John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2017

Registered number

01317377

John Lewis of Hungerford plc

Annual Report and Financial Statements 2017

STRATEGIC REPORT

Company Information

Directors:
Gary O'Brien
(Non-Executive Chairman)
Kiran Noonan
(Chief Executive Officer)
James Barnard
(Non-Executive Director)

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

Secretary:
Link Company Matters 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:
Smith & Williamson Corporate
Finance Limited
25 Moorgate
London EC2R 6AY

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

Registrars:
Link Market Services Limited
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:
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STRATEGIC REPORT

Company Profile

John Lewis of Hungerford plc designs, manufactures, retails and installs kitchens, Bedrooms, freestanding furniture and architectural components direct to the public from its own Showrooms throughout the United Kingdom.

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

In addition the Company has operated an on-line business, under the name of Just Doors for replacement kitchen cabinet doors. This was managed through a licensing agreement set up in January 2010. This agreement will terminate on 31 January 2018.

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

www.john-lewis.co.uk

Risk Management

The Directors are required under Section 414 of the Companies Act 2006 to describe the principal risks and uncertainties facing the Company. The risk management process is closely aligned to our business strategy. Risk is an inherent part of doing business and the management of risk is based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact of any risks.

Business continuity and major incidents response

Risk A major incident or catastrophic event could impact on the Company's ability to trade.

Mitigation The Company has detailed plans in place, supported by senior management and the operational Board of Directors, to enable appropriate decisions to be made in the event of a potentially disruptive incident. The business continuity plan is reviewed on a regular basis to ensure that it remains fit for purpose.

Business Strategy

Risk If the Board adopts the wrong business strategy or does not communicate or implement its strategies effectively, the business may be negatively impacted. Risks to delivering the strategy need to be properly understood and managed to deliver long-term growth for the benefit of all stakeholders.

Mitigation A clear strategy remains in place with our key area of focus being the development of the business and improving operational efficiency to deliver greater profitability and improved shareholder value.

IT Systems and Infrastructure

Risk The Company is reliant on its IT systems and operational infrastructure in order to trade efficiently. Failure of the systems could have a short term impact on the business.

Mitigation The Company has controls in place to maintain the integrity and efficiency of its systems including detailed recovery plans in the case of a failure.

Employee Engagement, retention and capability

Risk The Company has a fairly small staff, all of whom are critical to the success of its business. Attracting and maintaining good relations with talented employees and investing in their training and development is essential to the efficiency and sustainability of the Company's operations.

Mitigation The Company's employment policies and remuneration and benefits packages are regularly reviewed and are designed to be competitive with other companies as well as providing employees with fulfilling career opportunities. Ongoing reviews are performed to understand the capabilities of staff and to identify any gaps in the specific skill sets required to deliver the business objectives.

Developing the business

Risk Identification of new locations and securing new properties is critical to the development and growth of the business.

Mitigation Within our day to day operations the Company is monitoring the areas identified as possible locations for new Showrooms. A property consultant is also engaged to assist with on-going searches.

STRATEGIC REPORT

Chairman's Statement

This report covers the first year since I took the role of Chairman. It has been a year of considerable change within the business and so it is particularly pleasing to be able to report a return to profitability. This reflects another strong sales performance against a backdrop of the previously reported cost reduction initiatives. Effecting operational change within a small business inevitably creates huge disruption and it is to the credit of the executive team that they have not allowed this to distract them from the running of the business.

During the year we instigated a detailed operational review including all administrative areas. Key changes include improvements in the management information produced within the business; changes in the production facility where weaknesess in our systems and processes have had a direct impact on our past profitability, together with a review of all the processes related to our customer engagements. This review helped us to identify the need to support the brand identity through improvements in our marketing collateral and also to consider the development of an internal CRM system which will assist us in our endeavours to ensure maximum customer satisfaction and recommendations.

All of this activity has been undertaken during a tough economic climate, when it has been critical to keep the business trading well, which in itself has been instrumental in keeping our employees engaged and motivated. The review has demanded a significant amount of management time, however we are already seeing the results of some of the developments across the Company, and we look forward to seeing the benefits continue to come through in the period ahead.

I would like to take the opportunity to thank all the staff for their efforts during the past year and to congratulate them on achieving the results we are reporting on today, with a particular mention to Kiran Noonan who took over the role of CEO during a transformational time for the Company. I am confident that although the uncertainty continues in the political and economic climate, we are building a strong platform for the business, which will allow us to continue to outperform the market.

Hill Wooldridge and Co. Limited, the Company’s current auditor (having served for 17 years), have informed the Company of their intention to resign as auditors in 2018.They will remain in post until the filing of the Company's annual accounts for the financial year ended 31 August 2017. Upon such resignation, the Board intends to run a formal audit tender process during 2018 to appoint a new auditor. This process will be led by the Company's Audit committee

On behalf of the Board I would like to record its deep admiration and thanks for the long service and dedication of our founder, John Lewis, who stepped down as a Non-Executive director during the year. John’s legacy will endure, as we continue to drive forward a business which creates beautiful and characterful solutions for our customers’ homes. Jim Barnard joined the Board as a new, independent, Non-Executive Director after the year end and I look forward to his contribution as we continue our drive to return the Company to sustained profitability.

Gary O'Brien
Non-Executive Chairman
8 January 2018

STRATEGIC REPORT

Chief Executive's Business Review

Overview

I am pleased to be able to report our sixth consecutive year of sales growth, achieving £8.3m (2016: 8.2m), delivered in what was widely regarded as a challenging retail environment. Whilst sales growth is an important metric we are also very mindful of the need to address the decline in our profitability over recent years. It is therefore encouraging to report an operating profit of £0.1m (2016: operating loss of £0.4m).

Key to our cost reduction programme has been ensuring that it does not compromise the high standards of customer service and product quality that our customers have always enjoyed. Our satisfaction levels have been under continuous review and have remained consistently high. These results have been achieved through the determination and resolve of our employees to identify and drive efficiencies across the entire business. This is an on-going process but the deep commitment they have shown during the year is evidence of their desire to see the Company move forward after what has been a challenging few years.

We have previously highlighted the difference in performance between our mature and newer stores. Closing the gap within the like-for-like estate from the strong performance delivered in 2014 was a priority during the year. Sales in the mature estate exceeded 2014 levels by 4%, with a renewed energy, focus and enthusiasm for these territories, which has contributed greatly to the results we report today.

Eliminating the effect of the closure of the Harrogate and Tunbridge Wells Showrooms during 2016, the like-for-like sales growth was 5%. During the year we sold 309 kitchens (2016: 314; 309 adjusting for the closed Showrooms). We have also seen a steady increase in our average order value, as a result of a movement of 2% on the level of orders installed by our Artisan Installations Service, now at 92% (2016: 90%).

The product mix continues to reflect a growing trend towards classic styles and our more contemporary offering, with its warmer handleless options. Pure is now 30% of our sales mix with our Lay-On offering now contributing 46% of sales. This is a significant shift in our product offering and has been reflected in our photography and marketing material illustrating our stunning kitchens in real customer homes.

The store portfolio shows that our London stores contribute 46% of our overall sales, with the Home Counties adding an additional 26%. The Board have begun the process of identifying potential new locations, mindful of our urban and rural opportunities.

The refit of our existing estate has continued, with Hungerford now also showcasing the Pure range. Cobham and Fulham have been enhanced to show an improved Lay-On offering to reflect the changing market opportunities. All three refits have been designed with the customer journey in mind with the desire to create real life kitchens. The Installation of our Wardrobe Collection into Winchester has been received warmly in a market lacking an offering in this area of home solutions.

Bedrooms contributed income of £325k (2016: £387k) comprising product sales and Installations from the 75 Bedrooms sold (2016: 81). The Installation charges for the Bedrooms category have been reduced in line with the market. This includes contributions from the Fulham Bedrooms Showroom and also our newly launched Winchester Bedrooms Showroom. Having rebranded the range as The Wardrobe Collection by John Lewis of Hungerford, it has re-energised the category and lifted the level of enquiries by 100%. Additionally, by focusing on the Search Engine Optimisation (SEO) of the wardrobes product, we have gained improved traction online which has further enhanced the profile. Going into the new financial year, we are planning to roll out as many wardrobe displays as we can accommodate in our Showrooms, as the benefits of having good Bedroom displays in our Showrooms to aid customer interaction and engagement with the product category have been proven to improve conversion.

	2017	*Restated* 2016
	£000	£000
Turnover	8,315	8,180
Cost of sales	(4,110)	(4,130)
Gross margin	4,205	4,050
GM%	51%	50%

The overall gross margin has been improved. Although throughout the year this has fluctuated by ± 2% primarily driven by our need to remain competitive on our bought-in goods, in particular appliances. The Board continue to monitor this area closely and ensure that efficiencies in other areas of the business allow for this slight increase in the gross margin to be further improved to prevent any adverse impact on our profitability.

Ensuring our customers are able to procure their appliances through the business ensures we are able to fully project manage the Installation for our clients. It is key that we are able to offer realistic pricing in an area that has become increasingly competitive.

Managing our margins is critical and key to our profitability. Our purchasing and our improved remedial activity are key contributors to sustaining the gross margin at this level and improving specifically our product margin below. Raw materials remain under review, along with managing expected price increases due to Brexit.

Products	2017	*Restated* 2016
	£000	£000
Turnover	7,260	7,094
Cost of sales	(3,337)	(3,328)
Gross margin	3,923	3,766
GM%	54%	53%

Product Sales include £241k (2016: £298k) relating to our Bedrooms businesses. The drop in product sales has been reflected in the mix this last year, with more small Bedrooms purchased, against larger walk-in wardrobes in the previous year, thus lowering our average order value. Numbers of Bedrooms sold have dropped marginally, although the average remains around 80 for the last 3 years. The launch of our Winchester Showroom has provided us with an additional route to market and an opportunity to re-position this product category with our online social presence. We plan to continue to invest in marketing to promote the Bedroom Category and with the roll out of more product into Showrooms that can accommodate displays, we look forward to the numbers improving as we go forward. The new financial year already shows excellent progress.

Installations	2017	2016
	£000	£000
Turnover	1,055	1,086
Cost of sales	(773)	(802)
Gross margin	282	284
GM%	27%	26%

The movement in the margin of our Installations turnover is related to our Bedrooms business, which has necessitated a need to review the charges applied to the Installation in this area. The costs for wardrobe Installations are lower than the more complex Installation of our kitchens business and as such our pricing now reflects this differential. The improvement in the margin of our Installation sales reflects the focus on ensuring a right first time Installation with minimal return visits.

Preparing for Growth in our Manufacturing Facility

The year ran almost in parallel with the previous year, with the improvement showing primarily in our third quarter. The consistency throughout the year has been strong, although the final quarter continues to create a seasonal bottle neck throughout the business. We are exploring ways to try and distribute the seasonal peak more evenly over the Summer and early Autumn. We also need to look at investments we can make to our Production Facility to boost capacity and prepare the business for growth. There are a number of areas we are looking to streamline within our production flow, together with reviewing the options available to enhance our operating model, by utilising advancements in paint technology. The finish and durability of our paint remains one of our key USP's and as such, is paramount in any decisions we will take to improve our production planning cycle.

Enhancing our Customer Experience

A key area of focus for the year has been to improve our engagement with our customers throughout the lifetime of their journey with the business. From first contact, through sale and Installation, it has become clear that there is an opportunity to build upon the good level of recommendations into the business, by remaining close to our customers as they emerge from the most stressful part of the process - the Installation. We have taken the time to produce case studies and have appeared more often in lifestyle publications, illustrating the care and attention that we provide during a difficult, yet highly emotive purchase. Our ability to project manage the complete process for our customers is something that allows the Company to remain a brand of choice for many customers. Along with my Board colleagues, we have worked hard to understand the end to end journey, and to identify areas where we can provide more reassurance and assistance in this regard. This has resulted in more targeted e-marketing, which has allowed our customers to understand how we can help turn their vision into a reality. We have produced a wealth of on-line content, including Blogs and imagery, together with Press insertions. This has helped our customers to discern our capability as a business and, improved therefore the quality of prospects we are now working with. Providing more information at the initial stages of their engagement with the brand, has helped the brand to cut through in this competitive marketplace.

To aid the sales team to deliver on our promise of a high quality engagement and final product, we have produced a new brochure. We discussed previously our need to showcase the impact that our beautiful products make on the everyday lives of our customers. The case studies demonstrate this well, and provide prospective buyers with literature that enhances the perception of the brand, by highlighting the key steps on the journey which have created a new life for our customers. It has given the sales team a tool which inspires confidence in the brand and its ability to deliver on the promise to create beautifully crafted home solutions.

Improving our Infrastructure

Our customer service levels, as measured at the point of satisfactory Installation, remain at 96% saying the service was good or very good. We are working hard to maintain and grow on this measure to ensure our customers are central to everything that we do. The delivery of a quality product has been improved, as measured by the reduction in our margin impact of errors, which is now closer to c. 2% (2016: c.3%) Having instilled a culture of continuous improvement, all areas of the Company are working collaboratively to make this a reality. By improving the dialogue between different areas, we have been reviewing any system or process which has a direct impact on our profitability. This has created a culture in which we are now talking about the right things, to grow the business in a profitable way, through enhancements to our operating model.

We have worked hard to ensure our sales people have the tools that they need by improving the IT infrastructure around the business. With a focus on the basics, we have made strides in delivering on our ambition to have excellence throughout our front line operating model.

With the Brexit negotiations continuing, we are ever mindful of the impact on our material costs. Although we only source from UK suppliers, their sourcing remains global. We are aware of the price increases already due in 2018 and are monitoring the situation closely. We have discussed previously our desire to ensure we remain competitive and as such, our comprehensive costing review has now begun in earnest. The initial data has provided the Board with meaningful information on which to base our pricing structure. There is more work to be done, however, we are moving forward with our stated objective of managing our business with increased understanding of the range profitability. As we make progress in this area, we will be able to ensure that our capacity planning is optimised and consistently profitable.

The significant improvements seen in our management reporting cycle have ensured that the Board now have meaningful accounting information, which has improved our ability to make informed decisions impacting the business performance. Working with our new senior finance team has allowed the Board to review and analyse key business drivers which affect all areas of the Company.

Looking after Our People

It has been incredibly rewarding to see our team develop, think freely and grow over this last year. We have been delighted with their contributions and suggestions across a range of internal forums and discussions, all of which have made a difference to the way in which we are operating today.

We have utilised our biggest resource by giving the staff a voice in the development of technical resources, product options and, by working collaboratively to build on new marketing collateral which we have recently launched. The team have a wealth of ideas and experience to share and we continue to draw the best of these through improvements in the way in which we engage with our workforce. We value their input and thank them for their single-mindedness in helping the business return to profit.

There is more to do, and as a small company, we must retain our talented team across all areas of the business. We continue to prioritise their emotional wellbeing, their mental health, their personal ambitions and their overall morale. It is of vital importance to the whole Board that our people feel looked after.

Current Trading and Outlook

For the new financial year, despatched sales and forward orders (which we consider to be the best measure of current trading) for Q1 stood at £2.3m (2016: £1.8m). This strong performance reflects a higher level of building projects completing in early Autumn months than we would normally expect. For this reason, we caution that it is unlikely to be an appropriate basis from which to extrapolate a full year forecast.

After the first 18 weeks of the FY18, our current sales and order book stood at £3.7m (2017: £3.3m) with a marginally improved forward order book of £1.3m (2017: £1.2m).

We remain cautious in this increasingly difficult economic climate and mindful of our need to ensure the business remains profitable. Nonetheless, we are pleased with this performance towards our half year objective. We will continue to provide regular trading updates to shareholders.

Change in financial year end

The Board is today announcing a change in the Company's financial year-end from August to June in order to address unintended, and unnecessary, challenges presented by the current reporting cycle. These include the adverse impact on employee morale from the need to restrict factory staff leave during August to oversee year-end cut-off procedures. A consequence of the change is that we will be reporting earlier to shareholders next year than would otherwise have been the case with the modified reporting cycle being as follows:

Interim results	6 months to 28 February 2018
Final results	10 months to 30 June 2018
Interim results	6 months to 31 December 2018
Final results	12 months to 30 June 2019

The Board will endeavour to provide additional financial information during this transition so as to ensure shareholders are able to monitor trading performance on a like-for-like basis.

In closing, I would like to thank each and every one of our employees for their support during my first year at the helm – I have valued their input and thank them all for their resolute determination in securing a return to profitability.

We could not have achieved this without our supplier partners, our customers and the support of our shareholders. I would like to thank them all for their continued support during this transformational year.

Kiran Noonan
Chief Executive Officer
8 January 2018

Strategic Report approval

The Strategic Report on pages 2 to 12, incorporates the sections: Company Information, Company Profile, Risk Management, the Chairman’s Statement and the Chief Executive's Business Review.
By order of the Board

Kiran Noonan
Chief Executive
8 January 2018

GOVERNANCE

Directors' Report

The Directors present their report and financial statements for the year ended 31 August 2017.

Results and dividends

The profit for the year after taxation amounted to £106,279 (2016 restated: £395,261 loss).

The Directors do not recommend payment of a dividend (2016: £nil).

Fixed assets

Details of the Company's intangible assets and property, plant and equipment are shown in notes 12 and 13 to the financial statements on pages 38 and 39.

Research and Development

The Company carries out its own development activities with regard to design and production of new ranges that complement and expand the existing product lines.

Directors and their interests

The following persons served on the Board during the year:

Kiran Noonan
Gary O'Brien *(appointed 03.11.16)*
John L. Lewis *(resigned 19.04.17)*
Jonathan S. Rosby *(resigned 30.09.16)*
Kenneth McNaught *(resigned 02.11.16)*

James Barnard was appointed as a Non-Executive Director subsequent to the year-end.

As at 31 August 2017, none of the Directors held any beneficial interests in the issued shares of the Company or any option entitlements to subscribe for new ordinary shares in the Company.

In accordance with the Company's articles of association, James Barnard retires as a Director and being eligible, will offer himself for re-election at the Annual General Meeting.

Substantial interests

On 2 January 2018 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
John L. Lewis	68,966,678	36.93%
Hargreaves Lansdown Asset Management	18,651,682	9.99%
Mr David Stredder (Spreadex Ltd)	17,052,418	9.13%
Commerzbank AG	12,511,182	6.70%
Simon Taylor-Young	5,944,841	3.18%

Corporate governance

The Board recognises the importance of good corporate governance practices. As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code and, whilst the Board recognise this presents the standard to aspire to, they consider complying to be impractical given the size and nature of the Company. The Board seek to follow the QCA's Corporate Governance Guidelines for AIM Companies to the extent practical and appropriate to the size and complexity of the business.

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 Gary O'Brien, 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

Gary O'Brien, 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 Crowne Plaza London Kensington, 100 Cromwell Road, London, SW7 4ER. on 6 February 2018 at 2.00 pm.

Special Business

The notice of Annual General Meeting contains an ordinary resolution at resolution 4, 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 5 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.

Financial Instruments

The Company's principal financial instruments comprise cash at bank or in hand, four bank loans and various items such as trade receivables and payables, 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.

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 and Co. Limited have informed the Company of their intention to resign as auditors in 2018. They will remain in post until the filing of the Company's annual accounts for the financial year ended 31 August 2017. Accordingly, a resolution proposing their reappointment as auditor will be put to the members at the forthcoming Annual General Meeting. A new auditor will be appointed by the formal audit tender process as mentioned in the Chairman's Statement.

On behalf of the Board

Kiran Noonan
Director
8 January 2018

GOVERNANCE

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 International Financial Reporting Standards as adopted by the EU. 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.

GOVERNANCE

Independent Auditors' Report

to the members of John Lewis of Hungerford plc only

Opinion

We have audited the financial statements of John Lewis of Hungerford plc (the Company) for the year ended 31 August 2017, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, numbered 1-26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 an auditor's report 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Accuracy of revenue**

   Revenue recognition and by extension the recognition of deposits received is significant as it is an important measure used to evaluate the performance of the Company. There is a risk that incorrect application of the Company's policy on revenue recognition could lead to revenue and profit being recognised too early. John Lewis of Hungerford plc accounts for revenue when goods are delivered to the customer. Revenue is predominantly generated through Showroom sales and the Company uses software that links Showroom orders to the accounting function at the Head Office which process the remainder of the sale through to receipt from customer.

   Our audit procedures to address the risk of material misstatement relating to revenue recognition and recognition of deposits received which were considered to be a significant risk, included:

   - testing of controls and reliance on IT systems; and
   - detailed analysis of revenue and the timing of its recognition based on our expectations from our industry knowledge and understanding of the Company.

2. **Inventory obsolescence**

   There is a risk that a portion of the Company's inventory, which comprises mostly raw materials used in the manufacture of the Company's products is obsolete or slow moving and an insufficient allowance has been provided for in the financial statements.

   Our audit procedures to address the risk of material misstatements relating to inventory obsolescence included:

   - checking that the Company has provided an appropriate allowance for obsolete inventories in accordance with the Company's policy;
   - inquiring for any identified obsolete or slow-moving items during our stocktake observation; and
   - performing net realisable value testing on a selection of inventory items to ensure that inventories are held at the lower of cost and net realisable value.

3. **Change in key personnel**

   There have been major changes to the management and key personnel of the Company in the current year and preceding year. The Finance Director resigned in the 2016 financial year and both the Managing Director and Non-Executive Director and founder of the Company have resigned in the current year. Although not quantifiable there is a risk that there has been an overall loss in specific experience in the Company which could result in incorrect operational decisions and judgements being made.

   Our response to this risk involved reviewing Board minutes, legal correspondence, performing analytical procedures on forecast performance and assessing the financial statements for any changes in management estimates or judgements.

Our application of materiality and overview of the scope of our audit

Our measure of materiality for the financial statements has increased in line with the increase revenue. This was set at £45,000 (2016: £41,500) using the pre audit revenue figure. This materiality measurement represents 0.54% of this benchmark (2016: 0.51%) and has been applied under generally accepted auditing practice based on our assessment of the needs of the users of the financial statements. We believe that revenue is an important metric for the financial performance of the Company.

Our audit coverage included 100% of revenue of the financial statements.

We report to the Audit committee:

- all material corrected identified misstatements;
- uncorrected identified misstatements exceeding £450 (2016: £415) for income statement items; and
- any other identified misstatements that warrant reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 required for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

8 January 2018

FINANCIAL STATEMENTS

Income Statement for the year ended 31 August 2017

	Notes	**2017** £	2016 *Restated* £
Revenue	*1*	8,314,976	8,180,135
Cost of sales		(4,109,576)	(4,129,599)
Gross profit		4,205,400	4,050,536
Selling and distribution costs		(474,801)	(477,955)
Administrative expenses		(3,581,904)	(3,765,618)
Other non recurring items: - restructuring costs	*4*	-	(184,889)
Total		(3,581,904)	(3,950,507)
Profit/(loss) from operations	*3*	148,695	(377,926)
Finance income	*8*	-	361
Finance expenses	*9*	(41,490)	(33,693)
Profit/(loss) before tax		107,205	(411,258)
Tax (charge)/credit	*10*	(926)	15,997
Profit/(loss) for the year		106,279	(395,261)
Earnings per share	*11*		
Basic		0.06p	(0.21)p
Fully diluted		0.06p	(0.21)p

Statement of Comprehensive Income for the year ended 31 August 2017

	2017	2016
		Restated
	£	£
Profit/(loss) for the year	106,279	(395,261)
Total Comprehensive Income	**106,279**	**(395,261)**

Balance Sheet as at 31 August 2017

	Notes	2017 £	2016 Restated £
Non-current assets			
Intangible assets	*12*	58,513	75,300
Property, plant and equipment	*13*	2,376,294	2,608,491
Trade and other receivables	*15*	57,075	57,075
		2,491,882	2,740,866
Current assets			
Inventories	*14*	177,837	212,414
Trade and other receivables	*15*	396,884	361,766
Cash and cash equivalents		1,502,802	1,107,407
		2,077,523	1,681,587
Total assets		4,569,405	4,422,453
Current liabilities			
Trade and other payables	*16*	(2,193,301)	(1,967,737)
Provisions	*19*	-	(122,977)
Borrowings	*17*	(104,136)	(91,654)
		(2,297,437)	(2,182,368)
Non-current liabilities			
Borrowings	*17*	(600,268)	(693,012)
Deferred tax liabilities	*18*	(18,348)	-
Provisions	*19*	(101,053)	(101,053)
		(719,669)	(794,065)
Total liabilities		(3,017,106)	(2,976,433)
Net assets		**1,552,299**	**1,446,020**
Equity			
Share Capital	*22*	186,745	186,745
Share Premium		1,188,021	1,188,021
Other Reserves		1,421	1,421
Retained Earnings		176,112	69,833
Total equity		**1,552,299**	**1,446,020**

The financial statements were approved by the Board of Directors and authorised for issue on 8 January 2018 and were signed on its behalf by:

Kiran Noonan
Director

Gary O'Brien
Director

Statement of Changes in Equity for the year ended 31 August 2017

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	£	£	£	£	£
At 01 September 2015	186,745	1,188,021	1,421	552,115	1,928,302
Warranty provision - restatement	-	-	-	(41,575)	(41,575)
Dilapidations provision - restatement	-	-	-	(45,446)	(45,446)
At 01 September 2015 - Restated	186,745	1,188,021	1,421	465,094	1,841,281
Loss for the year	-	-	-	(395,261)	(395,261)
At 31 August 2016 - Restated	186,745	1,188,021	1,421	69,833	1,446,020
Profit for the year	-	-	-	106,279	106,279
At 31 August 2017	**186,745**	**1,188,021**	**1,421**	**176,112**	**1,552,299**

The total comprehensive income for the year is £106,279 (2016: £395,261 restated loss).

Statement of Cash Flows for the year ended 31 August 2017

	2017	2016 *Restated*
	£	£
Cash flows from operating activities		
Profit/(loss) from operations	148,695	(377,926)
Amortisation of intangible assets	16,787	16,787
Depreciation and impairment of property, plant and equipment	243,939	319,523
Share based payments	-	-
Loss on disposal of property, plant and equipment	120,530	2,134
Decrease/(increase) in inventories	34,577	(22,205)
Increase in receivables	(17,696)	(54,942)
Increase in payables	229,434	144,424
(Decrease)/increase in provisions	(122,977)	122,977
Cash generated from operations	653,289	150,772
Net taxation paid	-	-
Net cash from operating activities	**653,289**	**150,772**
Cash flows from investing activities		
Purchase of intangible assets	-	-
Purchase of property, plant and equipment	(139,814)	(212,122)
Net proceeds from sale of property, plant and equipment	3,672	80,268
Interest received	-	361
Net cash used in investing activities	**(136,142)**	**(131,493)**
Cash flows from financing activities		
Interest paid	(41,490)	(33,693)
Increase in borrowings	-	-
Repayment of borrowings	(80,262)	(84,350)
Net cash used in financing activities	**(121,752)**	**(118,043)**
Net increase/(decrease) in cash and cash equivalents	**395,395**	**(98,764)**
Net cash and cash equivalents at the start of the year	1,107,407	1,206,171
Net cash and cash equivalents at the end of the year	**1,502,802**	**1,107,407**
Net cash and cash equivalents		
Cash at bank and in hand	1,502,802	1,107,407
Bank overdrafts	-	-
	1,502,802	**1,107,407**

FINANCIAL STATEMENTS

Notes to the financial Statements

1 ACCOUNTING POLICIES

1.1 Basis of preparation

John Lewis of Hungerford plc is a public limited company incorporated and domiciled in the United Kingdom. The Company's financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Use of estimates and judgements

The presentation of the annual financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors consider that there are no areas of judgement or uses of estimates which have a significant risk of resulting in a material adjustment within the next financial year.

Going concern

The Directors, after reviewing the Company's operating budgets, investments plans and financing arrangements, consider that the Company has, at the date of this report, sufficient financing available for the estimated requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and financial statements.

SIGNIFICANT ACCOUNTING POLICIES

1.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

1.3 Intangible assets - 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, on a straight-line basis.

1.4 Intangible assets - 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, on a straight-line basis.

Development costs relate to internally developed products and production techniques which will generate economic benefit beyond one year. Capitalised development costs include related costs for employees who are directly related to the project.

1.5 Intangible assets - software costs

Software costs are stated at cost less amortisation to date. Amortisation is provided so as to write off the cost over the expected useful life of 10 years, on a straight-line basis.

1.6 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold property	2% straight-line
Plant & machinery	10% straight-line
Fixtures & fittings and IT equipment	10% and 33% straight-line
Showroom display and shop fittings	33% reducing balance and 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.

1.7 Leases

Leases taken by the Company are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefit of lease incentives is spread on a straight line basis over the term of the lease. Where lease premiums are paid, these are depreciated over the lease terms.

Assets held under finance leases are recorded in the balance sheet at the lower of fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the goods to their present location and condition. The purchase of raw materials is calculated on a weighted average cost basis. The cost of work-in-progress includes an appropriate portion of manufacturing overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.9 Pensions

The Company operates a defined contribution group personal pension scheme for its employees. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

1.10 Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates substantively enacted at the reporting date.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

1.11 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.

1.12 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. Trade and other receivables and Trade and other payables are initially recognised at fair value and then carried at amortised cost net of impairment provisions.

All loans and borrowings are recognised at fair value. Borrowing costs are recognised as an expense over the term of the borrowing. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

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.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Where overdraft facilities are used, these are separately disclosed in the statement of cash flows.

1.14 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

1.15 Product warranty claims

The Company makes provision for potential future warranty claims. This provision is reviewed and adjusted annually based on the levels of turnover achieved and the claims record in the same 12 month period.

1.16 Dilapidations on leasehold property

The Board will review its Showroom estate on an annual basis and make such provision for dilapidations as it considers necessary based on the length of the remaining term for each Showroom, the future plans for each Showroom and based on this, review independent professional advice as to the costs of exiting a site.

1.17 New standards and interpretations not yet adopted

New standards, interpretations and amendments effective for accounting periods beginning on or after 1 September 2017:

No new standards, interpretations and amendments, which are effective for periods beginning on or after 1 September 2017 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

New standards, interpretations and amendments not yet effective:

The following new standards, interpretations and amendments, which are not yet effective, have not been adopted early in these financial statements:

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenues from Contracts
- IFRS 9 – Financial Instruments
- IFRS 16 - Leases

These new standards are not expected have a material effect on the Company's future financial statements, other than IFRS 16 Leases which comes into effect on 1 September 2019 and will have the significant effect of bringing most operating leases onto the Company Balance Sheet and to a lesser extent IFRS 9 which comes into effect on 1 September 2019, which will require the Company to assess impairment losses on receivables and other financial instruments on a lifetime expected credit loss basis.

2 OPERATING SEGMENTS

In accordance with the Company's risks and returns, the definition of segments for primary and secondary segment reporting reflects the internal management reporting structure. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Segment expenses consist of directly attributable costs and other costs, which are allocated based on relevant criteria. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments. The Board considers that the manufacture, supply and Installation of kitchen units, Bedrooms and furniture represents the only reportable operating segment.

3 PROFIT/(LOSS) FROM OPERATIONS

	2017	2016 *Restated*
	£	£
Profit/(loss) from operations is stated after charging:		
Auditors remuneration - Company audit	15,000	15,000
Amortisation of intangible fixed assets	16,787	16,787
Depreciation of owned property plant and equipment	234,939	272,049
Depreciation of plant and equipment held on finance leases	9,000	9,600
Impairment of property plant and equipment	-	37,874
Operating lease rentals		
- Plant and machinery	18,541	16,977
- Other assets	456,053	463,693
Cost of inventories recognised as an expense	3,374,286	3,362,490

4 NON-RECURRING ITEMS - RESTRUCTURING COSTS

During the prior year, following a review of the Company's trading estate, the decision was taken to close two poorly performing stores. Additionally, the Board undertook a comprehensive review of the organisational structure of the Company's operations with a view to substantially reducing costs and improving future productivity. This review resulted in a number of positions being made redundant or roles being combined.

The costs of the store closures, plus the costs of the other restructuring measures have been charged to the Income Statement in the prior year and comprise the following items.

	2017	2016 *Restated*
	£	£
Staff restructuring costs	-	124,238
Store clearance expenses	-	60,651
	-	184,889

Details of the above expenses which were included in the prior year as a year-end provision are set out in note 19.

5 PRIOR PERIOD ADJUSTMENT

Reclassification of Redundancy costs

During 2017 the Company discovered that £16,000 of redundancy costs were reported as Administration expenses, when in fact these should have been part of Cost of sales. These have been reclassified within the 2016 income statement.

Warranty provision

Historically the Company has provided a ten year warranty in respect of all kitchens it manufactures and installs. When the kitchen is sold, this creates a contractual liability for the expected future costs of this warranty on every kitchen which the current JLH management has discovered has not been accounted for.

Dilapidations provision

The Company operated out of 15 Showrooms across the country (13 since closing Harrogate and Tunbridge Wells), 11 of which are held under operating leases. When the lease is entered into, this creates a contractual liability for the dilapidations costs at the end of the lease which the current management discovered was not provided for. The Board have reviewed its plans for the Showrooms and, based on the adjustments made following the exit from Harrogate and Tunbridge Wells, made appropriate provisions in relation to the remaining estate.

Details of the movements on provisions are set out in note 19. The effects of these adjustments on the balance sheets as at 01 September 2015 and 31 August 2016 and the income statement for the year ended 31 August 2016 are shown below.

Balance sheets as at:

	01 September 2015	31 August 2016
	£	£
Increase in property, plant and equipment	24,046	19,175
(Increase) in provisions	(111,067)	(101,053)
Decrease in equity - retained earnings	87,021	81,878
	-	-

Income statement for the year ended 31 August 2016

	31 August 2016
	£
(Increase) in Cost of sales	(16,000)
Decrease in Restructuring costs	16,000
Decrease in Administration expenses	5,143
	5,143

6 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	*Total* **2017**	*Total* 2016
	£	£	£	£	£
Kiran Noonan	113,751	-	6,290	120,041	92,242
Gary O'Brien	41,250	-	-	41,250	-
Jonathan S. Rosby *(resigned 30.09.16)*	28,152	879	-	29,031	112,283
Karen Stanley *(resigned 29.07.16)*	-	-	-	-	93,883
Damian Walters *(resigned 06.05.16)*	-	-	-	-	87,329
Malcolm R. Hepworth *(resigned 20.04.16)*	-	-	-	-	16,766
John L. Lewis	6,516	114	-	6,630	7,969
Kenneth McNaught *(appointed 14.07.16, resigned 02.11.16)*	4,167	-	-	4,167	3,472
	193,836	993	6,290	201,119	413,944

Retirement benefits are accruing to 1 Director (2016 - 3 Directors) under defined contribution schemes.

7 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2017	2016
	Number	Number
Directors	3	6
Production	19	20
Sales and distribution	32	35
Administration	5	4
	59	65

	2017	2016
	£	£
Employment costs		
Wages and salaries	2,643,242	2,433,033
Redundancy costs	19,043	40,038
Social security costs	215,361	273,539
Other pension costs	50,147	64,087
	2,927,793	2,810,697

8 FINANCE INCOME

	2017	2016
	£	£
Bank interest income	-	361

9 FINANCE EXPENSES

	2017	2016
	£	£
Interest payable on bank loans	41,490	33,693

10 TAX ON PROFIT/(LOSS) FROM OPERATIONS

	2017	2016
	£	£
Current year taxation		
UK Corporation tax charge for the year	-	-
Research and Development Tax Credit	17,422	-
Total current tax	17,422	-
Origination and reversal of temporary timing differences	(18,348)	15,997
	(926)	15,997

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2017	2016 *Restated*
	£	£
Profit/(loss) on ordinary activities before tax	107,205	(411,258)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016: 20%)	20,369	(82,252)
Effect of:		
Expenses not deductible for tax purposes	5,476	3,764
Credits not allowable for tax purposes	-	-
Other timing differences	(24,919)	62,491
Total tax (credit)/charge in income statement	926	(15,997)

11 EARNINGS PER SHARE

	2017	2016 *Restated*
Earnings/(loss) per ordinary share is calculated as follows:		
Basic		
Profit/(loss) attributable to ordinary shareholders (£)	106,279	(395,261)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Earnings/(loss) per ordinary share	0.06 p	(0.21)p
Fully diluted		
Profit/(loss) attributable to ordinary shareholders (£)	106,279	(395,261)
Weighted average number of ordinary shares in issue and under option	186,745,519	186,745,519
Earnings/(loss) per ordinary share	0.06 p	(0.21)p

12 INTANGIBLE NON-CURRENT ASSETS

	Software	Trademarks	Development Costs	Total
	£	£	£	£
Cost				
At 1 September 2015	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2016	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2017	**50,600**	**57,154**	**115,988**	**223,742**
Amortisation				
At 1 September 2015	38,525	56,206	36,924	131,655
Charge for the year	5,060	128	11,599	16,787
At 31 August 2016	43,585	56,334	48,523	148,442
Charge for the year	5,060	128	11,599	16,787
At 31 August 2017	**48,645**	**56,462**	**60,122**	**165,229**
Net book value				
At 31 August 2017	**1,955**	**692**	**55,866**	**58,513**
At 31 August 2016	7,015	820	67,465	75,300

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / IT equipment	Total
Cost	£	£	£	£	£
At 31 August 2015 - restated	1,764,766	2,243,360	469,498	174,143	4,651,767
Additions	-	189,779	9,180	13,163	212,122
Disposals	-	(125,270)	(7,500)	-	(132,770)
Adjustment	(10,014)	-	-	-	(10,014)
At 31 August 2016 - restated	1,754,752	2,307,869	471,178	187,306	4,721,105
Additions	-	90,271	1,212	48,331	139,814
Disposals	-	(244,996)	(58,000)	-	(302,996)
At 31 August 2017	**1,754,752**	**2,153,144**	**414,390**	**235,637**	**4,557,923**
Depreciation and impairment					
At 1 September 2015 - restated	406,036	1,149,699	146,778	140,946	1,843,459
Charge for the year	18,690	202,617	41,550	18,792	281,649
Impairment charge	-	37,874	-	-	37,874
Disposals	-	(42,868)	(7,500)	-	(50,368)
At 31 August 2016 - restated	424,726	1,347,322	180,828	159,738	2,112,614
Charge for the year	23,833	162,553	38,586	18,967	243,939
Disposals	-	(169,611)	(9,183)	-	(178,794)
Adjustment	-	3,870	-	-	3,870
At 31 August 2017	**448,559**	**1,344,134**	**210,231**	**178,705**	**2,181,629**
Net book value					
At 31 August 2017	**1,306,193**	**809,010**	**204,159**	**56,932**	**2,376,294**
At 1 September 2016 - restated	1,330,026	960,547	290,350	27,568	2,608,491

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2016 - £503,624).

14 INVENTORIES

	2017	2016
	£	£
Raw materials and consumables	144,625	149,981
Work in progress	33,212	62,433
	177,837	212,414

15 TRADE AND OTHER RECEIVABLES

	2017	2016
Current assets:	**£**	£
Trade receivables	145,044	97,060
Other receivables	8,378	6,820
Prepayments and accrued income	243,462	257,886
	396,884	361,766
Non-current assets:		
Other receivables	57,075	57,075

Non-current other receivables relate to lease deposits totalling £57,075 (2016: £57,075) which are recoverable after more than one year.

Trade receivables are stated net of provisions for doubtful debts of £27,414 (2016: £16,083). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

16 TRADE PAYABLES AND OTHER PAYABLES

	2017	2016
	£	£
Payments received on account	646,138	579,292
Trade payables	588,288	628,690
Other taxes and social security costs	355,358	321,881
Other payables	8,958	32,814
Accruals and deferred income	594,559	405,060
	2,193,301	1,967,737

17 BORROWINGS

	2017	2016
	£	£
Bank loans	651,488	713,170
Finance lease liabilities	52,916	71,496
	704,404	784,666

(a) Bank borrowings		
Analysis of bank loan repayments:		
In one year or less	82,236	73,074
In more than one year but not more than two years	82,816	76,419
In more than two years but not more than five years	270,725	251,167
In more than five years	215,711	312,510
	651,488	713,170

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

	2017	2016
	£	£
(b) Finance lease liabilities		
Gross finance lease liabilities– minimum lease payments:		
In one year or less	21,900	21,900
Between one and five years	34,675	56,575
More than five years	-	-
	56,575	78,475
Future finance charges on finance lease liabilities	3,659	6,979
Present value of finance lease liabilities	52,916	71,496

Future finance charges on finance lease liabilities are broken down as follows:

	2017	2016
	£	£
In one year or less	2,257	3,320
Between one and five years	1,402	3,659
More than five years	-	-
	3,659	6,979

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

18 DEFERRED TAX LIABILITIES

		Deferred taxation
		£
Balance at 1 September 2016		-
Accelerated capital allowances	(38,911)	
Share based payments	6,548	
Tax losses carried forward	53,577	
Research and development accelerated deductions	(2,866)	
Profit and loss account charge/(credit)		18,348
Balance at 31 August 2017		18,348

The provision for deferred taxation consists of the following amounts:

	2017	2016
	£	£
Capital allowances in excess of depreciation	155,619	194,530
Share based payments	-	(6,548)
Tax losses carried forward	(147,898)	(201,475)
Research and development accelerated deductions	10,627	13,493
	18,348	-

19 PROVISIONS

	Warranty provision	Dilapidations provision	Restructuring provision	Total
		£	£	£
At 01 September 2015 - restated	41,575	69,492	-	111,067
Arising during the year	-	-	122,977	122,977
Utilised during the year		(10,014)	-	(10,014)
At 31 August 2016 - restated	41,575	59,478	122,977	224,030
Arising during the year	-	-	-	-
Utilised during the year	-	-	(122,977)	(122,977)
At 31 August 2017	41,575	59,478	-	101,053

	2017	2016 *Restated*
	£	£
Current	-	122,977
Non-Current	101,053	101,053
	101,053	224,030

Restructuring provisions
Details of restructuring provisions are given in note 4.

Warranty provision
The Company makes provision for potential future warranty claims on kitchens sold. This provision is reviewed and adjusted annually based on the levels of turnover achieved and the claims record in the same 12 month period.

Dilapidations provision
The Company makes such provision for dilapidations relating to its leasehold Showroom estate as it considers necessary based on the length of the remaining term for each Showroom, the future plans for each Showroom and based on this, review independent professional advice as to the costs of exiting a site.

20 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 £50,147 (2016: £64,087). The scheme complies with the Auto Enrolment requirements and the Company's staging date was March 2015.

21 FINANCIAL INSTRUMENTS

The Company’s principal financial instruments comprise cash, four bank loans and various items such as trade receivables and payables, which arise directly from its operations.

The main risks to the Company are from interest rate 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:

	2017	2016
	£	£
Floating rate cash and deposits	1,502,802	1,107,407
Fixed rate loans	169,837	272,575
Floating rate loans	481,651	512,091

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

At the reporting date, if interest rates had been 1% higher and all other variables were held constant, the effect on the Company's net result and equity reserves would have been an increase of £8,513.

Foreign Currency Risk

The Company's functional currency is Sterling. The Company does not have material monetary liabilities in currencies other than its functional currency.

Credit Risk

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely cash and cash equivalents, trade and other receivables.
At the year end the Company's trade receivables amount to £145,044 (2016: £97,060).

The Company manages its exposure to this risk through its payment terms, which in the majority of cases require payment prior to delivery of product. For any corporate accounts receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Movements in the allowance for doubtful debts are disclosed in note 15.

Liquidity Risk
The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Surplus funds are invested on a short term basis at money market rates and therefore such funds are available at short notice.

Capital risk management
The Board’s capital objective is to maintain a strong and efficient capital base to support the Company's strategic objectives, provide optimal returns for shareholders and safeguard the Company's status as a going concern. There has been no change to capital risk management policies during the year. The Board monitors a broad range of financial metrics including return on capital employed and balance sheet gearing.

The Board can manage the Company's capital structure by diversifying the debt portfolio, reviewing its dividend policy, issuing new shares or repurchasing shares in the open market and flexing capital expenditure.

Part of the Company's capital risk management is to ensure compliance with the general covenants and financial covenants included in the Company's various borrowing facilities. There have been no breaches of covenant in the financial year ended 31st August 2017.

The table below presents quantitative data for the components the Company manages as capital:

	2017	2016 *Restated*
	£	£
Total equity	1,552,299	1,446,020
Bank borrowings	651,488	713,170
	2,203,787	2,159,190

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 bank's commercial rates. Cash at bank and in hand comprises £1,502,802 (2016: £1,107,407) in Sterling.

Financial Liabilities
The Company's financial liabilities comprise four bank loans, finance lease liabilities and trade payables. The first bank loan is repayable over 15 years from 4 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 £169,837 (2016: £170,277) denominated in Sterling.

The second loan is repayable over 15 years from 22 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 £155,198 (2016: £183,562) denominated in Sterling.

The third loan is repayable over 10 years from 24 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 £70,933 (2016: £86,587) denominated in Sterling.

During the year, a fourth loan which had a value of £135,533 at the start of the year and a fifth loan which had a value of £137,211 at the start of the year, were consolidated into one new loan. The consolidated loan is repayable by 31 August 2019 by monthly installments and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The consolidated loan has a value of £254,993 (2016: £nil) denominated in Sterling.

Finance lease liability is repayable over 5 years and carries interest at a fixed annual rate of 5%. The finance lease has a value of £52,916 (2016: £71,496) denominated in Sterling.

At the year end the Company's trade payables amount to £588,288 (2016: £628,690). Trade payables are settled within agreed credit terms, so no interest is paid on this category of financial liability.

The fair value of the Company's financial assets and liabilities is not materially different from their carrying values at the year end.

Maturity of financial liabilities

The maturity profile of the financial liabilities at each year end is set out in note 16.

Borrowing facilities

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

	2017	2016
	£	£
Expiry date:		
In one year or less	250,000	250,000

22 SHARE CAPITAL

	2017	2016
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2017	2016
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 31 August 2017 11,378,692 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust (2016: 11,378,692). At that date those shares had a market value of 1.0 pence (2016: 1.1 pence) each.

Share options

Details of share options are disclosed in the 'Directors and their interests' paragraph of the Directors' Report and in note 23.

23 SHARE BASED PAYMENTS

Share and share option awards outstanding

As at 31 August 2017 all share and share option awards had vested or lapsed. No options were exercised during the year (2016: nil). There was no share based payments charge for the year (2016: nil).

The reconciliation of Directors' option movements over the year to 31 August 2017 is shown below:

	Number of options	*Weighted average exercise price*
Outstanding at 1 September 2016	27,654,067	£0.0038
Granted	-	
Lapsed	27,654,067	£0.0038
Exercised	-	
Outstanding at 31 August 2017	-	-
Exercisable at 31 August 2017	-	-

24 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2017 the Company had outstanding commitments for future minimum payments under non- cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2017	2016	**2017**	2016
	£	£	**£**	£
Expiry date:				
Within one year	429,048	7,249	13,203	4,687
Between two and five years	1,162,826	669,206	14,422	34,710
In over five years	805,824	2,512,416	-	-
	2,397,698	3,188,871	27,625	39,397

25 CAPITAL COMMITMENTS

At the balance sheet date the Company had no outstanding capital expenditure commitments.

26 RELATED PARTY TRANSACTIONS

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. The transactions with Directors of the Company are disclosed in notes 6 and 23. Transactions with key management personnel (comprising the Directors and key members of management) are disclosed below:

Compensation of key management personnel (including Directors)

	2017	2016
	£	£
Short term employee benefits	275,725	413,944
	275,725	413,944

Other related party transactions

	2017	2016
	£	£
Sales of goods to related parties	36,085	-
Purchases of goods from related parties	9,625	-
Purchases of consultancy services from related parties	75,750	-

At the balance sheet date, £10,234 was due from related parties in respect of purchases of goods.

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc ("the Company") will be held at Crowne Plaza London Kensington, 100 Cromwell Road, London, SW7 4ER.at 2.00 p.m. on 6 February 2018 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 2017 together with the Directors' report and Auditors' report thereon.

2. To re-appoint Hill Wooldridge & Co. Limited as auditor to the Company and to authorise the Directors to determine their remuneration.

3. To re-elect as a Director, James Barnard, who retires 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 resolution 5 as a special resolution:

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 conclusion of the next Annual General Meeting of the Company, 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 2017; and

(b) unless previously revoked, varied or extended, this power shall expire at 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.

By Order of the Board

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

Link Company Matters Limited
Company Secretary
Dated: 8 January 2018

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 Link Asset Services, PXS, 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 Link Asset Services, PXS, 34 Beckenham, Kent, BR3 4TU; and
   - received by Link Asset Services no later than 2.00 p.m. on 4 February 2018.

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 as at close of business on 4 February 2018 or, in the event that this meeting is adjourned, in the register of members as at close of business 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 after the close of business on 4 February 2018 or, in the event that this meeting is adjourned, in the register of members after 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 2017, 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 4 (a) replaces the authority granted in 2017. Paragraph (a) of Resolution 4, 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 2019, 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 4, 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 4(a) and 4(b) of this resolution will expire at the conclusion of the 2019 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 5, 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 2019 AGM.