Regulatory Story

Go to market news section

John Lewis Of Hungerford PLC - JLH Half-year Report
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JOHN LEWIS OF HUNGERFORD PLC

("John Lewis of Hungerford" or the "Company")

Interim Results for the Six Months Ended 28 February 2018

Overview

The first half year has witnessed a change in the retail environment and the home improvement sector. Our first quarter results exceeded expectations, due to an extended building schedule last Autumn. This was followed by a weakening of the sector resulting from the inclement weather during the protracted winter and a worsening of the general retail environment.

The general retail environment in the UK has shown considerable softening since the start of the calendar year and has seen several major retailers going into administration, with many others seeing declining like-for-like (LFL) sales.

Against the backdrop of challenging market conditions it is therefore pleasing to be able to report continued growth in our own business with LFL sales growth of 13.5% over the previous year due to the result of a strong first quarter offset slightly due to a weak second quarter, resulting from the weather and retail conditions noted above. However, improved trading in recent months has seen sales holding at prior year levels, in spite of a continued weak trading environment.

Financial Review

Turnover for the first half year was ahead of the previous year at £4.0m (2017: £3.5m), with a comparable estate. As stated, the first quarter delivered the additional income with LFL sales increase of 34%, a large element being due to the extended building schedule into the Autumn. The second quarter delivered an adverse result of -5% LFL on the previous year. However, our forward order book at the end of the period was comparable with the previous year at £1.5m (2017: £1.5m).

The improved sales performance has led to a reduced operating loss for the first six months of £65k (2017: £123k operating loss). The full benefit of the sales increase is not reflected in the reduced operating loss, due to investments made by the Board, a significant element being in one-off costs relating to improvements being made in the reporting infrastructure of the business.

A summary of the financial results show:

	2018	2017	Movement	
	£'000	£'000	£'000	
Total Turnover	4,001	3,569	432	12.1%
Cost of Sales	(2,018)	(1,790)	(228)	12.7%
Gross Margin	1,983	1,779	204	11.5%
Overheads/Other	(2,048)	(1,902)	(146)	7.7%
Loss from Operations	(65)	(123)	58	47.1%

The results for the 6 months ended 28 February 2017 include £45,000 of sales from two closed showrooms, Harrogate and Tunbridge Wells.

Key performance indicators for the first half year, on a like for like basis, are summarised below:

£'000	6mths ended 28 Feb 2018	6mths ended 28 Feb 2017	% Change
Turnover	4,001	3,524	13.5%
Gross margin %	49.6%	49.8%	(0.4%)
Number of kitchens sold	150	126	19%
Average Sale Value	25.0	25.7	(3%)
Number of bedrooms sold	55	25	120%
Average Sale Value	4.6	5.0	(8%)

Operational Review

The ongoing project to reduce the margin impact of errors has been a significant management focus. We continue to appraise all aspects of our Supply Chain to ensure we are able to build on the savings generated in FY17. The development of our systems infrastructure has been a key part of our objective to improve the efficacy of our management information.

Work on improving the brand positioning continues and we have made good progress in refining our brand messages in a consistent, professional and inspiring manner. The response to our new Kitchens Brochure has been overwhelmingly positive with the case studies offering real solutions, in real homes, created by our talented team of designers.

The development of the website to reflect the capability of the business to provide unique and personally tailored solutions for our customers is now in progress. Additionally, with the Bedroom business gaining further traction, we are keen to explore improved ways to showcase our wardrobes online. We continue to ensure that we learn from the latest technologies available to us in order to future proof the investment we will be making in this area.

We have continued to invest in our estate by installing improved Lay-on and Pure displays into our Blackheath and Cobham showrooms. We remain committed to ensuring that our showrooms are able to reflect our stunning product proposition to enhance the customer experience in-store. The inspiration provided by our displays is critical to retaining a competitive edge in the market place.

The Board have worked hard to ensure that selective investments in people deliver an ROI within a fixed period to avoid increasing the fixed cost base long term without proven success. The small increase in headcount has been for front line staff, employed to enhance the customer experience in key areas within sales and manufacturing. The ongoing evaluation for their effectiveness remains paramount, so that we build the business in a sustainable and controlled manner.

Cash Flow

Cash at bank and in hand at the end of the period was £561k (2017: £594k) this includes customer deposits and advance payments of £478k (2017: £617k). Our bank loans at the end of the period were £654k (2017: £745k) repayable over 10 years. Our overdraft facility of £250k remained unused at the end of the period.

Current Trading

We believe the best measure of current trading to be the aggregate of our dispatched sales and the forward order book, being committed orders for which deposits have been taken. At the end of the period the aggregate of these stood at £4.6m (2017: £4.5m). This metric differs from our statutory revenue recognition policy, which is to recognise sales only at the point orders are dispatched.

In the months immediately following the reporting period, some momentum was lost due to the inclement weather conditions. Following a slow start to the remaining four months of our 10 month year, sales have since improved, and by the end of June the sales for the 4 month period should be in line with prior year, which would result in the full year showing a strong LFL sales growth on the prior year. Future orders against which a first stage deposit has been taken have also recovered and currently stand at £2.0m (2017: £1.5m).

Following the change in financial year end to June, the next reporting period will cover the 10 months to 30 June 2018 and will therefore exclude our traditionally strongest summer months. As a consequence of this, the Board expect to report a loss for the 10 month period to 30 June 2018 albeit a continued improvement on the comparable period in the previous year. The Board intend to provide additional voluntary disclosures with the final results to enable shareholders to compare trading on a comparable period.

Our business remains sensitive to the prevailing market conditions within the retail and home improvement sectors and as such, the Board continues to monitor the situation closely and will provide a further update to shareholders in due course.

Kiran Noonan	Gary O'Brien
Chief Executive Officer	Non-Executive Chairman
24 May 2018	24 May 2018

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INCOME STATEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

	Unaudited 6 months ended		*Audited Year ended*
	28 February	*28 February*	*31 August*
	2018	*2017*	*2017*
	£'000	*£'000*	*£'000*
Revenue	**4,001**	3,569	8,315
Cost of sales	**(2,018)**	(1,790)	(4,110)
Gross profit	**1,983**	1,779	4,205
Selling and distribution costs	**(298)**	(208)	(475)

Administration expenses:			
Other	**(1,750)**	(1,694)	(3,582)
Total	**(1,750)**	(1,694)	(3,582)
(Loss)/Profit from operations	**(65)**	(123)	148
Finance expenses	**(19)**	(21)	(41)
(Loss)/Profit before tax	**(84)**	(144)	107
Taxation		-	(1)
(Loss)/Profit after taxation	**(84)**	(144)	106
(Loss)/Profit per share			
Basic	(0.04)p	(0.08)p	0.06p
Fully diluted	(0.04)p	(0.08)p	0.06p

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

	Unaudited 6 months ended		*Audited Year ended*
	28 February 2018	*28 February 2017*	*31 August 2017*
	£'000	*£'000*	*£'000*
Profit / (Loss) for the period	(84)	(144)	106
Total Comprehensive Income	(84)	(144)	106

BALANCE SHEET
AS AT 28 FEBRUARY 2018

	Unaudited 28 February 2018	*Restated Unaudited 28 February 2017*	*Audited 31 August 2017*
	£'000	*£'000*	*£'000*
Non-Current Assets			
Intangible assets	51	67	59
Tangible assets	2,350	2,462	2,376
Trade and other receivables	57	57	57
	2,458	2,586	2,492
Current assets			
Inventories	228	185	178

Trade and other receivables	224	411	397
Cash and cash equivalents	561	594	1,503
	1,013	1,190	2,078
Current liabilities	(1,334)	(1,722)	(2,297)
Net current liabilities	(321)	(532)	(219)
Total assets less current liabilities	2,137	2,054	2,273
Non-current liabilities	(568)	(651)	(620)
Provisions for liabilities and charges	(101)	(101)	(101)
Net Assets	1,468	1,302	1,552
Equity			
Share capital	187	187	187
Other reserves	1	1	1
Share premium account	1,188	1,188	1,188
Retained Earnings	92	(74)	176
Total Equity	1,468	1,302	1,552

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

	Share Capital	*Share Premium*	*Other Reserves*	*Retained Earnings*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 31 August 2016 (Audited)	187	1,188	1	70	1,446
Loss for the period	-	-	-	(144)	(144)
At 28 February 2017 (Unaudited)	187	1,188	1	(74)	1,302
Profit for the period	-	-	-	250	250
At 31 August 2017(Audited)	187	1,188	1	176	1,552
Loss for the period	-	-	-	(84)	(84)
At 28 February 2018 (Unaudited)	**187**	**1,188**	**1**	92	1,468

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018

	Unaudited 6 months ended	*Unaudited 6 months ended*	*Audited Year ended*

	28 February 2018	*28 February 2017*	*31 August 2017*
	£'000	*£'000*	*£'000*
(Loss)/Profit from operations	(65)	(123)	148
Depreciation, impairment and amortisation	126	130	261
(Increase) / Decrease in inventories	(50)	27	34
(Increase) / Decrease in receivables	173	(49)	(17)
Increase / (Decrease) in payables	(963)	(339)	229
(Profit) / Loss on disposal of property plant and equipment	(8)	93	121
Increase / (Decrease) in provisions	-	(123)	(123)
Net cash from operating activities	(787)	(384)	653
Cash flows from financing activities	(71)	(61)	(122)
Cash flows from investing activies	(84)	(68)	(136)
Net decrease in cash and cash equivalents	(942)	(513)	395
Net cash and cash equivalents at the start of the period	1,503	1,107	1,107
Net cash and cash equivalents at the end of the period	561	594	1,503

NOTES

1. This interim financial statement has been prepared on the basis of accounting policies adopted by the Company and set out in the annual report and accounts for the year ended 31 August 2017. The Company does not anticipate any change in these accounting policies for the period ended 30 June 2018. As permitted, this interim report has been prepared in accordance with the AIM Rules and not in accordance with IAS 34 "Interim financial reporting". The principal risks and uncertainties facing the Company are disclosed in the Company's financial statements for the year ended 31 August 2017, available from www.john-lewis.co.uk and remain unchanged.

2. Basic and fully diluted loss per ordinary share is calculated as follows:

	6 months ended 28 February 2018	6 months ended 28 February 2017	Year ended 31 August 2017
Profit / (loss) attributable to ordinary shareholders (£'000)	(84)	(144)	106
Weighted average number of shares in issue	186,745,519	186,745,519	186,745,519
Dilution due to share options	-	-	
Shares used to calculate diluted earnings per share	186,745,519	186,745,519	186,745,519
Basic earnings per ordinary share (pence)	(0.04)p	(0.08)p	0.06p
Diluted earnings per ordinary share (pence)	(0.04)p	(0.08)p	0.06p

At 28th February 2018 the basic and diluted loss per share is the same, as the vesting of share option awards would reduce the loss per share and is, therefore, anti-dilutive.

3. Copies of the 2018 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk

4. The 28 February 2017 comparatives have been restated to reflect the adjustments made to the 31 August 2016 balance sheet, as disclosed in Note 5 to the 31 August 2017 financial statements.

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

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