John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2013

Registered number

01317377

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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:
Webb Capital
Bow House
1 Bow Lane
London
EC4M 9EE

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

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 and one Company managed concession.

Manufacturing and administration are 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 this financial year the Company has expanded its line of branded products to include a new bedroom furniture range.

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 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

CHAIRMAN'S STATEMENT

I am pleased to present our results covering the twelve months to 31 August 2013.

This has been an important year for John Lewis of Hungerford and we are delighted with the progress we have made, both in commercial and financial performance terms. The return to profitability is particularly pleasing and supports our belief that 2012 was a temporary setback caused by factors outside our control.

The most notable commercial achievement was the development and launch of our new bedroom furniture range, in late June 2013. The bedroom furniture offering follows our established kitchen model with manufacture taking place in our Wantage factory followed by installation in our customer's homes by our own installation business. Not only does this move into a new furniture market open up fresh sales potential for us, it also demonstrates our commitment to secure increased economies of scale from our Wantage factory and Artisan installations business.

We are pleased with both consumer and media reaction to the launch of our bedroom range, which is being introduced in a controlled manner across our business. The Board sees the bedroom category as a significant determinant of future sales growth therefore we are ensuring we proceed at a pace which allows for a rewarding customer experience, resulting in positive word of mouth recommendations for our products and services, rather than merely meeting volume demand.

Other key achievements in the period include the refit of the Hungerford showroom, the home of our brand, and our showcase Fulham showroom completed shortly after the year end. This now includes a whole floor devoted to bedrooms in addition to new kitchen displays and two new kitchen ranges. The new kitchen ranges are both contemporary in design, manufactured in Wantage and created to widen our consumer appeal. Once the demand for these products has been established we intend to roll these two new ranges into other locations in due course.

Financial performance

The operating profit before taxation, share based payments and interest during the period under review was £196,000 (2012: loss of £88,000), a result the Board consider satisfactory in a difficult and challenging economic background.

The financial performance was underpinned by a 17% increase in sales to £6,557,000 (2012: £5,626,000). It is particularly pleasing that this was achieved whilst improving overall gross margin to 52.7% (2012: 52.3%) reflecting, in part, operational improvements within our Artisan installations business.

Products	2013	2012
	£000	£000
Turnover	5,722	4,882
Cost of sales	(2,511)	(2,115)
Gross margin	3,211	2,767

The increase in kitchen sales reflects a higher volume of higher value kitchens.

Installations	2013	2012
	£000	£000
Turnover	835	744
Cost of sales	(592)	(568)
Gross margin	243	176

The Artisan installations business continues to trade strongly with an improvement in gross margin to 29.1% (2012: 23.7%)

Cash flow

We ended the year with cash at bank and in hand of £1,122,000 (2012: £980,000) reflecting the positive working capital generated through customer deposits and advance payments. The net cash inflow from operating activities was £488,000 (2012: £364,000).

Capital expenditure, including capitalised development costs, of £325,000 was in line with budgeted amounts and principally arose from investment in our showroom estate and installation of a dedicated new showroom in Wantage.

Dividends

The Board is not recommending payment of a dividend.

Board changes

An important consideration for the business as it grows is the strength of the leadership team and I am delighted to welcome Kiran Noonan and Damian Walters to the Board. Both were already members of the senior management team and they have made a significant contribution to the results reported here.

Strategic Plan and Store Opening Programme

A focus of the senior management team during the year has been creation of a new three year strategic plan in order to drive long term value creation for our shareholders. As part of this the Board reviewed and challenged its current strategy concluding that the core objective of increasing our retail footprint to drive greater efficiencies from our Wantage factory remains sound.

As a consequence of this process the Board has set an aspirational target of growing turnover to £10 million per annum and achieve a 5% operating profit by the end of FY 2016. The key driver of this will be through development of a more diverse range of products and services appealing to a wider customer base from an expanded store network. To this end we are currently in the process of actively seeking to secure two new showrooms in London and the South East.

Our commitment to investing in new showrooms has underpinned much of the sales growth in the business and new footage is seen as key to delivering our future plans.

However, we continue to apply a rigorous approach in evaluating potential new stores and there is no guarantee sufficient high quality sites will be identified to achieve the £10 million target. Nevertheless it is reflective of the Board's confidence that the steps taken to strengthen the business in recent years have created a robust and scalable platform.

Current Trading

We continue to experience good levels of customer enquiries and orders.

At the end of October 2013 we reported that orders and dispatched sales for Q1 of the current financial year were approximately 13% over the corresponding figure in 2012. This trend has continued into the second quarter and after the first 15 weeks of the financial year our current sales and forward order book stood at £3,096,000, an increase of 11% over the comparable period last year.

We are encouraged by the current level of enquires which supports our view there is a positive momentum behind the business. However, we would again reinforce our belief that it is difficult to extrapolate meaningful short term forecasts given the high value discretionary expenditure nature of our business and the relatively long sales cycle involved.

Outlook

The financial performance reported here is testament to the progress made in recent years in strengthening the business. However, we are not complacent and continue to monitor customer sentiment very carefully for indications of a repeat of the downturn in 2012.

Nevertheless our own performance indicators combined with an improving economic climate lead us to believe that we now need to continue to invest in the business if we are to deliver long term shareholder growth. Our new strategic plan presents the cornerstone of this and we look forward to the future with confidence.

I would again like to thank our loyal team of dedicated and talented employees for their hard work during this challenging yet rewarding year.

Malcolm R. Hepworth
Non Executive Chairman

17 December 2013

DIRECTORS' REPORT

The the Directors present their report and financial statements for the year ended 31 August 2013.

Principal activities
The principal activity of the Company continues to be that of the design, manufacture, retail and installation of kitchens, free standing furniture and accessories. The Company's turnover arises solely from its principal activity. A new bedroom furniture range was launched this year and will contribute to turnover in future years.

Business review
A full review of the performance of the Company for the year is given in the Chairman's Statement on pages 4 to 6.

Results and dividends
The profit for the year after taxation amounted to £144,845 (2012 – £105,818 loss).

The Directors do not recommend payment of a dividend (2012 – £nil).

Fixed assets
Details of the Company's fixed assets are shown in notes 10 and 11 to the financial statements on pages 25 and 26.

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.

Political and charitable donations
Financial donations to charities and good causes during the year amounted to nil (2012: £nil). There were no political donations (2012: £nil).

Directors and their interests
As at 31 August 2013, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2013	1 September 2012
John L. Lewis	80,466,678	83,966,678
Malcolm R. Hepworth	1,250,000	1,250,000
Jonathan S. Rosby	5,923,547	5,923,547
Charlotte Hill-Baldwin (resigned 01.09.12)	-	3,873,547
Karen Stanley	500,000	500,000
Kiran Noonan (appointed 22.10.13)	-	-
Damian Walters (appointed 22.10.13)	-	-

As at 31 August 2013, 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%
Karen Stanley	3,000,000	1.61%

Details of outstanding options are as follows:

	As at 31 August 2013
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 3p granted on 22 March 2007 exercisable between 3 and 10 years from the date of grant	
Jonathan S. Rosby	3,300,000
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

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

Substantial interests

At 6 December 2013 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	11,400,000	6.10%
WH Ireland	11,237,088	6.02%
Mr David Stredder (Spreadex Ltd)	10,950,000	5.86%

Corporate governance

As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code. However the Board seeks to comply with the principles of good governance and the recommendations set out in the Combined Code so far as is practicable and appropriate for a company of its size and nature.

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 John Lewis of Hungerford Fulham Showroom, 156-158 Wandsworth Bridge Road, London SW6 2UH at 4.00 pm on 27th January 2014.

Special Business
The notice of Annual General Meeting contains an ordinary resolution at resolution 6, 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 7 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 6 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, three bank loans 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 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.

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 39 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
17 December 2013

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

INDEPENDENT AUDITORS' REPORT

To the Members 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 2013, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement, the Statement of Total Recognised Gains and Losses and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 13, 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 annual report to identify material inconsistencies with the audited financial statements. 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Lino Perdoni FCA (Senior Statutory Auditor)
For and on behalf of

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

17 December 2013

FINANCIAL STATEMENTS

Profit and Loss Account for the year ended 31 August 2013

	Notes	2013 £	2012 £
Turnover		6,557,481	5,625,524
Cost of sales		(3,103,122)	(2,682,560)
Gross profit		3,454,359	2,942,964
Selling and distribution costs		(420,306)	(382,929)
Administrative expenses			
Share based payments	*20*	-	(2,900)
Other		(2,838,437)	(2,648,467)
Total	*2*	(2,838,437)	(2,651,367)
Operating profit / (loss) before share based payments		195,616	(88,432)
Operating profit / (loss)	*3*	195,616	(91,332)
Interest receivable and similar income	*6*	5,021	2,695
Interest payable and similar charges	*7*	(32,656)	(34,634)
Profit / (loss) on ordinary activities before taxation		167,981	(123,271)
Tax on profit / (loss) on ordinary activities	*8*	(23,136)	17,453
Retained profit / (loss) for the financial year		144,845	(105,818)
Earnings per share	*9*		
Basic		0.08p	(0.06)p
Fully diluted		0.08p	(0.06)p

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

Statement of Total Recognised Gains and Losses for the year ended 31 August 2013

		2013	2012
	Notes	**£**	£
Net profit / (loss) for the financial year		144,845	(105,818)
Total recognised gains and losses relating to the year		144,845	(105,818)

Balance Sheet as at 31 August 2013

	Notes	2013 £	2012 £
Fixed assets			
Intangible assets	10	104,591	54,023
Tangible assets	11	2,363,552	2,338,501
		2,468,143	2,392,524
Current assets			
Stocks	12	192,320	167,014
Debtors	13	293,758	262,163
Cash at bank and in hand		1,122,252	979,544
		1,608,330	1,408,721
Creditors: amounts falling due within one year	14	(1,523,363)	(1,369,232)
Net current assets		84,967	39,489
Total assets less current liabilities		2,553,110	2,432,013
Creditors: amounts falling due after more than one year	15	(514,724)	(554,368)
Provisions for liabilities and charges	16	(15,896)	-
Net assets		2,022,490	1,877,645
Capital and reserves			
Called up share capital	19	186,745	186,745
Share premium account	21	1,188,021	1,188,021
Other reserves	21	1,421	1,421
Profit and loss account	21	646,303	501,458
Shareholders' funds - all equity interests	22	2,022,490	1,877,645

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2013 and were signed on its behalf by:

Malcolm R. Hepworth
Director

Jonathan S. Rosby
Director

Cash Flow Statement for the year ended 31 August 2013

		2013		2012	
	Notes	**£**	**£**	£	£
Net cash inflow from operating activities	*23*		487,722		364,276
Returns on investments and servicing of finance					
Interest and similar income received		5,021		2,695	
Interest paid		(32,656)		(34,634)	
Net cash outflow from returns on investments and servicing of finance			(27,635)		(31,939)
Corporation tax			-		-
Capital expenditure					
Payments to acquire intangible fixed assets		(60,462)		(27,998)	
Receipts from disposals of tangible fixed assets		45,275		23,853	
Payments to acquire tangible fixed assets		(264,625)		(122,727)	
Net cash outflow from capital expenditure			(279,812)		(126,872)
Equity dividends paid			-		-
Net cash inflow before financing			180,275		205,465
Financing					
Repayment of bank loans		(37,567)		(35,168)	
Net cash outflow from financing			(37,567)		(35,168)
Increase / (decrease) in cash	*24*		142,708		170,297

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. All turnover is derived in the UK

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 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.

1.6 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,

Freehold property	2% straight line
Plant & machinery and loose tools	10% straight line
Fixtures, fittings & equipment/Computers	10% - 33% straight line
Showroom display & shop fittings	33% reducing balance and 10% straight line
Development costs	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 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.

1.9 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.

1.10 Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on an undiscounted basis at tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

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 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

	2013	2012
	£	£
General administrative expenses	2,810,772	2,603,997
Public listing costs	27,665	44,470
	2,838,437	2,648,467
Share based payments (note 20)	-	2,900
	2,838,437	2,651,367

3 OPERATING PROFIT/(LOSS)

	2013	2012
	£	£
Operating profit / (loss) is stated after charging:		
Amortisation of intangible fixed assets	9,894	6,697
Depreciation of owned tangible fixed assets	197,291	228,680
Operating lease rentals		
- Plant and machinery	9,519	11,591
- Other assets	341,170	342,781
Auditors' remuneration	12,000	12,000

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	*Total* **2013**	*Total* 2012
	£	£	£	£	£
Jonathan S. Rosby	116,768	2,151	-	118,919	105,986
Charlotte Hill-Baldwin (resigned 01.09.12)	-	-	-	-	69,835
Karen Stanley	67,057	-	4,160	71,217	64,775
Malcolm R. Hepworth	25,000	-	-	25,000	22,917
John L. Lewis	7,591	-	-	7,591	37,149
	216,416	2,151	4,160	222,727	300,662

Charlotte Hill-Baldwin resigned as a director on 1st September 2012.

Retirement benefits are accruing to 1 (2012 - 2) Directors under defined contribution schemes.There is one Director (2012 - 2) 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 7

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

	Number of shares	
	2013	2012
Jonathan S. Rosby	3,773,547	3,773,547
Charlotte Hill-Baldwin (resigned 01.09.12)	-	3,773,547
	3,773,547	7,547,094

The share awards were granted on 11 February 2008 and vested on 10 February 2011. Following her resignation Charlotte Hill-Baldwin retained an interest of 3,773,547 shares in the Company's long term incentive plan.

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2013	2012
	Number	Number
Directors	4	5
Production	18	17
Sales and distribution	32	29
Administration	4	3
	58	54

	2013	2012
	£	£
Employment costs		
Wages and salaries	1,803,447	1,590,380
Social security costs	191,519	163,987
Other pension costs	14,945	19,458
Redundancy costs	4,385	12,736
	2,014,296	1,786,561

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2013	2012
	£	£
Bank interest	5,021	2,695

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2013	2012
	£	£
Interest payable on bank loans	32,656	34,634

8 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2013	2012
	£	£
Current year taxation		
UK Corporation tax (credit)/charge for the year	-	-
Adjustment in respect of prior year - UK	-	-
Total current tax	-	-
Deferred taxation	23,136	(17,453)
	23,136	(17,453)

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

	2013	2012
	£	£
Profit/(loss) on ordinary activities before tax	167,981	(123,271)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2012: 24%)	38,636	(29,585)
Effect of:		
Expenses not deductible for tax purposes	1,633	1,032
Charges allowable for corporation tax	-	(1,349)
Tax losses carried forward	-	30,331
Tax losses utilised in year	(6,673)	-
Capital allowances in excess of depreciation	(33,596)	(429)
Current tax (credit)/charge for the year	-	-

9 EARNINGS PER SHARE

	2013	2012
Earnings/(loss) per ordinary share is calculated as follows:		
Basic		
Profit/(loss) attributable to ordinary shareholders (£)	144,845	(105,818)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Earnings/(loss) per ordinary share	0.08 p	(0.06)p
Fully diluted		
Profit/(loss) attributable to ordinary shareholders (£)	144,845	(105,818)
Weighted average number of ordinary shares in issue	186,746,449	186,745,519
Earnings/(loss) per ordinary share	0.08 p	(0.06)p

In the prior year, all potential ordinary shares were anti-dilutive because the Company reported a loss from continuing operations for the year, and therefore were excluded from the diluted earnings per share calculation.

10 INTANGIBLE FIXED ASSETS

	Trademarks	Development Costs	Total
Cost	£	£	£
At 1 September 2012	55,874	56,806	112,680
Additions	1,280	59,182	60,462
At 31 August 2013	57,154	115,988	173,142
Amortisation			
At 1 September 2012	52,934	5,723	58,657
Charge for the year	1,953	7,941	9,894
At 31 August 2013	54,887	13,664	68,551
Net book value			
At 31 August 2013	2,267	102,324	104,591
At 31 August 2012	2,940	51,083	54,023

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Total
Cost	**£**	**£**	**£**	**£**	**£**
At 1 September 2012	1,667,264	2,066,318	268,428	250,262	4,252,272
Additions	1,178	208,665	18,481	36,301	264,625
Disposals	-	(54,304)	(1,545)	(47,708)	(103,557)
At 31 August 2013	1,668,442	2,220,679	285,364	238,855	4,413,340
Depreciation					
At 1 September 2012	287,394	1,254,739	177,411	194,227	1,913,771
Charge for the year	23,318	134,282	17,749	21,942	197,291
Disposals	-	(13,412)	(155)	(47,707)	(61,274)
At 31 August 2013	310,712	1,375,609	195,005	168,462	2,049,788
Net book value					
At 31 August 2013	1,357,730	845,070	90,359	70,393	2,363,552
At 1 September 2012	1,379,870	811,579	91,017	56,035	2,338,501

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2012 - £503,624).

12 STOCKS AND WORK IN PROGRESS

	2013	2012
	£	£
Raw materials and consumables	147,179	127,660
Work in progress	45,141	39,354
	192,320	167,014

13 DEBTORS

	2013	2012
	£	£
Trade debtors	34,228	47,658
Other debtors	58,886	51,126
Prepayments and accrued income	200,644	163,379
	293,758	262,163

Included in other debtors is a balance of £nil (2012: £7,240) relating to a deferred tax asset (see note 16 for components and movement in the year) and also lease deposits totalling £40,575 (2012: £40,575) which are recoverable after more than one year.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£	£
Bank loans	40,938	38,861
Payments received on account	416,316	429,843
Trade creditors	453,625	347,828
Other taxes and social security costs	219,702	214,153
Other creditors	33,059	3,194
Accruals and deferred income	359,723	335,353
	1,523,363	1,369,232

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

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2013	2012
	£	£
Bank loans	514,724	554,368
Analysis of loan repayments:		
In one year or less	40,938	38,861
In more than one year but not more than two years	55,017	54,887
In more than two years but not more than five years	138,745	138,724
In more than five years	320,962	360,757
	555,662	593,229

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 2012		(7,240)
Accelerated capital allowances	22,640	
Share based payments	(5,307)	
Tax losses carried forward	5,803	
Profit and loss account charge/(credit)		23,136
Balance at 31 August 2013		15,896

The provision for deferred taxation consists of the following amounts:

	2013	2012
	£	£
Capital allowances in excess of depreciation	100,437	77,797
Share based payments	(18,125)	(12,818)
Tax losses carried forward	(66,416)	(72,219)
Asset balance transferred to debtors	-	7,240
	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 £14,945 (2012 – £15,338). The Company has also made contributions to one Directors personal pension schemes of £nil (2012 – £4,120).

18 FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, three bank loans 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 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:

	2013	2012
	£	£
Floating rate cash and deposits	1,122,252	809,247
Fixed rate loans	216,823	239,636
Floating rate loans	338,839	388,761

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. These accounts were closed prior to the year end.

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.

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 £1,122,252 in Sterling.

Financial Liabilities
The Company's financial liabilities comprise three bank loans. The first loan is repayable over 15 years from 4th 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 £212,555 denominated in Sterling.

The second loan is repayable over 15 years from 22nd 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 £216,823 denominated in Sterling.

The third loan is repayable over 10 years from 24th 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 £126,284 denominated 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.

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.

	2013	2012
	£	£
Expiry date:		
In one year or less	250,000	250,000

19 SHARE CAPITAL

	2013	2012
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2013	2012
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 31 August 2013 15,152,239 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 0.75 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

During the year ended 31 August 2013 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.

The Company has 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. The reversal of this adjustment as shares are sold has resulted in an increase in shareholders' funds of £nil for the year (2012 – £nil). Other assets and liabilities of the JLH plc Employee Benefit Trust have been recognised as assets and liabilities of the Company.

All options were valued using a Black-Scholes option pricing model. The fair value per option granted between 1 September 2006 and 31 August 2013 and the assumptions used in the calculation are as follows:

Date of grant	*17.10.2006*	*11.12.2006*	*22.03.2007*	*22.06.2009*
Number of options granted	12,000,000	7,500,000	6,300,000	3,000,000
Share price (mid market)	£0.0140	£0.0123	£0.0300	£0.0080
Bid price discount	6%	6%	6%	6%
Share price at date of grant	£0.0132	£0.0116	£0.0282	£0.0075
Option Exercise Price (£)	£0.0060	£0.0123	£0.0300	£0.0080
Expected Life of options in years	4.5	3.5	3.5	3.5
Volatility	40.00%	40.00%	40.00%	70.00%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	4.75%	4.75%	5.25%	0.50%
Black Scholes fair value	£0.0088	£0.0039	£0.0095	£0.0036

The estimated volatility is based on historical volatility. The expected life is the average expected period to exercise. The estimate of risk free rate is based on UK base rates.

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

Date of award	*01.01.2008*	*11.02.2008*
Share price at date of award	£0.0300	£0.0265
Fair value per share	£0.0300	£0.0265

Shares awarded under the Employees Share Incentive Plan are as follows

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

As at 31 August 2013 the number of shares held by the Employee Share Incentive Plan Trust was 15,152,239

The reconciliation of Directors' option movements over the year to 31 August 2013 is shown below:

	Number of options	*Weighted average exercise price*
Outstanding at 1 September 2012	26,300,000	£0.0132
Granted	-	
Lapsed	(3,000,000)	£0.0300
Exercised	-	
Outstanding at 31 August 2013	23,300,000	£0.0110
Exercisable at 31 August 2013	23,300,000	£0.0110

The options outstanding at 31 August 2013 have an exercise price in the range £0.006 to £0.03 and have a weighted average remaining contractual life of 0.47 years.

The charge for the year relating to share based payments was made up as follows:

	2013	2012
	£	£
Equity settled share based payments - share options	-	2,900
Equity settled share based payments - Employee Share Incentive Plan	-	-
Total share based payments charge	-	2,900
Deferred tax credit/(charge) relating to share based payments	5,307	(7,617)

Of the total share based payments charge, £nil (2012 – £2,900) related to equity-settled share based payments to Directors.

21 RESERVES

Balance at	Share premium account £	Other reserves £	Profit and loss account £	Total £
01 September 2012	1,188,021	1,421	501,458	1,690,900
Profit for the year	-	-	144,845	144,845
Balance at **31 August 2013**	1,188,021	1,421	646,303	1,835,745

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 **£**	2012 £
Opening shareholders' funds	1,877,645	1,980,563
Profit/(loss) for the financial year as reported	144,845	(105,818)
Share based payments	-	2,900
Net addition to shareholders' funds	144,845	(102,918)
Closing shareholders' funds	2,022,490	1,877,645

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2013	2012
	£	£
Reconciliation to operating profit:		
Operating profit/(loss)	195,616	(91,332)
Amortisation of intangible fixed assets	9,894	6,697
Depreciation of tangible fixed assets	197,291	228,680
Share based payments	-	2,900
(Increase)/decrease in stocks	(25,306)	52,350
(Increase)/decrease in debtors	(38,835)	44,912
Increase in creditors and provisions	152,054	125,368
(Profit)/loss on disposal of tangible fixed assets	(2,992)	(5,299)
	487,722	364,276

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2013	2012
	£	£
Increase in cash	142,708	170,297
Cash outflow from decrease in debt	37,567	35,168
	180,275	205,465
Net funds at 1 September 2012	386,315	180,850
Net funds at 31 August 2013	566,590	386,315

25 ANALYSIS OF NET FUNDS

	At 1 September 2012	*Cash Flow*	*Non-cash changes*	*At 31 August 2013*
	£	**£**	**£**	**£**
Cash at bank and in hand	979,544	142,708	-	1,122,252
Loans due after one year	(554,368)	-	39,644	(514,724)
Loans due within one year	(38,861)	37,567	(39,644)	(40,938)
	386,315	180,275	-	566,590

26 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2013 the Company had annual commitments under non- cancellable operating leases as follows:

	Land and buildings		Other	
	2013	2012	**2013**	2012
	£	£	**£**	£
Expiry date:				
Within one year	12,000	12,000	-	1,138
Between two and five years	146,550	96,750	8,381	8,381
In over five years	179,500	220,650	-	-
	338,050	329,400	8,381	9,519

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc ("the Company") will be held at the John Lewis of Hungerford Fulham Showroom, 156-158 Wandsworth Bridge Road, London SW6 2UH at 4.00 p.m. on 27th January 2014 for the following purposes:

As Ordinary Business

1. To receive, consider and, if approved, adopt the Company's annual accounts for the financial year ended 31 August 2013 together with the Directors' report and Auditors' report thereon.

2. To re-appoint Hill Wooldridge & Co. Limited as auditor to the Company, to hold office from the conclusion of the meeting 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 Rosby, who retires by rotation, in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.

4. To re-elect as a Director, Kiran Noonan, who retires in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.

5. To re-elect as a Director, Damian Walters, who retires in accordance with the Company's Articles of Association and who being eligible, offers himself for re-election.

To transact any other ordinary business of the Company.

As Special Business

To consider and if thought fit pass the following resolutions which will be proposed as to resolution 6 as an ordinary resolution and as to resolution 7 as a special resolution:

6. (a) That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") provided that this authority shall be limited to relevant securities up to an aggregate nominal amount of £62,248.51 representing approximately one third of the nominal value of the issued ordinary share capital of the Company and unless previously revoked, varied or extended, this authority shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and the date of twelve months from the date of passing this resolution, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired,

   and further,

   (b) That the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the company to allot equity securities (within the meaning of Section 560 of the Act) in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them up to an aggregate nominal amount of £62,248.51 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

7. That, subject to the passing of resolution 6, the directors be and they are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 6 above, as if section 561(1) of the Act did not apply to such allotment provided that:

   (a) the power conferred by this resolution shall be limited to:

      (i) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws or requirements of any regulatory body or stock exchange; and

      (ii) the allotment, otherwise than pursuant to sub-paragraph (a) (i) above, of equity securities up to an aggregate nominal value equal to £18,674.55, representing approximately 10% of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 August 2013; and

   (b) unless previously revoked, varied or extended, this power shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company, except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

By Order of the Board

Capita Company Secretarial Services Limited
Company Secretary
Dated: 17 December 2013

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

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company.

2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box on your proxy form. If you sign and return your proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. In the event of a conflict between a blank proxy form and a proxy form which states the number of shares to which it applies, the specific proxy form shall be counted first, regardless of whether it was sent or received before or after the blank proxy form, and any remaining shares in respect of which you are the registered holder will be apportioned to the blank proxy form. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

5. To direct your proxy how to vote on the resolutions mark the appropriate box on your proxy form with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. To appoint a proxy using this form, your proxy form must be:

   - completed and signed;
   - sent or delivered to Capita Asset Services, PXS, 34 Beckenham, Kent, BR3 4TU; and
   - received by Capita Registrars no later than 4.00 p.m. on 25 January 2014.

7. In the case of a member which is a company, your proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer of the Company or an attorney for the Company.

8. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be included with your proxy form.

9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

10. You may not use any electronic address provided in your proxy form to communicate with the Company for any purposes other than those expressly stated.

11. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 25 January 2014 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 25 January 2014 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

12. Any member attending the meeting has the right to ask questions. The Company has to answer any questions raised by members at the meeting which relate to the business being dealt with at the meeting unless:

   - to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
   - the answer has already been given on a website in the form of an answer to a question, or;

- it is undesirable in the interests of the company or the good order of the meeting to answer the question.

13. Under section 338 of the Companies Act 2006, members meeting the threshold requirements in that section have the right to require the Company to give members notice of a resolution which may properly be moved and is intended to be moved at that meeting. A resolution can be properly moved unless (i) the resolution would not, if passed, be effective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); or (ii) the resolution is defamatory of any person or is frivolous or vexatious.

14. Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

15. Resolution 6 – Under section 551 of the Companies Act 2006, the directors must not exercise any powers of the Company to allot relevant securities unless authorised to do so by the Company in general meeting. At the AGM held on 21 January 2013, members gave authority to the directors, which will expire on conclusion of the meeting, to allot a maximum of £62,248.51 in nominal amount of relevant securities. Resolution 6 (a) replaces the authority granted in 2013. Paragraph (a) of Resolution 6, to be proposed as an ordinary resolution, grants the directors authority to allot relevant securities until the conclusion of the annual general meeting to be held in 2015, unless the authority is renewed or revoked prior to such time. In accordance with guidance issued by the Association of British Insurers institutional shareholder voting guidelines, this authority is limited to the allotment of relevant securities with an aggregate nominal value of £62,248.51 which is equivalent to approximately one-third of the issued ordinary share capital of the Company as at the date of this notice. Paragraph (b) of resolution 6 to be proposed as an ordinary resolution, is a new authority sought and is in line with guidance issued by the Association of British Insurers. It grants the directors authority to allot shares in connection with a rights issue to existing shareholders in proportion (as nearly as practicable) to their existing holdings, up to an aggregate nominal amount of £62,248.51 which is equivalent to approximately one-third of the issued ordinary share capital of the Company as at the date of this notice

    The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the 2015 AGM.

16. Resolution 7 - Section 561(1) of the Companies Act 2006 requires that equity securities proposed to be allotted for cash are first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1). Resolution 7 to be proposed as a special resolution and in accordance with guidance issued by the Association of British Insurers institutional shareholder voting guidelines, empowers the directors to allot equity securities up to an aggregate nominal value of £18.674.55, being equal to approximately 10 per cent. of the Company's issued ordinary share capital as at the date of this notice, for cash without first offering them to existing shareholders.

    This authority will expire at the conclusion of the 2015 AGM.