Annual Report and Financial Statements

For year ended 31st August 2008

John Lewis of Hungerford plc

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Company Information

Directors:

Jonathan S. Rosby
(Managing Director)
Charlotte Hill-Baldwin
(Sales Director)
Malcolm R. Hepworth
(Non Executive Chairman)
John L. Lewis
(Non Executive Director)
Keith A. Bentley
(Non Executive Director)

Registered Office and Business Address:

Grove Technology Park
Downsview Road
Wantage
Oxfordshire
OX12 9FA

Nominated Adviser:

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

Nominated Broker:

Dowgate Capital Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley
RH10 1LQ

Registrars:

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

Company Number:

1317377

Secretary:

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

Auditors:

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

Solicitors:

Kaye Scholer LLP
140 Aldersgate Street
London
EC1A 4HY

Bankers:

Barclays Bank Plc
6 Market Place
Newbury
RG14 5AY

Company Profile

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

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

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

In addition the Company operates a United Kingdom direct mail order business, under the name of Just Doors for replacement kitchen cabinet doors. This is now managed through a licensing agreement set up in March 2007.

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

www.john-lewis.co.uk

www.justdoors.co.uk

2008 HIGHLIGHTS

- **Sales increase 1% to £4,577,045** *(2007 – £4,522,907)*.
- **Net cash inflows from operating activities £236,158** *(2007 – £214,703)*.
- **Loss before taxation, share based payments and exceptional expenses £(95,925)** *(2007 – profit £309,772)*.

Chairman's Statement

This is my first report as Company Chairman.

Firstly I would like to acknowledge John Lewis's contribution both as Chairman and as Chief Executive.

John can look back with a great deal of pride and satisfaction on what has been achieved, not just building up John Lewis of Hungerford as a business from scratch, but also the fact it has become a well known, respected and trusted brand, on the high street and in the kitchen industry.

John will continue to contribute to John Lewis of Hungerford plc as a Non Executive Director.

It was also announced in August 2008 that Richard Worthington would step down as Finance Director.

Richard has been with the Company for over 15 years. In that time he has made a significant contribution. It was agreed that now was the right time to seek to appoint a Finance Director who can commit more time to the needs of the business than Richard was able to offer, because of his other public company commitments.

The search for Richard's successor is well advanced. In the meantime his services will continue to be available to us to ensure continuity.

The Board would like to express its thanks to Richard Worthington for all he has achieved within the business.

Jonathan will cover both sales and profit performance in the Business Review that follows.

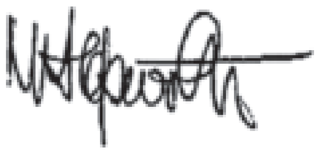
This year has proved to be very challenging. Our Executive team has been involved in laying very strong foundations to enable the business to grow both sales and revenue in the future.

The main achievements have been the opening of two new showrooms; one in Oxford and the other in Cambridge. Both were opened on time and to agreed costs, and are trading at expected levels, and generating positive customer feedback.

The Company's IT systems have been completely overhauled. Installation of Windows SBS (small business server), SMART (market leading kitchen industry software platform) and SAGE (accountancy software package) were all implemented on time and to agreed costs.

Management's focus for the current year to 31 August 2009 is to use the foundations that have been laid in 2007/08 and drive sales and revenue growth.

At the time of writing this report, the kitchen industry is facing many challenges in a tough trading climate. Your Board believes we are well placed to handle those challenges.



Malcolm R. Hepworth
Non Executive Chairman

27 November 2008

Managing Director's Business Review

Overview

The year to 31 August 2008 has been challenging, but significant progress has been made in a number of areas within the business.

Management focus during the year has been on maintaining sales growth and controlling costs. In what has been a difficult year, much transitional work has been undertaken and completed to underpin the stability of the business.

Summary of Financial Results

Sales increased to £4,577,045 from £4,522,907 in the prior year.

The loss for the year before share based payments, exceptional items and taxation credit amounted to £95,925 *(2007 – £309,772 profit)*.

Cash generated from operations for the year was £236,158 *(2007 – £214,703)*.

At the balance sheet date cash at bank stood at £942,109 *(2007 – £784,842)* and net funds were £655,893 *(2007 – £477,967)*.

Sales and Products

At 31 August 2008 the Company traded from 9 showrooms and one concession site. During the year, two new showrooms were opened. The first in Cambridge on the 26 April and the second in Oxford on the 7 June. During the year the concession site in Debenhams of Glasgow was closed as planned.

Overall sales for the year increased by 1% over the prior year to £4,577,045. Unit sales of kitchens fell by 10%. but this was offset by a growth in invoice value which was achieved with additional sales of bought in products such as appliances and worktops which tend to achieve a lower gross margin. As a consequence of this change in the overall sales mix, gross margins for the current year were 53.5% against 61.5% in the prior year.

Some improvement in margins was seen in the fourth quarter of the current year as a result of management action to pricing once the impact of the changes to the sales mix had become evident. As a result, gross margins for the second half of the year were 56.2% compared to the 50% achieved in the first half. Maintaining the gross profit percentage achieved in the second half of the current year is seen as realistic for the next 12 months, and there are three strands of activity underway to deal with this change to the sales mix.

Firstly, a feasibility study is underway to assess the viability of manufacturing in house some items which are currently bought in, commencing with certain worktop products. Secondly, increasing the utilisation of our manufacturing asset by the roll out of the Cool kitchen, tested successfully in a number of locations earlier this year, together with the development of further new internally manufactured kitchen ranges and the launch of an on-line shop featuring new and existing furniture lines. Thirdly, a reduction in the cost base to reflect the changes in the operating model.

Following a first half which saw sales increase by 12%, sales in the second half of the year were £2,445,163, a 4% decrease on the second half last year. The primary reason for the decline in second half sales was a very poor third quarter of £841,840, a fall of 23% on the third quarter last year. Sales recovered somewhat in the final quarter achieving a 5% increase on the final quarter last year.

A major contributing factor to the fall off in sales for the third quarter was the need to press ahead with the installation of new operating software and hardware due to the increasing instability of the old system. This resulted in a major but vital heart transplant for the business across all functions. The implementation was completed on time and to budget, but this change did bring considerable short term disruption to the business. This initiative, together with the decision not to run the Spring Sale due to the change in systems meant the focus on sales was not at the usual level during this time.

Marketing

During the year we introduced a new brochure incorporating all our new product lines. The Company web site has also been comprehensively re-developed and now includes a transactional element. This is part of our ambition to make the John Lewis of Hungerford brand more accessible to its target audience.

Customer Service

Customer service remains of paramount importance to us. We are a service business with a very loyal and 'repeat customer' base and positive word of mouth recommendation is essential to our growth. This area has been a major focus for management during the year. We are seeing a sustained improvement in the quality of after sales service to our customers and a corresponding low level of customer complaints.

Manufacturing and distribution

We currently have an annual in-house manufacturing capability of some £7 million at our manufacturing and distribution facility at Wantage. We are currently investigating the feasibility of manufacturing timber worktops in house as the manufacturing process fits well with our existing skill base.

Showrooms

As mentioned earlier in this report, two new showrooms were opened during the year. There are no plans to open any more showrooms in the short term whilst the economic climate remains uncertain, although there is refurbishment work planned for the Fulham and Tunbridge Wells showrooms. Our long term ambition remains to open a minimum of two showrooms a year, once the economic environment improves.

Systems

During the year, as reported above, we completed installation of a new order processing and management information system. This system now provides the framework to underpin our growth plans, provide customers and designers alike with a higher standard of information and give our management team greater visibility on the key performance indicators within the business.

Staff

Key to the Company's performance, is our small team of dedicated employees. I would like to express my thanks to all the Company's management and staff for their hard work and commitment which has contributed significantly to the Company's progress.

The Future

Continuing weakness in the UK housing market and a deteriorating general economic outlook has resulted in an exceptionally challenging trading environment, but our recently enhanced product offering, predominately UK based supply base and our strong brand credentials mean we are well positioned against many competitors within the sector.

Jonathan S. Rosby
Managing Director

27 November 2008

Directors' Report

The Directors present their report and financial statements for the year ended 31 August 2008.

Principal activities

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

Business review

A full review of the performance of the Company for the year is given in the Chairman's Statement on page 5 and the Managing Director's Business Review on page 7.

Results and dividends

The loss for the year after taxation amounted to £280,365 *(2007 profit – £168,652)*.

The Directors do not recommend payment of a dividend *(2007 – nil)*.

Fixed assets

On 7 May 2003 the Company obtained an independent valuation of the Company's freehold factory in Wantage which valued the property at £1,250,000. The net book value of this property in the accounts of the Company at 31 August 2008 was £1,309,826. The Directors do not consider the difference between this valuation and net book value to be significant or to represent a permanent impairment or diminution in the value of this asset. Accordingly no adjustment has been made in the financial statements in respect of this valuation.

Directors and their interests

As at 31 August 2008, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2008	*1 September 2007*
John L. Lewis	91,576,678	*91,576,678*
Malcolm R. Hepworth	750,000	–
Jonathan S. Rosby	5,023,547	–
Keith A. Bentley	870,000	*370,000*
Charlotte Hill-Baldwin	3,773,547	–

In addition to the above Directors, Richard D. Worthington served as a Director of the Company until his resignation on 15 August 2008.

As at 31 August 2008, the option entitlements of the Directors to subscribe for new ordinary shares were:

	Total options issued	Percentage of issued share capital
John L. Lewis	–	–
Malcolm R. Hepworth	12,000,000	6.43%
Jonathan S. Rosby	8,300,000	4.44%
Keith A. Bentley	2,500,000	1.34%
Charlotte Hill-Baldwin	3,000,000	1.61%

Details of outstanding options are as follows:

	As at 31 August 2008
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	
Keith A. Bentley	2,500,000
Jonathan S. Rosby	5,000,000
Options exercisable at 3p granted on 22 March 2007 exercisable between 3 and 10 years from the date of grant	
Charlotte Hill-Baldwin	3,000,000
Jonathan S. Rosby	3,300,000

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

Substantial interests

At 19 November 2008 except for John L. Lewis' interests which are disclosed in the 'Directors and their interests' paragraph, the only shareholding of which the Company has been notified to which there is attached 3% or more of the total voting rights at such date, is as follows:

Shareholder	Number of Ordinary shares of 0.1p each	Percentage of voting rights
Warm Welcome Management Limited	16,375,000	8.77%

Corporate governance

The Company complies, so far as is practicable, given the Company's size, with the recommendations set out in the Combined Code on Corporate Governance applicable to certain public companies.

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 Keith A. Bentley, a non-executive Director, 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

Keith A. Bentley, a non-executive Director, 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 Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF at 4.00 pm on 19 January 2009.

Special Business

The notice of Annual General Meeting contains an ordinary resolution at resolution 4, which seeks to give the Directors power to allot shares up to a maximum aggregate nominal amount of £62,248.51 and which, if passed, would mean the Directors may allot and issue up to 62,248,510 new Ordinary shares of 0.1p each, representing approximately one third of issued Ordinary share capital of the Company at the date of the notice of Annual General Meeting.

The notice of Annual General Meeting also contains a special resolution at resolution 5 which seeks to give the Directors power to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 1985 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 4 above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £18,674.55 representing 18,674,550 Ordinary shares of 0.1p each, otherwise than pro-rata to existing shareholders.

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

In certain circumstances it may be advantageous for the Company to purchase its own Ordinary shares. Accordingly, the notice of Annual General Meeting contains a special resolution at resolution 6, seeking authority for the Company to purchase up to 28,011,827 of its own shares in the market. The resolution specifies the minimum and maximum prices which may be paid for Ordinary Shares purchased under this authority. The authority will expire at the conclusion of the Company's annual general meeting in 2010, or if earlier, 12 months from the date of passing the resolution. The Directors consider it desirable for this general authority to be made available as it will provide additional flexibility in the management of the Company's capital resources. However, the Directors do not currently have any intention of exercising the authority granted by this resolution.

Financial Instruments

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

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

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

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

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

Creditor payment policy

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

At the year-end the Company's trade creditor days were 65 days.

Statement of disclosure of information to Auditors

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

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

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

Auditors

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

On behalf of the Board

Jonathan S. Rosby
Director
27 November 2008

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which 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 those 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Independent Auditors' Report

To the Shareholders of John Lewis of Hungerford plc

We have audited the financial statements (the "financial statements") of John Lewis of Hungerford plc for the year ended 31 August 2008, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Managing Director's Business Review and the Notice of Annual General Meeting. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 August 2008 and of the loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Hill Wooldridge & Co. Limited
Registered Auditors

107 Hindes Road
Harrow
Middlesex
HA1 1RU

27 November 2008

Financial Statements

Profit and Loss Account *for the year ended 31 August 2008*

	Notes	2008 £	2007 £
Turnover		4,577,045	4,522,907
Cost of sales		(2,129,247)	(1,740,579)
Gross profit		2,447,798	2,782,328
Distribution costs		(518,946)	(527,564)
Administrative expenses			
Share based payments		(143,633)	(41,537)
Exceptional expenses		(91,511)	(43,734)
Other		(2,019,475)	(1,931,569)
Total	2	(2,254,619)	(2,016,840)
Operating (loss)/profit before share based payments and exceptional expenses		(90,623)	323,195
Operating (loss)/profit	3	(325,767)	237,924
Interest receivable and similar income	6	17,219	7,453
Interest payable and similar charges	7	(22,521)	(20,876)
(Loss)/profit on ordinary activities before taxation		(331,069)	224,501
Tax on (loss)/profit on ordinary activities	8	50,704	(55,849)
Retained (loss)/profit for the financial year		(280,365)	168,652
(Loss)/earnings per share	9		
Basic		(0.17)p	0.11p
Fully diluted		(0.17)p	0.11p

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

There are no recognised gains and losses other than those passing through the profit and loss account.

Balance Sheet *as at 31 August 2008*

	Notes	2008 £	2008 £	*2007 £*	*2007 £*
Fixed assets					
Intangible assets	10		16,606		*20,976*
Tangible assets	11		1,846,033		*1,609,255*
			1,862,639		*1,630,231*
Current assets					
Stocks	12	580,868		*565,780*	
Debtors	13	216,509		*249,413*	
Cash at bank and in hand		942,109		*784,842*	
		1,739,486		*1,600,035*	
Creditors: amounts falling due within one year	14	(1,170,209)		*(1,004,794)*	
Net current assets			569,277		*595,241*
Total assets less current liabilities			2,431,916		*2,225,472*
Creditors: amounts falling due after more than one year	15		(263,466)		*(285,870)*
Provisions for liabilities and charges	16		(52,898)		*(55,568)*
Total net assets			2,115,552		*1,884,034*
Capital and reserves					
Called up share capital	19		186,745		*148,745*
Share premium account	21		1,188,021		*824,771*
Share based payment reserve	21		170,170		*41,537*
Other reserves	21		1,421		*1,421*
Profit and loss account	21		569,195		*867,560*
Shareholders' funds – all equity interests	22		2,115,552		*1,884,034*

The financial statements were approved by the Board of Directors and authorised for issue on 27 November 2008 and were signed on its behalf by:

Malcolm R. Hepworth
Director

Jonathan S. Rosby
Director

Cash Flow Statement *for the year ended 31 August 2008*

	Notes	2008 £	2008 £	*2007 £*	*2007 £*
Net cash inflow from operating activities	23		236,158		*214,703*
Returns on investments and servicing of finance					
Interest received		17,219		*7,453*	
Interest paid		(22,521)		*(20,876)*	
Net cash outflow from returns on investments and servicing of finance			(5,302)		*(13,423)*
Corporation tax paid			(48,034)		*(22,337)*
Capital expenditure					
Payments to acquire tangible fixed assets		(388,146)		*(44,726)*	
Net cash outflow from capital expenditure			(388,146)		*(44,726)*
Equity dividends paid			–		*–*
Net cash (outflow)/inflow before financing			(205,324)		*134,217*
Financing					
Issue of new shares		383,250		*–*	
Repayment of bank loan		(20,659)		*(20,445)*	
Net cash inflow/(outflow) from financing			362,591		*(20,445)*
Increase in cash	24		157,267		*113,772*

Notes to the Financial Statements

1 ACCOUNTING POLICIES

1.1 Basis of preparation

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

1.2 Compliance with accounting standards

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

1.3 Turnover

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

1.4 Trademarks

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

1.5 Tangible fixed assets and depreciation

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

Freehold property	2% straight line
Plant & machinery and loose tools	15% straight line
Fixtures, fittings & equipment/Computers	10% – 33% straight line
Showroom display & shop fittings	33% reducing balance
Motor vehicles	15% 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.

1.6 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.

1.7 Stocks and work in progress

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

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

Showroom display units and appliances are disclosed as stock available for resale.

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

1.9 Deferred taxation
Deferred taxation is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.10 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.

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

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

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

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

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

2 ADMINISTRATIVE EXPENSES

		2008 £		*2007 £*
General administrative expenses		1,973,103		*1,887,878*
Public listing costs		46,372		*43,691*
		2,019,475		*1,931,569*
Share based payments (note 20)		143,633		*41,537*
Exceptional costs:				
Performance bonus	–		*43,734*	
Bad debts and associated legal expenses (note 13)	91,511		*–*	
		91,511		*43,734*
		2,254,619		*2,016,840*

The charge for share based payments includes £15,000 *(2007 – £nil)* of expenses incurred in the administration of the Employee Share Incentive Plan established during the year.

3 OPERATING PROFIT

	2008 £	*2007 £*
Operating profit is stated after charging:		
Amortisation of intangible fixed assets	4,370	*4,368*
Depreciation of owned tangible fixed assets	151,368	*167,767*
Foreign exchange (profit)/loss	(2,446)	*212*
Operating lease rentals		
– Plant and machinery	36,332	*42,830*
– Other assets	210,046	*170,994*
Auditors' remuneration	12,000	*12,000*

4 DIRECTORS' EMOLUMENTS

	2008 £	*2007 £*
Aggregate emoluments	209,373	*241,784*
Company contributions to defined contribution pension schemes	9,573	*13,188*
	218,946	*254,972*

Retirement benefits are accruing to 1 *(2007 – 2)* Director under defined contribution schemes.

There are 2 Directors *(2007 – none)* who have shares receivable under long term incentive schemes.

Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2008 £	*2007 £*
Aggregate emoluments	89,501	*78,279*
Company contributions to defined contribution pension schemes	9,573	*8,521*

The highest paid Director also has 3,773,547 ordinary shares of 0.1p each receivable under long term incentive schemes.

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2008 Number	*2007 Number*
Directors	5	*5*
Production	17	*18*
Sales and distribution	24	*25*
Administration	4	*3*
	50	*51*

Employment costs	£	*£*
Wages and salaries	1,188,945	*1,259,846*
Social security costs	124,925	*127,017*
Other pension costs	15,471	*17,862*
	1,329,341	*1,404,725*

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £	*2007 £*
Bank interest	17,219	*7,453*

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable on:		
Mortgage loan	22,521	20,876

8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
Current year taxation		
UK Corporation tax (credit)/charge for the year	(48,034)	48,034
Adjustment in respect of prior year – UK	–	26
Total current tax	(48,034)	48,060
Deferred taxation	(2,670)	7,789
	(50,704)	55,849

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

	2008 £	2007 £
(Loss)/profit on ordinary activities before tax	(331,069)	224,501
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(99,321)	67,350
Effect of:		
Expenses not deductible for tax purposes	45,402	23,355
Tax losses carried forward	12,452	–
Capital allowances in (excess)/deficit of depreciation	(32,739)	(16,499)
Adjustment in respect of prior year	–	26
Adjustment to small company tax rate	26,172	(26,172)
Current tax (credit)/charge for the year	(48,034)	48,060

9 (LOSS)/EARNINGS PER SHARE

	2008	2007
(Loss)/earnings per ordinary share is calculated as follows:		
Basic		
(Loss)/profit attributable to ordinary shareholders	£(280,365)	£168,652
Weighted average number of ordinary shares in issue	167,474,286	148,745,519
(Loss)/earnings per ordinary share	(0.17)p	0.11p
Fully diluted		
(Loss)/profit attributable to ordinary shareholders	£(280,365)	£168,652
Weighted average number of ordinary shares in issue	167,474,286	151,770,461
(Loss)/earnings per ordinary share	(0.17)p	0.11p
Weighted average number of ordinary shares in issue		
– basic calculation	167,474,286	148,745,519
Weighted average potential ordinary shares	–	3,024,942
– fully diluted calculation	167,474,286	151,770,461

All potential ordinary shares are currently anti-dilutive because the Company has reported a loss from continuing operations for the current year, and therefore have been excluded from the diluted earnings per share calculation.

10 INTANGIBLE FIXED ASSETS

	Trademarks £
Cost	
At 1 September 2007 and at 31 August 2008	55,874
Amortisation	
At 1 September 2007	34,898
Charge for the year	4,370
At 31 August 2008	39,268
Net book value	
At 31 August 2008	16,606
At 31 August 2007	20,976

Intangible fixed assets comprise the cost of trademark registration and associated costs.

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Showroom display & shop fittings £	Plant & machinery and loose tools £	Office fixtures, fittings & equipment/ Computers £	Motor vehicles £	Total £
Cost						
At 1 September 2007	1,513,119	857,305	313,886	154,401	13,120	2,851,831
Additions	–	251,463	13,254	123,429	–	388,146
Disposals	–	(603)	–	(17,431)	–	(18,034)
At 31 August 2008	1,513,119	1,108,165	327,140	260,399	13,120	3,221,943
Depreciation						
At 1 September 2007	183,103	646,632	262,347	137,538	12,956	1,242,576
Charge for the year	20,190	97,349	15,242	18,423	164	151,368
Disposals	–	(603)	–	(17,431)	–	(18,034)
At 31 August 2008	203,293	743,378	277,589	138,530	13,120	1,375,910
Net book value						
At 31 August 2008	1,309,826	364,787	49,551	121,869	–	1,846,033
At 31 August 2007	*1,330,016*	*210,673*	*51,539*	*16,863*	*164*	*1,609,255*

The freehold land element of freehold land and buildings that was not depreciated was £503,624 *(2007 – £503,624)*.

12 STOCKS AND WORK IN PROGRESS

	2008 £	*2007 £*
Raw materials and consumables	100,915	*153,715*
Work in progress	56,863	*69,085*
Finished goods and goods for resale	423,090	*342,980*
	580,868	*565,780*

13 DEBTORS

	2008 £	*2007 £*
Trade debtors	63,141	*191,138*
Other debtors	59,899	*20,000*
Corporation tax	48,034	*–*
Prepayments and accrued income	45,435	*38,275*
	216,509	*249,413*

Included in trade debtors at 31 August 2007 was an amount of £69,362 due to the Company in respect of sales for which customers arranged credit with a finance provider via a third party and where that third party subsequently went into receivership. The Directors now believe, based on further legal advice received at the end of April 2008, that the Company is unlikely to recover the sum due, totalling a revised amount of £79,250. As a result, full provision for this amount has been made in the current year.

Other debtors includes lease deposits totalling £29,325 which are recoverable after more than one year.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	*2007 £*
Mortgage loans	22,750	*21,005*
Payments received on account	282,866	*216,207*
Trade creditors	474,366	*420,125*
Corporation tax	–	*48,034*
Other taxes and social security costs	150,866	*135,842*
Other creditors	3,208	*3,245*
Accruals and deferred income	236,153	*160,336*
	1,170,209	*1,004,794*

The mortgage loan is secured by a legal charge over the Company's freehold property.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £	*2007 £*
Mortgage loan:		
Repayable 2017, interest at 1½% above 3 month LIBOR	263,466	*285,870*
Analysis of loan repayments:		
In one year or less	22,750	*21,005*
In more than one year but not more than two years	25,070	*23,601*
In more than two years but not more than five years	87,120	*81,131*
In more than five years	151,276	*181,138*
	286,216	*306,875*

The mortgage loan is secured by a legal charge over the Company's freehold property.

16 PROVISIONS FOR LIABILITIES AND CHARGES

		Deferred taxation £
Balance at 1 September 2007		55,568
Accelerated capital allowances	24,697	
Share based payments	(18,236)	
Tax losses carried forward	(9,131)	
Profit and loss account charge/(credit)		(2,670)
Balance at 31 August 2008		52,898

The provision for deferred taxation consists of the following amounts:

	2008 £	*2007 £*
Capital allowances in excess of depreciation	89,404	*64,707*
Share based payments	(27,375)	*(9,139)*
Tax losses carried forward	(9,131)	*–*
	52,898	*55,568*

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 £5,898 *(2007 – £4,674)*. The Company has also made contributions to one Directors personal pension schemes of £9,573 *(2007 – £13,188)*.

18 FINANCIAL INSTRUMENTS

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

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

Interest Rate Risk

The Company finances its operations through a mixture of retained profits, bank overdraft and mortgage loan. The Company's exposure to interest rate risk currently applies only to the interest received on cash deposits and the interest paid on the mortgage loan. 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:

	2008 £	*2007 £*
Floating rate cash and deposits	942,109	*784,842*
Floating rate loans	286,216	*306,875*

Foreign Currency Risk

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

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

18 FINANCIAL INSTRUMENTS (continued)

Financial Assets

The Company's financial assets comprise cash at bank or in hand. Cash at bank earns interest at floating rates, based on the relevant banks' commercial rates. Cash at bank and in hand comprises £924,921 in Sterling, and £17,188 held in Euros giving a total in Sterling of £942,109.

Financial Liabilities

The Company's financial liabilities comprise of a mortgage loan. The mortgage loan is repayable over 15 years and carries interest at a floating rate linked to 3 month LIBOR. The mortgage loan has a value of £286,216 held in Sterling.

The fair value of the Company's financial assets and liabilities is not materially different from the carrying values in the Company's Balance Sheet. It is and has been throughout the period under review the Company's policy that no trading in financial instruments shall be undertaken.

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.

	2008 £	*2007* *£*
Expiry date:		
In one year or less	250,000	*250,000*

19 SHARE CAPITAL

	2008 £	*2007* *£*
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	*250,000*
Allotted, called up and fully paid		
Ordinary shares of 0.1p each		
At 1 September 2007 – 148,745,519 shares	148,745	*148,745*
Issued in year		
18,000,000 shares issued to JLH plc Employee Benefit Trust under the Company's Employee Share Incentive Plan	18,000	–
20,000,000 shares issued for cash	20,000	–
At 31 August 2008 – 186,745,519 shares	186,745	*148,745*

On 14 March 2008 the Company completed a placing of 20,000,000 ordinary shares of 0.1p each at a price of 2p per share raising £383,250 net of expenses of issue.

During the year the Company issued 18,000,000 ordinary shares of 0.1p each to the JLH plc Employee Benefit Trust for a total consideration of £18,000.

At 31 August 2008 17,668,388 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust. At that date those shares had a market value of 1.05 pence each.

Share options

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

20 SHARE BASED PAYMENTS

FRS20 Share Based Payments is effective for the Company's accounting periods commencing 1 September 2006 and applies to share options granted after 7 November 2002 which were unvested at 1 September 2006.

During the year ended 31 August 2008 the Company provided share-based incentive arrangements to the Board of Directors. Share option arrangements are individual, stand-alone agreements between the Company and each member of the Board.

During the year the Company also established an Employee Share Incentive Plan for the purpose of providing share-based incentive awards to Directors, management and employees. Shares awarded under the Plan are awarded free of charge to the recipient but will be forfeited if the person to whom the award is made leaves the Company's employment within three years of the date of award. In accordance with UITF abstract 38 *Accounting for ESOP Trusts*, consideration paid for unvested shares held within the JLH plc Employee Benefit Trust has been treated as a deduction from shareholders' funds. This has resulted in a reduction in shareholders' funds of £18,000 for the year *(2007 – £nil)*. Other assets and liabilities of the JLH plc Employee Benefit Trust have been recognised as assets and liabilities of the Company.

37,186,380 options granted on 17 March 2006 lapsed on 17 September 2007 due to the applicable vesting condition not being met. The holder was granted under a variation agreement dated 17 October 2006 a revised option to subscribe for 12,000,000 Ordinary shares of 0.1p, exercisable between three and seven years after the date of lapse of the first option. The incremental fair value of this modification is £25,702.

All options were valued using Black-Scholes option pricing model.

The fair value per option granted between 1 September 2006 and 31 August 2008 and the assumptions used in the calculation are as follows:

Date of grant	17 October 2006	11 December 2006	22 March 2007
Number of options	12,000,000	10,000,000	6,300,000
Share price (mid market)	£0.0140	£0.0123	£0.0300
Bid price discount	6%	6%	6%
Share price at date of grant	£0.0132	£0.0116	£0.0282
Option Exercise Price (£)	£0.0060	£0.0123	£0.0300
Expected Life of options in years	4.5	3.5	3.5
Volatility	40.00%	40.00%	40.00%
Dividend yield	0.00%	0.00%	0.00%
Risk free interest rate	4.75%	4.75%	5.25%
Black Scholes fair value	£0.0088	£0.0039	£0.0095

The expected volatility is based on historical volatility. The expected life is the average expected period to exercise. The risk free rate is estimated from the yield on the principal portion of Gilt Strips, with a life similar to the period to exercise of the option.

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

Date of award	1 January 2008	11 February 2008
Share price at date of award	£0.0300	£0.0265
Fair value per share	£0.0300	£0.0265

Shares awarded under the plan during the year were as follows

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

As at 31 August 2008 the number of shares held by the Employee Share Incentive Plan Trust was 17,668,388.

20 SHARE BASED PAYMENTS (continued)

The reconciliation of option movements over the year to 31 August 2008 is shown below:

	Number of options	Weighted average exercise price
Outstanding at 1 September 2007	65,486,380	£0.0093
Granted	–	–
Lapsed	(37,186,380)	£0.0060
Exercised	–	–
Outstanding at 31 August 2008	28,300,000	£0.0136
Exercisable at 31 August 2008	–	–

Total options granted in the prior year were 28,300,000 with a weighted average exercise price of £0.0136. No options were exercised or lapsed in the prior year.

The options outstanding at 31 August 2008 have an exercise price in the range £0.006 to £0.030 and have a weighted average remaining contractual life of 5-6 years. No options were exercised during the year.

The total charge for the year relating to share options was £54,526 *(2007 – £41,537)* all of which related to equity-settled share based payment transactions.

The total charge for the year relating to the Employee Share Incentive Plan was £89,107 *(2007 – £nil)*. £74,107 of this related to equity-settled share based payment transactions and £15,000 to expenses incurred in administering the Plan.

The total share based payments charge for the year was £128,633 *(2007 – £41,537)*. Additionally, as disclosed above and in note 2, £15,000 *(2007 – £nil)* of directly attributable administrative expenses have been included in the total charge of £143,633 shown in the Profit and Loss account. Of this, £91,166 *(2007 – £41,537)* related to equity-settled share based payments to Directors

21 RESERVES

	Share premium account £	Share based payment reserve £	Other reserves £	Profit and loss account £	Total £
Balance at 1 September 2007	824,771	41,537	1,421	867,560	1,735,289
Issue of new shares	363,250	–	–	–	363,250
Shares issued to Employee Benefit Trust	–	–	–	(18,000)	(18,000)
Loss for the year	–	–	–	(280,365)	(280,365)
Charge for the year	–	128,633	–	–	128,633
Balance at 31 August 2008	1,188,021	170,170	1,421	569,195	1,928,807

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	*2007 £*
(Loss)/profit for the financial year	(280,365)	*168,652*
Share based payments	128,633	*41,537*
Dividends	–	*–*
Issue of new shares	383,250	–
Net addition to shareholders' funds	231,518	*210,189*
Opening shareholders' funds	1,884,034	*1,673,845*
Closing shareholders' funds	2,115,552	*1,884,034*

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £	*2007 £*
Reconciliation to operating profit:		
Operating (loss)/profit	(325,767)	*237,924*
Amortisation of intangible fixed assets	4,370	*4,368*
Depreciation of tangible fixed assets	151,368	*167,767*
Share based payments	128,633	*41,537*
(Increase) in stocks	(15,088)	*(110,034)*
Decrease/(increase) in debtors	80,938	*(97,867)*
Increase/(decrease) in creditors	211,704	*(28,992)*
	236,158	*214,703*

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2008 £	*2007 £*
Increase in cash	157,267	*113,772*
Cash outflow from decrease in debt	20,659	*20,445*
	177,926	*134,217*
Net funds at 1 September 2007	477,967	*343,750*
Net funds at 31 August 2008	655,893	*477,967*

25 ANALYSIS OF NET FUNDS

	At 1 September 2007 £	Cash flow £	Non-cash changes £	At 31 August 2008 £
Cash at bank and in hand	784,842	157,267	–	942,109
Mortgage loan due after one year	(285,870)	–	22,404	(263,466)
Mortgage loan due within one year	(21,005)	20,659	(22,404)	(22,750)
	477,967	177,926	–	655,893

26 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2008 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008 £	*2007 £*	2008 £	*2007 £*
Expiry date:				
Within one year	–	*–*	–	*–*
Between two and five years	44,000	*29,750*	33,810	*33,810*
In over five years	183,900	*134,800*	–	*–*
	227,900	*164,550*	33,810	*33,810*

27 CONTROLLING PARTIES

The ultimate controlling party is J.L. Lewis, a Director of the Company.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc will be held at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF on Monday, 19 January 2009 at 4.00 pm for the following purposes:

As Ordinary Business

1. To receive, consider and if approved, adopt the Directors' report and the financial statements for the year ended 31 August 2008, together with the Auditors' report thereon.

2. To re-appoint Hill Wooldridge & Co. Limited as auditor to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration.

3. To re-elect as a Director, John L. Lewis, who retires by rotation, in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.

To transact any other ordinary business of the Company.

As Special Business

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

4. THAT, the Directors of the Company be generally and unconditonally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") (in substitution for and by way of revocation of any earlier authority to allot relevant securities to the extent not utilised prior to the date of this resolution), to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum aggregate nominal value of £62,248.51 provided that such authority shall expire fifteen months from the date of passing this resolution or (if earlier) on the conclusion of the Company's next annual general meeting following the passing of this resolution, but so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

5. THAT, (subject to the passing of resolution 4 above) the Directors of the Company be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred on the Directors by resolution 4 above as if section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:

   (i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and

   (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £18,674.55,

   provided that such power shall expire fifteen months from the date of passing this resolution or (if earlier), on the conclusion of the Company's next annual general meeting following the passing of this resolution, but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

6. THAT the Company be generally and unconditionally authorised, pursuant to Article 53 of the Articles of Association of the Company to make market purchases (within the meaning of sections 163 and 166 of the Act) on the London Stock Exchange plc of up to 28,011,827 Ordinary Shares of 0.1p each in the capital of the Company (being approximately 15 per cent of the current issued ordinary share capital of the Company) on such terms and conditions and in such manner as the Directors of the Company may from time to time determine, provided that:

   (a) the amount paid for each share (exclusive of expenses) shall not be more than 105 per cent above the average of the middle market quotation for an Ordinary Share as derived from the Daily Official List for the London Stock Exchange plc for the five business days immediately preceding the date on which the contract for the purchase is made;

   (b) the minimum price which may be paid for any Ordinary Share so purchased (exclusive of expenses and any taxes) shall be the nominal value thereof; and

   (c) the authority hereby conferred shall expire at the conclusion of the annual general meeting of the Company next following the passing of this resolution or a date not later than 12 months from the date of passing of this resolution whichever is earlier; and

(d) the Company may, before such expiry, make a contract or agreement to purchase its Ordinary Shares under the authority hereby conferred, which will or may be executed wholly or partly after such expiry, and the Company may make a purchase of its Ordinary Shares in pursuance of the same, as if the authority hereby conferred had not expired.

By Order of the Board

Capita Company Secretarial Services Limited
Company Secretary

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

Dated: 27 November 2008

Notes:

1. Members of the Company are entitled to appoint a proxy (who need not be a member of the Company) to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting and any adjournment thereof. A member of the Company may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise their rights attached to a different share or shares held by the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2. A form of proxy accompanies this notice. This includes details of how to appoint the Chairman of the Annual General Meeting or another person as proxy. Members wishing their proxy to speak on their behalf at the Annual General Meeting will need to appoint someone of their own choosing (not the Chairman) and to give instructions directly to that person. In order to be valid, the form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Annual General Meeting or of any adjournment of such meeting.

3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 4pm on 17 January 2009 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. Copies of the service contracts of each of the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.

John Lewis of Hungerford plc

Annual General Meeting
Form of Proxy

I/We, ...
(NAME IN FULL IN BLOCK CAPITALS PLEASE)

of ....
being (a) member(s) of the above named Company,

hereby appoint ....

of ....
as my/our proxy to exercise all or any of my/our rights to attend, speak and on a poll to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF at 4.00 pm on Monday, 19 January 2009 and at any adjournment thereof. Failing such appointment, the Chairman is appointed as my/our proxy to attend and on a poll to vote on my/our behalf at such meeting and any adjournment thereof. My/our proxy is directed to vote on the following resolutions at the Annual General Meeting (and any adjournment thereof), as indicated by an "X" in the appropriate box below and on any other resolutions as he thinks fit:

Ordinary resolutions:	**For**	**Against**	**Vote Withheld**	**Discretionary**
1. To receive, consider and adopt the Directors report and the financial statements for the year ended 31 August 2008.	☐	☐	☐	☐
2. To re-appoint Hill Wooldridge & Co. Limited as auditor until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.	☐	☐	☐	☐
3. To re-elect John L. Lewis as a Director who retires from the Board by rotation and who, being eligible, offers himself for re-election.	☐	☐	☐	☐
4. To authorise the Directors to allot relevant securities pursuant to section 80 of the Companies Act 1985 ("the Act").	☐	☐	☐	☐
Special Resolutions:				
5. To authorise the Directors to allot equity securities in certain circumstances as if section 89(1) of the Act did not apply.	☐	☐	☐	☐
6. To authorise the Company to make market purchases of up to a maximum of 28,011,827, ordinary shares of 0.1 pence each.	☐	☐	☐	☐

Enter the number of shares in relation to which your proxy is authorised to vote or leave blank to authorise your proxy to act in relation to your full entitlement. ☐

Please also tick this box if appointing more than one proxy. ☐

Please return this form duly completed and signed to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to arrive no later than 48 hours before the time fixed for the Annual General Meeting.

Notes:

(i) A member wishing their proxy to speak on their behalf at the Annual General Meeting should appoint someone of their choosing (other than the Chairman) to act as their proxy and give any instructions directly to that person.

(ii) A member may appoint more than one proxy in relation to the Annual General Meeting in which case a separate form of proxy should be completed in respect of each such proxy, specifying where indicated on each form the number of shares in respect of which such proxy is appointed to act on his behalf..

(iii) To be valid this form must be completed and delivered together with the power of attorney, or other authority, if any, under which it is signed, or a notarially certified or office copy of such power of attorney to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Meeting or any adjournment thereof.

(iv) A proxy need not be a member of the Company.

(v) In the case of a corporation the form of proxy must be executed under its seal or under the hand of a duly authorised officer or attorney or other person authorised to sign.

(vi) In the case of joint holders the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.

(vii) Returning the Form of Proxy will not prevent you from attending the Annual General Meeting and voting in person.

(viii) If you want your proxy to vote in a certain way on the resolutions specified please place an "X" in one of the relevant boxes for each of the resolutions. If you select 'Discretionary' or fail to select any of the given options your proxy can vote as he or she chooses or can decide not to vote at all.

(ix) The 'Vote Withheld' option is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'Vote Withheld' is not a vote in law, and will not be counted in the calculation of the votes 'For' and 'Against' a resolution.

Dated.. Signed..

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD AND TUCK IN

John Lewis OF HUNGERFORD

www.john-lewis.co.uk

Registered Head Office: Grove Technology Park Downsview Road Wantage OX12 9FA 01235 774300