John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2016

Registered number

01317377

John Lewis of Hungerford plc

Annual Report and Financial Statements 2016

STRATEGIC REPORT

Company Information

Directors:
Gary O'Brien
(Non Executive Chairman)
Kiran Noonan
(Chief Executive Officer)
John L. Lewis
(Non Executive Director)

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

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

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

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

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

Solicitors:
Foot Anstey
Salt Quay House
4 North East Quay
Sutton Harbour, Plymouth
Devon PL4 0BN

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

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

Company Number:
01317377

STRATEGIC REPORT

Company Profile

John Lewis of Hungerford plc designs, manufactures, retails and installs kitchens, bedrooms, freestanding furniture and architectural components direct to the public from its own showrooms throughout the United Kingdom.

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

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

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

www.john-lewis.co.uk
www.justdoors.co.uk

Risk Management

The Directors are required under section 414 the Companies Act 2006 to describe the principal risks and uncertainties facing the Company. The risk management process is closely aligned to our business strategy. Risk is an inherent part of doing business and the management of risk is based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact of any risks.

Business continuity and major incidents response

Risk A major incident or catastrophic event could impact on the Company's ability to trade.

Mitigation The Company has detailed plans in place, supported by senior management and the operational board of directors, to enable appropriate decisions to be made in the event of a potentially disruptive incident. The business continuity plan is reviewed on a regular basis to ensure that it remains fit for purpose.

Business Strategy

Risk If the board adopts the wrong business strategy or does not communicate or implement its strategies effectively, the business may be negatively impacted. Risks to delivering the strategy need to be properly understood and managed to deliver long-term growth for the benefit of all stakeholders.

Mitigation A clear strategy remains in place with our key area of focus being the development of the business and improving operational efficiency to deliver greater profitability and improved shareholder value.

IT Systems and Infrastructure

Risk The Company is reliant on its IT systems and operational infrastructure in order to trade efficiently. Failure of the systems could have a short term impact on the business.

Mitigation The Company has controls in place to maintain the integrity and efficiency of its systems including detailed recovery plans in the case of a failure.

Employee Engagement, retention and capability

Risk The Company has a fairly small staff all of whom are critical to the success of its business. Attracting and maintaining good relations with talented employees and investing in their training and development is essential to the efficiency and sustainability of the Company's operations.

Mitigation The Company's employment policies and remuneration and benefits packages are regularly reviewed and are designed to be competitive with other companies as well as providing employees with fulfilling career opportunities. Ongoing reviews are performed to understand the capabilities of staff and to identify any gaps in the specific skill sets required to deliver the business objectives.

Developing the business

Risk Identification of new locations and securing new properties is critical to the development and growth of the business.

Mitigation Within our day to day operations the Company is monitoring the areas identified as possible locations for new showrooms. A property consultant is also engaged to assist with on-going searches.

STRATEGIC REPORT

Chairman's Statement

This is my first Annual Report as Chairman and as the results being reported upon cover the period prior to my appointment I will restrict my comments accordingly.

The last year has seen a number of changes to the composition of the Board and, on behalf of the Board, I would firstly like to record our appreciation to its former members for their service to John Lewis of Hungerford.

Having spent my early weeks within the business speaking to our key stakeholders, including our highly motivated workforce, I have been enormously impressed by the commitment and drive shown by our people. The dedication and professionalism of the team is paramount and it will only be through these attributes and by working together to deliver a quality product and service, at the right price, for our customers that the Company will be successful.

My Board colleagues and I will be undertaking a strategic review of the business over the coming few months. This will be an all-encompassing piece of work which will allow the team to debate the key issues within the business, including improving sales productivity, utilisation of our manufacturing facility, improved financial and management information and a fresh look at our marketing proposition. We will report on our conclusions in due course.

Our new Chief Executive, Kiran Noonan, has moved from being Sales and Marketing Director, to lead the business forward. As we work towards further improving our operational efficiencies and work to deliver shareholder value her undoubted passion and energy to steer the business through the transformational work required this coming year will be critical. In this role I will personally support Kiran in the period ahead.

I am looking forward to working with the Board and will be steadfast in my approach to deliver shareholder value.

Gary O'Brien
Non-Executive Chairman
06 December 2016

STRATEGIC REPORT

Chief Executive's Business Review

Overview

We announce today the fifth consecutive year of sales growth, which exceeded £8 million for the first time to £8,180,135. Despite this it was a year of transition as we took difficult decisions in recognition that we would fall short in our target of growing sales to £10 million by FY16. In particular the cost infrastructure put in place to support this objective was increasingly disproportionate to actual sales performance necessitating action to realign this.

The loss for the year before taxation and restructuring costs amounted to £215,512. Restructuring costs of £200,889 have been made taking the loss for the year before taxation to £416,401.

In taking the actions we have over this financial year, the objective of the Board was to position the business to work towards a return to sustainable profitability without compromising the high standards of customer service and product quality that our customers have always enjoyed. I comment more on the cost reduction programme below but it is my belief that the business has emerged from this process in a stronger position and I look forward to leading the business in the next phase of development.

Sales performance

Last year we reported on the challenges in our mature estate which had experienced a 14% reduction year on year. It is therefore pleasing that the turnover growth in FY16 includes an improvement in sales within the majority of these stores, showing a like-for-like sales growth of c.5% reflecting improved stability in our design team. Continuing to close the gap between the current trading and levels achieved in FY14 remains a priority. Harrogate and Tunbridge Wells were the only two showrooms which did not see improvements throughout the year, and as announced in August 2016, the Board took the decision to close these two showrooms. The final handover of both retail units is now complete with the closure costs included within the results reported today.

The newer estate, comprising Chiswick, Cobham and Bedrooms continued to deliver sales growth with like-for-like sales growth of approximately 2%. The number of kitchens sold in FY16 increased by 5% to 314 (2015: 298), of which 90% were installed by our Artisan Installation Service.

The Bedrooms business has maintained its sales level, with numbers of sales averaging 85 for the last 2 years. The Board believes there is considerable opportunity to scale this product area for the Company. Discussions within the strategic review will include ways in which we can leverage on the success enjoyed from this new product line to date. The Winchester showroom will be fitted with Bedrooms in the first half year of the FY17.

The sales performance across the year shows that the first quarter was marginally behind the previous year, followed by growth in each of the next three quarters. We made steps in the second half year towards our objective of achieving greater consistency of sales across each quarter, which is key to maximising production and operational efficiencies. An element of seasonality is inevitable but seeking to smooth production cycles is a focus of the management team. The demand on the internal service departments created by this continuous flow of work was met with a drive to double the efforts of our head office staff to continue to support the front line team. We have seen significant improvements in the way our operational functions are led, and the installation service has continued to deliver efficiencies and profit, in line with the increase in sales. Customer satisfaction levels, as graded at the point of sign off have improved to 96% of customers saying they are happy or very happy with the installation.

	2016	2015
	£000	£000
Turnover	8,180	7,799
Cost of sales	(4,114)	(3,744)
Gross margin	4,066	4,055
GM%	50%	52%

A lower gross margin for the year at 50.0% (2015: 52.0%) was attributable to a series of decisions taken to support the business during this transitional year. In the final quarter, the margin returned to 54% following decisions taken by the Board from 1st May 2016. Managing our margins is critical and key to our profitability. Within our purchasing, early planning has resulted in prices being held for the first half of the new financial year; the effects of currency fluctuations post Brexit are being monitored with suppliers of our raw materials. There will be some impact on the business later in the year and prices may have to be further increased to offset any impact from Brexit. We continue to monitor the situation on an ongoing basis.

Products	2016	2015
	£000	£000
Turnover	7,094	6,769
Cost of sales	(3,312)	(3,003)
Gross margin	3,782	3,766
GM%	53%	56%

Product Sales include £298,000 (2015: £242,000) relating to our bedrooms businesses. As a result of the recent changes in personnel, the installation of bedrooms into our Winchester showroom has been delayed into the first half of the new financial year. Our award winning Pure range continues to grow and the last two showrooms are having Pure installed in this new financial year. The range now contributes 20% of total sales.

Installations	2016	2015
	£000	£000
Turnover	1,086	1,030
Cost of sales	(802)	(741)
Gross margin	284	289
GM%	26%	28%

Installations sales improved by 5% on the previous year, in line with the increase in turnover; the bedrooms business is an installed only product category.

The reduced margin reflects an increase in trade installations which attract a lower margin. As the trade offering is an area that the business hopes to continue to build, it will be an area for discussion in the strategic review.

Cost Reduction Programme

At the time of our interim results we announced our intention to implement changes to achieve an annualised saving of approximately £300k from the beginning of this financial year. These saving have been delivered largely through reductions in staffing with a number of roles reorganised or eliminated.

We remain committed to ensuring our organisational structure is appropriate for the level of activity undertaken. This contributed to the decision to close the aforementioned showrooms. We also believe the decision to amalgamate the roles of Managing Director and Sales Director, and the transition of the role of Finance Director to a part time position mean we move into the new financial year with a leaner operational model more appropriate for a business of our size and complexity. We expect to appoint a new Finance Director during the current year and until then the role of Head of Finance is being undertaken by an experienced external consultant. We are entirely committed to ensuring that the new organisational structure does not have any adverse impact on our ability to supply a quality product at a competitive price.

In a year where we have seen many changes, we are focused on creating the right promotional tools to level out some of our seasonal peaks and allow us to fully maximise the utilisation of our manufacturing facility. This will further improve upon our operational efficiencies and reduce additional costs incurred during peak times. With customer satisfaction level high, we are confident in our ability to increase the throughput without compromising on product quality or the final installation standard. The customer satisfaction baseline must be sustained and improved upon. We are working hard to capitalise on the recommendations arising from good customer service.

Store portfolio

The sales performance of our recent store opening supports our belief that we have a proven new store opening model. We are confident that given the right location, we have an excellent track record in creating fresh interest in the JLH brand, in new geographical territories. However, it would not be appropriate to commit to further store openings ahead of the outcome of the strategic review.

The refit of our showroom estate continued with the Pure range rolled out further this last year in Winchester, Cambridge, Muswell Hill and Blackheath. Each showroom has seen immediate growth in sales in this new contemporary category, reflecting the increasing demand for a more modern alternative from customers who are aligned to the values of the brand.

The product mix over the last twelve months has continued to see Pure develop as a substantial part of the range – with the contribution now at 20%. We continue to see a return to simpler designs with our Lay-On offering maintaining its average contribution at c.40% for the last two years.

Customer experience

The decision to close Tunbridge Wells and Harrogate served as a timely reminder that the location of showrooms is a critical component in new showroom openings. Without regular footfall, the showroom relies entirely on the brand marketing and online presence. As part of the strategic review, the Board will be looking closely at our brand perception in the marketplace.

Several showrooms continue to see a decline in footfall with High Street retailers generally seeing a switch to more online retailing. The investment in a new website in the second half of the year has delivered an increase in quality business prospects, which have already delivered additional income. The website is delivering an increase in appointments, returning the business to become a Destination Brand once again. The Board are keen to build on this resurgence and capitalise on this development. In the first 6 months of being live, the new website which was designed and live from 1 June 2016, has delivered 10% more quality leads. The increase in social media has seen the business develop its presence online, including key lifestyle sites and e-marketing. The data generated from these campaigns will ultimately lead to the personalisation of our marketing messages, to further improve the customer experience online.

The improved performance of the mature estate has been primarily achieved by the improved conversion of prospective customers, with the sales team focused on ensuring the customer journey is paramount in their engagement with new business relationships. The tracking of leads from first enquiry to conversion is now embedded within the business and is demonstrating opportunities won or lost, with information that will help inform our strategy going forward and areas for staff training and development.

Instore experiences have been enhanced by a return in the new financial year to more ambient environments focused on brand values which assist in this highly emotive purchasing environment. Examples of the new seasonal campaigns have re-invigorated the showrooms and created the opportunity to invite customers to engage in a warm and relaxed environment.

Our People

We are a small company and therefore unanticipated changes within our client facing team can have disproportionate impact on our performance. In previous years, we have seen the impact on the business, when key members have left and so we are taking steps to ensure all areas of the business feel supported and valued by the company.

One new initiative that has ensured that all areas of the business have a voice is a new regular operational team meeting. A mix of sales, factory, installation and finance representation has already contributed to some immediate quick wins such as improvements in technological support to try and eliminate errors from the design and manufacturing process, which historically have had a c.3% impact on gross margin. The flat structure has created an opportunity for more direct dialogue within the business and we intend to build on the momentum that has begun following the changes to create a cohesive and productive work environment.

Current Trading and outlook
On 8 November 2016, we reported the current financial year despatched sales and forward orders (which we consider to be the best measure of current trading) for Q1 stood at £1.8 million (2015: £1.9 million). The forward order book remains comparable with last year at £1.3 million (2015: £1.3 million).

After the first 12 weeks of the FY17, our current sales and order book stood at £2.4million (2015: £2.4million) in line with the previous year. The forward order book remains comparable at £1.4 million (2015: £1.4 million). With two less showrooms operating, we are pleased with this performance as we head into our winter preview.

As a specialist retailer, we rely on the skill, commitment, drive and enthusiasm of our people, and I would like to thank them all for their professionalism and dedication during this transitional year.

Kiran Noonan
Chief Executive Officer
06 December 2016

Strategic Report approval

The Strategic Report on pages 2 to 11, incorporates the sections: Company Information, Company Profile, Risk Management, the Chairman's Statement and the Chief Executive's Business Review.
By order of the Board

Kiran Noonan
Chief Executive
06 December 2016

GOVERNANCE

Directors' Report

The Directors present their report and financial statements for the year ended 31 August 2016.

Results and dividends

The loss for the year after taxation amounted to £400,404 (2015: £138,551).

The Directors do not recommend payment of a dividend (2015 – £nil).

Fixed assets

Details of the Company’s intangible assets and property, plant and equipment are shown in notes 11 and 12 to the financial statements on pages 33 and 34.

Research and Development

The Company carries out its own development activities with regard to design and production of new ranges that complement and expand the existing product lines.

Directors and their interests

The following persons served on the Board during the year:

Kiran Noonan
John L. Lewis
Malcolm R. Hepworth *(resigned 20.04.16)*
Jonathan S. Rosby *(resigned 30.09.16)*
Kenneth McNaught *(appointed 14.07.16, resigned 02.11.16)*
Karen Stanley *(resigned 29.07.16)*
Damian Walters *(resigned 06.05.16)*

As at 31 August 2016, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2016	1 September 2015
John L. Lewis	68,966,678	68,966,678
Gary O'Brien *(appointed 03.11.16)*	-	-
Kiran Noonan	-	-
Damian Walters *(resigned 06.05.16)*	-	-
Jonathan S. Rosby *(resigned 30.09.16)*	5,923,547	5,923,547
Karen Stanley *(resigned 29.07.16)*	-	-
Kenneth McNaught *(appointed 14.07.16, resigned 02.11.16)*	-	-

As at 31 August 2016, the option entitlements of the Directors to subscribe for new ordinary shares were:

	Total options issued	Percentage of issued share capital
Kiran Noonan	5,000,000	2.68%
Jonathan S. Rosby *(resigned 30.09.16)*	10,946,333	5.86%
Karen Stanley *(resigned 29.07.16)*	7,041,067	3.77%
Damian Walters *(resigned 06.05.16)*	4,666,667	2.50%

Details of outstanding options are as follows:

	Number of options as at 31 August 2016
Options exercisable at 1.23p granted on 11 December 2006 exercisable between 3 and 10 years from the date of grant	
Jonathan S. Rosby *(resigned 30.09.16)*	5,000,000
Options exercisable at 0.8p granted on 22 June 2009 exercisable between 3 and 10 years from the date of grant	
Karen Stanley *(resigned 29.07.16)*	3,000,000
Options exercisable at 0.1p granted on 29 April 2014 exercisable between the date of announcement of the 2016 full year results and 10 years from the date of grant	
Jonathan S. Rosby *(resigned 30.09.16)*	5,946,333
Kiran Noonan	5,000,000
Damian Walters *(resigned 06.05.16)*	4,666,667
Karen Stanley *(resigned 29.07.16)*	4,041,067

All the options granted on 29th April 2014 have lapsed subsequent to the balance sheet date.

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

Substantial interests

On 15 November 2016, 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
Hargreaves Lansdown Asset Management	18,651,682	9.99%
Mr David Stredder (Spreadex Ltd)	17,052,418	9.13%
Diggle Investments Limited	11,400,000	6.10%

Corporate governance

The Board recognises the importance of good corporate governance practices. As an AIM listed company, the Company is not required to comply with the UK Corporate Governance Code and, whilst the Board recognise this presents the standard to aspire to, they consider complying to be impractical given the size and nature of the Company. The Board seek to follow the QCA's Corporate Governance Guidelines for AIM Companies to the extent practical and appropriate to the size and complexity of the business.

Board meetings

The Company holds regular Board meetings throughout the year and maintains control over all appropriate strategic, financial, operational and compliance issues.

Remuneration committee

The remuneration paid to executive Directors is reviewed and approved by Gary O'Brien, the Company's non-executive Chairman, who is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement.

Audit committee

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

Health and safety

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

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

Going concern

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

Annual General Meeting

The next Annual General Meeting of the Company will take place at John Lewis of Hungerford, Grove Technology Park, Downsview Road, Wantage, Oxon OX12 9FA on 31 January 2017 at 2.00 pm.

Special Business

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

The notice of Annual General Meeting also contains a special resolution at resolution 6 which seeks to give the Directors power to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 2006 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 5 above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £18,674.55 representing 18,674,550 Ordinary shares of 0.1p each, otherwise than pro-rata to existing shareholders.

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

Financial Instruments

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

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

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

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

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

Statement of disclosure of information to Auditors

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

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

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

Auditors

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

On behalf of the Board

Kiran Noonan
Director
06 December 2016

GOVERNANCE

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

GOVERNANCE

Independent Auditors' Report

To the Members of John Lewis of Hungerford plc

We have audited the financial statements of John Lewis of Hungerford plc for the year ended 31 August 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity, and the related notes numbered 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

06 December 2016

FINANCIAL STATEMENTS

Income Statement for the year ended 31 August 2016

	Notes	2016	2015
		£	£
Revenue	*1*	8,180,135	7,798,821
Cost of sales		(4,113,599)	(3,744,065)
Gross profit		4,066,536	4,054,756
Selling and distribution costs		(477,955)	(482,273)
Administrative expenses			
Share based payments	*21*	-	43,139
Other		(3,770,761)	(3,717,690)
Other non recurring items:			
- Restructuring costs	*4*	(200,889)	-
Total		(3,971,650)	(3,674,551)
Loss from operations	*3*	(383,069)	(102,068)
Finance income	*7*	361	2,199
Finance expenses	*8*	(33,693)	(53,958)
Loss before tax		(416,401)	(153,827)
Tax credit	*9*	15,997	15,276
Loss for the year		(400,404)	(138,551)
Earnings per share	*10*		
Basic		(0.21)p	(0.07)p
Fully diluted		(0.21)p	(0.07)p

Statement of Comprehensive Income for the year ended 31 August 2016

	2016	2015
	£	£
Loss for the year	(400,404)	(138,551)
Total Comprehensive Income	**(400,404)**	**(138,551)**

Balance Sheet as at 31 August 2016

	Notes	**2016** **£**	2015 £
Non-current assets			
Intangible assets	*11*	75,300	92,087
Property, plant and equipment	*12*	2,589,316	2,784,262
Trade and other receivables	*14*	57,075	57,075
		2,721,691	2,933,424
Current assets			
Inventories	*13*	212,414	190,209
Trade and other receivables	*14*	361,766	306,824
Cash and cash equivalents		1,107,407	1,206,171
		1,681,587	1,703,204
Total assets		4,403,278	4,636,628
Current liabilities			
Trade and other payables	*15*	(1,967,737)	(1,823,312)
Provisions	*4*	(122,977)	-
Borrowings	*16*	(91,654)	(83,252)
		(2,182,368)	(1,906,564)
Non-current liabilities			
Borrowings	*16*	(693,012)	(785,765)
Deferred tax liabilities	*17*	-	(15,997)
		(693,012)	(801,762)
Total liabilities		(2,875,380)	(2,708,326)
Net assets		**1,527,898**	**1,928,302**
Equity			
Share Capital	*20*	186,745	186,745
Share Premium		1,188,021	1,188,021
Other Reserves		1,421	1,421
Retained Earnings		151,711	552,115
Total equity		**1,527,898**	**1,928,302**

The financial statements were approved by the Board of Directors and authorised for issue on 06 December 2016 and were signed on its behalf by:

Kiran Noonan
Director

Gary O'Brien
Director

Registered number 01317377

Statement of Changes in Equity for the year ended 31 August 2016

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	£	£	£	£	£
At 01 September 2014	186,745	1,188,021	1,421	733,805	2,109,992
Loss for the year	-	-	-	(138,551)	(138,551)
Share based payments	-	-	-	(43,139)	(43,139)
At 31 August 2015	186,745	1,188,021	1,421	552,115	1,928,302
Loss for the year	-	-	-	(400,404)	(400,404)
Share based payments	-	-	-	-	-
At 31 August 2016	**186,745**	**1,188,021**	**1,421**	**151,711**	**1,527,898**

The total comprehensive income for the year is (£400,404) (2015: (£138,551)).

Statement of Cash Flows for the year ended 31 August 2016

	2016	2015
	£	£
Cash flows from operating activities		
(Loss) / profit from operations	(383,069)	(102,068)
Amortisation of intangible assets	16,787	16,787
Depreciation and impairment of property, plant and equipment	324,666	280,315
Share based payments	-	(43,139)
Loss on disposal of property, plant and equipment	2,134	29,528
(Increase)/decrease in Inventories	(22,205)	(7,098)
Increase in receivables	(54,942)	(12,672)
(Decrease)/Increase in payables	144,424	(41,325)
Increase in provisions	122,977	-
Cash generated from operations	150,772	120,328
Net taxation paid	-	-
Net cash from operating activities	**150,772**	**120,328**
Cash flows from investing activities		
Purchase of intangible assets	-	-
Purchase of property, plant and equipment	(212,122)	(357,161)
Net proceeds from sale of property, plant and equipment	80,268	49,044
Interest received	361	2,199
Net cash used in investing activities	**(131,493)**	**(305,918)**
Cash flows from financing activities		
Interest paid	(33,693)	(53,958)
Increase in borrowings	-	-
Repayment of borrowings	(84,350)	(43,995)
Net cash used in financing activities	**(118,043)**	**(97,953)**
Net increase/(decrease) in cash and cash equivalents	**(98,764)**	**(283,543)**
Net cash and cash equivalents at the start of the year	1,206,171	1,489,714
Net cash and cash equivalents at the end of the year	**1,107,407**	**1,206,171**

Net cash and cash equivalents		
Cash at bank and in hand	1,107,407	1,206,171
Bank overdrafts	-	-
	1,107,407	**1,206,171**

FINANCIAL STATEMENTS

Notes to the financial Statements

1 ACCOUNTING POLICIES

1.1 Basis of preparation

John Lewis of Hungerford plc is a public limited company incorporated and domiciled in the United Kingdom. The Company's financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Use of estimates and judgements

The presentation of the annual financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis.

The Directors consider that there are no areas of judgement or uses of estimates which have a significant risk of resulting in a material adjustment within the next financial year.

Going concern

The Directors, after reviewing the Company's operating budgets, investments plans and financing arrangements, consider that the Company has, at the date of this report, sufficient financing available for the estimated requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and financial statements.

SIGNIFICANT ACCOUNTING POLICIES

1.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Company.

1.3 Intangible assets - trademarks

Trademarks are stated at cost less amortisation to date. Amortisation is provided so as to write off their cost over the expected useful life of 10 years, on a straight-time basis.

1.4 Intangible assets - development costs

Development costs are stated at cost less amortisation to date. Amortisation is provided so as to write off their cost over the expected useful life of 10 years, on a straight-line basis.

Development costs relate to internally developed products and production techniques which will generate economic benefit beyond one year. Capitalised development costs include related costs for employees who are directly related to the project.

1.5 Intangible assets - software costs

Software costs are stated at cost less amortisation to date. Amortisation is provided so as to write off the cost over the expected useful life of 10 years, on a straight-line basis.

1.6 Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold property	2% straight-line
Plant & machinery	10% straight-line
Fixtures & Fittings and IT equipment	10%-33% straight line
Showroom display and shop fittings	33% reducing balance and 10% straight-line

No depreciation is provided in respect of freehold land. The costs of acquiring showroom leases are included in the cost of showroom display units and shop fittings.

1.7 Leases

Leases taken by the Company are assessed individually as to whether they are finance leases or operating leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefit of lease incentives is spread on a straight line basis over the term of the lease. Where lease premiums are paid, these are depreciated over the lease terms.

Assets held under finance leases are recorded in the balance sheet at the lower of fair value and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the goods to their present location and condition. The purchase of raw materials is calculated on a weighted average cost basis. The cost of work-in-progress includes an appropriate portion of manufacturing overheads. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.9 Pensions

The Company operates a defined contribution group personal pension scheme for its employees. Contributions are charged to the income statement as they become payable in accordance with the rules of the schemes.

1.10 Deferred taxation

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates substantively enacted at the reporting date.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

1.11 Share based payments

The Company issues equity settled share based payments to certain Directors and employees. These payments are measured at fair value at the date of grant. The fair value determined is then expensed on a straight-line basis over the vesting period based on the Company's estimate of shares or options that will eventually vest and adjusted for the effect of non market-based vesting conditions.

1.12 Financial instruments

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. Trade and other receivables and Trade and other payables are initially recognised at fair value and then carried at amortised cost net of impairment provisions.

All loans and borrowings are recognised at fair value. Borrowing costs are recognised as an expense over the term of the borrowing. Borrowings are classed as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

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

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

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Where overdraft facilities are used, these are separately disclosed in the statement of cash flows.

1.14 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

1.15 New standards and interpretations not yet adopted

New standards, interpretations and amendments effective for accounting periods beginning on or after 1 September 2016:

No new standards, interpretations and amendments, which are effective for periods beginning on or after 1 September 2016 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

New standards, interpretations and amendments not yet effective:

The following new standards, interpretations and amendments, which are not yet effective, have not been adopted early in these financial statements:

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenues from Contracts
- IFRS 9 – Financial Instruments
- IFRS 16 - Leases

These new standards are not expected have a material effect on the Company's future financial statements, other than IFRS 16 Leases. The Board is in the process of reviewing the effect IFRS 16 Leases will have when it is applied on 1 September 2019.

2 OPERATING SEGMENTS

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

3 (LOSS)/PROFIT FROM OPERATIONS

	2016	2015
	£	£
(Loss)/Profit from operations is stated after charging:		
Auditors remuneration - company audit	15,000	15,000
Amortisation of intangible fixed assets	16,787	16,787
Depreciation of owned property plant and equipment	277,192	276,315
Depreciation of plant and equipment held on finance leases	9,600	4,000
Impairment of property plant and equipment	37,874	-
Operating lease rentals		
- Plant and machinery	16,977	18,275
- Other assets	463,693	461,268
Share based payments expenses	-	(43,139)
Cost of inventories recognised as an expense	3,362,490	3,048,793

4 NON-RECURRING ITEMS - RESTRUCTURING COSTS

During the year, following a review of the Company's trading estate, the decision was taken to close two poorly performing stores. Additionally, the Board undertook a comprehensive review of the organisational structure of the Company's operations with a view to substantially reducing costs and improving future productivity. This review resulted in a number of positions being made redundant or roles being combined.

The costs of the store closures, plus the costs of the other restructuring measures have been charged to the Income Statement in the current year and comprise the following items.

	2016	2015
	£	£
Staff restructuring costs	140,238	-
Store clearance expenses	60,651	-
	200,889	-

Of the above expenses, the following have been included as a year-end provision:

	2016	2015
	£	£
Staff restructuring costs	100,200	-
Store clearance expenses	22,777	-
	122,977	-

5 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	*Total* **2016**	*Total* 2015
	£	£	£	£	£
Jonathan S. Rosby *(resigned 30.09.16)*	110,160	2,123	-	112,283	112,203
Karen Stanley *(resigned 29.07.16)*	88,106	150	5,627	93,883	92,302
Damian Walters *(resigned 06.05.16)*	85,658	-	1,671	87,329	81,641
Kiran Noonan	89,855	-	2,387	92,242	86,829
Malcolm R. Hepworth *(resigned 20.04.16)*	16,766	-	-	16,766	25,150
John L. Lewis	7,819	150	-	7,969	7,967
Kenneth McNaught *(appointed 14.07.16, resigned 02.11.16)*	3,472	-	-	3,472	-
	401,836	2,423	9,685	413,944	406,092

Retirement benefits are accruing to 3 (2015 - 3) Directors under defined contribution schemes. There is one Director (2015 - 1) with shares receivable under long term incentive schemes. Details of share options held by Directors are set out in the Directors' Report on page 12.

Details of the Directors' interests in the long term share incentive plan as at the balance sheet date, are set out below.

	Number of shares **2016**	2015
Jonathan S. Rosby	3,773,547	3,773,547

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

6 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2016	2015
	Number	Number
Directors	6	6
Production	20	20
Sales and distribution	35	35
Administration	4	5
	65	66

	2016	2015
	£	£
Employment costs		
Wages and salaries	2,433,033	2,283,432
Redundancy costs	40,038	-
Social security costs	273,539	247,046
Other pension costs	64,087	29,184
	2,810,697	2,559,662

7 FINANCE INCOME

	2016	2015
	£	£
Bank interest income	361	2,199

8 FINANCE EXPENSES

	2016	2015
	£	£
Interest payable on bank loans	33,693	53,958

9 TAX ON PROFIT FROM OPERATIONS

	2016	2015
	£	£
Current year taxation		
UK Corporation tax charge for the year	-	-
Adjustment in respect of prior year - UK	-	-
Total current tax	-	-
Origination and reversal of temporary timing differences	(15,997)	(15,276)
Impact of changes in tax rate	-	-
	(15,997)	(15,276)

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

	2016	2015
	£	£
Profit/(loss) on ordinary activities before tax	(416,401)	(153,827)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20%)	(83,280)	(30,765)
Effect of:		
Expenses not deductible for tax purposes	4,792	4,792
Credits not allowable for tax purposes	-	(8,628)
Other timing differences	62,491	19,325
Total tax (credit)/charge in income statement	(15,997)	(15,276)

10 EARNINGS PER SHARE

	2016	2015
Earnings/(loss) per ordinary share is calculated as follows:		
Basic		
Profit/(loss) attributable to ordinary shareholders (£)	(400,404)	(138,551)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Earnings/(loss) per ordinary share	(0.21)p	(0.07)p
Fully diluted		
Profit/(loss) attributable to ordinary shareholders (£)	(400,404)	(138,551)
Weighted average number of ordinary shares in issue and under option	186,745,519	186,745,519
Earnings/(loss) per ordinary share	(0.21)p	(0.07)p

11 INTANGIBLE NON-CURRENT ASSETS

	Software	Trademarks	Development Costs	Total
	£	**£**	**£**	**£**
Cost				
At 1 September 2014	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2015	50,600	57,154	115,988	223,742
Additions	-	-	-	-
At 31 August 2016	**50,600**	**57,154**	**115,988**	**223,742**
Amortisation				
At 1 September 2014	33,465	56,078	25,325	114,868
Charge for the year	5,060	128	11,599	16,787
At 31 August 2015	38,525	56,206	36,924	131,655
Charge for the year	5,060	128	11,599	16,787
At 31 August 2016	**43,585**	**56,334**	**48,523**	**148,442**
Net book value				
At 31 August 2016	**7,015**	**820**	**67,465**	**75,300**
At 31 August 2015	12,075	948	79,064	92,087

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Total
Cost	**£**	**£**	**£**	**£**	**£**
At 1 September 2014	1,695,274	2,697,490	361,715	171,745	4,926,224
Additions	-	239,137	198,013	16,011	453,161
Disposals	-	(693,267)	(90,230)	(13,613)	(797,110)
At 31 August 2015	1,695,274	2,243,360	469,498	174,143	4,582,275
Additions	-	189,779	9,180	13,163	212,122
Disposals	-	(125,270)	(7,500)	-	(132,770)
At 31 August 2016	**1,695,274**	**2,307,869**	**471,178**	**187,306**	**4,661,627**
Depreciation and impairment					
At 1 September 2014	334,801	1,559,795	206,660	134,980	2,236,236
Charge for the year	25,789	207,384	27,563	19,579	280,315
Disposals	-	(617,480)	(87,445)	(13,613)	(718,538)
At 31 August 2015	360,590	1,149,699	146,778	140,946	1,798,013
Charge for the year	23,833	202,617	41,550	18,792	286,792
Impairment charge	-	37,874	-	-	37,874
Disposals	-	(42,868)	(7,500)	-	(50,368)
At 31 August 2016	**384,423**	**1,347,322**	**180,828**	**159,738**	**2,072,311**
Net book value					
At 31 August 2016	**1,310,851**	**960,547**	**290,350**	**27,568**	**2,589,316**
At 1 September 2015	1,334,684	1,093,661	322,720	33,197	2,784,262

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2015 - £503,624).

13 INVENTORIES

	2016	2015
	£	£
Raw materials and consumables	149,981	168,215
Work in progress	62,433	21,994
	212,414	190,209

14 TRADE AND OTHER RECEIVABLES

	2016	2015
Current assets:	**£**	£
Trade receivables	97,060	55,440
Other receivables	6,820	10,368
Prepayments and accrued income	257,886	241,016
	361,766	306,824
Non-current assets:		
Other receivables	57,075	57,075

Non-current other receivables relate to lease deposits totalling £57,075 (2015: £57,075) which are recoverable after more than one year.

Trade receivables are stated net of provisions for doubtful debts of £16,083 (2015: £14,883). The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

15 TRADE PAYABLES AND OTHER PAYABLES

	2016	2015
	£	£
Payments received on account	579,292	521,545
Trade payables	628,690	636,260
Other taxes and social security costs	321,881	271,974
Other payables	32,814	15,194
Accruals and deferred income	405,060	378,339
	1,967,737	1,823,312

16 BORROWINGS

	2016	2015
	£	£
Bank loans	713,170	780,003
Finance lease liabilities	71,496	89,014
	784,666	869,017

(a) Bank borrowings

Analysis of bank loan repayments:		
In one year or less	73,074	65,734
In more than one year but not more than two years	76,419	70,894
In more than two years but not more than five years	251,167	235,248
In more than five years	312,510	408,127
	713,170	780,003

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

	2016	2015
	£	£
(b) Finance lease liabilities		
Gross finance lease liabilities– minimum lease payments:		
In one year or less	21,900	21,900
Between one and five years	56,575	78,475
More than five years	-	-
	78,475	100,375
Future finance charges on finance lease liabilities	6,979	11,361
Present value of finance lease liabilities	71,496	89,014

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

	2016	2015
	£	£
In one year or less	3,320	4,382
Between one and five years	3,659	6,979
More than five years	-	-
	6,979	11,361

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

17 DEFERRED TAX LIABILITIES

		Deferred taxation
		£
Balance at 1 September 2015		15,997
Accelerated capital allowances	4,905	
Share based payments	23,282	
Tax losses carried forward	(41,864)	
Research and development accelerated deductions	(2,320)	
Profit and loss account charge/(credit)		(15,997)
Balance at 31 August 2016		-

The provision for deferred taxation consists of the following amounts:

	2016	2015
	£	£
Capital allowances in excess of depreciation	194,530	189,625
Share based payments	(6,548)	(29,830)
Tax losses carried forward	(201,475)	(159,611)
Research and development accelerated deductions	13,493	15,813
	-	15,997

18 PENSION COSTS

The Company operates defined contribution group personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £64,087 (2015: £29,184). The scheme complies with the Auto Enrolment requirements and the Company's staging date was March 2015

19 FINANCIAL INSTRUMENTS

The Company’s principal financial instruments comprise cash, five bank loans and various items such as trade receivables and payables, which arise directly from its operations.

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

Interest Rate Risk

The Company finances its operations through a mixture of retained profits, bank overdraft and bank loans. The Company’s exposure to interest rate risk currently applies only to the interest received on cash deposits and the interest paid on bank loans. The Company does not believe that exposure to interest rate risk from this area is significant.

Interest rate risk profile

The interest rate profile of the financial assets and liabilities at each year end were as follows:

	2016	2015
	£	£
Floating rate cash and deposits	1,107,407	1,206,171
Fixed rate loans	272,575	286,522
Floating rate loans	512,091	582,495

Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial period and held constant throughout the reporting period.

At the reporting date, if interest rates had been 1% higher and all other variables were held constant, the effect on the Company's net result and equity reserves would have been an increase of £3,942.

Foreign Currency Risk

The Company's functional currency is Sterling. The Company does not have material monetary liabilities in currencies other than its functional currency.

Credit Risk

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely cash and cash equivalents, trade and other receivables.
At the year end the Company's trade receivables amount to £97,060 (2015: £55,440).

The Company manages its exposure to this risk through its payment terms, which in the majority of cases require payment prior to delivery of product. For any corporate accounts receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Movements in the allowance for doubtful debts are disclosed in note 14.

Liquidity Risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Surplus funds are invested on a short term basis at money market rates and therefore such funds are available at short notice.

Capital risk management

The Board's capital objective is to maintain a strong and efficient capital base to support the Company's strategic objectives, provide optimal returns for shareholders and safeguard the Company's status as a going concern. There has been no change to capital risk management policies during the year. The Board monitors a broad range of financial metrics including return on capital employed and balance sheet gearing.

The Board can manage the Company's capital structure by diversifying the debt portfolio, reviewing its dividend policy, issuing new shares or repurchasing shares in the open market and flexing capital expenditure.

Part of the Company's capital risk management is to ensure compliance with the general covenants and financial covenants included in the Company's various borrowing facilities. There have been no breaches of covenant in the financial year ended 31st August 2016.

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

	2016	2015
	£	£
Total equity	1,527,898	1,928,302
Bank borrowings	713,170	780,003
	2,241,068	2,708,305

Financial Assets

The Company's financial assets comprise cash at bank or in hand. Cash at bank earns interest at floating rates, based on the relevant bank's commercial rates. Cash at bank and in hand comprises £1,107,407 (2015: £1,206,171) in Sterling.

Financial Liabilities

The Company's financial liabilities comprise five bank loans, finance lease liabilities and trade payables. The first bank loan is repayable over 15 years from 4 February 2010 and carries interest at a floating annual rate of 4.55% over Bank of England base rate. The first loan has a value of £170,277 (2015: £185,556) denominated in Sterling.

The second loan is repayable over 15 years from 22 March 2010 and carries interest at a fixed rate of 7.55% per annum for a period of 10 years and thereafter at a floating rate linked to the Bank of England base rate. The second loan has a value of £183,562 (2015: £197,509) denominated in Sterling.

The third loan is repayable over 10 years from 24 August 2011 and carries interest at a floating annual rate of 4.8% over Bank of England base rate. The third loan has a value of £86,587 (2015: £100,805) denominated in Sterling.

The term of the fourth loan is 3 years from 17th April 2014. However the repayment profile of the loan has been calculated on the basis of a 10 year amortisation profile and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The fourth loan has a value of £135,533 (2015: £147,493) denominated in Sterling.

The term of the fifth loan is 3 years from 28th May 2014.However the repayment profile of the loan has been calculated on the basis of a 10 year amortisation profile and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The fifth loan has a value of £137,211 (2015: £148,641) denominated in Sterling.

Finance lease liability is repayable over 5 years and carries interest at a fixed annual rate of 5%. The finance lease has a value of £71,496 (£2015: 89,014) denominated in Sterling

At the year end the Company's trade payables amount to £628,690 (2015: £636,260). Trade payables are settled within agreed credit terms, so no interest is paid on this category of financial liability.

The fair value of the Company's financial assets and liabilities is not materially different from their carrying values at the year end.

Maturity of financial liabilities
The maturity profile of the financial liabilities at each year end is set out in note 16.

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

	2016	2015
	£	£
Expiry date:		
In one year or less	250,000	250,000

20 SHARE CAPITAL

	2016	2015
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2016	2015
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 31 August 2016 11,378,692 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust (2015: 15,052,239). At that date those shares had a market value of 1.1 pence (2015: 1.18 pence) each.

Share options
Details of share options are disclosed in the 'Directors and their interests' paragraph of the Directors' Report and in note 21.

21 SHARE BASED PAYMENTS

	2016	2015
	£	£
Share based payments (income)/expense	-	(43,139)

During the year ended 31 August 2016 the Company provided three types of share-based incentive arrangements:

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

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

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

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

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

	2016	2015
	£	£
Individual option agreements	-	-
Employee Share Incentive Plan	-	-
Long Term Incentive Plan	-	(43,139)
Total	-	**(43,139)**

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

Share and share option awards outstanding

Scheme and date of award	Exercise price	Vesting date	Number awarded	Number lapsed	Number vested	Not vested at 31 August 2016
Individual option agreement 11.12.06	1.23 pence	11.12.09	5,000,000	-	5,000,000	-
Individual option agreement 17.10.06	0.6 pence	17.09.10	12,000,000	12,000,000	-	-
Individual option agreement 22.06.09	0.8 pence	22.06.12	3,000,000	-	3,000,000	-
Share Incentive Plan 01.01.08 and 11.02.08	n/a	01.01.11 and 11.02.11	14,217,716	9,111,970	5,105,746	-
Long Term Incentive Plan - Option Awards 29.04.14	0.1 pence	19.12.16	19,654,067	-	-	19,654,067

The reconciliation of Directors' option movements over the year to 31 August 2016 is shown below:

	Number of options	*Weighted average exercise price*
Outstanding at 1 September 2015	39,654,067	£0.0045
Granted	-	
Lapsed	12,000,000	
Exercised	-	
Outstanding at 31 August 2016	27,654,067	£0.0038
Exercisable at 31 August 2016	8,000,000	£0.0107

The options outstanding at 31 August 2016 had an exercise price in the range of 0.1 pence to 1.23 pence (2015: 0.1 pence to 1.23 pence) and a weighted-average contractual life of 5.8 years (2015: 5.08 years)

No options were exercised during the year (2015: nil).

All of the total share based payments credit of £43,139 in the prior year related to equity-settled share based payments to Directors.

22 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2016 the Company had outstanding commitments for future minimum payments under non- cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2016	2015	**2016**	2015
	£	£	**£**	£
Expiry date:				
Within one year	7,249	34,096	4,687	1,438
Between two and five years	669,206	700,828	34,710	29,169
In over five years	2,512,416	2,428,631	-	-
	3,188,871	3,163,555	39,397	30,607

23 CAPITAL COMMITMENTS

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

24 RELATED PARTY TRANSACTIONS

During the period the Company entered into transactions, in the ordinary course of business, with other related parties. The transactions with directors of the Company are disclosed in notes 5 and 21. Transactions with key management personnel (comprising the Directors and key members of management) are disclosed below:

	2016	2015
	£	£
Short term employee benefits	413,944	406,092
Share-based payments	-	(43,139)
	413,944	362,953

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc ("the Company") will be held at the Company's offices at Grove Technology Park, Downsview Road, Wantage, Oxon, OX12 9FA at 2.00 p.m. on 31 January 2017 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 2016 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, Gary O'Brien, who retires 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 by rotation in accordance with the Company's Articles of Association and who being eligible, offers herself 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 5 as an ordinary resolution and as to resolution 6 as a special resolution:

5. (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.

6. That, subject to the passing of resolution 5, 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 5 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 2016; 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: 06 December 2016

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 Asset Services no later than 2.00 p.m. on 29 January 2017.

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 as at close of business 29 January 2017 or, in the event that this meeting is adjourned, in the register of members as at close of business 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 29 January 2017 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 5 – 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 27th January 2016, 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 5 (a) replaces the authority granted in 2015. Paragraph (a) of Resolution 5, 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 2017, 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 2018 AGM.

16. Resolution 6 - 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 6 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 2018 AGM.