John Lewis of Hungerford plc

Annual Report and Financial Statements

for the period ended 30 June 2018

Registered number
01317377

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Annual Report and Financial Statements 2018

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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:
Cargil Management Services Limited
27/28 Eastcastle Street
London
W1W 8DH

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

Auditors:
Kingston Smith LLP
60 Goswell Road
London
EC1M 7AD

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:
Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

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

Company Number:
01317377

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.

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

www.john-lewis.co.uk

STRATEGIC REPORT

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 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 complement, all of whom are critical to the success of the 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

The Financial Period to 30th June 2018 has seen an extremely challenging period within Retail but against this background we have still been able to grow our sales against the prior year, on a LFL basis (like-for-like) in the 10-month period by +10%. This has been achieved through the numerous marketing and sales development initiatives that Kiran Noonan, CEO, will discuss in her report.

However, it does need to be recognised that Retail is being challenged with consumer confidence running at levels as low as those seen in the recessionary years of 2008/9. Combined with the additional financial stresses such as price increase resistance, cost/wage pressures and business rates, requires us to be even more vigilant in managing our costs and continually driving productivity through our sales channels.

As we previously reported we have changed our Year End to 30th June, which means our first reporting period will be for a 10-month period. It needs to be noted that, as was the case in the 6 months reporting cycle, the 10 months will show a loss due to the seasonality of the business. To fully understand the like-for-like comparatives as far as is possible, we have included some additional information to allow shareholders to be able to review our trading performance accurately.

Over the last 2 years we have been implementing change and improvements in all aspects of the business. These range from basic internal reporting through to marketing strategy and positioning reviews. It is these initiatives which have enabled the business to grow in both sales and profit, in spite of the difficult environment noted above. Kiran addresses these initiatives in her report and we look forward to discussing these and particularly the results of our costing review at our next shareholder engagement.

However, the key contributor to the progress that the business has made has been its staff who have worked tirelessly to implement and manage the changes that have been needed. The effort that the staff have had to apply in dealing with a difficult trading environment combined with the numerous changes that the Board has demanded within the business cannot be underestimated. It is against this background I would like to extend my thanks to Kiran Noonan and her teams who deserve all credit for the results achieved.

Gary O'Brien
Non-Executive Chairman
5 November 2018

STRATEGIC REPORT

Chief Executive's Business Review

Overview

As highlighted in the Chairman's report, the change of year-end requires us to report a 10-month period against a 12-month period in the previous year. We have provided as much like-for-like information as possible, in order to allow shareholders to get a true measure of the improvements year on year. Unless stated otherwise the comparative financial information in this review relates to the 10 months ended 30 June 2017.

It is clear that the retail sector has experienced well documented difficulties. Against the backdrop of falling consumer confidence, I am particularly pleased to report another consecutive year of sales growth, over the comparable period in the previous year. In the 10 months to 30 June 2018, we delivered sales of £6.7m (2017: £6.1m). In our interim statement we highlighted the shortened financial year excludes our traditionally strongest summer months and as a consequence the loss after tax of £0.19m (2017: £0.34m loss after tax) was in line with our expectations.

In the period to 30 June 2018 the business invested £218k (2017: £45k) on activities that will qualify for Research and Development tax claims. The resultant tax relief reduced the net loss for the period by £94k (2017: £17k).

Following on from a weaker second quarter as reported at the Interims, we were able to regain some momentum as we entered the final quarter. This has contributed significantly to the results we report today and I thank the frontline team for prioritising the new business at this time, which allowed the Company to recover from the winter period.

The market continues to be challenging and the business cannot be completely immune to the changes in the high street. In mitigation, our target customer conducts much of their initial research online and as such a high proportion of our business is by appointment. It has been pleasing to see the Company regain a position as a brand that our customers want to visit. We are working hard to ensure that we are present in all of the media that our customers access, in order that our advertising, social presence online and press activity can be as effective as possible.

While the high streets we trade from have experienced very mixed fortunes in the last year, the considered nature of the product purchase and our target customers' extended research activity has insulated the business from some of these immediate pressures. We continue to work harder and smarter to ensure we are utilising the most appropriate marketing media and channels, to drive awareness of our brand to ensure we are maximising the potential for lead generation.

Based on the 10-month period, the comparable number of kitchens sold were 252 (2017: 229); our average order value has been maintained year on year, with the London showrooms reflecting a marginally lower average due to the smaller properties they work with. The number of orders taking advantage of our Artisan Installations Service has increased by 2% to 94% (2017: 92%) of all kitchen orders.

Our product mix continues to move with market trends, with our Lay-On offering now at 52% (2017: 46%) and our handless Pure range is still around a third at 28% (2017: 30%). We have seen a resurgence in the demand for our framed product, which is still one of the most recognised and traditional designs on the market.

The accelerated investment in our stores continued, with a full refit in Beaconsfield and Cambridge in this period. Both stores have not been updated since their openings and now show-case designs more relevant to our customers in each area. We have seen improved interest in both showrooms as a consequence. Within the Cambridge store, we have also been able to accommodate a bedroom display for our Wardrobe Collection, which has been well received. It is vital to our success that our showrooms are welcoming spaces which allow our customers and designers to engage creatively, however, having now updated the majority of the estate, we can now exercise more prudence as we go forward and make only smaller, selected investments in this area.

Having identified the strategic opportunity to extend our presence in the fitted bedroom market and taken investment decisions to capitalise on this, we are delighted to report our strongest year yet for the bedrooms category. Contributing 6% of overall income in the 10 months of £386k from 100 bedrooms sold (2017: 10 months £163k from 35 bedrooms sold; 2017: 12 months £325k from 75 bedrooms sold), we are pleased with the continuing progress the category is making.

Our recently installed Winchester showroom has generated a great deal of interest and as such has raised the opportunity to cross-sell between the categories. The investments in marketing and in front line staff have extended our reach and capacity, and we are further exploring the use of our bedroom cabinetry across other rooms in our customers' homes, as we look to maximise the opportunity to build on the lifetime value of a customer. As we expand the uses for our bedroom cabinetry, we look forward to this becoming a more significant 'whole home' category for the Company.

	10 Mths to 30 Jun 2018	10 Mths to 30 Jun 2017
	£000	£000
Turnover	6,715	6,078
Cost of sales	(3,465)	(3,033)
Gross margin	3,250	3,045
GM%	48.4%	50.1%

A lower gross margin for the year at 48.4% (2017: 50.1%) was primarily due to material input cost inflation during the period. The Board took the decision to hold our retail pricing until the end of the financial period to ensure we did not jeopardise conversion of our pre-existing pipeline of prospective customers, and also to allow the team time to benchmark our pricing competitiveness. From the new financial period we have reflected cost price increases in our retail pricing and are confident that our pricing remains competitive.

Alongside the review of our retail pricing, we have been working to develop a deeper understanding of our cost of goods and other gross margin impacts, for example sales promotions, product mix etc. As this evolves, the Board's control over our gross margins has improved and we are actively making decisions to manage our top line profitability, for example a bedrooms price increase and improvements to our technical specifications.

Products	10 Mths to 30 Jun 2018	10 Mths to 30 Jun 2017
	£000	£000
Turnover	5,847	5,329
Cost of sales	(2,760)	(2,424)
Gross margin	3,087	2,905
GM%	52.8%	54.5%

Product Sales include £275k (2017: £126k) relating to our bedrooms business which continues to thrive. The installation of our Lay-On and Pure offering across the estate has ensured that the most popular ranges are on display in all of our showrooms; together these two ranges make up 80% of our product sales.

Installations	10 Mths to 30 Jun 2018	10 Mths to 30 Jun 2017
	£000	£000
Turnover	868	749
Cost of sales	(705)	(609)
Gross margin	163	140
GM%	18.8%	18.7%

Our installations service remains competitive. We continue to focus our efforts on quality delivery and a perfect installation. We have seen consistent improvements in all areas and are pleased to see our customers continue to work with us as their preferred installation partner.

Sales & Marketing

Reflecting the broader change in customers' media consumption and consequent marketing mix, we have been focused on developing our digital marketing activity to enhance our brand positioning online. In particular, our focus has been to assess how we can leverage the availability of more targeted social media, which gives us the ability to be immediately present in the right forums to engage with our customer base.

Throughout the year, we have reflected on the marketing mix and generated a higher level of enquiries by utilising the various platforms such as Facebook, Instagram, Pinterest and Houzz to engage with our customers. We are able to promote our stunning kitchen and bedroom designs, together with real project case studies, which give us the ability to demonstrate our design credentials.

As we move forward into the winter period, we are delighted to have progressed the sourcing of a fully integrated CRM system. Reflecting on current market conditions, we have been prudent in our investment in our systems architecture and are prioritising the phased implementation of this system. Our initial focus for the CRM is to drive improvements in our lead nurturing capabilities, which form part of a wider programme of marketing investment in the early customer journey, when they first make contact with the brand. Additionally, we are working with the development team and will launch this simultaneously with our new website, in order to allow us to capture the anticipated levels of interest generated by the campaigns associated with the launch. The CRM system will be a significant step forward in our tactical marketing, allowing us to personalise the content for our customers to assist them in finding the most relevant information that encourages them to make contact. The new website is currently under development and will show-case the Company in an unprecedented way. We are looking forward to seeing the impact of both systems, once they go live within the next month.

We are rightly proud of our customer experience, and we believe that these investments will enhance the first contact with the brand. Other notable investments to capitalise on the opportunity for improved conversion we have at this early stage, are the new brochure, which we shared earlier in the year, together with an investment within Business Development.

Additionally, we have worked hard to identify and develop some interesting collaborations with leading influencers in the world of interior design. These individuals have significant followers on line and by working with them to develop a new range and new colour palette, we have extended the reach of the brand to new audiences. We are excited to see how these relationships build the profile of the brand with consumers and professionals in the sector, across both domestic and international markets.

We take pride in the way our designers operate with a relaxed and informal style, combined with a high level of professionalism throughout each project. We have worked resolutely to ensure that our team of designers have the systems, tools and support in order to be as effective and as productive as possible.

Coupled with the improvements to our technical support information, we have invested in Continuous Professional Development (CPD) for the team, which has led to excellent progress in our operating model. It is particularly encouraging to see our second tier of designers build in skill and confidence, as they start to make a definitive contribution to our results. Developing the team is a priority for the business, to ensure retention of our talented designers and to look at future progression within the Company as we scope out our strategic plans.

Our intensive focus on ensuring we can enable our sales team to be as great as they can be through the whole customer journey, from first contact, through design concept, to a successful installation, has already led to tangible improvements in our conversion levels at each stage of the process. Ensuring each of our customers is able to recommend the Company has been a focus and to this end, we continue to achieve above industry standards, at 96% total satisfaction levels and are working hard to raise this to maximum.

Manufacturing

The focus for our Manufacturing facility has been to ensure quality product, right first time. The team has worked hard to streamline processes and establish an improved flow. This has contributed directly to the ongoing improvements in our remedial activity and an enhanced customer experience. The impact on our margin of errors continues to fall, currently at a like-for-like value of 2.0% (2017: 2.3%).

The complexity of our offering continues to create challenges within our supply chain and we are working hard to simplify the ranges and the systems. The factory requires significant investment to be able to respond to the increasing demands on the volume and intricacy of our orders. Investment in a new Technical role has led to an improved checking process for the specifications going into production and, this has had a positive impact on the accuracy of our ordering procedures. The new paint oven is due to be installed during the winter break and will significantly improve the throughput and the consistency of our output. The robust paint finish and the durability of our cabinetry remain of utmost importance and, substantial testing has been conducted ahead of this new advancement in our paint application technology. We are now beginning the review of capacity to ensure we have the space to expand as the throughput increases in volume terms.

We continue to focus our energies on reducing our carbon footprint by looking at our packaging and waste, in order to improve our environmental impact. We are currently trialling new packaging which will be fully recyclable, together with trials using new and innovative technologies for the recycling of manufacturing waste. The business is keen to ensure its corporate sustainability and is committed to doing so.

Cash Flow

Cash at bank and in hand at 30 June 2018 was £686k (June 2017: £843k) this includes customer deposits and advance payments of £294k (June 2017: £1,195k). Our bank loans at the same date were £578k (June 2017: £665k) repayable over 10 years. Our overdraft facility of £250k remained unused at the end of the period.

Closing Comments

It has undoubtedly been a period of great change within both the economic conditions in which we find ourselves and the home improvement market itself, which has seen both new entrants to the sector and many existing operators experiencing reduced volumes. We remain confident that our proposition is unique and beautiful, which captures the hearts and minds of our discerning customers. We help our customers to improve their living spaces through creative, innovative and stunning design solutions.

We could not operate within this mid-luxury market without our highly skilled and committed workforce, across the business. I thank each one of them for their steadfast support as we work hard to improve our operating model. This has its challenges and change is not easy; company-wide however, there is a profound understanding that the business needed to improve across all areas. The efforts of the senior team to manage the business through this change is valued by the Board and together, we thank them for their dedication and resolve to return the business to sustained profitability.

Current Trading and Outlook

For the new financial year, despatched sales and forward orders (which we normally consider to be the best measure of current trading) at the end of our first 18 weeks of trading stood at £3.7m (2017: £4.8m). However, the year-on-year comparison is distorted by the exceptionally strong trading over the summer of 2017. Future orders against which a first stage deposit has been taken stood at £1.7m (2017: £1.0m). .

The extended poor winter earlier in the year caused significant delays to the building projects, which often are a key driver of our sales. This resulted in capacity constraints within the building sector, as the contractors worked hard to catch up on projects booked from earlier in the year. This has contributed to a similar value of projects being sold in the first four months of the new financial year, although not all of the projects were able to commence on time and this back-log of delays has disrupted the remaining 2 months of the half year.

Although the despatched sales, which is our statutory revenue recognition policy, are expected to be lower than the comparable period in the previous year, the combined value of orders despatched and the forward order book give us the reassurance that the leads into the business are running broadly in line with our expectations, as is our sales conversion.

We are cautiously optimistic as we head into our winter preview that the interest we have generated in the press coverage will allow us to ensure a strong start to the second half year and look forward to providing further updates to our shareholders in due course.

I would like to thank you all for your support as we continue our journey to transform John Lewis of Hungerford into the market leading force that it deserves to be.

Kiran Noonan
Chief Executive Officer
5 November 2018

Approval of Strategic Report

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 Officer
5 November 2018

GOVERNANCE

Directors' Report

The Directors present their report and financial statements for the period ended 30 June 2018.

Results and dividends
The loss for the period after taxation amounted to £192,701 (Full Year to 31 Aug 2017: £106,279 profit).

The Directors do not recommend payment of a dividend (2017: £nil).

Non-current assets
Details of the Company's intangible assets and property, plant and equipment are shown in notes 10 and 11 to the financial statements on pages 36 and 37.

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 period:

Kiran Noonan
Gary O'Brien
James Barnard *(appointed 13 September 2017)*

As at 30 June 2018, 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, Kiran Noonan retires as a Director and being eligible, will offer herself for re-election at the Annual General Meeting.

Substantial interests
On 29 October 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
J L Lewis Esq	66,466,678	35.59%
D Stredder Esq	15,125,000	8.10%
HSBC Securities Services	11,511,182	6.16%
Hargreaves Lansdowne	9,995,125	5.35%
IG Markets Ltd	9,237,116	4.95%
Interactive Investor Trading Ltd	8,103,001	4.34%
S C Taylor Young	7,974,841	4.27%
GHC Capital Markets Ltd	5,773,899	3.09%

Corporate governance

The Board recognises the importance of good corporate governance practices and has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (QCA Code). A statement setting out how the business currently complies with the QCA Code is available on the investor relations section of our website in accordance with AIM Rule 26.

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 and James Barnard, who are independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of their 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 at 2.00 p.m. on Tuesday 11 December 2018.

Special Business
Details of the resolutions being proposed at the Company's Annual General Meeting are contained in the Notice of Annual General Meeting.

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
Kingston Smith LLP was appointed on 16 March 2018 and have indicated their willingness to continue as auditors to the Company. Accordingly, a resolution proposing their reappointment as auditor will be put to the members at the forthcoming Annual General Meeting.

On behalf of the Board

Kiran Noonan
Director
5 November 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 for the financial period ended 30 June 2018

Opinion

We have audited the financial statements of John Lewis of Hungerford Plc for the period ended 30 June 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its loss for the period 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 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 judgement, 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. **Revenue recognition**

   We considered revenue to be a key audit area given it is a significant performance measure for the Company. The Company takes deposits before work commences and as such there is a risk that revenue and profit could be recognised too early.

   Our audit procedures included:

   - A sample of revenue was agreed to delivery notes and confirmation from customers where available to confirm work was completed prior to the period end.

   - A sample of deposits was agreed to delivery notes and confirmation from customers where available to confirm work was completed after the period end.

2. **Cut off of accruals**

   We considered this to be a key audit area given the change in the accounting period end.

   Our audit procedures included:

   - We performed cut-off testing to confirm that direct costs were recorded in the correct accounting period.

   - We reviewed post year end payments and invoices to confirm that costs had not been understated.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Company we considered revenue to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality to be £76,000, based on a percentage of revenue.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company was 60% of materiality, namely £45,600.

We agreed to report to the Audit Committee all audit differences in excess of £3,800, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including controls, and assessing the risks of material misstatement. Our approach in respect of key audit matters is set out in the table in the Key audit matters section above.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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 period 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:

- 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 set out on page 17, 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 to 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

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 for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.

MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP
Chartered Accountants
Statutory Auditor
Devonshire House
60 Goswell Road
London ECIM 7AD

5 November 2018

FINANCIAL STATEMENTS

Income Statement for the 10 months ended 30 June 2018

	Notes	*10 months to 30 June* **2018** £	*Year to 31 August* 2017 £
Revenue	*1, 2*	6,714,917	8,314,976
Cost of sales		(3,465,252)	(4,109,576)
Gross profit		3,249,665	4,205,400
Selling and distribution costs		(442,951)	(474,801)
Administrative expenses		(3,155,462)	(3,581,904)
(Loss)/profit from operations	*3*	(348,748)	148,695
Finance income	*6*	258	-
Finance expenses	*7*	(25,348)	(41,490)
(Loss)/profit before tax		(373,838)	107,205
Tax credit/(charge)	*8*	181,137	(926)
(Loss)/profit for the period		(192,701)	106,279
(Loss)/Earnings per share	*9*		
Basic		(0.10)p	0.06p
Fully diluted		(0.10)p	0.06p

Statement of Comprehensive Income for the 10 months ended 30 June 2018

	10 months to 30 June **2018**	*Year to 31 August* 2017
	£	£
(Loss)/profit for the period	(192,701)	106,279
Total Comprehensive Income	**(192,701)**	**106,279**

Statement of Financial Position as at 30 June 2018

	Notes	30 June **2018** £	31 August 2017 £
Non-current assets			
Intangible assets	*10*	56,445	58,513
Property, plant and equipment	*11*	2,356,967	2,376,294
Deferred tax asset	*16*	68,531	-
Trade and other receivables	*13*	42,750	57,075
		2,524,693	2,491,882
Current assets			
Inventories	*12*	169,536	177,837
Trade and other receivables	*13*	530,201	396,884
Cash and cash equivalents		685,722	1,502,802
		1,385,459	2,077,523
Total assets		3,910,152	4,569,405
Current liabilities			
Trade and other payables	*14*	(1,834,997)	(2,193,301)
Borrowings	*15*	(106,946)	(104,136)
		(1,941,943)	(2,297,437)
Non-current liabilities			
Borrowings	*15*	(507,558)	(600,268)
Deferred tax liabilities	*16*	-	(18,348)
Provisions	*17*	(101,053)	(101,053)
		(608,611)	(719,669)
Total liabilities		(2,550,554)	(3,017,106)
Net assets		**1,359,598**	**1,552,299**
Equity			
Share Capital	*20*	186,745	186,745
Share Premium		1,188,021	1,188,021
Other Reserves		1,421	1,421
Retained Earnings		(16,589)	176,112
Total equity		**1,359,598**	**1,552,299**

The financial statements were approved by the Board of Directors and authorised for issue on 5 November 2018 and were signed on its behalf by:

Kiran Noonan
Director

Gary O'Brien
Director

Statement of Changes in Equity for the 10 months ended 30 June 2018

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	£	**£**	**£**	**£**	**£**
At 01 September 2016	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
Loss for the period	-	-	-	(192,701)	(192,701)
At 30 June 2018	**186,745**	**1,188,021**	**1,421**	**(16,589)**	**1,359,598**

The total comprehensive income for the period is £192,701 loss (2017: £106,279 profit).

Statement of Cash Flows for the 10 months ended 30 June 2018

	10 months to 30 June **2018**	*Year to 31 August* 2017
	£	£
Cash flows from operating activities		
(Loss)/profit from operations	(348,748)	148,695
Amortisation of intangible assets	11,728	16,787
Depreciation and impairment of property, plant and equipment	210,928	243,939
Loss on disposal of property, plant and equipment	30,723	120,530
Decrease in inventories	8,301	34,577
(Increase) in receivables	(31,445)	(17,696)
(Decrease)/increase in payables	(351,593)	229,434
(Decrease) in provisions	-	(122,977)
Cash generated from operations	(470,106)	653,289
Net taxation paid	-	-
Net cash from operating activities	**(470,106)**	**653,289**
Cash flows from investing activities		
Purchase of intangible assets	(9,660)	-
Purchase of property, plant and equipment	(279,229)	(139,814)
Net proceeds from sale of property, plant and equipment	56,905	3,672
Interest received	258	-
Net cash used in investing activities	**(231,726)**	**(136,142)**
Cash flows from financing activities		
Interest paid	(25,348)	(41,490)
Repayment of borrowings - finance leases	(16,295)	(18,580)
Repayment of borrowings - bank loans	(73,605)	(61,682)
Net cash used in financing activities	**(115,248)**	**(121,752)**
Net increase/(decrease) in cash and cash equivalents	**(817,080)**	**395,395**
Net cash and cash equivalents at the start of the period	1,502,802	1,107,407
Net cash and cash equivalents at the end of the period	**685,722**	**1,502,802**
Net cash and cash equivalents		
Cash at bank and in hand	685,722	1,502,802
Bank overdrafts	-	-
	685,722	**1,502,802**

The movement in receivables stated above does not agree to the figures shown in the Statement of Financial Position. This is due to the research and development tax credits being omitted from the Statement of Cash Flow figures as the income receivable is not part of the loss from operations.

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 listed on the London AIM market and incorporated and domiciled in England and Wales. 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.

As previously reported the Company changed its year end from 31 August to 30 June. The change was made as the August year end created unwanted and unnecessary challenges to production and adverse effects on staff morale due to the need to restrict factory staff holiday in August. Consequently the amounts shown in these financial statements may not be entirely comparable.

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 capitalisation of development costs for which the accounting policy is disclosed in note 1.4 and;
- The useful economic life of property, plant and equipment for which the accounting policy is disclosed in note 1.6.

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 at least twelve months from date of signing of the financial statments. 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. Revenue is only recognised when products are despatched from the factory.

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 Land & Buildings	2% straight-line
Plant & machinery and loose tools	10% straight-line
Office Fixtures & fittings and IT equipment	10% and 33% straight-line
Showroom display and shop fittings	33% reducing balance and 10% straight-line; 20% straight-line on new showroom displays.

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 Statement of Financial Position 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 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

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 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.

1.12 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.

1.13 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.

1.14 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.

1.15 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.

1.16 New standards and interpretations not yet adopted

New standards, interpretations and amendments effective for accounting periods beginning on or after 1 July 2018:

No new standards, interpretations and amendments, which are effective for periods beginning on or after 1 July 2018 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 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenues from Contracts with Customers
- IFRS 16 - Leases

These new standards are not expected to have a material effect on the Company's future financial statements, other than IFRS 16 Leases which comes into effect on 1 July 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 July 2018, 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 (LOSS)/PROFIT FROM OPERATIONS

	10 months to 30 June **2018**	*Year to 31 August* 2017
	£	£
(Loss)/profit from operations is stated after charging:		
Auditors remuneration - Company audit	25,000	15,000
Amortisation of intangible fixed assets	11,728	16,787
Depreciation of owned property plant and equipment	202,928	234,939
Depreciation of plant and equipment held on finance leases	8,000	9,000
Loss on disposal of property, plant and equipment	30,723	120,530
Operating lease rentals		
- Plant and machinery	15,968	18,541
- Other assets	387,991	456,053
Cost of inventories recognised as an expense	2,806,020	3,374,286

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	***Total*** **2018**	*Total* 2017
	£	£	£	£	£
Kiran Noonan	92,904	8,573	5,821	107,298	120,041
Gary O'Brien	37,575	-	-	37,575	41,250
James Barnard (appointed 13.09.17)	23,328	-	-	23,328	-
Kenneth McNaught (appointed 14.07.16, resigned 02.11.16)	-	-	-	-	4,167
John L. Lewis (resigned 19.04.17)	-	-	-	-	6,630
Jonathan S. Rosby (resigned 30.09.16)	-	-	-	-	29,031
	153,807	8,573	5,821	168,201	201,119

Retirement benefits are accruing to 1 Director (2017 - 1 Director) under defined contribution schemes.

Compensation of key management personnel has been disclosed in Note 24.

5 EMPLOYEES

Number of employees

The average monthly number of employees during the period was:

	2018	2017
	Number	Number
Directors	3	3
Production	19	19
Sales and distribution	34	32
Administration	5	5
	61	59

	2018	2017 *restated*
	£	£
Employment costs		
Wages and salaries	1,780,609	2,018,014
Redundancy costs	(954)	19,043
Social security costs	175,484	215,361
Other pension costs	45,588	50,147
	2,000,727	2,302,565

The prior year employment costs have been restated to correctly reflect the allocation of Cost of Sales wages, employers' National Insurance and pension costs.

6 FINANCE INCOME

	2018	2017
	£	£
Bank interest income	258	-

7 FINANCE EXPENSES

	2018	2017
	£	£
Interest payable on bank loans	25,348	41,490

8 TAX ON (LOSS) / PROFIT FROM OPERATIONS

	2018	2017
	£	£
Current period taxation		
UK Corporation tax charge for the period	-	-
Research and Development Tax Credit	94,258	17,422
Total current tax	94,258	17,422
Origination and reversal of temporary timing differences	86,879	(18,348)
	181,137	(926)

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

	2018	2017
	£	£
(Loss)/profit on ordinary activities before tax	(373,838)	107,205
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(71,029)	20,369
Effect of:		
Expenses not deductible for tax purposes	2,378	5,476
Depreciation on assets not qualifying for tax allowances	10,563	-
Other permanent differences	(3,428)	(7,497)
Adjustment in respect of prior years	(10,296)	-
Research and development tax credit	(94,258)	(17,422)
Deferred tax adjustments in respect of prior years	(23,130)	-
Effect of change in local corporation tax rate	8,063	-
Total tax (credit)/charge in income statement	(181,137)	926

9 (LOSS) / EARNINGS PER SHARE

	10 months to 30 June **2018**	*Year to 31 August* 2017
(Loss)/earnings per ordinary share is calculated as follows:		
Basic		
(Loss)/profit attributable to ordinary shareholders (£)	(192,701)	106,279
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
(Loss)/earnings per ordinary share	(0.10)p	0.06 p
Fully diluted		
(Loss)/profit attributable to ordinary shareholders (£)	(192,701)	106,279
Weighted average number of ordinary shares in issue and under option	186,745,519	186,745,519
(Loss)/earnings per ordinary share	(0.10)p	0.06 p

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would have been issued on the conversion of all dilutive potential Ordinary shares into Ordinary shares.

10 INTANGIBLE NON-CURRENT ASSETS

	Software	Trademarks	Development Costs	Total
	£	£	£	£
Cost				
At 1 September 2016	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2017	50,600	57,154	115,988	223,742
Additions	9,660	-	-	9,660
At 30 June 2018	**60,260**	**57,154**	**115,988**	**233,402**
Amortisation				
At 1 September 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
Charge for the period	2,117	107	9,504	11,728
At 30 June 2018	**50,762**	**56,569**	**69,626**	**176,957**
Net book value				
At 30 June 2018	**9,498**	**585**	**46,362**	**56,445**
At 31 August 2017	1,955	692	55,866	58,513

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & IT equipment	Total
Cost	**£**	**£**	**£**	**£**	**£**
At 1 September 2016	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
Additions	-	247,311	11,400	20,518	279,229
Disposals	-	(125,633)	-	-	(125,633)
At 30 June 2018	**1,754,752**	**2,274,822**	**425,790**	**256,155**	**4,711,519**
Depreciation and impairment					
At 1 September 2016	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	452,429	1,340,264	210,231	178,705	2,181,629
Charge for the period	33,684	122,588	29,403	22,231	207,906
Disposals	-	(38,005)	-	-	(38,005)
Adjustment	3,022	-	-	-	3,022
At 30 June 2018	**489,135**	**1,424,847**	**239,634**	**200,936**	**2,354,552**
Net book value					
At 30 June 2018	**1,265,617**	**849,975**	**186,156**	**55,219**	**2,356,967**
At 1 September 2017	1,302,323	812,880	204,159	56,932	2,376,294

The freehold land element of freehold land and buildings which was not depreciated was £503,624 (2017 - £503,624). The net book value of items held under finance leases was £64,800 (31 August 2017: £72,800). The depreciation charge for items held under finance leases is shown in note 3 on page 32.

12 INVENTORIES

	2018	2017
	£	£
Raw materials and consumables	140,378	144,625
Work in progress	29,158	33,212
	169,536	177,837

13 TRADE AND OTHER RECEIVABLES

	2018	2017
Current assets:	**£**	£
Trade receivables	49,705	145,044
Other receivables	44,487	8,378
Prepayments and accrued income	436,009	243,462
	530,201	396,884
Non-current assets:		
Other receivables	42,750	57,075

Non-current other receivables relate to lease deposits totalling £42,750 (2017: £57,075) which are recoverable after more than one year. These have not been discounted as the impact is not material to the financial statements

Trade receivables are stated net of provisions for doubtful debts of £20,508 (2017: £27,414). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

14 TRADE PAYABLES AND OTHER PAYABLES

	2018	2017
	£	£
Payments received on account	294,028	646,138
Trade payables	559,501	588,288
Other taxes and social security costs	353,289	355,358
Other payables	57,861	8,958
Accruals and deferred income	570,318	594,559
	1,834,997	2,193,301

15 BORROWINGS

	2018	2017
	£	£
Bank loans	577,883	651,488
Finance lease liabilities	36,621	52,916
	614,504	704,404
Presented in the balance sheet as:		
Borrowings - current	106,946	104,136
Borrowings - non-current	507,558	600,268
	614,504	704,404
(a) Bank borrowings		
Analysis of bank loan repayments:		
In one year or less	85,046	82,236
In more than one year but not more than two years	81,156	82,816
In more than two years but not more than five years	263,017	270,725
In more than five years	148,664	215,711
	577,883	651,488

The Bank loans are secured by a legal charge over the Company's freehold properties at Park Street, Hungerford, Berkshire and Grove Technology Park, Downsview Road, Wantage, Oxfordshire.

	2018	2017
	£	£
(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	16,425	34,675
More than five years	-	-
	38,325	56,575
Future finance charges on finance lease liabilities	(1,704)	(3,659)
Present value of finance lease liabilities	36,621	52,916

Future finance charges on finance lease liabilities are analysed as follows:

	2018	2017
	£	£
In one year or less	(1,372)	(2,257)
Between one and five years	(332)	(1,402)
More than five years	-	-
	(1,704)	(3,659)

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

16 DEFERRED TAX ASSET / LIABILITIES

		Deferred taxation
		£
Balance at 1 September 2017		18,348
Accelerated capital allowances	(37,682)	
Tax losses carried forward	(46,451)	
Research and development accelerated deductions	(2,746)	
Profit and loss account charge/(credit)		(86,879)
Transfer to non-current receivables		68,531
Balance at 30 June 2018		-

The provision for deferred taxation consists of the following amounts:

	2018	2017
	£	£
Capital allowances in excess of depreciation	117,937	155,619
Tax losses carried forward	(194,350)	(147,898)
Research and development accelerated deductions	7,882	10,627
Transfer to non-current receivables	68,531	-
	-	18,348

A deferred tax asset of £68,531 has been recognised in respect of accumulated tax losses of £1,143,232 on the basis that it is expected that the availability of these losses will reduce the Company's tax liability in future accounting periods.

17 PROVISIONS

	Warranty provision	Dilapidations provision	Restructuring provision	Total
		£	£	£
At 01 September 2016	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
Arising during the period	37,958	-	-	37,958
Utilised during the period	(37,958)	-	-	(37,958)
At 30 June 2018	41,575	59,478	-	101,053

	2018	2017
	£	£
Current	-	-
Non-Current	101,053	101,053
	101,053	101,053

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 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.

18 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 £45,588 (2017: £50,147). The scheme complies with the Auto Enrolment requirements and the Company's staging date was March 2015. There were unpaid pension commitments at the period end of £4,711, (2017: £4,255).

19 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 period end were as follows:

	2018	2017
	£	£
Floating rate cash and deposits	685,722	1,502,802
Fixed rate loans	151,163	169,837
Floating rate loans	426,720	481,651

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 £1,078 (2017: £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 period end the Company's trade receivables amount to £49,705 (2017: £145,044).

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 13.

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 period. 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 and financial terms included in the Company's various borrowing facilities. There have been no breaches of these terms in the financial period ended 30 June 2018.

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

	2018	2017
	£	£
Total equity	1,359,598	1,552,299
Bank borrowings	577,883	651,488
	1,937,481	2,203,787

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 £685,722 (2017: £1,502,802) 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 fixed annual rate of 7.55% over Bank of England base rate. The first loan has a value of £151,163 (2017: £169,837) denominated in Sterling.

The second loan is repayable over 15 years from 22 March 2010 and carries interest at a fixed rate of 4.55% 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 £140,890 (2017: £155,198) 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 £57,416 (2017: £70,933) denominated in Sterling.

The fourth loan is repayable by 31 May 2022 by monthly installments and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The fourth loan has a value of £228,414 (2017: £255,520) 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 £36,621 (2017: £52,916) denominated in Sterling.

At the period end the Company's trade payables amount to £559,501 (2017: £588,288). 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 period end.

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

Borrowing facilities
The Company had the following un-drawn committed borrowing facilities at 30 June 2018 and 31 August 2017.

	2018	2017
	£	£
Expiry date:		
In one year or less	250,000	250,000

20 SHARE CAPITAL

	2018	2017
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2018	2017
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 30 June 2018 5,382,315 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust (2017: 6,979,479). At that date those shares had a market value of 1.15 pence (2017: 1.0 pence) each.

21 SHARE BASED PAYMENTS

Share and share option awards outstanding

As at 30 June 2018 all share and share option awards had vested or lapsed. No options were awarded or exercised during the period (2017: nil). There was no share based payments charge for the period (2017: nil).

22 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2018 the Company had outstanding commitments for future minimum payments under non- cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2018	2017 restated	**2018**	2017 restated
	£	£	**£**	£
Expiry date:				
Within one year	394,996	435,150	18,762	19,020
Between two and five years	1,070,833	1,191,167	17,942	33,534
In over five years	782,708	933,958	-	-
	2,248,537	2,560,275	36,704	52,554

Operating lease commitments as at 31 August 2017 have been restated to correctly show the minimum amounts payable for the comparative balance sheet date .

23 CAPITAL COMMITMENTS

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

24 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 4 and 21. Transactions with key management personnel (comprising the Directors and key members of management) are disclosed below:

Compensation of key management personnel (including Directors)

	2018	2017
	£	£
Short term employee benefits	168,201	275,725
	168,201	275,725

The directors consider that the key management personnel of the Company are the Directors only (2017: Directors, Head of Finance & Head of Operations).

Other related party transactions

	2018	2017
	£	£
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, £nil (2017: £10,234) was due from related parties in respect of purchases of goods.

In the prior period Sales of goods to other related parties were to New Look Kitchens & Bathrooms a company related to the Head of Operations. Purchases of goods from other related parties were to New Look Kitchens & Bathrooms a company related to the Head of Operations. The consultancy services purchased from other related parties were from Artefii Ltd and Chiltern Management Services entities controlled by Head of Finance and Chairman respectively. All related party transactions were made on terms equivalent to those which prevail in arm's length transactions.