

Regulatory Announcement

Go to market news section



Company Gourmet Holdings PLC
TIDM GRM
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Gourmet Holdings plc

Preliminary results for the 52 weeks ended 25 June 2006

Strategic review**Board changes**

	52 weeks ended 25 June 2006 £m	52 weeks ended 26 June 2005 £m
Turnover	10.24	9.75
Gross profit	0.89	1.03
Operating (loss)/profit before trading exceptional items	(0.02)	0.42
(Loss)/profit before taxation	(1.47)	0.28

Key points:**Results**

- Strong growth and good cash generation at Richoux
- Disappointing trading at pub restaurant operation
- Cash of over £3 million at period end
- Net gearing of 34%

Strategic review

- Sale process of pub restaurant operation underway
- Focus on the expansion of Richoux
- Restructuring of the Board

Nigel Whittaker, Chairman of Gourmet Holdings plc said:

"Following a strategic review the Company will focus on a single brand, Richoux, and will be run on a lower cost base to deliver a more sustainable, more predictable earning stream for shareholders"

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Gourmet Holdings plc

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Introduction

Following the announcement on 31 March 2006 of Gourmet's interim results to 8 January 2006, trading at the Group's outlets continued to be mixed. In the second half Richoux delivered a strong, cash generative performance, but overall trading at our Bel & the Dragon sites and our non-branded pub restaurants was disappointing.

Against this background, in June 2006 the Board of Gourmet put in place a strategic review of the Group, taking into account its market position, its strengths, weaknesses and opportunities.

The Board has concluded that, as a small company, Gourmet should simplify its business and focus upon one restaurant 'offer' which has proven appeal and the prospect of a successful roll-out. The Board believes that the Richoux brand, offering all day dining with good food and service, in an attractive setting, represents a good opportunity for expansion. Going forward, therefore, the Board expects the development of the Richoux operation to be the principal focus of Gourmet.

As a result of the conclusions of the strategic review the Board has put in place a sale process for the Group's entire pub restaurant operation. This process commenced formally in early September, following a number of unsolicited approaches received during the Summer in respect of this operation. Shareholders will be kept advised of progress.

The Board of Gourmet has also concluded that, in view of the decision to simplify the business of the Group and to reduce its administrative cost base, it is appropriate to alter the Board's composition. The position of Chief Executive of the Company will not continue and, as a result, Gareth Lloyd-Jones will leave the Company. Andrew Guy, Gourmet's Managing Director, will assume sole executive responsibility as of today. The Board would like to express its thanks to Gareth for his contribution to the Group, and wishes him well for the future.

Mark Horrocks, who has been a non-executive director of the Company since 1998, has informed the Board that he will not stand for re-election as a director of the Company at its forthcoming Annual General Meeting. As previously announced, Simon Brookes resigned as a director of the Company on 1 June 2006. The Board thanks both Mark and Simon for their contributions to the Group.

Finally, at the end of 2005 I advised the Board of my intention to stand down as Chairman of the Company in the course of this year in view of my other business commitments. Now that the strategic review is complete, I am today standing down as Chairman and handing over this role to my non-executive colleague Richard Scott. In the short term, Richard will in particular focus upon the disposal process referred to above. I will remain a non-executive director of Gourmet.

Going forward, therefore, the Board of Gourmet will comprise one executive director and two non-executive directors. The Board believes this composition to be more appropriate for a company of the size and structure of Gourmet.

Results

Group turnover from our operations for the 52-week period ended 25 June 2006 increased to £10.24 million (2005: £9.75 million). Gross profit from the restaurants was £0.89 million (2005: £1.03 million). Administrative expenses were £0.82 million (2005: £0.61 million).

Operating loss before trading exceptional items was £23,000 (2005: profit £421,000); this result is largely a reflection of poor trading in the Group's non-branded pub restaurants and an increase in overheads. Trading exceptional items in the year amounted to £1.2 million (2005: £nil).

In our interim statement to 8 January 2006 we made reference to the underperformance of two particular pub restaurants and their consequent transfer out of the Group's continuing operations. Despite extensive negotiations this transfer did not complete, and as a result the Board has resolved to terminate this process; this has given rise to a bad debt provision of £325,000 in the 2006 accounts. These properties are included in the pub restaurant sale process.

Trading exceptional items in 2006 also comprised £450,000 impairment provision in respect of the tangible fixed assets of a poorly performing site, £335,000 for reorganisation costs and £59,000 for professional and other costs in respect of a potential site which has not been taken forward.

The Directors are not recommending the payment of a dividend.

Operations

Richoux

At the half year we noted that the Richoux business suffered a difficult beginning of the period due to the impact of the London bombings in July 2005, which adversely impacted top line sales during that time. It is therefore pleasing to report that, despite this impact, Richoux had a successful year, recording a substantial increase in profit at restaurant operating level.

Richoux's resilient performance was helped by the successful implementation of a number of operational efficiency measures.

Richoux is a flexible brand and the Board believes that it can operate successfully in locations other than Central London. The Board considers that Richoux, with its casual dining 'offer' concentrating on good food and attentive service, should flourish in a wider variety of locations.

We believe the Richoux model offers good prospects for roll-out, and continue to look actively to expand the number of Richoux restaurants we operate, utilising the funds raised from the placing last year.

Pub restaurants

Overall, the performance of the Group's pub restaurant operation in the year was disappointing, although all of our Bel & the Dragon restaurants remained profitable at the operating level. The pub restaurant operation was particularly impacted by losses of £275,000 at two non-branded sites.

As described above, the Board has resolved to seek buyers for the whole of the Group's pub restaurant operation.

Outlook

Following the strategic review the Company has a clear path. Our principal priorities are to dispose successfully of the pub restaurant operation and to focus on Richoux, where we believe there are attractive growth opportunities.

Gourmet's streamlined Board is well placed to respond quickly and effectively to opportunities to develop its business. The Board is firmly focused on delivering and maximising value for shareholders.

Gourmet Holdings plc **Preliminary results for the 52 weeks ended 25 June 2006**

Gourmet Holdings plc

Consolidated profit and loss account

For the 52 week period ended 25 June 2006

**52 week
period ended
25 June 2006**

52 week
period ended
26 June 2005

	Notes	Continuing £'000	Discontinued £'000	Total £'000	Acquisition £'000	Continuing £'000	Discontinued £'000	Total £'000
Turnover		9,887	353	10,240	4,713	5,036	-	9,749
Cost of sales:								
Excluding pre-opening costs		(8,997)	(351)	(9,348)	(4,096)	(4,537)	-	(8,633)
Pre-opening costs	4	-	-	-	(74)	(10)	-	(84)
		(8,997)	(351)	(9,348)	(4,170)	(4,547)	-	(8,717)
Gross profit		890	2	892	543	489	-	1,032
Administrative expenses:								
Administrative expenses		(818)	-	(818)	-	(608)	-	(608)
Amortisation		(97)	-	(97)	(61)	(19)	-	(80)
		(915)	-	(915)	(61)	(627)	-	(688)
Other operating income	5	-	-	-	-	77	-	77
Operating (loss)/profit before trading exceptional items		(25)	2	(23)	482	(61)	-	421
Trading exceptional items	6	(1,169)	-	(1,169)	-	-	-	-
Operating (loss)/profit after trading exceptional items		(1,194)	2	(1,192)	482	(61)	-	421
Net loss on disposal of fixed assets		(3)	(12)	(15)	(4)	-	-	(4)
Profit on sale of discontinued operation		-	-	-	-	-	100	100
(Loss)/profit on ordinary activities before interest		(1,197)	(10)	(1,207)	478	(61)	100	517
Interest receivable				73				75
Interest payable and similar charges				(338)				(312)
(Loss)/profit on ordinary activities before taxation				(1,472)				280
Taxation on (loss)/profit on ordinary activities				-				-
(Loss)/profit for the financial period				(1,472)				280
(Loss)/earnings per share	8			(5.3)p				1.4p
Diluted (loss)/earnings per share	8			(5.3)p				1.4p

There are no differences between the historical cost profit and that recorded in the profit and loss account (2005: £nil).

Gourmet Holdings plc
Consolidated balance sheet
at 25 June 2006

	Note	25 June 2006		26 June 2005 (Restated)	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets			2,101		1,439
Tangible assets			11,820		8,987
			13,921		10,426
Current assets					
Stocks		210		198	
Debtors		601		570	
Cash at bank and in hand		3,010		1,125	
		3,821		1,893	
Creditors: amounts falling due within one year		(2,842)		(3,343)	
Net current assets/(liabilities)			979		(1,450)
Total assets less current liabilities			14,900		8,976
Creditors: amounts falling due after more than one year			(5,789)		(3,739)
Net assets			9,111		5,237
Capital and reserves					
Equity Share capital			1,368		789
Share premium account	12		8,763		11,815
Warrants reserve			50		50
Profit and loss account			(1,070)		(7,417)
Shareholders' funds			9,111		5,237

Gourmet Holdings plc

Consolidated cash flow statement

for the 52 week period ended 25 June 2006

	<i>Note</i>	52 week period ended 25 June 2006 £'000	52 week period ended 26 June 2005 £'000
Net cash (outflow)/inflow from operating activities	13	(91)	350
Returns on investments and servicing of finance		(289)	(178)
Capital expenditure and financial investment		(517)	(1,510)
Acquisitions and disposals		(2,874)	131
Cash outflow before financing		(3,771)	(1,207)
Financing		5,656	(167)
Increase/(decrease) in cash in the period		1,885	(1,374)

Reconciliation of net cash flow to movement in net debt
For the 52 week period ended 25 June 2006

	52 week period ended 25 June 2006 £'000	52 week period ended 26 June 2005 £'000
Increase/(decrease) in cash in the period	1,885	(1,374)
Cash (inflow)/outflow from changes in debt and lease financing	(1,398)	167
Change in net funds resulting from cash flows	487	(1,207)
New finance leases	-	(4)
Loans and finance leases acquired with subsidiary undertakings	(750)	-
Movement in net debt in the period	(263)	(1,211)
Net debt at the start of the period	(2,816)	(1,605)
Net debt at the end of the period	(3,079)	(2,816)

Gourmet Holdings plc

Consolidated statement of total recognised gains and losses

for the 52 week period ended 25 June 2006

	Note	52 week period ended 25 June 2006 £'000	52 week period ended 26 June 2005 £'000
(Loss)/profit for the financial period		(1,472)	280
Gain on redemption of preference shares		408	-
Reduction in share premium	12	7,411	-
Total recognised gains and losses relating to the financial period		6,347	280

Reconciliation of movement in shareholders' funds

for the 52 week period ended 25 June 2006

	52 week period ended 25 June 2006 £'000	52 week period ended 26 June 2005 (Restated) £'000
(Loss)/profit for the financial period	(1,472)	280
New share capital subscribed (net of issue costs)	4,938	-
Redemption of preference shares	408	-
Net increase in shareholders' funds	3,874	280
Opening shareholders' funds	5,237	4,957
Closing shareholders' funds	9,111	5,237

Notes

- There have been no changes to the main accounting policies used by the Group over the period.
- The financial information set out above does not constitute the Company's statutory accounts for the years ended 26 June 2005 or 25 June 2006 but it is derived from those accounts. Statutory accounts for 26 June 2005 have been delivered to the Registrar of Companies and those for 25 June 2006 will be delivered following the Company's Annual General Meeting. The auditors have yet to report on those accounts but their work is substantially complete and it is anticipated that their audit report will be unqualified and will not contain statements under section 237 (2) or (3) of the Companies Act 1985.
- The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 25 June 2006.

The results of all subsidiary undertakings are consolidated. Intra-group sales are fully eliminated on consolidation.
- Pre-opening costs**
Property rentals and related costs together with promotional and training costs incurred up to the date of the opening of a new or refurbished restaurant are written off to the profit and loss account in the year in which they are incurred.
- Other operating income**
All other operating income represents franchise fees received net of all associated costs and charges.
- Trading exceptional items**
The trading exceptional charge of £1,169,000 comprises £450,000 impairment provision in respect of tangible fixed assets of a poorly performing site, £335,000 for reorganisation costs, £325,000 bad debt provision in respect of non completion of the business transfer, and £59,000 for professional and other costs in respect of a potential site.
- Discontinued operations**
On the 28 January 2006 the Company sold its bakery, Barons Patisserie, and closed its outside catering business, Capital Cuisine.
- (Loss)/earnings per share

The (loss)/earnings per share is calculated by reference to the profit or loss after taxation and the weighted average number of ordinary shares in issue during the period of 27,784,505 (*2005 restated: 19,726,073*).

The (loss)/earnings per share for both the basic and fully diluted (loss)/earnings per share is calculated on the basis of a loss for the period of £1,472,000 (*2005 profit: £280,000*).

The diluted (loss)/earnings per share is calculated by reference to the profit or loss after taxation and the weighted average number of ordinary shares and share options in issue during the period of 27,889,358 (*2005 restated: 20,081,871*). Share options and warrants not included in the diluted calculations as per the requirements of FRS14 (as they are anti-dilutive) totalled 721,522 (*2005 restated: 712,006*).

9. No dividend is proposed.

10. Acquisition of BDR Holdings Limited

On the 12 December 2005 the Company acquired the entire share capital of BDR Holdings Limited and its subsidiary BDR Restaurants Limited. The fair value of the consideration given for the share capital was:

	Book value before acquisition £'000	Fair value adjustments £'000	Fair value at date of acquisition £'000
Tangible fixed assets	2,066	1,134	3,200
Stock	34	-	34
Debtors	16	-	16
Cash and overdrafts	(50)	-	(50)
Liabilities	(385)	-	(385)
Bank loans	(750)	-	(750)
Net assets	931	1,134	2,065
Goodwill			759
			<u>2,824</u>
Satisfied by:			
Cash			2,716
Acquisition costs			108
Fair value of consideration			<u>2,824</u>

12. Reconciliation of movement in share premium account

	Share premium account £'000
At 26 June 2005	11,815
Reduction in share premium*	(7,411)
New share capital subscribed	4,628
New share capital issue costs	(269)
At 25 June 2006	<u>8,763</u>

*The reduction in the share premium account was confirmed by an Order of the High Court of Justice, Chancery Division on the 18 January 2006 and registered pursuant to section 138 of the Companies Act 1985 on the 20 January 2006.

13. Reconciliation of operating (loss)/profit to operating cash flows

	52 week period ended 25 June 2006 £'000	52 week period ended 26 June 2005 £'000
Operating (loss)/profit	(1,192)	421
Depreciation charge	419	359
Amortisation charge	97	80
Impairment of tangible fixed assets	450	-
Decrease/(increase) in stocks	22	(40)
(Increase)/decrease in debtors	(15)	169
Increase/(decrease) in creditors	128	(639)
Net cash (outflow)/inflow from operating activities	<u>(91)</u>	<u>350</u>

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