

**5 November 2014**

## **J D WETHERSPOON PLC**

### **INTERIM MANAGEMENT STATEMENT**

J D Wetherspoon plc ('J D Wetherspoon' or 'the Company') announces its interim management statement for the period up to 4 November 2014, incorporating the 13-week period to 26 October 2014, as required by the FCA's Disclosure and Transparency Rules.

#### **Current trading**

For the 13 weeks to 26 October 2014, like-for-like sales increased by 6.3%, and total sales increased by 11.3%. Sales were good through August and September, but like-for-like growth decreased in October.

The operating margin in the period was 7.7%, compared with 8.3% in the same period last year. In October, the Company increased pay for hourly paid staff by 5%, while utility costs increased by about 4%. In addition, during the period, there have been several cost increases from suppliers.

#### **Property**

The Company has opened two new pubs since the start of the financial year. We have 15 pubs under development and, in line with our last update, intend to open around 30–40 pubs in the current financial year.

#### **Financial position**

The Company has agreed on an additional five-year bank facility with Handelsbanken, increasing our overall facilities to £740 million.

There have been no other significant changes in the Company's overall financial position since the publication, on 13 October 2014, of the annual report and accounts for the year ended 27 July 2014.

#### **Pub closures and stealth taxes**

In recent budgets, the chancellor has announced heavily publicised and welcome cuts in beer duty. In contrast, in an initiative which achieved little recognition, changes were announced in 2012 to the VAT treatment of pub slot or 'gaming' machines. As a result, pubs were no longer to be allowed to set off all VAT charged by suppliers against VAT charged to customers.

This legislation has been interpreted by the tax authorities so that a proportion of VAT inputs for pub businesses is disallowed. For example, if gaming machine income is 4% of a pub's sales, 4% of the pub's input VAT, in respect of certain categories of supplies (even if unrelated to gaming machines), is disallowed. This new 'tax' cost Wetherspoon an additional £3.6m during February 2013–July 2014.

These sorts of tax increase penalise pubs, which are closing in great numbers, yet not supermarkets, which already benefit from a zero VAT rate on food, whereas pubs pay 20%.

Supermarkets also pay far lower business rates per pint or meal than do pubs. Indeed, this government has presided over thousands of pub closures – perhaps more than any government in history. The pub industry recognises that governments need to balance the books, yet it is imperative for the future of pubs that political parties commit themselves to a sensible rebalancing of the tax system, so that there is fairness and equality between pubs and supermarkets – a rebalancing will produce more revenue for the government and more jobs in the economy. Stealth taxes, including the new treatment for gaming machines, are confusing and unfair for publicans and are very harmful to the industry.

## **Outlook**

The biggest financial dangers to the pub industry continue to be the VAT and business rates disparity between supermarkets and pubs and the continuing imposition of stealth taxes, such as the late-night levy and the reduced allowances for gaming machine income.

As a result of the slowdown in sales growth in October, combined with the cost increases referred to above, the Company is currently anticipating an operating margin in the range of 7.2–7.8% for the current financial year. The Company is aiming for a satisfactory outcome for the current financial year.

## **Enquiries:**

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## **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: [www.jdwetherspoon.co.uk](http://www.jdwetherspoon.co.uk)

3. This announcement has been prepared solely to provide additional information to the shareholders of J D Wetherspoon, to meet the requirements of the FCA's Disclosure and Transparency Rules. It should not be relied on by any other party, for any other purposes. Forward-looking statements have been made by the directors in good faith, using information available up until the date on which they approved this statement. Forward-looking statements should be regarded with caution, because of the inherent uncertainties in economic trends and business risks.

4. The current financial year comprises 52 trading weeks to 26 July 2015.

5. The next trading update is expected to be the Company's statement on 21 January 2015.