07 October 2022

J D WETHERSPOON PLC
PRELIMINARY RESULTS
(For the 53 weeks ended 31 July 2022)

FINANCIAL HIGHLIGHTS	Var %
Before exceptional items	
• Like-for-like sales	-4.7%
• Revenue £1,740.5m (2019: £1,818.8m)	-4.3%
• (Loss)/profit before tax -£30.4m (2019[2]: £102.5m)	+ve to –ve
• Operating profit £25.7m (2019[2]: £131.9m)	-80.5%
• (Losses)/earnings per share -19.6p (2019[2]: 75.5p)	+ve to –ve
• Free cash inflow per share 17.3p (2019[2]: 92.0p)	-81.2%
• Full year dividend 0.0p (2019: 12.0p)	-100%
After exceptional items[1]	
• Profit before tax £26.3m (2019[2]: £95.4m)	-72.4%
• Operating profit £55.1m (2019[2]: £131.9m)	-58.2%
• Earnings per share 15.2p (2019[2]: 69.0p)	-77.9%

[1]Exceptional items as disclosed in account note 4.

[2]2019 figures are prior to the adoption of IFRS 16 (Lease Accounting)

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

"In the first 9 weeks of the current financial year, to 2 October 2022, like-for-like sales increased by 10.1%, compared to the 9 weeks to 3 October 2021.

"The company has improved its prospects in a number of ways in recent financial years - we own an increasing percentage of freehold properties; the balance sheet has been strengthened; interest rates have been fixed at low levels until 2031; we have a large contingent of long-serving pub staff and underlying sales are improving.

"However, as a result of the previously reported increases in labour and repair costs and the potentially adverse effects of rises in interest rates and energy costs on the economy, firm predictions are hard to make.

"Perhaps the biggest threat to the hospitality industry is the possibility of further lockdowns and restrictions.

Those interested in the UK government response to the pandemic may like to read the reports by Professor Francois Balloux, director of the UCL Genetics Institute, in the Guardian, and by Professor Robert Dingwall, of Trent University, in the Telegraph (see pages 54 to 56 of Wetherspoon News

"https://www.jdwetherspoon.com/~/media/files/pdf-documents/wetherspoon-news/wetherspoon-news-autumn-2022.pdf).

"The conclusion of Professor Balloux, broadly echoed by Professor Dingwall, based on an analysis by the World Health Organisation of the pandemic, is that Sweden (which did not lock down), had a Covid-19 fatality rate "of about half the UK's" and that "the worst performer, by some margin, is Peru, despite enforcing the harshest, longest lockdown."

"Professor Balloux concludes that "the strength of mitigation measures does not seem to be a particularly strong indicator of excess deaths."

"Indeed, as some commentators have noted, lockdowns were not contemplated in the UK's laboriously compiled pre-pandemic plans. It appears that these plans were jettisoned, early on in the pandemic, in favour of copying China's lockdown approach - an example, perhaps, of Warren Buffett's so-called "institutional imperative" - "everyone else has locked down, so we will, too".

"The other major threat to the hospitality industry is the huge and unjustifiable tax advantage that supermarkets enjoy. The hospitality industry pays far higher levels of VAT and business rates than supermarkets. This competitive disadvantage has had an increasingly debilitating impact on the hospitality industry and will undoubtedly result in long-term financial weakness vis a vis supermarkets - which will also be harmful to employees, the Treasury and the overall economy.

"These caveats aside, in the absence of further lockdowns or restrictions, the company is cautiously optimistic, for the reasons we have outlined, about future prospects.

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

Notes to editors

1. J D Wetherspoon owns and operates pubs throughout the UK. The Company aims to provide customers with good-quality food and drink, served by well-trained and friendly staff, at reasonable prices. The pubs are individually designed and the Company aims to maintain them in excellent condition.
2. Visit our website jdwetherspoon.com
3. The financial information set out in the announcement does not constitute the company's statutory accounts for the periods ended 31 July 2022 or 25 July 2021. The financial information for the period ended 25 July 2021 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified, contained an emphasis of matter highlighting a materiality uncertainly related to going concern and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. Statutory accounts for 2022 will be delivered to the registrar of companies in due course. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, in order to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules. It should not be relied on by any other party, for other purposes. Forward-looking statements have been made by the directors in good faith using information available up until the date that they approved this statement. Forward-looking statements should be regarded with caution because of inherent uncertainties in economic trends and business risks.
4. The annual report and financial statements 2022 has been published on the Company's website on 07 October 2022.
5. The current financial year comprises 53 trading weeks to 31 July 2022.
6. The next trading update will be issued on 9 November 2022.

CHAIRMAN'S STATEMENT

Financial performance

The company was founded in 1979 – and this is the 39th year since incorporation in 1983. The table below outlines some key aspects of our performance during that period.

Summary accounts for the years 1984-2022

Financial year	Total number of Pubs (Sites)	Total sales £000	Profit/(loss) before tax and exceptional items £000	Earnings per share before exceptional items pence	Free cash flow £000	Free cash flow per share pence
1984	1	818	(7)	0		
1985	2	1,890	185	0.2		
1986	2	2,197	219	0.2		
1987	5	3,357	382	0.3		
1988	6	3,709	248	0.3		
1989	9	5,584	789	0.6	915	0.4
1990	19	7,047	603	0.4	732	0.4
1991	31	13,192	1,098	0.8	1,236	0.6
1992	45	21,380	2,020	1.9	3,563	2.1
1993	67	30,800	4,171	3.3	5,079	3.9
1994	87	46,600	6,477	3.6	5,837	3.6
1995	110	68,536	9,713	4.9	13,495	7.4
1996	146	100,480	15,200	7.8	20,968	11.2
1997	194	139,444	17,566	8.7	28,027	14.4
1998	252	188,515	20,165	9.9	28,448	14.5
1999	327	269,699	26,214	12.9	40,088	20.3
2000	428	369,628	36,052	11.8	49,296	24.2
2001	522	483,968	44,317	14.2	61,197	29.1
2002	608	601,295	53,568	16.6	71,370	33.5
2003	635	730,913	56,139	17.0	83,097	38.8
2004	643	787,126	54,074	17.7	73,477	36.7
2005[4]	655	809,861	47,177	16.9	68,774	37.1
2006	657	847,516	58,388	24.1	69,712	42.1
2007	671	888,473	62,024	28.1	52,379	35.6
2008	694	907,500	58,228	27.6	71,411	50.6
2009	731	955,119	66,155	32.6	99,494	71.7
2010	775	996,327	71,015	36.0	71,344	52.9
2011	823	1,072,014	66,781	34.1	78,818	57.7
2012	860	1,197,129	72,363	39.8	91,542	70.4
2013	886	1,280,929	76,943	44.8	65,349	51.8
2014	927	1,409,333	79,362	47.0	92,850	74.1
2015	951	1,513,923	77,798	47.0	109,778	89.8
2016	926	1,595,197	80,610	48.3	90,485	76.7
2017	895	1,660,750	102,830	69.2	107,936	97.0
2018	883	1,693,818	107,249	79.2	93,357	88.4
2019	879	1,818,793	102,459	75.5	96,998	92.0
2020[6]	872	1,262,048	(44,687)	(35.5)	(58,852)	(54.2)
2021	861	772,555	(154,676)	(119.2)	(83,284)	(67.8)
2022[3]	852	1,740,477	(30,448)	(19.6)	21,922	17.3

Notes
Adjustments to statutory numbers
1. Where appropriate, the earnings/losses 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 for all years prior to 2022.
4. Before 2005, the accounts were prepared under UKGAAP. All accounts from 2005 to date have been prepared under IFRS.
5. Apart from the items in notes 1–4, all numbers are as reported in each year's published accounts.
6. From financial year 2020 data is based on post-IFRS 16 numbers following the transition from IAS17 to IFRS 16.

Background

To coin a Shakespeare phrase, "the multiplying villainies of nature do swarm upon" the hospitality industry, following the lockdowns and restrictions of the pandemic - and surprisingly perhaps, the aftermath has been just as difficult for many companies.

Most commentators, including most publicans, understandably predicted a post-lockdown boom, in which the public would react to enforced cabin fever by embarking on a celebratory spree, but the reality has, in contrast, been a painstakingly slow recovery in sales, for some but not all, accompanied by great inflation in costs.

A possible reason for the much slower-than-anticipated recovery has been an underestimation of the power of habit in determining human behaviour.

During lockdown, dyed-in-the-wool pub-goers, many for the first time, filled their fridges with supermarket beer - and it has proved to be a momentous challenge to persuade them to return to the more salubrious environment of the saloon bar.

Even so, Wetherspoon's trading performance in FY22 improved versus the annus horribilis of FY21, but was still markedly adverse to pre-pandemic FY19.

Although like-for-like sales decreased by 4.7% compared to FY19, sales trends improved in the financial year. In the first half, like-for-like sales were -7.4%; in the third quarter they were -4.0% and in the fourth quarter they were -0.6%.

Like-for-like sales have improved in the first 9 weeks of the current financial year (FY23) and are 10.1% ahead of the first 9 weeks of FY22.

In addition to the slowly improving sales trend, there was a significant turnaround of £105 million in free cashflow, which improved to an inflow of £21.9 million in FY22 compared to an outflow of £83.3 million in FY21.

Perhaps surprisingly, the Wetherspoon balance sheet is also stronger than before the pandemic, at the expense of some dilution to pre-pandemic shareholders.

Debt levels, combined with trade creditors (excluding notional IFRS 16 lease debt), have increased by £53 million since January 2020, just before the first lockdown, substantially less than a total of £158.3 million invested in freehold "reversions" and new pubs during the period.

Since January 2020, £70.5 million has been spent on freehold reversions (where Wetherspoon was previously the tenant) and £87.8 million on new pubs.

Two equity issues during the pandemic were, of course, key factors in this strengthening of the balance sheet.

On an IFRS 16 basis, which includes notional debt from leases, debt decreased from £1.45 billion to £1.29 billion between January 2020 and the end of FY22.

In this context, Wetherspoon has, as reported below, fixed £770 million of its debt until November 2031, at an average of 1.24%, excluding the banks' margin, a significant benefit at a time of rising interest rates.

Fortunately, the company was able to extend these swaps by 32 months in the first half of FY22 - before sharply rising inflation and interest rates were anticipated by the market.

The mark-to-market value of these swaps was £182.7 million, as of 2 October 2022.

Trading Summary

In the summary below we have compared sales and profits with FY19, but cash flow, debt and other areas are compared with FY21. To try to avoid confusion, we also provide a table, below, showing some key indicators referred to in this section of the annual report, for the last four financial years.

Total sales for FY22 were £1,740.5 million, a decrease of 4.3%, compared to the pre-pandemic 52 weeks ended 28 July 2019.

Like-for-like sales, as indicated above, compared to FY19, decreased by 4.7%. Like-for-like bar sales decreased by 6.5% and food sales by 3.2%. Slot/fruit machine sales increased by 12.3% and hotel room sales increased by 6.5%.

The operating profit, before exceptional items, was £25.7 million (2019: £131.9 million). The operating margin, before exceptional items, was 1.5% (2019: 7.3%).

The loss before tax and exceptional items was £30.4 million (2019: £102.5 million profit). This included property gains of £2.1 million (2019: £5.6 million).

The company sold, closed, or terminated the leases of 15 pubs, giving rise to a cash inflow of £5.9 million.

Losses per share, including shares held in trust by the employee share scheme, before exceptional items, were 19.6p (2019: earnings per share of 75.5p).

Total capital investment was £127.3 million (2021: £62.7 million). £58.8 million was invested in new pubs and pub extensions (2021: £24.1 million),

£42.8 million in existing pubs and IT (2021: £20.0 million) and £25.8 million in freehold reversions of properties where Wetherspoon was the tenant (2021: £16.9 million).

The company continued to increase investment levels, on the basis that the adverse effects of Covid-19 would eventually diminish.

IFRS 16 ‘Leases’ replaced IAS 17 ‘Leases’ for accounting periods beginning on or after 1 January 2019. IFRS 16 was adopted by the Company on 29 July 2019 using the ‘modified retrospective approach’.

<u>Sales, profits and cash flow FY19 to FY22</u>

	FY22	**FY21**	**FY20**	**FY19**
Total sales excluding VAT (£m)	1,740.5	772.6	1,262.0	1,818.8
Like-for-like sales vs prior year	29.9%	-38.4%	-29.5%	6.8%
Operating profit/(loss) before exceptional items (£m)	25.7	-100.4	17.0	131.9
Profit/(loss) before tax and exceptional items (£m)	-30.4	-167.2	-44.7	102.5
Free cash flow (£m)	21.9	-83.3	-58.9	97.0

Exceptional items

There was a pre-tax exceptional gain of £56.7 million (2021: £27.5 million loss).

£52.9 million of the gain related to the fair value movement of interest rate swaps, which the company has in place for approximately the next 9 years, as reported above, at an average rate of 1.24%, excluding the banks' margin. In addition, there was a gain of £27.8 million in relation to an HMRC claim, regarding the historic VAT treatment of slot/fruit machines. There was also a gain of £1.4 million in respect of government support grants, associated with the pandemic. Finally, there was a £24.4 million property impairment charge, in respect of pubs which were deemed unlikely to generate sufficient cash flows, in the future, to support their carrying value.

Free Cash Flow

There was a free cash inflow of £21.9 million (2021: £83.3 million outflow), after capital payments of £45.9 million for existing pubs (2021: £22.3 million), £12.8 million for share purchases for employees (2021: £7.7 million) and payments of tax and interest. Free cash inflow per share was 17.3p (2021: 67.8p outflow).

Dividends and return of capital

The board has not recommended the payment of a final dividend (2021: £0). There have been no share buybacks in the financial year to date (2021: £0).

Financing

As at 31 July 2022, the company's total net debt, excluding derivatives and lease liabilities, was £891.6 million (2021: £845.5 million), an increase of £46.1 million.

The company has an agreement in place with its lenders which waives debt covenants until October 2023 and replaces them with a minimum liquidity requirement of £100 million in the first half of FY23, followed by relaxed leverage covenants in the second half of the year.

There has been no change in the total available finance facilities of £1,083.0 million during the period.

During the year, as reported above, the company has extended the period of its interest rate swaps, in respect of £770 million, from March 2029 to November 2031. The swap rate currently being paid, excluding the banks' margin, is 1.61%. The total cost of the company's debt, in the year under review, including the banks' margin was 4.46%. The cost of the swaps is illustrated in the table below:

Swap Value	Start Date	End Date	Weighted Average %
£770m	30-Jul-21	30-Jul-23	1.61%
£770m	31-Jul-23	30-Jul-26	1.10%
£770m	31-Jul-26	30-Jun-28	1.33%
£770m	01-Jul-28	29-Mar-29	1.32%
£770m	31-Mar-29	30-Nov-31	1.02%

Property

The company opened seven pubs during the year and sold, closed or terminated the leases of 15 pubs. The company had a trading estate of 852 pubs at the financial year end.

The company is currently marketing 32 pubs, most of which are within a close radius of other pubs we own. The strategy of opening larger pubs, at a considerable distance from each other, reflects a long-term strategy, rather than a reaction to trading difficulties in the Covid era, as some commentators have incorrectly said.

The full-year depreciation charge, excluding depreciation of "right-of-use" assets (a new charge to the profit and loss account, post-IFRS 16) was £74.6 million (2021: £76.4 million).

The company has increased the percentage of freehold pubs it owns in the last 11 years.

As at 24 July 2011, the company's freehold/ leasehold ratio was 43.4%/56.6%. As at 31 July 2022, as a result of investment in freehold reversions and freehold pub openings, the ratio was 68.8%/31.2%.

As at 31 July 2022, the net book value of the property, plant and equipment of the company was £1.4 billion, including £1.1 billion of freehold and long-leasehold property.

The properties have not been revalued since 1999.

Taxation

The current corporation tax charge for the year is £7.0 million (2021: £17.6 million credit). The ‘accounting’ tax credit, which appears in the income statement, is £5.6 million (2021: £20.7 million credit).

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

The company is seeking a refund of historic excise duty from HMRC, totalling £524k, in relation to goods sent to the Republic of Ireland, when Wetherspoon pubs first opened in that country. The company has been charged excise duty on the same goods twice, as they were purchased in the UK, and excise duty was paid in full. Irish excise duty was then paid in addition.

Owing to a paperwork error, in the early days of our business in the Republic, which the company has sought to rectify, it has, to date, been unable to reclaim this duty, even though it is transparently clear that the duty has been paid.

Scotland Business Rates

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

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

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

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

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

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

VAT equality

As we have previously stated, the government would generate more revenue and jobs if it were to create tax equality among supermarkets, pubs and restaurants. Supermarkets pay virtually no VAT in respect of food sales, whereas pubs pay 20%. This has enabled supermarkets to subsidise the price of alcoholic drinks, widening the price gap, to the detriment of pubs and restaurants. Pubs also pay around 20 pence a pint in business rates, whereas supermarkets pay only about 2 pence, creating further inequality.

Pubs have lost 50% of their beer sales to supermarkets in the last 35 or so years. It makes no sense for supermarkets to be treated more leniently than pubs, since pubs generate far more jobs per pint or meal than do supermarkets, as well as far higher levels of tax. Pubs also make an important contribution to the social life of many communities and have better visibility and control of those who consume alcoholic drinks.

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

As a result, in these less affluent areas, there are often fewer pubs, coffee shops and restaurants, with less employment and increased high-street derelication. Tax equality would also be in line with the principle of fairness – the same taxes should apply to businesses which sell the same products.

How pubs contribute to the economy

Wetherspoon and other pub and restaurant companies have always generated far more in taxes than are earned in profits. Wetherspoon, it's customers and staff, generated total taxes in FY19, before the pandemic, of £763.6 million. This equated to one pound in every thousand of UK government revenue.
In the financial year ended 31 July 2022, the company generated taxes of £662.7 million.

The table below shows the £5.8 billion of tax revenue generated by the company, its staff and customers in the last 10 years. Each pub, on average, generated £6.5 million in tax during that period. The tax generated by the company, during this 10-year period, equates to approximately 20 times the company's profits after tax.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	TOTAL 2013 to 2022
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
VAT	287.7	93.8	244.3	357.9	332.8	323.4	311.7	294.4	275.1	253.0	**2,774.1**
Alcohol duty	156.6	70.6	124.2	174.4	175.9	167.2	164.4	161.4	157.0	144.4	**1,496.1**
PAYE and NIC	141.9	101.5	106.6	121.4	109.2	96.2	95.1	84.8	78.4	70.2	**1,005.3**
Business rates	50.3	1.5	39.5	57.3	55.6	53.0	50.2	48.7	44.9	46.4	**447.4**
Corporation tax	1.5	-	21.5	19.9	26.1	20.7	19.9	15.3	18.4	18.4	**161.7**
Corporation tax credit (historic capital allowances)	-	-	-	-	-	-	-	-2.0	-	-	**-2.0**
Fruit/slot Machine duty	12.8	4.3	9.0	11.6	10.5	10.5	11	11.2	11.3	7.2	**99.4**
Climate change levies	9.7	7.9	10.0	9.6	9.2	9.7	8.7	6.4	6.3	4.3	**81.8**
Stamp duty	2.7	1.8	4.9	3.7	1.2	5.1	2.6	1.8	2.1	1.0	**26.9**
Sugar tax	2.9	1.3	2.0	2.9	0.8	-	-	-	-	-	**9.9**
Fuel duty	1.9	1.1	1.7	2.2	2.1	2.1	2.1	2.9	2.1	2.0	**20.2**
Carbon tax	-	-	-	1.9	3.0	3.4	3.6	3.7	2.7	2.6	**20.9**
Premise licence and TV licences	0.5	0.5	1.1	0.8	0.7	0.8	0.8	1.6	0.7	0.7	**8.2**
Landfill tax	-	-	-	-	1.7	2.5	2.2	2.2	1.5	1.3	**11.4**
Employee support grants	-4.4	-213.0	-124.1	-	-	-	-	-	-	-	**-341.5**
Eat out to help out	-	-23.2	-	-	-	-	-	-	-	-	**-23.2**
Local Government Grants	-1.4	-11.1	-	-	-	-	-	-	-	-	**-12.5**
TOTAL TAX	**662.7**	**37.0**	**440.7**	**763.6**	**728.8**	**694.6**	**672.3**	**632.4**	**600.5**	**551.5**	**5,784.1**
TAX PER PUB	**0.78**	**0.04**	**0.53**	**0.87**	**0.83**	**0.77**	**0.71**	**0.67**	**0.66**	**0.63**	**6.49**
TAX AS % OF NET SALES	**38.1%**	**4.8%**	**34.9%**	**42.0%**	**43.0%**	**41.8%**	**42.1%**	**41.8%**	**42.6%**	**43.1%**	**37.4%**
LOSS/PROFIT AFTER TAX	**-24.9**	**-146.5**	**-38.5**	**79.6**	**83.6**	**76.9**	**56.9**	**57.5**	**58.9**	**65.2**	**268.7**

Note – this table is prepared on a cash basis.

IFRS16 was implemented in the year ending 26 July 2020 (FY20). From this period all profit numbers in the above table are on a Post-IFRS16 basis. Prior to this date all profit numbers are on a Pre-IFRS16 basis.

Corporate Governance

Wetherspoon has been a strong critic of the composition of the boards of UK-quoted companies.

As a result of the “nine-year rule”, limiting the tenure of NEDs and the presumption in favour of “independent”, part-time chairmen, boards are often composed of short-term directors, with very little representation from those who understand the company best - people who work for it full-time, or have worked for it full-time.

Wetherspoon’s review of the boards of major banks and pub companies, which teetered on the edge of failure in the 2008-2010 recession, highlighted the short “tenure”, on average, of directors.

In contrast, Wetherspoon noted the relative success, during this fraught financial period, of pub companies Fuller’s and Young’s, the boards of which were dominated by experienced executives, or former executives.

As a result, Wetherspoon has increased the level of experience on the Wetherspoon board by appointing four “worker directors”.

All four worker directors started on the “shop floor” and eventually became successful pub managers. Three have been promoted to regional management roles. They have worked for the company for an average of 24 years.

Board composition cannot guarantee future success, but it makes sensible decisions, based on experience at the coalface of the business, more likely.

The UK Corporate Governance Code 2018 (the “Code”) is a vast improvement on previous codes, emphasising the importance of employees, customers and other stakeholders in commercial success. It also emphasises the importance of its ‘comply or explain’ ethos, and the consequent need for shareholders to engage with companies in order to understand their explanations.

A major impediment to the effective implementation of comply or explain seems to be the undermanning of the corporate governance departments of major shareholders.

For example, Wetherspoon has met a compliance officer from one major institution who is responsible for around 400 companies - an impossible task, since the written regulatory output of each company is vast, coupled with the practical impossibility of meeting with so many companies in any meaningful way.

As a result, it appears that compliance officers and governance advisors, in practice, often rely on a “tick-box” approach, which is, itself, in breach of the Code.

A further issue is that many major investors, in their own companies, for sensible reasons, do not observe the nine-year rule, and other rules, themselves. An approach of “do what I say, not what I do” is clearly unsustainable.

Further progress

As always, the company has tried to improve as many areas of the business as possible, on a week-to-week basis, rather than aiming for ‘big ideas’ or grand strategies.

Frequent calls on pubs by senior executives, the encouragement of criticism from pub staff and customers and the involvement of pub and area managers, among others, in weekly decisions, are the keys to success.

Wetherspoon paid £30.1 million in respect of bonuses and free shares to employees in the period ended 31 July 2022, of which 98.8% was paid to staff below board level and 91.5% was paid to staff working in our pubs.

Wetherspoon has been the biggest corporate sponsor of ‘Young Lives vs Cancer’ (previously CLIC Sargent), having raised a total of £20.6 million since 2002. During the pandemic, our contributions had been reduced, but since the reopening of our pubs there have been great efforts seen and our contributions have bounced back significantly.

Bonuses and Free Shares

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

Financial year	Bonus and free shares	(Loss)/Profit after tax[1]	Bonus and free shares as % of profits
	£m	£m	
2007	19	47	41%
2008	16	36	45%
2009	21	45	45%
2010	23	51	44%
2011	23	52	43%
2012	24	57	42%
2013	29	65	44%
2014	29	59	50%
2015	31	57	53%
2016	33	57	58%
2017	44	77	57%
2018	43	84	51%
2019	46	80	58%
2020	33	(39)	-
2021	23	(146)	-
2022	30	(25)	-
Total	**467**	**557**	**49.7%[2]**

[1](IFRS16 was implemented in the year ending 26 July 2020 (FY20). From this period all profit numbers in the above table are on a Post-IFRS16 basis. Prior to this date all profit numbers are on a Pre-IFRS16 basis.
[2] Excludes 2020, 2021 and 2022.

Length of Service

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

Financial year	Average pub manager length of service	Average kitchen manager length of service
	(Years)	(Years)
2013	9.1	6.0
2014	10.0	6.1
2015	10.1	6.1
2016	11.0	7.1
2017	11.1	8.0
2018	12.0	8.1
2019	12.2	8.1
2020	12.9	9.1
2021	13.6	9.6
2022	13.9	10.4

Food Hygiene Ratings

Wetherspoon has always emphasised the importance of hygiene standards.

We now have 775 pubs rated on the Food Standards Agency's website (see table below). The average score is 4.98, with 98.6% of the pubs achieving a top rating of five stars. We believe this to be the highest average rating for any substantial pub company.

In the separate Scottish scheme, which records either a 'pass' or a 'fail', all of our 60 pubs have passed.

Financial Year	Total Pubs Scored	Average Rating	Pubs with highest Rating %
2013	771	4.85	87.0
2014	824	4.91	92.0
2015	858	4.93	94.1
2016	836	4.89	91.7
2017	818	4.89	91.8
2018	807	4.97	97.3
2019	799	4.97	97.4
2020	781	4.96	97.0
2021	787	4.97	98.4
2022	775	4.98	98.6

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 £1.25 million from Mr Lyons.

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

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

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

The properties in Leytonstone and Newbury (the other properties in the case against Mr Lyons) were not pleaded in the 2008/9 Van de Berg case.

Leytonstone was leased to Wetherspoon and trades today as The Walnut Tree public house. Newbury was leased to Pelican plc and became Café Rouge.

As we have also reported, the company agreed to settle its final claim in this series of cases and accepted £400,000 from property investor Jason Harris, formerly of First London and now of First Urban Group. Wetherspoon alleged that Harris was an accessory to frauds committed by Van de Berg.

Harris contested the claim and has not admitted liability.

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

Press corrections

The press and media have generally been fair and accurate in reporting on Wetherspoon over the decades. However, in the febrile atmosphere of the first lockdown, something went awry and a number of harmful inaccuracies were published.

In order to try and set the record straight, a special edition of Wetherspoon News was published, which includes details of the resulting apologies and corrections, which can be found on the Company's website

(https://www.jdwetherspoon.com/~/media/files/pdf-documents/wetherspoon-news/does-truth-matter_.pdf).

Board changes

Su Cacioppo is retiring from the Wetherspoon board today, 7th October 2022, after 31 years with the company. Su started as a pub manager in 1991, then became an area manager, before eventually becoming the board director responsible for the personnel, legal and marketing departments in 2008.

Sir Richard Beckett KC is also retiring from the board at this year's AGM, after 13 years as a non-executive director of the company, latterly as head of the nominations committee.

I would like to thank sincerely Su and Richard for their dedicated, creative and conscientious work over many years.

Pubwatch

Pubwatch is a forum where pubs in a town or city can meet together regularly, often with a police licensing officer, responsible for pubs in the area.

Local authorities sometimes attend and issues around maintaining good behaviour in pubs and in the town or city generally are debated.

A wide range of initiatives is promoted, including drink spiking awareness, town centre radio links, vulnerability training and refusal of entry to all pubs in the area for customers who misbehave.

Pubwatch has improved wider town and city environments, by bringing together pubs, local authorities and the police, in a concerted way, to encourage good behaviour and to reduce anti-social activity.

Wetherspoon has been a long-standing supporter of local Pubwatch schemes and has helped to organise 16 new schemes in the last year. Wetherspoon pubs are members of over 600 schemes country wide. The company also helps to fund National Pubwatch, founded by just 2 licensees and a police officer in 1997, which is the umbrella organisation that helps set up, coordinate and support local schemes.

It is our experience that in some towns and cities, where the authorities have struggled to control anti-social behaviour, the setting up of a Pubwatch has been instrumental in improving safety and security - not only of licensed premises, but also of the town and city in general, as well as assisting the police in bringing down crime.

Conversely, we have found that in a number of towns, including some towns on the outskirts of London, that the absence of an effective Pubwatch scheme results in higher incidents of crime, disorder and anti-social behaviour.

In our view, Pubwatch is integral to making towns and cities a safe environment for everyone. Therefore, licensees, the police and local authorities throughout the land should give Pubwatch their full support.

Current trading and outlook

As reported above, in the first 9 weeks of the current financial year, to 2 October 2022, like-for-like sales increased by 10.1%, compared to the 9 weeks to 3 October 2021.

As we have also outlined above, the company has improved its prospects in a number of ways in recent financial years - we own an increasing percentage of freehold properties; the balance sheet has been strengthened; interest rates have been fixed at low levels until 2031; we have a large contingent of long-serving pub staff and underlying sales are improving.

However, as a result of the previously reported increases in labour and repair costs and the potentially adverse effects of rises in interest rates and energy costs on the economy, firm predictions are hard to make.

Perhaps the biggest threat to the hospitality industry is the possibility of further lockdowns and restrictions.

Those interested in the UK government response to the pandemic may like to read the reports by Professor Francois Balloux, director of the UCL Genetics Institute, in the Guardian, and by Professor Robert Dingwall, of Trent University, in the Telegraph (see pages 54 to 56 of Wetherspoon News

https://www.jdwetherspoon.com/~/media/files/pdf-documents/wetherspoon-news/wetherspoon-news-autumn-2022.pdf).

The conclusion of Professor Balloux, broadly echoed by Professor Dingwall, based on an analysis by the World Health Organisation of the pandemic, is that Sweden (which did not lock down), had a Covid-19 fatality rate "of about half the UK's" and that "the worst performer, by some margin, is Peru, despite enforcing the harshest, longest lockdown."

Professor Balloux concludes that "the strength of mitigation measures does not seem to be a particularly strong indicator of excess deaths."

Indeed, as some commentators have noted, lockdowns were not contemplated in the UK's laboriously compiled pre-pandemic plans. It appears that these plans were jettisoned, early on in the pandemic, in favour of copying China's lockdown approach - an example, perhaps, of Warren Buffett's so-called "institutional imperative" - "everyone else has locked down, so we will, too".

The other major threat to the hospitality industry, as reported above, is the huge and unjustifiable tax advantage that supermarkets enjoy. The hospitality industry pays far higher levels of VAT and business rates than supermarkets. This competitive disadvantage has had an increasingly debilitating impact on the hospitality industry and will undoubtedly result in long-term financial weakness vis a vis supermarkets - which will also be harmful to employees, the Treasury and the overall economy.

These caveats aside, in the absence of further lockdowns or restrictions, the company is cautiously optimistic, for the reasons we have outlined, about future prospects.

INCOME STATEMENT for the 53 weeks ended 31 July 2022

J D Wetherspoon plc, company number: 1709784

	Notes	**53 weeks ended 31 July 2022 Before exceptional items £000**	**53 weeks ended 31 July 2022 Exceptional items (note 4) £000**	**53 weeks ended 31 July 2022 After exceptional items £000**	52 weeks ended 25 July 2021 Before exceptional items £000	Restated[1] 52 weeks ended 25 July 2021 Exceptional items (note 4) £000	Restated[1] 52 weeks ended 25 July 2021 After exceptional items £000
Revenue	1	**1,740,477**	**-**	**1,740,477**	772,555	-	772,555
Other operating income		**-**	**29,384**	**29,384**	-	15,541	15,541
Operating costs		**(1,714,757)**	**-**	**(1,714,757)**	(872,913)	(24,482)	(897,395)
Operating profit/(loss)	2	**25,720**	**29,384**	**55,104**	(100,358)	(8,941)	(109,299)
Property gains/(losses)	3	**2,142**	**(24,526)**	**(22,384)**	(123)	(5,839)	(5,962)
Finance income	6	**531**	**51,859**	**52,390**	595	-	595
Finance costs	6	**(58,841)**	**-**	**(58,841)**	(67,280)	(12,690)	(79,970)
(Loss)/profit before tax		**(30,448)**	**56,717**	**26,269**	(167,166)	(27,470)	(194,636)
Income tax[1]	7	**5,560**	**(12,562)**	**(7,002)**	20,695	(3,065)	17,630
(Loss)/profit for the period[1]		**(24,888)**	**44,155**	**19,267**	(146,471)	(30,535)	(177,006)
(Loss)/earnings per ordinary share (p)							
- Basic[1]	8	**(19.6)**	**34.8**	**15.2**	(119.2)	(24.9)	(144.1)
- Diluted[1]	8	**(19.6)**	**34.8**	**15.2**	(119.2)	(24.9)	(144.1)

[1] Restated 25 July 2021.

STATEMENT OF COMPREHENSIVE INCOME for the 53 weeks ended 31 July 2022

	Notes	**53 weeks ended 31 July 2022 £000**	Restated[1] 52 weeks ended 25 July 2021 £000
Items which will be reclassified subsequently to profit or loss:			
Interest-rate swaps: gain taken to other comprehensive income		**48,452**	44,551
Interest-rate swaps: (loss)/gain reclassification to the income statement		**(4,332)**	11,707
Tax on items taken directly to other comprehensive income[1]	7	**(11,051)**	(9,133)
Currency translation losses		**(1,474)**	(3,510)
Net gain recognised directly in other comprehensive income[1]		**31,595**	43,615
Profit/(loss) for the period[1]		**19,267**	(177,006)
Total comprehensive profit/(loss) for the period		**50,862**	(133,391)

[1] Restated 25 July 2021

CASH FLOW STATEMENT for the 53 weeks ended 31 July 2022

J D Wetherspoon plc, company number: 1709784

	Notes	53 weeks ended 31 July 2022 £000	Free cash flow[1] 53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000	Free cash flow 52 weeks ended 25 July 2021 £000
Cash flows from operating activities					
Cash generated from operations	9	**178,510**	**178,510**	25,208	25,208
Interest received		**97**	**97**	187	187
Interest paid		**(41,044)**	**(41,044)**	(48,428)	(48,428)
Corporation tax (paid)/received		**(715)**	**(715)**	7,673	7,673
Lease interest		**(17,501)**	**(17,501)**	(19,942)	(19,942)
Net cash flow from operating activities		**119,347**	**119,347**	(35,302)	(35,302)
Cash flows from investing activities					
Reinvestment in pubs		**(42,777)**	**(42,777)**	(19,692)	(19,692)
Reinvestment in business and IT projects		**(3,113)**	**(3,113)**	(2,620)	(2,620)
Investment in new pubs and pub extensions		**(51,083)**	**–**	(21,131)	–
Purchase of freeholds		**(25,773)**	**–**	(16,858)	–
Proceeds of sale of property, plant and equipment		**10,547**	**–**	2,575	–
Net cash flow from investing activities		**(112,199)**	**(45,890)**	(57,726)	(22,312)
Cash flows from financing activities					
Purchase of own shares for share-based payments		**(12,808)**	**(12,808)**	(7,684)	(7,684)
Loan issue cost	10	**(192)**	**(192)**	(434)	(434)
Advances/(repayments) under bank loans	10	**50,000**	**–**	(195,000)	–
Advances under CLBILS	10	**–**	**–**	100,033	–
Other loan receivables	10	**(3,542)**	**–**	–	–
Lease principal payments		**(38,535)**	**(38,535)**	(17,552)	(17,552)
Issue of share capital		**–**	**–**	91,523	–
Asset-financing principal payments	10	**(7,132)**	**–**	(6,901)	–
Net cash flow from financing activities		**(12,209)**	**(51,535)**	(36,015)	(25,670)
Net change in cash and cash equivalents	10	**(5,061)**		(129,043)	
Opening cash and cash equivalents		**45,408**		174,451	
Closing cash and cash equivalents		**40,347**		45,408	
Free cash flow			**21,922**		(83,284)

[1]Free cash flow is a measure not required by accounting standards; a definition is provided within annual report and financial statements.

BALANCE SHEET as at 31 July 2022

J D Wetherspoon plc, company number: 1709784

	Notes	31 July 2022 £000	Restated[1] 25 July 2021 £000
Assets			
Non-current assets			
Property, plant and equipment	13	**1,426,862**	1,423,826
Intangible assets	12	**5,409**	5,358
Investment property	14	**23,364**	10,533
Right-of-use assets		**419,416**	468,538
Other loan receivable		**2,739**	-
Derivative financial instruments		**61,367**	-
Lease assets		**9,264**	9,890
Total non-current assets		**1,948,421**	1,918,145
Current assets			
Lease assets		**2,001**	1,638
Assets held for sale		**800**	-
Inventories		**26,402**	26,853
Receivables		**29,400**	16,427
Current income tax receivables		**2,000**	1,187
Cash and cash equivalents		**40,347**	45,408
Total current assets		**100,950**	91,513
Total assets		**2,049,371**	2,009,658
Current liabilities			
Borrowings		**(5,137)**	(7,610)
Trade and other payables		**(282,481)**	(259,791)
Provisions		**(2,661)**	(3,004)
Lease liabilities		**(48,471)**	(65,219)
Total current liabilities		**(338,750)**	(335,624)
Non-current liabilities			
Borrowings		**(930,404)**	(883,272)
Derivative financial instruments		**(2,031)**	(37,643)
Deferred tax liabilities	7	**(34,718)**	(16,546)
Lease liabilities		**(421,583)**	(458,596)
Total non-current liabilities		**(1,388,736)**	(1,396,057)
Total liabilities		**(1,727,486)**	(1,731,681)
Net assets		**321,885**	277,977
Shareholders' equity			
Share capital		**2,575**	2,575
Share premium account		**143,294**	143,294
Capital redemption reserve		**2,337**	2,337
Other reserves		**234,579**	234,579
Hedging reserve[1]		**13,617**	(19,452)
Currency translation reserve		**(144)**	1,851
Retained earnings[1]		**(74,373)**	(87,207)
Total shareholders' equity		**321,885**	277,977

[1] Restated 25 July 2021.

STATEMENT OF CHANGES IN EQUITY

J D Wetherspoon plc, company number: 1709784

	Notes	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other Reserves £000	Restated[1] Hedging reserve £000	Currency translation reserve £000	Restated[1] Retained earnings £000	Total[1] £000
At 26 July 2020		**2,408**	**143,294**	**2,337**	**141,002**	**(66,577)**	**7,089**	**87,695**	**317,248**
Total comprehensive income		-	-	-	-	47,125	(5,238)	(175,278)	(133,391)
Loss for the period[1]		-	-	-	-	-	-	(177,006)	(177,006)
Interest-rate swaps: cash flow hedges		-	-	-	-	44,551	-	-	44,551
Interest-rate swaps: amount reclassified to the income statement		-	-	-	-	11,707	-	-	11,707
Tax on items taken directly to comprehensive income[1]	7	-	-	-	-	(9,133)	-	-	(9,133)
Currency translation differences		-	-	-	-	-	(5,238)	1,728	(3,510)
Issued share capital (net of expenses)		167	-	-	93,577	-	-	(2,221)	91,523
Share-based payment charges		-	-	-	-	-	-	10,267	10,267
Tax on share-based payment		-	-	-	-	-	-	14	14
Purchase of own shares for share-based payments		-	-	-	-	-	-	(7,684)	(7,684)
As at 25 July 2021 as previously reported		**2,575**	**143,294**	**2,337**	**234,579**	**(15,403)**	**1,851**	**(91,256)**	**277,977**
Effect of restatment[1]		-	-	-		(4,049)	-	4,049	-
Restated[1] At 25 July 2021		**2,575**	**143,294**	**2,337**	**234,579**	**(19,452)**	**1,851**	**(87,207)**	**277,977**
Total comprehensive income		-	-	-	-	33,069	(1,995)	19,788	50,862
Profit for the period		-	-	-	-	-	-	19,267	19,267
Interest-rate swaps: cash flow hedges		-	-	-	-	48,452	-	-	48,452
Interest-rate swaps: amount reclassified to the income statement		-	-	-	-	(4,332)	-	-	(4,332)
Tax on items taken directly to comprehensive income	7	-	-	-	-	(11,051)	-	-	(11,051)
Currency translation differences		-	-	-	-	-	(1,995)	521	(1,474)
Share-based payment charges		-	-	-	-	-	-	5,874	5,874
Tax on share-based payment		-	-	-	-	-	-	(20)	(20)
Purchase of own shares for share-based payments		-	-	-	-	-	-	(12,808)	(12,808)
At 31 July 2022		**2,575**	**143,294**	**2,337**	**234,579**	**13,617**	**(144)**	**(74,373)**	**321,885**

[1] Restated 25 July 2021.

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

As at 31 July 2022, the company had distributable reserves of £173.7m (2021: £129.8m).

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue

`	53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000
Bar	**1,024,677**	440,119
Food	**639,683**	283,192
Eat out to help out scheme	**-**	23,248
Slot/fruit machines	**51,639**	17,059
Hotel	**22,848**	8,592
Other	**1,630**	345
	1,740,477	772,555

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

This is stated after charging/(crediting):	53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000
Variable concession rental payments	**8,799**	2,801
Short-term leases	**10**	784
Cancelled principal payments	**(4,726)**	(10,933)
Repairs and maintenance	**101,520**	64,020
Net rent receivable	**(2,001)**	(1,873)
Share-based payments (note 5)	**5,874**	10,267
Depreciation of property, plant and equipment (note 13)	**71,227**	73,193
Amortisation of intangible assets (note 12)	**3,240**	3,151
Depreciation of investment properties (note 14)	**87**	44
Depreciation of right-of-use assets	**42,291**	44,532

Analysis of continuing operations	53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000
Revenue	**1,740,477**	772,555
Cost of sales[1]	**(1,640,202)**	(844,574)
Gross profit/(loss)	**100,275**	(72,019)
Administration costs	**(45,171)**	(37,280)
Operating profit/(loss) after exceptional items	**55,104**	(109,299)

Auditor's remuneration	53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000
Fees payable for the audit of the financial statements		
– Audit fees	**415**	303
– Additional audit work (for previous year audit)	**85**	100
Fees payable for other services:		
– Audit related services (interim audit procedures)	**55**	33
Total auditor's fees	**555**	436

[1]Included in cost of sales is £599.8m (2021: £272.8m) relating to cost of inventory recognised as expense.

3. Property losses and gains

	53 weeks ended 31 July 2022 Before exceptional items £000	53 weeks ended 31 July 2022 Exceptional items (note 4) £000	53 weeks ended 31 July 2022 After exceptional items £000	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After exceptional items £000
Disposals						
Fixed assets	**3,492**	**(16)**	**3,476**	1,548	1,592	3,140
Leases	**(7,368)**	**–**	**(7,368)**	(2,200)	–	(2,200)
Additional costs of disposal	**1,857**	**112**	**1,969**	775	115	890
	(2,019)	**96**	**(1,923)**	123	1,707	1,830
Impairments						
Property, plant and equipment (note 13)	**–**	**19,451**	**19,451**	–	1,999	1,999
Investment properties (note 14)	**–**	**1,015**	**1,015**	–	–	–
Right-of-use assets	**–**	**3,964**	**3,964**	–	2,133	2,133
	–	**24,430**	**24,430**	–	4,132	4,132
Other						
Other property gains	**(123)**	**–**	**(123)**	–	–	–
	(123)	**–**	**(123)**	–	–	–
Total property losses/(gains)	**(2,142)**	**24,526**	**22,384**	123	5,839	5,962

4. Exceptional Items

	53 weeks ended 31 July 2022 £000	Restated[1] 52 weeks ended 25 July 2021 £000
Exceptional operating items		
Rank settlement	**(27,771)**	–
Local government support grants	**(1,443)**	(11,123)
Duty drawback	**(170)**	(4,418)
Exceptional operating income	**(29,384)**	(15,541)
Equipment	**–**	3,753
Stock losses	**–**	4,158
Staff costs	**–**	15,692
Other	**–**	879
Exceptional operating costs	**–**	24,482
Total exceptional operating (profit)/loss	**(29,384)**	8,941
Exceptional property losses		
Disposal programme		
Loss on disposal of pubs	**96**	1,707
	96	1,707
Other property losses		
Impairment of assets under construction	**2,215**	–
Impairment of property, plant and equipment	**17,236**	1,999
Impairment of investment properties	**1,015**	–
Impairment of right of use assets	**3,964**	2,133
	24,430	4,132
Total exceptional property losses	**24,526**	5,839
Other exceptional items		
Exceptional finance costs	**1,000**	12,690
Exceptional finance income	**(52,859)**	–
	(51,859)	12,690
Exceptional tax		
Exceptional tax Items[1]	**(2,102)**	6,336
Tax effect on exceptional items	**14,664**	(3,271)
	12,562	3,065
Total exceptional items[1]	**(44,155)**	30,535

[1] Restated 25 July 2021

Rank Settlement
The company has recognised £27,771,000 from HMRC in relation to a long-standing claim, regarding the historic VAT treatment of slot/fruit machines.

The cash received from HMRC was £17,202,000. An amount of £10,569,000 was withheld to settle tax liabilities.This cash was received at the beginning of FY23.

Local government support grants
The company has recognised £1,443,000 (2021: £11,123,000) of local government support grants in the UK and the Republic of Ireland, associated with the COVID-19 pandemic.

4. Exceptional Items (continued)

Duty drawback
A credit of £170,000 (2021: £4,418,000) for duty drawback was received for perished stock during the period in relation to the COVID-19 lockdown in the UK.

Disposal programme
The company has offered several of its sites for sale. At the end of the period, one (2021: one) further site had been sold.

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

Other property losses
Property impairment relates to pubs which are deemed unlikely to generate sufficient cash flows in the future to support their carrying value. In the year, a total impairment charge of £23,415,000 (2021: £4,132,000) was incurred in respect of the impairment of assets as required under IAS 36. This included £3,420,000 reversal of impairments recognised in the year (2021: £Nil).

In the year, a total impairment charge of £1,015,000 (2021: £Nil) was incurred in respect of the impairment of our investment properties.

Exceptional finance costs
The exceptional finance costs of £1,000,000 relates to covenant-waiver fees.

Exceptional finance income
The company has recognised exceptional finance income of £52,859,000, which relates to the fair value movement on a proportion of its interest rate swaps. £48,527,000 relates to swap transactions where hedge accounting does not apply resulting in fair value movements being recognised through the profit or loss. £4,332,000 relates to hedge ineffectiveness.

Taxation
The exceptional tax credit of £2,102,000 relates to the impact of the change in UK tax rate on deferred tax balances.

The tax effect on exceptional items is a charge of £14,664,000 and primarily relates to; derivative contracts (£10,009,000 charge), and the reduction of deferred tax assets in respect of tax losses (£4,653,000 charge).

5. Employee benefits expenses

	53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000
Wages and salaries	**639,366**	520,339
Employee support grants	**(4,473)**	(208,986)
Social security costs	**41,637**	23,380
Other pension costs	**9,657**	7,877
Share-based payments	**5,874**	10,267
Redundancy and restructuring costs	**–**	6,179
	692,061	359,056

Directors' emoluments	**2022 £000**	2021 £000
Aggregate emoluments	**1,984**	1,709
Aggregate amount receivable under long-term incentive schemes	**527**	181
Company contributions to money purchase pension scheme	**195**	178
	2,706	2,068

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

5. Employee benefits expenses (continued)

	2022 **Number**	2021 Number
Full-time equivalents		
Head office	**332**	315
Pub managerial	**4,648**	4,271
Pub hourly paid staff	**19,791**	18,736
	24,771	23,322

	2022 **Number**	2021 Number
Total employees		
Head office	**342**	326
Pub managerial	**4,757**	4,377
Pub hourly paid staff	**37,028**	34,322
	42,127	39,025

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

Share-based payments	**53 weeks ended 31 July 2022**	52 weeks ended 25 July 2021
Shares awarded during the year (shares)	**2,048,275**	852,261
Average price of shares awarded (pence)	**909**	957
Market value of shares vested during the year (£000)	**7,122**	9,169
Share awards not yet vested (£000)	**11,275**	14,608

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

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

6. Finance income and costs

	53 weeks ended 31 July 2022 £000	52 weeks ended 25 July 2021 £000
Finance costs		
Interest payable on bank loans and overdrafts	**22,869**	21,903
Amortisation of bank loan and private placement issue costs (note 10)	**1,983**	1,746
Interest payable on swaps	**9,220**	18,228
Interest payable on asset-financing	**448**	664
Interest payable on private placement	**6,238**	4,907
Finance costs excluding lease interest	**40,758**	47,448
Interest payable on leases	**18,083**	19,832
Total finance costs	**58,841**	67,280
Bank interest receivable	**(103)**	(188)
Lease interest receivable	**(428)**	(407)
Total finance income	**(531)**	(595)
Net finance costs before exceptionals	**58,310**	66,685
Exceptional finance costs (note 4)	**1,000**	12,690
Exceptional finance income (note 4)	**(52,859)**	-
Total exceptional finance (income)/costs	**(51,859)**	12,690
Net finance costs after exceptionals	**6,451**	79,375

7. Income tax expense

(a) Tax on loss on ordinary activities

The standard rate of corporation tax in the UK is 19.0%. The company's profits for the accounting period are taxed at a rate of 19.0% (2021: 19.0%).

	53 weeks ended 31 July 2022 Before exceptional items £000	53 weeks ended 31 July 2022 Exceptional items (note 4) £000	53 weeks ended 31 July 2022 After exceptional items £000	52 weeks ended 25 July 2021 Before exceptional items £000	Restated[1] 52 weeks ended 25 July 2021 Exceptional items (note 4) £000	Restated[1] 52 weeks ended 25 July 2021 After exceptional items £000
Taken through income statement						
Current income tax:						
Current income tax charge	**22**	**–**	**22**	(380)	–	(380)
Previous period adjustment	**–**	**2**	**2**	–	1,836	1,836
Total current income tax	**22**	**2**	**24**	(380)	1,836	1,456
Deferred tax:						
Origination and reversal of temporary differences[1]	**(4,529)**	**14,662**	**10,133**	(19,158)	(2,546)	(21,704)
Prior year deferred tax credit	**(1,053)**	**–**	**(1,053)**	(1,157)	(2,561)	(3,718)
Impact of change in UK tax rate	**–**	**(2,102)**	**(2,102)**	–	6,336	6,336
Total deferred tax[1]	**(5,582)**	**12,560**	**6,978**	(20,315)	1,229	(19,086)
Tax (credit)/charge[1]	**(5,560)**	**12,562**	**7,002**	(20,695)	3,065	(17,630)

	53 weeks ended 31 July 2022 Before exceptional items £000	53 weeks ended 31 July 2022 Exceptional items (note 4) £000	53 weeks ended 31 July 2022 After exceptional items £000	52 weeks ended 25 July 2021 Before exceptional items £000	52 weeks ended 25 July 2021 Exceptional items (note 4) £000	52 weeks ended 25 July 2021 After Exceptional Items £000
Taken through equity						
Current tax	**(2)**	**–**	**(2)**	6	–	6
Deferred tax	**22**	**–**	**22**	(22)	–	(22)
Tax charge/(credit)	**20**	**–**	**20**	(16)	–	(16)

	53 weeks ended 31 July 2022 Before exceptional items £000	53 weeks ended 31 July 2022 Exceptional items (note 4) £000	53 weeks ended 31 July 2022 After exceptional items £000	52 weeks ended 25 July 2021 Before exceptional items £000	Restated[1] 52 weeks ended 25 July 2021 Exceptional items (note 4) £000	Restated[1] 52 weeks ended 25 July 2021 After exceptional items £000
Taken through comprehensive income						
Deferred tax charge on swaps[1]	**8,404**	**–**	**8,404**	6,241	4,049	10,290
Impact of change in UK tax rate	**2,647**	**–**	**2,647**	(1,157)	–	(1,157)
Tax charge/(credit)[1]	**11,051**	**–**	**11,051**	5,084	4,049	9,133

[1] Restated 25 July 2021.

7. Income tax expense (continued)

(b) Reconciliation of the total tax charge

The taxation charge for the 53 weeks ended 31 July 2022 is based on the pre-exceptional loss before tax of £30.4m and the estimated effective tax rate before exceptional items for the 53 weeks ended 31 July 2022 of 18.3% (Restated1 2021: 14.8%). This comprises a pre-exceptional current tax rate of 0.1% (Restated1 2021: 0.2%) and a pre-exceptional deferred tax charge of 18.3% (Restated1 2021: 14.6% charge).

The UK standard weighted average tax rate for the period is 19.0% (2021: 19.0%). The current tax rate is lower than the UK standard weighted average tax rate, owing to tax losses in the period.

	53 weeks ended 31 July 2022 Before exceptional items £000	**53 weeks ended 31 July 2022 After exceptional items £000**	52 weeks ended 25 July 2021 Before exceptional items £000	Restated[1] 52 weeks ended 25 July 2021 After exceptional items £000
(Loss)/profit before income tax	**(30,448)**	**26,269**	(167,166)	(194,636)
(Loss)/profit multiplied by the UK standard rate of corporation tax of 19.0% (2021: 19.0%)	**(5,785)**	**4,991**	(31,762)	(36,981)
Abortive acquisition costs and disposals	**498**	**498**	-	-
Expenditure not allowable	**1,001**	**1,001**	1,791	4,680
Fair value movement on SWAP disregarded for tax	**–**	**34**	-	-
Other allowable deductions	**168**	**(9)**	(19)	(19)
Non-qualifying depreciation	**60**	**4,105**	7,029	7,029
Capital gains - effect of reliefs	**396**	**380**	728	728
Share options and SIPs	**(669)**	**(669)**	955	955
Deferred tax on balance-sheet-only items	**(162)**	**(162)**	-	-
Effect of different tax rates and unrecognised losses in overseas companies	**(14)**	**(14)**	1,740	1,524
Rate change adjustment[1]	**–**	**(2,102)**	-	6,336
Previous year adjustment – current tax	**–**	**2**	-	1,836
Previous year adjustment – deferred tax	**(1,053)**	**(1,053)**	(1,157)	(3,718)
Total tax expense reported in the income statement[1]	**(5,560)**	**7,002**	(20,695)	(17,630)

[1] Restated 25 July 2021

7. **Income tax expense (continued)**

(c) Deferred tax

The deferred tax in the balance sheet is as follows:

The main rate of corporation tax is currently 19%, but this will increase to 25% from 1 April 2023. The rate increase has been substantively enacted; therefore, the deferred tax balances have been recognised at the rate they are expected to reverse. It is noted that the government intends to hold the main rate of corporation tax at 19% but this decision had not been substantively enacted at the reporting date.

Deferred tax liabilities

	Accelerated tax depreciation £000	Other temporary differences £000	Interest-rate swaps £000	Total £000
At 25 July 2021	50,593	5,536	–	56,129
Previous year movement posted to the income statement	(908)	(146)	–	(1,054)
Movement during year posted to the income statement	837	(12)	–	825
Impact of tax rate change posted to the income statement	266	140	–	406
Reclassification from deferred tax asset to deferred tax liability	–	–	14,834	14,834
At 31 July 2022	**50,788**	**5,518**	**14,834**	**71,140**

Deferred tax assets

	Share based payments £000	Tax losses and interest capacity carried forward £000	Interest-rate swaps £000	Total £000
At 25 July 2021	807	29,365	9,412	39,584
Movement during year posted to the income statement	(139)	875	(10,043)	(9,307)
Movement during year posted to comprehensive income	–	–	(8,384)	(8,384)
Movement during year posted to equity	(22)	–	–	(22)
Impact of change in tax rate posted to income statement	–	5,536	(3,172)	2,364
Impact of change in tax rate posted to comprehensive income	–	–	(2,647)	(2,647)
Reclassification from deferred tax asset to deferred tax liability	–	–	14,834	14,834
At 31 July 2022	**646**	**35,776**	**-**	**36,422**

The company has recognised deferred tax assets of £36.4m (2021: £39.6m), which are expected to be offset against future profits. This includes a deferred tax asset of £35.8m (2021: £29.4m), in respect of UK tax losses and current-year interest restrictions capable of reactivation in future periods. This is on the basis that forecasts have been prepared indicating that profits will arise in the foreseeable future, enabling the assets to be utilised.

Deferred tax assets and liabilities have been offset as follows:

	2022 £000	2021 £000
Deferred tax liabilities	**71,140**	56,129
Offset against deferred tax assets	**(36,422)**	(39,584)
Deferred tax liabilities	**34,718**	16,545
Deferred tax assets	**36,422**	39,584
Offset against deferred tax liabilities	**(36,422)**	(39,584)
Deferred tax asset	**-**	–

As at 31 July 2022, the company had a potential deferred tax asset of £10.9m (2021: £9.1m) relating to capital losses (gross tax losses £35.0m (2021: £26.1m)) and tax losses in the Republic of Ireland (gross tax losses £18.4m (2021: £18.3m)). Both types of losses do not expire and will be available to use in future periods indefinitely. A deferred tax asset has not been recognised, as there is insufficient certainty of recovery.

8. Earnings and free cash flow per share

Weighted average number of shares

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) after tax for the period by the weighted average number of ordinary shares in issue during the financial year of 128,750,155 (2021: 124,668,915) less the weighted average number of shares held in trust during the financial year of 1,924,810 (2021: 1,841,667). Shares held in trust are shares purchased by the company to satisfy employee share schemes that have not yet vested.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) after tax for the period by the weighted average number of ordinary shares in issue during the financial year adjusted for both shares held in trust and the effects of potentially dilutive shares. For the company, the dilutive shares are those that relate to employee share schemes that have not been purchased in advance and have not yet vested. For the year ended 31 July 2022 and 25 July 2021, the shares were anti-dilutive due to the movements in the average share price against the exercise price of the share scheme. In the event of making a loss during the year, the diluted loss per share is capped at the basic earnings per share as the impact of dilution cannot result in a reduction in the loss per share.

Weighted average number of shares	**53 weeks ended 31 July 2022**	52 weeks ended 25 July 2021
Shares in issue	**128,750,155**	124,668,915
Shares held in trust	**(1,924,810)**	(1,841,667)
Shares in issue - Basic	**126,825,345**	**122,827,248**
Dilutive shares	**-**	-
Shares in issue - Diluted	**126,825,345**	**122,827,248**

Earnings / (loss) per share

53 weeks ended 31 July 2022	**Profit/(loss) £000**	**Basic EPS pence**	**Diluted EPS pence**
Earnings (profit after tax)	**19,267**	**15.2**	**15.2**
Exclude effect of exceptional items after tax	**(44,155)**	(34.8)	(34.8)
Earnings before exceptional items	**(24,888)**	**(19.6)**	**(19.6)**
Exclude effect of property losses (note 3)	**(2,142)**	(1.7)	(1.7)
Underlying earnings before exceptional items	**(27,030)**	(21.3)	(21.3)

Restated[1] 52 weeks ended 25 July 2021	(Loss)profit £000	Basic EPS pence	Diluted EPS pence
Earnings (loss after tax)	(177,006)	(144.1)	(144.1)
Exclude effect of exceptional items after tax[1]	30,535	24.9	24.9
Earnings before exceptional items[1]	(146,471)	(119.2)	(119.2)
Exclude effect of property gains (note 3)	123	0.1	0.1
Underlying earnings before exceptional items[1]	(146,348)	(119.1)	(119.1)

[1] Restated 25 July 2021.

9. Cash used/in generated from operations

	53 weeks ended 31 July 2022 £000	Restated[1] 52 weeks ended 25 July 2021 £000
Profit/(loss) for the period[1]	**19,267**	(177,006)
Adjusted for:		
Tax (note 7)[1]	**7,002**	(17,630)
Share-based charges (note 2)	**5,874**	10,267
Loss on disposal of property, plant and equipment (note 3)	**3,476**	3,140
Disposal of capitalised leases (note 3)	**(7,368)**	(2,200)
Net impairment charge (note 3)	**24,430**	4,132
Interest receivable (note 6)	**(103)**	(188)
Interest payable (note 6)	**41,395**	45,702
Lease interest receivable (note 6)	**(428)**	(407)
Lease interest payable (note 6)	**18,083**	19,832
Exceptional interest (note 6)	**(51,859)**	12,690
Amortisation of bank loan and private placement issue costs (note 6)	**1,983**	1,746
Depreciation of property, plant and equipment (note 13)	**71,227**	73,193
Amortisation of intangible assets (note 12)	**3,240**	3,151
Depreciation on investment properties (note 14)	**87**	44
Aborted properties costs	**2,947**	628
Cancelled principal payments	**(4,726)**	(10,993)
Foreign exchange movements	**(1,474)**	-
Amortisation of right-of-use assets	**42,291**	44,532
	175,344	10,633
Change in inventories	**452**	(3,758)
Change in receivables	**(12,171)**	15,748
Change in payables	**14,885**	2,585
Cash flow from operating activities	**178,510**	25,208

[1] Restated 25 July 2021.

10. Analysis of change in net debt

	25 July 2021 £000	Cash flows £000	Other changes £000	31 July 2022 £000
Borrowings				
Cash and cash equivalents	45,408	(5,061)	–	**40,347**
Other loan receivable – due before one year	–	803	–	**803**
Asset-financing obligations – due before one year	(7,610)	2,473	–	**(5,137)**
Current net borrowings	37,798	(1,785)	–	**36,013**
Bank loans – due after one year	(776,871)	(49,808)	(1,937)	**(828,616)**
Asset-financing obligations – due after one year	(8,633)	4,659	–	**(3,974)**
Other loan receivable – due after one year	–	2,739	–	**2,739**
Private placement – due after one year	(97,768)	–	(46)	**(97,814)**
Non-current net borrowings	(883,272)	(42,410)	(1,983)	**(927,665)**
Net debt	(845,474)	(44,195)	(1,983)	**(891,652)**
Derivatives				
Interest-rate swaps assets - due after one year	–	–	61,367	**61,367**
Interest-rate swaps liability – due after one year	(37,643)	–	35,612	**(2,031)**
Total derivatives	(37,643)	–	96,979	**59,336**
Net debt after derivatives	(883,117)	(44,195)	94,996	**(832,316)**
Leases				
Lease assets – due before one year	1,638	(1,423)	1,786	**2,001**
Lease assets – due after one year	9,890	–	(626)	**9,264**
Lease obligations – due before one year	(65,219)	40,049	(23,301)	**(48,471)**
Lease obligations – due after one year	(458,596)	–	37,014	**(421,582)**
Net lease liabilities	(512,287)	38,626	14,873	**(458,788)**
Net debt after derivatives and lease liabilities	(1,395,404)	(5,569)	109,869	**(1,291,104)**

The cash movement on bank loans of £49,808,000 is disclosed in the cash flow statement. The amount is the net of £50,000,000 which is shown as an advance/(repayment) under bank loans and the £192,000 of loan issue costs.

The cash movement on asset-financing of £7,132,000 is disclosed in the cash flow statement as ‘asset-financing principal payments’.

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

Non-cash movements
The non-cash movement in bank loans and the private placement relate to the amortisation of loan issue costs. The amortisation charge for the year of £1,983,000 is disclosed in note 6. These are arrangement fees paid in respect of new borrowings and are charged to the income statement over the expected life of the loans.

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

Non-cash movement in net lease liabilities 53 weeks ended 31 July 2022	**31 July 2022 £000**
Recognition of new leases	**(4,458)**
Freehold reversions of existing lease liabilities	**15,740**
Remeasurements of existing leases liabilities	**(6,742)**
Remeasurements of existing leases assets	**1,160**
Disposal of lease	**4,514**
Cancelled principal payments	**4,726**
Exchange differences	**(67)**
Non-cash movement in net lease liabilities	**14,873**

10.Analysis of change in net debt (continued)

Analysis of changes in net debt for 52 weeks ended 25 July 2021

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

Non-cash movement in net lease liabilities 52 weeks ended 25 July 2021	25 July 2021 £000
Recognition of new leases	**(12,162)**
Remeasurements of existing leases liabilities	**15,602**
Disposal of lease	**15,790**
Cancelled principal payments	**10,993**
Exchange differences	**233**
Non-cash movement in net lease liabilities	**30,456**

11. Dividends paid and proposed

No final dividend has been proposed for approval at the annual general meeting for the 53 weeks ended 31 July 2022 (2021: Nil). Covenants restrict the payment of dividends while the company is part of the coronavirus large business interruption loan scheme (CLBILS). The board will continue to review the dividend policy.

12. Intangible assets

	Computer software and development £000	Assets under construction £000	Total £000
Cost:			
At 26 July 2020	33,417	804	34,221
Additions	–	4	4
Transfers	804	(804)	–
Disposals	(1,474)	–	(1,474)
At 25 July 2021	32,747	4	32,751
Additions	2,875	429	3,304
Disposals	(20)	–	(20)
At 31 July 2022	**35,602**	**433**	**36,035**
Accumulated amortisation:			
At 26 July 2020	(25,326)	–	(25,326)
Provided during the period	(3,151)	–	(3,151)
Exchange differences	(1)	–	(1)
Disposals	1,085	–	1,085
At 25 July 2021	(27,393)	–	(27,393)
Provided during the period	(3,240)	–	(3,240)
Disposals	7	–	7
At 31 July 2022	**(30,626)**	**–**	**(30,626)**
Net book amount at 31 July 2022	**4,976**	**433**	**5,409**
Net book amount at 25 July 2021	5,354	4	5,358
Net book amount at 26 July 2020	8,091	804	8,895

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

13. Property, plant and equipment

	Freehold and long-leasehold property £000	Short-leasehold property £000	Equipment, fixtures and fittings £000	Assets under construction £000	Total £000
Cost:					
At 26 July 2020	1,363,106	295,009	684,732	86,624	2,429,471
Additions	14,783	132	11,251	31,973	58,139
Transfers from investment property	5,768	–	–	–	5,768
Transfers	41,023	4,164	8,385	(53,572)	–
Exchange differences	(1,357)	(144)	(426)	(1,157)	(3,084)
Disposals	(2,623)	(4,385)	(3,631)	–	(10,639)
Reclassification	7,842	(7,842)	–	–	–
At 25 July 2021	1,428,542	286,934	700,311	63,868	2,479,655
Additions	37,019	8,407	33,146	33,700	112,272
Transfers from investment property	-	-	-	(2,170)	(2,170)
Transfers	15,948	1,185	2,572	(19,705)	-
Exchange differences	(1,257)	(53)	(201)	(242)	(1,753)
Transfers to assets held for sale	(1,739)	-	-	-	(1,739)
Disposals	(13,614)	(3,708)	(4,713)	-	(22,035)
Reclassification	12,435	(12,435)	-	-	-
At 31 July 2022	**1,477,334**	**280,330**	**731,115**	**75,451**	**2,564,230**
Accumulated depreciation and impairment:					
At 26 July 2020	(307,297)	(167,009)	(512,387)	–	(986,693)
Provided during the period	(20,281)	(10,499)	(42,413)	–	(73,193)
Transfers from investment property	(290)	–	–	–	(290)
Exchange differences	282	23	249	–	554
Impairment loss	(1,631)	(368)	–	–	(1,999)
Disposals	874	2,405	2,513	–	5,792
Reclassification	(4,090)	4,090	–	–	–
At 25 July 2021	(332,433)	(171,358)	(552,038)	–	(1,055,829)
Provided during the period	(21,336)	(9,704)	(40,187)	-	(71,227)
Exchange differences	122	19	148	-	289
Impairment loss	(18,617)	279	1,102	(2,215)	(19,451)
Transfers to assets held for sale	939	-	-	-	939
Disposals	3,752	2,288	1,871	-	7,911
Reclassification	(6,960)	6,960	-	-	-
At 31 July 2022	**(374,533)**	**(171,516)**	**(589,104)**	**(2,215)**	**(1,137,368)**
Net book amount at 31 July 2022	**1,102,801**	**108,814**	**142,011**	**73,236**	**1,426,862**
Net book amount at 25 July 2021	1,096,109	115,576	148,273	63,868	1,423,826
Net book amount at 26 July 2020	1,055,809	128,000	172,345	86,624	1,442,778

During the period, an amount of £42,777,000 (2021: £19,692,000) was spent on the reinvestment of existing pubs. £25,773,000 (2021: £16,858,000) was spent on freehold reversions. £58,789,000 (2021: £24,051,000) was spent on investment in new pubs and pub extensions. This led to a total capital expenditure of £127,339,000 (2021: £62,671,000).

14. Investment property

The company owns six (2021: three) freehold properties with existing tenants – and these assets have been classified as investment properties. During the year, a property which was originally recognised as part of property, plant and equipment under the category ‘assets under construction’ has been transferred to investment property. During the year, the company has purchased an additional two investment properties.

	£000
Cost:	
At 26 July 2020	11,842
Additions	4,528
Transfer to property, plant and equipment	(5,768)
At 25 July 2021	10,602
Transfer from property, plant and equipment	2,170
Additions	11,763
At 31 July 2022	**24,535**

Accumulated amortisation:	
At 26 July 2020	(315)
Provided during the period	(44)
Transfer to property, plant and equipment	290
At 25 July 2021	(69)
Provided during the period	(87)
Impairment loss	(1,015)
At 31 July 2022	**(1,171)**

Net book amount at 31 July 2022	**23,364**
Net book amount at 25 July 2021	10,533
Net book amount at 26 July 2020	11,527

Rental income received in the period from investment properties was £790,000 (2021: £397,000).
Operating costs, excluding depreciation, incurred in relation to these properties amounted to £16,000 (2021: £12,000).

At the year end, three investment properties were independently valued at £9,431,000. During the year, an impairment charge of £1,015,000 was incurred to adjust the three investment properties which were independently valued from their net book value to their valuation amount. The remaining three investment properties purchased during the period are valued at their purchase price paid of £13,933,000. This is deemed a reasonable fair value of these properties. The total fair value of all of our investment properties at the year end is £23,364,000.

15. Going Concern

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

The Company has modelled a base forecast in which, over the period to 28 January 2024 as it continues to emerge from the pandemic, sales, profit and cash flow growth continues. The Company has anticipated within this forecast continued high levels of inflation, particularly on food products, wages and repairs.

A more cautious scenario has been analysed, in which sales decline by 5% in the next 12 months, compared with FY19. The Company has reviewed, and is satisfied with, the mitigating actions which it could take if such a decline were to occur. Such actions could include reducing discretionary expenditure and/or implementing price increases.

The directors are satisfied that the Company has sufficient resources (eg profitability/liquidity) to withstand adjustments to the base forecast, as well as the downside scenario.

The Company has agreed with its lenders to replace normal financial covenant tests with a minimum liquidity covenant for the period up to and including January 2023, and relaxed leverage covenant tests for the second half of the financial year to 30 July 2023. The Company is confident that it will be in a position to return to normal financial covenant tests thereafter. The Company has re-financing options available including possible extensions on the revolving credit facility.

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