Regulatory Story

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John Lewis Of Hungerford PLC - JLH Half-year Report
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John Lewis Of Hungerford PLC
30 March 2020

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John Lewis of Hungerford plc

(the "Company")

Half-year Report

John Lewis of Hungerford Plc (AIM: JLH), the specialist manufacturer and retailer of kitchens, bedrooms and freestanding furniture, is pleased to announce its interim results for the six months ended 31 December 2019.

Overview

Sales for the 6 months to 31 December 2019 were £3,345k and the loss before tax was £398k. In the equivalent period to 31 December 2018, sales were £3,666k and the loss before tax was £327k.

The first half of the year to 31 December 2019 was characterised by uncertainties around Brexit and the General Election, and we experienced reduced footfall in our stores. However, footfall in stores in the New Year rebounded very strongly, and design quoted activity during January was double the level of the previous year, with February following a similar pattern.

Furthermore, during the first half, we identified and actioned annualised cost savings of £450k, with £270k of that saving in the current financial year, mostly benefiting the second half. Given the strong design quoted activity during January and February, together with the effect of the cost savings, the Board were cautiously confident of a profitable second half, which had been expected to offset the first half loss.

This positive start to the New Year has however been severely disrupted due to the COVID-19 outbreak, which led initially to a substantial drop in footfall and now to the temporary closure of our entire showroom estate and factory. This hiatus in activity across the business will undoubtedly affect our results for the year ending 30 June 2020. The Company has today released a statement regarding the impact of COVID-19 upon the business.

Operational Update

Operating margin has been sustained through expected improvements in our production facility following our investment in the spray booths and ovens in 2019. Improved productivity, combined with more proficient procurement have led to additional savings

In addition to serving our residential customer base, our new business drive to partner with professionals in our sector, has led to strong working relationships with architects, interior designers and high end developers, which continues to add value.

Improvements in our marketing programme, primarily our online presence via our website and social media channels, has helped the business to be as prepared as it can be for the current challenge with high street footfall. With additional video content now available, we are trialling remote design consultations for our customers.

With FCA approval granted, we are now offering finance facilities to our customers, which has been well received. We look forward to assessing the benefit that this brings over the coming period.

Current Trading and Outlook

Having delivered products required for essential services to be available in our customer homes during this period, we have now ceased production for 3 weeks and furloughed many employees, pending further updates from the UK Government. The safety of our employees, our fitting teams, our customers and our suppliers must be a priority in these extraordinary times.

With the nation still in a state of flux and the next few months still unpredictable, it is not possible to assess the financial implications of COVID-19 on our business and on recovering the loss from the first half year. However, with the quoted business at the highest level seen within the Company's history, we are confident that once normality resumes within the country and the economy, the business is poised to move forward once again.

Kiran Noonan
Acting Chairman and Chief Executive Officer
30 March 2020

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INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Unaudited 6 months ended		*Audited Year ended*
	31 December 2019	*31 December 2018 Restated*	*30 June 2019 Restated*
	£'000	*£'000*	*£'000*
Revenue	**3,345**	3,666	8,306
Cost of sales	**(1,768)**	(1,973)	(4,374)
Gross profit	**1,577**	1,693	3,932
Selling and distribution costs	**(266)**	(253)	(498)
Administration expenses:			
Other	**(1,631)**	(1,691)	(3,491)
Total	**(1,631)**	(1,691)	(3,491)
(Loss)/profit from operations	**(320)**	(251)	(57)
Finance expenses	**(78)**	(76)	(162)
(Loss)/profit before tax	**(398)**	(327)	(219)

Taxation			(69)
(Loss)/profit after taxation	**(398)**	(327)	(288)
<u>(Loss)/profit per share</u>			
Basic	(0.21)p	(0.18)p	(0.10)p
Fully diluted	(0.21)p	(0.18)p	(0.10)p

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Unaudited 6 months ended		***Audited Year ended***
	31 December	***31 December***	***30 June***
	2019	***2018***	***2019***
	£'000	***£'000***	***£'000***
(Loss)/Profit for the period	(398)	(327)	(288)
Total Comprehensive Income	(398)	(327)	(288)

BALANCE SHEET
AS AT 31 December 2019

	Unaudited 6 months ended		***Audited Year ended***
	31 December	***31 December***	***30 June***
	2019	***2018***	***2019***
		Restated	***Restated***
	£'000	***£'000***	***£'000***
Non-Current Assets			
Intangible assets	166	179	179
Tangible assets	4,491	4,287	4,058
Deferred tax asset	-	69	-
Trade and other receivables	43	43	43
	4,700	4,578	4,280
Current assets			
Inventories	144	194	144
Trade and other receivables	374	661	737
Cash and cash equivalents	(114)	479	287
	404	1,334	1,168
Current liabilities	(1,606)	(2,406)	(2,042)
Net current liabilities	(1,202)	(1,072)	(874)
Total assets less current liabilities	3,498	3,506	3,406
Non-current liabilities	(437)	(462)	(479)

Lease liabilities	(1,835)	(2,164)	(2,002)
Provisions for liabilities and charges	(112)	(100)	(105)
Net Assets	1,114	780	820
Equity			
Share capital	187	187	187
Other reserves	1	1	1
Share premium account	1,188	1,188	1,188
Revaluation reserve	692	-	-
Retained earnings	(954)	(596)	(556)
Total Equity	1,114	780	820

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

	Share Capital	*Share Premium*	*Other Reserves*	*Reval Reserves*	*Retained Earnings*	***Total***
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***
At 30 June 2018 (Audited) Restated	187	1,188	1	-	(269)	**1,107**
Loss for the period	-	-	-	-	(327)	**(327)**
At 31 December 2018 (Unaudited) Restated	187	1,188	1	-	(596)	**780**
Profit for the period	-	-	-	-	40	**40**
At 30 June 2019 (Audited) Restated	187	1,188	1	-	(556)	**820**
Loss for the period	-	-	-	-	(398)	**(398)**
Revaluation of Freeholds	-	-	-	692	-	**692**
At 31 December 2019 (Unaudited)	187	1,188	1	692	(954)	**1,114**

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 December 2019

	Unaudited 6 months ended 31 December 2019	*Unaudited 6 months ended 31 December 2018 Restated*	*Audited Year ended 30 June 2019 Restated*
	£'000	*£'000*	*£'000*
(Loss)/Profit from operations	(320)	(251)	(57)
Depreciation, impairment and amortisation	288	280	574
Share based payments	-	-	1
(Increase)/decrease in inventories	-	(25)	25
(Increase)/decrease in receivables	363	(131)	(206)
Increase/(decrease) in payables	(585)	681	135

(Profit)/loss on disposal of property plant and equipment	(1)	-	10
Increase/(decrease) in provisions	7	-	4
Net cash from operating activities	(248)	554	486
Cash flows from financing activities	(140)	(127)	(176)
Cash flows from investing activities	(13)	(634)	(709)
Net decrease in cash and cash equivalents	(401)	(207)	(399)
Net cash and cash equivalents at the start of the period	287	686	686
Net cash and cash equivalents at the end of the period	(114)	479	287

NOTES:

1. These interim financial statements have been prepared on the basis of accounting policies adopted by the Company and set out in the annual report and accounts for the period ended 30 June 2019. The only accounting policy changes the Company anticipates are outlined in paragraphs a) & b) below, otherwise all other accounting policies should remain unchanged for the year ending 30 June 2020. As permitted, these interim financial statements have 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 period ended 30 June 2019, combined with a separate announcement made today in relation to the impact of COVID-19, available from www.john-lewis.co.uk

a) IFRS 16 - Impact of adoption

The Company has applied IFRS 16 issued in January 2016 with an initial application date of 1 July 2019. The Company has applied IFRS 16 using the full retrospective approach applying IFRS 16 at the initial application date as if the standard had already been effective at the commencement date of the Company's existing lease contracts. As a result, the comparative information in these interim financial statements has been restated. The nature and effects of the key changes to the Company's accounting policies resulting from the adoption of IFRS 16 are summarised below.

Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as explained in the accounting policy.

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises in the Balance Sheet right-of-use assets and lease liabilities for most leases.

The Company has elected to apply the recognition exemptions for lease contracts that do not contain a purchase option and have a lease term of 12 months or less and/or are for underlying assets with a low value.

For leases not covered by these recognition exemptions, the Company recognised right-of-use assets and lease liabilities on adoption of IFRS 16.

After implementing IFRS 16, the Company has seen the following impact in the period to 31 December 2019:

- Current and non-current assets increased in total due to the recognition of right of use assets: £1,597,387
- Current and non-current liabilities increased in total due to the recognition of lease liabilities: £1,834,830
- Operating expenses reduced due to the reversal of lease costs by: £226,208
- Depreciation expense increased by: £160,713
- Finance expense increased by: £6,228
- Reserves brought forward reduced by: £243,670

A total reduction in the loss for the Company for the period to 31 December 2019 of £6,228.
A total reduction in Net Assets for the Company as at 31 December 2019 of £237,442.

Impact on the Balance Sheet as at 31 December 2019:

6 Months to 31 December 2019

	Original	IFRS 16 Impact	As Reported
Total Assets	3,507	1,597	5,104
Total Liabilities	(2,155)	(1,835)	(3,990)
Net Assets	**1,352**	**(237)**	**1,114**
Reserves	2,068	-	2,068
Retained Earnings	(717)	(237)	(954)
Total Equity	**1,352**	**(237)**	**1,114**

Impact on the Cashflow Statement as at 31 December 2019

	6 months to 31 December 2019
Reduction in net cash out flow from Operating Activities	59
Increase in net cash outflow from financing activities	(59)
Net impact on net decrease in net cash & cash equivalents	-

b) Impact of Revaluation Reserve

The Company has chosen to change the model for the valuation of the Land & Buildings asset class from the cost model to the revaluation model. Following an independent third party valuation of the Company's two freehold properties, this has resulted in an increase in their carrying value of £692,477 which has been charged to the newly created revaluation reserve.

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

	6 months ended 31 December 2019	6 months ended 31 December 2018	Year ended 30 June 2019
Profit / (loss) attributable to ordinary shareholders (£'000)	(398)	(328)	(289)
Weighted average number of shares in issue	186,745,519	186,745,519	186,745,519
Shares used to calculate diluted earnings per share	186,745,519	186,745,519	186,745,519
Basic earnings per ordinary share (pence)	(0.21)p	(0.18)p	(0.15)p
Diluted earnings per ordinary share (pence)	(0.21)p	(0.18)p	(0.15)p

At 31 December 2019 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 2020 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk.

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