

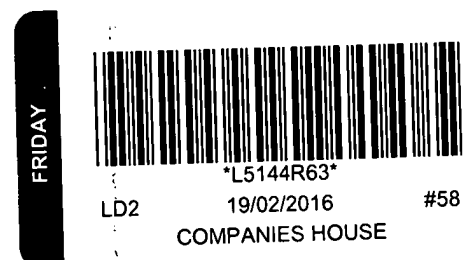


John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2015

Registered number
01317377



John Lewis of Hungerford plc

Annual Report and Financial Statements 2015

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STRATEGIC REPORT

Company Information

Directors:

Jonathan S. Rosby
(Managing Director)
Karen Stanley
(Financial Director)
Kiran Noonan
(Sales and Marketing Director)
Damian Walters
(Installations Director)
Malcolm R. Hepworth
(Non Executive Chairman)
John L. Lewis
(Non Executive Director)

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

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

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

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

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

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

Company Number:
01317377

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 operates an on-line business, under the name of Just Doors for replacement kitchen cabinet doors. This is managed through a licensing agreement set up in January 2010.

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

www.john-lewis.co.uk

www.justdoors.co.uk

STRATEGIC REPORT

Risk Management

The Directors are required under section 414 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

After a couple of years of steady growth the year just ended served to remind us of the challenges we face as a small company. Following a strong first quarter we experienced a series of unplanned staffing changes in our showrooms including the resignations of two of our most experienced designers. Whilst disappointing these changes reflected a desire on the part of the individuals to pursue new careers away from kitchen design and consequently were outside of our control.

The quality of our designers is critical to our business making it crucial that they were replaced with individuals of comparable quality. Consequently senior management time was diverted to addressing this and, whilst it was unquestionably the correct decision, as a small business it came at the expense of initiatives contained in our strategic growth plan.

Inevitably it takes time to identify suitable replacements and a further lead time before they are able to generate sales. It is therefore pleasing to be able to note the year ended on a positive note with a strong trading performance in the final quarter as showroom staffing levels slowly returned to normality and long term customer projects came to fruition. However, this was insufficient to recover the losses incurred earlier in the year contributing to the overall loss for the full year we are reporting today.

Operational and Financial Review

The loss for the year before taxation and share based payments amounted to £197,000 (2014: £103,000 profit).

Overall, sales grew by 5% to £7,799,000 (2014: £7,416,000) with the total number of kitchens sold during the year being 298 (2014: 307). We provide a bespoke design service to customers and so the average sales/kitchen in any given year is principally driven by the sales mix and in particular the complexity of their design requirements.

Like for like sales from a comparable showroom estate decreased by 14%, reflecting a reduced volume of kitchen sales in those showrooms. Our new showrooms continue to trade in line with expectations with the aforementioned staffing issues principally impacting on our mature estate. The new showrooms in Chiswick and Cobham contributed 20% of total sales value and the design of these stores reflects the particular markets they serve. In particular the Chiswick store was designed to highlight the contemporary aspects of our range and we are delighted with customer reaction. We believe this provides a template for future store openings that complements the more traditional feel of other stores in the estate.

Whilst the growth in sales is welcome it was less than budgeted and this coupled with the investments we were already committed to making in support of our longer term growth strategy contributed to the loss for the year. Some of the key investments made in the year include the purchase and installation of a new spray and finishing line and the refurbishment of the Bristol, Harrogate and Oxford showrooms and the installation of the Pure kitchen range in two further showrooms. The costs associated with the showroom refurbishment are treated as capital expenditure in line with the Company's accounting policies.

A slightly lower gross margin for the year at 52.0% (2014: 52.4%) was attributable to a slight reduction in product margins of 55.6% (2014:56.1%). The installations business grew its revenue by 7% to £1,030,000 (2014: £963,000) and achieved a higher gross profit margin of 28% (2014: 27.5%)

<i>Products</i>	2015	2014
	£000	£000
Turnover	6,769	6,453
Cost of sales	(3,003)	(2,832)
Gross margin	3,766	3,621

Product sales include £242,000 (2014: £236,000) relating to our new bedroom range. This range is now available in Fulham showroom as well as a dedicated showroom based at our head office in Wantage. We intend to install bedrooms into our Winchester showroom in the coming 12 months reflecting the relatively cautious approach we are taking in selectively rolling this out to showrooms in our estate. Our award winning Pure kitchen range has now been installed in 8 showrooms and we intend to continue this roll out in the current year. Pure sales contributed a very encouraging 18% of total sales for the year at £1,386,000.

<i>Installations</i>	2015	2014
	£000	£000
Turnover	1,030	963
Cost of sales	(741)	(698)
Gross margin	289	265

Installation sales include £91,000 (2014: £54,000) relating to our new bedroom range.

Cash flow

We ended the year with cash at bank and in hand of £1,206,000 (2014: £1,490,000) reflecting the positive working capital generated through customer deposits and advance payments. The net cash inflow from operating activities was £120,000 (2014: £763,000).

Bank loans, which are secured by a charge over the company's freehold property stand at £780,000 (2014: £817,000). The Company also had un-drawn committed borrowing facilities at the year end of £250,000 (2014: £250,000).

Capital expenditure, including capitalised development costs, of £453,000 was in line with budgeted amounts and principally arose from expenditure on new spray and finishing lines together with the continued refurbishment of showrooms and the installation of the Pure kitchen range

Dividends

The Board is not recommending payment of a dividend.

Progress against 3 year strategic plan

The financial performance of the newer stores validates the growth strategy adopted by the Board in recent years. We continue to believe selective opportunities exist to add new stores although this was put on hold during the year as we sought to stabilise the business. The Board have subsequently determined not to pursue further openings until such time as we have secured an improved financial performance from our mature showrooms. This will include installing our current ranges of products throughout the estate and making further investments in our design capability.

Once these changes have been implemented the Board remain confident that the business will return to profitable growth. However, the Board no longer consider our previously announced aspirational target of growing turnover to £10 million with a 5% operating profit by the end of FY 2016 to be a realistic target.

Current Trading and outlook

On 6 November 2015 we reported that despatched sales and forward orders for Q1 stood at £1.9 million (2014: £2.0 million). As we reported at the same time, a change in our operating policy for orders linked to associated building work has had the impact of deferring the point at which some sales are now reported. This was borne out by the significant increase in the forward order book, at the same date, for deliveries in Q2 and beyond which stood at £1.3m (2014: £0.7m). Going forward we believe it is necessary to consider both measures in assessing the current trend within the business and we intend to provide both measures.

After the first 15 weeks of the current financial year our current sales and order book stood at £3.1 million (2014 £3.1m). Our forward order book at the same date, for which deposits have already been taken stood at £1.4m (£2014 £0.7m). We are pleased with this performance which represents a significant achievement in light of the staffing challenges we have faced in the past 12 months.

I would like to record my appreciation for the effort and dedication of all of our employees who have helped steer us through a tough and challenging year.



Malcolm R. Hepworth
Non Executive Chairman

17 December 2015

Strategic Report approval

The Strategic Report on pages 2 to 9, incorporates the sections: Company Information, Company Profile, Risk Management and the Chairman's Statement.

By order of the Board

A handwritten signature in black ink, appearing to be 'J. Rosby', written over a horizontal line.

Jonathan S. Rosby
Director
17 December 2015

GOVERNANCE

Directors' Report

The Directors present their report and financial statements for the year ended 31 August 2015.

Results and dividends

The loss for the year after taxation amounted to £138,551 (2014: £44,363 profit).

The Directors do not recommend payment of a dividend (2014 – £nil).

Fixed 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 30 and 31.

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

As at 31 August 2015, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2015	1 September 2014
John L. Lewis	68,966,678	72,466,678
Malcolm R. Hepworth	1,250,000	1,250,000
Jonathan S. Rosby	5,923,547	5,923,547
Karen Stanley	-	-
Kiran Noonan	-	-
Damian Walters	-	-

As at 31 August 2015, the option entitlements of the Directors to subscribe for new ordinary shares were:

	Total options issued	Percentage of issued share capital
John L. Lewis	-	-
Malcolm R. Hepworth	12,000,000	6.43%
Jonathan S. Rosby	10,946,333	5.86%
Karen Stanley	7,041,067	3.77%
Kiran Noonan	5,000,000	2.68%
Damian Walters	4,666,667	2.50%

Details of outstanding options are as follows:

Number of options
as at 31 August 2015

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

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

Jonathan S. Rosby	5,000,000
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*Options exercisable at 0.8p granted on 22 June 2009
exercisable between 3 and 10 years from the date of grant*

Karen Stanley	3,000,000
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*Options exercisable at 0.1p granted on 29 April 2014
exercisable between the date of announcement of the 2016 full year results
and 10 years from the date of grant*

Jonathan S. Rosby	5,946,333
Kiran Noonan	5,000,000
Damian Walters	4,666,667
Karen Stanley	4,041,067

In accordance with the Company's articles of association, Damian Walters and Karen Stanley retire as directors and being eligible, will offer themselves for re-election at the Annual General Meeting.

Substantial interests

On 4 December 2015, except for shareholdings which are disclosed in the 'Directors and their interests' paragraph above, the only shareholdings of which the Company has been notified to which there is attached 3% or more of the total voting rights at such date, are as follows:

Shareholder	Number of Ordinary shares of 0.1p each	Percentage of voting rights
Mr David Stredder (Spreadex Ltd)	19,887,635	10.65%
Hargreaves Lansdown Asset	17,689,082	9.47%
Diggle Investments Limited	11,400,000	6.10%
WH Ireland	5,955,000	3.19%
TD Direct Investing	5,679,402	3.04%

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

Audit committee

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

Health and safety

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

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

Going concern

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

Annual General Meeting

The next Annual General Meeting of the Company will take place at John Lewis of Hungerford, 156-158 Wandsworth Bridge Road, Fulham, London SW6 2UH on 27th January 2016 at 2.30 pm.

Special Business

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

The notice of Annual General Meeting also contains a special resolution at resolution 6 which seeks to give the Directors power to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 2006 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 5 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, five 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 & Co. Limited have indicated their willingness to continue as auditor. Accordingly, a resolution proposing their reappointment as auditor will be put to the members at the forthcoming Annual General Meeting.

On behalf of the Board



Jonathan S. Rosby

Director

17 December 2015

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

We have audited the financial statements of John Lewis of Hungerford plc for the year ended 31 August 2015 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 to 23. 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.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2015 and of its loss 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.

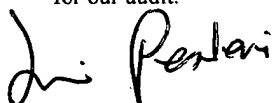
Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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



Lino Perdoni FCA (Senior Statutory Auditor)

For and on behalf of

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

17 December 2015

17/12/2015

FINANCIAL STATEMENTS

Income Statement for the year ended 31 August 2015

		2015	2014
	<i>Notes</i>	£	£
Revenue		7,798,821	7,416,441
Cost of sales		<u>(3,744,065)</u>	<u>(3,530,279)</u>
Gross profit		4,054,756	3,886,162
Selling and distribution costs		(482,273)	(498,668)
Administrative expenses			
Share based payments	20	43,139	(43,139)
Other		<u>(3,717,690)</u>	<u>(3,250,184)</u>
Total		(3,674,551)	(3,293,323)
(Loss)/Profit from operations before share based payments			
		(145,207)	137,310
(Loss)/Profit from operations	3	(102,068)	94,171
Finance income	6	2,199	2,464
Finance expenses	7	<u>(53,958)</u>	<u>(36,895)</u>
(Loss)/Profit before tax		(153,827)	59,740
Tax credit / (expense)	8	<u>15,276</u>	<u>(15,377)</u>
(Loss)/Profit for the year		<u><u>(138,551)</u></u>	<u><u>44,363</u></u>
Earnings per share	9		
Basic		(0.07)p	0.02p
Fully diluted		(0.07)p	0.02p

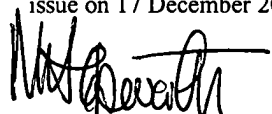
Statement of Comprehensive Income for the year ended 31 August 2015


	2015	2014
	£	£
(Loss)/profit for the year	<u>(138,551)</u>	<u>44,363</u>
Total Comprehensive Income	<u>(138,551)</u>	<u>44,363</u>

Balance Sheet as at 31 August 2015

		2015	2014
	Notes	£	£
Non-current assets			
Intangible assets	10	92,087	108,874
Property, plant and equipment	11	2,784,262	2,689,988
Trade and other receivables	13	57,075	57,075
		<u>2,933,424</u>	<u>2,855,937</u>
Current assets			
Inventories	12	190,209	183,111
Trade and other receivables	13	306,824	294,152
Cash and cash equivalents		1,206,171	1,489,714
		<u>1,703,204</u>	<u>1,966,977</u>
Total assets		<u>4,636,628</u>	<u>4,822,914</u>
Current liabilities			
Current tax payable	8	-	-
Trade and other payables	14	(1,823,312)	(1,864,637)
Borrowings	15	(83,252)	(39,948)
		<u>(1,906,564)</u>	<u>(1,904,585)</u>
Non-current liabilities			
Borrowings	15	(785,765)	(777,064)
Deferred tax liabilities	16	(15,997)	(31,273)
		<u>(801,762)</u>	<u>(808,337)</u>
Total liabilities		<u>(2,708,326)</u>	<u>(2,712,922)</u>
Net assets		<u>1,928,302</u>	<u>2,109,992</u>
Equity			
Share Capital	19	186,745	186,745
Share Premium		1,188,021	1,188,021
Other Reserves		1,421	1,421
Retained Earnings		<u>552,115</u>	<u>733,805</u>
Total equity		<u>1,928,302</u>	<u>2,109,992</u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2015 and were signed on its behalf by:


Malcolm R. Hepworth
Director


Jonathan S. Rosby
Director

Statement of Changes in Equity for the year ended 31 August 2015

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	£	£	£	£	£
At 01 September 2013	186,745	1,188,021	1,421	646,303	2,022,490
Profit for the year	-	-	-	44,363	44,363
Share based payments	-	-	-	43,139	43,139
At 31 August 2014	186,745	1,188,021	1,421	733,805	2,109,992
Loss for the year	-	-	-	(138,551)	(138,551)
Share based payments	-	-	-	(43,139)	(43,139)
At 31 August 2015	186,745	1,188,021	1,421	552,115	1,928,302

The total comprehensive income for the year is (£138,551) (2014: £44,363).

Statement of Cash Flows for the year ended 31 August 2015

	2015	2014
	£	£
Cash flows from operating activities		
(Loss) / profit from operations	(102,068)	94,171
Amortisation of intangible assets	16,787	17,754
Depreciation of property, plant and equipment	280,315	269,856
Share based payments	(43,139)	43,139
Loss on disposal of property, plant and equipment	29,528	4,035
(Increase)/decrease in Inventories	(7,098)	9,210
Increase in receivables	(12,672)	(57,469)
(Decrease)/Increase in payables	(41,325)	382,272
Cash generated from operations	<u>120,328</u>	<u>762,968</u>
Net taxation paid	-	-
Net cash from operating activities	<u>120,328</u>	<u>762,968</u>
Cash flows from investing activities		
Purchase of intangible assets	-	-
Purchase of property, plant and equipment	(357,161)	(676,069)
Net proceeds from sale of property, plant and equipment	49,044	53,674
Interest received	2,199	2,464
Net cash used in investing activities	<u>(305,918)</u>	<u>(619,931)</u>
Cash flows from financing activities		
Interest paid	(53,958)	(36,895)
Increase in borrowings	-	300,000
Repayment of borrowings	(43,995)	(38,680)
Net cash used in financing activities	<u>(97,953)</u>	<u>224,425</u>
Net increase/(decrease) in cash and cash equivalents	<u>(283,543)</u>	<u>367,462</u>
Net cash and cash equivalents at the start of the year	1,489,714	1,122,252
Net cash and cash equivalents at the end of the year	<u>1,206,171</u>	<u>1,489,714</u>
Net cash and cash equivalents		
Cash at bank and in hand	1,206,171	1,489,714
Bank overdrafts	-	-
	<u>1,206,171</u>	<u>1,489,714</u>

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-time 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%-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 schemes.

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 New standards and interpretations not yet adopted

New standards, interpretations and amendments effective for accounting periods beginning on or after 1 September 2015:

No new standards, interpretations and amendments, which are effective for periods beginning on or after 1 September 2015 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 and have not been adopted early in these financial statements, are not expected have a material effect on the Company's future financial statements:

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

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

	2015	2014
	£	£
(Loss)/Profit from operations is stated after charging:		
Auditors remuneration - company audit	15,000	15,000
Amortisation of intangible fixed assets	16,787	17,754
Depreciation of owned property plant and equipment	280,315	269,856
Operating lease rentals		
- Plant and machinery	18,275	7,397
- Other assets	461,268	400,423
Share based payments expenses	(43,139)	43,139
Cost of inventories recognised as an expense	<u>3,048,793</u>	<u>2,842,003</u>

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	Benefits in kind	Pension contribution	Total 2015	Total 2014
	£	£	£	£	£
Jonathan S. Rosby	109,852	2,351	-	112,203	111,175
Karen Stanley	86,692	147	5,463	92,302	70,912
Damian Walters (Appointed 22nd October 2013)	81,100	-	541	81,641	67,988
Kiran Noonan (Appointed 22nd October 2013)	86,250	-	579	86,829	73,511
Malcolm R. Hepworth	25,150	-	-	25,150	25,000
John L. Lewis	7,819	148	-	7,967	7,735
	<u>396,863</u>	<u>2,646</u>	<u>6,583</u>	<u>406,092</u>	<u>356,321</u>

Retirement benefits are accruing to 3 (2014 - 1) Directors under defined contribution schemes. There is 1 Director (2014 - 1) who has shares receivable under long term incentive schemes. Details of share options held by Directors are set out in the Directors' Report on page 11.

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

	Number of shares	
	2015	2014
Jonathan S. Rosby	<u>3,773,547</u>	<u>3,773,547</u>

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

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2015	2014
	Number	Number
Directors	6	6
Production	20	21
Sales and distribution	35	33
Administration	5	4
	<u>66</u>	<u>64</u>

	2015	2014
	£	£
<i>Employment costs</i>		
Wages and salaries	2,283,432	2,080,583
Social security costs	247,046	220,935
Other pension costs	29,184	17,194
	<u>2,559,662</u>	<u>2,318,712</u>

6 FINANCE INCOME

	2015	2014
	£	£
Bank interest income	<u>2,199</u>	<u>2,464</u>

7 FINANCE EXPENSES

	2015	2014
	£	£
Interest payable on bank loans	<u>53,958</u>	<u>36,895</u>

8 TAX ON PROFIT FROM OPERATIONS

	2015	2014
	£	£
Current year taxation		
UK Corporation tax charge for the year	-	-
Adjustment in respect of prior year - UK	-	-
Total current tax	-	-
Origination and reversal of temporary timing differences	(15,276)	17,684
Impact of changes in tax rate	-	(2,307)
	<u>(15,276)</u>	<u>15,377</u>

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

	2015	2014
	£	£
Profit/(loss) on ordinary activities before tax	<u>(153,827)</u>	<u>59,740</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014: 21%)	(30,765)	12,545
Effect of:		
Expenses not deductible for tax purposes	4,792	5,330
Credits not allowable for tax purposes	(8,628)	
Other timing differences	19,325	(191)
Effects on deferred tax balances due to changes in tax rate to 20%	-	(2,307)
Total tax (credit)/charge in income statement	<u>(15,276)</u>	<u>15,377</u>

9 EARNINGS PER SHARE

	2015	2014
Earnings/(loss) per ordinary share is calculated as follows:		
<i>Basic</i>		
Profit/(loss) attributable to ordinary shareholders (£)	(138,551)	44,363
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Earnings/(loss) per ordinary share	<u>(0.07)p</u>	<u>0.02 p</u>
<i>Fully diluted</i>		
Profit/(loss) attributable to ordinary shareholders (£)	(138,551)	44,363
Weighted average number of ordinary shares in issue and under option	186,745,519	203,008,741
Earnings/(loss) per ordinary share	<u>(0.07)p</u>	<u>0.02 p</u>

10 INTANGIBLE NON-CURRENT ASSETS

	Software	Trademarks	Development Costs	Total
	£	£	£	£
<i>Cost</i>				
At 1 September 2013	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2014	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2015	50,600	57,154	115,988	223,742
<i>Amortisation</i>				
At 1 September 2013	28,563	54,887	13,664	97,114
Charge for the year	4,902	1,191	11,661	17,754
At 31 August 2014	33,465	56,078	25,325	114,868
Charge for the year	5,060	128	11,599	16,787
At 31 August 2015	38,525	56,206	36,924	131,655
<i>Net book value</i>				
At 31 August 2015	12,075	948	79,064	92,087
At 31 August 2014	17,135	1,076	90,663	108,874

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Total
<i>Cost</i>	£	£	£	£	£
At 1 September 2013	1,668,442	2,220,679	285,364	188,255	4,362,740
Additions	26,832	556,616	84,329	8,292	676,069
Disposals	-	(79,805)	(7,978)	(24,802)	(112,585)
At 31 August 2014	1,695,274	2,697,490	361,715	171,745	4,926,224
Additions	-	239,137	198,013	16,011	453,161
Disposals	-	(693,267)	(90,230)	(13,613)	(797,110)
At 31 August 2015	1,695,274	2,243,360	469,498	174,143	4,582,275
<i>Depreciation</i>					
At 1 September 2013	310,712	1,375,609	195,005	139,899	2,021,225
Charge for the year	24,089	207,127	18,893	19,747	269,856
Disposals	-	(22,941)	(7,238)	(24,666)	(54,845)
At 31 August 2014	334,801	1,559,795	206,660	134,980	2,236,236
Charge for the year	25,789	207,384	27,563	19,579	280,315
Disposals	-	(617,480)	(87,445)	(13,613)	(718,538)
At 31 August 2015	360,590	1,149,699	146,778	140,946	1,798,013
<i>Net book value</i>					
At 31 August 2015	1,334,684	1,093,661	322,720	33,197	2,784,262
At 1 September 2014	1,360,473	1,137,695	155,055	36,765	2,689,988

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2014 - £503,624).

12 INVENTORIES

	2015	2014
	£	£
Raw materials and consumables	168,215	153,159
Work in progress	21,994	29,952
	<u>190,209</u>	<u>183,111</u>

13 TRADE AND OTHER RECEIVABLES

	2015	2014
	£	£
Current assets:		
Trade receivables	55,440	56,213
Other receivables	10,368	17,680
Prepayments and accrued income	241,016	220,259
	<u>306,824</u>	<u>294,152</u>
Non-current assets:		
Other receivables	<u>57,075</u>	<u>57,075</u>

Non-current other receivables relate to lease deposits totalling £57,075 (2014: £57,075) which are recoverable after more than one year.

Trade receivables are stated net of provisions for doubtful debts of £14,883 (2014: £22,698). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

14 TRADE PAYABLES AND OTHER PAYABLES

	2015	2014
	£	£
Payments received on account	521,545	567,776
Trade payables	636,260	526,148
Other taxes and social security costs	271,974	307,682
Other payables	15,194	34,323
Accruals and deferred income	378,339	428,708
	<u>1,823,312</u>	<u>1,864,637</u>

15 BORROWINGS

	2015 £	2014 £
Bank loans	780,003	817,012
Finance lease liabilities	89,014	-
	<u>869,017</u>	<u>817,012</u>
<i>(a) Bank borrowings</i>		
Analysis of bank loan repayments:		
In one year or less	65,734	39,948
In more than one year but not more than two years	70,894	66,884
In more than two years but not more than five years	235,248	436,890
In more than five years	408,127	273,290
	<u>780,003</u>	<u>817,012</u>

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

	2015 £	2014 £
<i>(b) Finance lease liabilities</i>		
Gross finance lease liabilities– minimum lease payments:		
In one year or less	21,900	-
In more than one year but not more than two years	21,900	-
In more than two years but not more than five years	56,575	-
In more than five years	100,375	-
	<u>100,375</u>	<u>-</u>
Future finance charges on finance lease liabilities	11,361	-
Present value of finance lease liabilities	<u>89,014</u>	<u>-</u>

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

Less than 1 year	4,382
Greater than 1 year	6,979
	<u>11,361</u>

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

16 PROVISIONS FOR LIABILITIES AND CHARGES

		Deferred taxation £
Balance at 1 September 2014		31,273
Accelerated capital allowances	42,664	
Share based payments	19,035	
Tax losses carried forward	(74,656)	
Research and development accelerated deductions	<u>(2,319)</u>	
Profit and loss account charge/(credit)		<u>(15,276)</u>
Balance at 31 August 2015		<u><u>15,997</u></u>

The provision for deferred taxation consists of the following amounts:

	2015	2014
	£	£
Capital allowances in excess of depreciation	189,625	146,961
Share based payments	(29,830)	(48,865)
Tax losses carried forward	(159,611)	(84,955)
Research and development accelerated deductions	<u>15,813</u>	<u>18,132</u>
	<u><u>15,997</u></u>	<u><u>31,273</u></u>

17 PENSION COSTS

The Company operates defined contribution group personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £29,184 (2014: £17,194). The scheme complies with the Auto Enrolment requirements and the Company's staging date was March 2015

18 FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, five 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:

	2015	2014
	£	£
Floating rate cash and deposits	1,206,171	1,489,714
Fixed rate loans	286,522	206,327
Floating rate loans	<u>582,495</u>	<u>610,685</u>

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 £6,390.

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 £55,440 (2014: £56,213).

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 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 2015.

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

	2015	2014
	£	£
Total equity	1,928,302	2,109,992
Bank borrowings	780,003	817,012
	<u>2,708,305</u>	<u>2,927,004</u>

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 £1,206,171 (2014: £1,489,714) in Sterling.

Financial Liabilities

The Company's financial liabilities comprise five 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 £185,556 (2014: £200,290) 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 £197,509 (2014: £203,341) 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 £100,805 (2014: £112,987) denominated in Sterling.

The term of the fourth loan is 3 years from 17th April 2014. However the repayment profile of the loan has been calculated on the basis of a 10 year amortisation profile and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The fourth loan has a value of £147,493 (2014: £150,218) denominated in Sterling.

The term of the fifth loan is 3 years from 28th May 2014. However the repayment profile of the loan has been calculated on the basis of a 10 year amortisation profile and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The fifth loan has a value of £148,641 (2014: £150,175) 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 £89,014 (£2014: nil) denominated in Sterling

At the year end the Company's trade payables amount to £636,260 (2014: £526,148). 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 15.

Borrowing facilities

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

	2015	2014
	£	£
Expiry date:		
In one year or less	<u>250,000</u>	<u>250,000</u>

19 SHARE CAPITAL

	2015	2014
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	<u>250,000</u>	<u>250,000</u>
	2015	2014
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	<u>186,745</u>	<u>186,745</u>

At 31 August 2015 15,052,239 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust (2014: 15,052,239). At that date those shares had a market value of 1.18 pence (2014: 1.475 pence) each.

Share options

Details of share options are disclosed in the 'Directors and their interests' paragraph of the Directors' Report and in note 20.

20 SHARE BASED PAYMENTS

	2015	2014
	£	£
Share based payments (income)/expense	(43,139)	43,139

During the year ended 31 August 2015 the Company provided three types of share-based incentive arrangements:

Type of arrangement	Vesting period	Vesting conditions
Individual share option agreements	3 years	Three years service
Employee Share Incentive Plan	2 years	Two years service
Long Term Incentive Plan	2.64 years	Performance targets relating to revenues and pre-tax profit for the year to 31 August 2016

The Company established the Employee Share Incentive Plan on 25 June 2010 and the Long Term Incentive Plan on 29 April 2014. The Company has calculated charges for the share option awards using a Black-Scholes model. Volatility and risk free rates have been calculated for each share option award based on expected volatility over the vesting period and current risk free rates at the time of each award. Volatility assumptions are based on historic volatility for the Company's share price in the three years prior to the award.

Assumptions used in the valuation of share option awards during the previous year were as follows:

Award date	Exercise price	Expected volatility	Risk free rate	Expected dividends	Option life in years	IFRS2 fair value per share option
29 April 2014	0.1 pence	45%	0.50%	-	2.64	2.44 pence

The share based payments charge for the year by scheme was as follows:

	2015	2014
	£	£
Individual option agreements	-	-
Employee Share Incentive Plan	-	-
Long Term Incentive Plan	(43,139)	43,139
Total	(43,139)	43,139

The (credit) / charge relates entirely to equity-settled share based payment transactions.

Share and share option awards outstanding

Scheme and date of award	Exercise price	Vesting date	Number awarded	Number lapsed	Number vested	Not vested at 31 August 2015
Individual option agreement 11.12.06	1.23 pence	11.12.09	5,000,000	-	5,000,000	-
Individual option agreement 17.10.06	0.6 pence	17.09.10	12,000,000	-	12,000,000	-
Individual option agreement 22.06.09	0.8 pence	22.06.12	3,000,000	-	3,000,000	-
Share Incentive Plan 01.01.08 and 11.02.08	n/a	01.01.11 and 11.02.11	14,217,716	2,261,694	11,956,022	-
Long Term Incentive Plan - Option Awards 29.04.14	0.1 pence	19.12.16	19,654,067	-	-	19,654,067

The reconciliation of Directors' option movements over the year to 31 August 2015 is shown below:

	<i>Number of options</i>	<i>Weighted average exercise price</i>
Outstanding at 1 September 2014	39,654,067	£0.0045
Granted	-	
Lapsed	-	
Exercised	-	
Outstanding at 31 August 2015	39,654,067	£0.0045
Exercisable at 31 August 2015	20,000,000	£0.0079

The options outstanding at 31 August 2015 had an exercise price in the range of 0.1 pence to 1.23 pence (2014: 0.1 pence to 1.23 pence) and a weighted-average contractual life of 5.08 years (2014: 6.08 years)

No options were exercised during the year (2014: nil).

All of the total share based payments credit of £43,139 (2014: £43,139 charge) related to equity-settled share based payments to Directors.

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2015 the Company had outstanding commitments for future minimum payments under non- cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
<i>Expiry date:</i>				
Within one year	34,096	15,250	1,438	1,525
Between two and five years	700,828	473,124	29,169	16,085
In over five years	2,428,631	2,844,381		-
	<u>3,163,555</u>	<u>3,332,755</u>	<u>30,607</u>	<u>17,610</u>

22 CAPITAL COMMITMENTS

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

23 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 20. Transactions with key management personnel (comprising the Directors and key members of management) are disclosed below:

	2015	2014
	£	£
Short term employee benefits	406,092	356,321
Share-based payments	(43,139)	43,139
	<u>362,953</u>	<u>399,460</u>