J D Wetherspoon plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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

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

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9 November 2017

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FINANCIAL HIGHLIGHTS

Revenue £1,660.8m
(2016: £1,595.2m)
+4.1%
(excluding week 53: +1.9%)

Like-for-like sales
+4.0%

Free cash flow[1] £107.9m
(2016: £90.5m)
+19.3%

Free cash flow[1] per share 97.0p
(2016: 76.7p)
+26.5%

Full-year dividend 12.0p
(2016: 12.0p)
Maintained

Contribution to the economy
taxes paid £694.6m (2016: £672.3m)
+3.3%

Before exceptional items

Operating profit £128.5m
(2016: £109.7m)
+17.1%
(excluding week 53: +15.1%)

Profit before tax £102.8m
(2016: £80.6m)
+27.6%
(excluding week 53: +25.3%)

Earnings per share
(including shares held in trust) 69.2p
(2016: 48.3p)
+43.3%

After exceptional items[2]

Operating profit £128.5m
(2016: £109.7m)
+17.1%
(excluding week 53: +15.1%)

Profit before tax £76.4m
(2016: £66.0m)
+15.6%
(excluding week 53: +13.7%)

Earnings per share
(including shares held in trust) 50.4p
(2016: 43.4p)
+16.1%

[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 34th year since incorporation in 1983. The table below outlines some key aspects of our performance during that period. Since our flotation in 1992, earnings per share before exceptional items have grown by an average of 15.5% per annum and free cash flow per share by an average of 16.6%.

Summary accounts for the years ended July 1984 to 2017

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

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 4.0% (2016: 3.4%), with total sales of £1,660.8m, an increase of 4.1% (2016: 5.4%). Like-for-like bar sales increased by 3.1% (2016: 3.3%), food sales by 5.7% (2016: 3.5%) and slot/fruit machine sales decreased by 1.2% (2016: decreased by 2.2%). Like-for-like hotel room sales increased by 9.9% (2016: 9.7%) – although they continue to be a small percentage of overall sales.

Operating profit before exceptional items increased by 17.1% to £128.5m (2016: £109.7m). The operating margin, before exceptional items, increased to 7.7% (2016: 6.9%). The overall performance was helped by improved sales, lower utility and interest costs, and the sale of some lower-margin pubs. These factors helped to counter cost increases in labour of 4.5%, as well as in other areas, including repairs and taxes.

Profit before tax and exceptional items increased by 27.6% to £102.8m (2016: £80.6m), with a contribution from property profits of £2.8m (2016: £5.3m). Earnings per share (including shares held in trust by the employee share scheme), before exceptional items, were 69.2p (2016: 48.3p).

Net interest was covered 4.6 times by operating profit before interest, tax and exceptional items (2016: 3.3 times). Total capital investment was £187.5m in the period (2016: £124.8m), with £46.9m invested in new pubs and extensions to existing pubs (2016: £55.2m), £65.9m on existing pubs and IT infrastructure (2016: £33.5m) and £88.6m on the acquisition of freehold 'reversions', pubs where Wetherspoon was already a tenant (2016: £36.1m). The capital expenditure numbers differ slightly from the cash outflows, owing to changes in working capital.

Exceptional items totalled £20.9m (2016: £5.7m). These included an £18.4m loss on disposal and an impairment charge of £8.4m for closed sites, underperforming pubs and onerous leases. During the year, the company received £0.4m in compensation in respect of a transfer of interest-rate swaps between two financial institutions, which has been treated as an exceptional item.

In addition, there were £5.5m of exceptional tax credits, mainly 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 a cash inflow of £12.2m, owing to the proceeds from pub disposals.

Free cash flow, after an outflow of £58.6m on existing pubs (2016: £33.5m), £10.4m in respect of share purchases for employees (2016: £6.9m) and payments of tax and interest, increased by £17.4m to £107.9m (2016: £90.5m). The increase resulted from a working capital inflow of £11.2m in the year compared with an outflow of £9.6m in 2016. Free cash flow per share was 97.0p (2016: 76.7p).

Dividends and return of capital

The board proposes, subject to shareholders' approval, to pay a final dividend of 8.0p per share (2016: 8.0p per share), on 30 November 2017, to those shareholders on the register on 27 October 2017, giving a total dividend for the year of 12.0p per share (2016: 12.0p per share). The dividend is covered 4.2 times (2016: 3.6 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, 4,656,300 shares (representing 4.1% of the issued share capital) were purchased by the company for cancellation, at a total cost of £43.9m, including stamp duty, representing an average cost per share of 943p.

Over the last 11 years, my shareholding has increased from 21.2% to 31.7%, as a result of the company's share buybacks. As with last year, the company is again considering seeking a rule 9 'whitewash', under UK City Code on Takeover and Mergers, allowing further buybacks.

Financing

As at 30 July 2017, the company's total net debt, including bank borrowings and finance leases, but excluding derivatives, was £696.3m (2016: £650.8m), an increase of £45.5m. Factors which have led to the increase in debt are expenditure on new pubs and extensions of £40.3m, expenditure on existing pubs of £58.6m, the acquisition of freeholds of £88.6m, share buybacks of £28.4m (excluding £15.5m in respect of shares purchased at the end of the financial year and settled post year-end) and dividend payments of £13.4m. Year-end net-debt-to-EBITDA was 3.39 times (2016: 3.47 times).

As at 30 July 2017, the company had £163.9m (2016: £189.6m) of unutilised banking facilities and cash balances, with total facilities of £860.0m (2016: £840.0m). The company's existing interest-rate swap arrangements remain in place.

It is anticipated that interest costs in the current year will be approximately the same as those of last year.

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 25.1% (2016: 29.4%). This fall is due mainly to a decrease in the deferred tax liability, resulting from accelerated capital allowances on fixed-asset expenditure.

VAT equality
As we have previously stated, we believe that pubs are taxed excessively and that the government would generate more tax 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 since the 1970s 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. Pubs also make an important contribution to the social life of many communities and create better visibility and control of consumers of 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 £694.6m, an increase of £22.3m, compared with the previous year, which equates to approximately 41.8% of our sales.

This equates to an average payment per pub of £768,400 per annum or £14,500 per week.

	2017 £m	2016 £m
VAT	**323.4**	311.7
Alcohol duty	**167.2**	164.4
PAYE and NIC	**96.2**	95.1
Business rates	**53.0**	50.2
Corporation tax	**20.7**	19.9
Machine duty	**10.5**	11.0
Climate change levy	**9.7**	8.7
Stamp duty	**5.1**	2.6
Carbon tax	**3.4**	3.6
Landfill tax	**2.5**	2.2
Fuel duty	**2.1**	2.1
Premise licence and TV licences	**0.8**	0.8
Total tax	**694.6**	672.3
Pre-exceptional profit after tax	**77.0**	56.9
Tax per pub (£000)	**768.4**	**705.0**
Tax as % of sales	**41.8%**	42.1%
Profit after tax as % of sales	**4.6%**	3.6%

Corporate governance
Last year, this statement contained a summary of criticisms of corporate governance guidelines. Similar views have been expressed in Wetherspoon's annual reports for several years and there have been almost no objections or dissent from shareholders, or other interested parties.

As it stands today, one danger of these faulty guidelines is that many quoted businesses have no board directors who were present in the company during the last financial crisis – an undesirable and dangerous state of affairs.

'It's a people thing'
As in previous years, the company has tried to improve as many areas of the business as possible, on a week-to-week basis, invariably in mundane areas of our operations. This concentration on the 'nuts and bolts' is far more important than issues such as 'strategy', with which most boards are preoccupied. Frequent calls on pubs by senior executives, the encouragement of ideas and criticisms from pub staff and customers, and the involvement of pub and area managers, among others, in weekly decisions, are the keys to success. An example of the success of this approach is that we have 818 pubs rated on the Food Standards Agency's website. The average score is 4.89, with 91.8% of the pubs achieving a top rating of five and 6.2% receiving a rating of four. 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 continue to emphasise the importance of training. For some years, we have run a three-week catering academy for kitchen managers, with 1,371 people having completed these courses. We have recently started a similar academy for cellar and coffee training, so that we can improve quality in these areas.

We paid £43.7m to employees in the year in respect of bonuses and free shares, an increase of £10.7m compared with the previous year, of which 96% was paid to staff below board level and 74% was paid to staff working in our pubs.

The company has been recognised as a Top Employer UK (2017) for the 14th 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 £1.8m, bringing the total raised to over £14m – more than any other corporate partner has raised for this charity.

Property

The company opened 10 pubs during the year, with 41 closed, resulting in a trading estate of 895 pubs at the financial year end.

The average development cost for a new pub (excluding the cost of freeholds) was £2.3m, compared with £2.5m a year ago. The full-year depreciation charge was £73.9m (2016: £72.2m). We currently intend to open about 10–15 pubs in the year ending July 2018.

We have sold, or terminated the leases of, 76 pubs, in the last 2 years, at a loss of approximately £45m, including previously reported impairments. Some mistakes are inevitable in site selection, but we hope to learn from these experiences, in order to try to avoid similar mistakes in the future.

Property litigation

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

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

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

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

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

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

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

Current trading and outlook

Most 'PLCs' are expected to comment, in their results' statements, on the UK's prospects outside of the EU and on the likely impact on their individual companies.

It is my view that the main risk from the current Brexit negotiations is not to Wetherspoon, but to our excellent EU suppliers – and to EU economies.

As the public instinctively understands, but few academics, economists, boardrooms and City institutions grasp, democracy is the strongest economic steroid – hence the astonishing rise of countries like Japan, Singapore and South Korea, after its adoption. A fascinating insight into the thought processes of many pro-Remain 'elites' can be found in an article in The Spectator (appendix 2 below) by Professor Robert Tombs of Cambridge University.

In the current negotiations, democratically-elected politicians from the UK are dealing with unelected oligarchs from the EU. Since the oligarchs are not subject to judgement at the ballot box, their approach is dictated by more sectarian factors – the interests and ideology of EU apparatchiks like them, rather than residents or businesses from EU countries.

As a result of their current posturing and threats, EU negotiators are inevitably encouraging importers like Wetherspoon to look elsewhere for supplies. This process is unlikely to have adverse effects on the UK economy, as companies will be able to switch to suppliers representing the 93% of the world's population which is not in the EU, but this evolution will eventually be highly damaging to the economy of the EU.

Wetherspoon is extremely confident that it can switch from EU suppliers, if required, although we would be very reluctant to initiate such actions.

It is my view that Juncker, Barnier, Selmayr, Verhofstadt and others need to take a wise-up pill in order to avoid causing further economic damage to struggling economies like Greece, Portugal, Spain and Italy – where youth unemployment, in particular, is at epidemic levels.

There seems to be little genuine appetite for a free-trade deal from the Brussels bureaucracy, so EU companies are, paradoxically, reliant on the goodwill of UK consumers, who are likely to prefer tariff-free goods in the future from non-EU countries, which are generally in favour of free trade, rather than deals with companies which are subject to the diktat of those who wish to punish the UK.

I have written an article dealing with several issues related to Brexit, which can be found in the latest edition of Wetherspoon News – and is included below in appendix 1.

Since the year end, Wetherspoon's like-for-like sales have continued to be encouraging and have increased by 6.1%. This is a positive start, but is for a few weeks only – and is very unlikely to continue for the rest of the year. Comparisons will become more stretching – and sales, which were very strong in the summer holidays, are likely to return to more modest levels. It is anticipated that like-for-like sales of around 3–4% will be required in order to match last year's profit before tax. We will provide updates as we progress through the year. We currently anticipate a trading outcome for the current financial year in line with our expectations.

Tim Martin
Chairman
14 September 2017

Appendix 1 – Tim's Viewpoint, Wetherspoon News, autumn 2017

"Democracy is the key to prosperity and freedom

Do economists at the CBI, The Times and the FT model themselves on Edmund Blackadder, asks Tim Martin

In the last edition of Wetherspoon News, I quoted Cambridge professor Simon Baron-Cohen, who correctly said that "each example of the erosion of democracy leads to an even greater erosion of human rights".

Like the great majority of Oxbridge graduates – albeit with many notable exceptions – the professor is an ardent EU supporter, even so. He appears, subconsciously, to exempt the undemocratic EU from criticism. I also quoted Financial Times journalist Edward Luce, who criticised the last two American presidents for failing to support the 'democracy promoting creed' in their conduct of foreign relations.

Unelected

Yet the Financial Times fails to apply the same criteria to the EU, with its unelected presidents, its court which is not subject to democratic control and its pseudoparliament, whose MPs cannot even initiate legislation. In a previous edition of Wetherspoon News, we quoted in full a Financial Times article by Peter Mandelson, which appeared shortly after the referendum. The article explained that Mandelson, Cameron and Osborne, the architects of the Remain campaign, Oxbridge graduates all, decided not to deal directly with questions about issues such as the absence of democracy in the EU. Instead, when asked, they decided to avoid the question by 'pivoting' to the economy, with support from discredited organisations such as the IMF, the OECD, the Treasury and their ilk. This blindness to, or evasion of, the EU's evident democratic shortfalls recalled the strange events of Britain's debate about the euro 15 years or so ago.

Overwhelming

Then, the Financial Times the CBI, most boardrooms, the majority of MPs, Blair, Mandelson, Heseltine, Clarke and the overwhelming majority of economists, supported the UK's euro application with religious fervour, even though its predecessor, the Exchange Rate Mechanism, had caused economic mayhem only a few years before. The same paradox was evident then. The most highly educated lent support to a currency which lacked a basic ingredient: a government. The new currency could only work by transferring normal democratic powers over interest rates, budgets and taxation to unelected bureaucrats. Or perhaps autocrats is a better word. Charlie Munger, a partner of the world's greatest investor, Warren Buffet, may have an answer. Munger's view, which explains the often idiotic behaviour of financial markets, is that intelligent people suffer from extremely poor judgement when they become ideological, whether through religion or other deep beliefs. And, for some people, the EU is a semi-religious project. Gillian Tett, a Financial Times journalist, reached a similar conclusion in trying to assess why so many in the tightknit circle of business, media and academia got it so badly wrong over the euro. 'Groupthink' was her explanation, which is perhaps not too different from Munger's analysis.

Referendum

Leaving aside these theories, the fact is that the UK voted to leave the EU in the referendum, article 50 was triggered by an overwhelming majority of MPs and 85 per cent of MPs were recently elected on the basis of manifestos which accepted the referendum result. However, the gloom and disruption of the diehard Remainers in the media, parliament and boardrooms have reached epidemic proportions. The CBI, representing big British business, is one of the worst offenders. Its boss, Carolyn 'we're all doomed' Fairbairn, set the tone with her Blackadder-style warning, before the referendum, that "a dark cloud of uncertainty is looming over global growth … particularly around the outcome of the EU referendum". Closet Remainer David Smith of the Sunday Times is not to be outdone in apocalyptic prose: "Slower growth has been staring us in the face since sterling's post-referendum plunge guaranteed a squeeze on household real incomes and a cloud of renewed uncertainty descended on business." Well, David, it hasn't descended on our business, nor on most businesses, from what I can tell.

Economy

Since the referendum, the economy has generated a stunning 300,000 new jobs, employment is at its highest ever level, the stock market has risen by around 20 per cent and household incomes, as at the end of the first quarter of this year, were at a record high. The Financial Times is the epicentre of gloom. The first sentence of a July editorial reads: "The uncertainty surrounding Brexit means the UK economy is set on a journey with no compass." Surely, this was written by Edmund Blackadder. If the editor of the FT is Blackadder, Baldrick is the FT's economist Martin Wolf, who darkly prophesied that "Britain is incapable of managing Brexit and calamity will follow". Not to be outdone, the Remain-

supporting Times is full of predictions of doom and despair. The doyen of doomsters is Matthew Parris, a former conservative MP. In a bleak and doom-laden article on his return from holidays, he said: "I left Spain feeling ashamed to be British. I returned to England ashamed to be a conservative." Stroll on, Matthew. Take it easy, old chap. The sun will still rise in the east tomorrow morning. Perhaps the most comic aspect of gloomy media reports on Brexit negotiations is the constant reference to 'cliff-edges'. A recent edition of the FT had more examples of cliff-edges than the Cornish coastal path.

Phenomena

Similar phenomena occurred during the battle to save the country from the euro. In almost every debate I had during that period, euro proponents said "the euro train is leaving the station and the UK is not on it" or intoned similar metaphors. When critics start talking of cliff-edges and compasses, it usually means that rational arguments are running short. The most melodramatic recent requests have come from business organisations like the CBI and the Institute of Directors. They want the government to clarify and publish its objectives in the current EU negotiations. The obvious problem with this approach is that manifesting a clear desire for a particular outcome will result in the EU upping the price – or vetoing the proposal. Necessity never made a good bargain, as Benjamin Franklin said. People like Carolyn Fairbairn, and the majority of economists, who insist on a 'deal' are, in effect, sabotaging the UK's negotiating position. As Mervyn King, the former governor of the Bank of England, has recently pointed out: "If you're going to have any success in this negotiation, you need to have a fallback position which the other side understands and thinks is credible. It's not the first choice, but we have to have an option, otherwise the other side won't listen. This ought to be something people can agree on… whether they voted for Brexit or not." Mr King understands that the government needs to be able to say: "We're happy to agree a free trade deal, if the European negotiators are agreeable, but we are more than happy to trade using World Trade Organisation rules, if we can't agree."

Successfully

That's the basis on which we trade successfully with 93 per cent of the world which is not in the EU. Our most successful engineer, James Dyson, adopts a similar approach to Mervyn King's and states that relying on WTO rules would be "no big deal". In any event, as we did in the pre-referendum edition of Wetherspoon News, we have included a section from pages 50 to 58 with four articles from optimistic Brexiteers and four from gloomy Remainers. Once you've digested their views, you can make up your own mind as to how we'll do. I think democracy is the key to prosperity and freedom, and a lot of the other points which have been made are hogwash. But you can decide. Indeed, in a democracy, you WILL decide. ”

Tim Martin

Appendix 2 – Cambridge University professor, Robert Tombs, writing in The Spectator, says:

"The myth of Britain's decline

Our glory days are not over – they're in full swing

On the anniversary of Britain voting to leave the European Union, the Principal of Hertford College, Oxford, found some words to sum it up. 'An entire society crucified by the delusional ambitions of Brexiteers chasing moonshine,' wrote Will Hutton. 'An anniversary to mourn.' One might agree or disagree with his position on the European Union, but has British society really committed suicide? It's a theme we have heard rather a lot recently: that Britain is a mess, an international laughing stock, leader-less and futureless. The case is normally made by Brits.

Rapid shocks – terrorism, the surprising election result, the Grenfell Tower disaster – have inspired forebodings just as the Brexit negotiations are beginning. This is not just the cry of shell-shocked Tories or traumatised Remainers; it goes deeper. We're seeing the revival of an old and familiar malady: declinism', a periodic fear that the nation has declined and is declining from some earlier time of strength, cohesion and success. Declinism is a syndrome: it assumes a combination of moral, political and economic failures. Britain suffered a bout of it in the 1880s when German competition in manufactured goods was first felt. It came back in the 1960s and 1970s, coloured by economic worries, rapid decolonisation and a perception of dwindling power and influence in every field.

Today, it has re-emerged as a core anti-Brexit sentiment. With a familiar mixture of despair (from the right) and glee (from the left), we are being told that we must eschew 'nostalgia' and 'post-imperial delusions', and 'wake up to reality' as 'a small offshore island', while the big strong powers of the European Union put us in our place, leaving us a stark choice between accepting the terms they dictate or facing economic and political disaster. Some germ of declinism has been bred into all of us. Who would deny that Britain is no longer the great power it once was? Well, speaking as a historian, I would. Declinism is at best a distortion of reality, and mostly mere illusion. But so important is it in shaping our view of ourselves and our relations with the world that it demands sceptical scrutiny. It rests, above all, on two assumptions. First, that we have long been failing economically. Second, that we have suffered a loss of sheer power and hence influence in the world.

In the context of the Brexit debate, the conclusions are that the EU, 'our largest market', is our economic crutch; and that outside the EU club our feeble power and influence will dwindle to insignificance. We will be comparable, declinists scoff, to Albania or North Korea.

The belief in economic decline is a mixture of illusion and misunderstanding. Britain has been relatively wealthy at least since the Middle Ages, and industrial pioneers gave us a temporary dominance in manufacturing during the mid 19th century. This was a brief and unique episode. Naturally, other countries adopted British technology – helped by British capital and expertise – and began to catch up. This was desirable, as well as natural, because it provided richer markets for British goods and services and valuable investment opportunities for British savers.

Since the 1880s, pessimists have always tended to compare British economic performance at any moment with those most rapidly catching up. When postwar European integration began in the 1950s, Italy, France and Germany were the most spectacular catchers-up, recovering from their wartime devastation and shifting their large and relatively unproductive agricultural sectors into industry. This gave temporary 'windfall growth' that Britain could not equal, having no large agricultural sector to modernise. But an uncritical comparison of growth rates was mistaken for evidence of British economic failure. As early as 1953, an official report warned of 'relegation of the UK to the second division'. This was the prime cause of our desperate pleas to join the Common Market in the 1960s and 1970s: Britain was 'the sinking Titanic', as one of Edward Heath's advisors put it, and Europe the lifeboat.

Ironically, just as Britain joined in the early 1970s, European catching-up ended, and so did its seemingly superior economic prowess. In short, Britain's long-term economic decline in relation to Europe never happened. Supporters of the EU nevertheless still maintain that membership rescued the British economy in the 1970s and remains vital to shoring it up today.

In fact, British economic performance was never significantly affected by EU membership. Growth did not increase after joining the Common Market, essentially because trade was diverted from other markets to Europe just as Europe's own postwar growth went into long-term deceleration. Despite the hopes and political efforts expended on creating the single market (not least by Margaret Thatcher), it has not proved very successful in increasing internal EU trade, and has never been fully extended into services, Britain's main strength.

Due to both the greater dynamism of global markets and the problems of the EU itself, Britain's trade with Europe has been declining sharply in importance for two decades. This was predicted to continue even if Britain had stayed in the EU. The recent overdue depreciation of an overvalued pound will provide some stimulus to our exports both inside and outside Europe, whatever the nature of the post-Brexit deal, and would more than compensate for possible tariffs.

Over the long term, membership (or not) of the EU has made no discernible difference to our economic performance. Britain's increase in prosperity (growth in per capita GDP using purchasing power parity) has almost exactly kept pace with that of the United States ever since 1945, whether outside or inside 'Europe'. The belief that leaving the EU must mean long-term economic decline therefore has no rational basis, just as the economic reports predicting that a vote for Brexit would mean immediate financial misery had no rational basis either.

The second element of declinism concerns the loss of sheer power and importance in the world. This seems as obvious to the stoutest Tory as to the most mocking Guardianista. After all, Churchill himself was haunted by it. Yet this too is largely, if not wholly, an illusion based on comparing a pessimistic view of our current state (whenever that might be – probably any time since the 1890s) with a highly inflated view of past power: usually the High Victorian age, or else round about the time of the battle of El Alamein.

The story of Britain being on a long slide to irrelevance always revolves round decolonisation. It's quite true that the British empire is 'one with Nineveh and Tyre' – but so are all the other empires. No state has replaced Britain as the great global imperial power: empires are no longer possible or desirable, as Britain realised in the 1960s. Though a source of prestige (and of constant trouble – 'a millstone round our necks,' said Disraeli), it's doubtful whether the empire was a source of wealth or power to Britain. Overall, it cost more than it brought in, especially after Britain turned to universal free trade in the 1840s, and colonies ceased to be an exclusive economic domain.

The empire's power was used up in defending itself: it was, as one historian aptly puts it, 'a brontosaurus with huge, vulnerable limbs which the central nervous system had little capacity to protect, direct or control.' Throughout its imperial heyday, Britain had naval power, but on land was no match for Europe's great powers or even its smaller ones. It was constantly worried by threats from France, Russia, Germany and even the USA to its economy, its empire and its home islands.

What of today? Britain is more secure from major external threat than for half a millennium. Taking a long view (say the last three centuries) it remains what it always has been – one of the half-dozen or so strongest states in the world, and one of the most global in its attachments, its vision, and its trade. Within this leading group of states, Britain has not declined but has actually advanced, being now more powerful than its ancient rivals France, Germany and Russia. The Cambridge international relations specialist Brendan Simms puts Britain even higher. Taking into account economic and military potential, population, 'soft power', diplomatic influence, political resilience and self-determination, he judges it the world's third great power after the USA and China, and Europe's only truly independent force.

Power is also based on intangibles such as self-confidence, a clear strategy and determination, and here we may be lacking. Russia, with an economy the same size as Spain's, behaves like a superpower in the Middle East and is treated as one. But we fear we cannot even negotiate a mutually beneficial trade agreement with the EU. At least as much as by age and education, our attitudes seem to be determined by the division between confidence and self-doubt.

Declinism has always been a form of insularity, obsessed with Britain's failings, but ignorant of those elsewhere. Today, unemployment is lower here than among most of our neighbours. Crime is falling. Schools are improving. We have evident problems too. But to see only weaknesses, and to diagnose them as part of a syndrome of decline, is to cling to a distorted view of the world and of our place within it. At worst, this undermines our position, and risks bringing about the very outcome it fears.

Brexit was a vote of confidence in our ability to shape our future as an independent democratic nation – a choice that few of our European neighbours feel they still have. We should not allow declinist panics to confuse the outcome.”

Robert Tombs, Cambridge University professor
The Spectator 8 July 2017

INCOME STATEMENT for the 53 weeks ended 30 July 2017

J D Wetherspoon plc, company number: 1709784

	Notes	**53 weeks ended 30 July 2017 Before exceptional items £000**	**53 weeks ended 30 July 2017 Exceptional items (note 4) £000**	**53 weeks ended 30 July 2017 After exceptional items £000**	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
Revenue	1	**1,660,750**	**–**	**1,660,750**	1,595,197	–	1,595,197
Operating costs		**(1,532,242)**	**–**	**(1,532,242)**	(1,485,470)	–	(1,485,470)
Operating profit	2	**128,508**	**–**	**128,508**	109,727	–	109,727
Property gains/(losses)	3	**2,807**	**(26,868)**	**(24,061)**	5,335	(14,561)	(9,226)
Finance income	6	**72**	**402**	**474**	116	–	116
Finance costs	6	**(28,557)**	**–**	**(28,557)**	(34,568)	–	(34,568)
Profit before tax		**102,830**	**(26,466)**	**76,364**	80,610	(14,561)	66,049
Income tax expense	7	**(25,846)**	**5,541**	**(20,305)**	(23,689)	8,846	(14,843)
Profit for the year		**76,984**	**(20,925)**	**56,059**	56,921	(5,715)	51,206
Earnings per share (p)							
– Basic[1]	8	**70.8**	**(19.3)**	**51.5**	49.5	(5.0)	44.5
– Diluted[2]	8	**69.2**	**(18.8)**	**50.4**	48.3	(4.9)	43.4
Operating profit per share (p)							
– Diluted[2]	8	**115.5**	**–**	**115.5**	93.1	–	93.1

STATEMENT OF COMPREHENSIVE INCOME for the 53 weeks ended 30 July 2017

	Notes	**53 weeks ended 30 July 2017 £000**	52 weeks ended 24 July 2016 £000
Items which may be reclassified subsequently to profit or loss:			
Interest-rate swaps: gain/(loss) taken to other comprehensive income	23	**24,581**	(23,504)
Tax on items taken directly to other comprehensive income	7	**(4,814)**	3,432
Currency translation differences		**2,104**	4,265
Net gain/(loss) recognised directly in other comprehensive income		**21,871**	(15,807)
Profit for the year		**56,059**	51,206
Total comprehensive income for the year		**77,930**	35,399

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

CASH FLOW STATEMENT for the 53 weeks ended 30 July 2017

J D Wetherspoon plc, company number: 1709784

	Notes	**53 weeks ended 30 July 2017 £000**	**Free cash flow[1] 53 weeks ended 30 July 2017 £000**	52 weeks ended 24 July 2016 £000	Free cash flow[1] 52 weeks ended 24 July 2016 £000
Cash flows from operating activities					
Cash generated from operations	9	**224,403**	**224,403**	181,836	181,836
Interest received		**57**	**57**	136	136
Net exceptional finance income		**402**		–	
Interest paid		**(26,834)**	**(26,834)**	(31,182)	(31,182)
Corporation tax paid		**(20,683)**	**(20,683)**	(19,917)	(19,917)
Net cash inflow from operating activities		**177,345**	**176,943**	130,873	130,873
Cash flows from investing activities					
Purchase of property, plant and equipment		**(45,056)**	**(45,056)**	(28,407)	(28,407)
Purchase of intangible assets		**(13,502)**	**(13,502)**	(5,104)	(5,104)
Investment in new pubs and pub extensions		**(40,285)**		(54,118)	
Freehold reversions		**(88,603)**		(36,083)	
Purchase of lease premiums		**–**		(1,091)	
Proceeds of sale of property, plant and equipment		**19,620**		22,520	
Net cash outflow from investing activities		**(167,826)**	**(58,558)**	(102,283)	(33,511)
Cash flows from financing activities					
Equity dividends paid	11	**(13,352)**		(14,190)	
Purchase of own shares for cancellation	28	**(28,445)**		(53,580)	
Purchase of own shares for share-based payments		**(10,449)**	**(10,449)**	(6,877)	(6,877)
Advances under bank loans	10	**47,236**		10,314	
Finance lease principal payments		**–**		(2,051)	
Net cash inflow/(outflow) from financing activities		**(5,010)**	**(10,449)**	(66,384)	(6,877)
Net change in cash and cash equivalents	10	**4,509**		(37,794)	
Opening cash and cash equivalents	19	**46,135**		83,929	
Closing cash and cash equivalents	19	**50,644**		46,135	
Free cash flow	8		**107,936**		90,485
Free cash flow per ordinary share	8		**97.0p**		76.7p

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

BALANCE SHEET as at 30 July 2017

J D Wetherspoon plc, company number: 1709784

	Notes	30 July 2017 £000	24 July 2016 £000
Assets			
Non-current assets			
Property, plant and equipment	12	**1,282,633**	1,188,512
Intangible assets	13	**29,691**	27,051
Investment property	14	**7,550**	7,605
Other non-current assets	15	**8,272**	9,725
Derivative financial instruments	23	**11,380**	–
Deferred tax assets	7	**6,612**	11,426
Total non-current assets		**1,346,138**	1,244,319
Assets held for sale	18	**1,524**	950
Current assets			
Inventories	16	**21,575**	19,168
Receivables	17	**21,029**	27,616
Cash and cash equivalents	19	**50,644**	46,135
Total current assets		**93,248**	92,919
Total assets		**1,440,910**	1,338,188
Liabilities			
Current liabilities			
Borrowings	21	**(17,461)**	(112)
Derivative financial instruments	23	**–**	(79)
Trade and other payables	20	**(313,525)**	(266,523)
Current income tax liabilities		**(12,159)**	(8,247)
Provisions	22	**(5,175)**	(4,463)
Total current liabilities		**(348,320)**	(279,424)
Non-current liabilities			
Borrowings	21	**(729,487)**	(696,783)
Derivative financial instruments	23	**(50,276)**	(63,398)
Deferred tax liabilities	7	**(69,731)**	(74,441)
Provisions	22	**(1,890)**	(3,387)
Other liabilities	24	**(12,383)**	(13,307)
Total non-current liabilities		**(863,767)**	(851,316)
Net assets		**228,823**	207,448
Equity			
Share capital	28	**2,180**	2,273
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,251**	2,158
Hedging reserve		**(32,284)**	(52,051)
Currency translation reserve		**4,899**	2,340
Retained earnings		**108,483**	109,434
Total equity		**228,823**	207,448

The financial statements, on pages 11 to 40, approved by the board of directors and authorised for issue on 14 September 2017, 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 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 year							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 payments							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**
Total comprehensive income					19,767	2,559	55,604	77,930
Profit for the year							56,059	56,059
Interest-rate swaps: cash flow hedges	23				24,581			24,581
Tax taken directly to comprehensive income	7				(4,814)			(4,814)
Currency translation differences						2,559	(455)	2,104
Purchase of own shares for cancellation		(93)		93			(43,887)	(43,887)
Share-based payment charges							10,711	10,711
Tax on share-based payments							422	422
Purchase of own shares for share-based payments							(10,449)	(10,449)
Dividends	11						(13,352)	(13,352)
At 30 July 2017		**2,180**	**143,294**	**2,251**	**(32,284)**	**4,899**	**108,483**	**228,823**

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

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

Shares acquired in relation to the employee Share Incentive Plan and the Deferred Bonus Scheme are held in trust, until such time as the awards vest. At 30 July 2017, the number of shares held in trust was 2,458,000 (2016: 2,485,848), with a nominal value of £49,160 (2016: £49,717) and a market value of £25,071,600 (2016: £20,035,935) and are included in retained earnings.

During the year, 4,656,300 shares were repurchased by the company for cancellation, representing approximately 4.1% of the issued share capital, at a cost of £43.9m, including stamp duty, representing an average cost per share of 943p. At the year end, the company had a liability for share purchases of £15.5m, which will be settled during the current year, ended 29 July 2018.

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 30 July 2017, the company had distributable reserves of £76.2m (2016: £57.4m).

1. Revenue

Revenue disclosed in the income statement is analysed as follows:

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Sales of food, beverages, hotel rooms and machine income	**1,660,750**	1,595,197

2. Operating profit – analysis of costs by nature

This is stated after charging/(crediting):

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Concession rental payments	**24,784**	21,971
Minimum operating lease payments	**44,828**	51,260
Repairs and maintenance	**66,219**	54,924
Net rent receivable	**(1,422)**	(1,496)
Share-based payments (note 5)	**10,711**	9,556
Depreciation of property, plant and equipment (note 12)	**66,483**	65,297
Amortisation of intangible assets (note 13)	**6,931**	5,949
Depreciation of investment properties (note 14)	**55**	62
Amortisation of other non-current assets (note 15)	**400**	904

Auditors' remuneration	**53 weeks ended 30 July 2017 £000**	52 weeks ended 24 July 2016 £000
Fees payable for the audit of the financial statements	**197**	186
Fees payable for other services:		
– assurance services	**32**	31
Total auditors' fees	**229**	217

Analysis of continuing operations	**53 weeks ended 30 July 2017 £000**	52 weeks ended 24 July 2016 £000
Revenue	**1,660,750**	1,595,197
Cost of sales	**(1,470,273)**	(1,432,400)
Gross profit	**190,477**	162,797
Administration costs	**(61,969)**	(53,070)
Operating profit after exceptional items	**128,508**	109,727

Included within cost of sales is £597.8m (2016: £596.3m) related to cost of inventory recognised as expense.

3. Property gains and losses

	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000	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
Disposal of fixed assets	**(615)**	**15,099**	**14,484**	(4,866)	7,328	2,462
Additional costs of disposal	**25**	**3,262**	**3,287**	63	1,149	1,212
Impairment of property, plant and equipment	**–**	**7,607**	**7,607**	–	4,809	4,809
Impairment of intangible assets	**–**	**–**	**–**	–	239	239
Impairment of other assets	**–**	**180**	**180**	–	491	491
Onerous lease provision	**–**	**720**	**720**	–	545	545
Other property gains	**(2,217)**	**–**	**(2,217)**	(532)	–	(532)
Total property (gains)/losses	**(2,807)**	**26,868**	**24,061**	(5,335)	14,561	9,226

4. Exceptional items

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**18,361**	8,477
Impairment property plant and equipment	**5,943**	2,885
Impairment of other non-current assets	**141**	491
Onerous lease reversal	**(1,319)**	(427)
Onerous lease provision	**1,659**	944
	24,785	12,370
Other property losses		
Impairment of property, plant and equipment	**1,664**	1,924
Impairment of other non-current assets	**39**	–
Impairment of intangible assets	**–**	239
Onerous lease reversal	**(696)**	(949)
Onerous lease provision	**1,076**	977
	2,083	2,191
Total exceptional property losses	**26,868**	14,561
Other exceptional items		
Net exceptional finance income	**(402)**	–
	(402)	–
Total pre-tax exceptional items	**26,466**	14,561
Exceptional tax		
Exceptional tax items – deferred tax (note 7)	**(4,155)**	(8,363)
Tax effect on exceptional items	**(1,386)**	(483)
Total exceptional tax	**(5,541)**	(8,846)
Total exceptional items	**20,925**	5,715

Disposal programme
The company has offered several of its sites for sale. At the year end, 45 (2016: 29) sites had been sold, including sites which were closed in the previous year, five were classified as held for sale and an additional three (2016: nine) sites have been closed and remain unsold as part of the disposal programme.

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

An impairment of £6,084,000 has been recognised for pubs which have been closed or were in the process of being closed at the year end.

The 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.

4. Exceptional items (continued)

Other property losses
Property impairment relates to the situation in which, owing to poor trading performance, pubs are unlikely to generate sufficient cash in the future to justify their current book value. In the year, an exceptional charge of £1,703,000 (2016: £2,163,000) was incurred in respect of the impairment of assets as required under IAS 36. This comprises an impairment charge of £2,530,000 (2016: £2,513,000), offset by impairment reversals of £827,000 (2016: £350,000).

The onerous lease provision relates to pubs for which future trading profits, or income from subleases, are not expected to cover the rent. The provision takes several factors into account, including the expected future profitability of the pub and also the amount estimated as payable on surrender of the lease, where this is a likely outcome. In the year, £380,000 (2016: £28,000) was charged net in respect of onerous leases.

All exceptional items listed above generated a net cash inflow of £12,214,000 (2016: inflow of £13,959,000).

Exceptional finance income
During the year, the company transferred two of its interest-rate swaps to other banks. Transferring the swaps has not changed, in any way, the terms, conditions or future cash flows of the swaps. The bank which originally issued the swaps paid the company £402,000 compensation for agreeing to the transfer.

5. Employee benefits expenses

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Wages and salaries	**475,420**	454,955
Social Security costs	**31,211**	27,766
Other pension costs	**3,696**	3,718
Share-based payments	**10,711**	9,556
	521,038	495,995

Directors' emoluments	**2017 £000**	2016 £000
Aggregate emoluments	**2,128**	1,651
Aggregate amount receivable under long-term incentive schemes	**1,387**	393
Company contributions to money purchase pension scheme	**155**	80
	3,670	2,124

For further details of directors' emoluments, please see the directors' remuneration report on pages 54 to 62.

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).

	2017 Number	2016 Number
Full-time equivalents		
Managerial/administration	**3,880**	4,274
Hourly paid staff	**18,900**	18,774
	22,780	23,048

	2017 Number	2016 Number
Total employees		
Managerial/administration	**4,309**	4,719
Hourly paid staff	**32,241**	31,959
	36,550	36,678

For details of the Share Incentive Plan and the Deferred Bonus Scheme, refer to the directors' remuneration report on pages 54 to 62.

5. Employee benefits expenses (continued)

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

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

Share-based payments	**53 weeks ended 30 July 2017**	52 weeks ended 24 July 2016
Shares awarded during the year (shares)	**1,550,377**	2,099,842
Average price of shares awarded (pence)	**935.91**	708.40
Market value of shares vested during the year (£000)	**9,696**	10,731
Total liability of the share based payments schemes (£000)	**14,540**	12,582

6. Finance income and costs

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Finance costs		
Interest payable on bank loans and overdrafts	**17,273**	18,893
Amortisation of bank loan issue costs	**2,817**	3,595
Interest payable on swaps	**8,450**	12,039
Interest payable on other loans	**17**	41
Total finance costs	**28,557**	34,568
Bank interest receivable	**(72)**	(116)
Total finance income	**(72)**	(116)
Net finance costs before exceptionals	**28,485**	34,452
Exceptional bank interest receivable	**(402)**	–
Net finance costs after exceptionals	**28,083**	34,452

Further details are provided in note 23.

The net finance costs during the year decreased from £34.5m to £28.1m. The finance costs in the income statement were covered 4.6 times (2016: 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 is 19.67%. The company's profits for the accounting period are taxed at an effective rate of 19.67% (2016: 20%).

	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000	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
Taken through income statement						
Current income tax:						
Current income tax charge	**24,837**	**161**	**24,998**	19,382	(75)	19,307
Previous period adjustment	**(246)**	**–**	**(246)**	(1,035)	–	(1,035)
Total current income tax	**24,591**	**161**	**24,752**	18,347	(75)	18,272
Deferred tax:						
Temporary differences	**1,103**	**(1,547)**	**(444)**	4,205	(408)	3,797
Previous period adjustment	**152**	**–**	**152**	1,137	–	1,137
Impact of change in UK tax rate	**–**	**(4,155)**	**(4,155)**	–	(8,363)	(8,363)
Total deferred tax	**1,255**	**(5,702)**	**(4,447)**	5,342	(8,771)	(3,429)
Tax charge/(credit)	**25,846**	**(5,541)**	**20,305**	23,689	(8,846)	14,843

	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000	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
Taken through equity						
Tax on share-based payments						
Current tax	**(159)**	**–**	**(159)**	(159)	–	(159)
Deferred tax	**(263)**	**–**	**(263)**	99	–	99
Tax credit	**(422)**	**–**	**(422)**	(60)	–	(60)

	53 weeks ended 30 July 2017 Before exceptional items £000	53 weeks ended 30 July 2017 Exceptional items (note 4) £000	53 weeks ended 30 July 2017 After exceptional items £000	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
Taken through comprehensive income						
Deferred tax charge on swaps	**4,835**	**–**	**4,835**	(4,701)	–	(4,701)
Impact of change in UK tax rate	**(21)**	**–**	**(21)**	1,269	–	1,269
Tax charge/(credit)	**4,814**	**–**	**4,814**	(3,432)	–	(3,432)

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 (2016: higher) than the standard rate of corporation tax in the UK of 19.67% (2016: 20%), owing largely to less expenditure qualifying for capital allowances.
On 6 September 2016, the UK corporate tax rate of 17% 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 18% to 17%. This has resulted in a one-off credit of £4.2m. The differences are reconciled below:

	53 weeks ended 30 July 2017 Before exceptional items £000	**53 weeks ended 30 July 2017 After exceptional items £000**	52 weeks ended 24 July 2016 Before exceptional items £000	52 weeks ended 24 July 2016 After exceptional items £000
Profit before tax	**102,830**	**76,364**	80,610	66,049
Profit multiplied by the UK standard rate of corporation tax of 19.67% (2016: 20%)	**20,227**	**15,021**	16,122	13,210
Abortive acquisition costs and disposals	**228**	**228**	123	123
Other disallowables	**1,004**	**2,520**	215	1,197
Other allowable deductions	**(83)**	**(83)**	(112)	(112)
Capital gains - effects of reliefs	**252**	**102**		
Non-qualifying depreciation	**4,302**	**6,737**	6,081	7,528
Deduction for shares and SIPs	**(156)**	**(137)**	470	470
Remeasurement of other balance sheet items	**(188)**	**(188)**	–	–
Unrecognised losses in overseas companies	**354**	**354**	688	688
Adjustment in respect of change in tax rate – current year	**–**	**(4,155)**	–	(8,363)
Previous year adjustment – current tax	**(246)**	**(246)**	(1,035)	(1,035)
Previous year adjustment – deferred tax	**152**	**152**	1,137	1,137
Total tax expense reported in the income statement	**25,846**	**20,305**	23,689	14,843

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The Finance Act 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. The Finance Act 2016 reduced the rate further to 17% for the financial year beginning 1 April 2020.

These changes have been substantively enacted at the balance sheet date and are consequently included in these financial statements. The effect of these changes is to reduce the net deferred tax liability by £4.2m.

Deferred tax liabilities	**Accelerated tax depreciation £000**	**Other temporary differences £000**	**Total £000**
At 24 July 2016	73,957	3,281	77,238
Previous year movement posted to the income statement	515	(253)	262
Movement during year posted to the income statement	(48)	858	810
Impact of tax rate change posted to the income statement	(4,131)	(285)	(4,416)
At 30 July 2017	**70,293**	**3,601**	**73,894**

Deferred tax assets	**Share based payments £000**	**Capital losses carried forward £000**	**Interest-rate swaps £000**	**Total £000**
At 24 July 2016	1,137	1,660	11,426	14,223
Previous year movement posted to the income statement	–	110	–	110
Movement during year posted to the income statement	57	1,197	–	1,254
Impact of tax rate change posted to income statement	–	(261)	–	(261)
Movement during year posted to comprehensive income	–	–	(4,835)	(4,835)
Impact of tax rate change posted to comprehensive income	–	–	21	21
Movement during year posted to equity	263	–	–	263
At 30 July 2017	**1,457**	**2,706**	**6,612**	**10,775**

7. Income tax expense (continued)

Deferred tax assets and liabilities have been offset as follows:

	2017 £000	2016 £000
Deferred tax liabilities	**73,894**	77,238
Offset against deferred tax assets	**(4,163)**	(2,797)
Deferred tax liabilities	**69,731**	74,441
Deferred tax assets	**10,775**	14,223
Offset against deferred tax liabilities	**(4,163)**	(2,797)
Deferred tax asset	**6,612**	11,426

As at 30 July 2017, there are potential deferred tax assets of £0.9m (2016: £0.7m); these are not being recognised, owing to insufficient certainty of recovery. This comprises a deferred tax asset of £1.0m, relating to losses (2016: £0.8m), less a deferred tax liability of £0.1m, relating to accelerated capital allowances (2016: £0.1m).

A deferred tax asset has been recognised in respect of the capital losses, as the company considers it more likely than not that profits will arise in the future which are capable of being relieved by the capital losses

8. Earnings and free cash flow per share

Earnings per share are based on the weighted average number of shares in issue of 111,293,971 (2016: 117,898,893), 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	**53 weeks ended 30 July 2017**	52 weeks ended 24 July 2016
Shares in issue (used for diluted EPS)	**111,293,971**	117,898,893
Shares held in trust	**(2,500,717)**	(2,854,697)
Shares in issue less shares held in trust	**108,793,254**	115,044,196

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

53 weeks ended 30 July 2017	**Profit £000**	**Basic EPS pence per ordinary share**	**Diluted EPS pence per ordinary share**
Earnings (profit after tax)	**56,059**	**51.5**	**50.4**
Exclude effect of exceptional items after tax	20,925	19.3	18.8
Earnings before exceptional items	**76,984**	**70.8**	**69.2**
Exclude effect of property gains/(losses)	(2,807)	(2.6)	(2.6)
Underlying earnings before exceptional items	74,177	68.2	66.6

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

The diluted earnings per share before exceptional items have increased by 43.3% (2016: 2.8%).

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

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 gains and losses less reinvestment in current properties and cash tax. Cash tax is defined as the current year current tax charge.

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

52 weeks ended 24 July 2016	Owner's Earnings £000	Basic EPS pence per ordinary share	Diluted EPS 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 reinvestment in current properties (see below)	(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

The diluted owners' earnings per share decreased by 6.9% (2016: increased by 20.9%).

Analysis of additions by type	**53 weeks ended 30 July 2017**	52 weeks ended 24 July 2016
Reinvestment in existing pubs	**65,912**	33,511
Investment in new pubs and pub extensions	**46,894**	60,611
Freehold reversions	**95,326**	36,083
	208,132	130,205

Analysis of additions by category	**53 weeks ended 30 July 2017**	52 weeks ended 24 July 2016
Property, plant and equipment (note 12)	**198,556**	125,872
Intangible assets (note 13)	**9,576**	3,243
Other non-current assets (note 15)	**–**	1,090
	208,132	130,205

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

Operating profit per share

	Operating profit £000	Basic EPS pence per ordinary share	Diluted EPS pence per ordinary share
53 weeks ended 30 July 2017	**128,508**	118.1	115.5
52 weeks ended 24 July 2016	**109,727**	95.4	93.1

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
53 weeks ended 30 July 2017	**107,936**	99.2	**97.0**
52 weeks ended 24 July 2016	**90,485**	78.7	**76.7**

9. Cash generated from operations

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Profit for the year	**56,059**	51,206
Adjusted for:		
Tax (note 7)	**20,305**	14,843
Share-based payments (note 2)	**10,711**	9,556
Loss on disposal of property, plant and equipment (note 3)	**14,484**	2,462
Net impairment charge (note 3)	**7,787**	5,539
Interest receivable (note 6)	**(72)**	(116)
Amortisation of bank loan issue costs (note 6)	**2,817**	3,595
Interest payable (note 6)	**25,740**	30,973
Depreciation of property, plant and equipment (note 12)	**66,483**	65,297
Amortisation of intangible assets (note 13)	**6,931**	5,949
Depreciation on investment properties (note 14)	**55**	62
Amortisation of other non-current assets (note 15)	**400**	904
Net onerous lease provision (note 22)	**720**	545
Aborted properties costs	**1,157**	614
Net exceptional finance income (note 4)	**(402)**	–
	213,175	191,429
Change in inventories	**(2,407)**	283
Change in receivables	**4,980**	954
Change in payables	**8,655**	(10,830)
Cash flow from operating activities	**224,403**	181,836

10. Analysis of change in net debt

	24 July 2016 £000	Cash flows £000	Non-cash movement £000	**30 July 2017 £000**
Borrowings				
Cash in hand	46,135	4,509	–	**50,644**
Bank loans – due before one year	–	(17,347)	–	**(17,347)**
Other loans	(112)	110	(112)	**(114)**
Current net borrowings	46,023	(12,728)	(112)	**33,183**
Bank loans – due after one year	(696,581)	(29,999)	(2,817)	**(729,397)**
Other loans	(202)	–	112	**(90)**
Non-current net borrowings	(696,783)	(29,999)	(2,705)	**(729,487)**
Net debt	(650,760)	(42,727)	(2,817)	**(696,304)**
Derivatives				
Interest-rate swaps asset – due after one year	–	–	11,380	**11,380**
Interest-rate swaps liability – due before one year	(79)	–	79	**–**
Interest-rate swaps liability – due after one year	(63,398)	–	13,122	**(50,276)**
Total derivatives	(63,477)	–	24,581	**(38,896)**
Net debt after derivatives	**(714,237)**	**(42,727)**	**21,764**	**(735,200)**

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 £24.6m relates to the change in the ‘mark to market’ valuations for the year.

11. Dividends paid and proposed

	53 weeks ended 30 July 2017 £000	52 weeks ended 24 July 2016 £000
Declared and paid during the year:		
Dividends on ordinary shares:		
– final for 2014/15: 8.0p (2013/14: 8.0p)	**–**	9,543
– interim for 2015/16: 4.0p (2014/15: 4.0p)	**–**	4,647
– final for 2015/16: 8.0p (2014/15: 8.0p)	**8,933**	–
– interim for 2016/17: 4.0p (2015/16: 4.0p)	**4,419**	–
	13,352	14,190
Proposed for approval by shareholders at the AGM:		
– final for 2016/17: 8.0p (2015/16: 8.0p)	**8,488**	9,084
Dividend cover (times)	**4.2**	3.6

As detailed in the interim accounts, the board declared and paid an interim dividend of 4.0p for the financial year ended 30 July 2017. 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 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
Additions	112,737	5,766	45,473	34,580	198,556
Transfers	20,928	3,270	3,834	(28,032)	–
Exchange differences	869	162	317	741	2,089
Transfer to held for sale	(3,489)	(3,493)	(2,682)	–	(9,664)
Disposals	(32,162)	(25,446)	(26,266)	–	(83,874)
Reclassification	32,311	(32,311)	–	–	–
At 30 July 2017	**1,066,936**	**361,609**	**561,801**	**67,834**	**2,058,180**
Accumulated depreciation and impairment:					
At 26 July 2015	(174,449)	(204,712)	(352,014)	–	(731,175)
Provided during the year	(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)
Provided during the year	(15,802)	(13,023)	(37,658)	–	(66,483)
Exchange differences	(36)	(23)	(186)	–	(245)
Impairment loss	(2,862)	(3,473)	(1,272)	–	(7,607)
Transfer to held for sale	1,926	3,552	2,657	–	8,135
Disposals	12,621	20,137	20,456	–	53,214
Reclassification	(20,181)	20,181	–	–	–
At 30 July 2017	**(205,374)**	**(179,793)**	**(390,380)**	**–**	**(775,547)**
Net book amount at 30 July 2017	**861,562**	**181,816**	**171,421**	**67,834**	**1,282,633**
Net book amount at 24 July 2016	754,702	206,517	166,748	60,545	1,188,512
Net book amount at 26 July 2015	701,572	220,638	168,767	62,779	1,153,756

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% (2016: 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 £7,607,000 (2016: £4,809,000) was charged to property losses in the income statement, as described in note 4.

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

13. Intangible assets

	£000
Cost:	
At 26 July 2015	53,353
Additions	3,243
Disposals	(5)
At 24 July 2016	56,591
Additions	9,576
Disposals	(493)
At 30 July 2017	**65,674**
Accumulated amortisation:	
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)
Provided during the year	(6,931)
Exchange differences	1
Disposals	487
At 30 July 2017	**(35,983)**
Net book amount at 30 July 2017	**29,691**
Net book amount at 24 July 2016	27,051
Net book amount at 26 July 2015	29,997

Amortisation of £6,931,000 (2016: £5,949,000) 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 £1,474,000 of software in the course of development (2016: £1,118,000).

14. Investment property

The company owns two (2016: two) freehold properties with existing tenants and these assets have been classified as investment properties.

	£000
Cost:	
At 26 July 2015	8,754
Disposals	(1,003)
At 24 July 2016	7,751
Disposals	–
At 30 July 2017	**7,751**
Accumulated depreciation:	
At 26 July 2015	(103)
Provided during the year	(62)
Disposals	19
At 24 July 2016	(146)
Provided during the year	(55)
At 30 July 2017	**(201)**
Net book amount at 30 July 2017	**7,550**
Net book amount at 24 July 2016	7,605
Net book amount at 26 July 2015	8,651

Rental income received in the period from investment properties was £356,000 (2016: £495,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £4,000 (2016: £56,000).

15. Other non-current assets

	Lease premiums £000
Cost:	
At 26 July 2015	15,205
Additions	1,090
Disposals	(65)
At 24 July 2016	16,230
Transfers to held for sale	(257)
Disposals	(3,246)
At 30 July 2017	**12,727**
Accumulated depreciation:	
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)
Provided during the year	(400)
Impairment loss	(180)
Transfers to held for sale	262
Disposals	2,368
At 30 July 2017	**(4,455)**
Net book amount at 30 July 2017	**8,272**
Net book amount at 24 July 2016	9,725
Net book amount at 26 July 2015	10,028

16. Inventories

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

	2017 £000	2016 £000
Goods for resale at cost	**21,575**	19,168

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.

	2017 £000	2016 £000
Other receivables	**2,122**	2,236
Prepayments and accrued income	**18,907**	25,380
	21,029	27,616

At the balance sheet date, the company was exposed to a maximum credit risk of £0.7m, of which £0.5m was overdue. The company holds no collateral for these receivables.

Within accrued income is £3.2m (2016: £2.2m) 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 30 July 2017, five sites were classified as held for sale (2016: three). The major classes of assets held, comprising the sites classified as held for sale, were as follows:

	2017 £000	2016 £000
Property, plant and equipment	**1,524**	950

19. Cash and cash equivalents

	2017 £000	2016 £000
Cash and cash equivalents	**50,644**	46,135

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

In the previous year’s financial statements, bank balances held in accounts with our syndicated loan providers were offset against long-term borrowings. In this year’s financial statements, these amounts have been reclassified to cash and cash equivalents to better present the nature of the balance. A reclassification to the previous year’s figures has been made which has resulted in an increase in cash and cash equivalents and long-term borrowings for the previous year of £13,477,000 (2015: £51,754,000).

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.

	2017 £000	2016 £000
Trade payables	**162,058**	133,899
Other payables	**33,346**	11,129
Other tax and Social Security	**53,727**	49,648
Accruals and deferred income	**64,394**	71,847
	313,525	266,523

Included in other payables is £15.5m (2016: £nil) related to purchase of own shares for cancellation. The amount will be settled during the year ended 29 July 2018.

21. Borrowings

	2017 £000	2016 £000
Current (due within one year)		
Bank loans		
Variable-rate facility	**17,347**	–
	17,347	–
Other		
Other borrowings	**114**	112
Total current borrowings	**17,461**	112
Non-current (due after one year)		
Bank loans		
Variable-rate facility	**729,998**	699,999
Unamortised bank loan issue costs	**(601)**	(3,418)
	729,397	696,581
Other		
Other borrowings	**90**	202
Total non-current borrowings	**729,487**	696,783

22. Provisions

	Self-insurance £000	Onerous lease £000	Total £000
At 24 July 2016	3,037	4,813	7,850
Charged to the income statement:			
– Additional charges	2,763	2,735	5,498
– Unused amounts reversed	(365)	(2,015)	(2,380)
– Used during year	(2,414)	(1,489)	(3,903)
At 30 July 2017	**3,021**	**4,044**	**7,065**

	2017 £000	2016 £000
Current	**5,175**	4,463
Non-current	**1,890**	3,387
Total provisions	**7,065**	7,850

Self-insurance
The amounts represent a provision for ongoing legal claims brought against the company by customers and employees in the normal course of business. Owing to the nature of our business, we expect to have a provision for outstanding employee and public liability claims on an ongoing basis. All self-insurance provisions are considered current and are not, therefore, discounted to take account of the passage of time.

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 24 years and is discounted accordingly.

23. Financial instruments

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

Maturity profile of financial liabilities

	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 30 July 2017							
Bank loans	33,613	16,266	738,893	–	–	–	788,772
Trade and other payables	259,250	–	–	–	–	–	259,250
Derivatives	8,554	14,056	14,705	14,705	9,014	22,965	83,999
Other borrowings	121	91	–	–	–	–	212

	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
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

At the balance sheet date, the company had loan facilities of £860m (2016: £840m) as detailed below:

The overdraft facility of £40m (2016: £20m) is temporarily higher at year end whilst the company migrates its banking services to a new bank.

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

The company has hedged its interest-rate liabilities to its banks by swapping the floating-rate debt into fixed-rate debt which fixed £600m of these borrowings at rates of between 0.61% and 3.84%. The effective weighted average interest rate of the swap agreements used during the year is 1.79% (2016: 3.53%), fixed for a further weighted average period of 3.7 years (2016: 1.3 years).

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

Weighted average by swap period:

From	To	Total swap value £m	Weighted average interest %
31/10/2016	30/07/2018	600	1.68%
31/07/2018	29/07/2021	600	2.71%
30/07/2021	30/07/2023	600	1.67%
31/07/2023	30/07/2026	600	1.02%

At the balance sheet date, £730m (2016: £700m) 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 £600m 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.

	2017 £000	2016 £000
Analysis of interest-rate profile of financial liabilities		
Bank loans		
Floating rate due in one year	**17,347**	–
Floating rate due after one year	**129,397**	296,581
Fixed rate due after one year	**600,000**	400,000
	746,744	696,581
Other borrowings		
Fixed rate due in one year	**114**	112
Fixed rate due after one year	**90**	202
	204	314
	746,948	696,895

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 3.39 times (2016: 3.47 times) at the year end.

Section 2, on page 42, discusses the financial risks associated with financial instruments, including credit risk and liquidity risk.

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.

	2017 Book value £000	2017 Fair value £000	2016 Book value £000	2016 Fair value £000
Loans and receivables				
Cash and cash equivalents	**50,644**	**50,644**	46,135	46,135
Receivables	**2,122**	**2,122**	2,236	2,236
	52,766	**52,766**	48,371	48,371
Financial liabilities at amortised cost				
Trade and other payables	**(259,798)**	**(259,798)**	(216,875)	(216,875)
Borrowings	**(746,948)**	**(746,951)**	(696,895)	(696,313)
	(1,006,746)	**(1,006,749)**	(913,770)	(913,188)
Derivatives used for hedging				
Non-current interest-rate swap assets: cash flow hedges	**11,380**	**11,380**	–	–
Current interest-rate swap liabilities: cash flow hedges	**–**	**–**	(79)	(79)
Non-current interest-rate swap liabilities: cash flow hedges	**(50,276)**	**(50,276)**	(63,398)	(63,398)
	(38,896)	**(38,896)**	(63,477)	(63,477)

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.

23. Financial instruments (continued)

Interest-rate swaps
At 30 July 2017, the company had fixed-rate swaps designated as hedges of floating-rate borrowings. The floating-rate borrowings are interest-bearing borrowings at rates based on LIBOR, fixed for periods of up to one month.

	Loss/(Gain) on interest-rate swaps £000	Deferred tax £000	Charged to equity £000
As at 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
Credit in the year	(24,581)	4,814	(19,767)
As at 30 July 2017	**38,896**	**(6,612)**	**32,284**

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 £38.9m 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.

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 30 July 2017					
Interest-rate swap	50,276	–	50,276	(6,979)	43,297
Total	**50,276**	**–**	**50,276**	**(6,979)**	**43,297**
As at 24 July 2016					
Interest-rate swap	63,477	–	63,477	–	63,477
Total	63,477	–	63,477	–	63,477

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 30 July 2017					
Interest-rate swap	11,380	–	11,380	(6,979)	4,401
Other receivables	2,425	(303)	2,122	–	2,122
Total	**13,805**	**(303)**	**13,502**	**(6,979)**	**6,523**
As at 24 July 2016					
Interest-rate swap	–	–	–	–	–
Other receivables	2,542	(306)	2,236	–	2,236
Total	2,542	(306)	2,236	–	2,236

24. Other liabilities

	2017 £000	2016 £000
Operating lease incentives	**12,383**	13,307

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 6.7 years (2016: 6.4 years).

25. Financial commitments

About 43% 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	2017 £000	2016 £000
Within one year	**50,558**	61,106
Between two and five years	**187,233**	278,388
After five years	**619,893**	746,974
	857,684	1,086,468

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 £56.3m (2016: £62.1m) 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	2017 £000	2016 £000
Within one year	**2,025**	1,950
Between two and five years	**7,006**	6,740
After five years	**9,672**	10,610
	18,703	19,300

26. Capital commitments

At 30 July 2017, the company had £8.0m (2016: £39.7m) of capital commitments, relating to the purchase of seven (2016: 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.

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

Key management compensation	2017 £000	2016 £000
Short-term employee benefits	**3,142**	2,431
Post-employment pension benefits	**236**	147
Share-based payments	**2,229**	914
	5,607	3,492

Key management comprises the executive directors, non-executive directors and management board, as detailed on page 50.

For additional information about directors' emoluments, please refer to the directors' remuneration report on pages 54 to 62.

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 54 to 62 which forms part of these financial statements.

28. Share capital

	Number of shares 000s	Share capital £000
At 26 July 2015	119,349	2,387
Repurchase of shares	(5,694)	(114)
At 24 July 2016	113,655	2,273
Repurchase of shares	(4,656)	(93)
At 30 July 2017	**108,999**	**2,180**

The total authorised number of 2p ordinary shares is 500 million (2016: 500 million). All issued shares are fully paid. In the year, there were no proceeds from the issue of shares (2016: £Nil).

During the year, 4,656,300 shares were repurchased by the company for cancellation, representing approximately 4.1% of the issued share capital, at a cost of £43.9m, including stamp duty, representing an average cost per share of 943p. At the year end, the company had a liability for share purchases of £15.5m which will be settled during the year ended 29 July 2018.

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

29. Events after the balance sheet date

There were no significant events after the balance sheet date.

AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements of J D Wetherspoon plc (the 'Company') for the year ended 30 July 2017 were authorised for issue by the board of directors on 14 September 2017, 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 36 to 40.

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

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 July 2017. 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 size of the Company's hotel business and trading presence in the Republic of Ireland, these have not been separately disclosed as a business segment.

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

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

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 more than 12 months and comparing their revenue to the corresponding revenue of the previous year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dividends

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

Changes in net debt

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 25 July 2016 and will have a minimal impact on the financial statements:

- Recognition of deferred tax assets for unrealised losses – amendments to IAS 12
- Disclosure initiative – amendments to IAS 7
- Classification and measurement of share-based payment transactions – amendments to IFRS 2
- Annual improvements to IFRS 2014 – 2016 cycle
- Transfers of investment property – amendments to IAS 40

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

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

The impact of this standard is expected to be material. The choice of transition method is expected to be significant.

The standard gives the option to either fully restate or recognise an asset equal to the value of the liability on the date of transition.

The Company is waiting for clarification on the tax treatment of this change, before selecting the transition method.

On 28 May 2014, the International Accounting Standards Board issued IFRS 15 – 'Revenue from Contracts with Customers' which is effective for periods starting on or after 1 January 2018. The impact of this accounting standard on the Company's accounts is considered immaterial. The Company does not have long-term contractual relationships with its customers.

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

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

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

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

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

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

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

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

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

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

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

	Male	Female
Directors	5	3
Senior managers	769	487
All employees	18,348	19,615

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

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

Strategic risks

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

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

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

Commercial risks

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

Operational risks

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

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

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

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

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

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

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

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

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

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

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

Reputational risk

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

Financial risks

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

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

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 2026 (see note 23).

During the 53 weeks ended 30 July 2017, if the interest rates on UK-denominated borrowings had been 1% higher, with all other variables constant, pre-tax profit for the year would have been reduced by £1,584,000 and equity increased by £49,869,000. The movement in equity arises from a change in the 'mark to market' valuation of the interest-rate swaps into which the Company has entered, calculated by a 1% shift of the market yield curve. The Company considers that a 1% movement in interest rates represents a reasonable sensitivity to potential changes. However, this analysis is for illustrative purposes only.

Credit risk
The Company does not have a significant concentration of credit risk, as the majority of its revenue is in cash. At the balance sheet date, the Company was exposed to a maximum credit risk of £0.7m, of which £0.5m 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
14 September 2017

Report on the financial statements

Our opinion
In our opinion, J D Wetherspoon plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 July 2017 and of its profit and cash flows for the 53 week period (the "period") then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2017 (the "Annual Report"), which comprise:

- the balance sheet as at 30 July 2017;
- the income statement and the statement of comprehensive income;
- the cash flow statement;
- the statement of changes in equity for the 53 week period then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 25 July 2016 to 30 July 2017.

Our audit approach

Overview

Context

Our 2017 audit was planned and executed having regard to the fact that J D Wetherspoon plc'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. In light of this, our approach to the audit in terms of scoping and areas of focus was largely unchanged.

Overview

Materiality
- £5.15 million (2016: £4.03 million) based on 5% of profit before tax and exceptional items

Audit scope
- Impairment of property, plant & equipment.
- Provisions for onerous leases.
- Exceptional items.

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

The scope of our audit
As part of designing our audit, we determined materiality and assessed 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 in particular where they involved 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.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The items set out below are 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 and equipment As set out in note 12, the Company has a large portfolio of pubs with a net book value of £1.3 billion. Given the size of the amounts capitalised and the risk associated with any sizeable retail business that some units may be unprofitable, we focused on the assessment made by management of the need for any impairment of property, plant and equipment required at an individual pub level.	We assessed management's impairment paper, underlying analysis and supporting financial model and challenged the assumptions adopted by management in performing its review. These included individual pub profitability forecasts and the discount rate applied in the model. We tested the profitability forecast in the model on an individual pub basis and focused our detailed work 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. No issues were noted with the underlying model or assumptions made by management in their review. 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 the action plans in place and evaluated the reasonableness of those plans, where possible, for underperforming pubs where no impairment had been booked. We further tested whether the required pub profitability improvement had ever been attained by the relevant pub historically. We then scrutinised detailed analysis of individual pubs performance and action plans in place to enhance profitability to corroborate 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, there was no obvious indication of bias in the adjustments booked. For pubs sold during the year, including those disposed of as part of the pub disposal programme, we agreed the sales proceeds to completion statements and bank statements, considered the appropriateness of costs associated with the sale and recalculated the profit/loss gain on disposal with no issues being identified in our work performed. 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. Through our testing, we confirmed that the company has appropriately measured these assets at the lower of carrying value and fair value less costs to sell. For the closed sites included within the disposal programme, we verified that the net book value was written to zero and onerous lease provisions were recorded as necessary. At the year end, there were ten leasehold sites where management had informed the landlords they planned to exit the site at the next break date; these were all included within the pub disposal programme. Management wrote down the value of these sites to the net present value of future cash flows which represented the value in these sites that can be recovered through trade. We viewed correspondence between J D Wetherspoon and their landlords, reviewed management's calculation of the impairment charge and considered assumptions within the model, all of which were concluded as reasonable.

Area of focus	How our audit addressed the area of focus
Provision 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 £4.0 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 appropriateness of the risk-free rate used to discount the provision by comparing it with the Company's marginal borrowing rate satisfying ourselves that the discount rate and 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.
Exceptional items As set out in note 4 the financial statements include a net charge of £20.9 million of 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 36of 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 four exceptional items in the year; a net charge in relation to costs associated with the pub disposal programme, other property losses that consist of a net impairment charge against property and a net charge against onerous leases, a one-off gain as a result of transferring two interest rate swaps to other banks and a reduction in the deferred tax liability as a consequence of a decrease in the tax rates expected to apply in 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. Consistent with the prior year, we accepted managements' 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 this as exceptional. We considered the classification and disclosure of the exceptional items to be materially correct

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 structure of the company, the accounting processes and controls, and the industry in which it 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 in aggregate 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
£5.15 million (2016: £4.03 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 £257,000 (2016: £201,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Outcome
We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting obligation
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Outcome
We have nothing to report.

Reporting on other information
The other information comprises all of the information in the Annual Report and Financial Statements 2017 other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 30 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement
In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 63 to 68) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 63 to 68) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. (CA06)

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

We have nothing material to add or draw attention to regarding:

- the directors' confirmation on page 52 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- the directors' explanation on page 52 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the company and 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 UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- the statement given by the directors, on page 52 that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- the section of the Annual Report on page 65 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 51, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 March 1984 to audit the financial statements for the year ended 31 July 1984 and subsequent financial periods. The period of total uninterrupted engagement is 34 years, covering the years ended 31 July 1984 to 30 July 2017. During 2017 management ran an audit tender process for the audit of the company for the 2018 financial year. We did not participate in this process having regard to the length of time we had served as auditors and hence this is the last year that we will report on the company's financial statements.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 September 2017

(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 62
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 52
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 39
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 50
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 48
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 55
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 62
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 73
Appointed to the board in 2009 and is chair of the nomination committee and a member of the audit and remuneration committees. He was called to the bar in 1965 and took silk in 1987. He was one of the pre-eminent practitioners in regulatory and licensing matters.

Harry Morley Non-Executive Director, aged 52
Appointed to the board in 2016 and is chair of the audit committee and a member of the nomination and remuneration committees. He is a graduate of Oxford University. He is a non-executive director of The Mercantile Investment Trust plc. He is also a trustee of the Ascot Authority. He qualified as a chartered accountant in 1991.

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

David Capstick IT and Property Director, aged 56
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 48
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 36
Joined in 2000. He worked in several operational roles before being appointed as deputy operations director in January 2012. He is a graduate of Nottingham Trent University.

James Ullman, Audit Director, aged 46
Joined in 1994. He was appointed to the management board in 2017. He is a graduate of Brighton University and Birmingham City University and became a chartered auditor in 2011.

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1709784

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

Financial advisers
Investec Bank plc

Stockbrokers
Investec Bank plc

Directors
The directors of the Company who were in office during the year and up to the date of signing the financial statements are listed on page 50.

Dividends
The board proposes, subject to shareholders' consent, to pay a final dividend of 8.0p (2016: 8.0p) per share, on 30 November 2017, to those shareholders on the register on 27 October 2017, 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 10 November 2016, the Company was given authority to make market purchases of up to 16,929,275 of its own shares. During the year to 30 July 2017, 4,656,300 shares were purchased, with a nominal value of £93,000, for a total consideration of £43,887,000, including stamp duty. This represented 4.1% 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 30 July 2017, the total issued share capital comprised 108,998,535 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 16 August 2017 are given on page 69.

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 2016. 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 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors' indemnities

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

Viability statement

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

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

The 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 41 to 43, 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 41 to 43 are the result of internal risk management and control processes, with further details set out in the audit committee's report on pages 65 and 66.

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 B CO_2 emissions:

GMG Emissions	Unit	Quantity	
		2017	**2016**
Scope 1	Tonnes CO_2e	50,805	51,342
Scope 2	Tonnes CO_2e	138,864	157,190
Intensity	Tonnes CO_2e / £m revenue	114.2	130.7

- 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 2017, 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 17
■ 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 54 to 62
■ Shareholder waivers of dividends	Not applicable
■ Shareholder waivers of future dividends	Not applicable
■ Agreements with controlling shareholders	Pages 54 to 62
■ Corporate governance (DTR 7.2.9 R)	Pages 63 to 68

Events after the reporting period
The details of events after the reporting period can be found in note 29 on page 34.

By order of the board

Nigel Connor
Company Secretary
14 September 2017

Annual statement

Dear shareholder

This year, in accordance with statutory requirements, the remuneration policy will be submitted to shareholders for approval at the Company's AGM.

The policy provides for additional pension payments and share awards, under the Company's Restricted Share Plan (SIP), for directors with 25 years' or more service. This is in line with the Company-wide long-service reward scheme. Shareholders approved specific payments under the scheme, at last year's AGM, to John Hutson and Su Cacioppo. There are no other material changes to the existing remuneration policy, save that the specific calculation for the owners' earnings performance condition of the Deferred Bonus Scheme will now appear in the Notes to the Financial Report section of this annual report.

The salaries of the CEO and the personnel and legal director have been increased by 8.3% this year, in recognition of their performance. The salary of the finance director has been increased by 16.7%, in view of his increased seniority and contribution.

Under the annual cash bonus plan, executive directors will receive an award of 42.8% of basic salary, comprising 5% of basic salary under the quality-and-standards element and 37.8% under the profit element.

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

Under the Deferred Bonus Scheme, executive directors will receive 100% of their basic salary in shares. The calculation for this award is included underneath the bonus and incentives table on page 59.

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

Further details are set out below, with shareholders invited to approve this report and proposals at the AGM on 9 November 2017.

By order of the board

Debra van Gene
Chair of the Remuneration Committee
14 September 2017

Remuneration policy

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

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

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

This statement of our remuneration policy will apply from the company's next AGM on 9 November 2017, subject to shareholders' approval at that meeting. The statement of our policy will replace the one approved in November 2014.

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

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

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

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

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

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

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

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

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

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

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

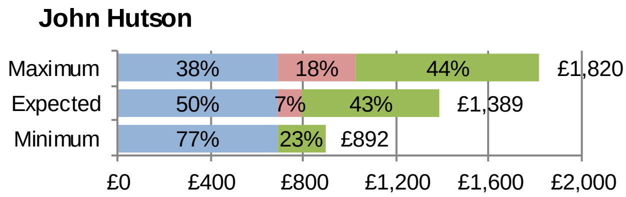
All directors will be standing for re-election at the AGM. Their current service contracts do not have an explicit expiry date.

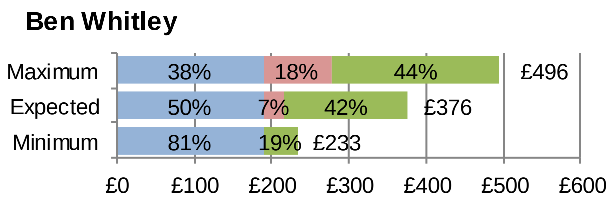
Non-executive directors
The non-executive directors hold their positions, pursuant to letters of appointment dated 1 November 2016, with a term of 12 months.

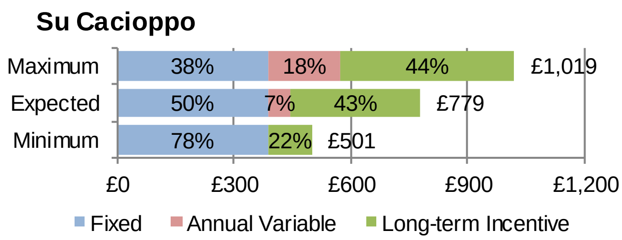
If their appointment is terminated early, the non-executive directors are entitled to the fees to which they would have been entitled up to the end of their term. They do not participate in the Company's bonus or share schemes. Their fees are determined by the executive directors, following consultation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

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

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







The fixed annual values include:

- Fixed annual salary, benefits and allowances, in line with those outlined in the policy section, and based on the salaries applicable as at 30 July 2017.

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

The long-term incentive plan values include:

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

Payments for loss of office

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

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

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

Consideration of employment conditions elsewhere in the Company

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

Consideration of shareholders' views

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

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

Annual report on remuneration

The table below sets out in a single figure the total amount of remuneration, including each element, received by each director for the year ended 30 July 2017.

Single-figure table – audited

	Salary/fees		Taxable benefits[1]		Performance bonus[2]		Long-term incentives		Pension contributions[3]		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
Executive directors												
B Whitley	171	108	16	10	73	11	210	122	21	13	491	264
J Hutson	585	540	22	19	250	56	754	507	87	65	1,698	1,187
S Cacioppo	329	303	20	19	141	32	423	280	47	36	960	670
	1,085	951	58	48	464	99	1,387	909	155	114	3,149	2,121
Non-executive directors and chairman												
T R Martin	324	324	17	15	–	–	–	–	–	–	341	339
E McMeikan	47	47	–	–	–	–	–	–	–	–	47	47
D van Gene	47	47	–	–	–	–	–	–	–	–	47	47
R Beckett	47	47	–	–	–	–	–	–	–	–	47	47
H Morley	39	–	–	–	–	–	–	–	–	–	39	–
M Reckitt	–	39	–	–	–	–	–	–	–	–	–	39
	504	504	17	15	–	–	–	–	–	–	521	519
Total	**1,589**	1,455	**75**	63	**464**	99	**1,387**	909	**155**	114	**3,670**	2,640

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 37.8% 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.

The previous-year long-term incentives have been adjusted for the additional award granted at the AGM, after the publication of last year's financial statements.

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

	Maximum	Awarded	B Whitley	J Hutson	S Cacioppo
Pub calls	5.0%	5.0%	8,542	29,260	16,427
Profit growth	45.0%	37.8%	64,575	221,206	124,186
Total performance bonus	50.0%	42.8%	73,117	250,466	140,613
Employee share scheme	25.0%	25.0%	39,570	140,590	78,922
Employee share scheme – long service*	5.0%	5.0%	–	28,119	15,784
Deferred Bonus scheme	100.0%	100.0%	170,833	585,200	328,533
Total long term incentives	130.0%	130.0%	210,403	753,909	423,239
Total	**180.0%**	**172.8%**	**283,520**	**1,004,375**	**563,852**

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

Awards under the Deferred Bonus Scheme are based on growth in owners' earnings per share of nil and on earnings per share of 43.3% multiplied by 2.5 and limited to 100%. Please see note 8 of our financial statement for the calculations of the above growth numbers.

Long-term incentive awards – audited

	Number of shares			Face value in £		
	Share Incentive Plan	Deferred Bonus Scheme	Total	Share Incentive Plan	Deferred Bonus Scheme	Total
B Whitley	4,174	9,041	13,215	39,570	82,942	122,512
J Hutson	17,798	36,881	54,679	168,709	338,346	507,055
S Cacioppo	9,991	20,145	30,136	94,706	184,810	279,516
	31,963	**66,067**	**98,030**	**302,985**	**606,098**	**909,083**

During the year under review, 31,963 shares were issued to the executive directors under the share incentive plan. This represents either 25% or 30% of the applicable salary, in line with the policy applicable in respect of this share scheme, at an average share price of £9.48, three days before grant. 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 66,067 shares, in respect of the deferred bonus scheme. The average share price over the five days before the grant date was £9.17. All directors received cash, after electing to sell their shares, in respect of the first tranche which was due on 16 September 2016. The remaining 44,046 shares vest in equal amounts on 16 September 2017 and 16 September 2018. 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 30 July 2017, were as follows:

Ordinary shares of 2p each, held beneficially	**2017**	2016
T R Martin	**33,466,934**	33,466,934
B Whitley	**1,816**	1,259
B Whitley – Share Incentive Plan	**10,877**	7,832
B Whitley – Deferred Bonus Scheme	**10,095**	8,392
B Whitley total	**22,788**	17,483
J Hutson	**81,763**	73,355
J Hutson – Share Incentive Plan	**52,660**	46,971
J Hutson – Deferred Bonus Scheme	**47,469**	48,097
J Hutson total	**181,892**	168,423
S Cacioppo	**24,136**	23,543
S Cacioppo – Share Incentive Plan	**28,509**	25,982
S Cacioppo – Deferred Bonus Scheme	**26,280**	26,998
S Cacioppo total	**78,925**	76,523
E McMeikan	**1,000**	1,000
D van Gene	**1,000**	1,000
R Beckett	**2,000**	2,000
H Morley	**2,000**	–

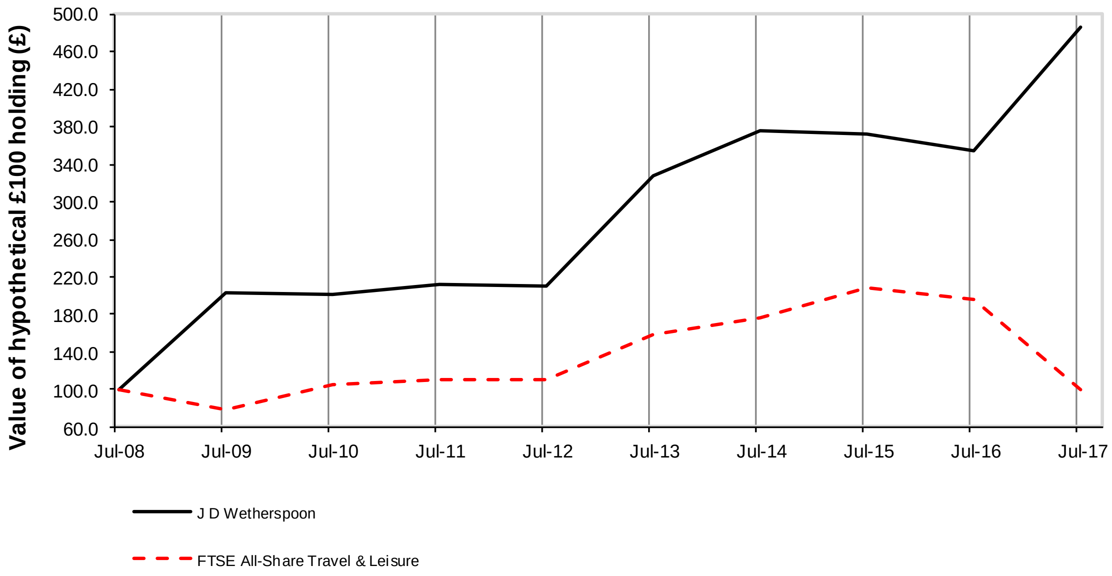
There have been no changes to these interests since 30 July 2017. The Company does not enforce any specific requirements as to directors' shareholdings.

Partnership shares
John Hutson is a participant in the partnership share scheme and acquired 192 shares between August 2016 and July 2017. Su Cacioppo is a participant in the partnership share scheme and acquired 184 shares between August 2016 and July 2017. Ben Whitley is a participant in the partnership share scheme and acquired 175 shares between September 2016 and July 2017. The market price of the shares purchased ranged from 846.5p to 1,020.0p.

Performance graph – non-audited information

This graph shows the total shareholder return (with dividends reinvested) of a holding of the Company's shares against a hypothetical holding of shares in the FTSE All-Share Travel & Leisure sector index 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* %
2017	1,698	85	100
2016	1,187	21	100
2015	1,202	10	100
2014	741	19	100
2013	1,079	43	100
2012	847	34	100
2011	628	24	100
2010	656	44	100

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

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

John Hutson	2017 £000	2016 £000	Change %	Total employees %
Salary	585	540	8.3	2.9
Taxable benefits	22	19	15.8	0.9
Performance bonus	250	56	346.4	31.7
	857	615	39.3	4.8

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

	2017 £000	2016 £000	Change %
Dividends	13,352	14,190	(5.9)
Share buy-backs	43,887	39,394	11.4
Total employee remuneration	521,038	495,995	5.0

Remuneration committee

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

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

Shareholders' vote on 2016 directors' remuneration report

The table below shows the voting outcomes at the 10 November 2016 AGM for the directors' remuneration report.

	Number of votes	% of votes
For	75,721,603	88.01%
Against	10,276,479	11.94%
Abstentions	43,752	0.05%
Total Cast	86,041,834	100.0%

Shareholders' vote on 2014 directors' remuneration policy

The table below shows the voting outcomes at the 13 November 2014 AGM for the directors' remuneration policy.

	Number of votes	% of votes
For	96,284,438	99.69%
Against	271,568	0.28%
Abstentions	32,661	0.03%
Total Cast	96,588,667	100.0%

By order of the board

Nigel Connor
Company Secretary
14 September 2017

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 53 weeks ended 30 July 2017, 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'.

E.1.1 – Dialogue with shareholders

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

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

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

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

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

Biographies of all non-executive and executive directors are provided on page 50 and can be viewed on the Company's website: jdwetherspoon.com

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

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

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

The board has several established committees as set out below. The board met eight times during the year ending 30 July 2017; attendance of the directors and non-executives, where appropriate, is shown below.

Number of meetings held in the year	Board 8	Audit 4	Remuneration 3	Nomination 1
Tim Martin	7	N/A	N/A	N/A
John Hutson	7	N/A	N/A	N/A
Su Cacioppo	8	4	N/A	1
Ben Whitley	8	4	N/A	1
Elizabeth McMeikan	8	4	3	1
Debra van Gene	8	4	3	1
Sir Richard Beckett	8	4	3	1
Harry Morley	7	3	2	1
Nigel Connor	8	4	N/A	N/A

Matters reserved for the board

The following matters are reserved for the board:

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

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

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

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

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

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

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

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

Board committees

Audit committee

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

Representatives of the Company's external auditors, 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, time and attendance systems, payroll processes, accounts payable, inventory, maintenance contracts, gift cards and working time regulations
- 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 (2016: £Nil). 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 15 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. During the year, the external audit was put out to competitive tender, overseen by the audit committee. Several leading audit firms, excluding the Company's current auditors, were asked to tender for the external audit. The firms were asked to submit a written proposal document, based on which a few firms were selected to make a presentation to the audit committee.

The potential audit firms were evaluated on their ability to deliver an effective audit within given time constraints, the firm's ability to constructively challenge and support the business, cultural fit and ability to work well with the internal audit function.

Following the tender, the Company intends to recommend to shareholders, for approval at the 2017 AGM, the appointment of Grant Thornton LLP as its external auditors.

PricewaterhouseCoopers LLP has been the auditor of the Company since 1983, and they completed all work relating to the financial year ended 30 July 2017.

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

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

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

Remuneration committee
The committee is chaired by Debra van Gene and comprises Elizabeth McMeikan, Sir Richard Beckett and Harry Morley. The directors' report on remuneration is set out on pages 54 to 62.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A summary of the financial risks and treasury policies can be found on page 42, together with other risks and uncertainties.

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

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

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

The Company has key controls, as follows:

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

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

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

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

Approved by order of the board

Nigel Connor
Company Secretary
14 September 2017

INFORMATION FOR SHAREHOLDERS

Ordinary shareholdings at 30 July 2017

Shares of 2p each	Number of shareholders	% of total shareholders	Number	% of total shares held
Up to 2,500	3,996	89.0	1,816,666	1.7
2,501–10,000	264	5.9	1,241,950	1.1
10,001–250,000	188	4.2	9,819,504	9.0
250,001–500,000	16	0.4	5,619,482	5.2
500,001–1,000,000	6	0.1	4,128,403	3.8
Over 1,000,000	20	0.4	86,372,530	79.2
	4,490	100.0	108,998,535	100.0

Source: Computershare Investor Services plc

Substantial shareholdings
The Company has been notified of the following substantial holdings in its share capital at 16 August 2017:

	Number of ordinary shares	% of share capital
Tim Martin	33,466,934	31.6
Columbia Threadneedle Investments	17,731,575	16.7
Invesco Perpetual	7,244,394	6.8
Immersion Capital	5,036,820	4.8
Phoenix Asset Management Partners	3,775,678	3.6
J D Wetherspoon plc Company Share Plan*	3,705,667	3.5
Norges Bank Investment	2,861,838	2.7
BlackRock Investment Management	2,189,389	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 56. This incudes vested shares held by employees.

Share prices

24 July 2016	806.0p
Low	806.0p
High	1058.0
30 July 2017	1020.0p

Shareholders' enquiries

If you have a query about your shareholding, please contact the Company's registrars directly:
Computershare Investor Services plc: uk.computershare.com/investor
0370 707 1091

Annual report

Paper copies of this annual report are available from the company secretary, at the registered office.

E-mail: investorqueries@jdwetherspoon.co.uk

This annual report is available on the Company's website: jdwetherspoon.com/investors-home

PUBS OPENED DURING THE FINANCIAL YEAR

Name	Address	Town	Postcode	Country
The Iron Duke	Fore Street	Wellington	TA21 8LS	UK
The Picture Playhouse	36–38 Western Road	Bexhill-on-Sea	TN40 1DY	UK
The Swan & Angel	8/9 Market hill	St Ives	PE27 5AL	UK
The Ironstone Miner	88 Westgate	Guisborough	TS14 6AP	UK
The Caley Picture House	31 Lothian Road	Edinburgh	EH1 1DJ	UK
The Briggate	37 Main Street	Garforth	LS25 1DS	UK
The Bull and Stirrup Hotel	8 Upper Northgate Street	Chester	CH1 4EE	UK
The Red Lion	448 Bittern Road	Southampton	SO18 5EF	UK
The Bottle Kiln	60 Kingsway	Harwich	CO12 3JR	UK
The George Hotel	1 George Street	Brecon	LD3 7LD	UK

PUBS CLOSED DURING THE FINANCIAL YEAR

Name	Address	Town	Postcode	Country
The Secklow Hundred	316 Midsummer Boulevard	Milton Keynes	MK9 2EA	UK
The Glass Works	The N1 Centre, Parkfield Street	Islington	N1 0PS	UK
The Regent	19 Church Street	Walton-on-Thames	KT12 2QP	UK
The Monks' Retreat	163 Friar Street	Reading	RG1 1HE	UK
The London Inn	15–16 Strand	Torquay	TQ1 2AA	UK
The William Jolle	53 The Broadway	Northwood Hills	HA6 1NZ	UK
The Kings Hall	11–13 Station Road	Cheadle Hulme	SK8 5AF	UK
The Sir Timothy Shelley	47–49 Chapel Road	Worthing	BN11 1EG	UK
The Old Courthouse	Castlerock Road	Coleraine	BT51 3HP	UK
The Leaping Salmon	Golden Square, Bank Hill	Berwick-upon-Tweed	TD15 1BG	UK
The Almond Bank	Almondvale Boulevard	Livingston	EH54 6HP	UK
The Spinning Mill	17–21 Broughshane Street	Ballymena	BT43 6EB	UK
The William Wilberforce	Trinity House Lane	Kingston Upon Hull	HU1 2JD	UK
The Gatehouse	1 Bird Street	Lichfield	WS13 6PW	UK
The Capitol	7–9 Seagate	Dundee	DD1 2EG	UK
The Thomas Mildmay	7 Grays Brewery Yard	Chelmsford	CM2 6QR	UK
The Fleur-de-Lis	63–67 Broad Street	Banbury	OX16 5BL	UK
The Merton Inn	42 Merton Road	Bootle	L20 3BW	UK
The Milson Rhodes	Unit 1D, School Lane	Didsbury	M20 6RD	UK
The Cribbar	11–19 Gover Lane	Newquay	TR7 1ER	UK
Ice Barque	Frederick Ward Way	Grimsby	DN31 1XZ	UK
The Linen Hall	11–13 Townhall Street	Enniskillen	BT74 7BD	UK
The William Robert Loosley, Lloyds No.1 Bar	120–123 Oxford Road	High Wycombe	HP11 2DN	UK
Union Rooms	48 Westgate Road	Newcastle	NE1 1TT	UK
The James Young	36–40 Hopetoun Street	Bathgate	EH48 4EU	UK
The Sir Titus Salt	Morley Street	Bradford	BD7 1AQ	UK
The Lawrence Sheriff, Lloyds No.1 Bar	28–29 High Street	Rugby	CV21 3BW	UK
The Moon on the Square	6 The Parade	Northampton	NN1 2EA	UK
The Lambton Worm	Victoria Building, Low Row	Sunderland	SR1 3QA	UK
Sir Isaac Pitman	1–2 Castle Place, Market St	Trowbridge	BA14 8AL	UK

Name	Address	Town	Postcode	Country
The Edward G. Wylie	107–109 Bothwell Street	Glasgow	G2 6TS	UK
The Tally Ho	749 High Road	North Finchley	N12 0BP	UK
The Jug & Jester	11–13 Bath Street	Royal Leamington Spa	CV31 3AF	UK
Wetherspoon Express	Liverpool John Lennon Airport	Liverpool	L24 1YD	UK
Sir Percy Florence Shelley	673–675 Christchurch Road	Boscombe	BH7 6AA	UK
The Diamond	23–24 The Diamond	Derry	BT48 6HP	UK
The Green Man	No.1 Poultry	London	EC2R 8EJ	UK
The Cotton Bale	21–25 Market Place	Hyde	SK14 2LX	UK
The Robert Ransom	Trafalgar House	Ipswich	IP1 3BE	UK
Camperdown Place	10 West George Street	Glasgow	G2 1DR	UK
The William White	42 Newdegate Street	Nuneaton	CV11 4EU	UK

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