Mon, 31 Mar 2014 07:00
RNS Number: 5111D
Tasty Plc
31 March 2014

Tasty plc

Preliminary results for the 52 weeks ended 29 December 2013

Highlights:

* Revenue up 20% to £23,192,000 (2012 - £19,315,000)

* Gross profit up 34% to £2,806,000 (2012 - £2,094,000)

* Statutory pre-tax profit of £1,742,000 (2012 - £1,552,000)

* Five new Wildwood and Wildwood Kitchen restaurants opened in the year

* Further new units opened in early 2014 with a number of other sites in the pipeline

Enquiries

Tasty plc	Tel: 020 7637 1166
Jonny Plant, Chief Executive	
Cenkos Securities	Tel: 020 7397 8927
Bobbie Hilliam	
Harry Pardoe	

Chairman's Statement

I am pleased to be reporting on the Group's profitable results of £1,442,000 (January 2012 - £1,277,000). The results are for the 52 week period ended 29 December 2013 and a comparative of the 52 week period ended 30 December 2012.

Results

Revenue for the year was up 20% on last year to £23,192,000 (2012 - £19,315,000). Operating profit before pre-opening costs and non-trading items was up 30% on last year at £2,301,000 (2012 - £1,773,000). Pre-opening costs for the period totalled £259,000 (2012 - £403,000).

The overall statutory pre-tax profit was up by some 12% at £1,742,000 (2012 - £1,552,000).

The Board does not recommend the payment of a dividend at this stage of the Group's development.

Openings

Five new Wildwood and Wildwood Kitchen restaurants were opened during the year: Didcot opening in March, South Woodford and Newmarket in April followed by Barnes and Peterborough which opened in July and October respectively.

Since the year end a further Wildwood Kitchen has opened in Oakham. Wildwood Salisbury opened in March 2014 and a number of other sites are already in the pipeline, at various stages of completion and negotiation.

Cash flows

Net cash outflow for the period before financing was £1,531,000 (2012 - £1,370,000). This is largely represented by capital expenditure on the expansion of the business through the opening of the above sites. Cash flows from operating activities increased to £3,238,000 (2012 - £2,398,000).

During the period the Group's bank facility was increased to £4,000,000 (£1,000,000 term loan and £3,000,000 revolving facility), from £2,500,000. As at 29 December the £1,000,000 term loan (2012 - £1,000,000) was fully drawn down. The Company raised £3,461,000 from the issue of new shares in October through a share placing and the exercise of Directors' options.

Cash and cash equivalents held at the end of the period were £3,407,000 (2012 - £1,611,000).

Review of the business

The Group delivered a strong performance in 2013, with an improvement in gross margin and a 20% and 12% increase respectively in revenues and profit.

The Group continued its expansion during the year, adding 5 new sites to the estate. The rate of development will accelerate in the medium term, with the Group securing funding through the share placing and increased banking facilities during the period. Openings in the coming 12 months will expand the UK geographical footprint of the estate.

At the end of the period the Group operated 28 restaurants. Currently, the Group has 31 restaurants in operation - 6 DimTs, 24 Wildwoods and Wildwood Kitchens and 1 other.

Pre-opening costs and accounting adjustments

Pre-opening costs have been highlighted in the income statement as these costs represent revenue expenses, such as rent, rates and training costs, which are necessarily incurred in the period before a new unit is opened, but which are specific to the opening of that unit and not part of the Group's normal ongoing trading performance.

The Group recognises a number of charges in the accounts which arise under accounting rules which have no transactional cash impact. These charges include rent free periods (included in pre-opening costs) and share based payments.

Staff

As ever, it is our dedicated staff that have contributed significantly throughout the year to the Group's much improved performance, and I would like to take this opportunity of thanking them again for their hard work and effort.

Current Trading

Since the year end trading has been in line with expectations.

Keith Lassman

Chairman

31 March 2014

Strategic Report

Business review and key performance indicators

Revenue for the 52 week period increased 20% on last year to £23,192,000 (2012 - £19,315,000). Operating profit before pre-opening costs and non-operating items was £2,301,000 (2012 - £1,773,000). Pre-opening costs for the period totalled £259,000 (2012 - £403,000). The overall statutory pre-tax profit was £1,742,000 (2012 - £1,552,000).

The Directors utilise a large number of detailed performance indicators which are used to manage the business but, as with most businesses, the focus in the Income Statement at the top level is on sales, margins and overheads compared to budget and the previous year. In the balance sheet the focus is on managing working capital.

The Directors recognise the importance of customer relations and staff are extensively trained in this regard. Performance is monitored by reference to the results of regular mystery diner visits and staff bonuses are calculated with the results and comments arising from these visits and other customer feedback.

Principal uncertainties and risks

Economic conditions

There have been a number of encouraging signs regarding the UK economic outlook. However there still remains a high level of uncertainty. Deterioration in consumer confidence due to future economic conditions could have a detrimental impact on the Group in terms of footfall and sales. This risk is mitigated by the positioning of the Group's brands, which is within the affordable segment of the casual dining market. Continued focus on customer relations and targeted and adaptable marketing initiatives help the Group retain and drive sales where footfall declines.

Input cost inflation

The Group's key variable inputs are the cost of food and labour, both of which face inflationary pressures in the medium term. The Group monitors its food supply chain closely, regularly reviewing food costs and implementing a variety of strategies to mitigate the impact of increases. Labour cost pressures which are outside of the control of the Group, such as the recently introduced auto enrolment pension costs and minimum wage increases, are suffered by the Group and competitors. However, labour costs are regularly monitored and on-going initiatives are used to reduce the impact of such pressures.

Strategic risks

The acquisition of suitable and well located quality sites in order to continue the Group's expansion is proving to be demanding. The Group has a strong and experienced property acquisition team with good relationships with external agents and advisers.

On behalf of the Board.

Jonny Plant
Joint Chief Executive Officer

31 March 2014

Consolidated Statement of Comprehensive Income for the 52 weeks ended 29 December 2013

	2013 £'000	**2012 £'000**
Revenue	**23,192**	19,315
Cost of sales	**(20,386)**	(17,221)
Gross profit	**2,806**	2,094
Administrative costs	**(944)**	(480)
Operating profit excluding non-trading items and pre-opening costs	**2,301**	1,773
Pre-opening costs	**(259)**	(403)
Non-trading items	**(180)**	244
Operating profit	**1,862**	1,614
Finance income	**14**	6
Finance expense	**(134)**	(68)
Profit before tax	**1,742**	1,552
Income tax expense	**(300)**	(275)
Profit and total comprehensive income for the period attributable to shareholders	**1,442**	1,277
Earnings per share		
Basic	**2.95p**	2.67p
Diluted	**2.90p**	2.61p

Consolidated statement of changes in equity as at 29 December 2013

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained deficit £'000	Total £'000
Balance at 1 January 2012	4,784	10,350	992	(5,127)	10,999
Issue of ordinary shares	6	9			15
Total comprehensive income for the period				1,277	1,277
Share based payments				56	56
Balance at 30 December 2012	4,790	10,359	992	(3,794)	12,347
Issue of ordinary shares	503	2,958			3,461
Total comprehensive income for the period				1,442	1,442
Share based payments				195	195
Balance at 29 December 2013	5,293	13,317	992	(2,157)	17,445

Consolidated balance sheet at 29 December 2013

	2013 £'000	2012 £'000
Non-current assets		
Intangible assets	**446**	448
Property, plant and equipment	**15,384**	11,791
Pre-paid operating lease charges	**1,895**	1,747
Deferred tax asset	**-**	185
Other non-current assets	**381**	486
	18,106	14,657
Current assets		
Inventories	**811**	689
Trade and other receivables	**1,350**	1,107
Pre-paid operating lease charges	**152**	87
Cash and cash equivalents	**3,407**	1,611
	5,720	3,494
Total assets	**23,826**	18,151
Current liabilities		
Trade and other payables	**(5,009)**	(4,523)
Borrowings	**(250)**	(1,000)
	(5,259)	(5,523)
Non-current liabilities		
Provisions	**(65)**	(75)
Lease incentives	**(192)**	(206)
Deferred tax liability	**(115)**	-
Long-term borrowings	**(750)**	-
	(1,122)	(281)
Total liabilities	**(6,381)**	(5,804)
Total net assets	**17,445**	12,347
Equity		
Share capital	**5,293**	4,790
Share premium	**13,317**	10,359
Merger reserve	**992**	992
Retained deficit	**(2,157)**	(3,794)
Total equity	**17,445**	12,347

Consolidated cash flow statement for the 52 weeks ended 29 December 2013

	2013 £'000	2012 £'000
Operating activities		
Cash generated from operations	**3,238**	2,398
Corporation tax paid	**-**	-
Net cash inflow from operating activities	**3,238**	2,398
Investing activities		
Purchase of property, plant and equipment	**(4,783)**	(3,774)
Interest received	**14**	6
Net cash flows used in investing activities	**(4,769)**	(3,768)
Financing activities		
Net proceeds from issues of ordinary shares	**3,461**	15
Bank loan receipt	**1,500**	1,500
Bank loan repayment	**(1,500)**	(500)
Interest paid	**(134)**	(42)
Net cash flows used in financing activities	**3,327**	973
Net increase in cash and cash equivalents	**1,796**	(397)
Cash and cash equivalents as at 30 December 2012	**1,611**	2,008
Cash and cash equivalents as at 29 December 2013	**3,407**	1,611

Notes to the preliminary announcement

1 Basis of preparation

The financial information in these preliminary results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). They are presented in pounds sterling, rounded to the nearest thousand. The same accounting policies, presentation and methods of computation have been followed in the preparation of these results as were applied in the Company's 2012 Report and Accounts.

The financial information set out in this announcement does not constitute the Company's statutory accounts for the 52 weeks ended 29 December 2013 or the 52 weeks ended 30 December 2012. Statutory accounts for the 52 weeks ended 29 December 2013 and the 52 weeks ended 30 December 2012 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statement for both periods was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Annual Report and Financial Statements for 2012 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 29 December 2013 will be delivered to the Registrar in due course.

2 Revenue

The revenue for the Group is wholly attributable to one operating segment (operating restaurants) and arises solely in one geographical segment (United Kingdom).

3 Operating profit

This has been arrived at after charging		**2013 £'000**	2012 £'000
Staff costs		**8,115**	6,954
Share based payments		**195**	56
Operating lease rentals		**2,630**	2,304
Amortisation of intangible assets		**2**	2
Depreciation		**1,122**	830
Loss on disposal		**83**	-
Auditor remuneration:			
Audit fee	- Parent Company	**8**	8
	- Group financial statements	**8**	10
	- Subsidiary undertaking	**17**	20
Other services	- Taxation	**6**	7
	- Other	**24**	10

4 Finance expense

	2013 £'000	2012 £'000
Loan interest payable	**134**	68
	134	68

5 Employees

Staff costs (including directors) consist of	2013 £'000	2012 £'000
Wages and salaries	**7,520**	6,426
Social security costs	**564**	501
Other pension costs	**31**	27
Equity settled share based payment expense	**195**	56
	8,310	7,010

The average number of persons, including executive directors, employed by the Group during the period was 506, of which 498 were restaurant staff and 8 were administration staff, (2012 - 453 of which 444 were restaurant staff and 9 were administration staff). No staff are employed by the Company.

Of the total staff costs £7,566,000 was classified as cost of sales (2012 - £6,396,000) and £744,000 as administrative expenses (2012 - £614,000).

6 Income tax expense

	2013 £'000	2012 £'000
UK Corporation tax		
Current tax on profits for the period	**-**	-
Total current tax	**-**	-
Deferred tax		
Utilisation of tax losses	**(173)**	(120)
Origination and reversal of temporary differences	**(127)**	(110)
Impact of change in future rate of taxation	**-**	(45)
Total deferred tax	**(300)**	(275)
Total income tax charge	**(300)**	(275)

The tax charge for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2013 £'000	2012 £'000
Profit before tax	**1,742**	1,552
Tax on profit at the ordinary rate of corporation tax in UK of 23.25% (2012 - 24.5%)	405	380
Effects of		
Expenses not deductible for tax	8	47
Depreciation on ineligible fixed assets	63	-
Utilisation of tax losses	(176)	(152)
Total tax charge	300	275

7 Earnings per share

	2013 pence	2012 pence
Basic earnings per ordinary share	**2.95**	2.67
Diluted earnings per ordinary share	**2.90**	2.61

	2013 Number '000	2012 Number '000
Earnings per share have been calculated using the numbers shown below:		
Weighted average ordinary shares (basic)	**48,896**	47,841
Weighted average ordinary shares (diluted)	**49,734**	48,890

	2013 £'000	2012 £'000
Profit for the financial period	**1,442**	1,277

95,000 share options have been excluded when calculating the diluted EPS as they were anti-dilutive (2012 – 2,015,000).

8 Dividend

No final dividend has been proposed by the Directors (2012 – nil).

9 Intangibles

	Trademarks £'000	Goodwill £'000	Total £'000
At 1 January 2012	9	441	450
Amortisation of trademarks	(2)	-	(2)
At 30 December 2012	7	441	448
Amortisation of trademarks	(2)	-	(2)
At 29 December 2013	5	441	446

The recoverable amount of goodwill has been determined on a value in use basis. This has been based on the performance of the units since they were acquired and management's forecasts, which assume the sites will perform at least as well as the market generally. The forecast cash flows are discounted at a rate of 10%.

10 Property, plant and equipment

Group	Leasehold improvements £'000	Property plant and equipment £'000	Restaurants under construction £'000	Total £'000
Cost				
At 1 January 2012	9,002	3,012	487	12,501
Additions	2,389	1,342	44	3,775
Transfers	386	9	(395)	-
At 30 December 2012	11,777	4,363	136	16,276
Additions	3,299	1,161	323	4,783
Disposals	(37)	(142)	(25)	(204)
Transfers	89	47	(136)	-
At 29 December 2013	**15,128**	**5,429**	**298**	**20,855**

Depreciation				
At 1 January 2012	2,810	1,145	-	3,955
Provided for the period	392	438	-	830
Impairment reversal	(300)	-	-	(300)
At 30 December 2012	2,902	1,583	-	4,485
Provided for the period	618	504	-	1,122
Disposals	(37)	(84)	-	(121)
Impairment reversal	(15)	-	-	(15)
At 29 December 2013	**3,468**	**2,003**	**-**	**5,471**
Net book value				
At 29 December 2013	**11,660**	**3,426**	**298**	**15,384**
At 30 December 2012	8,875	2,780	136	11,791

11 Prepaid operating leases

	2013	2012
	£'000	£'000
Held within current assets	**152**	87
Held within non-current assets	**1,895**	1,747
	2,047	1,834

Prepaid operating leases represent lease premiums paid on the acquisition of sites, amortised evenly over the lease term.

12 Inventories

	2013	2012
	£'000	£'000
Raw materials and consumables	**389**	342
Crockery and utensils	**422**	347
	811	689

In the Directors' opinion there is no material difference between the replacement cost of stocks and the amounts stated above. Inventory purchased and recognised as an expense in the period is £5,242,000 (2012 - £4,809,000).

13 Trade and other receivables

	2013	2012
	£'000	£'000
Group		
Trade receivables	**170**	226
Prepayments and other receivables	**1,561**	1,367
Total trade and other receivables	**1,731**	1,593
Less non-current portion	**(381)**	(486)
	1,350	1,107

14 Trade and other payables

	2013	2012
	£'000	£'000
Trade payables	**2,178**	2,017
Taxation and social security	**724**	882
Accruals and deferred income	**1,845**	1,285
Other payables	**262**	339
	5,009	4,523

15 Provisions

	2013	2012
	£'000	£'000
At 30 December 2012	**75**	85
Utilisation in period	**(10)**	(10)
At 29 December 2013	**65**	75

16 Deferred tax

	2013	2012
	£'000	£'000
At 30 December 2012	**185**	460
Charge to the Statement of comprehensive income	**(300)**	(275)

	(115)	185

Accelerated capital allowances	**(551)**	(427)
Tax losses carried forward	**436**	612
At 29 December 2013	**(115)**	185

17 Borrowings

	2013 £'000	2012 £'000
Current		
Secured bank borrowings	**250**	1,000
	250	1,000
Non-current		
Secured bank borrowings	**750**	-
	750	-
	1,000	1,000
Maturity of secured bank borrowings		
Due within one year	**250**	1,000
Due In more than one year but less than two years	**500**	-
Due In more than two years but less than five years	**250**	-
	1,000	1,000

Bank borrowings comprise of a term loan. The Group has an additional committed facility of £3,000,000 of which £nil was drawn down at the balance sheet date. There were no instances of default, including covenant terms, in either the current or prior period.

18 Share capital

	Number	£'000
Issued, called up and fully paid:		
At 1 January 2012	47,836,614	4,784
Exercise of share options	66,335	6
At 30 December 2012	47,902,949	4,790
Exercise of share options	2,514,152	252
Share placement	2,510,000	251

At 29 December 2013	52,927,101	5,293

19 Reserves

Share capital comprises of the nominal value of the issued shares.

Share premium reserve is the amount subscribed in excess of the nominal value of shares net of issue costs (2013 - £175,000).

Cumulative gains and losses recognised in the income statement are shown in the Retained deficit reserves, together with other items taken direct to equity.

The Merger reserve is the difference between the nominal value of shares issued and the nominal value of shares acquired on merger.

20 Capital commitments

At the balance sheet date the Group and the Company had no Capital Commitments which were contracted but not provided for (2012 - £nil). Capital commitments relate to committed expenditure in respect of restaurants under construction.

21 Operating lease commitments

The total future value of minimum lease payments under non-cancellable operating leases are shown below. The receipts are from sub-tenants on contractual sub-leases, the net position represents the cash liability of the Group.

	2013	2012
	£'000	£'000
Within one year: payments	**2,756**	2,659
Within one year: receipts	**(230)**	(330)
	2,526	2,329
Within two to five years: payments	**10,953**	10,603
Within two to five years: receipts	**(920)**	(1,318)
	10,033	9,285
Over five years: payments	**31,500**	30,941
Over five years: receipts	**(4,086)**	(3,850)
	27,414	27,091
	39,973	38,705

22 Pensions

The Group, last year, made contributions of £nil to the personal pension plan of any Director. The total amount paid during the period was £nil. During the year the Group made contributions to employee pensions of £31,000 (2012 - £27,000).

23 Share based payments

	Weighted average exercise price (pence)	Number '000
At 1 January 2012	44.2	4,174
Exercised	23.1	66
At 30 December 2012	44.2	4,108
Exercised	44.6	2,514
At 29 December 2013	41.0	1,594

The exercise price of options outstanding at the end of the period ranged between 18p and 87.5p (2012 - 18p and 87.5p) and their weighted average remaining contractual life was 4 years (2012 – 6 years).

Of the total number of options outstanding at the end of period 1,593,992 (2012 – 2,341,605) had vested and were exercisable at the end of the period.

The market price of the Company's ordinary shares as at 29 December 2013 was 125p and the range during the financial year was from 50p to 125p.

In the current period, 2,514,152 (2012 – 66,335) options were exercised. The weighted average share price at the date of exercise was 100p (2012 – 57.5p).

No options have been granted during the period (2012 – nil).

During the period the Remuneration Committee committed to granting a number of options or option equivalent incentive schemes to the Directors. The exercise price of the options granted will be £1.00 with the options being exercisable subject to the share price of the Company having a closing mid-market value of £1.50 for fifteen consecutive trading days.

J Plant	500,000
S Kaye	500,000
A Kaye	500,000
New options commitment	1,500,000

24 Financial instruments

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Liquidity risk

The Group does not have any material exposure to currency risk or other market price risk.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:-

- loans and borrowings
- trade receivables
- cash and cash equivalents
- trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below

Credit risk

Credit risk is the risk of the financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from rebates from suppliers.

The Group's principal financial assets are cash and trade receivables. There is minimal credit risk associated with the Group's cash balances. Cash balances are all held with recognised financial institutions. Trade receivables arise in respect of rebates from a major supplier and therefore they are largely offset by trade payables. As such the net amounts receivable form an insignificant part of the Group's business model and therefore the credit risk associated with them is also insignificant to the Group as a whole.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Group seeks to manage its financial risk to ensure that sufficient liquidity is available to meet foreseeable needs both in the short and long term. The Board consider detailed cashflow forecasts together with future obligations from capital projects in progress and the resulting impact on its cash balances.

Interest rate risk

The Group seeks to minimise interest costs by regularly reviewing cash balances.

Interest rate risk arises from the Group's use of interest bearing financial instruments. This is the risk that the future cash flows of the financial instrument will fluctuate because of changes in the interest rates.

The Group is exposed to cash flow interest rate risk from long term borrowings at variable rate. The Group does not seek to fix interest rates on these borrowings because the Board considers the exposure to the interest rate risk to be acceptable.

Surplus funds are invested in interest bearing, instant access bank accounts. The Group also holds short term deposit accounts in relation to tenant deposits received on sublet sites.

Loans and borrowings

During the year the Group extend the loan facility with Barclays Bank Plc. Under the terms of the facility the Group may borrow up to a maximum of £3.0m on a flexible loan terms and £1.0m on a 3 year fixed term. Interest on this facility is charged at 2.95% above LIBOR plus a variable charge for mandatory associated costs of the lender for all amounts drawn down, with a 1.48% charge on any amounts of the facility that is not drawn down.

At 29 December 2013 if the Bank of England base rate had been 1% higher / lower with all other variables held constant this would not have resulted in any significant variance in the profit or loss or net assets of the Group.

The bank loans are secured by a legal charge over the issued share capital of the Group companies, a legal charge over all the Group's trading sites, and a cross guarantee between Group companies.

Capital disclosures

The Group considers its capital to comprise the ordinary share capital, share premium and retained earnings.

The Group's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it in the light of strategic plans. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.