John Lewis *of* Hungerford plc

Annual Report and Financial Statements
for the year ended
31 August 2007

Contents

Company Information

Directors:	John L. Lewis *(Non Executive Chairman)* Malcolm R. Hepworth *(Non Executive Deputy Chairman)* Jonathan S. Rosby *(Managing Director)* Richard D. Worthington F.C.A. *(Finance and Commercial Director)* Charlotte Hill-Baldwin *(Sales Director)* Keith A. Bentley *(Non Executive Director)*
Secretary and Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Company Number:	1317377
Registered Office and Business Address:	Grove Technology Park Downsview Road Wantage Oxfordshire OX12 9FA
Solicitors:	Kaye Scholer LLP 140 Aldersgate Street London EC1A 4HY
Auditors:	Hill Wooldridge & Co Limited 107 Hindes Road Harrow Middlesex HA1 1RU
Nominated Adviser:	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Bankers:	Barclays Bank Plc 6 Market Place Newbury RG14 5AY
Nominated Broker:	Ellis Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley RH10 1LQ

Company Profile

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

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

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

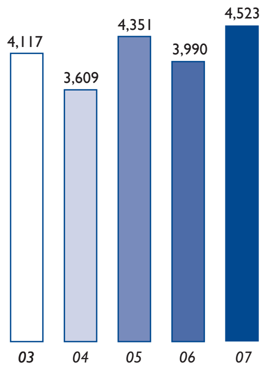
In addition the Company operates a United Kingdom direct mail order business, under the name of Just Doors for replacement kitchen cabinet doors. This is now managed through a licensing agreement set up in March 2007.

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

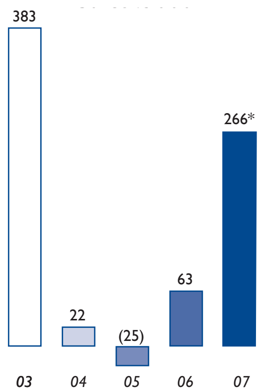
www.john-lewis.co.uk

www.justdoors.co.uk

HISTORICAL TRENDS

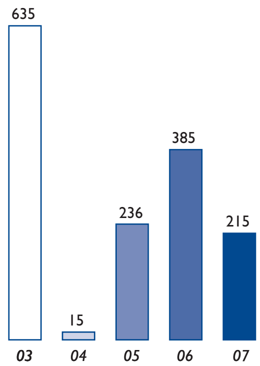


Sales £'000

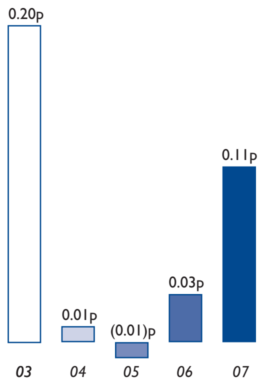


Pre-tax profits/(loss) £'000

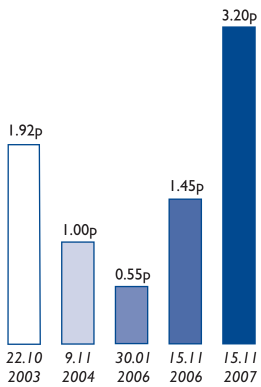
**excluding share based payments charge*



Net cash inflow from operating activities £'000



Basic EPS



Mid market quoted share price

(First public listing – 27.01.97)

2007 HIGHLIGHTS

- **Sales increase 13% to £4,522,907** *(2006 – £3,990,510)*.
- **Profit before taxation, first time application of FRS20 and executive performance bonuses £309,772** *(2006 – £63,458)*.
- **Net cash inflows from operating activities £214,703** *(2006 – £384,948)*.
- **Board significantly strengthened with the appointment of new Executive Directors.**

Chairman's Statement

I am pleased to report on a year of great progress.

Our new executive team, under the leadership of Jonathan Rosby, Managing Director, is now delivering tangible results not only in terms of the financial numbers but also in the development of the John Lewis of Hungerford brand.

Sales in the year to 31 August 2007 grew 13% to £4,522,907. Importantly, sales of core kitchen products increased 21% by value and 28% in units.

Profits before taxation (and before the first time application of accounting standard FRS20 and executive performance bonuses) grew an impressive 388% to £309,772.

As Jonathan sets out in the Business Review that follows, the year under review saw significant organisational changes being introduced across almost all aspects of our business. The Company has introduced exciting new product lines, greatly enhanced customer service and made other operational changes that it is expected will further accelerate sales growth and improve profitability over the coming years.

Management's focus for the current year to 31 August 2008 is to further drive revenue growth from existing showrooms and also to selectively open more showrooms across the UK. This is needed to provide greater customer access to John Lewis of Hungerford products.

Your Board looks to the future with confidence.

John L. Lewis
Non Executive Chairman

3 January 2008

Managing Director's Business Review

Sales and Products

The year to 31 August 2007 has been about building solid foundations for the future whilst delivering improved financial results.

Management focus for the year has been to drive sales of core kitchen products, increase productivity from the existing estate, and improve customer service whilst maintaining control of costs.

At 31 August 2007 the Company traded from seven showrooms and two concession sites. A third concession site was closed on 31 August 2006. Subsequent to the year-end it was further decided to close the Company concession located in Debenhams of Glasgow. This will cease trading from the beginning of April 2008.

Overall sales for the year increased 13% to £ 4,522,907. However, as set out later in this report, this masks the success we have had by giving priority to our most profitable core kitchen business, and the reduced number of trading outlets.

Revenues from the sales of kitchens in the year increased 21% and the number of kitchens sold rose by 28%. All showrooms achieved an increase in the number of kitchens sold.

Although there was an increase in sales discounting during the year (due in the main to our decision to run three Sale periods rather than the historical two), this discount cost was offset by distribution costs and other administrative expenses all reducing as a percentage of sales from 59.7% to 54.4%. This resulted in our overall operating margin (before share based payments and performance bonus) improving to 7.1% from 2.1% in the prior year.

In contrast to kitchen sales, unit sales of furniture declined 19% primarily because we moved our sales focus to selling only those furniture lines that carried adequate margins.

During the year we completed a commercial review of the Company's entire product line. As a result several product categories have been removed from the range including bathrooms, shutters and a number of ancillary furniture and accessory items that did not provide adequate profit margins. This decision has allowed us to focus on our more profitable kitchen and related furniture business and to achieve maximum commercial leverage from both our brand strength and manufacturing capabilities.

As part of our drive to increase kitchen sales and improve productivity, two new kitchen ranges (one in oak and one in walnut) were introduced in April and May 2007. Displays of these new products were installed in eight of our showrooms along with complimentary furniture pieces. New products introduced also included an extensive range of solid wood and granite work surfaces together with performance upgrades and internal accessories. The range of appliance brands offered has also been increased from two to four.

Two further new kitchen ranges have been introduced into selected showrooms in November 2007 being the 'Cool' urban range and the 'Steamer Bay' coastal range. These introductions give the Company comprehensive market coverage and complete our product line up. All the new ranges will be manufactured in-house at the Company's factory at Wantage.

Marketing

In marketing we are currently working on a new brochure that will incorporate all our new product lines. The Company web site is also being comprehensively re-developed and will include a transactional element. This is part of our ambition to make the John Lewis of Hungerford brand more accessible to its target audience.

Customer Service

Customer service remains of paramount importance to us. We are a business with a very loyal and 'repeat customer' base and positive word of mouth recommendation is essential to our growth. This area has been a major focus for management during the year. A Customer Service and Installations Manager was appointed in November 2006 and this has led to major changes in how the Company addresses this important aspect of our business. With new policies and procedures now in place, we are seeing a sustained improvement in the quality of after sales service to our customers and a corresponding sharp reduction in customer complaints.

Manufacturing and Distribution

A review of operations within our manufacturing and distribution facility at Wantage shows that we currently have an annual in-house manufacturing capability of some £7million at selling prices that can be reached with minimal increases in central overhead. A reconfiguration of the existing facility with the addition of a mezzanine floor would increase manufacturing capacity by a further third. There is also a further option to extend the present 20,000 sq. ft. facility by a further 50% on land already owned by the Company (subject to planning permission). Properly configured this would give us a potential annual manufacturing and distribution capacity of some £15million at selling prices. This would be sufficient to support a UK network of around 30 John Lewis of Hungerford showrooms.

Showrooms

We have identified more than twenty locations in the UK with a sufficient density of our target households to justify the opening of a showroom.

We are actively seeking to open at least two new showrooms in the financial year ending 31 August 2008 and a further three showrooms for the financial year ending 31 August 2009.

In all cases priority will be given to locations within the southeast, south and southwest, which is where demand for our brand is strongest. Such sites will also allow us to leverage our current distribution and installation infrastructure.

Systems An essential part of stabilising our business and building the foundations for growth, has been investment in new systems. Subsequent to the year-end we commenced installation of new operating software in readiness for the Winter 2007 Sale. This system will provide the framework to underpin our growth plans, provide customers and designers alike with a higher standard of information and give our management team greater visibility on the key performance indicators within the business.

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

The Future Your executive management and Board believe that with the changes already initiated, there is every prospect of further significant improvement in the financial performance of the Company.

We see a future that establishes John Lewis of Hungerford, as THE attractive, good value, individual, alternative to both mass market and premium branded kitchens.

Jonathan S. Rosby
Managing Director

3 January 2008

Directors' Report

The Directors present their report and financial statements for the year ended 31 August 2007.

Principal activities

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

Business review

A full review of the performance of the Company for the year is given in the Chairman's Statement on page 6 and the Managing Director's Business Review on page 7.

Results and dividends

The profit for the year after taxation amounted to £168,652 *(2006 profit – £51,361)*.

The Directors do not recommend payment of a dividend *(2006 – nil)*.

Fixed assets

In accordance with FRS 15, the Company obtained an independent valuation of the Company's freehold factory in Wantage which valued the property at £1,250,000 on 7 May 2003. The net book value of this property in the accounts of the Company at 31 August 2007 was £1,330,016. The Directors do not consider the difference between this valuation and net book value to be significant or to represent a permanent impairment or diminution in the value of this asset. Accordingly no adjustment has been made in the financial statements in respect of this valuation.

Directors and their interests

As at 31 August 2007, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2007	*1 September 2006*
John L. Lewis	91,576,678	*91,576,678*
Richard D. Worthington F.C.A.	3,212,186	*3,212,186*
Malcolm R. Hepworth	–	–
Jonathan S. Rosby (appointed 2 October 2006)	–	–
Keith A. Bentley	370,000	*370,000*
Charlotte Hill-Baldwin (appointed 11 December 2006)	–	–

In addition to the above Directors Linda E. Lewis was a Director of the Company until her resignation on 2 October 2006.

In addition, as at 31 August 2007, the option entitlements of the Directors to subscribe for new ordinary shares were:

	Total options issued	Percentage of issued share capital
John L. Lewis	–	–
Richard D. Worthington F.C.A.	2,500,000	1.68%
Malcolm R. Hepworth	37,186,380	25.00%
Jonathan S. Rosby (appointed 2 October 2006)	8,300,000	5.58%
Keith A. Bentley	2,500,000	1.68%
Charlotte Hill-Baldwin (appointed 11 December 2006)	3,000,000	2.02%

Details of outstanding options are as follows:

	As at 31 August 2007
Options exercisable at 0.6p granted on 17 March 2006	
Malcolm R. Hepworth	37,186,380
Options exercisable at 1.23p granted on 11 December 2006	
Keith A. Bentley	2,500,000
Richard D. Worthington F.C.A.	2,500,000
Jonathan S. Rosby	5,000,000
Options exercisable at 3p granted on 22 March 2007	
Charlotte Hill-Baldwin	3,000,000
Jonathan S. Rosby	3,300,000

The 37,186,380 options granted on 17 March 2006 to Malcolm R. Hepworth only vest in the event of a takeover of the Company or the disposal of all or substantially all of its business within a period of 18 months from the date of grant. These options lapsed on 17 September 2007.

In the event that the options, subject to this performance condition do not vest, Malcolm R. Hepworth is entitled, under a variation agreement date 17 October 2006, to a revised option, exercisable between three and seven years after the date of lapse to subscribe for 12,000,000 Ordinary shares at a price of 0.6p.

All other options outstanding at 31 August 2007 are exercisable at any time between 3 and 10 years from the date of grant.

In accordance with the Company's articles of association, Keith A. Bentley retires by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election at that meeting. In addition, Charlotte Hill-Baldwin, who in accordance with the Company's articles of association is also to retire at the Annual General Meeting, being eligible, will offer herself for re-election at that meeting.

Substantial interests

At 10 December 2007 except for John L. Lewis' interests which are disclosed in the 'Directors and their interests' paragraph, the only shareholding of which the Company has been notified to which there is attached 3% or more of the total voting rights at such date, is as follows:

Shareholder	Number of Ordinary shares of 0.1p each	Percentage of voting rights
Warm Welcome Management Limited	16,325,000	10.98%

Corporate governance

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

Board meetings

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

Remuneration committee

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

Audit committee

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

Health and safety

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

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

Going concern

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

Annual General Meeting

The next Annual General Meeting of the Company will take place at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF at 4.00 pm on 12 February 2008.

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 £49,582 and which, if passed, would mean the Directors may allot and issue up to 49,582,000 new Ordinary shares of 0.1 pence 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 1985 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 5 above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £22,312 representing 22,312,000 Ordinary shares of 0.1p each, otherwise than pro-rata to existing shareholders.

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

In certain circumstances it may be advantageous for the Company to purchase its own Ordinary shares. Accordingly, the notice of Annual General Meeting contains a special resolution at resolution 7, seeking authority for the Company to purchase its own shares in the market. The Directors consider it desirable for this general authority to be made available as it will provide additional flexibility in the management of the Company's capital resources.

Taxation status

The Company was a close company for the purposes of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Financial Instruments

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

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

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

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

Investments of cash surpluses, borrowings and other financial instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board. Customers are not traded 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 68 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

John L. Lewis
Director
3 January 2008

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

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

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

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

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

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

Independent Auditors' Report

To the Shareholders of John Lewis of Hungerford plc

We have audited the financial statements (the "financial statements") of John Lewis of Hungerford plc for the year ended 31 August 2007, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 August 2007 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of Matter – Recoverability of Trade Debtors

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in Note 13 to the financial statements concerning the recoverability of trade debtors. The Company has not yet recovered debtors totalling £69,362, receivable in respect of sales made under finance arrangements. The amounts have not been properly received from the finance provider and the Directors consider that the Company retains title to the goods sold. The Company may have to take legal action to recover the amounts due. The legal position is currently unclear and the ultimate outcome of the matter cannot presently be determined, and no provision for any debtor that may prove irrecoverable has been made in the financial statements.

Hill Wooldridge & Co. Limited
Registered Auditors

107 Hindes Road
Harrow
Middlesex
HA1 1RU

3 January 2008

Financial Statements

Profit and Loss Account *for the year ended 31 August 2007*

	Notes	2007 £	*2006 £*
Turnover		4,522,907	*3,990,510*
Cost of sales		(1,740,579)	*(1,524,020)*
Gross profit		2,782,328	*2,466,490*
Distribution costs		(527,564)	*(516,942)*
Administrative expenses			
Share based payments		(41,537)	–
Performance bonus		(43,734)	–
Other		(1,931,569)	*(1,865,011)*
Total	2	(2,016,840)	*(1,865,011)*
Operating profit before share based payments and performance bonus		323,195	*84,537*
Operating profit	3	237,924	*84,537*
Interest receivable and similar income	6	7,453	*640*
Interest payable and similar charges	7	(20,876)	*(21,719)*
Profit on ordinary activities before taxation		224,501	*63,458*
Tax on profit on ordinary activities	8	(55,849)	*(12,097)*
Retained profit for the financial year		168,652	*51,361*
Earnings per share	9		
Basic		0.11p	*0.03p*
Fully diluted		0.11p	*0.03p*

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

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

Balance Sheet *as at 31 August 2007*

	Notes	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Intangible assets	10		20,976		*25,344*
Tangible assets	11		1,609,255		*1,732,296*
			1,630,231		*1,757,640*
Current assets					
Stocks	12	565,780		*455,746*	
Debtors	13	249,413		*151,546*	
Cash at bank and in hand		784,842		*671,070*	
		1,600,035		*1,278,362*	
Creditors: amounts falling due within one year	14	(1,004,794)		*(1,008,433)*	
Net current assets			595,241		*269,929*
Total assets less current liabilities			2,225,472		*2,027,569*
Creditors: amounts falling due after more than one year	15		(285,870)		*(305,945)*
Provisions for liabilities and charges	16		(55,568)		*(47,779)*
Total net assets			1,884,034		*1,673,845*
Capital and reserves					
Called up share capital	19		148,745		*148,745*
Share premium account	21		824,771		*824,771*
Share based payment reserve	21		41,537		*–*
Other reserves	21		1,421		*1,421*
Profit and loss account	21		867,560		*698,908*
Shareholders' funds – all equity interests	22		1,884,034		*1,673,845*

The financial statements were approved by the Board of Directors and authorised for issue on 3 January 2008 and were signed on its behalf by:

John L. Lewis
Director

Richard D. Worthington F.C.A.
Director

Cash Flow Statement *for the year ended 31 August 2007*

	Notes	2007 £	2007 £	2006 £	2006 £
Net cash inflow from operating activities	23		214,703		384,948
Returns on investments and servicing of finance					
Interest received		7,453		640	
Interest paid		(20,876)		(21,719)	
Net cash outflow from returns on investments and servicing of finance			(13,423)		(21,079)
Corporation tax paid			(22,337)		(5,811)
Capital expenditure					
Payments to acquire tangible fixed assets		(44,726)		(37,763)	
Net cash outflow from capital expenditure			(44,726)		(37,763)
Equity dividends paid			–		–
Net cash inflow before financing			134,217		320,295
Financing					
Repayment of loan		(20,445)		(19,439)	
Net cash (outflow) from financing			(20,445)		(19,439)
Increase in cash	24		113,772		300,856

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 Changes in accounting policies
The results for the year reflect the initial adoption of FRS20 Share Based Payments. The cumulative cost of share based payments has been recognised in the accounts. No prior year adjustment has been necessary. The effect of implementing this policy has been to reduce operating profit for the year by £41,537 (2006 – £nil) and to reduce the tax charge and increase reserves by £9,139 (2006 – £nil).

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

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

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

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

No depreciation is provided in respect of freehold land.

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.

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

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. The Company also contributed to two Directors' defined contribution personal pension schemes.

1.10 Deferred taxation

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

1.11 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

	2007 £	*2006* *£*
General administrative expenses	1,887,878	*1,823,758*
Public listing costs	43,691	*41,253*
Share based payments	41,537	–
Performance bonus	43,734	–
	2,016,840	*1,865,011*

3 OPERATING PROFIT

	2007 £	*2006 £*
Operating profit is stated after charging:		
Depreciation of intangible fixed assets	4,368	*4,368*
Depreciation of owned tangible fixed assets	167,767	*213,416*
Foreign exchange loss	212	*284*
Operating lease rentals		
– Plant and machinery	42,830	*39,944*
– Other assets	170,994	*156,893*
Auditors' remuneration	12,000	*12,000*

4 DIRECTORS' EMOLUMENTS

	2007 £	*2006 £*
Aggregate emoluments	241,784	*230,084*
Company contributions to defined contribution pension schemes	13,188	*25,064*
	254,972	*255,148*

Retirement benefits are accruing to 2 *(2006 – 1)* Directors under defined contribution schemes.

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

	2007 £	*2006 £*
Aggregate emoluments	78,279	*110,845*
Company contributions to defined contribution pension schemes	8,521	*25,064*

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2007 Number	*2006 Number*
Directors	5	*5*
Production	18	*19*
Sales and distribution	25	*26*
Administration	3	*2*
	51	*52*

Employment costs

	£	*£*
Wages and salaries	1,259,846	*1,100,664*
Social security costs	127,017	*113,249*
Other pension costs	17,862	*28,654*
	1,404,725	*1,242,567*

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2007 £	*2006 £*
Bank interest	7,453	*640*

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	*2006* *£*
Interest payable on:		
Mortgage loan	20,876	*21,719*

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	*2006* *£*
Current year taxation		
UK Corporation tax charge for the year	48,034	*22,311*
Adjustment in respect of prior year – UK	26	*–*
Total current tax	48,060	*22,311*
Deferred taxation	7,789	*(10,214)*
	55,849	*12,097*

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

	2007 £	*2006* *£*
Profit on ordinary activities before tax	224,501	*63,458*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	67,350	*19,037*
Effect of:		
Expenses not deductible for tax purposes	23,355	*7,522*
Income not included for tax purposes	–	*(160)*
Capital allowances in (excess)/deficit of depreciation	(16,499)	*8,828*
Adjustment in respect of prior year	26	*–*
Adjustment to small company tax rate	(26,172)	*(12,916)*
Current tax charge for the year	48,060	*22,311*

9 EARNINGS PER SHARE

	2007	*2006*
Earnings per ordinary share is calculated as follows:		
Basic		
Profit attributable to ordinary shareholders	£168,652	*£51,361*
Weighted average number of ordinary shares in issue	148,745,519	*148,745,519*
Earnings per ordinary share	0.11p	*0.03p*
Fully diluted		
Profit attributable to ordinary shareholders	£168,652	*£51,361*
Weighted average number of ordinary shares in issue	151,770,461	*148,745,519*
Earnings per ordinary share	0.11p	*0.03p*
Weighted average number of ordinary shares in issue		
– basic calculation	148,745,519	*148,745,519*
Weighted average potential ordinary shares	3,024,942	*–*
– fully diluted calculation	151,770,461	*148,745,519*

10 INTANGIBLE FIXED ASSETS

	Trademarks £
Cost	
At 1 September 2006 and at 31 August 2007	55,874
Depreciation	
At 1 September 2006	30,530
Charge for the year	4,368
At 31 August 2007	34,898
Net book value	
At 31 August 2007	20,976
At 31 August 2006	25,344

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

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Kitchen display units & shop fittings £	Plant & machinery and loose tools £	Office fixtures, fittings & equipment/ Computers £	Motor vehicles £	Total £
Cost						
At1 September 2006	1,513,119	845,348	405,564	195,663	13,120	2,972,814
Additions	–	29,299	2,022	13,405	–	44,726
Disposals	–	(17,342)	(93,700)	(54,667)	–	(165,709)
At 31 August 2007	1,513,119	857,305	313,886	154,401	13,120	2,851,831
Depreciation						
At 1 September 2006	162,913	573,087	315,980	177,550	10,988	1,240,518
Charge for the year	20,190	90,887	40,067	14,655	1,968	167,767
Disposals	–	(17,342)	(93,700)	(54,667)	–	(165,709)
At 31 August 2007	183,103	646,632	262,347	137,538	12,956	1,242,576
Net book value						
At 31 August 2007	1,330,016	210,673	51,539	16,863	164	1,609,255
At 31 August 2006	*1,350,206*	*272,261*	*89,584*	*18,113*	*2,132*	*1,732,296*

The freehold land element of freehold land and buildings that was not depreciated was £503,624 *(2006 – £503,624)*.

12 STOCKS AND WORK IN PROGRESS

	2007 £	*2006* *£*
Raw materials and consumables	153,715	*67,172*
Work in progress	69,085	*126,809*
Finished goods and goods for resale	342,980	*261,765*
	565,780	*455,746*

13 DEBTORS

	2007 £	*2006 £*
Trade debtors	191,138	*42,221*
Other debtors	20,000	*20,478*
Prepayments and accrued income	38,275	*88,847*
	249,413	*151,546*

Included in trade debtors is an amount of £69,362 relating to sales under which customers arranged credit with a finance provider. In early September 2007, the finance provider made payments totalling £69,362 to a third party, which the Directors believe acted as agent to the finance provider. The funds were not remitted by the third party to the Company and the Directors have been notified that the third party went into administration on 11 September 2007. Under these circumstances the amounts due to the Company from the respective customers of the Company have not been settled.

The Directors believe that the full amount of £69,362 remains properly due to the Company from the relevant customers, and until such time as these amounts are settled, the Company retains title to the goods sold. The Directors are prepared to take legal action, if necessary, and believe that the full amount will be recovered in due course.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	*2006 £*
Mortgage loans	21,005	*21,375*
Payments received on account	216,207	*416,081*
Trade creditors	420,125	*313,510*
Corporation tax	48,034	*22,311*
Other taxes and social security costs	135,842	*133,195*
Other creditors	3,245	*3,261*
Accruals and deferred income	160,336	*98,700*
	1,004,794	*1,008,433*

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

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	*2006 £*
Mortgage loan:		
Repayable 2017, interest at $1\frac{1}{2}$% above 3 month LIBOR	285,870	*305,945*
Analysis of loan repayments:		
In one year or less	21,005	*21,375*
In more than one year but not more than two years	23,601	*23,198*
In more than two years but not more than five years	81,131	*77,809*
In more than five years	181,138	*204,938*
	306,875	*327,320*

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

16 PROVISIONS FOR LIABILITIES AND CHARGES

		Deferred taxation £
Balance at 1 September 2006		47,779
Accelerated capital allowances	16,928	
Share based payments	(9,139)	
Profit and loss account charge		7,789
Balance at 31 August 2007		55,568

The provision for deferred taxation consists of the following amounts:

	2007 £	*2006 £*
Capital allowances in excess of depreciation	64,707	*47,779*
Share based payments	(9,139)	*–*
	55,568	*47,779*

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 £4,674 *(2006 – £3,590)*. The Company has also made contributions to two Directors' personal pension schemes of £13,188 *(2006 – £25,064)*.

18 FINANCIAL INSTRUMENTS

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

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

Interest Rate Risk

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

Interest rate risk profile

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

	2007 £	*2006 £*
Floating rate cash and deposits	784,842	*671,070*
Floating rate loans	306,875	*327,320*

18 FINANCIAL INSTRUMENTS (continued)

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

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

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 £770,222 in Sterling, and £14,620 held in Euros giving a total in Sterling of £784,842.

Financial Liabilities
The Company's financial liabilities comprise of a mortgage loan. The mortgage loan is repayable over 15 years and carries interest at a floating rate linked to 3 month LIBOR. The mortgage loan has a value of £306,875 held in Sterling.

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

Maturity of financial liabilities
The maturity profile of the financial liabilities at each year end is set out in note 15.

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

	2007 £	*2006* *£*
Expiry date:		
In one year or less	250,000	*250,000*

19 SHARE CAPITAL

	2007 £	*2006* *£*
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	*250,000*
Allotted, called up and fully paid		
148,745,519 Ordinary shares of 0.1p each	148,745	*148,745*

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

20 SHARE BASED PAYMENTS

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

During the period ended 31 August 2007 the Company provided share-based incentive arrangements to the Board of Directors. Share based payment arrangements are individual, stand-alone agreements between the Company and each member of the Board.

The 37,186,380 options granted on 17 March 2006 carried a non-market performance condition. These options only vest in the event of a takeover of the Company or the disposal of all or substantially all of its business within a period of 18 months after the date of grant. This condition had not been met at 17 September 2007 and therefore no charge in respect of these options has been included.

In the event that the options, subject to this performance condition do not vest, the holder is entitled, under a variation agreement dated 17 October 2006, to a revised option, exercisable between three and seven years after the date of lapse or release of the first option, to subscribe for 12,000,000 Ordinary shares of 0.1p. The incremental fair value of this modification is £25,702.

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

The fair value per option granted between 1 September 2006 and 31 August 2007 and the assumptions used in the calculation are as follows:

Date of grant	17 Mar 2006	17 Oct 2006	11 Dec 2006	22 Mar 2007
Number of options	37,186,380	12,000,000	10,000,000	6,300,000
Share price (mid market)	£0.0075	£0.0140	£0.0123	£0.0300
Bid price discount	6%	6%	6%	6%
Share price at date of grant	£0.0071	£0.0132	£0.0116	£0.0282
Option Exercise Price (£)	£0.0060	£0.0060	£0.0123	£0.0300
Expected Life of options in years	1.5	4.5	3.5	3.5
Volatility	40.00%	40.00%	40.00%	40.00%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	4.75%	4.75%	4.75%	5.25%
Black Scholes fair value	£0.0021	£0.0088	£0.0039	£0.0095

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

The reconciliation of option movements over the year to 31 August 2007 is shown below:

	Number of options	Weighted average exercise price
Outstanding at 1 September 2006	37,186,380	£0.0060
Granted	28,300,000	£0.0136
Lapsed	–	
Exercised	–	
Outstanding at 31 August 2007	65,486,380	£0.0093
Exercisable at 31 August 2007	–	

20 SHARE BASED PAYMENTS (continued)

Total options granted in the prior year were 37,186,380 with an exercise price of £0.0060. No options were exercised or lapsed in the prior year.

The options outstanding at 31 August 2007 have an exercise price in the range £0.006 to £0.030 and have a weighted average remaining contractual life of 4-5 years. No options were exercised during the year.

The total charge for the year relating to Directors' share options was £41,537 *(2006 – £nil)* all of which related to equity-settled share based payment transactions.

After deferred tax adjustments relating to timing differences on the share option charge, the total charge was £32,398 *(2006 – £nil)*.

21 RESERVES

	Share premium account £	Share based payment reserve £	Other reserves £	Profit and loss account £	Total £
Balance at 1 September 2006	824,771	–	1,421	698,908	1,525,100
Profit for the year	–	–	–	168,652	168,652
Charge for the year	–	41,537	–	–	41,537
Balance at 31 August 2007	824,771	41,537	1,421	867,560	1,735,289

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	*2006 £*
Profit for the financial year	168,652	*51,361*
Share based payments	41,537	*–*
Dividends	–	*–*
Net addition to shareholders' funds	210,189	*51,361*
Opening shareholders' funds	1,673,845	*1,622,484*
Closing shareholders' funds	1,884,034	*1,673,845*

23 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £	*2006 £*
Reconciliation to operating profit:		
Operating profit	237,924	*84,537*
Depreciation of intangible fixed assets	4,368	*4,368*
Depreciation of tangible fixed assets	167,767	*213,416*
Share based payments	41,537	*–*
(Increase) in stocks	(110,034)	*(99,682)*
(Increase) in debtors	(97,867)	*(57,265)*
(Decrease)/increase in creditors	(28,992)	*239,574*
	214,703	*384,948*

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	*2006 £*
Increase in cash	113,772	*300,856*
Cash outflow from decrease in debt	20,445	*19,439*
Reclassification of cash balances as debtor	–	*(20,000)*
	134,217	*300,295*
Net funds at 1 September 2006	343,750	*43,455*
Net funds at 31 August 2007	477,967	*343,750*

25 ANALYSIS OF NET FUNDS

	At 1 September 2006 £	Cash flow £	At 31 August 2007 £
Cash at bank and in hand	671,070	113,772	784,842
Mortgage loan due after one year	(305,945)	20,075	(285,870)
Mortgage loan due within one year	(21,375)	370	(21,005)
	343,750	134,217	477,967

26 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2007 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2007 £	*2006 £*	2007 £	*2006 £*
Expiry date:				
Within one year	–	*15,250*	–	*16,000*
Between two and five years	29,750	*–*	33,810	*7,780*
In over five years	134,800	*147,800*	–	*–*
	164,550	*163,050*	33,810	*23,780*

27 CONTROLLING PARTIES

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

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc will be held at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF on 12 February 2008 at 4.00 pm for the following purposes:

As Ordinary Business

1. To receive, consider and if approved, adopt the Directors' report and the financial statements for the year ended 31 August 2007, together with the Auditors' report thereon.

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

3. To re-elect as a Director, Keith A. Bentley, 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, Charlotte Hill-Baldwin, who retires as a Director of the Company 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 resolutions 6 and 7 as special resolutions:

5. THAT, the Directors of the Company be generally and unconditonally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") (in substitution for and by way of revocation of any earlier authority to allot relevant securities, to the extent not previously utilised) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum aggregate nominal value of £49,582 provided that such authority shall expire fifteen months from the date of passing this resolution or (if earlier) on the conclusion of the Company's next annual general meeting following the passing of this resolution, but so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

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

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

   (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £22,312,

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

7. THAT the Company be generally and unconditionally authorised, pursuant to Article 53 of the Articles of Association of the Company to make market purchases (within the meaning of sections 163 and 166 of the Act) on the London Stock Exchange plc of up to 14,874,552 Ordinary Shares of 0.1p each in the capital of the Company (being approximately 10 per cent of the current issued ordinary share capital of the Company) on such terms and conditions and in such manner as the Directors of the Company may from time to time determine, provided that:

   (a) the amount paid for each share (exclusive of expenses) shall not be more than 33.3 per cent above the average of the middle market quotation for Ordinary Shares as derived from the Daily Official List for the London Stock Exchange plc for the five business days immediately preceding the date on which the contract for the purchase is made;

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

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

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

By Order of the Board

Capita Registrars
Company Secretary

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

Dated: 3 January 2008

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2. A form of proxy accompanies this notice. In order to be valid, the form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the Annual General Meeting or of any adjournment of such meeting.

3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 4pm on 10 February 2008 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

John Lewis of Hungerford plc

Annual General Meeting
Form of Proxy

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

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

hereby appoint..

of..
or failing him the Chairman of the Meeting as my/our proxy to attend and on a poll to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF at 4.00 pm on Tuesday, 12 February 2008 and at any adjournment thereof, on the following resolutions, as indicated by an "X" in the appropriate box and any other resolutions as he thinks fit:

Ordinary resolutions:	**For**	**Against**	**Vote Withheld**	**Discretionary**
1. To receive, consider and adopt the Directors report and the financial statements for the year ended 31 August 2007.				
2. To re-appoint Hill Wooldridge & Co. Limited as auditor until the conclusion of the next Annual General Meeting and to authorise the Directors to determine their remuneration.				
3. To re-elect Keith A. Bentley as a Director who retires from the Board by rotation and who, being eligible, offers himself for re-election.				
4. To re-elect Charlotte Hill-Baldwin as a Director who retires from the Board, and who, being eligible offers herself for re-election.				
5. To authorise the Directors to allot relevant securities pursuant to section 80 of the Companies Act 1985 ("the Act").				
Special Resolutions:				
6. To authorise the Directors to allot equity securities in certain circumstances as if section 89(1) of the Act did not apply.				
7. To authorise the Company to make market purchases of up to a maximum of 14,874,552, ordinary shares of 0.1 pence each.				

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

Notes:

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

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

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

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

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

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

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

Dated... Signed...

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122

2

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

FIRST FOLD

THIRD FOLD AND TUCK IN

John Lewis of Hungerford plc
Grove Technology Park, Downsview Road, Wantage, Oxfordshire OX12 9FA
Website: www.john-lewis.co.uk
E-mail: marketing@john-lewis.co.uk
Tel: 01488 688100 – Showroom
01235 774300 – Factory