without the knowledge that the government was about to announce a new minimum wage, now called the 'living wage'.

In addition, as Wetherspoon's shareholders are aware, we pay about 40% of our profits (£33.0m in the year under review) as a bonus or free shares, over 85% of which is paid to those who work in our pubs.

The main economic issue is that pub wages are about 30% of sales. Therefore a pint purchased in a pub at the national average price of about £3.50 will represent about 85 pence in respect of wages. In contrast, a pint bought in a supermarket, at an estimated price of £1, will represent only about 10 pence of supermarket wages, since their wage percentage and selling prices are both far lower than those of pubs. By pushing up the cost of wages by a large factor, the government is inevitably putting financial pressure on pubs, many of which have already closed. This financial pressure will be felt most strongly in areas which are less affluent, since the price differential in those areas between pubs and supermarkets is far more important to customers. It is certain that high streets in less affluent areas, which already suffer from serious problems of empty shops and dereliction, will suffer further if pubs and other labour-intensive businesses close.

VAT equality

As we have previously stated, we believe that pubs are taxed excessively and that 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 between the on and off trade, to the detriment of pubs and restaurants.

Pubs have lost 50% of their beer sales to supermarkets in the last 35 years as VAT has climbed from 8% to 20%.

It makes no sense for the government to treat supermarkets more leniently than pubs, since pubs generate far more jobs per pint or meal than supermarkets do, as well as far higher levels of tax, as demonstrated above. 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.

The campaign for tax equality with supermarkets has particular significance for MPs and residents of less affluent areas, since the tax differential is more important there – where people can less afford to pay the difference in prices between the on and off trade there are fewer pubs, coffee shops and restaurants, with a corresponding reduction in employment and an increase in high-street dereliction.

The government is actively considering ideas for generating jobs and economic activity, especially in areas outside the affluent south of the country – VAT equality, as the trade organisations BBPA and ALMR have demonstrated, is a very efficient and sensible method of helping to achieve these objectives. Tax equality also accords with the underlying principle of fairness in applying taxes to different businesses.

Contribution to the economy

Wetherspoon is proud to pay its share of tax and, in this respect, is a major contributor to the economy. In the year under review, we paid total taxes of £672.3m, an increase of £39.9m, compared with the previous year, which equates to approximately 42.1% of our sales.

This equates to an average payment per pub of £705,000 per annum or £13,600 per week.

	2016 £m	2015 £m
VAT	**311.7**	294.4
Alcohol duty	**164.4**	161.4
PAYE and NIC	**95.1**	84.8
Business rates	**50.2**	48.7
Corporation tax	**19.9**	15.3
Corporation tax credit	**–**	(2.0)
Machine duty	**11.0**	11.2
Climate change levies	**8.7**	6.4
Carbon tax	**3.6**	3.7
Fuel duty	**2.1**	2.9
Landfill tax	**2.2**	2.2
Stamp duty	**2.6**	1.8
Premise and TV licence	**0.8**	1.6
Total tax	**672.3**	632.4
Tax per pub (£000)	**705**	673
Tax as % of sales	**42.1%**	41.8%
Pre-exceptional profit after tax	**56.9**	57.5
Profit after tax as % of sales	**3.6%**	3.8%

Corporate governance

In previous years, I have said that many aspects of current corporate governance advice, as laid out in the Combined Code, are "deeply flawed" and have pointed out that compliant pub companies have "often fared disastrously in comparison with non-compliant ones. In particular, pub companies in which the CEO became chairman and which had a majority of executives…usually with previous

experience of the pub trade, avoided making catastrophic errors to which compliant companies seem prone".

It was also pointed out that setting precise targets for bonuses, in line with governance advice, had also often backfired, encouraging companies to take reckless decisions, in order to enhance earnings. Having presented our views in annual reports, press articles and meetings with shareholders, without any significant dissent, Wetherspoon believes that it has complied with the 'comply or explain' provisions of the Code and strongly believes that shareholders should regard with scepticism allegations of non-compliance from corporate governance institutions or watchdogs. A logical upshot of the views expressed in this section is that shareholders and other interested parties should be extremely wary of companies which comply strictly with current guidelines, and are better protected in companies like Wetherspoon, – which modify their governance practices along the lines we suggest.

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.

Further progress

As in previous years, the company has tried to improve as many areas of the business as possible. For example, we have 836 pubs rated on the Food Standards Agency's website. The average score is 4.89, with 91.7% of the pubs achieving a top rating of five stars and 6.3% receiving four stars. We believe this to be the highest average rating for any substantial pub company. In the separate Scottish scheme, which records either a 'pass' or a 'fail', all of our 66 pubs have passed.

We are pleased to report that The Windmill in Stansted Airport, was named the best airport pub in the world at the 2016 FAB (International Food and Beverage Excellence) awards during the annual Airport Food and Beverage conference. Two other Wetherspoon pubs, at Birmingham Airport and Liverpool Lime Street station, were 'highly commended' by the same organisation.

We continue to source our traditional ales from a large number of microbreweries of varying sizes and believe that we are the biggest purchaser of microbrewery beer in the UK. We continue to run

the world's biggest real-ale festival, twice a year, and have added a cider festival in recent times, featuring a wide variety of suppliers from the UK, Europe and elsewhere in the world.

We paid £33.0m in respect of bonuses and free shares to employees in the year, a slight increase compared with the previous year, of which 97.9% was paid to staff below board level and 85.6% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2016), for the 13th consecutive year. The Top Employers institute said "Our comprehensive independent research revealed that J D Wetherspoon provides exceptional employee conditions, nurtures and develops talent throughout all levels of the organisation and has demonstrated its leadership status in the HR environment, always striving to optimise its employment practices and to develop its employees."

In the field of charity, thanks to the generosity and work of our dedicated customers, pub and head-office teams, we continue to raise record amounts of money for CLIC Sargent, supporting young cancer patients and their families. In the last year, we raised approximately £1.6m, bringing the total raised to over £12.6m – more than any other corporate partner has raised for this charity.

Property

The company opened 16 pubs during the year, with 41 sold or closed, resulting in a trading estate of 926 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.5m, compared with £2.1m a year ago; two of the pubs included hotel accommodation, which contributed to the increased costs. The full-year depreciation charge was £72.2m (2015: £66.7m). We currently intend to open about 15–20 pubs in the year ending July 2017.

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.

Further shareholder information about these cases is available in a short article which I wrote for the trade publication Propel, which is disclosed later in my chairman's statement (appendix 2).

Current trading and outlook

In the run up to, and the aftermath of, the recent referendum, the overwhelming majority of FTSE 100 companies, the employers' organisation CBI, the IMF, the OECD, the Treasury, the leaders of all the main political parties and almost all representatives of British universities forecast trouble, often in lurid terms, for the economy, in the event of the Leave vote. For example, claims were made by David Cameron and George Osborne that family income would eventually be reduced by £4,000 per annum, that mortgage interest rates would increase and that house prices would fall – claims which were supported, in terms, by Mark Carney of the Bank of England.

City voices such as PwC and Goldman Sachs, and the great preponderance of banks and other institutions, also leant weight to this negative view.

For example, Paul Johnson of the Institute of Fiscal Studies (The Times 28 June) stated that there was "near-unanimity" among economists in favour of Remain. Rather amazingly, he added: "I take as given that we economists were collectively right about the (bad) economic consequences of leaving the EU." Johnson then cites this consensus as evidence for the economic truth of the Remain case. This is a strange argument to advance since consensus forecasts from economists, who generally failed to forecast the last recession or the catastrophic flaws of the euro, are almost always delusional. As Warren Buffett has said, forecasts tell you a lot about the forecaster, but not about the future. Economic forecasts from over-confident pundits such as Mr Johnson are an important component of Benjamin Graham's 'Mr Market', the mythical punter who gets everything wrong.

Just as the combined intellectual weight of the 'good and great' could not see through the flaws in the euro, they have, with honourable exceptions, been unable to see that the principle flaw of the EU – an absence of democracy – will almost certainly lead to further economic and political chaos, and to more dire consequences for those who are subject to EU decisions. The overwhelming economic evidence is that successful countries are democracies – Mr Johnson and like-minded economists really do need to stick that point in their pipes and smoke it. For all their faults, democracies produce the greatest level of prosperity and freedom. As in the case of the euro, the general public has a much better perception about this overriding factor than the consensus of intellectual opinion. I have written an article on this general subject for Wetherspoon News, which is attached at the end of this statement (appendix 1).

Now that the gloomy economic forecasts for the immediate aftermath of the referendum have been proven to be false, 'Scare Story 2' is that failure to agree on trade deal with the EU will have devastating consequences. This was articulated by fund manager Nicola Horlick this week, who told Radio 4 listeners that leaving the Single Market would relegate the UK from the 5th-biggest economy in the world to the 8th or 9th. In contrast, Wetherspoon's experience indicates that reaching formal trade deals with reluctant counterparties is impossible – and it is unwise to try.

For example, I personally agreed on terms with one of our biggest suppliers, a major PLC, for a new seven-year contract about 12 years ago. Although the deal was put in the hands of lawyers, it was never signed or 'ratified' during this time, although we traded successfully for the anticipated duration. We subsequently agreed on a deal for a further seven years – and that has not been signed to this day. Indeed, we have traded without interruption with this company for 37 years. In contrast, deals with some suppliers have been rapidly embodied in formal contracts. Over the years, we have agreed on thousands of 'trade deals' with big and small suppliers: some are formal contracts, some are 'hand-shakes', some are short term, but many last for decades. The commercial reality is that you can lead the horse to water, but you can't make it drink.

This is especially true of the EU – an organisation of Byzantine complexity, run by five unelected presidents, with input from numerous other parts of the many-headed Hydra. It has struggled to reach trade deals with most of the world's major economies, for example, the USA, China and India. The UK is an enormous trading partner of the USA, generating a substantial surplus for us, in spite of the absence of a 'deal' and it would be unwise to clamour after a specific formal agreement to replace existing arrangements in these circumstances – the back of the queue is a good place to be. Former Chancellor Nigel Lawson (Financial Times, 3/4 September) and many others advocate leaving the EU and trading afterwards with it on the basis of World Trade Organisation rules. If the EU is keen for a trade deal, we should cooperate, but unelected apparatchiks like President Juncker can't be controlled – which is one of the main reasons we voted to leave.

Common sense, therefore, suggests that the worst approach for the UK is to insist on the necessity of a 'deal' – we don't need one and the fact that EU countries sell us twice as much as we sell them creates a hugely powerful negotiating position. If WTO tariffs apply, the UK will receive twice as much as it pays. Boris Johnson, David Davis and Liam Fox will achieve far more for the UK by copying Francis Drake and playing bowls in Plymouth, rather than hankering after an EU agreement, although time spent in improving arrangements with Singapore, New Zealand and India, for example, may be well spent.

Since the year end, Wetherspoon's sales have continued to be encouraging and increased by 4.1%. Despite this positive start, it remains to be seen whether this will continue over the remainder of the year, given the strong like-for-like sales in the last financial year and what remains a very low-inflation environment.

We will provide updates as we progress through the year, but we currently anticipate a slightly improved trading outcome for the current financial year, compared with our expectations at the pre-close stage.

Appendix 1 – Wetherspoon News article - Autumn 2016

How democracy has set us free

Brexit decision was not a protest vote – it was a grassroots rejection of groupthink and an elite's zeal for unreal objects

Opponents of the euro, years ago, were often patronised as 'little Englanders' by those who considered themselves to be morally and intellectually superior. In fact, the main advocates of the currency were a middle-aged, male Oxbridge elite.

So, indeed, were some of the best euro opponents, but they were the exceptions – and only a distinguished minority managed to shake off their mental chains – for example Tony Benn, Michael Howard and Simon Wolfson.

The Financial Times, then, led the pro-euro chorus for the press, with the editor Richard Lambert (Fettes College and Oxford University) censoring anti-euro arguments – a strange stance for a supposedly intellectual publication.

Lambert, in a subsequent mea culpa, analysed the reasons for establishment support for the disastrous euro, from the heads of major organisations like the CBI, as well as most major businesses, correctly concluding that it was due to 'groupthink'.

Fanaticism

The FT journalist Gillian Tett (North London Collegiate School and Cambridge University), writing some years later (28/9/12), was one of the few euro supporters to analyse the psychological factors behind euro fanaticism. She concluded that the euro was a "fantastic object" which was "unreal, but immensely attractive" and that "political idealism had subsumed economic gravity".

Tett pointed out that her father, who rejected the euro argument, worked in manufacturing and was "outside the intellectual echo chamber of the eurozone elite, and was never infected by the hype".

Tett understood the paradox which causes intellectual elites to pursue irrational causes to the edge of oblivion. Neither reason nor evidence has much effect on the afflicted… and that is why democracy works.

The non-chattering classes don't share this love of fantastic objects and consigned the euro to the dustbin of history – for the British, at least. Europhile Emily Sheffield, David Cameron's sister-in-law, writing in the Spectator (30/7/16), consoled Remainers after the referendum by saying it is "worth remembering that Eurosceptics… kept us out of the single currency". Indeed so, Emily.

Superiority

Similar assumptions of moral and intellectual superiority have been rife in the recent referendum campaign led politically on the Remain side by David Cameron (Eton and Oxford) and George Osborne (St Pauls and Oxford), supported by Nick Clegg (Westminster School and Oxford), Michael Heseltine (Shrewsbury School and Oxford), Tony Blair (Fettes College and Oxford), Ed Milliband (Haverstock Comprehensive and Oxford), Ed Balls (Nottingham High School and Oxford) and many others with a similar background.

The battle lost, there appears to be an orchestrated chorus from the same elite, alleging that Leave won by misleading the public and that the referendum result should be overturned by parliament or a second referendum commissioned.

For example, Peter Mandelson (Hendon County Grammar and Oxford) declared (FT, 2/7/16) that he had been an "architect" of the Remain campaign and that Leave arguments were "dishonest".

Former MP Tam Dalyell (Eton and Oxford) and former MEP Jack Stewart-Clark (Eton and Oxford) in a prominent letter (5/7/16) to the pro-Remain Times, said that MPs and peers should unite to block Brexit and that Leave conducted "the most dishonest political campaign this country has ever seen".

Democratic

The theme that the referendum was won by lies from Leave has been repeated on countless occasions by the panjandrums of Remain, in a brazen effort to undermine the democratic outcome.

Dalyell and Stewart-Clark gave no evidence for their allegation of dishonesty, but it has been asserted elsewhere that Leave campaigners misleadingly stated that the UK would save £350 million a week, when the actual cash saving was only half that amount.

It seems unlikely that many people can have been misled in this way, since there was a full public debate about the significance of the gross amount of £350 million and the relevance and endurance of the rebates – with the information available on the BBC website, as well as on the websites of many national and local newspapers.

For example, on BBC's Question Time, two months before the referendum, the compere, panel and studio audience patently understood the relevance of the statistics.

Fears

The second allegation from elite Remainers is that immigration fears were exaggerated and that Turkey and other countries which had been offered an accelerated path to the EU club would be unlikely to join in the near future, and it would be subject to a veto anyway.

This allegation cuts no ice, since Cameron himself promised to "be the strongest possible advocate" for Turkey joining the EU and he promised also to "pave the road from Ankara to Brussels".

The public simply didn't believe Cameron's evasive referendum stance that Turkey would not join "before 3000" or that he and the government would be in a position to veto anything, after making such fulsome promises to our Turkish friends and allies.

Lies

There is no doubt that the opinion of the electorate, reflected in the referendum result, was that a greater level of lies and exaggeration was evident in the Remain campaign.

As Mandelson's argument reveals, the Remain campaigners' tactics were to concentrate on the economic issue and to encourage organisations like the CBI, the IMF, the OECD and the boards of major companies to support their cause.

These arguments included an allegation from the head of the IMF that the economic consequences of Brexit would be "bad to very, very bad", a prediction from Cameron of an increased risk of war and genocide, a threat from Osborne that interest rates would go up in the referendum aftermath (they've gone down) and a threat of an emergency budget to increase taxes and reduce public expenditure.

The Bank of England's Mark Carney also did his best to frighten the public with the possibility of higher interest rates and a recession, while FTSE 100 directors lined up to threaten reduced investments in the referendum aftermath – most of these threats have now been retracted.

If a second referendum were to take place, it seems certain that the Leave side would win with a far bigger majority, since the economic case put forward by the Remain side has been shown to be deceitful and unfounded.

As indicated above, interest rates have gone down not up, foreign companies are lining up to invest in the UK, (contradicting the warnings from the Remain side), the German equivalent of the CBI has urged a free trade deal for the UK and the world and her husband are anxious to agree on trade deals with us.

Prosperity

Speaking for myself, the main argument in favour of leaving the EU relates to democracy. Democracy is the key provider of prosperity and freedom in the world, as countries as diverse as Australia, New Zealand, Canada, Japan and Singapore (among many others) have demonstrated.

The British public could see that the EU is becoming increasingly undemocratic, with its five unelected presidents, its unelected commissioners, its token parliament and its court, whose judgements cannot be democratically overturned by national parliaments.

Contrary to perceived opinion, many who voted Leave, including me, are also in favour of continued free movement of labour in the UK for citizens of countries which are currently in the EU, but believe that all other countries of the world should be subject to a points system, as operated in Australia, New Zealand and the USA, for example.

The puzzle for amateur philosophers is why the highly educated graduates of our universities, the great and the good of the Times, the Financial Times, the CBI and our biggest companies' board rooms were so much in favour of an undemocratic system which has brought Greece, Portugal, Spain and now Italy to their knees.

You would bet your bottom dollar that the highly educated would be the first to understand that democracy is essential for the future of humanity.

Groupthink

However, through some strange perversion of thought processes, that does not appear to be the case.

The real threat to humanity comes from the elite's groupthink and its zeal for the "unreal, but immensely attractive".

Come on, you Remainers, stop moaning about the result. And stop patronising the electorate by calling the result a "protest vote" – we perfectly understood the issues, thank you.

Let's hear your explanations about why you believe the rest of us will be better off with less democracy. We're all ears, guys. What do you say on this key issue?

Tim Martin is founder and chairman of J D Wetherspoon

Appendix 2 - Newspaper article

Newspaper article
The newspaper article below first appeared in the pub trade publication Propel and relates to the section on property litigation referred to above:

Wed 22nd May 2013 – Propel Opinion Extra

Lessons in the property market by Tim Martin

J D Wetherspoon has always been a buyer of freeholds. Our second, third and fourth pubs were freehold and, by the time of our 1992 flotation, 20 of our 44 pubs were freehold.

I negotiated our first 20 or so pubs myself, dealing directly with the owners' agents, before employing Christian Braun, of Van de Berg & Co (VDB), in about 1990. Little did I realise that Braun was a double agent or 'mole', who was to burrow deep into our organisation, undermining the very property foundations that underpin any retailer.

Following a tip-off in 2005, we terminated VDB's contract and undertook a review of all our 600 or so property transactions, using a team of up to a dozen legal and paralegal staff. We discovered about 50 "back-to-back" transactions in which freeholds, which were available to buy, had been diverted by VDB to third parties, who had acquired them at the same time as JDW had taken a lease – the rent being set at a level which created an immediate uplift in the value of the reversion.

Proceedings were issued against VDB and its directors, Braun, George Aldridge and Richard Harvey, in respect of about a dozen of these transactions. In a 136-page judgment, Mr Justice Peter Smith found that VDB had fraudulently diverted properties to number of third parties, but he made no findings against the third parties themselves.

Following Mr Justice Smith's judgment, JDW issued proceedings against several third parties: Paul Ferrari of Braun's former employer Ferrari Dewe & Co; Anthony Lyons, formerly of Davis Coffer Lyons and Jason Harris, formerly of First London.

Liability was denied by all. The cases were contested and were settled out of court. JDW received substantial payments in all three cases.

A number of the pleaded properties in the VDB case, referred to by the judge as the 'Ferrari Five', involved Jersey companies with nominee owners that were connected to Ferrari. Each of the Jersey companies had a different name – and care was taken to use different lawyers and nominees.

Profits from the purchasing companies were usually channelled to a Jersey holding company called Gecko and money was then transferred as loans or fees to companies controlled by VDB directors.
In my opinion, the Lyons case is the most interesting for the property market and for prospective tenants and purchasers. Lyons stated in his defence that he was acting in his capacity as an employee and in accordance with his duties to Davis and Coffer (now Davis Coffer Lyons).

The Lyons case concerned properties in Portsmouth, Leytonstone and Newbury, two of which became JDW pubs, with the third becoming a Café Rouge. The Portsmouth property belonged to British Gas – and Justice Smith found that VDB bid for the freehold, unbeknown to JDW, and, once the bid was accepted, agreed with Lyons for JDW to take a lease and for the freehold to be acquired by Moorstown Properties, owned by a friend, and subsequently a colleague, of Lyons – Simon Conway. No findings were made against Lyons, or indeed Conway, in the VDB case, and neither person was a party to the case.

Portsmouth was subsequently sold by Moorstown to Scottish American Investment Company, a few months later, with the benefit of a lease to JDW for a substantial profit. Illustrating the Byzantine complexity of the transactions, Lyons' defence stated that shares in Moorstown were 'transferred', before the sale was completed, to *Northcreek which, Companies House shows, was owned by Roger Myers, then chairman of Café Rouge owner Pelican, and his family.*

The Newbury property was acquired by Riverside Stores, a company connected to Conway, and was leased at around the same time to Café Rouge. Newbury was sold shortly after completion for a substantial profit.

JDW did not allege, and is not alleging, that the Portsmouth and Newbury transactions are connected and is not alleging that Davis Coffer Lyons, Myers or Conway are dishonest, but it is a matter of public importance, as well as of importance to JDW and its shareholders, for there to be an explanation as to the circumstances in which Moorstown, a company which clearly benefited from the Portsmouth fraud by VDB, ended up belonging to the family of Myers.

A key legal and ethical question for the property market that emerges from these cases concerns the obligations of estate agents and investors, in circumstances in which a freehold property is first offered to a friend or colleague of an agent, who agrees to acquire it, and the property is then

offered by the agent to a company like Wetherspoon on a "back-to-back" basis. What are the obligations of the introducing agent? In broad terms, the third parties in the Wetherspoon litigation argued that they owed no duties or obligations to Wetherspoon and were not, therefore, liable to us. The great risk that all agents and investors run, in these circumstances, is if the retained agent, VDB in this instance, is itself be dishonest. If so, this may open up the possibility of a claim by an aggrieved "end user", such as Wetherspoon, that the introducing agent participated in the dishonesty of the retained agent.

JDW has lost many tens of millions of pounds as a result of the VDB frauds. Rent reviews and "yield compression" have exacerbated the damage over the years.

Our experience teaches a number of lessons. First, buyers and tenants should ask their agents to confirm in writing that they have no direct or indirect interest in any property they are acquiring and should ask their lawyers to take particular interest if a freehold is changing hands at the same time as they are acquiring a lease, or indeed the freehold. Professionals and investors should also get confirmation in writing from the "end user" in back-to-back deals that they have consented to the transaction. Take the retained agent's word for it at your peril.

Tim Martin is founder and chairman of J D Wetherspoon

Tim Martin
Chairman
8 September 2016

INCOME STATEMENT FOR THE 52 WEEKS ENDED 24 JULY 2016

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
Revenue	1	**1,595,197**	**–**	**1,595,197**	1,513,923	–	1,513,923
Operating costs		**(1,485,470)**	**–**	**(1,485,470)**	(1,401,415)	(6,013)	(1,407,428)
Operating profit	2	**109,727**	**–**	**109,727**	112,508	(6,013)	106,495
Property gains/(losses)	3	**5,335**	**(14,561)**	**(9,226)**	(694)	(13,053)	(13,747)
Finance income	6	**116**	**–**	**116**	180	–	180
Finance costs	6	**(34,568)**	**–**	**(34,568)**	(34,196)	–	(34,196)
Profit before tax		**80,610**	**(14,561)**	**66,049**	77,798	(19,066)	58,732
Income tax expense	7	**(23,689)**	**8,846**	**(14,843)**	(20,343)	6,435	(13,908)
Profit for the year		**56,921**	**(5,715)**	**51,206**	57,455	(12,631)	44,824
Earnings per share (p)							
– Basic[1]	8	**49.5**	**(5.0)**	**44.5**	48.6	(10.7)	37.9
– Diluted[2]	8	**48.3**	**(4.9)**	**43.4**	47.0	(10.3)	36.7
Operating profit per share (p)							
– Diluted[2]	8	**93.1**	**–**	**93.1**	92.0	(4.9)	87.1

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 24 JULY 2016

	Notes	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: loss taken to other comprehensive income	23	**(23,504)**	(9,807)
Tax on items taken directly to comprehensive income	7	**3,432**	1,961
Currency translation differences		**4,265**	(2,189)
Net loss recognised directly in other comprehensive income		**(15,807)**	(10,035)
Profit for the year		**51,206**	44,824
Total comprehensive income for the year		**35,399**	34,789

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

CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 24 JULY 2016

J D Wetherspoon plc, company number: 1709784

	Notes	52 weeks ended 24 July 2016 £000	Free cash flow[1] 52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000	Free cash flow[1] 52 weeks ended 26 July 2015 £000
Cash flows from operating activities					
Cash generated from operations	9	**181,836**	**181,836**	210,181	210,181
Interest received		**136**	**136**	180	180
Interest paid		**(31,182)**	**(31,182)**	(31,931)	(31,931)
Corporation tax paid		**(19,917)**	**(19,917)**	(13,293)	(13,293)
Net cash inflow from operating activities		**130,873**	**130,873**	165,137	165,137
Cash flows from investing activities					
Purchase of property, plant and equipment		**(28,407)**	**(28,407)**	(37,577)	(37,577)
Purchase of intangible assets		**(5,104)**	**(5,104)**	(7,176)	(7,176)
Investment in new pubs and pub extensions		**(54,118)**		(106,339)	
Freehold reversions		**(36,083)**		(21,612)	
Purchase of lease premiums		**(1,091)**		(635)	
Proceeds of sale of property, plant and equipment		**22,520**		723	
Net cash outflow from investing activities		**(102,283)**	**(33,511)**	(172,616)	(44,753)
Cash flows from financing activities					
Equity dividends paid	11	**(14,190)**		(14,591)	
Purchase of own shares for cancellation	28	**(53,580)**		(12,714)	
Purchase of own shares for share-based payments		**(6,877)**	**(6,877)**	(6,831)	(6,831)
Advances under bank loans	10	**48,591**		47,898	
Loan issue costs	10	**–**	**–**	(3,775)	(3,775)
Finance lease principal payments	10	**(2,051)**		(2,648)	
Net cash inflow/(outflow) from financing activities		**(28,107)**	**(6,877)**	7,339	(10,606)
Net change in cash and cash equivalents	10	**483**		(140)	
Opening cash and cash equivalents	19	**32,175**		32,315	
Closing cash and cash equivalents	19	**32,658**		32,175	
Free cash flow	8		**90,485**		109,778
Free cash flow per ordinary share	8		**76.7p**		89.8p

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

BALANCE SHEET AS AT 24 JULY 2016

J D Wetherspoon plc, company number: 1709784

	Notes	24 July 2016 £000	26 July 2015 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**1,188,512**	1,153,756
Intangible assets	13	**27,051**	29,997
Investment property	14	**7,605**	8,651
Other non-current assets	15	**9,725**	10,028
Deferred tax assets	7	**11,426**	7,994
Total non-current assets		**1,244,319**	1,210,426
Assets held for sale	18	**950**	1,220
Current assets			
Inventories	16	**19,168**	19,451
Receivables	17	**27,616**	26,838
Cash and cash equivalents	19	**32,658**	32,175
Total current assets		**79,442**	78,464
Total assets		**1,324,711**	1,290,110
Liabilities			
Current liabilities			
Borrowings	21	**(112)**	(2,051)
Derivative financial instruments	23	**(79)**	–
Trade and other payables	20	**(266,523)**	(283,227)
Current income tax liabilities		**(8,247)**	(10,053)
Provisions	22	**(4,463)**	(5,231)
Total current liabilities		**(279,424)**	(300,562)
Non-current liabilities			
Borrowings	21	**(683,306)**	(631,232)
Derivative financial instruments	23	**(63,398)**	(39,973)
Deferred tax liabilities	7	**(74,441)**	(77,771)
Provisions	22	**(3,387)**	(4,012)
Other liabilities	24	**(13,307)**	(13,667)
Total non-current liabilities		**(837,839)**	(766,655)
Net assets		**207,448**	222,893
Equity			
Share capital	28	**2,273**	2,387
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,158**	2,044
Hedging reserve		**(52,051)**	(31,979)
Currency translation reserve		**2,340**	(2,182)
Retained earnings		**109,434**	109,329
Total equity		**207,448**	222,893

The financial statements, on pages 12 to 42, approved by the board of directors and authorised for issue on 8 September 2016, are signed on its behalf by:

John Hutson
Director

Ben Whitley
Director

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Hedging reserve £000	Currency translation reserve £000	Retained earnings £000	**Total £000**
At 27 July 2014		**2,460**	**143,294**	**1,971**	**(24,133)**	**7**	**103,569**	**227,168**
Total comprehensive income					(7,846)	(2,189)	44,824	34,789
Profit for the period							44,824	44,824
Interest-rate swaps: cash flow hedges	23				(9,807)			(9,807)
Tax taken directly to comprehensive income	7				1,961			1,961
Currency translation differences						(2,189)		(2,189)
Purchase of own shares for cancellation		(73)		73			(26,900)	(26,900)
Share-based payment charges							8,907	8,907
Tax on share-based payment charges	7						351	351
Purchase of own shares for share-based payments							(6,831)	(6,831)
Dividends	11						(14,591)	(14,591)
At 26 July 2015		**2,387**	**143,294**	**2,044**	**(31,979)**	**(2,182)**	**109,329**	**222,893**
Total comprehensive income					(20,072)	4,522	50,949	35,399
Profit for the period							51,206	51,206
Interest-rate swaps: cash flow hedges	23				(23,504)			(23,504)
Tax taken directly to comprehensive income	7				3,432			3,432
Currency translation differences						4,522	(257)	4,265
Purchase of own shares for cancellation		(114)		114			(39,393)	(39,393)
Share-based payment charges							9,556	9,556
Tax on share-based payment charges	7						60	60
Purchase of own shares for share-based payments							(6,877)	(6,877)
Dividends	11						(14,190)	(14,190)
At 24 July 2016		**2,273**	**143,294**	**2,158**	**(52,051)**	**2,340**	**109,434**	**207,448**

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

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

Shares acquired in relation to the employee Share Incentive Plan and the 2005 Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 24 July 2016, the number of shares held in trust was 2,485,848 (2015:3,682,482), with a nominal value of £49,717 (2015: £73,650) and a market value of £20,035,935 (2015: £26,274,509) and are included in retained earnings.

During the year, 5,694,546 shares were repurchased by the company for cancellation, representing approximately 4.8% of the issued share capital, at a cost of £39.4m, including stamp duty, representing an average cost per share of 692p. At the previous year end, the company had a liability for share purchases of £14.2m which was settled during the current year, ended 24 July 2016.

Hedging gain/loss arises from the movement of fair value in the company's financial derivative instruments, in line with the accounting policy disclosed in section 2.

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

As at 24 July 2016, the company had distributable reserves of £57.4m (2015: £75.2m). The retained earnings are fully distributable. The hedging reserves and the currency translation reserves reduce the company's distributable reserves when they are in deficit.

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Sales of food, beverages, hotel rooms and machine income	**1,595,197**	1,513,923

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Concession rental payments	**21,971**	19,300
Minimum operating lease payments	**51,260**	52,658
Repairs and maintenance	**54,924**	53,354
Net rent receivable	**(1,496)**	(1,334)
Share-based payments (note 5)	**9,556**	8,907
Depreciation of property, plant and equipment (note 12)	**65,297**	61,458
Amortisation of intangible assets (note 13)	**5,949**	4,775
Depreciation of investment properties (note 14)	**62**	62
Amortisation of other non-current assets (note 15)	**904**	373

Auditors' remuneration	**52 weeks ended 24 July 2016 £000**	52 weeks ended 26 July 2015 £000
Fees payable for the audit of the financial statements	**186**	177
Fees payable for other services:		
– assurance services	**31**	30
– non-audit services	**–**	13
Total auditors' fees	**217**	220

Analysis of continuing operations	**52 weeks ended 24 July 2016 £000**	52 weeks ended 26 July 2015 £000
Revenue	**1,595,197**	1,513,923
Cost of sales	**(1,432,400)**	(1,347,361)
Gross profit	**162,797**	166,562
Administration costs	**(53,070)**	(54,054)
Operating profit before exceptional items	**109,727**	112,508
Exceptional items (note 4)	**–**	(6,013)
Operating profit after exceptional items	**109,727**	106,495

Included within cost of sales is £596.3m (2015: £578.0m) related to cost of inventory recognised as expense.

3. Property (gains)/losses

	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 Exceptional items (note 4) £000	52 weeks ended 24 July 2016 After exceptional items £000	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
(Gain)/loss on disposal of fixed assets	**(4,866)**	**7,328**	**2,462**	694	–	694
Additional costs of disposal	**63**	**1,149**	**1,212**	–	–	–
Impairment of property (note 12)	**–**	**4,809**	**4,809**	–	10,705	10,705
Impairment of intangibles (note 13)	**–**	**239**	**239**	–	–	–
Impairment of other assets (note 15)	**–**	**491**	**491**	–	490	490
Onerous lease provision (note 22)	**–**	**545**	**545**	–	1,858	1,858
Other property gains and losses	**(532)**	**–**	**(532)**	–	–	–
Total property (gains)/losses	**(5,335)**	**14,561**	**9,226**	694	13,053	13,747

Please refer to note 4 for further details on exceptional items.

4. Exceptional items

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Operating exceptional items		
Inventory valuation	**–**	5,231
Restructuring costs	**–**	782
Total operating exceptional items	**–**	6,013
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**8,477**	–
Impairment of assets held for sale	**598**	–
Impairment property plant and equipment – closed pubs	**2,287**	–
Impairment of other non-current assets – closed pubs	**491**	–
Onerous lease reversal – sold pubs	**(427)**	–
Onerous lease provision – closed pubs	**944**	–
	12,370	–
Other property losses		
Onerous lease reversal	**(949)**	(841)
Onerous lease provision	**977**	2,699
Impairment of property, plant and equipment	**1,924**	11,195
Impairment of intangible assets	**239**	–
	2,191	13,053
Total pre-tax exceptional items	**14,561**	19,066
Exceptional tax		
Exceptional tax items	**(8,363)**	(4,809)
Tax effect on exceptional items	**(483)**	(1,626)
Total exceptional tax (note 7)	**(8,846)**	(6,435)
Total exceptional items	**5,715**	12,631

Disposal programme
The company has offered a number of its sites for sale. At the year end, 29 sites had been sold, three were classified as held for sale and an additional nine sites have been closed as part of the disposal programme.

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

The costs classified above as impairment of assets held for sale, relate to the write-down of assets to their assessed recoverable amount for any pubs which the company has committed to selling. It is the view of management that the company is committed to selling when a contract for sale has been exchanged.

4. Exceptional items (continued)

Further impairment of £2,788,000 (2015: £Nil) has been recognised for nine pubs which have been closed and made available for sale as part of the disposal programme.

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

Other property losses
The onerous lease provision relates to pubs for which future trading profits, or income from subleases, are not expected to cover the rent. The provision takes several factors into account, including the expected future profitability of the pub and also the amount estimated as payable on surrender of the lease, where this is a likely outcome. In the year, £28,000 (2015: £1,858,000) was charged net in respect of onerous leases.

Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their current book value. In the year, an exceptional charge of £1,924,000 (2015: £11,195,000) was incurred in respect of the impairment of property, plant and equipment, as required under IAS 36. This comprises an impairment charge of £2,274,000 (2015: £12,383,000), offset by impairment reversals of £350,000 (2015: £1,188,000). The impairment of intangible assets relates to the write-off of redundant IT assets.

All exceptional items listed above generated a net cash inflow of £13,959,000 (2015: outflow of £782,000).

5. Employee benefits expenses

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Wages and salaries	**454,955**	406,821
Social Security costs	**27,766**	25,291
Other pension costs	**3,718**	3,500
Share-based payments	**9,556**	8,907
	495,995	444,519

Directors' emoluments	**2016 £000**	2015 £000
Aggregate emoluments	**1,651**	1,450
Aggregate amount receivable under long-term incentive schemes	**393**	971
Company contributions to money purchase pension scheme	**80**	97
	2,124	2,518

For further details of directors' emoluments, please see the directors' remuneration report on pages 55 to 63.

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

	2016 Number	2015 Number
Full-time equivalents		
Managerial/administration	**4,274**	4,233
Hourly paid staff	**18,774**	17,885
	23,048	22,118

	2016 Number	2015 Number
Total employees		
Managerial/administration	**4,719**	4,690
Hourly paid staff	**31,959**	30,041
	36,678	34,731

For details of the Share Incentive Plan and the 2005 Deferred Bonus Scheme, refer to the directors' remuneration report on pages 55 to 63.

5. Employee benefits expenses (continued)

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

The company operates two share-based compensation plans. In both schemes, the fair values of the shares granted are determined by reference to the share price at the date of the award. The shares vest at a £Nil exercise price – and there are no market-based conditions to the shares which affect their ability to vest. 2,099,842 shares were awarded during the year (2015: 1,439,218), with an average price per share of 708.40p (2015: 775.13p).

6. Finance income and costs

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Finance costs		
Interest payable on bank loans and overdrafts	**18,893**	17,202
Amortisation of bank loan issue costs	**3,595**	2,942
Interest payable on swaps	**12,039**	13,812
Interest payable on obligations under finance leases	**41**	240
Total finance costs	**34,568**	34,196
Finance income		
Bank interest receivable	**(116)**	(180)
Total finance income	**(116)**	(180)
Net finance costs	**34,452**	34,016

Further details are provided in note 23.

The net finance costs during the year increased from £34.0m to £34.5m. The finance costs in the income statement were covered 3.3 times (2015: 3.3 times) by earnings before interest and tax, before exceptional items.

7. Income tax expense

(a) Tax on profit on ordinary activities

The standard rate of corporation tax in the UK changed from 21.0% to 20.0%, with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an average rate of 20.0% (2015: 20.7%).

	52 weeks ended 24 July 2016 Before exceptional items £000	**52 weeks ended 24 July 2016 Exceptional items (note 4) £000**	**52 weeks ended 24 July 2016 After exceptional items £000**	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
Taken through income statement						
Current income tax:						
Current income tax charge	**19,382**	**(75)**	**19,307**	19,885	(1,626)	18,259
Previous period adjustment	**(1,035)**	**–**	**(1,035)**	1,659	–	1,659
Total current income tax	**18,347**	**(75)**	**18,272**	21,544	(1,626)	19,918
Deferred tax:						
Temporary differences	**4,205**	**(408)**	**3,797**	113	–	113
Previous period adjustment	**1,137**	**–**	**1,137**	(1,314)	(4,809)	(6,123)
Impact of change in UK tax rate	**–**	**(8,363)**	**(8,363)**	–	–	–
Total deferred tax	**5,342**	**(8,771)**	**(3,429)**	(1,201)	(4,809)	(6,010)
Tax charge/(credit)	**23,689**	**(8,846)**	**14,843**	20,343	(6,435)	13,908

	52 weeks ended 24 July 2016 Before exceptional items £000	**52 weeks ended 24 July 2016 Exceptional items (note 4) £000**	**52 weeks ended 24 July 2016 After exceptional items £000**	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
Taken through equity						
Tax on share-based payment						
Current tax	**(159)**	**–**	**(159)**	(446)	–	(446)
Deferred tax	**99**	**–**	**99**	95	–	95
Tax charge/(credit)	**(60)**	**–**	**(60)**	(351)	–	(351)

	52 weeks ended 24 July 2016 Before exceptional items £000	**52 weeks ended 24 July 2016 Exceptional items (note 4) £000**	**52 weeks ended 24 July 2016 After exceptional items £000**	52 weeks ended 26 July 2015 Before exceptional items £000	52 weeks ended 26 July 2015 Exceptional items (note 4) £000	52 weeks ended 26 July 2015 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps	**(4,701)**	**–**	**(4,701)**	(1,961)	–	(1,961)
Impact of change in UK tax rate	**1,269**	**–**	**1,269**	–	–	–
Tax charge/(credit)	**(3,432)**	**–**	**(3,432)**	(1,961)	–	(1,961)

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The tax expense after exceptional items in the income statement for the year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20.0% (2015: 20.7%), owing largely to less expenditure qualifying for capital allowances.
On 18 November 2015, the UK corporate tax rate of 18% for 1 April 2020 onwards was substantively enacted.
As a result, the deferred tax liability (which predominantly unwinds in periods on or after 1 April 2020) has been remeasured from 20% to 18%. This has resulted in a one-off credit of £8,363,000. The differences are reconciled below:

	52 weeks ended 24 Jul 2016 Before exceptional items £000	**52 weeks ended 24 Jul 2016 After exceptional items £000**	52 weeks ended 26 Jul 2015 Before exceptional items £000	52 weeks ended 26 Jul 2015 After exceptional items £000
Profit before income tax	**80,610**	**66,049**	77,798	58,732
Profit multiplied by the UK standard rate of corporation tax of 20.0% (2015: 20.7%)	**16,122**	**13,210**	16,078	12,138
Abortive acquisition costs and disposals	**123**	**123**	163	163
Other disallowables	**215**	**1,197**	155	2,469
Other allowable deductions	**(112)**	**(112)**	(33)	(33)
Non-qualifying depreciation	**6,081**	**7,528**	3,577	3,577
Deduction for shares and SIPs	**470**	**470**	29	29
Remeasurement of other balance sheet items	**–**	**–**	(342)	(342)
Unrecognised losses in overseas companies	**688**	**688**	302	302
Adjustment in respect of change in tax rate – current year	**–**	**(8,363)**	69	69
Previous year adjustment – current tax	**(1,035)**	**(1,035)**	1,659	1,659
Previous year adjustment – deferred tax	**1,137**	**1,137**	(1,314)	(6,123)
Total tax expense reported in the income statement	**23,689**	**14,843**	20,343	13,908

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Bill 2015 included legislation to reduce the main rate of corporation tax to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019 – and to 18% for the financial year beginning 1 April 2020. These changes have been substantively enacted at the balance sheet date and consequently are included in these financial statements. The effect of these changes is to reduce the net deferred tax liability by £8,363,000.

Deferred tax liabilities	**Accelerated tax depreciation £000**	**Other temporary differences £000**	**Total £000**
At 26 July 2015	78,095	1,928	80,023
Previous year movement posted to the income statement	1,082	–	1,082
Movement during year posted to the income statement	2,997	1,718	4,715
Impact of tax rate change posted to the income statement	(8,217)	(365)	(8,582)
At 24 July 2016	**73,957**	**3,281**	**77,238**

Deferred tax assets	**Share based payments £000**	**Capital losses carried forward £000**	**Interest-rate swaps £000**	**Total £000**
At 26 July 2015	999	1,253	7,994	10,246
Previous year movement posted to the income statement	–	(55)	–	(55)
Movement during year posted to the income statement	271	647	–	918
Impact of tax rate change posted to the income statement	(34)	(185)	–	(219)
Movement during year posted to comprehensive income	–	–	4,701	4,701
Impact of tax rate change posted to comprehensive income	–	–	(1,269)	(1,269)
Movement during year posted to equity	(99)	–	–	(99)
At 24 July 2016	**1,137**	**1,660**	**11,426**	**14,223**

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2016 £000	2015 £000
Deferred tax liabilities	**77,238**	80,023
Offset against deferred tax assets	**(2,797)**	(2,252)
Deferred tax liabilities	**74,441**	77,771
Deferred tax assets	**14,223**	10,246
Offset against deferred tax liabilities	**(2,797)**	(2,252)
Deferred tax asset	**11,426**	7,994

As at 24 July 2016, there are potential deferred tax assets of £200,000 (2015: £170,000); these are not being recognised, owing to insufficient certainty of recovery. This comprises a deferred tax asset of £800,000, relating to losses (2015: £180,000), less a deferred tax liability of £600,000, relating to accelerated capital allowances (2015: £10,000).

8. Earnings and free cash flow per share

Earnings per share are based on the weighted average number of shares in issue of 117,898,893 (2015: 122,269,948), including those held in trust in respect of employee share schemes. Earnings per share, calculated on this basis, are usually referred to as 'diluted', since all of the shares in issue are included.

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

Weighted average number of shares	52 weeks ended 24 July 2016	52 weeks ended 26 July 2015
Shares in issue (used for diluted EPS)	**117,898,893**	122,269,948
Shares held in trust	**(2,854,697)**	(4,063,604)
Shares in issue less shares held in trust	**115,044,196**	118,206,344

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

Earnings per share

52 weeks ended 24 July 2016	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	**51,206**	**44.5**	**43.4**
Exclude effect of exceptional items after tax	5,715	5.0	4.9
Earnings before exceptional items	**56,921**	**49.5**	**48.3**
Exclude effect of property gains/(losses)	(5,335)	(4.7)	(4.5)
Underlying earnings before exceptional items	51,586	44.8	43.8

52 weeks ended 26 July 2015	Profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
Earnings (profit after tax)	44,824	37.9	36.7
Exclude effect of exceptional items after tax	12,631	10.7	10.3
Earnings before exceptional items	57,455	48.6	47.0
Exclude effect of property gains/(losses)	694	0.6	0.6
Underlying earnings before exceptional items	58,149	49.2	47.6

The diluted earnings per share before exceptional items have increased by 2.8% (2015: maintained).

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

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

	Free cash flow £000	Basic free cash flow pence per ordinary share	**Diluted free cash flow pence per ordinary share**
52 week ended 24 July 2016	**90,485**	78.7	**76.7**
52 week ended 26 July 2015	**109,778**	92.9	**89.8**

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

52 weeks ended 24 July 2016	**Owner's earnings £000**	**Basic owner's earnings pence per ordinary share**	**Diluted owner's earnings pence per ordinary share**
Profit before tax and exceptional items (income statement)	**80,610**	70.1	68.4
Exclude depreciation and amortisation (note 2)	**72,212**	62.8	61.2
Less cash reinvestment in current properties (cash flow statement)	**(33,511)**	(29.1)	(28.4)
Exclude property gains and losses (note 3)	**(5,335)**	(4.8)	(4.6)
Less cash tax (note 7)	**(19,382)**	(16.8)	(16.4)
Owners' earnings	**94,594**	82.2	80.2

52 weeks ended 26 July 2015	Owner's earnings £000	Basic owner's earnings pence per ordinary share	Diluted owner's earnings pence per ordinary share
Profit before tax and exceptional items (income statement)	77,798	65.8	63.6
Exclude depreciation and amortisation (note 2)	66,668	56.4	54.5
Less cash reinvestment in current properties (cash flow statement)	(44,753)	(37.9)	(36.6)
Exclude property gains and losses (note 3)	694	0.6	0.6
Adjust for new-build reclassification	601	0.5	0.5
Less cash tax (note 7)	(19,885)	(16.8)	(16.3)
Owners' earnings	81,123	68.6	66.3

The diluted owners' earnings per share increased by 20.9% (2015: increased by 43.8%). The increase is calculated using figures to two decimal places.

Reinvestment in current properties is taken directly from the cash flow statement.
New-build reclassification represents spend on pub extension incurred as part of reinvestment works.

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

Operating profit per share

52 weeks ended 24 July 2016	Operating profit £000	Basic operating profit pence per ordinary share	Diluted operating profit pence per ordinary share
Operating profit	**109,727**	95.4	93.1

52 weeks ended 26 July 2015	Operating profit £000	Basic operating profit pence per ordinary share	Diluted operating profit pence per ordinary share
Operating profit after exceptional items	106,495	90.1	87.1
Exclude effect of exceptional operating costs	6,013	5.1	4.9
Operating profit before exceptional items	112,508	95.2	92.0

9. Cash generated from operations

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Profit for the period	**51,206**	44,824
Adjusted for:		
Tax (note 7)	**14,843**	13,908
Share-based charges (note 2)	**9,556**	8,907
Loss on disposal of property, plant and equipment (note 3)	**2,462**	694
Net impairment charge (note 3)	**5,539**	11,195
Interest receivable (note 6)	**(116)**	(180)
Amortisation of bank loan issue costs (note 6)	**3,595**	2,942
Interest payable (note 6)	**30,973**	31,254
Depreciation of property, plant and equipment (note 12)	**65,297**	61,458
Amortisation of intangible assets (note 13)	**5,949**	4,775
Depreciation on investment properties (note 14)	**62**	62
Amortisation of other non-current assets (note 15)	**904**	373
Net onerous lease provision (note 22)	**545**	1,858
Aborted properties costs	**614**	787
	191,429	182,857
Change in inventories	**283**	2,861
Change in receivables	**954**	(2,937)
Change in payables	**(10,830)**	27,400
Cash flow from operating activities	**181,836**	210,181

10. Analysis of change in net debt

	26 July 2015 £000	Cash flows £000	Non-cash movement £000	**24 July 2016 £000**
Borrowings				
Cash in hand	32,175	483	–	**32,658**
Other loans	–	(112)	–	**(112)**
Finance lease creditor – due in one year	(2,051)	2,051	–	**–**
Current net borrowings	30,124	2,422	–	**32,546**
Bank loans – due after one year	(631,232)	(48,277)	(3,595)	**(683,104)**
Other loans	–	(202)	–	**(202)**
Non-current net borrowings	(631,232)	(48,479)	(3,595)	**(683,306)**
Net debt	(601,108)	(46,057)	(3,595)	**(650,760)**
Derivatives				
Interest-rate swaps liability – due before one year	–	–	(79)	**(79)**
Interest-rate swaps liability – due after one year	(39,973)	–	(23,425)	**(63,398)**
Total derivatives	(39,973)	–	(23,504)	**(63,477)**
Net debt after derivatives	(641,081)	(46,057)	(27,099)	**(714,237)**

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

The movement in interest-rate swaps of £23.5m relates to the change in the ‘mark to market’ valuations for the year.

11. Dividends paid and proposed

	52 weeks ended 24 July 2016 £000	52 weeks ended 26 July 2015 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2013/14: 8.0p (2012/13: 8.0p)	**–**	9,761
– interim for 2014/15: 4.0p (2013/14: 4.0p)	**–**	4,830
– final for 2014/15: 8.0p (2013/14: 8.0p)	**9,543**	–
– interim for 2015/16: 4.0p (2014/15: 4.0p)	**4,647**	–
	14,190	14,591
Proposed for approval by shareholders at the AGM:		
– final for 2015/16: 8.0p (2014/15: 8.0p)	**9,084**	9,782
Dividend cover (times)	**3.6**	3.1

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 24 July 2016. Dividend cover is calculated as profit after tax and exceptional items over dividend paid.

12. 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 27 July 2014	788,299	421,059	474,258	53,484	1,737,100
Additions	63,804	11,366	46,054	39,395	160,619
Transfers	22,383	663	7,054	(30,100)	–
Exchange differences	(6)	(38)	(114)	–	(158)
Transfer to held for sale	(1,532)	–	(482)	–	(2,014)
Disposals	(43)	(4,584)	(5,989)	–	(10,616)
Reclassification	3,116	(3,116)	–	–	–
At 26 July 2015	876,021	425,350	520,781	62,779	1,884,931
Additions	53,896	9,613	32,030	30,333	125,872
Transfers	27,565	1,810	5,840	(35,215)	–
Exchange differences	1,065	343	549	2,648	4,605
Transfer to held for sale	(3,869)	(1,889)	(2,149)	–	(7,907)
Disposals	(32,488)	(8,014)	(15,926)	–	(56,428)
Reclassification	13,552	(13,552)	–	–	–
At 24 July 2016	**935,742**	**413,661**	**541,125**	**60,545**	**1,951,073**
Accumulated depreciation and impairment:					
At 27 July 2014	(157,013)	(190,133)	(321,346)	(541)	(669,033)
Provided during the period	(13,335)	(14,272)	(33,851)	–	(61,458)
Exchange differences	1	6	18	–	25
Impairment loss	(3,589)	(4,838)	(2,278)	–	(10,705)
Transfer to held for sale	441	–	353	–	794
Disposals	–	4,112	5,090	–	9,202
Reclassification	(954)	413	–	541	–
At 26 July 2015	(174,449)	(204,712)	(352,014)	–	(731,175)
Provided during the period	(14,742)	(14,674)	(35,881)	–	(65,297)
Exchange differences	(18)	(11)	(97)	–	(126)
Impairment loss	(869)	(2,986)	(954)	–	(4,809)
Transfer to held for sale	3,228	1,846	1,883	–	6,957
Disposals	12,484	6,719	12,686	–	31,889
Reclassification	(6,674)	6,674	–	–	–
At 24 July 2016	**(181,040)**	**(207,144)**	**(374,377)**	**–**	**(762,561)**
Net book amount at 24 July 2016	**754,702**	**206,517**	**166,748**	**60,545**	**1,188,512**
Net book amount at 26 July 2015	701,572	220,638	168,767	62,779	1,153,756
Net book amount at 27 July 2014	631,286	230,926	152,912	52,943	1,068,067

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% (2015: 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 £4,809,000 (2015: £10,705,000) was charged to property losses in the income statement, as described in note 3.

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

12. Property, plant and equipment (continued)

Finance leases
Certain items of IT equipment were subject to finance leases.

The carrying value of these assets, held under finance leases at 24 July 2016, included in equipment, fixtures and fittings, was as follows:

	2016 £000	2015 £000
Net book value	-	5,862

13. Intangible assets

	£000
Cost	
At 27 July 2014	45,419
Additions	7,934
At 26 July 2015	53,353
Additions	3,243
Disposals	(5)
At 24 July 2016	**56,591**
Accumulated amortisation:	
At 27 July 2014	(18,581)
Provided during the year	(4,775)
At 26 July 2015	(23,356)
Provided during the year	(5,949)
Exchange differences	(1)
Impairment loss	(239)
Disposals	5
At 24 July 2016	**(29,540)**
Net book amount at 24 July 2016	**27,051**
Net book amount at 26 July 2015	29,997
Net book amount at 27 July 2014	26,838

Amortisation of £5,949,000 (2015: £4,775,000) is included in operating costs in the income statement.

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

Included in the intangible assets is £1,118,000 of software in the course of development (2015: £5,046,000).

Finance leases
Certain intangible assets, for example EPOS and accounting systems, have been purchased using finance leases. The amounts below show the reduction in the net book value of assets held under finance leases which are released from security when the debt is repaid.

	2016 £000	2015 £000
Net book value	–	580

14. Investment property

The company owns two (2015: three) freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 27 July 2014	8,754
Additions	–
At 26 July 2015	8,754
Disposals	(1,003)
At 24 July 2016	**7,751**
Accumulated depreciation:	
At 27 July 2014	(41)
Provided during the year	(62)
At 26 July 2015	(103)
Provided during the year	(62)
Disposals	19
At 24 July 2016	**(146)**
Net book amount at 24 July 2016	**7,605**
Net book amount at 26 July 2015	8,651
Net book amount at 27 July 2014	8,713

Rental income received in the period from investment properties was £495,000 (2015: £378,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £56,000 (2015: £58,000).

In the opinion of the directors, the cost as stated above is equivalent to the fair value of the properties.

15. Other non-current assets

	Lease premiums £000
Cost:	
At 27 July 2014	14,080
Additions	1,125
At 26 July 2015	15,205
Additions	1,090
Disposals	(65)
At 24 July 2016	**16,230**
Accumulated depreciation:	
At 27 July 2014	(4,314)
Provided during the year	(373)
Impairment loss	(490)
At 26 July 2015	(5,177)
Provided during the year	(904)
Exchange differences	2
Impairment loss	(491)
Disposals	65
At 24 July 2016	**(6,505)**
Net book amount at 24 July 2016	**9,725**
Net book amount at 26 July 2015	10,028
Net book amount at 27 July 2014	9,766

16. Inventories

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

	2016 £000	2015 £000
Goods for resale at cost	**19,168**	19,451

17. Receivables

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

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

	2016 £000	2015 £000
Other receivables	**2,236**	1,306
Prepayments and accrued income	**25,380**	25,532
	27,616	26,838

At the balance sheet date, the company was exposed to a maximum credit risk of £0.9m, of which £0.1m was overdue. The company holds no collateral for these receivables.

Within accrued income is £2.2m (2015: £2.0m) of amounts due from suppliers for commercial agreements.

18. Assets held for sale

This relates to situations in which the company has exchanged contracts to sell a property, but the transaction is not yet complete. As at 24 July 2016, three sites were classified as held for sale (2015: one). The major classes of assets held, comprising the sites classified as held for sale, were as follows:

	2016 £000	2015 £000
Property, plant and equipment	**950**	1,220

19. Cash and cash equivalents

	2016 £000	2015 £000
Cash and cash equivalents	**32,658**	32,175

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

20. Trade and other payables

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

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

	2016 £000	2015 £000
Trade payables	**133,899**	135,619
Other payables	**11,129**	26,401
Other tax and Social Security	**49,648**	45,777
Accruals and deferred income	**71,847**	75,430
	266,523	283,227

21. Borrowings

	2016 £000	2015 £000
Current (due within one year)		
Finance lease obligations	**–**	2,051
Other borrowings	**112**	–
Total current borrowings	**112**	**2,051**
Non-current (due after one year)		
Bank loans		
Variable-rate facility	**686,522**	638,245
Unamortised bank loan issue costs	**(3,418)**	(7,013)
	683,104	631,232
Other		
Other borrowings	**202**	–
Total non-current borrowings	**683,306**	631,232

22. Provisions

	Self-insurance £000	Onerous lease £000	Total £000
At 26 July 2015	4,125	5,118	9,243
Charged to the income statement:			
– Additional charges	2,440	2,155	4,595
– Unused amounts reversed	(1,204)	(1,610)	(2,814)
– Used during year	(2,324)	(850)	(3,174)
At 24 July 2016	**3,037**	**4,813**	**7,850**

	2016 £000	2015 £000
Current	**4,463**	5,231
Non-current	**3,387**	4,012
Total provisions	**7,850**	9,243

Self-insurance
The amounts represent a provision for ongoing legal claims brought against the company by customers and employees in the normal course of business. Owing to the nature of our business, we expect to have a provision for outstanding employee and public liability claims on an ongoing basis.

Onerous lease
The amount represents a provision for future rent payments on sites which are not expected to generate sufficient profits to cover rent. Also included are provisions on any sublet properties for which rent is not fully recovered. This provision is expected to be utilised over a period of up to 25 years.

23. Financial instruments

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

Maturity profile of financial liabilities

	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 24 July 2016							
Bank loans	17,325	17,325	17,325	709,446	–	–	761,421
Finance lease obligations	–	–	–	–	–	–	–
Trade and other payables	216,875	–	–	–	–	–	216,875
Derivatives	7,043	6,916	13,145	13,107	13,107	10,359	63,677
Other borrowings	121	121	92	–	–	–	334

	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 2015							
Bank loans	18,130	18,130	18,130	18,130	700,034	–	772,554
Finance lease obligations	2,102	–	–	–	–	–	2,102
Trade and other payables	237,450	–	–	–	–	–	237,450
Derivatives	12,074	6,859	6,733	12,961	12,924	23,106	74,657

At the balance sheet date, the company had loan facilities of £840m (2015: £840m) as detailed below:

- Unsecured revolving-loan facility of £820m
  - Matures February 2020
  - 11 participating lenders
- Overdraft facility of £20m

The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt which fixed £400m of these borrowings at rates of between 2.43% and 5.36%. The effective weighted average interest rate of the swap agreements used during the year is 3.53% (2015: 4.03%), fixed for a weighted average period of 1.3 years (2015: 2.3 years).

In addition, the company has entered into forward-starting interest-rate swaps as detailed in the table below.

Weighted average by swap period:

Total swap value £m	From	To	Weighted average interest %
400	12/11/2014	30/07/2016	3.53
400	31/07/2016	30/07/2018	2.19
400	31/07/2018	30/07/2021	3.74
150	31/07/2021	30/07/2023	3.82

At the balance sheet date, £700m (2015: £690m) was drawn down under the £820m unsecured-term revolving-loan facility. The amounts drawn under this agreement can be varied, depending on the requirements of the business. It is expected that the draw-down required by the company will not drop below £400m for the duration of the interest-rate swaps detailed above.

23. Financial instruments (continued)

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

	2016 £000	2015 £000
Analysis of interest-rate profile of financial liabilities		
Bank loans		
Floating rate due after one year	**283,104**	231,232
Fixed rate due after one year	**400,000**	400,000
	683,104	631,232
Finance lease obligation		
Fixed rate due in one year	**–**	2,051
	–	2,051
Other borrowings		
Fixed rate due in one year	**112**	–
Fixed rate due after one year	**202**	–
	314	–
	683,418	633,283

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

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

The company does not have a specific measure for managing capital structure; instead, the company plans its capital requirements and manages its loans, dividends and share buybacks accordingly. The company measures loans using a ratio of net debt to EBITDA which was 3.47 times (2015: 3.37 times) at the year end.

Section 2, on page 44, discusses the financial risks associated with financial instruments, including credit risk and liquidity risk.

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

	2016 £000	2015 £000
Within one year	**–**	2,101
In the second to fifth year, inclusive	**–**	–
	–	2,101
Less future finance charges	**–**	(50)
Present value of lease obligations	**–**	2,051
Less amount due for settlement within one year	**–**	(2,051)
Amount due for settlement during the second to fifth year, inclusive	**–**	–

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

23. Financial instruments (continued)

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

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

	2016 Book value £000	2016 Fair value £000	2015 Book value £000	2015 Fair value £000
Loans and receivables				
Cash and cash equivalents	**32,658**	**32,658**	32,175	32,175
Receivables	**2,236**	**2,236**	1,306	1,306
	34,894	**34,894**	33,481	33,481
Financial liabilities at amortised cost				
Trade and other payables	**(216,875)**	**(216,875)**	(237,451)	(237,451)
Finance lease obligations	**–**	**–**	(2,051)	(2,051)
Borrowings	**(683,418)**	**(684,037)**	(631,232)	(644,736)
	(900,293)	**(900,912)**	(870,734)	(884,238)
Derivatives used for hedging				
Current interest-rate swap liabilities: cash flow hedges	**(79)**	**(79)**	–	–
Non-current interest-rate swap liabilities: cash flow hedges	**(63,398)**	**(63,398)**	(39,973)	(39,973)
	(63,477)	**(63,477)**	(39,973)	(39,973)

The fair value of finance leases has been calculated by discounting the expected cash flows at the year end's prevailing interest rates.

The fair value of derivatives has been calculated by discounting all future cash flows by the market yield curve at the balance sheet date.

The fair value of borrowings has been calculated by discounting the expected future cash flows at the year end's prevailing interest rates.

Interest-rate swaps
At 24 July 2016, 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 on interest-rate swaps £000	Deferred tax £000	Charged to equity £000
As at 27 July 2014	30,166	(6,033)	24,133
Charge in the year	9,807	(1,961)	7,846
As at 26 July 2015	39,973	(7,994)	31,979
Charge in the year	23,504	(3,432)	20,072
As at 24 July 2016	**63,477**	**(11,426)**	**52,051**

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

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

The fair value of the interest-rate swaps of £63.5m is considered to be level 2. All other financial assets and liabilities are measured in the balance sheet at amortised cost, and their valuation is also considered to be level 2.

23. Financial instruments (continued)

Offsetting financial assets and financial liabilities

Financial liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
	£000	£000	£000	£000	£000
As at 24 July 2016					
Interest-rate swap	63,477	–	63,477	–	63,477
Long-term borrowings	700,388	(17,082)	683,306	–	683,306
Trade payables	133,899	–	133,899	–	133,899
Total	**897,764**	**(17,082)**	**880,682**	**–**	**880,682**
As at 26 July 2015					
Interest-rate swap	39,973	–	39,973	–	39,973
Long-term borrowings	690,266	(59,034)	631,232	–	631,232
Trade payables	135,619	–	135,619	–	135,619
Total	865,858	(59,034)	806,824	–	806,824

Financial assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet	
				Financial instruments	Net amount
	£000	£000	£000	£000	£000
As at 24 July 2016					
Other receivables	2,542	(306)	2,236	–	2,236
Total	**2,542**	**(306)**	**2,236**	**–**	**2,236**
As at 26 July 2015					
Other receivables	1,371	(65)	1,306	–	1,306
Total	1,371	(65)	1,306	–	1,306

The syndicated loan agreement permits the offset of cash held with the loan facility.

24. Other liabilities

	2016 £000	2015 £000
Operating lease incentives	**13,307**	13,667

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

The weighted average period to maturity of operating lease incentives is 6.4 years (2015: 6.5 years).

25. Financial commitments

About 49% of the company's pubs are leasehold. New leases are normally for 30 years, with a break clause after 15 years. Most leases have upwards-only rent reviews, based on open-market rental at the time of review, but most new pub leases have an uplift in rent which is fixed at the start of the lease.

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

Land and buildings	2016 £000	2015 £000
Within one year	**61,106**	64,603
Between two and five years	**278,388**	239,783
After five years	**746,974**	829,201
	1,086,468	1,133,587

The company has some lease commitments, with rentals determined in relation to sales. An estimate of the future minimum rental payments under such leases of £62.1m (2015: £64.6m) is included above.

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

Land and buildings	2016 £000	2015 £000
Within one year	**1,950**	2,010
Between two and five years	**6,740**	6,455
After five years	**10,610**	10,161
	19,300	18,626

26. Capital commitments

At 24 July 2016, the company had £39.7m (2015: £8.2m) of capital commitments, relating to the purchase of 21 sites, for which no provision had been made, in respect of property, plant and equipment.

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

27. Related-party disclosures

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

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

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

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

27. Related-party disclosures (continued)

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

Key management compensation	**2016 £000**	2015 £000
Short-term employee benefits	**2,431**	2,370
Post-employment pension benefits	**147**	194
Share-based payment	**914**	1,859
	3,492	4,423

Key management comprises the executive directors and management board, as detailed on page 51.

For additional information about directors' emoluments, please refer to the directors' remuneration report on pages 55 to 63.

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 55 to 63 which forms part of these financial statements.

28. Share capital

	Number of shares 000s	**Share capital £000**
At 27 July 2014	122,968	2,460
Repurchase of shares	(3,619)	(73)
At 26 July 2015	119,349	2,387
Repurchase of shares	(5,694)	(114)
At 24 July 2016	**113,655**	**2,273**

The total authorised number of 2p ordinary shares is 500 million (2015: 500 million). All issued shares are fully paid. In the year, there were no proceeds from the issue of shares (2015: £Nil).

During the year, 5,694,546 shares were repurchased by the company for cancellation, representing approximately 4.8% of the issued share capital, at a cost of £39.4m, including stamp duty, representing an average cost per share of 692p. At the previous year end, the company had a liability for share purchases of £14.2m which was settled during the current year, ended 24 July 2016.

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

29. Events after the balance sheet date

There were no significant events after the balance sheet date.

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 24 July 2016 were authorised for issue by the board of directors on 8 September 2016, and the balance sheet was signed on the board's behalf by John Hutson and Ben Whitley.

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

The Company's financial statements have been prepared in accordance with the European Union-endorsed IFRSs and IFRSIC (IFRS Interpretations Committee) interpretations as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 as applicable to companies reporting under IFRS. The principal accounting policies adopted by the Company are set out on pages 38 to 42.

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 24 July 2016. These policies have been consistently applied to all of the years presented, unless otherwise stated.

Important estimates and judgements
Estimates and judgements are based on historical experience and other factors, including expectations of future events which are believed to be reasonable and constitute management's best judgement at the date of the financial statements. Actual experience may differ from these estimates. Complex areas on judgement or estimates involving sums which are significant to the accounts are disclosed below.

Impairment of property, plant and equipment
The Company determines whether a trading pub should be impaired by comparing its net book value with future cash flows ('value in use'), having made certain assumptions about sales, costs and profit and applying a pre-tax discount rate for future years of 8% and its fair value (less the costs of selling the assets), determined using external and internal estimates of the value of the Company's pubs.

Any impairment charge will be limited to the higher of the value in use and fair value.

The value in use is calculated using the estimated earnings and cash flows derived by management estimates and applying a suitable pre-tax discount rate to these cash flows.

At each reporting date, the Company assesses whether an asset may be impaired.

Any changes in the level of forecast earnings or cash flows, the discount rate applied to those or the estimate in sale proceeds/fair value could give rise to an additional or reduced impairment provision.

If a previously recognised impairment loss is reversed, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount which would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years.

After such a reversal, the depreciation charge is adjusted in future periods, to allocate the asset's revised carrying amount, less any residual value, over its remaining useful life.

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

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

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

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

Segmental reporting
The Company operates predominantly one type of business (pubs) in the United Kingdom and the Republic of Ireland. Given the immaterial 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 material items of income and expense which, because of the nature and magnitude of the event giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year. This helps to facilitate comparison with previous years and to better assess trends in financial performance. Impairment of fixed assets and onerous lease charges and reversals will be reported as exceptional, regardless of magnitude, to provide consistency of treatment with previous years and a better understanding for the financial statements' users.

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

Property, plant and equipment
Property, plant and equipment is stated at cost, less accumulated depreciation and any impairment in value.

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

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

Freehold land is not depreciated.

Freehold and long-leasehold buildings are depreciated to their estimated residual values over 50 years.

Short-leasehold buildings are depreciated over the lease period.

Equipment, fixtures and fittings are depreciated over 3 to 10 years.

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 property, plant and equipment reflect the difference between the net selling price and the carrying amount at the date of disposal and are recognised in the income statement.

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Intangible assets
Intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful life, as follows:

Computer software, including related development and implementation costs – 3 to 10 years.

The carrying value of intangible assets is reviewed annually for impairment, in case there has been an event or change in circumstances indicating that the carrying value may not be recoverable.

Investment property
Freehold properties which are held primarily to derive a rental income and for which there is no immediate intention to develop into a Wetherspoon pub are classified as investment properties.

These properties are stated at cost, less accumulated depreciation and any impairment in value and are depreciated in line with the accounting policy for freehold land and buildings.

Lease premiums
Payments made on entering into or acquiring leaseholds which are accounted for as operating leases represent prepaid lease payments. These are amortised on a straight-line basis. Lease premiums are disclosed as other non-current assets.

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

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

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

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

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

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

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

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

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

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

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

Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred, unless the requirements by the adopted accounting standards for the capitalisation of borrowing costs relating to assets are met.

For the purpose of the cash flow reporting interest paid and received are considered operating cash flows.

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities
The Company classifies its financial liabilities as other financial liabilities. The Company currently has no liabilities which would fall outside of this category, with the exception of interest-rate swaps which are described below in the section dealing with hedging and are classified as fair value through profit and loss.

Other financial liabilities are measured at fair value on initial recognition and subsequently measured at amortised cost, using the effective-interest method.

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

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

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

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

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

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

For interest-rate swaps, the effective portion of the gain or loss on the hedging instrument is recognised directly in comprehensive income, while the ineffective portion is recognised in the income statement within 'fair value gain/loss on financial derivatives'. Amounts taken to comprehensive income are transferred to the income statement only when the hedged transaction is assessed to be ineffective, when considering the Company's forecast debt levels for the period of time for which the swaps are in place.

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

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

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

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

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

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

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

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

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

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

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

The Company currently has no other share-based transactions.

Changes in standards
The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 27 July 2015 and will have a minimal impact on the financial statements:

- Annual improvements to IFRS 2010 – 2012 cycle
- Annual improvements to IFRS 2011 – 2013 cycle

The following amendments are mandatory for the first time for the financial year beginning 27 July 2015, but are not relevant for the Company:

- Amendment to IAS 19, ‘Employee benefits’, on defined benefit plans

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

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

- IFRS 15, ‘Revenue from Contracts with Customers’
- IFRS 9, ‘Financial Instruments’

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

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

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

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

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

Environment and human rights
As regards human rights, our policy is to observe a wide range of legislation, designed to encourage and promote equal opportunities and protect human rights. Wetherspoon's main contribution in this area relates to creating jobs for large numbers of people, paying a reasonable percentage of its profits as bonus for those working in our pubs and head office, training large numbers of staff and paying a significant percentage of our sales as taxes to the government. All of these factors help to create income for employees and the government, contributing directly and indirectly to the promotion of human rights.

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

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

	Male	Female
Directors	5	3
Senior managers	782	502
All employees	17,819	18,884

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

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

Strategic risks

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

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

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

Commercial risks

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

Operational risks

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

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

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

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

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

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

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

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

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

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

Financial risks

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

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

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 2023 (see note 23).

During the 52 weeks ended 24 July 2016, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax profit for the year would have been reduced by £3,031,000 and equity increased by £25,298,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve. The Company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

Credit risk
The Company does not have a significant concentration of credit risk, as the majority of its revenue is in cash. At the balance sheet date, the Company was exposed to a maximum credit risk of £0.9m, of which £0.1m was overdue.

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

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

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

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

By order of the board

Nigel Connor
Company Secretary
8 September 2016

Report on the financial statements

Our opinion
In our opinion, J D Wetherspoon plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 24 July 2016 and of its profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Financial Statements 2016 (the "Annual Report"), comprise:

- the balance sheet as at 24 July 2016;
- the income statement and the statement of comprehensive income for the period then ended;
- the cash flow statement for the period then ended;
- the statement of changes in shareholders' equity for the period then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach

Overview

Context

Our 2016 audit was planned and executed having regard to the fact that J D Wetherspoon's operations were largely unchanged in nature from the previous year and the UK economy had a level of underlying low growth with no significant regulatory changes impacting the pub sector, other than the living wage. In light of this, our approach to the audit in terms of scoping and areas of focus was largely unchanged, albeit we identified an additional focus area in relation to the pub disposal programme given the level of anticipated disposals which was unique in terms of magnitude in the company's history.

Overview

Materiality
- Overall materiality: £4.03 million which represents 5% of profit before tax and exceptional items.

Audit scope
- The Company comprises one legal entity in the UK with an immaterial branch in the Republic of Ireland and, accordingly, our audit is focused on J D Wetherspoon plc in the UK. No significant work is performed on the Republic of Ireland branch as a standalone entity, owing to its immateriality.

Area of focus
- Impairment of property, plant & equipment.
- Provisions for onerous leases.
- Exceptional items.
- Pub disposal programme.

The scope of our audit and our areas of focus
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Impairment of property, plant & equipment As set out in note 12 the Company has a large portfolio of pubs with a net book value of £1.2 billion. Not withstanding the fact that the portfolio as a whole is very profitable, accounting standards require impairment to be considered at an individual pub level. Given the size of the amounts capitalised and the risk attendant with any sizeable retail business that some units may prove to be unprofitable, we focused on the assessment made by management of any impairment of property, plant and equipment required at a pub level.	We assessed management's impairment paper, the underlying supporting analysis and challenged the assumptions adopted by management in performing its review. Our work included an assessment of individual pub profitability applied in the impairment model and a consideration of the appropriateness of the discount rate used. In respect of the impairment model we assessed the future cash flows for appropriateness, verified the net book value of property, plant & equipment and tested its mathematical accuracy and completeness. Our detailed work focused on those pubs which had either previously been impaired or where anticipated future cash flows suggested that a potential impairment may be required. We used our valuation specialists and external market data to assess the appropriateness of the discount rate used. We concluded that the discount rate applied was appropriate. We tested, with reference to the entire pub estate that all pubs which initial assessments identified as having a heightened risk of potentially not generating sufficient cash to cover the capital base, were subject to more detailed scrutiny. No issues arose from this work. We discussed management's assessment and evaluated the reasonableness of these assessments, where possible, for underperforming pubs where no impairment had been booked. We further considered whether the required pub profitability had ever been attained by the relevant pub historically. We then scrutinised detailed analyses of individual pub's performance and assessed explanations provided to us by management as to the decision to impair or not, or to reverse a previous impairment. In addition we challenged management in relation to certain pubs where impairments were booked as to whether their decision to impair was appropriate. Our view was that whilst the process that management followed to determine any impairment/reversal involved significant judgements it was robust and that the impairments and reversals booked were reasonable. Furthermore that there was no obvious indication of bias in the adjustments booked. In instances where pubs had been sold, we agreed this back to third-party documentation and sales proceeds back to completion statements and bank statements.
Provisions for onerous leases Of the portfolio of pubs noted in the area of focus above, a large number are leasehold and, as a result, the company is committed to significant future lease payments as set out in note 25 to the financial statements. In the case of the Company's leasehold pubs, there is a risk that underperforming pubs may not be able to meet their future lease obligations and, as a result, require an onerous lease provision. As set out in note 22 the company holds a provision of £4.8 million for future lease obligations where the cost of those obligations exceeds the economic benefits expected to be received under the lease. We focused on this area because of the size of the leasehold portfolio, the significant judgements involved in identifying which pubs require a provision and the estimates involved in the calculation of the provision, including estimation of future cash flows at each pub and appropriate discount rates.	We checked and validated that all pubs in the portfolio were considered in the process which management used to identify pubs which were potentially subject to onerous leases. We tested details of rental obligations to rental agreements for a sample of pubs in order to assess whether the rental commitments used by management in its calculations were appropriate with no issues arising from this work. We checked the calculations used by management to identify pubs where indications existed, for individual pubs, that future profits are not expected to cover future lease commitments associated with the related pub. No issues arose to suggest that any pubs had been inappropriately excluded from the provision calculation. For all pubs identified as potentially having onerous leases we tested the calculation of the net present value of future cash flows used to determine the provisions recorded. Additionally we assessed the discount rate used for appropriateness by comparing it with the risk free rate satisfying ourselves that the provisions booked were appropriate. We further checked that the disclosures in the financial statements, in relation to onerous lease provisions fairly reflected the results of the calculations undertaken. In instances where surrender premiums had been agreed, we agreed this back to third-party documentation.

Area of focus	How our audit addressed the area of focus
Exceptional items As set out in note 4 the financial statements include a net charge of £5.7 million in respect of exceptional items. We focused on this area because exceptional items are not defined by IFRSs as adopted by the European Union and it therefore requires judgment by the directors to identify such items. Consistency in identifying and disclosing items as exceptional is important to maintain comparability of the results year on year.	We tested the presentation of the exceptional items in the financial statements by assessing whether the classification was in line with the Company's accounting policy on exceptional items set out on page 38 of the financial statements. We found that the classifications determined by management complied with the Company's definition of exceptional items. We also assessed the appropriateness of this policy and whether separating out the items included within exceptional items enhanced the understanding of the financial statements. Our view was that it did. There were five exceptional items in the year: a net charge in relation to costs associated with the pub disposal programme (discussed below), a net impairment charge against property, a net charge in respect of onerous leases, an impairment relating to the write-off of redundant IT assets and a reduction in the deferred tax liability as a consequence in a decrease in the tax rates expected to apply in the future. We specifically discussed with management and the audit committee the treatment of gains and losses relating to the disposal programme as exceptional whilst other property gains and losses were not treated as exceptional. We accepted management's view that given the significance of the disposal programme it was appropriate to separately highlight the net impact of this on the financial statements as exceptional. Given the significance of the change in the tax rate on future deferred tax liabilities we felt it was appropriate to show as exceptional. We considered the classification and disclosure of exceptional items to be materially correct.
Pub disposal programme As set out in note 4 to the financial statements the company has initiated a pub disposal programme. At the year end, twenty nine sites have been sold, three were classified as held for sale and an additional nine sites have been closed as part of this disposal programme. This resulted in net charge to the income statement of £12.4 million.	For pubs sold during the year we agreed the sales proceeds to completion statements and bank statements, considered the appropriateness of costs associated with the sale and recalculated the gain/loss on disposal. For the sites classified as held for sale we verified that sales contracts had been exchanged prior to the balance sheet date and that completion date for the transaction was within 12 months. We also verified that the company has measured these assets at the lower of carrying value and fair value less costs to sell. For the closed sites, we verified that the net book value of property, plant & equipment was written down to zero and onerous lease provisions were recorded as necessary. For the remaining pubs being marketed for sale we assessed whether there was any further indication of impairment through challenge of management's explanations and corroborating evidence. Our view was that whilst significant judgements were involved, the process was robust and it was reasonable that no impairments were recorded for these pubs.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the company, the accounting processes and controls, and the industry in which the company operates.

The Company comprises one legal entity in the UK with an immaterial branch in the Republic of Ireland and, accordingly, our audit is focused on J D Wetherspoon plc in the UK. No significant work is performed on the Republic of Ireland branch as a standalone entity, owing to its immateriality.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality
£4.03 million (2015: £3.89 million).

How we determined it
5% of profit before tax and exceptional items

Rationale for benchmark applied
Given the company is a profit orientated business, we believe that profit before tax, adjusted for exceptional items, provides us with a consistent year on year basis for determining materiality, by eliminating the non-recurring disproportionate impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £201,000 (2015: £194,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the directors' statement, set out on page 53, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 reporting
In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

In our opinion:
- the information given in the Corporate Governance Statement set out on pages 64 to 69 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
  - ☐ materially inconsistent with the information in the audited financial statements; or
  - ☐ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
  - ☐ otherwise misleading.

We have no exceptions to report.

- the statement given by the directors on page 53, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company acquired in the course of performing our audit.

We have no exceptions to report.

■ the section of the Annual Report on page 66, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report.

The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

■ the directors' confirmation on page 53 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

■ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

■ the directors' explanation on page 53 of the Annual Report, in accordance with provision C.2.2 of the Code, 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.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the company and the directors' statement in relation to the longer-term viability of the company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

■ we have not received all the information and explanations we require for our audit; or
■ 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Other Companies Act 2006 reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement
Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of directors' responsibilities set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 September 2016

(a) The maintenance and integrity of the J D Wetherspoon plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS, OFFICERS AND ADVISERS

Tim Martin Chairman, aged 61
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 51
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 38
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 49
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 47
Joined in 2009 and was appointed Company Secretary in 2014.
He is a graduate of Newcastle University and qualified as a solicitor in 1997.

Elizabeth McMeikan Senior Independent Director, aged 54
Appointed to the board in 2005 and is a member of the audit, remuneration and nomination committees. She is a graduate of Cambridge University. She is a non-executive director of UNITE plc, Flybe plc and chairs the Moat Housing Association. She also sits on the board of two privately owned companies.

Debra van Gene Non-Executive Director, aged 61
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 is also a Lay Commissioner with the Judicial Appointments Commission. She was a partner at Heidrick and Struggles Inc and previously ran her own executive search firm.

Sir Richard Beckett Non-Executive Director, aged 72
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.

Mark Reckitt Non-Executive Director, aged 58
Appointed to the board in 2012 and resigned in May 2016.

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

David Capstick IT and Property Director, aged 55
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 47
Joined in 1994, having previously worked for Safeway plc. He worked in several operational roles, before being appointed as operations director in 2004.

Miles Slade Retail Director, aged 35
Joined in 2000. He worked in several operational roles before being appointed as deputy operations director in January 2012. He is a graduate of Nottingham Trent University.

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1709784

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

Financial advisers
Investec Bank plc

Stockbrokers
Investec Bank plc

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 51.

Dividends
The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p (2015: 8.0p) per share, on 24 November 2016, to those shareholders on the register on 21 October 2016, giving a total dividend for the year of 12.0p per share.

Return of capital
At the annual general meeting of the Company, held on 12 November 2015, the Company was given authority to make market purchases of up to 17,890,472 of its own shares. During the year to 24 July 2016, 5,694,546 shares were purchased, with a nominal value of £114,000, for a total consideration of £39.4m, including stamp duty. This represented 4.8% of the called-up share capital.

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

Takeover directive disclosures
The Company has an authorised share capital comprising 500 million ordinary shares of 2p each. As at 24 July 2016, the total issued share capital comprised 113,654,835 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 17 August 2016 are given on page 70.

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 2015. 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 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Viability statement
In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the directors confirm that they have a reasonable expectation that the Company will continue to operate and meets 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 43 and 44, specifically economic, regulatory, reputational and interest-rate risks.
To assess the impact of the Company's principal risks and uncertainties on its long term viability, scenarios were applied to the Company's financial forecasts in the form of reduced like-for-like sales, reduced margins and increased borrowing costs. It is assumed that the Company's financial plans would be adjusted in response to each scenario.

In making this statement, the directors carried out a robust assessment of the principal risks and uncertainties facing the Company, including those which would threaten its business model, future performance, solvency or liquidity. Principal risks and uncertainties set out on pages 43 and 44 are the result of internal risk management and control processes, with further details set out in the audit committee's report on pages 66 and 67.

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

Greenhouse gas (GHG) emissions
The table below shows the Company's annual CO_2 emissions:

GMG Emissions	Unit	Quantity	
		2016	**2015**
Scope 1	Tonnes CO_2e	51,342	52,510
Scope 2	Tonnes CO_2e	157,190	170,048
Intensity	Tonnes CO_2e / £m revenue	130.7	147.0

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

- Reported data is in respect of the year ended 31 March 2016, to align with the period under which carbon emissions are reported.

- Scope 1 emissions result from the combustion of gas; scope 2 emissions result from the 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 cross-reference table

Information required to be disclosed by LR 9.8.4 R (starting on page indicated):

Interest capitalised	Not applicable
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	Page 18
Waiver of emoluments by a director	Not applicable
Waiver of future emoluments by a director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Item (7) in relation to major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance	Not applicable
Provision of services by a controlling shareholder	Pages 55 to 63
Shareholder waivers of dividends	Not applicable
Shareholder waivers of future dividends	Not applicable
Agreements with controlling shareholders	Pages 55 to 63
Corporate governance (DTR 7.2.9 R)	Pages 64 to 69

Events after the reporting period
The details of events after the reporting period can be found in note 29 on page 36.

By order of the board

Nigel Connor
Company Secretary
8 September 2016

Annual statement

Dear shareholder

This report complies with the changes to the Companies Act which came into force on 1 October 2013.

Ben Whitley was appointed as finance director during the year, with a basic salary of £150,000.

The committee made the decision to increase the salaries of the CEO and the personnel and legal director by 9%, in recognition of their performance. This compares with a 6.8% increase in average employee's pay across the Company.

Executive directors will receive an award of 10.42% of basic salary, under the annual cash bonus plan, comprising 5% of basic salary under the quality-and standards element and 5.42% under the profit element.

Executive directors will also receive an amount equivalent of 25% of their salary in shares under a share incentive plan (SIP).

The committee is proposing a change to the owners' earnings calculation in the deferred bonus scheme, subject to shareholders' approval at the 2016 AGM.

Subject to approval, executive directors will receive 52.2% of their salary in shares under the owners'-earnings-per-share element of the scheme and 7% under the EPS element.

In 2015, long-service awards were introduced across the Company for all employees with over 25 years' service. Because the prevailing remuneration policy for executive directors did not include this element, the remuneration committee has been unable to make payments under this scheme to John Hutson and Su Cacioppo, both of whom have completed more than 25 years' service, simply because they are executive directors.

The remuneration committee intends to include the long-service awards in the policy which it will submit to shareholders for approval in 2017. These will be calculated on the same basis as for all employees: an additional pension payment 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 – with similarly staged 5% increments on SIPs.

In order to be able to make a payment to John Hutson and Su Cacioppo before the 2017 AGM's vote on policy, the remuneration committee is putting an ordinary resolution to shareholders at the 2016 AGM.

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

The remuneration report has been prepared based on the existing policy.

Further details are set out below, with shareholders invited to approve this report and proposals at the AGM on 10 November 2016.

By order of the board

Debra van Gene
Chair of the Remuneration Committee
8 September 2016

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 leisure industry in general, along with other comparisons and reports. The committee aims to take a fair and commonsense approach.

This policy came into force on the date of the AGM – 13 November 2014. The elements of the remuneration package of each executive director are as follows:

Component	Reason	Operation, maximum achievable and performance criteria
Base salary	Provide attractive and fair remuneration for directors.	Salaries are reviewed at least annually, with any changes normally taking effect from 1 October each year. Salary increases are awarded at the discretion of the remuneration committee. When considering salary levels and whether an increase should be offered, the committee takes account of a variety of factors, including Company performance, individual performance, experience and responsibilities, market information and the level of increase being offered to other employees.
Benefits	Provide attractive and fair remuneration for directors.	A range of taxable benefits is available to executive directors. These benefits comprise principally the provision of a car allowance, life assurance, private medical insurance and fuel expenses. The cost of benefits provided changes in accordance with market conditions. The committee monitors the overall cost of the package periodically.
Pension	Provide attractive and fair remuneration for directors.	The Company does not operate any defined benefit pension schemes. Contributions of 12% of executive directors' base salary are made by the Company to the Company stakeholder pension scheme. If directors expect to reach their lifetime allowance under HMRC rules, they are able to opt out of the stakeholder pension scheme and receive an equivalent salary supplement instead. In addition, any contributions above the annual HMRC-approved threshold are paid as a salary supplement. This is reviewed annually by the remuneration committee.
Annual bonus plan	Incentivise directors to perform to a high level.	Annual bonus payments are paid in cash, at the discretion of the remuneration committee. The maximum bonus potential is 50% of salary. The major part of the bonus is based on profit growth, multiplied by a factor of 1.5 and paid to a maximum of 45% of salary. Profit growth is calculated on profit before tax and exceptional items. In addition, a further 5% is awarded for carrying out a set number of calls on our pubs per month, in order to monitor service and other standards.

Component	Reason	Operation, maximum achievable and performance criteria
Share Incentive Plan (SIP)	Align directors' long-term interests with those of shareholders, employees and the wider community.	The SIP (an HMRC-approved scheme) 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 SIPs under this scheme to some employees: pub managers receive an extra 5% annual award; head-office staff 10–15%; senior managers and directors, including executive board directors 20%. In addition, an executive director may purchase partnership shares up to the government cap, at present £1,800 per annum. Awards under this scheme are not based on financial or other targets. The Company believes that excessive use of financial targets can lead to distortions in companies' behaviour and that it is important for there to be some share awards which can be accumulated gradually, the value of which depends on the overall success of the Company. Directors must be in office when the shares vest.
2005 Deferred Bonus Scheme	Align directors' long-term interests with those of shareholders, employees and the wider community.	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 shares required under the scheme are purchased in the market by an employee benefit trust, funded by the Company. Bonus is awarded at a rate of 2.5% of salary for each 1% increase in owners' earnings per share and 2.5% of salary for each 1% increase in diluted adjusted earnings per share, based on the weighted average number of shares in issue during the period. An element of adjusted earnings per share growth (including shares held in trust) is included in this scheme, to reduce the potential volatility which may be inherent in relying purely on the owners' earnings calculation, which is heavily influenced by maintenance capital expenditure. Owners' earnings are calculated as follows: Profit before tax: (excluding unrealised exceptional items) Add: Depreciation and amortisation Less: Cash reinvestment in current properties Less: Cash tax Equals: Owners' earnings The maximum bonus to be earned under the scheme is 100% of annual salary. Provisions are in place which permit the Company to reclaim awards under this scheme in exceptional circumstances of misstatement or misconduct.
Non-executive directors' fees	Provide attractive and fair remuneration for directors.	The fees paid to non-executive directors are determined by the executive board, taking into account the level of fees for similar positions in the market and the time commitment which each non-executive director makes. The non-executive directors receive no other remuneration or benefits from the Company.

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

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

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

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

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

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

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

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

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

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

Non-executive directors
The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2015, with a term of 12 months.

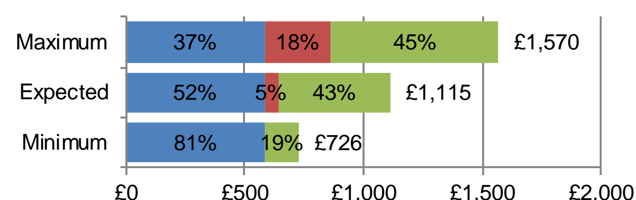
If their appointment is terminated early, the non-executive directors are entitled to the fees to which they would have been entitled up to the end of their term. They do not participate in the Company's bonus or share schemes. Their fees are determined by the executive directors, following consultation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

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

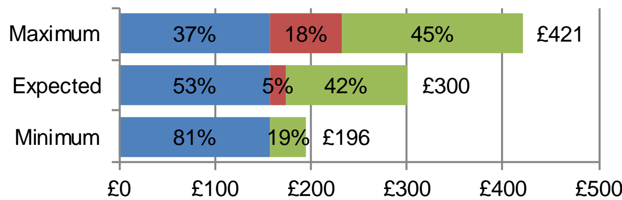
Illustration of the application of the remuneration policy
The charts below set out the composition of the chairman and executive directors' remuneration packages in £000, at a minimum, a reasonable expectation target and as a possible maximum:

Tim Martin

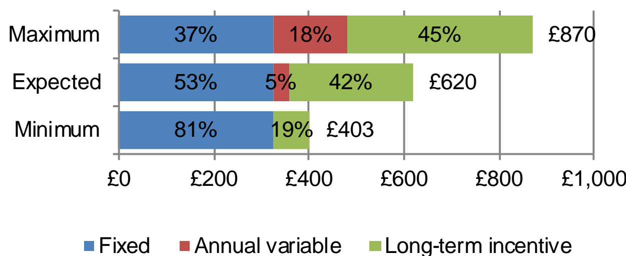
John Hutson



Ben Whitley



Su Cacioppo



Fixed Annual variable Long-term incentive

The fixed annual values include:

- Fixed annual salary, benefits and allowances, in line with those outlined in the policy section, and based on the payments made in the year ending 24 July 2016.

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

The long-term incentive plan values include:

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

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

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

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

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

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

Annual report on remuneration
The table below sets out in a single figure the total amount of remuneration, including each element, received by each director for the year ended 24 July 2016.

Single-figure table – audited

	Salary/fees		Taxable benefits[1]		Performance bonus[2]		Long-term incentives		Pension contributions[3]		Total	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Executive directors												
Ben Whitley[5]	108	–	10	–	11	–	48	–	13	–	190	–
John Hutson	566	494	19	24	56	24	221	602	39	58	901	1,202
Kirk Davis[4]	–	48	–	3	–	2	–	31	–	6	–	90
Su Cacioppo	311	277	19	25	32	14	124	338	28	33	514	687
	985	819	48	52	99	40	393	971	80	97	1,605	1,979
Non-executive directors and chairman												
Tim Martin	324	324	15	31	–	–	–	–	–	–	339	355
Elizabeth McMeikan	47	46	–	–	–	–	–	–	–	–	47	46
Debra van Gene	47	46	–	–	–	–	–	–	–	–	47	46
Richard Beckett	47	46	–	–	–	–	–	–	–	–	47	46
Mark Reckitt	39	46	–	–	–	–	–	–	–	–	39	46
	504	508	15	31	–	–	–	–	–	–	519	539
Total	**1,489**	1,327	**63**	83	**99**	40	**393**	971	**80**	97	**2,124**	2,518

1) Taxable benefits include car allowances and the provision of rail travel for Tim Martin, as well as private health and fuel expenses for executive directors.
2) A bonus of 5.42% was awarded under the profit growth element of the bonus scheme, in line with policy. A further 5% was awarded in respect of the element for pub calls made to monitor standards, in line with the policy.
3) Executive directors receive either pension contributions equivalent to 12% of salary to the stakeholder pension plan or salary in lieu of pension contributions. Both Su Cacioppo and John Hutson took a portion of their pension in salary.
4) There have been no payments to past directors and no payments for loss of office.
5) Salary received after being appointed as finance director.

Previous-year salaries have been adjusted for arrears in respect of the salary increases.

Details of targets applicable during the year are disclosed in the directors' remuneration policy statement.

The resultant percentages against each of the bonus measures achieved are shown below, with the percentage awards for each director being the same.

	Maximum	Awarded	B Whitley £000	J Hutson £000	S Cacioppo £000
Pub calls	5.00%	5.00%	5	27	16
Profit growth	45.00%	5.42%	6	29	16
Total performance bonus	50.00%	10.42%	11	56	32
Employee share scheme	25.00%	25.00%	30	129	73
Deferred Bonus scheme	100.00%	16.32%	18	92	51
Total long term incentives	125.00%	41.32%	48	221	124
Total	**175.00%**	**51.74%**	**59**	**277**	**156**

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
Ben Whitley	4,202	12,201	16,403	29,984	87,774	117,758
John Hutson	18,084	68,643	86,727	129,176	493,818	622,994
Su Cacioppo	10,151	38,550	48,701	72,510	277,329	349,839
	32,437	**119,394**	**151,831**	**231,670**	**858,921**	**1,090,591**

During the year under review, 32,437 shares were issued to the executive directors under the share incentive plan. This represents 25% of the applicable salary, in line with the policy applicable in respect of this share scheme, at an average share price of £7.14. These shares vest after a three-year period from their award and have no further performance conditions attached to them, other than for the shareholders to be employed by the Company at the vesting date.

In addition, executive directors were entitled to an award of 119,394 shares, in respect of the 2015 deferred bonus scheme. The share price on the grant date was £7.19. All directors received cash, after electing to sell their shares, in respect of the first tranche which was due on 25 September 2015. The remaining 79,596 shares vest in equal amounts on 25 September 2016 and 25 September 2017. These shares have no further performance conditions, other than for the shareholders to be employed by the Company until the vesting period ends.

Directors and connected persons' interests in shares: audited
The interests of the directors in the shares of the Company, as at 24 July 2016, were as follows:

Ordinary shares of 2p each, held beneficially	**2016**	2015
Tim Martin	**33,466,934**	33,466,934
Ben Whitley	**1,259**	–
Ben Whitley – Share Incentive Plan	**7,832**	–
Ben Whitley – 2005 Deferred Bonus Scheme	**8,392**	–
Ben Whitley total	**17,483**	–
John Hutson	**73,355**	72,548
John Hutson – Share Incentive Plan	**46,971**	50,677
John Hutson – 2005 Deferred Bonus Scheme	**48,097**	20,837
John Hutson total	**168,423**	144,062
Su Cacioppo	**23,543**	52,778
Su Cacioppo – Share Incentive Plan	**25,982**	27,378
Su Cacioppo – 2005 Deferred Bonus Scheme	**26,998**	10,996
Su Cacioppo total	**76,523**	91,152
Elizabeth McMeikan	**1000**	1000
Debra van Gene	**1000**	1000
Richard Beckett	**2000**	2000
Mark Reckitt	**–**	2000

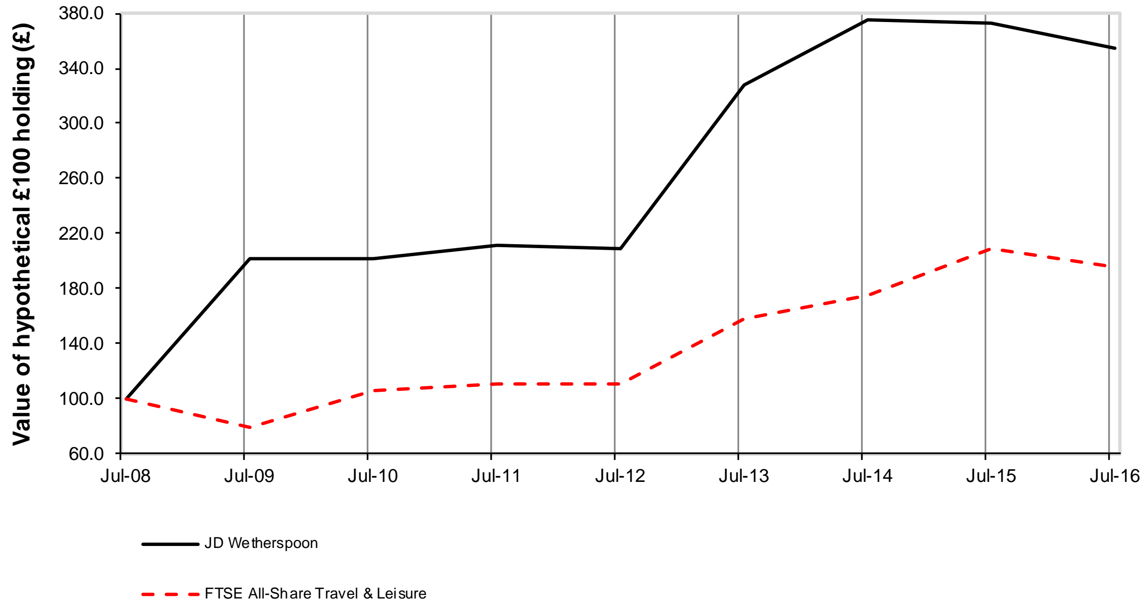
There have been no changes to these interests since 24 July 2016. The Company does not enforce any specific requirements as to directors' shareholdings.

Partnership shares
John Hutson is a participant in the partnership share scheme and acquired 248 shares between August 2015 and July 2016. Su Cacioppo is a participant in the partnership share scheme and acquired 206 shares between August 2015 and July 2016. The market price of the shares purchased ranged from 681.6p to 768.8p.

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 for each of the last eight financial years. 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* %
2016	901	21	100
2015	1,202	10	100
2014	741	19	100
2013	1,079	43	100
2012	847	34	100
2011	628	24	100
2010	656	44	100

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

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

John Hutson	2016 £000	2015 £000	Change %	Total employees %
Salary	540	494	9.3	6.8
Fees	–	–	–	–
Salary in lieu of pension	26	–	–	–
Salary/fees	566	494	14.6	6.8
Taxable benefits	19	24	(20.8)	(2.5)
Performance bonus	56	24	133.3	5.5
	641	542	18.3	6.6

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

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

	2016 £000	2015 £000	Change %
Dividends	14,190	14,591	-2.7
Share buy-backs	39,393	26,900	46.4
Total employee remuneration	495,995	444,519	12%

Implementation of remuneration policy 2016/2017
The committee will propose two resolutions to make awards to directors outside of the current policy. Approval for these payments will be sought from shareholders at the 2016 AGM.

The committee intends to review the current directors' remuneration policy and seek approval from shareholders for the full policy at the 2017 AGM.

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

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 2015 directors' remuneration report
The table below shows the voting outcomes at the 12 November 2015 AGM for the directors' remuneration report.

	Number of votes	% of votes
For	66,213,756	91.5%
Against	6,171,958	8.5%
Total Cast	72,385,714	100.0%

By order of the board

Nigel Connor
Company Secretary
8 September 2016

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 24 July 2016, except as described below.

B.1.1 – Non-executive director independence

Elizabeth McMeikan has served more than 10 years on the board and so may not be considered independent under the Code. The board considers that her performance as a non-executive director continues to be effective. She contributes significantly as a director through her individual skills, considerable knowledge and experience of the Company. She also continues to demonstrate strong independence in the manner in which she discharges her responsibilities as a director. Consequently, the board has concluded that, despite her length of tenure, there is no association with management which could compromise her independence.

B.4.2 – Development

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

B.6.2 – External board evaluation

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

C.3.1 – Financial experience

The code requires that at least one member of the audit committee has recent and relevant financial experience. Following the resignation of Mark Reckitt, the nominations committee is currently in the process of recruiting a replacement, who would provide the necessary experience to the audit committee on an ongoing basis.

E.1.1 – Dialogue with shareholders

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

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

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

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

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

Biographies of all non-executive and executive directors are provided on page 51 and can be viewed on the Company's website: www.jdwetherspoon.com

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

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

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

The board has several established committees as set out below. The board met nine times during the year ending 24 July 2016; attendance of the directors and non-executives, where appropriate, is shown below.

Number of meetings held in the year	Board 9	Audit 4	Remuneration 6	Nomination 1
Tim Martin	8	N/A	1	N/A
John Hutson	9	N/A	N/A	N/A
Su Cacioppo	8	4	1	N/A
Elizabeth McMeikan	8	4	6	–
Debra van Gene	7	3	6	1
Sir Richard Beckett	8	3	6	1
Mark Reckitt	7	3	5	1
Nigel Connor	8	4	1	N/A
Ben Whitley	9	4	1	N/A

Matters reserved for the board

The following matters are reserved for the board:

- **Board and management**
  - Structure and senior management responsibilities
  - Nomination of directors
  - Appointment and removal of chairman and company secretary
- **Strategic matters**
  - Strategic, financing or adoption of new business plans, in respect of any material aspect of the Company
- **Business control**
  - Agreement of code of ethics and business practice
  - Internal audit
  - Authority limits for heads of department
- **Operating budgets**
  - Approval of a budget for investments and capital projects
  - Changes in major supply contracts
- **Finance**
  - Raising new capital and confirmation of major facilities
  - The entry into finance leases
  - Specific risk-management policies, including insurance, hedging and borrowing limits
  - Final approval of annual and interim accounts and accounting policies
  - Appointment of external auditors
- **Legal matters**
  - Consideration of regular reports on material issues relating to any litigation affecting the Company
  - Institution of legal proceedings, where costs exceed certain values
- **Secretarial**
  - Call of all shareholders' meetings
  - Delegation of board powers
  - Disclosure of directors' interests
- **General**
  - Board framework of executive remuneration and costs
  - Any other matters not within the terms of reference of any committee of the board
  - Any other matter as determined from time to time by the board

Board committees

Audit committee
The committee is chaired (acting) by Elizabeth McMeikan and comprises, Debra van Gene and Sir Richard Beckett.

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

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

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

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

- The provision for the impairment of fixed assets and the onerous leases – several judgements are used in making this calculation, primarily on expected future sales and profits. The committee received reports and questioned management on the calculations made and the assumptions used
- Significant one-off items of expense or income are reported as exceptional on the face of the income statement. All exceptional items are reviewed by the committee
- The committee reviewed and raised questions on the calculations made by the Company in relation to the effectiveness and hedge accounting for interest-rate swaps

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

Non-audit services
During the year, the Company made no use of specialist teams from PricewaterhouseCoopers LLP, relating to accounting or tax services. The fees paid to PricewaterhouseCoopers LLP for non-audit services were £Nil (2015: £13,000). The use of PricewaterhouseCoopers LLP for non-audit work is monitored regularly, to achieve the necessary independence and objectivity of the auditors.
In addition, the chair of the audit committee is consulted before awarding to the external auditors any non-audit services in excess of £20,000. Where the auditors provide non-audit services, their objectivity and independence are safeguarded by the use of different teams. See note 2 on page 16 for a breakdown of auditors' remuneration for audit and non-audit services.

External auditors
The audit committee is responsible for making recommendations to appoint, reappoint or remove external auditors. Following a review by the audit committee, the board agreed, in September 2016, to recommend to shareholders, at the annual general meeting, the reappointment of the external auditors for a period of one year.

Audit-tendering and rotation
The audit committee keeps under review the requirements on audit-tendering and rotation from the European Union and the Competition and Markets Authority. In view of the changes to the regulatory requirements relating to mandatory audit-tendering, the Company would be required to change its audit firm for the year ending 31 July 2021 at the latest.

PricewaterhouseCoopers LLP has been the auditor of the Company since 1984 – and no audit-tendering process has been carried out subsequently. In line with the Ethical Standards for auditors, the audit partner has been rotated every five years, with Andrew Latham completing his third year as audit partner this year end. The audit committee currently expects to put the audit out to tender in time for the audit of the year ending 31 July 2019, in line with the end of the current audit partner rotation cycle, believing that this represents an appropriate balance between operational efficiency and best practice.

The committee also continues to consider annually the need to go to tender for audit quality or independence reasons. Subject to the outcome of this process for 2016, it is currently expected that PricewaterhouseCoopers LLP will remain in office and that a resolution to appoint them for the 2017 audit will be proposed at the AGM.

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

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

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

Remuneration committee
The committee is chaired by Debra van Gene and comprises Elizabeth McMeikan and Sir Richard Beckett. The directors' report on remuneration is set out on pages 55 to 63.

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

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

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

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

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

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

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

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

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

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

Relations with shareholders

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

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

Risk management

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

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

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

The head of internal audit determines and reviews the risk-assessment process and will communicate the timetable annually.

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

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

A summary of the financial risks and treasury policies can be found on page 44, together with other risks and uncertainties.

Internal control

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

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

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

The Company has key controls, as follows:

- Authority limits and controls over cash-handling, purchasing commitments and capital expenditure
- A budgeting process, with a detailed 12-month operating plan and a mid-term financial plan, both approved by the board
- Business results reported weekly, with a report compared with budget and the previous year
- Forecasts prepared regularly throughout the year, for review by the board
- Complex treasury instruments are not used. The Company, from time to time, as stated in our report and accounts, enters into swap arrangements which fix interest rates at certain levels for a number of years

and enters into supply arrangements with fixed prices for electricity and gas, for example, which run for between one and three years

- An annual review of the amount of external insurance which it obtains, bearing in mind the availability of such cover, its costs and the likelihood of the risks involved
- Regular evaluation of processes and controls, in relation to the Company's financial reporting requirements.

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

Approved and signed on behalf of the board

Nigel Connor
Company Secretary
8 September 2016

Ordinary shareholdings at 24 July 2016

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	4,189	89.2	1,986,927	1.7
2,501–10,000	276	5.9	1,301,461	1.1
10,001–250,000	185	3.9	8,941,695	7.9
250,001–500,000	18	0.4	6,238,744	5.5
500,001–1,000,000	8	0.2	5,669,888	5.0
Over 1,000,000	18	0.4	89,516,120	78.8
	4,694	100.0	113,654,835	100.0

Source: Computershare Investor Services plc

Substantial shareholdings
The Company has been notified of the following substantial holdings in its share capital at 17 August 2016:

	Number of ordinary shares	% of share capital
Tim Martin	33,466,934	29.5
Columbia Threadneedle Investments	18,638,377	16.4
Invesco Perpetual	9,362,438	8.2
Immersion Capital	4,545,787	4.0
Phoenix Asset Management Partners	3,938,438	3.5
J D Wetherspoon plc Company Share Plan*	3,928,359	3.5
Investec Asset Management	3,868,362	3.4
Rothschild Bank	3,429,351	3.0
Norges Bank Investment Management	3,183,254	2.8
Oppenheimer Funds	2,377,500	2.1

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

*This represents shares which have been purchased by the Company for the benefit of employees under the SIP. Please see page 57.

Share prices

26 July 2015	713.5p
Low	609.0p
High	807.0p
24 July 2016	806.0p

Shareholders' enquiries

If you have a query about your shareholding, please contact the Company's registrars directly:
Computershare Investor Services plc: www.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: www.jdwetherspoon.com/investors-home

PUBS OPENED DURING THE FINANCIAL YEAR

Name	Address	Town	Postcode	Country
Sandford House	George Street	Huntingdon	PE29 3BD	UK
The Thomas Waghorn	14 Railway Street	Chatham	ME4 4JL	UK
The White Hart Hotel	Fore Street	Okehampton	EX20 1HD	UK
The Lifeboat	41a Three Tuns Lane	Formby	L37 4AQ	UK
The Greenwood Hotel	674 Whitton Avenue West	Northolt	UB5 4LA	UK
The Paddle Steamer	Gallowgate Street	Largs	KA30 8LX	UK
The Nine Arches	3 Legh Street	Newton-le-Willows	WA12 9NE	UK
The Booking Office	17 Waverley Bridge	Edinburgh	EH1 1BQ	UK
The Cross Keys	6–8 Lairgate	Beverley	HU17 8EE	UK
The Hay Stook	26–36 Princes Mall	East Kilbride	G74 1JU	UK
The Posset Cup	Unit 3, Mustad Way	Portishead	BS20 7QZ	UK
Harpsfield Hall	13a Parkhouse Court	Hatfield	AL10 9RQ	UK
The Mossy Well	258 Muswell Hill Broadway	London	N10 3SH	UK
The Coinage Hall	9–11 Coinagehall Street	Helston	TR13 8ER	UK
Rose & Crown	109 High Street	Maldon	CM9 5EP	UK
The Linen Weaver	Paul Street, Plaza	Cork		ROI

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