

John Lewis Of Hunger Final Results

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John Lewis Of Hungerford PLC
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JOHN LEWIS OF HUNGERFORD PLC

FINAL RESULTS - YEAR ENDED 31 AUGUST 2014

John Lewis of Hungerford plc ("John Lewis of Hungerford" or the "Company") the specialist kitchen manufacturer and retailer announces its final results for the year ended 31 August 2014.

CHAIRMAN'S STATEMENT

For the second year in succession the business has achieved a double digit sales increase driven by a strong underlying trading performance coupled with contributions from the new Chiswick showroom, which opened on 17th May, and our new bedroom range. This has contributed to a modest profit from operations which, as previously notified, is reduced from that reported last year reflecting investments made in support of our 3 year strategic plan.

Operational Review

Whilst it is encouraging that our sales have grown by almost a third in two years, this increase in sales has presented a number of operational issues, which we are addressing. To meet these challenges we have invested in our operational infrastructure by increasing our technical and customer service functions to support the planned growth of the business and these are included in the costs for the year under review. Though they present a sizeable investment for the business, your Board believe all these roles will provide financial benefit to the business in the medium term and allow us to continue to serve our customers well.

Other key achievements in the period include the opening of our Cobham showroom on 2nd August 2014 and the launch of two new kitchen ranges which are currently being rolled out to more showrooms as funds allow. These new products have been well received by both customers and the media alike. Further, we were very pleased that one of these new kitchens, the Pure range was an award winner in the best luxury kitchen category at this year's House Beautiful awards.

Financial Review

The profit for the year before taxation and share based payments amounted to £103k (2013: £168k).

Overall, sales grew by 13% to £7,416k (2013: £6,557k). Like for like sales from a comparable showroom estate increased by 6%, reflecting a higher volume of higher value kitchens.

A slightly lower gross margin for the year at 52.4% (2013: 52.7%) was attributable to the installations business which although growing revenue by 15% to £963k (2013: £835k) achieved a lower gross profit of 27.5% (2013: 29.1%). Product margins were flat at 56.1%.

<i>Products</i>	2014	2013
	£000	£000
Turnover	6,453	5,722
Cost of sales	(2,832)	(2,511)
Gross margin	3,621	3,211

Product sales include £236k relating to our new bedroom range.

<i>Installations</i>	2014	2013
	£000	£000
Turnover	963	835
Cost of sales	(698)	(592)
Gross margin	265	243

Installation sales include £54k relating to our new bedroom range.

Cash flow

We ended the year with cash at bank and in hand of £1,490k (2013: £1,122k) reflecting the positive working capital generated through customer deposits and advance payments. The net cash inflow from operating activities was £763k (2013: £488k).

Bank loans, which are secured by a charge over the company's freehold property, increased to £817k (2013: £558k). These funds were used to refurbish and fit the two new showrooms that were opened during the year. The Company also had un-drawn committed borrowing facilities at the year end of £250k (2013: £250k).

Capital expenditure, including capitalised development costs, of £676k was in line with budgeted amounts and principally arose from investment in two new showrooms and new machinery for the workshop.

Dividends

The Board is not recommending payment of a dividend.

Progress against 3 year strategic plan

As previously announced the Board has adopted an aspirational target of growing turnover to £10 million per annum and achieving a 5% operating profit by the end of FY 2016. The Board remain committed to this target which we believe is the best way to create sustainable shareholder value.

This year has been an important step in putting in place the infrastructure to support this target, the ambition of which can be seen in the context of our three year track record, summarised below.

	2012	2013	2014
	£000	£000	£000
Turnover	5,626	6,557	7,416
Profit from operations (1)	(86)	196	137
<i>Profit from operations %</i>	-	3.0	1.8

(1) Stated before share-based payments expense. Earlier years relates to operating profit before share-based payments.

Restructuring Proposals

On 1 September 2014 we announced the cancellation of a general meeting to consider changing the Company name. The cancellation was necessary to provide a window in which to seek the formal consent of our landlords to changes from the accompanying corporate restructuring. Whilst we saw no reason why such consent would be withheld, in the event it had, the Board became aware late in the process that it may have had an adverse taxation implication. In any event we have now delayed plans to start providing outsourced installation service on behalf of third party kitchen sellers until such time as we are satisfied that the core business is in a position to sustain sales growth combined with the service infrastructure to support it.

Current Trading

At the end of October 2014 we reported that orders and dispatched sales for Q1 of the current financial year were £2.0 million (2013 £1.7 million).

Administrative expenses

Share based payments	(43,139)	-
Other	(3,250,184)	(2,838,437)
Total	<u>(3,293,323)</u>	<u>(2,838,437)</u>

Profit from operations before share based payments	137,310	195,616
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Profit from operations	94,171	195,616
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Finance income	2,464	5,021
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Finance expenses	(36,895)	(32,656)
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Profit before tax	59,740	167,981
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Tax expense	(15,377)	(23,136)
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Profit for the year	<u>44,363</u>	<u>144,845</u>
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Earnings per share

Basic	0.02p	0.08p
Fully diluted	0.02p	0.08p

Balance Sheet as at 31 August 2014

	2014	2013
	£	£
Non -current assets		
Intangible assets	108,874	126,628
Property, plant and equipment	2,689,988	2,341,515
Trade and other receivables	<u>57,075</u>	<u>40,575</u>
	2,855,937	2,508,718
Current assets		
Inventories	183,111	192,320
Trade and other receivables	294,152	253,183
Cash and cash equivalents	<u>1,489,714</u>	<u>1,122,252</u>
	1,966,977	1,567,755
Total assets	<u>4,822,914</u>	<u>4,076,473</u>
Current liabilities		
Current tax payable	-	-
Trade and other payables	(1,864,637)	(1,482,425)

Borrowings	<u>(39,948)</u>	<u>(40,938)</u>
	(1,904,585)	(1,523,363)
Net-current liabilities		
Borrowings	(777,064)	(514,724)
Deferred tax liabilities	<u>(31,273)</u>	<u>(15,896)</u>
	(808,337)	(530,620)
Total liabilities	<u>(2,712,922)</u>	<u>(2,053,983)</u>
Net assets	<u>2,109,992</u>	<u>2,022,490</u>
Equity		
Share Capital	186,745	186,745
Share Premium	1,188,021	1,188,021
Other Reserves	1,421	1,421
Retained Earnings	<u>733,805</u>	<u>646,303</u>
Total Equity	<u>2,109,992</u>	<u>2,022,490</u>

Statement of Changes in Equity for the year ended 31 August 2014

	Share Capital £	Share Premium £	Other Reserves £	Retained Earnings £	Total £
At 01 September 2012	186,745	1,188,021	1,421	501,458	1,877,645
Profit for the year	-	-	-	144,845	144,845
At 31 August 2013	186,745	1,188,021	1,421	646,303	2,022,490
Profit for the year	-	-	-	44,363	44,363
Share based payments	-	-	-	43,139	43,139
As 31 August 2014	186,745	1,188,021	1,421	733,805	2,109,992

The total comprehensive income for the year is £44,363 (2013: £144,845).

Statement of Cash Flows for the year ended 31 August 2014

	2014 £	2013 £
Cash flow from operating activities		
Profit from operation	94,171	195,616
Amortisation of intangible assets	17,754	14,932
Depreciation of property, plant and equipment	269,856	192,253
Share based payments	43,139	-

(Profit)/loss on disposal of property, plant and equipment	4,035	(2,992)
Decrease/(increase) in Inventories	9,210	(25,306)
Increase in receivables	(57,469)	(38,835)
Increase in payables	382,272	152,054
Cash generated from operations	762,968	487,722
Net taxation paid	-	-
Net cash from operating activities	762,968	487,722
Cash flows from investing activities		
Purchase of intangible assets	-	(60,462)
Purchase of property, plant and equipment	(676,069)	(264,625)
Net proceeds from sale of property, plant and equipment	53,674	45,275
Interest received	2,464	5,021
Net cash used in investing activities	(619,931)	(274,791)
Cash flows from financing activities		
Interest paid	(36,895)	(32,656)
Increase in borrowings	300,000	-
Repayment of borrowings	(38,680)	(37,567)
Net cash used in financing activities	224,425	(70,223)
Net increase/(decrease) in cash and cash equivalents	367,462	142,708
Net cash and cash equivalents at the start of the year	1,122,252	979,544
Net cash and cash equivalents at the end of the year	1,489,714	1,122,252
Net cash and cash equivalents		
Cash at bank and in hand	1,489,714	1,122,252
Bank overdraft	-	-
	1,489,714	1,122,252

Notes

1. Statutory Accounts

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006, but has been extracted from the statutory accounts for the year ended 31 August 2014 on which an unqualified audit report has been issued and which will be delivered to the Registrar following their adoption at the Annual General Meeting.

The statutory accounts for the financial year ended 31 August 2013 have been delivered to the Registrar of Companies with an unqualified audit report.

2. Basis of preparation

The Company's statutory accounts have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

3. Going concern

The Directors, after reviewing the Company's operating budgets, investments plans and financing arrangements, consider that the Company has, at the date of preparing its statutory accounts, sufficient financing available for the estimated requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial information.

4. Earnings/(loss) per share

Basic

The calculation of basic Earnings/(loss) per share is based on a profit of £44,363 (2013: 144,845) and a weighted average number of ordinary shares in issue of 186,745,519 (2013: 186,745,519).

Diluted

The calculation of fully diluted Earnings/(loss) per share is based on a profit of £44,363 (2013: 144,845) and a weighted average number of ordinary shares in issue and under option of 203,008,741 (2013: 186,745,519).

5. Share based payments

	2014	2013
	£000	£000
Share based payments expense	43,139	-

During the year ended 31 August 2014 the Company provided three types of share-based incentive arrangements:

<i>Type of arrangement</i>	<i>Vesting period</i>	<i>Vesting conditions</i>
Individual share option agreements	3 years	Three years service
Employee Share Incentive Plan	2 years	Two years service
Long Term Incentive Plan	2.64 years	Performance targets relating to revenues and pre-tax profit for the year to 31 August 2016

The Company established the Employee Share Incentive Plan on 25 June 2010 and the Long Term Incentive Plan on 29 April 2014. The Company has calculated charges for the share option awards using a Black-Scholes model. Volatility and risk free rates have been calculated for each share option award based on expected volatility over the vesting period and current risk free rates at the time of each award. Volatility assumptions are based on historic volatility for the Company's share price in the three years prior to the award.

The share based payments charge for the year by scheme was as follows:

	2014	2013
	£000	£000
Individual option agreements	-	-

Employee Share Incentive Plan	-	-
Long Term Incentive Plan	43,139	-
Total	43,139	-

The charge related entirely to equity-settled share based payment transactions.

6. Dividends

The Directors do not recommend payment of a dividend.

7. Posting of Accounts

Copies of the statutory accounts for the financial year ended 31 August 2014 will be posted shortly to shareholders with the notice of the Annual General Meeting. An electronic copy will be available on the Company's web site www.john-lewis.co.uk.

8. Annual General Meeting

The next Annual General Meeting of the Company will be held at the Donnington Grove Hotel, Grove Road, Newbury, RG14 2LA at 4.00 p.m. on 2nd February 2015.

This information is provided by RNS
The company news service from the London Stock Exchange

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