John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2014

Registered number

01317377

John Lewis of Hungerford plc

Annual Report and Financial Statements 2014

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

For the second year in succession the business has achieved a double digit sales increase driven by a strong underlying trading performance coupled with contributions from the new Chiswick showroom, which opened on 17th May, and our new bedroom range. This has contributed to a modest profit from operations which, as previously notified, is reduced from that reported last year reflecting investments made in support of our 3 year strategic plan.

Operational Review

Whilst it is encouraging that our sales have grown by almost a third in two years, this increase in sales has presented a number of operational issues which we are addressing. To meet these challenges we have invested in our operational infrastructure by increasing our technical and customer service functions to support the planned growth of the business and these are included in the costs for the year under review. Though they present a sizeable investment for the business, your Board believe all these roles will provide financial benefit to the business in the medium term and allow us to continue to serve our customers well.

Other key achievements in the period include the opening of our Cobham showroom on 2nd August 2014 and the launch of two new kitchen ranges which are currently being rolled out to more showrooms as funds allow. These new products have been well received by both customers and the media alike. Further, we were very pleased that one of these new kitchens, the Pure range, was an award winner in the best luxury kitchen category at this year's House Beautiful awards.

Financial Review

The profit for the year before taxation and share based payments amounted to £102,879 (2013: £167,981).

Overall, sales grew by 13% to £7,416,000 (2013: £6,557,000). Like for like sales from a comparable showroom estate increased by 6%, reflecting a higher volume of higher value kitchens.

A slightly lower gross margin for the year at 52.4% (2013: 52.7%) was attributable to the installations business which although growing revenue by 15% to £963,000 (2013: £835,000) achieved a lower gross profit of 27.5% (2013: 29.1%). Product margins were flat at 56.1%.

Products	2014	2013
	£000	£000
Turnover	6,453	5,722
Cost of sales	(2,832)	(2,511)
Gross margin	3,621	3,211

Product sales include £236,000 relating to our new bedroom range.

Installations	2014	2013
	£000	£000
Turnover	963	835
Cost of sales	(698)	(592)
Gross margin	265	243

Installation sales include £54,000 relating to our new bedroom range.

Cash flow

We ended the year with cash at bank and in hand of £1,489,714 (2013: £1,122,252) reflecting the positive working capital generated through customer deposits and advance payments. The net cash inflow from operating activities was £762,968 (2013: £487,722).

Capital expenditure, including capitalised development costs, of £676,069 was in line with budgeted amounts and principally arose from investment in two new showrooms and new machinery for the workshop.

Bank loans, which are secured by a charge over the company's freehold property, increased to £817,012 (2013: £555,662). These funds were used to refurbish and fit the two new showrooms that were opened this year. The Company also had un-drawn committed borrowing facilities at the year end of £250,000 (2013: £250,000).

Dividends

The Board is not recommending payment of a dividend.

Progress against 3 year strategic plan

As previously announced the Board has adopted an aspirational target of growing turnover to £10 million per annum and achieving a 5% operating profit by the end of FY 2016. The Board remain committed to this target which we believe is the best way to create sustainable shareholder value.

This year has been an important step in putting in place the infrastructure to support this target, the ambition of which can be seen in the context of our three year track record, summarised below.

	2012	2013	2014
	£000	£000	£000
Turnover	5,626	6,557	7,416
Profit from operations [1]	(88)	196	137
Profit from operations %	-	*3.0*	*1.8*

[1] Stated before share-based payments expense and finance costs. Earlier years relates to operating profit before share-based payments.

Restructuring Proposals

On 1 September 2014 we announced the cancellation of a general meeting to consider changing the Company name. The cancellation was necessary to provide a window in which to seek the formal consent of our landlords to changes from the accompanying corporate restructuring. Whilst we saw no reason why such consent would be withheld, in the event it had, the Board became aware late in the process that it may have had an adverse taxation implication. In any event we have now delayed plans to start providing outsourced installation service on behalf of third party kitchen sellers until such time as we are satisfied that the core business is in a position to sustain sales growth combined with the service infrastructure to support it.

Current Trading

At the end of October 2014 we reported that orders and dispatched sales for Q1 of the current financial year were £2.0 million (2013 £1.7 million).

Such a sustained growth rate is encouraging and supports the strategy your Board has adopted. However, as a relatively small business unexpected operating challenges can have a disproportionate impact on our short term financial performance with sales in Q2 adversely impacted by a number of staff changes in our showrooms. In particular, the unrelated resignations of two of our most experienced designers, both of whom have decided to pursue alternative careers away from kitchen design. The quality of our designers is critical to our business and it inevitability takes time to bring suitable replacements into the business and a lead time before they generate sales.

After the first 15 weeks of the financial year our current sales and order book stood at £3,100,000 which is flat on the comparable period last year. Our new stores continue to trade in line with expectations with the slowdown in growth attributable almost entirely to reduced activity in stores affected by the afore mentioned staffing changes. Addressing this is our immediate priority and we have taken a number of actions to mitigate the impact athough it is too early to say whether we will be able to recover the lost sales in the remainder of this financial year. A further update will be provided to shareholders in due course.

Outlook

New showrooms and product development along with the recruitment, training and retention of talented sales people has underpinned most of the sales growth within the business.

Our new showrooms continue to trade in line with expectations and we are satisfied with the performance of all our new product introductions. Therefore our immediate priority is to recruit and train talented salespeople in key locations across our store portfolio. Your Board believe that once these people are in place we will be able to return to the growth experienced in the last two years. We are also focussing attention on delivering a tangible benefit to the business from our recent investment in the operational infrastructure.

I would like again to record my appreciation for the efforts of all of our employees without whom we would not be able to offer the customer experience that is associated with our brand.

Malcolm R. Hepworth
Non Executive Chairman

Director

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

Jonathan S. Rosby
Director
22 December 2014

GOVERNANCE

Directors' Report

The Directors present their report and financial statements for the year ended 31 August 2014.

International Financial Reporting Standards ("IFRS")

The Company previously prepared financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). These are the first reported financial statements prepared under IFRS. Reconciliations of the UK GAAP financial statements to those prepared in accordance with IFRS as at 1 September 2012 (the opening balance sheet as at the date of transition to IFRS) and for the financial year ended 31 August 2013 are set out in note 24.

Results and dividends

The profit for the year after taxation amounted to £44,363 (2013 – £144,845).

The Directors do not recommend payment of a dividend (2013 – £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 2014, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2014	1 September 2013
John L. Lewis	77,466,678	80,466,678
Malcolm R. Hepworth	1,250,000	1,250,000
Jonathan S. Rosby	5,923,547	5,923,547
Karen Stanley	-	500,000
Kiran Noonan (appointed 22.10.13)	-	-
Damian Walters (appointed 22.10.13)	-	-

As at 31 August 2014, 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 2014
Options exercisable at 0.6p granted on 17 October 2006 exercisable 17 September 2010 -16 September 2017	
Malcolm R. Hepworth	12,000,000
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
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
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, Malcolm Hepworth and John Lewis retire as directors and being eligible, will offer themselves for re-election at the Annual General Meeting.

Substantial interests

At 4th December 2014 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
Diggle Investments Limited	11,900,000	6.37%
WH Ireland	10,949,453	5.86%
Mr David Stredder (Spreadex Ltd)	9,887,635	5.29%
Hargreaves Lansdown Asset Management	7,641,831	4.09%

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 the Donnington Grove Hotel, Grove Road, Newbury, RG14 2LA at 4.00 pm on 2nd February 2015.

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
22 December 2014

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 2014 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flow, the Statement of Changes in Equity, and the related notes numbered 1 to 24. 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

22 December 2014

FINANCIAL STATEMENTS

Income Statement for the year ended 31 August 2014

	Notes	**2014** £	2013 *As restated* £
Revenue		7,416,441	6,557,481
Cost of sales		(3,530,279)	(3,103,122)
Gross profit		3,886,162	3,454,359
Selling and distribution costs		(498,668)	(420,306)
Administrative expenses			
Share based payments	*20*	(43,139)	-
Other		(3,250,184)	(2,838,437)
Total		(3,293,323)	(2,838,437)
Profit from operations before share based payments		137,310	195,616
Profit from operations	*3*	94,171	195,616
Finance income	*6*	2,464	5,021
Finance expenses	*7*	(36,895)	(32,656)
Profit before tax		59,740	167,981
Tax expense	*8*	(15,377)	(23,136)
Profit for the year		44,363	144,845
Earnings per share	*9*		
Basic		0.02p	0.08p
Fully diluted		0.02p	0.08p

Statement of Comprehensive Income for the year ended 31 August 2014

	2014	2013
		As restated
	£	£
Profit for the year	44,363	144,845
Total Comprehensive Income	**44,363**	**144,845**

Balance Sheet as at 31 August 2014

		2014	2013
			**As restated*
	Notes	**£**	£
Non-current assets			
Intangible assets	*10*	108,874	126,628
Property, plant and equipment	*11*	2,689,988	2,341,515
Trade and other receivables	*13*	57,075	40,575
		2,855,937	2,508,718
Current assets			
Inventories	*12*	183,111	192,320
Trade and other receivables	*13*	294,152	253,183
Cash and cash equivalents		1,489,714	1,122,252
		1,966,977	1,567,755
Total assets		4,822,914	4,076,473
Current liabilities			
Current tax payable	*8*	-	-
Trade and other payables	*14*	(1,864,637)	(1,482,425)
Borrowings	*15*	(39,948)	(40,938)
		(1,904,585)	(1,523,363)
Non-current liabilities			
Borrowings	*15*	(777,064)	(514,724)
Deferred tax liabilities	*16*	(31,273)	(15,896)
		(808,337)	(530,620)
Total liabilities		(2,712,922)	(2,053,983)
Net assets		**2,109,992**	**2,022,490**
Equity			
Share Capital	*19*	186,745	186,745
Share Premium		1,188,021	1,188,021
Other Reserves		1,421	1,421
Retained Earnings		733,805	646,303
Total equity		**2,109,992**	**2,022,490**

**The comparative Balance Sheet has been restated following the adoption of IFRS. See note 24 for the reconciliation from UK GAAP to IFRS.*

The financial statements were approved by the Board of Directors and authorised for issue on 22nd December 2014 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 2014

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	£	£	£	£	£
At 01 September 2012	186,745	1,188,021	1,421	501,458	1,877,645
Profit for the year	-	-	-	144,845	144,845
At 31 August 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**

The total comprehensive income for the year is £44,363 (2013: £144,845).

Statement of Cash Flows for the year ended 31 August 2014

	2014	2013 *As restated*
	£	£
Cash flows from operating activities		
Profit from operations	94,171	195,616
Amortisation of intangible assets	17,754	14,932
Depreciation of property, plant and equipment	269,856	192,253
Share based payments	43,139	-
(Profit)/loss on disposal of property, plant and equipment	4,035	(2,992)
Decrease/(increase) in Inventories	9,210	(25,306)
Increase in receivables	(57,469)	(38,835)
Increase in payables	382,272	152,054
Cash generated from operations	762,968	487,722
Net taxation paid	-	-
Net cash from operating activities	**762,968**	**487,722**
Cash flows from investing activities		
Purchase of intangible assets	-	(60,462)
Purchase of property, plant and equipment	(676,069)	(264,625)
Net proceeds from sale of property, plant and equipment	53,674	45,275
Interest received	2,464	5,021
Net cash used in investing activities	**(619,931)**	**(274,791)**
Cash flows from financing activities		
Interest paid	(36,895)	(32,656)
Increase in borrowings	300,000	-
Repayment of borrowings	(38,680)	(37,567)
Net cash used in financing activities	**224,425**	**(70,223)**
Net increase/(decrease) in cash and cash equivalents	**367,462**	**142,708**
Net cash and cash equivalents at the start of the year	1,122,252	979,544
Net cash and cash equivalents at the end of the year	**1,489,714**	**1,122,252**
Net cash and cash equivalents		
Cash at bank and in hand	1,489,714	1,122,252
Bank overdrafts	-	-
	1,489,714	**1,122,252**

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.

First time adoption - IFRS 1

The Company previously prepared financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). These are the first reported financial statements prepared under IFRS. Reconciliations of the UK GAAP financial statements to those prepared in accordance with IFRS as at 1 September 2012 (the opening balance sheet as at the date of transition to IFRS) and for the financial year ended 31 August 2013 are set out in note 24.

The Company has adopted IFRS from 1 September 2012 (the Company's date of transition to IFRS). IFRS 1 "First Time adoption of IFRS" establishes the transitional requirements for the preparation of financial information in accordance with IFRS for the first time. The general principle is to establish accounting policies under IFRS then to apply these retrospectively at the date of transition to determine the opening balance sheet. IFRS 1 permits a number of first time adoption exemptions none of which have been adopted by the Company.

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

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 Leasing

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

1.8 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 first in first out 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

IFRS were adopted during the financial year, with a reconciliation of the impact on the financial statements provided in note 24.

New standards, interpretations and amendments effective for accounting periods beginning on or after 1 January 2014:
No new standards, interpretations and amendments, which are effective for periods beginning on or after 1 September 2014 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

2 OPERATING SEGMENTS

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

3 PROFIT FROM OPERATIONS

	2014	2013
		As restated
	£	£
Profit from operations is stated after charging:		
Auditors remuneration - company audit	15,000	12,000
Amortisation of intangible fixed assets	17,754	14,932
Depreciation of owned property plant and equipment	269,856	192,253
Operating lease rentals		
- Plant and machinery	7,397	9,519
- Other assets	400,423	341,170
Share based payments expenses	43,139	-
Cost of inventories recognised as an expense	2,842,003	2,553,925

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	*Total* **2014**	*Total* 2013 *As restated*
	£	£	£	£	£
Jonathan S. Rosby	108,826	2,349	-	111,175	118,919
Karen Stanley	66,525	144	4,243	70,912	71,217
Damian Walters *(Appointed 22nd October 2013)*	67,988	-	-	67,988	-
Kiran Noonan *(Appointed 22nd October 2013)*	73,511	-	-	73,511	-
Malcolm R. Hepworth	25,000	-	-	25,000	25,000
John L. Lewis	7,591	144	-	7,735	7,591
	349,441	2,637	4,243	356,321	222,727

Retirement benefits are accruing to 1 (2013 - 1) Director under defined contribution schemes.There is one Director (2013 - 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 **2014**	2013
Jonathan S. Rosby	3,773,547	3,773,547

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:

	2014	2013
		As restated
	Number	Number
Directors	6	4
Production	21	18
Sales and distribution	33	32
Administration	4	4
	64	58

	2014	2013
		As restated
	£	£
Employment costs		
Wages and salaries	2,080,583	1,803,447
Social security costs	220,935	191,519
Other pension costs	17,194	14,945
Redundancy costs	-	4,385
	2,318,712	2,014,296

6 FINANCE INCOME

	2014	2013
		As restated
	£	£
Bank interest income	2,464	5,021

7 FINANCE EXPENSES

	2014	2013
		As restated
	£	£
Interest payable on bank loans	36,895	32,656

8 TAX ON PROFIT FROM OPERATIONS

	2014	2013
		As restated
	£	£
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	17,684	26,606
Impact of changes in tax rate	(2,307)	(3,470)
	15,377	23,136

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

	2014	2013
		As restated
	£	£
Profit/(loss) on ordinary activities before tax	59,740	167,981
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2013: 23%)	12,545	38,636
Effect of:		
Expenses not deductible for tax purposes	5,330	1,633
Other timing differences	(191)	(13,663)
Effects on deferred tax balances due to changes in tax rate to 20%	(2,307)	(3,470)
Total tax charge in income statement	15,377	23,136

From 1 April 2015 the Corporation tax rate will be reduced to 20%. Accordingly, the deferred tax balances have been revalued to 20% in these accounts as timing differences are expected to reverse after that date.

9 EARNINGS PER SHARE

	2014	2013
		As restated
Earnings/(loss) per ordinary share is calculated as follows:		
Basic		
Profit/(loss) attributable to ordinary shareholders (£)	44,363	144,845
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Earnings/(loss) per ordinary share	0.02 p	0.08 p
Fully diluted		
Profit/(loss) attributable to ordinary shareholders (£)	44,363	144,845
Weighted average number of ordinary shares in issue and under option	203,008,741	186,746,449
Earnings/(loss) per ordinary share	0.02 p	0.08 p

10 INTANGIBLE NON-CURRENT ASSETS

	Software	Trademarks	Development Costs	Total
	£	£	£	£
Cost				
At 1 September 2012 *(Restated - note 24)*	50,600	55,874	56,806	163,280
Additions	-	1,280	59,182	60,462
At 31 August 2013	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2014	**50,600**	**57,154**	**115,988**	**223,742**
Amortisation				
At 1 September 2012 *(Restated - note 24)*	23,525	52,934	5,723	82,182
Charge for the year	5,038	1,953	7,941	14,932
At 31 August 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**
Net book value				
At 31 August 2014	**17,135**	**1,076**	**90,663**	**108,874**
At 31 August 2013	22,037	2,267	102,324	126,628

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Total
Cost	£	£	£	£	£
At 1 September 2012					
(Restated - note 24)	1,667,264	2,066,318	268,428	199,662	4,201,672
Additions	1,178	208,665	18,481	36,301	264,625
Disposals	-	(54,304)	(1,545)	(47,708)	(103,557)
At 31 August 2013					
(Restated - note 24)	1,668,442	2,220,679	285,364	188,255	4,362,740
Additions	26832	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**
Depreciation					
At 1 September 2012					
(Restated - note 24)	287,394	1,254,739	177,411	170,702	1,890,246
Charge for the year	23,318	134,282	17,749	16,904	192,253
Disposals	-	(13,412)	(155)	(47,707)	(61,274)
At 31 August 2013					
(Restated - note 24)	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**
Net book value					
At 31 August 2014	**1,360,473**	**1,137,695**	**155,055**	**36,765**	**2,689,988**
At 1 September 2013					
(Restated - note 24)	1,357,730	845,070	90,359	48,356	2,341,515

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2013 - £503,624).

12 INVENTORIES

	2014	2013
		As restated
	£	£
Raw materials and consumables	153,159	147,179
Work in progress	29,952	45,141
	183,111	192,320

13 TRADE AND OTHER RECEIVABLES

	2014	2013
		As restated
Current assets:	**£**	£
Trade receivables	56,213	34,228
Other receivables	17,680	18,311
Prepayments and accrued income	220,259	200,644
	294,152	253,183
Non-current assets:		
Other receivables	57,075	40,575

Non-current other receivables relate to lease deposits totalling £57,075 (2013: £40,575) which are recoverable after more than one year.

Trade receivables are stated net of provisions for doubtful debts of £22,698 (2013: £17,698). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

14 TRADE PAYABLES AND OTHER PAYABLES

	2014	2013
		As restated
	£	£
Payments received on account	567,776	416,316
Trade payables	526,148	453,625
Other taxes and social security costs	307,682	219,702
Other payables	34,323	33,059
Accruals and deferred income	428,708	359,723
	1,864,637	1,482,425

15 BORROWINGS

	2014	2013
		As restated
	£	£
Bank loans	817,012	555,662
Analysis of loan repayments:		
In one year or less	39,948	40,938
In more than one year but not more than two years	66,884	55,017
In more than two years but not more than five years	436,890	138,745
In more than five years	273,290	320,962
	817,012	555,662

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

16 PROVISIONS FOR LIABILITIES AND CHARGES

		Deferred taxation
		£
Balance at 1 September 2013		15,896
Accelerated capital allowances	46,524	
Share based payments	(30,740)	
Tax losses carried forward	(18,539)	
Research and development accelerated deductions	18,132	
Profit and loss account charge/(credit)		15,377
Balance at 31 August 2014		31,273

The provision for deferred taxation consists of the following amounts:

	2014	2013 *As restated*
	£	£
Capital allowances in excess of depreciation	146,961	100,437
Share based payments	(48,865)	(18,125)
Tax losses carried forward	(84,955)	(66,416)
Research and development accelerated deductions	18,132	-
	31,273	15,896

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 £17,194 (2013: £14,945).

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:

	2014	2013
		As restated
	£	£
Floating rate cash and deposits	1,489,714	1,122,252
Fixed rate loans	206,327	216,823
Floating rate loans	610,685	338,839

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 £6,727.

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 £56,213 (2013: £34,228).

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 2014.

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

	2014	2013
		As restated
	£	£
Total equity	2,109,992	2,022,490
Bank borrowings	817,012	555,662
	2,927,004	2,578,152

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 £1,489,714 (2013: £1,122,252) in Sterling.

Financial Liabilities
The Company's financial liabilities comprise five bank loans 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 £200,290 (2013: £212,555) 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 £203,341 (2013: £216,823) 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 £112,987 (2013: £126,284) 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 £150,218 (2013: £nil) 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 £150,175 (2013: £nil) denominated in Sterling.

At the year end the Company's trade payables amount to £526,148 (2013: £453,625). 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.

	2014	2013
		As restated
	£	£
Expiry date:		
In one year or less	250,000	250,000

19 SHARE CAPITAL

	2014	2013
		As restated
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2014	2013
		As restated
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 31 August 2014 15,052,239 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust (2013: 15,152,239). At that date those shares had a market value of 1.475 pence (2013:0.75 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

	2014	2013
		As restated
	£	£
Share based payments expense	43,139	-

During the year ended 31 August 2014 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 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 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:

	2014	2013 *As restated*
	£	£
Individual option agreements	-	-
Employee Share Incentive Plan	-	-
Long Term Incentive Plan	43,139	-
Total	43,139	**-**

The charge related 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 2014
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 2014 is shown below:

	Number of options	*Weighted average exercise price*
Outstanding at 1 September 2013	23,300,000	£0.0110
Granted	19,654,067	£0.0010
Lapsed	(3,300,000)	£0.0300
Exercised	-	
Outstanding at 31 August 2014	39,654,067	£0.0045
Exercisable at 31 August 2014	20,000,000	£0.0079

The options outstanding at 31 August 2014 had an exercise price in the range of 0.1 pence to 1.23 pence (2013: 0.5 pence to 3 pence) and a weighted-average contractual life of 6.08 years (2013: 0.47 years)

No options were exercised during the year (2013: nil).

All of the total share based payments charge of £43,139 (2013: £nil) related to equity-settled share based payments to Directors.

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2014 the Company had outstanding commitments for future minimum payments under non- cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2014	2013 *As restated*	**2014**	2013 *As restated*
	£	£	**£**	£
Expiry date:				
Within one year	15,250	-	1,525	-
Between two and five years	473,124	655,574	16,085	16,779
In over five years	2,844,381	1,179,389	-	-
	3,332,755	1,834,963	17,610	16,779

22 CAPITAL COMMITMENTS

At the balance sheet date. the only capital expenditure contracted but not yet provided was the purchase of a new in-line spraying system for £120,000 with delivery in March 2015.

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:

	2014	2013 *As restated*
	£	£
Short term employee benefits	356,321	222,727
Share-based payments	43,139	-
	399,460	222,727

24 IFRS FIRST TIME ADOPTION DISCLOSURES

As stated in the accounting policies, these are the Company's first financial statements prepared under IFRS. The significant accounting policies set out on pages 24 to 26 have been applied in preparing the accounts for the year ended 31 August 2014, the comparative information presented in these accounts for the year ended 31 August 2013 and in the preparation of an opening IFRS balance sheet at 1 September 2012 (the Company's date of transition to IFRS). In preparing its opening IFRS balance sheet, the Company has adjusted the amounts reported previously in accounts prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). An explanation of how the transition to IFRS has affected the Company's financial position and financial performance is set out below.

Reconciliation of profit for the year ended 31 August 2013

	UK GAAP	*Effect of transition*	*IFRS*
	£	**£**	**£**
Revenue	6,557,481	-	6,557,481
Cost of Sales	(3,103,122)	-	(3,103,122)
Gross Profit	3,454,359	-	3,454,359
Selling and distribution costs	(420,306)	-	(420,306)
Administrative expenses	(2,838,437)	-	(2,838,437)
Profit from operations	195,616	-	195,616
Finance income	5,021	-	5,021
Finance expense	(32,656)	-	(32,656)
Profit before taxation	167,981	-	167,981
Taxation expense	(23,136)	-	(23,136)
Profit for the financial year	144,845	-	144,845

The transition to IFRS had no material impact on the financial performance as previously reported for the year ended 31 August 2013.

Reconciliation of balance sheet as at 1 September 2012

	UK GAAP	*Effect of transition*	*IFRS*
	£	**£**	**£**
Non-current assets			
Intangible assets	54,023	27,075	81,098
Property, plant and equipment	2,338,501	(27,075)	2,311,426
	2,392,524	-	2,392,524
Current assets			
Inventories	167,014	-	167,014
Trade and other receivables	262,163	(7,240)	254,923
Deferred tax asset	-	7,240	7,240
Cash and cash equivalents	979,544	-	979,544
	1,408,721	-	1,408,721
Total assets	3,801,245	-	3,801,245
Current liabilities			
Current tax payable	-	-	-
Trade and other payables	(1,330,371)	-	(1,330,371)
Borrowings and overdrafts	(38,861)	-	(38,861)
	(1,369,232)	-	(1,369,232)
Non-current liabilities			
Borrowings	(554,368)	-	(554,368)
Deferred tax liabilities	-	-	-
Provisions for liabilities and charges	-	-	-
	(554,368)	-	(554,368)
Total liabilities	(1,923,600)	-	(1,923,600)
Net assets	1,877,645	-	1,877,645
Equity			
Share Capital	186,745	-	186,745
Share Premium	1,188,021	-	1,188,021
Other Reserves	1,421	-	1,421
Retained Earnings	501,458	-	501,458
Total equity	1,877,645	-	1,877,645

The transition to IFRS had no material impact on the financial position as previously reported as at 1st September 2012. There are only minor presentation changes relating to the disclosure of the deferred tax asset of £7,240 and non-current assets with a net book value of £27,075.

Reconciliation of balance sheet as at 31 August 2013

	UK GAAP	*Effect of transition*	*IFRS*
	£	**£**	**£**
Non-current assets			
Intangible assets	104,591	22,037	126,628
Property, plant and equipment	2,363,552	(22,037)	2,341,515
	2,468,143	-	2,468,143
Current assets			
Inventories	192,320	-	192,320
Trade and other receivables	293,758	-	293,758
Cash and cash equivalents	1,122,252	-	1,122,252
	1,608,330	-	1,608,330
Total assets	4,076,473	-	4,076,473
Current liabilities			
Current tax payable	-	-	-
Trade and other payables	(1,482,425)	-	(1,482,425)
Borrowings and overdrafts	(40,938)	-	(40,938)
	(1,523,363)	-	(1,523,363)
Non-current liabilities			
Borrowings	(514,724)	-	(514,724)
Deferred tax liabilities	-	(15,896)	(15,896)
Provisions for liabilities and charges	(15,896)	15,896	-
	(530,620)	-	(530,620)
Total liabilities	(2,053,983)	-	(2,053,983)
Net assets	2,022,490	-	2,022,490
Equity			
Share Capital	186,745	-	186,745
Share Premium	1,188,021	-	1,188,021
Other Reserves	1,421	-	1,421
Retained Earnings	646,303	-	646,303
Total equity	2,022,490	-	2,022,490

The transition to IFRS had no material impact on the financial position as previously reported as at 31st August 2013. There are only minor presentation changes relating to the disclosure of the deferred tax provision of £15,896 and non-current assets with a net book value of £22,037.