



John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2011

Registered number

01317377

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COMPANY INFORMATION

Directors:

Jonathan S. Rosby
(Managing Director)
Charlotte Hill-Baldwin
(Sales Director)
Karen Stanley
(Financial Director)
Malcolm R. Hepworth
(Non Executive Chairman)
John L. Lewis
(Non Executive Director)

*Registered Office and
Business Address:*
Grove Technology Park
Downsview Road
Wantage
Oxfordshire
OX12 9FA

Secretary:
Capita Company Secretarial
Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated Adviser:
Smith & Williamson Corporate
Finance Limited
25 Moorgate
London EC2R 6AY

Auditors:
Hill Wooldridge & Co. Limited
107 Hindes Road
Harrow
Middlesex HA1 1RU

Nominated Broker:
Webb Capital
Bow House
1 Bow Lane
London
EC4M 9EE

Solicitors:
Foot Anstey
Salt Quay House
4 North East Quay
Sutton Harbour, Plymouth
Devon PL4 0BN

Registrars:
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers:
Barclays Bank Plc
4th Floor Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1AX

Company Number:
01317377

COMPANY PROFILE

John Lewis of Hungerford plc designs, manufactures, retails and installs kitchens, furniture and architectural components direct to the public from its own showrooms throughout the United Kingdom and one Company managed concession.

Manufacturing and administration is carried out from a purpose built factory at Wantage, Oxfordshire constructed in 1998.

The Company's core product line is the "Artisan®" range of kitchens and furniture. In recent years the Company expanded its line of branded products to include the retro style Crème de la Crème kitchen. In recent years the range has been further expanded to include the Shaker Natural Oak and Walnut collection, the Steamer Bay coastal range and the Cool urban kitchen.

In addition the Company operates a United Kingdom direct mail order business, under the name of Just Doors for replacement kitchen cabinet doors. This is managed through a licensing agreement set up in January 2010.

For more information about the Company and its products visit our web sites:

www.john-lewis.co.uk

www.justdoors.co.uk

CHAIRMAN'S STATEMENT

In my last interim statement I reported on the positive momentum building within the business and I am pleased to report that this was maintained in the second half year. Our strategy of complementing organic growth with selective investment in new stores contributed to a strong sales performance and we have been able to reinvest the resultant profits back into the business as we face into an increasingly uncertain economic outlook.

A highlight during the period was the performance of our two new stores, Beaconsfield and Blackheath, both of which exceeded our expectations and ended the year ahead of budget. The performance of these stores validates the careful approach we adopt in appraising new opportunities and, in light of this, the Board decided to continue our growth strategy through opening a new store in Cirencester on 1 October 2011. This brings our number of stores to 13. The recent openings have enabled us to refine our 'roll out' model such that we are able to quickly capitalise on new opportunities and move from appraisal to store opening in a quick and cost effective manner. New store openings have an important role in delivering our strategic objective to increase utilisation of our manufacturing facility. However, whilst we continue to consider new opportunities no additional store openings are currently planned.

Other key developments in the period included the purchase of the freehold of our Hungerford store for £150,000, funded through a new facility from our bankers, Barclays. Although this will not have a significant impact on annual operating costs, the acquisition enabled us to secure continued tenancy, on favourable terms, at one of our flagship stores.

Financial performance

The profit before taxation, share based payments and interest was £219,000 compared to a profit of £8,000 in 2010. This was driven by a strong sales performance, which increased by 16% to £6,224,000 (2010-£5,355,000). This includes the contribution from new store openings, of which one opened at the end of the previous year and one during the year under review. Excluding the impact of these, the like-for-like sales growth in the year was 0.1%. The overall gross profit margin of the business was consistent at 53.6% compared to 53.0% in 2010.

The charge in respect of share based payments for the year amounted to £55,000 (2010-£154,000). Your Board continues to believe the arbitrary nature of this accounting methodology means that this resulting charge has little meaningful relevance to the reported financial results.

In consultation with our auditors we have changed our accounting policy this year relating to showroom display units and appliances. Such items are now capitalised as fixed assets, which has had the impact of reducing operating profits by the depreciation charge of £25,000 compared to the previous policy of treating them as stock. Last years results have been similarly restated, which has reduced previously reported operating profits by £23,000. The Board believe the new policy represents a prudent approach to accounting for the items.

Net cash inflow from operating activities was £355,000 (2010-£131,000 inflow) and at the balance sheet date, cash at bank stood at £809,000 (2010-£818,000).

Capital expenditure in the period was £501,000 (2010-£436,000) principally comprising the acquisition of the Hungerford freehold, installation of a new mezzanine floor in the Wantage factory, the development of the Beaconsfield store and general improvements to the store estate.

Current trading

The current year started strongly with year-on-year sales growth during the first quarter. However, the length of our sales cycle means this performance was driven by customer purchasing decisions taken a number of months ago. Consequently, it is not necessarily reflective of current sentiment and we are undoubtedly seeing signs of a further erosion in customer confidence, which translates into a weaker forward order book. It is too early to determine whether this is a temporary reduction but we are closely monitoring the situation and are ready to take decisive action should it become necessary.

Outlook

Your Board is pleased with the progress the company has made in recent years, which has been achieved against a difficult economic backdrop. However, the overall economic situation remains very fragile and, like many businesses, we are heavily dependent upon the prevailing level of consumer confidence. Current trading indicates this is continuing to erode and so we must remain vigilant to the threat that this presents.

We are cautious about the prospects for the current year and, in particular, the impact on our business should the UK economy re-enter recession. In light of this we are maintaining tight control over overhead expenditure while recognising the need to continue to invest in the business if we are to deliver long-term shareholder growth. The winter sale has always been a key trading period for our business but the outturn in the current year will be equally influenced by the extent to which delayed or deferred customer orders return later in the year. It is simply too soon to state with any certainty whether this is likely to be the case.

I would again like to pay testament to the support of our employees who have been instrumental in delivering the positive developments over the past few years. As the Company moves towards its 40th anniversary it is their commitment to making quality British made kitchens and furniture that remains at the heart of our business.

Malcolm R. Hepworth
Non Executive Chairman

16 December 2011

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 August 2011.

Principal activities

The principal activity of the Company continues to be that of the design, manufacture, retail and installation of kitchens, free standing furniture and accessories.

Business review

A full review of the performance of the Company for the year is given in the Chairman's Statement on pages 4 to 5.

Results and dividends

The profit for the year after taxation amounted to £151,265 (2010 as restated – £166,314 loss).

The Directors do not recommend payment of a dividend (2010 – nil).

Fixed assets

Details of the Company's fixed assets are shown in notes 10 and 11 to the financial statements on pages 24 and 25.

Political and charitable donations

Financial donations to charities and good causes during the year amounted to nil (2010: £2,700). There were no political donations (2010: nil).

Directors and their interests

As at 31 August 2011, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2011	1 September 2010
John L. Lewis	88,966,678	89,476,678
Malcolm R. Hepworth	1,250,000	1,250,000
Jonathan S. Rosby	5,923,547	5,923,547
Charlotte Hill-Baldwin	3,873,547	3,873,547
Karen Stanley	500,000	500,000

As at 31 August 2011, the option entitlements of the Directors to subscribe for new ordinary shares were:

	Total options issued	Percentage of issued share capital
John L. Lewis	-	-
Malcolm R. Hepworth	12,000,000	6.43%
Jonathan S. Rosby	8,300,000	4.44%
Charlotte Hill-Baldwin	3,000,000	1.61%
Karen Stanley	3,000,000	1.61%

Details of outstanding options are as follows:

As at 31 August 2011

*Options exercisable at 0.6p granted on 17 October 2006
exercisable 17 September 2010 -16 September 2017*

Malcolm R. Hepworth	12,000,000
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*Options exercisable at 1.23p granted on 11 December 2006
exercisable between 3 and 10 years from the date of grant*

Jonathan S. Rosby	5,000,000
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*Options exercisable at 3p granted on 22 March 2007
exercisable between 3 and 10 years from the date of grant*

Charlotte Hill-Baldwin	3,000,000
Jonathan S. Rosby	3,300,000

*Options exercisable at 0.8p granted on 22 June 2009
exercisable between 3 and 10 years from the date of grant*

Karen Stanley	3,000,000
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In accordance with the Company's articles of association, John Lewis retires by rotation and being eligible, will offer himself for re-election at the Annual General Meeting.

Substantial interests

At 16 December 2011 except for shareholdings which are disclosed in the 'Directors and their interests' paragraph above, the only shareholdings of which the Company has been notified to which there is attached 3% or more of the total voting rights at such date, are as follows:

Shareholder	Number of Ordinary shares of 0.1p each	Percentage of voting rights
Jim Nominees Limited	17,232,416	9.23%
Vidacos Nominees Limited	15,722,338	8.42%
Pershing Nominees Limited	13,975,000	7.48%

Corporate governance

As an AIM listed company, the Company is not required to comply with the Combined Code. However the Board seeks to comply with the principles of good governance and the recommendations set out in the Combined Code so far as is practicable and appropriate for a company of its size and nature.

Board meetings

The Company holds regular Board meetings throughout the year and maintains control over all appropriate strategic, financial, operational and compliance issues.

Remuneration committee

The remuneration paid to executive Directors is reviewed and approved by Malcolm Hepworth, the Company's non-executive Chairman, who is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement.

Audit committee

Malcolm Hepworth, the Company's non-executive Chairman, who is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement, acts in place of an audit committee. He is responsible for ensuring that the financial performance of the Company is properly reported upon and monitored, for meeting the auditors and reviewing the reports of the auditors relating to accounts and internal control systems.

Health and safety

High standards of health and safety management are promoted at all levels within the Company. Regular audits for compliance are carried out by independent organisations at the Company's factory and showrooms and written reports are produced for management action where appropriate.

In addition, the Company's health and safety approach is supported by training programmes and written rules relating to health and safety, all of which promote a high level of awareness and commitment within the Company.

Going concern

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The next Annual General Meeting of the Company will take place at the Company's offices at Grove Technology Park, Downsview Road, Wantage, Oxon, OX12 9FA at 4.00 pm on Monday 23rd January 2012.

Special Business

The notice of Annual General Meeting contains an ordinary resolution at resolution 5, which seeks to give the Directors power to allot shares up to a maximum aggregate nominal amount of £62,248.51 and which, if passed, would mean the Directors may allot and issue up to 62,248,510 new Ordinary shares of 0.1p each, representing approximately one third of issued Ordinary share capital of the Company at the date of the notice of Annual General Meeting.

The notice of Annual General Meeting also contains a special resolution at resolution 6 which seeks to give the Directors power to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 2006 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 4 above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £18,674.55 representing 18,674,550 Ordinary shares of 0.1p each, otherwise than pro-rata to existing shareholders.

Other than pursuant to the exercise of any share option, the Directors have no present firm intention of issuing any further new Ordinary shares.

In certain circumstances it may be advantageous for the Company to purchase its own Ordinary shares. Accordingly, the notice of Annual General Meeting contains a special resolution at resolution 7, seeking authority for the Company to purchase up to 28,011,827 of its own shares in the market. The resolution specifies the minimum and maximum prices which may be paid for Ordinary Shares purchased under this authority. The authority will expire at the conclusion of the Company's annual general meeting in 2012, or if earlier, 12 months from the date of passing the resolution. The Directors consider it desirable for this general authority to be made available as it will provide additional flexibility in the management of the Company's capital resources. However, the Directors do not currently have any intention of exercising the authority granted by this resolution.

Financial Instruments

The Company's principal financial instruments comprise cash at bank or in hand, three bank loans and various items such as trade debtors and creditors, which arise directly from its operations. It is Company policy that no trading in financial instruments shall be undertaken.

The Company's operations expose it to a variety of financial risks and the Directors have identified that the main risk to the Company is from interest rate movements.

The Company is exposed to cash flow interest risk on its floating rate deposits and its bank loans.

Cash and borrowing requirements are managed centrally to maximise interest income and minimise interest exposure, whilst ensuring that the Company has sufficient liquid resources to meet the operating needs of its activities.

Investments of cash surpluses, borrowings and other financial instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. Customers are not traded with on credit terms.

Creditor payment policy

The Company's policy is to agree the terms of payment with key suppliers on an annual basis. For all other suppliers, terms are agreed for each transaction. The Company endeavours to abide by the terms of payment agreed with suppliers.

At the year-end the Company's trade creditor days were 28 days.

Statement of disclosure of information to Auditors

The Directors of the Company who held office at the date of approval of this Annual Report as set out above each confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company’s auditors are unaware; and

- each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

Auditors

Hill Wooldridge & Co. Limited have indicated their willingness to continue as auditor. Accordingly, a resolution proposing their reappointment as auditor will be put to the members at the forthcoming Annual General Meeting.

On behalf of the Board

Jonathan S. Rosby

Director

16 December 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

To the Members of John Lewis of Hungerford plc

We have audited the financial statements (the “financial statements”) of John Lewis of Hungerford plc for the year ended 31 August 2011, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Lino Perdoni FCA (Senior Statutory Auditor)

For and on behalf of

Hill Wooldridge & Co. Limited
Statutory Auditor & Chartered Accountants
107 Hindes Road
Harrow
Middlesex HA1 1RU

16 December 2011

FINANCIAL STATEMENTS

Profit and Loss Account for the year ended 31 August 2011

	<i>Notes</i>	2011 £	2010 <i>As restated</i> £
Turnover		6,224,331	5,355,128
Cost of sales		<u>(2,888,346)</u>	<u>(2,516,380)</u>
Gross profit		3,335,985	2,838,748
Selling and distribution costs		(396,693)	(474,575)
Administrative expenses			
Share based payments	20	(54,527)	(154,336)
Other		<u>(2,720,109)</u>	<u>(2,355,903)</u>
Total	2	(2,774,636)	(2,510,239)
Operating profit / (loss) before share based payments			
		219,183	8,270
Operating profit/(loss)	3	164,656	(146,066)
Interest receivable and similar income	6	3,786	3,507
Interest payable and similar charges	7	<u>(32,535)</u>	<u>(7,708)</u>
Profit/(loss) on ordinary activities before taxation		135,907	(150,267)
Tax on profit/(loss) on ordinary activities	8	<u>15,358</u>	<u>(16,047)</u>
Retained Profit/(loss) for the financial year		<u><u>151,265</u></u>	<u><u>(166,314)</u></u>
Earnings per share	9		
Basic		0.08p	(0.09)p
Fully diluted		0.08p	(0.09)p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Statement of Total Recognised Gains and Losses for the year ended 31 August 2011

		2011	2010
	<i>Notes</i>	£	<i>As restated</i>
			£
Net profit/(loss) for the financial year		<u>151,265</u>	<u>(166,314)</u>
Total recognised gains and losses relating to the year		<u>151,265</u>	<u>(166,314)</u>
Prior year adjustment	<i>1</i>	<u>(66,427)</u>	
Total recognised gains and losses since last annual report		<u><u>84,838</u></u>	

Balance Sheet as at 31 August 2011

		2011	2010
	<i>Notes</i>	£	<i>As restated</i> £
Fixed assets			
Intangible assets	<i>10</i>	32,722	7,872
Tangible assets	<i>11</i>	<u>2,463,006</u>	<u>2,255,760</u>
		2,495,728	2,263,632
Current assets			
Stocks	<i>12</i>	219,364	165,331
Debtors	<i>13</i>	299,834	272,853
Cash at bank and in hand		<u>809,247</u>	<u>818,015</u>
		1,328,445	1,256,199
Creditors: amounts falling due within one year			
	<i>14</i>	(1,241,682)	(1,252,937)
Net current assets		<u>86,763</u>	<u>3,262</u>
Total assets less current liabilities			
		2,582,491	2,266,894
Creditors: amounts falling due after more than one year			
	<i>15</i>	(591,715)	(477,515)
Provisions for liabilities and charges			
	<i>16</i>	<u>(10,213)</u>	<u>(16,047)</u>
Net assets		<u><u>1,980,563</u></u>	<u><u>1,773,332</u></u>
Capital and reserves			
Called up share capital	<i>19</i>	186,745	186,745
Share premium account	<i>21</i>	1,188,021	1,188,021
Other reserves	<i>21</i>	1,421	1,421
Profit and loss account	<i>21</i>	<u>604,376</u>	<u>397,145</u>
Shareholders' funds			
- all equity interests	<i>22</i>	<u><u>1,980,563</u></u>	<u><u>1,773,332</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2011 and were signed on its behalf by:

Malcolm R. Hepworth
Director

Jonathan S. Rosby
Director

Cash Flow Statement for the year ended 31 August 2011

		2011	2010
	<i>Notes</i>	£	<i>As restated</i> £
Net cash inflow from operating activities	23	355,154	131,354
Returns on investments and servicing of finance			
Interest and similar income received		3,786	3,507
Interest paid		<u>(32,535)</u>	<u>(7,708)</u>
Net cash outflow from returns on investments and servicing of finance		(28,749)	(4,201)
Corporation tax refunded		9,524	48,034
Capital expenditure			
Payments to acquire intangible fixed assets		(28,808)	-
Receipts from disposals of tangible fixed assets		27,788	60,486
Payments to acquire tangible fixed assets		<u>(472,449)</u>	<u>(436,182)</u>
Net cash outflow from capital expenditure		(473,469)	(375,696)
Equity dividends paid		<u>-</u>	<u>-</u>
Net cash outflow before financing		(137,540)	(200,509)
Financing			
New bank loans advanced		153,375	500,000
Repayment of bank loans		<u>(24,603)</u>	<u>(265,931)</u>
Net cash inflow from financing		<u>128,772</u>	<u>234,069</u>
(Decrease)/increase in cash	24	<u><u>(8,768)</u></u>	<u><u>33,560</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

1.3 Changes in accounting policy and in presentation

During the year the Company changed its accounting policy relating to internally manufactured showroom display units. Previously, these assets were presented at cost as a component of stock. Although they will still ultimately be sold to customers upon the refurbishment of a showroom, given the length of time that these assets are typically held on the balance sheet, the Directors now consider that it is more appropriate to present these assets as tangible fixed assets to be depreciated over their useful economic lives. The effect of this change in accounting policy is to reduce profit after tax in the current year by £25,641 (2010: £23,342) and to reduce net assets as at 31 August 2011 by £80,152.

1.4 Turnover

Turnover represents the amount derived from the provision of goods and services during the year after deduction of trade discounts and Value Added Tax.

1.5 Trademarks

Trademarks are stated at cost less amortisation to date. Amortisation is provided so as to write off their cost over the expected useful life of 10 years.

1.6 Development costs

Development costs are stated at cost less amortisation to date. Amortisation is provided so as to write off their cost over the expected useful life of 10 years.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less amortisation to date. Amortisation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life,

Freehold property	2% straight line
Plant & machinery and loose tools	10% straight line
Fixtures, fittings & equipment/Computers	10% - 33% straight line
Showroom display & shop fittings	33% reducing balance and 10% straight line
Development costs	10% straight line

No depreciation is provided in respect of freehold land. The costs of acquiring showroom leases are included in the cost of showroom display units and shop fittings.

1.8 Leasing

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.9 Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition.

The purchase cost of raw materials is calculated on a first in first out basis. The cost of work in progress includes an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.10 Pensions

The Company operates a defined contribution group personal pension scheme for its employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The Company also contributed to one Director's defined contribution personal pension scheme.

1.11 Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.12 Share Based Payments

The Company issues equity settled share based payments to certain Directors and employees. These payments are measured at fair value at the date of grant. The fair value determined is then expensed on a straight line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest and adjusted for the effect of non market-based vesting conditions.

1.13 Financial Instruments

Financial Instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument.

Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument.

The Company policy is that no trading in financial instruments shall be undertaken.

1.14 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

2 ADMINISTRATIVE EXPENSES

	2011	2010
	£	<i>As restated</i> £
General administrative expenses	2,683,687	2,318,532
Public listing costs	<u>36,422</u>	<u>37,371</u>
	2,720,109	2,355,903
Share based payments (note 20)	54,527	154,336
	<u>2,774,636</u>	<u>2,510,239</u>

3 OPERATING PROFIT/(LOSS)

	2011	2010
	£	<i>As restated</i> £
Operating loss is stated after charging:		
Amortisation of intangible fixed assets	3,958	4,366
Depreciation of owned tangible fixed assets	230,940	194,536
Foreign exchange (profit)/loss	(1,196)	1,325
Operating lease rentals		
- Plant and machinery	10,657	10,525
- Other assets	311,516	262,392
Auditors' remuneration	<u>12,000</u>	<u>12,000</u>

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	<i>Salary/</i> <i>fees</i>	<i>Benefits in</i> <i>kind</i>	<i>Pension</i> <i>contribution</i>	<i>Total</i> 2011	<i>Total</i> 2010
	£	£	£	£	£
Jonathan S. Rosby	102,060	2,022	8,240	112,322	101,693
Charlotte Hill-Baldwin	77,630	664	-	78,294	63,281
Karen Stanley	62,965	45	2,666	65,676	57,492
Malcolm R. Hepworth	25,000	-	-	25,000	25,000
Keith A. Bentley	-	-	-	-	5,060
John L. Lewis	40,000	3,767	-	43,767	29,586
	<u>307,655</u>	<u>6,498</u>	<u>10,906</u>	<u>325,059</u>	<u>282,112</u>

Retirement benefits are accruing to 2 (2010 - 1) Directors under defined contribution schemes. There are 2 Directors (2010 - 2) who have shares receivable under long term incentive schemes. Details of share options held by Directors are set out in the Directors' Report on page 7

Details of the Directors' interests in the long term share incentive plan are set out below.

	<i>Number of shares at 01.09.10 and 31.08.11</i>
Jonathan S. Rosby	3,773,547
Charlotte Hill-Baldwin	<u>3,773,547</u>
	<u>7,547,094</u>

The share awards were granted on 11 February 2008 and vested on 10 February 2011

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2011	2010
	Number	Number
Directors	5	6
Production	18	15
Sales and distribution	30	27
Administration	4	4
	<u>57</u>	<u>52</u>
	2011	2010
	£	£
<i>Employment costs</i>		
Wages and salaries	1,588,814	1,350,687
Social security costs	164,339	141,363
Other pension costs	20,909	16,158
	<u>1,774,062</u>	<u>1,508,208</u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2011 £	2010 £
Bank interest	3,786	3,507
	<u>3,786</u>	<u>3,507</u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
Interest payable on bank loans	32,535	14,811
Revision to mortgage interest charge in previous years	-	(7,103)
	<u>32,535</u>	<u>7,708</u>

8 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2011 £	2010 £
Current year taxation		
UK Corporation tax (credit)/charge for the year	-	-
Adjustment in respect of prior year - UK	(9,524)	-
	<u>(9,524)</u>	-
Total current tax	(9,524)	-
Deferred taxation	(5,834)	16,047
	<u>(15,358)</u>	<u>16,047</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2011 £	2010 <i>As restated</i> £
Profit/(loss) on ordinary activities before tax	<u>135,907</u>	<u>(150,267)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010: 28%)	35,336	(42,075)
Effect of:		
Expenses not deductible for tax purposes	17,111	45,977
Charges allowable for corporation tax	(2,779)	-
Tax losses carried forward	-	4,940
Tax losses utilised in year	(44,870)	-
Capital allowances in excess of depreciation	(17,798)	(8,842)
Adjustment to small company tax rate	3,476	-
Current tax (credit)/charge for the year	<u>(9,524)</u>	<u>-</u>

9 EARNINGS PER SHARE

	2011	2010 <i>As restated</i>
Earnings/(loss) per ordinary share is calculated as follows:		
<i>Basic</i>		
Profit/(loss) attributable to ordinary shareholders (£)	151,265	(166,314)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Earnings/(loss) per ordinary share	<u>0.08 p</u>	<u>(0.09)p</u>
<i>Fully diluted</i>		
Profit/(loss) attributable to ordinary shareholders (£)	151,265	(166,314)
Weighted average number of ordinary shares in issue	190,512,235	186,745,519
Earnings/(loss) per ordinary share	<u>0.08 p</u>	<u>(0.09)p</u>

10 INTANGIBLE FIXED ASSETS

Cost	Development		Total £
	Trademarks £	Costs £	
At 1 September 2010	55,874	-	55,874
Additions	-	28,808	28,808
At 31 August 2011	<u>55,874</u>	<u>28,808</u>	<u>84,682</u>
Amortisation			
At 1 September 2010	48,002	-	48,002
Charge for the year	2,793	1,165	3,958
At 31 August 2011	<u>50,795</u>	<u>1,165</u>	<u>51,960</u>
Net book value			
At 31 August 2011	<u>5,079</u>	<u>27,643</u>	<u>32,722</u>
At 31 August 2010	<u>7,872</u>	-	<u>7,872</u>

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Total
<i>Cost</i>	£	£	£	£	£
At 1 September 2010 - <i>as restated</i>	1,513,119	1,741,852	247,058	226,804	3,728,833
Additions	154,145	275,597	19,825	22,882	472,449
Disposals	-	(43,579)	-	(5,635)	(49,214)
At 31 August 2011	1,667,264	1,973,870	266,883	244,051	4,152,068
<i>Depreciation</i>					
At 1 September 2010 - <i>as restated</i>	243,674	946,968	144,336	138,095	1,473,073
Charge for the year	20,447	163,147	16,592	30,754	230,940
Disposals	-	(11,916)	-	(3,035)	(14,951)
At 31 August 2011	264,121	1,098,199	160,928	165,814	1,689,062
<i>Net book value</i>					
At 31 August 2011	1,403,143	875,671	105,955	78,237	2,463,006
At 1 September 2010 - <i>as restated</i>	1,269,445	794,884	102,722	88,709	2,255,760

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2010 - £503,624).

Included in showroom display & shop fittings are assets with a total value of £nil (2010: £6,907) which have not yet been brought into use. No depreciation has been charged on these assets.

12 STOCKS AND WORK IN PROGRESS

	2011	2010
	£	<i>As restated</i> £
Raw materials and consumables	51,789	125,954
Work in progress	167,575	39,377
	<u>219,364</u>	<u>165,331</u>

13 DEBTORS

	2011	2010
	£	£
Trade debtors	91,309	63,480
Other debtors	74,707	60,904
Prepayments and accrued income	<u>133,818</u>	<u>148,469</u>
	<u>299,834</u>	<u>272,853</u>

Other debtors includes lease deposits totalling £40,575 (2010: £40,575) which are recoverable after more than one year.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011	2010
	£	£
Bank loans	36,682	22,110
Payments received on account	348,839	282,379
Trade creditors	356,904	607,376
Other taxes and social security costs	198,005	137,926
Other creditors	3,194	4,757
Accruals and deferred income	<u>298,058</u>	<u>198,389</u>
	<u>1,241,682</u>	<u>1,252,937</u>

The bank loans are secured by a legal charge over the Company's freehold property.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011	2010
	£	£
Bank loans	<u>591,715</u>	<u>477,515</u>
Analysis of loan repayments:		
In one year or less	36,682	22,110
In more than one year but not more than two years	39,380	23,432
In more than two years but not more than five years	133,230	79,935
In more than five years	<u>419,105</u>	<u>374,148</u>
	<u>628,397</u>	<u>499,625</u>

The Bank loans are secured by a legal charge over the Company's freehold property.

16 PROVISIONS FOR LIABILITIES AND CHARGES

		Deferred taxation £
Balance at 1 September 2010		16,047
Accelerated capital allowances	(39,771)	
Share based payments	13,862	
Tax losses carried forward	<u>20,075</u>	
Profit and loss account charge/(credit)		<u>(5,834)</u>
Balance at 31 August 2011		<u><u>10,213</u></u>

The provision for deferred taxation consists of the following amounts:

	2011 £	2010 £
Capital allowances in excess of depreciation	77,591	117,362
Share based payments	(20,435)	(34,297)
Tax losses carried forward	<u>(46,943)</u>	<u>(67,018)</u>
	<u><u>10,213</u></u>	<u><u>16,047</u></u>

17 PENSION COSTS

The Company operates defined contribution group personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £12,669 (2010 – £7,918). The Company has also made contributions to one Directors personal pension schemes of £8,240 (2010 – £8,240).

18 FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, three bank loans and various items such as trade debtors and creditors, which arise directly from its operations. Short term debtors and creditors have been excluded from the following disclosures.

The main risks to the Company are from interest rate and foreign currency movements.

Interest Rate Risk

The Company finances its operations through a mixture of retained profits, bank overdraft and bank loans. The Company's exposure to interest rate risk currently applies only to the interest received on cash deposits and the interest paid on bank loans. The Company does not believe that exposure to interest rate risk from this area is significant.

Interest rate risk profile

The interest rate profile of the financial assets and liabilities at each year end were as follows:

	2011	2010
	£	£
Floating rate cash and deposits	809,247	818,015
Fixed rate loans	239,636	249,625
Floating rate loans	<u>388,761</u>	<u>250,000</u>

Foreign Currency Risk

The Company's functional currency is Sterling. During the period the Company maintained foreign currency balances in the Netherlands. The Company does not believe that its exposure to movements in the Euro/Sterling exchange rate is significant.

The Company does not currently enter into or hold hedging instruments of any description. The Company does not have material monetary liabilities in currencies other than its functional currency.

Financial Assets

The Company's financial assets comprise cash at bank or in hand. Cash at bank earns interest at floating rates, based on the relevant banks' commercial rates. Cash at bank and in hand comprises £790,045 in Sterling, and £19,202 held in Euros giving a total in Sterling of £809,247.

Financial Liabilities

The Company's financial liabilities comprise three bank loans. The first loan is repayable over 15 years from 4th February 2010 and carries interest at a floating annual rate of 4.55% over Bank of England base rate. The first loan has a value of £238,761 denominated in Sterling.

The second loan is repayable over 15 years from 22nd March 2010 and carries interest at a fixed rate of 7.55% per annum for a period of 10 years and thereafter at a floating rate linked to the Bank of England base rate. The second loan has a value of £239,636 denominated in Sterling.

The third loan is repayable over 10 years from 24th August 2011 and carries interest at a floating annual rate of 4.8% over Bank of England base rate. The third loan has a value of £150,000 denominated in Sterling.

The fair value of the Company's financial assets and liabilities is not materially different from the carrying values in the Company's Balance Sheet.

Maturity of financial liabilities

The maturity profile of the financial liabilities at each year end is set out in note 15.

Borrowing facilities

The Company had the following un-drawn committed borrowing facilities at 31 August.

	2011 £	2010 £
Expiry date:		
In one year or less	<u>250,000</u>	<u>250,000</u>

19 SHARE CAPITAL

	2011 £	2010 £
Authorised		
250,000,000 Ordinary shares of 0.1p each	<u>250,000</u>	<u>250,000</u>
	2011 £	2010 £
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	<u>186,745</u>	<u>186,745</u>

At 31 August 2011 15,722,338 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust. At that date those shares had a market value of 0.775 pence each.

Share options

Details of share options are disclosed in the 'Directors and their interests' paragraph of the Directors' Report.

20 SHARE BASED PAYMENTS

During the year ended 31 August 2011 the Company provided share-based incentive arrangements to the Board of Directors. Share option arrangements are individual, stand-alone agreements between the Company and each member of the Board.

The Company has also established an Employee Share Incentive Plan for the purpose of providing share-based incentive awards to Directors, management and employees. Shares awarded under the Plan are awarded free of charge to the recipient but will be forfeited if the person to whom the award is made leaves the Company's employment within three years of the date of award. In accordance with UITF abstract 38 Accounting for ESOP Trusts, consideration paid for unvested shares held within the JLH plc Employee Benefit Trust has been treated as a deduction from shareholders' funds. The reversal of this adjustment as shares are sold has resulted in an increase in shareholders' funds of £1,439 for the year (2010 – £nil). Other assets and liabilities of the JLH plc Employee Benefit Trust have been recognised as assets and liabilities of the Company.

All options were valued using a Black-Scholes option pricing model. The fair value per option granted between 1 September 2006 and 31 August 2011 and the assumptions used in the calculation are as follows:

<i>Date of grant</i>	<i>17.10.2006</i>	<i>11.12.2006</i>	<i>22.03.2007</i>	<i>22.06.2009</i>
Number of options granted	12,000,000	10,000,000	6,300,000	3,000,000
Share price (mid market)	£0.0140	£0.0123	£0.0300	£0.0080
Bid price discount	6%	6%	6%	6%
Share price at date of grant	£0.0132	£0.0116	£0.0282	£0.0075
Option Exercise Price (£)	£0.0060	£0.0123	£0.0300	£0.0080
Expected Life of options in years	4.5	3.5	3.5	3.5
Volatility	40.00%	40.00%	40.00%	70.00%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	4.75%	4.75%	5.25%	0.50%
Black Scholes fair value	£0.0088	£0.0039	£0.0095	£0.0036

The estimated volatility is based on historical volatility. The expected life is the average expected period to exercise. The estimate of risk free rate is based on UK base rates.

The fair value of awards made under the Employee Share Incentive Plan are as follows:

<i>Date of award</i>	<i>01.01.2008</i>	<i>11.02.2008</i>
Share price at date of award	£0.0300	£0.0265
Fair value per share	£0.0300	£0.0265

Shares awarded under the plan are as follows

Date of award	Number of shares
01 January 2008	6,670,622
11 February 2008	7,547,094
Total	14,217,716

As at 31 August 2011 the number of shares held by the Employee Share Incentive Plan Trust was 15,772,338

The reconciliation of option movements over the year to 31 August 2011 is shown below:

	<i>Number of options</i>	<i>Weighted average exercise price</i>
Outstanding at 1 September 2010	26,300,000	£0.0132
Granted	-	
Lapsed	-	
Exercised	-	
Outstanding at 31 August 2011	26,300,000	£0.0132
Exercisable at 31 August 2011	23,300,000	£0.0138

The options outstanding at 31 August 2011 have an exercise price in the range £0.006 to £0.03 and have a weighted average remaining contractual life of 2.34 years.

The charge for the year relating to share based payments was made up as follows:

	2011	2010
	£	£
Equity settled share based payments - share options	4,827	56,831
Equity settled share based payments - Employee Share Incentive Plan	49,700	96,024
Total share based payments charge	<u>54,527</u>	<u>152,855</u>
Deferred tax credit/(charge) relating to share based payments	<u>(13,862)</u>	<u>13,771</u>

Of the total share based payments charge, £34,574 (2010 – £110,395) related to equity-settled share based payments to Directors.

21 RESERVES

	Share premium account	Other reserves	Profit and loss account	Total
Balance at	£	£	£	£
01 September 2010 - <i>as restated</i>	1,188,021	1,421	397,145	1,586,587
Profit for the year	-	-	151,265	151,265
Share based payments	-	-	54,527	54,527
Shares held in Employee Benefit Trust sold or vested		-	1,439	1,439
Balance at 31 August 2011	<u>1,188,021</u>	<u>1,421</u>	<u>604,376</u>	<u>1,793,818</u>

During the prior year, the directors transferred the balance on the share based payment reserve to the profit and loss account reserve to present the annual share based payment charges in line with common accounting treatment.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds as previously stated	1,773,332	1,828,395
Effect of change in accounting policy	-	(43,085)
Opening shareholders' funds as restated	<u>1,773,332</u>	<u>1,785,310</u>
Profit/(loss) for the financial year as reported	151,265	(142,972)
Effect of change in accounting policy on prior year loss	-	(23,342)
Share based payments	54,527	154,336
Shares held in Employee Benefit Trust sold	1,439	-
Net addition to shareholders' funds	<u>207,231</u>	<u>(11,978)</u>
Closing shareholders' funds	<u><u>1,980,563</u></u>	<u><u>1,773,332</u></u>

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2011	2010
	£	<i>As restated</i>
		£
Reconciliation to operating profit:		
Operating profit/(loss)	164,656	(146,066)
Amortisation of intangible fixed assets	3,958	4,366
Depreciation of tangible fixed assets	230,940	194,536
Share based payments	54,527	154,336
(Increase)/decrease in stocks	(54,033)	11,794
(Increase)/decrease in debtors	(24,709)	13,157
Decrease in creditors and provisions	(26,660)	(97,419)
Loss /(profit) on disposal of tangible fixed assets	<u>6,475</u>	<u>(3,350)</u>
	<u><u>355,154</u></u>	<u><u>131,354</u></u>

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2011	2010
	£	£
(Decrease)/increase in cash	(8,768)	33,560
Cash (inflow)/outflow from increase in debt	<u>(128,772)</u>	<u>(234,069)</u>
	<u>(137,540)</u>	<u>(200,509)</u>
Net funds at 1 September 2010	<u>318,390</u>	<u>518,899</u>
Net funds at 31 August 2011	<u><u>180,850</u></u>	<u><u>318,390</u></u>

25 ANALYSIS OF NET FUNDS

	<i>At</i>			<i>At</i>
	<i>1 September</i>	<i>Cash</i>	<i>Non-cash</i>	<i>31 August</i>
	<i>2010</i>	<i>Flow</i>	<i>changes</i>	<i>2011</i>
	£	£	£	£
Cash at bank and in hand	818,015	(8,768)	-	809,247
Loans due after one year	(477,515)	(114,200)	-	(591,715)
Loans due within one year	<u>(22,110)</u>	<u>(14,572)</u>	-	<u>(36,682)</u>
	<u>318,390</u>	<u>(137,540)</u>	-	<u><u>180,850</u></u>

26 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2011 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2011 £	2010 £	2011 £	2010 £
Expiry date:				
Within one year	41,500	31,500		-
Between two and five years	61,550	64,250	8,993	3,940
In over five years	220,650	213,650	1,664	-
	<u>323,700</u>	<u>309,400</u>	<u>10,657</u>	<u>3,940</u>

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc ("the Company") will be held at the Company's offices at Grove Technology Park, Downsview Road, Wantage, Oxon, OX12 9FA at 4.00 p.m. on Monday 23rd January 2012 for the following purposes:

As Ordinary Business

1. To receive, consider and, if approved, adopt the Company's annual accounts for the financial year ended 31 August 2011 together with the Directors' report and Auditors' report thereon.
2. To re-appoint Hill Wooldridge & Co. Limited as auditor to the Company, to hold office from the conclusion of the meeting until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.
3. To re-elect as a Director, John Lewis, who retires by rotation, in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.

To transact any other ordinary business of the Company.

As Special Business

To consider and if thought fit pass the following resolutions which will be proposed as to resolution 4 as an ordinary resolution and as to resolutions 5 and 6 as special resolutions:

4. (a) That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") provided that this authority shall be limited to relevant securities up to an aggregate nominal amount of £62,248.51 representing approximately one third of the nominal value of the issued ordinary share capital of the Company and unless previously revoked, varied or extended, this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and the date of twelve months from the date of passing this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired,

and further,

- (b) That the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the company to allot equity securities (within the meaning of Section 560 of the Act) in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them up to an aggregate nominal amount of £62,248.51 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
5. That, subject to the passing of resolution 4, the directors be and they are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the

Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 4 above, as if section 561(1) of the Act did not apply to such allotment provided that:

- (a) the power conferred by this resolution shall be limited to:
- (i) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws or requirements of any regulatory body or stock exchange; and
 - (ii) the allotment, otherwise than pursuant to sub-paragraph (a) (i) above, of equity securities up to an aggregate nominal value equal to £18,674.55, representing approximately 10% of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 August 2011; and
- (b) unless previously revoked, varied or extended, this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company, except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.
6. That the Company be and is hereby unconditionally and generally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 0.1p each ("Ordinary Shares") on such terms and in such manner as the directors shall determine, provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 28,011,827 representing approximately 15% of the Company's issued ordinary share capital as shown in the audited accounts of the Company for the year ended 31 August 2011;
 - (b) the minimum price which may be paid for any such Ordinary Share (exclusive of expenses and tax) shall be the nominal value thereof;
 - (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market quotations for an Ordinary Share as derived from the AIM Appendix of the Daily Official List of London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
 - (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 12 months after the date of the passing of this resolution, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority (either wholly or partly) whereupon the Company may complete such a purchase even though the authority has terminated.

By Order of the Board

Capita Company Secretarial Services Limited

Company Secretary

Dated: 16 December 2011

Registered Office:
Grove Technology Park
Downsview Road
Wantage
Oxfordshire
OX12 9FA

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, your proxy form must be:
 - completed and signed;
 - sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham, Kent, BR3 4TU; and
 - received by Capita Registrars no later than 4.00 p.m. on Saturday 21 January 2012.
7. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.
8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.
9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.
11. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 21 January 2012 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 21 January 2012 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

12. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:

- to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question, or;
- it is undesirable in the interests of the company or the good order of the meeting to answer the question.

13. Under section 338 of the Companies Act 2006, members meeting the threshold requirements in that section have the right to require the Company to give members notice of a resolution which may properly be moved and is intended to be moved at that meeting. A resolution can be properly moved unless (i) the resolution would not, if passed, be effective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); or (ii) the resolution is defamatory of any person or is frivolous or vexatious.

14. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

15. Resolution 4 – Under section 551 of the Companies Act 2006, the directors must not exercise any powers of the Company to allot relevant securities unless authorised to do so by the Company in general meeting. At the AGM held on 31 January 2011, members gave authority to the directors, which will expire on conclusion of the meeting, to allot a maximum of £62,248.51 in nominal amount of relevant securities. Resolution 5 (a) replaces the authority granted in 2011. Paragraph (a) of Resolution 5, to be proposed as an ordinary resolution, grants the directors authority to allot relevant securities until the conclusion of the annual general meeting to be held in 2012, unless the authority is renewed or revoked prior to such time. In accordance with guidance issued by the Association of British Insurers institutional shareholder voting guidelines, this authority is limited to the allotment of relevant securities with an aggregate nominal value of £62,248.51 which is equivalent to approximately one-third of the issued ordinary share capital of the Company as at the date of this notice. Paragraph (b) of resolution 5 to be proposed as an ordinary resolution, is a new authority sought and is in line with guidance issued by the Association of British Insurers. It grants the directors authority to allot shares in connection with a rights issue to existing shareholders in proportion (as nearly as practicable) to their existing holdings, up to an aggregate nominal amount of £62,248.51 which is equivalent to approximately one-third of the issued ordinary share capital of the Company as at the date of this notice

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the 2012 AGM.

16. Resolution 5 - Section 561(1) of the Companies Act 2006 requires that equity securities proposed to be allotted for cash are first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1). Resolution 6 to be proposed as a special resolution and in accordance with guidance issued by the Association of British Insurers institutional shareholder voting guidelines, empowers the directors to allot equity securities up to an aggregate nominal value of £18,674.55, being equal to approximately 10 per cent. of the Company's issued ordinary share capital as at the date of this notice, for cash without first offering them to existing shareholders.

This authority will expire at the conclusion of the 2012 AGM.

17. Resolution 6 - It is customary for public companies to maintain authorities to make limited purchases of their own shares. At the AGM held on 31 January 2011, the members granted authority for the Company to buy up to a maximum of £28,011.87 in nominal value of ordinary shares. Resolution 7 renews and replaces that authority (which expires at the meeting) and will authorise the purchase of up to £28,011.87 in nominal value of ordinary shares, representing approximately 15 per cent. of the Company's current issued ordinary share capital as at the date of this notice. This renews the Company's existing authority to make such purchases which expires at the meeting.

The board has no present intention of exercising the authority to make market purchases.