John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2009

Registered number

1317377

CONTENTS

COMPANY INFORMATION

Directors:

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

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

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

Solicitors:
Kaye Scholer LLP
140 Aldersgate Street
London
EC1A 4HY

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

Bankers:
Barclays Bank Plc
6 Market Place
Newbury
RG14 5AY

Company Number:
1317377

COMPANY PROFILE

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

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

The Company's core product line is the "Artisan®" range of kitchens and furniture. In recent years the Company expanded its line of branded products to include the retro style Crème de la Crème kitchen. In recent years 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

CHAIRMAN'S STATEMENT

I reported in the Interim results covering the period ending 28th February 2009, that the first half of the trading year had been particularly difficult due to the challenging trading environment. Revenue in the key Winter sale period being particularly affected. It was also reported that sales for the third quarter were stronger and the order book for the fourth quarter looked comparatively healthy.

I am pleased to report that the optimism expressed for the second half was borne out by the actual result. Although sales for the full year of £4,084,694 represent a decrease of 10.8% on the previous year, this was a big improvement on the decrease of 25% reported at the half year stage. The actual sales results for the second half of the financial year were 2% higher than last year at £2,491,694. The advance order book as of 31st August 2009 was 25% ahead of last year. This reflects a strong Summer Sale and improving trends in consumer confidence and economic climate.

The loss before taxation, share based payments and exceptional expenses was £331,734, compared to £90,623 in 2008. Again, this represents an improvement on the loss of £509,000 reported at the half year and resulted in a profit of £177,266 for the second half. Gross margins for the year improved to 56.9% (2008- 53.5%).

Management focus throughout the year has been centred on cash generation, whilst testing new product and service initiatives for the future development of the business in readiness for improved trading conditions. In particular, the steps taken at the half year to reduce the cost base and delay any capital expenditure enabled the business to operate well within our agreed bank overdraft facilities and ensure the company's cash flow was protected. Regular meetings with the company's bankers were held throughout the year and this proved to be a very positive measure taken by management as it maintained the strong relationship with the bank at a time when the media were reporting on the difficulties of many small companies finding the opposite to be true.

Net cash outflows from operating activities were £70,558 (2008- £236,158 inflow) and at the balance sheet date, cash at bank stood at £784,455 (2008- £942,109)

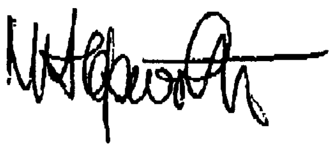
Our Executive team has continued to implement improvements in the company's working practices and the development of new and exciting ranges. Karen Stanley has settled well into the role of Finance Director and has made significant improvements in the way in which the finance function supports the management team in the running of the business. This will allow management to focus on the issues of building sales and improving margins.

On the back of the stronger trading results of the second half of the year there are plans in place to refurbish and introduce new ranges, as tested, into all the showrooms in the second quarter of the new financial year. Management will return to our previously stated strategic plan of opening new showrooms, to that end the search for one new showroom to open this financial year has restarted.

Currently sales and the future order book look healthy with customer inquiries and interest in our ranges remaining strong. However, the Executive will remain vigilant for any sign of further economic downturn and, if necessary, will ensure that the capital expenditure plans are adjusted accordingly.

Whilst there are no guarantees that there will not be another downturn in the economic environment which could result in a loss of consumer expenditure that so badly affected our first quarter sales in 2009, management has demonstrated then and throughout the year the ability to react quickly to avoid the issues that damaged so many companies in the kitchen industry.

Your board believes we now have a strong platform with plans in place to build the sales and tackle the serious issue of profitably, but remain cautious in our outlook for the immediate future until a sustained recovery in consumer confidence and economic climate is experienced.



Malcolm R. Hepworth
Non Executive Chairman

10 December 2009

DIRECTORS REPORT

The Directors present their report and financial statements for the year ended 31 August 2009.

Principal activities

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

Business review

A full review of the performance of the Company for the year is given in the Chairman's Statement on page 5.

Results and dividends

The loss for the year after taxation amounted to £440,854 (2008 – £280,365).

The Directors do not recommend payment of a dividend (2008 – nil).

Fixed assets

Details of the Company's fixed assets are shown in notes 10 and 11 to the financial statements on pages 23 and 24.

Directors and their interests

As at 31 August 2009, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2009	1 September 2008
John L. Lewis	91,576,678	91,576,678
Malcolm R. Hepworth	750,000	750,000
Jonathan S. Rosby	5,023,547	5,023,547
Keith A. Bentley	870,000	870,000
Charlotte Hill-Baldwin	3,773,547	3,773,547
Karen Stanley (appointed 22 June 2009)	-	-

As at 31 August 2009, the option entitlements of the Directors to subscribe for new ordinary shares were:

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

Details of outstanding options are as follows:

	As at 31 August 2009
Options exercisable at 0.6p granted on 17 October 2006 exercisable 17 September 2010 -16 September 2017	
Malcolm R. Hepworth	12,000,000
Options exercisable at 1.23p granted on 11 December 2006 exercisable between3 and 10 years from the date of grant	
Keith A. Bentley	2,500,000
Jonathan S. Rosby	5,000,000
Options exercisable at 3p granted on 22 March 2007 exercisable between 3 and 10 years from the date of grant	
Charlotte Hill-Baldwin	3,000,000
Jonathan S. Rosby	3,300,000
Options exercisable at 0.8p granted on 22 June 2009 exercisable between 3 and 10 years from the date of grant	
Karen Stanley	3,000,000

In accordance with the Company’s articles of association, Karen Stanley, having been appointed during the year retires by rotation and being eligible, will offer herself for re-election at the Annual General Meeting. In addition, the Company's Articles of Association require one third of the continuing directors to retire by rotation. Accordingly Jonathan Rosby will retire at the Annual General Meeting and, being eligible, will offer himself for re-election at that meeting.

Substantial interests

At 10 December 2009 except for John L. Lewis’ interests which are disclosed in the ‘Directors and their interests’ paragraph, the only shareholding of which the Company has been notified to which there is attached 3% or more of the total voting rights at such date, is as follows:

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

Corporate governance

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

Board meetings

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

Remuneration committee

The remuneration paid to executive Directors is reviewed and approved by 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 18 January 2010.

Special Business

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

The notice of Annual General Meeting also contains a special resolution at resolution 5 which seeks to give the Directors power to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 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 4 above. This resolution will additionally confer power on the Directors to allot for cash shares up to an aggregate nominal value of £18,674.55 representing 18,674,550 Ordinary shares of 0.1p each, otherwise than pro-rata to existing shareholders.

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

In certain circumstances it may be advantageous for the Company to purchase its own Ordinary shares. Accordingly, the notice of Annual General Meeting contains a special resolution at resolution 6, seeking authority for the Company to purchase up to 28,011,827 of its own shares in the market. The resolution specifies the minimum and maximum prices which may be paid for Ordinary Shares purchased under this authority. The authority will expire at the conclusion of the Company's annual general meeting in 2011, or if earlier, 12 months from the date of passing the resolution. The Directors consider it desirable for this general authority to be made available as it will provide additional flexibility in the management of the Company's capital resources. However, the Directors do not currently have any intention of exercising the authority granted by this resolution.

Financial Instruments

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

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

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

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

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

Creditor payment policy

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

At the year-end the Company's trade creditor days were 73 days.

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

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

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

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

On behalf of the Board

Jonathan S. Rosby
Director
10 December 2009

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 Members of John Lewis of Hungerford plc

We have audited the financial statements (the "financial statements") of John Lewis of Hungerford plc for the year ended 31 August 2009, which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 12, 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 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.

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 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

- adequate accounting records have not been kept, or returns adequate for 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.

Gary Allen (Senior Statutory Auditor)
For and on behalf of

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

10 December 2009

Financial Statements

Profit and Loss Account for the year ended 31 August 2009

	Notes	**2009** **£**	2008 £
Turnover		4,084,694	4,577,045
Cost of sales		(1,761,635)	(2,129,247)
Gross profit		2,323,059	2,447,798
Selling and distribution costs		(483,428)	(518,946)
Administrative expenses			
Share based payments		(152,855)	(143,633)
Exceptional expenses		-	(91,511)
Other		(2,171,365)	(2,019,475)
Total	*2*	(2,324,220)	(2,254,619)
Operating loss before share based payments and exceptional expenses		(331,734)	(90,623)
Operating loss	*3*	(484,589)	(325,767)
Interest receivable and similar income	*6*	11,589	17,219
Interest payable and similar charges	*7*	(20,752)	(22,521)
Loss on ordinary activities before taxation		(493,752)	(331,069)
Tax on loss on ordinary activities	*8*	52,898	50,704
Retained loss for the financial year		(440,854)	(280,365)
Loss per share	*9*		
Basic		(0.24)p	(0.17)p
Fully diluted		(0.24)p	(0.17)p

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 2009

	Notes	**2009** **£**	2008 £
Fixed assets			
Intangible assets	*10*	12,238	16,606
Tangible assets	*11*	1,717,646	1,846,033
		1,729,884	1,862,639
Current assets			
Stocks	*12*	596,034	580,868
Debtors	*13*	334,043	216,509
Cash at bank and in hand		784,455	942,109
		1,714,532	1,739,486
Creditors: amounts falling due within one year	*14*	(1,382,687)	(1,170,209)
Net current assets		331,845	569,277
Total assets less current liabilities		2,061,729	2,431,916
Creditors: amounts falling due after more than one year	*15*	(233,334)	(263,466)
Provisions for liabilities and charges	*16*	-	(52,898)
Net assets		1,828,395	2,115,552
Capital and reserves			
Called up share capital	*19*	186,745	186,745
Share premium account	*21*	1,188,021	1,188,021
Share based payment reserve	*21*	323,025	170,170
Other reserves	*21*	1,421	1,421
Profit and loss account	*21*	129,183	569,195
Shareholders' funds - all equity interests	*22*	1,828,395	2,115,552

The financial statements were approved by the Board of Directors and authorised for issue on 10 December 2009 and were signed on its behalf by:

Malcolm R. Hepworth	**Jonathan S. Rosby**
Director	*Director*

Cash Flow Statement for the year ended 31 August 2009

	Notes	2009 £	2009 £	2008 £	2008 £
Net cash (outflow)/inflow from operating activities	*23*		(70,558)		236,158
Returns on investments and servicing of finance					
Interest received		11,589		17,219	
Interest paid		(20,752)		(22,521)	
Net cash outflow from returns on investments and servicing of finance			(9,163)		(5,302)
Corporation tax paid			-		(48,034)
Capital expenditure					
Payments to acquire tangible fixed assets		(57,273)		(388,146)	
Net cash outflow from capital expenditure			(57,273)		(388,146)
Equity dividends paid			-		-
Net cash (outflow)/inflow before financing			(136,994)		(205,324)
Financing					
Issue of new shares		-		383,250	
Repayment of bank loan		(20,660)		(20,659)	
Net cash inflow/(outflow) from financing			(20,660)		362,591
(Decrease)/increase in cash	*24*		(157,654)		157,267

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 Basis of preparation
The financial statements have been prepared under the historical cost convention.

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

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

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

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

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

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

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

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

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

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

1.8 Pensions

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

1.9 Deferred taxation

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

1.10 Share Based Payments

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

1.11 Financial Instruments

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

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

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

1.12 Foreign currency translation

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

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

2 ADMINISTRATIVE EXPENSES

	2009	2008
	£	£
General administrative expenses	2,128,787	1,973,103
Public listing costs	42,578	46,372
	2,171,365	2,019,475
Share based payments (note 20)	152,855	143,633
Exceptional costs:		
Bad debts and associated legal expenses	-	91,511
	2,324,220	2,254,619

The charge for share based payments includes £nil (2008 - £15,000) of expenses incurred in the administration of the Employee Share Incentive Plan.

3 OPERATING LOSS

	2009	2008
	£	£
Operating loss is stated after charging:		
Amortisation of intangible fixed assets	4,368	4,370
Depreciation of owned tangible fixed assets	184,673	151,368
Foreign exchange (profit)/loss	(1,328)	(2,446)
Operating lease rentals		
- Plant and machinery	30,285	36,332
- Other assets	258,193	210,046
Auditors' remuneration	12,000	12,000

4 DIRECTORS' EMOLUMENTS

	2009	2008
	£	£
Aggregate emoluments	248,666	209,373
Company contributions to defined contribution pension schemes	8,240	9,573
	256,906	218,946

Retirement benefits are accruing to 1 (2008 - 1) Director under defined contribution schemes.There are 2 Directors (2008 - 2) who have shares receivable under long term incentive schemes. Emoluments disclosed above include the following amounts paid to the highest paid Director as follows:

	2009	2008
	£	£
Aggregate emoluments	90,423	89,501
Company contributions to defined contribution pension schemes	8,240	9,573

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

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2009	2008
	Number	Number
Directors	6	5
Production	12	17
Sales and distribution	24	24
Administration	4	4
	46	50

	2009	2008
	£	£
Employment costs		
Wages and salaries	1,232,791	1,188,945
Social security costs	56,601	124,925
Other pension costs	10,155	15,471
	1,299,547	1,329,341

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009	2008
	£	£
Bank interest	11,589	17,219

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2009	2008
	£	£
Interest payable on:		
Mortgage loan	20,752	22,521

8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£	£
Current year taxation		
UK Corporation tax (credit)/charge for the year	-	(48,034)
Adjustment in respect of prior year - UK	-	-
Total current tax	-	(48,034)
Deferred taxation	(52,898)	(2,670)
	(52,898)	(50,704)

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

	2009	2008
	£	£
(Loss)/profit on ordinary activities before tax	(493,752)	(331,069)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% / 30%	(138,251)	(99,321)
Effect of:		
Expenses not deductible for tax purposes	46,867	45,402
Tax losses carried forward	93,601	12,452
Capital allowances in excess of depreciation	(2,217)	(32,739)
Adjustment to small company tax rate	-	26,172
Current tax (credit)/charge for the year	-	(48,034)

9 LOSS PER SHARE

	2009	2008
(Loss)/earnings per ordinary share is calculated as follows:		
Basic		
Loss attributable to ordinary shareholders (£)	(440,854)	(280,365)
Weighted average number of ordinary shares in issue	186,745,519	167,474,286
Loss per ordinary share	(0.24)p	(0.17)p
Fully diluted		
Loss attributable to ordinary shareholders	(440,854)	(280,365)
Weighted average number of ordinary shares in issue	186,745,519	167,474,286
Loss per ordinary share	(0.24)p	(0.17)p
Weighted average number of ordinary shares in issue		
- basic calculation	186,745,519	167,474,286
Weighted average potential ordinary shares	-	-
- fully diluted calculation	186,745,519	167,474,286

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

10 INTANGIBLE FIXED ASSETS

	Trademarks
Cost	**£**
At 1 September 2008 and at 31 August 2009	55,874
Amortisation	
At 1 September 2008	39,268
Charge for the year	4,368
At 31 August 2009	43,636
Net book value	
At 31 August 2009	12,238
At 31 August 2008	16,606

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Motor vehicles	Total
Cost						
At 1 September 2008	1,513,119	1,108,165	327,140	260,399	13,120	3,221,943
Additions	-	31,259	9,879	16,135	-	57,273
Disposals	-	-	-	(987)	(13,120)	(14,107)
At 31 August 2009	1,513,119	1,139,424	337,019	275,547	-	3,265,109
Depreciation						
At 1 September 2008	203,293	743,378	277,589	138,530	13,120	1,375,910
Charge for the year	20,190	121,331	12,595	30,557	-	184,673
Disposals	-	-	-	-	(13,120)	(13,120)
At 31 August 2009	223,483	864,709	290,184	169,087	-	1,547,463
Net book value						
At 31 August 2009	1,289,636	274,715	46,835	106,460	-	1,717,646
At 31 August 2008	1,309,826	364,787	49,551	121,869	-	1,846,033

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2008 - £503,624).

12 STOCKS AND WORK IN PROGRESS

	2009	2008
	£	£
Raw materials and consumables	151,611	100,915
Work in progress	25,516	56,863
Finished goods and goods for resale	418,907	423,090
	596,034	580,868

13 DEBTORS

	2009	2008
	£	£
Trade debtors	119,785	63,141
Other debtors	29,325	48,034
Corporation tax	48,034	59,899
Prepayments and accrued income	136,899	45,435
	334,043	216,509

Other debtors includes lease deposits totalling £29,325 (2008: £29,325) which are recoverable after more than one year.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Mortgage loans	32,222	22,750
Payments received on account	462,557	282,866
Trade creditors	573,412	474,366
Other taxes and social security costs	144,790	150,866
Other creditors	3,194	3,208
Accruals and deferred income	166,512	236,153
	1,382,687	1,170,209

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

	2009	2008
	£	£
Mortgage loan:		
Repayable 2017, interest at 1.5%		
above 3 month LIBOR	233,334	263,466
Analysis of loan repayments:		
In one year or less	32,222	22,750
In more than one year but not more than two years	33,585	25,070
In more than two years but not more than five years	105,586	87,120
In more than five years	94,163	151,276
	265,556	286,216

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 2008		52,898
Accelerated capital allowances	4,240	
Share based payments	6,848	
Tax losses carried forward	(63,986)	
Profit and loss account charge/(credit)		(52,898)
Balance at 31 August 2009		-

The provision for deferred taxation consists of the following amounts:

	2009	2008
	£	£
Capital allowances in excess of depreciation	93,644	89,404
Share based payments	(20,526)	(27,375)
Tax losses carried forward	(73,118)	(9,131)
	-	52,898

The Company has a potential deferred tax asset of £9,557 as a result of tax losses carried forward.

This asset is only recognised to the extent that it is recoverable against future taxable profits. No amount has been recognised at 31 August 2009.

17 PENSION COSTS

The Company operates defined contribution group personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £5,757 (2008 – £5,898). The Company has also made contributions to one Directors personal pension schemes of £8,240 (2008 – £9,573).

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:

	2009	2008
	£	£
Floating rate cash and deposits	784,455	942,109
Floating rate loans	265,556	286,216

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 £765,065 in Sterling, and £19,390 held in Euros giving a total in Sterling of £784,455.

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 £265,556 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.

	2009	2008
	£	£
Expiry date:		
In one year or less	250,000	250,000

19 SHARE CAPITAL

	2009	2008
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2009	2008
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 31 August 2009 17,158,337 of the Company's ordinary shares of 0.1p were held by the JLH plc Employee Benefit Trust. At that date those shares had a market value of 0.8 pence each.

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

20 SHARE BASED PAYMENTS

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

During the year ended 31 August 2009 the Company provided share-based incentive arrangements to the Board of Directors. Share option arrangements are individual, stand-alone agreements between the Company and each member of the Board.

The Company has also established an Employee Share Incentive Plan for the purpose of providing share-based incentive awards to Directors, management and employees. Shares awarded under the Plan are awarded free of charge to the recipient but will be forfeited if the person to whom the award is made leaves the Company's employment within three years of the date of award. In accordance with UITF abstract 38 Accounting for ESOP Trusts, consideration paid for unvested shares held within the JLH plc Employee Benefit Trust has been treated as a deduction from shareholders' funds. This has resulted in an increase in shareholders' funds of £842 for the year (2008 – £18,000 decrease). Other assets and liabilities of the JLH plc Employee Benefit Trust have been recognised as assets and liabilities of the Company.
All options were valued using a Black-Scholes option pricing model. The fair value per option granted between 1 September 2006 and 31 August 2009 and the assumptions used in the calculation are as follows:

Date of grant	*17.10.2006*	*11.12.2006*	*22.03.2007*	*22.06.2009*
Number of options	12,000,000	10,000,000	6,300,000	3,000,000
Share price (mid market)	£0.0140	£0.0123	£0.0300	£0.0080
Bid price discount	6%	6%	6%	6%
Share price at date of grant	£0.0132	£0.0116	£0.0282	£0.0075
Option Exercise Price (£)	£0.0060	£0.0123	£0.0300	£0.0080
Expected Life of options in years	4.5	3.5	3.5	3.5
Volatility	40.00%	40.00%	40.00%	70.00%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	4.75%	4.75%	5.25%	0.50%
Black Scholes fair value	£0.0088	£0.0039	£0.0095	£0.0036

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

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

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

Shares awarded under the plan are as follows

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

As at 31 August 2009 the number of shares held by the Employee Share Incentive Plan Trust was 17,158,337.

The reconciliation of option movements over the year to 31 August 2009 is shown below:

	Number of options	*Weighted average exercise price*
Outstanding at 1 September 2008	28,300,000	£0.0136
Granted	3,000,000	£0.0080
Lapsed	(2,500,000)	£0.0123
Exercised	-	-
Outstanding at 31 August 2009	28,800,000	£0.0100
Exercisable at 31 August 2009	-	-

No options were granted in the prior year . In the prior year 37,186,380 options with a weighted average exercise price of £0.006 lapsed. No options were exercised in the prior year.

The options outstanding at 31 August 2009 have an exercise price in the range £0.006 to £0.030 and have a weighted average remaining contractual life of 4.5 years.

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

	2009	2008
	£	£
Equity settled share based payments - share options	56,831	54,526
Equity settled share based payments - Employee Share Incentive Plan	96,024	74,107
Directly attributable administrative expenses	-	15,000
Total share based payments charge	152,855	143,633
Deferred tax (charge)/credit relating to share based payments	(6,848)	18,236

Of the total share based payments charge, £123,057 (2008 – £91,166) related to equity-settled share based payments to Directors.

21 RESERVES

	Share premium account	Share based payment reserve	Other reserves	Profit and loss account	Total
Balance at 1 September 2008	1,188,021	170,170	1,421	569,195	1,928,807
Loss for the year	-	-	-	(440,854)	(440,854)
Charge for the year	-	152,855	-	-	152,855
Adjustment to shares held by Employee Benefit Trust	-	-	-	842	842
Balance at 31 August 2009	1,188,021	323,025	1,421	129,183	1,641,650

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 **£**	2008 £
(Loss)/profit for the financial year	(440,854)	(280,365)
Share based payments	152,855	128,633
Dividends	-	-
Shares sold by Employee Benefit Trust	842	-
Issue of new shares	-	383,250
Net addition to shareholders' funds	(287,157)	231,518
Opening shareholders' funds	2,115,552	1,884,034
Closing shareholders' funds	1,828,395	2,115,552

23 NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2009 **£**	2008 £
Reconciliation to operating profit:		
Operating loss	(484,589)	(325,767)
Amortisation of intangible fixed assets	4,368	4,370
Depreciation of tangible fixed assets	184,673	151,368
Share based payments	152,855	128,633
Decrease/(increase) in stocks	(15,166)	(15,088)
(Increase)/decrease in debtors	(117,534)	80,938
Increase in creditors	204,835	211,704
	(70,558)	236,158

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009	2008
	£	£
(Decrease)/increase in cash	(157,654)	157,267
Cash outflow from decrease in debt	20,660	20,659
	(136,994)	177,926
Net funds at 1 September 2008	655,893	477,967
Net funds at 31 August 2009	518,899	655,893

25 ANALYSIS OF NET FUNDS

	At 1 September 2008	*Cash Flow*	*Non-cash changes*	*At 31 August 2009*
Cash at bank and in hand	942,109	(157,654)	-	784,455
Mortgage loan due after one year	(263,466)	-	30,132	(233,334)
Mortgage loan due within one year	(22,750)	20,660	(30,132)	(32,222)
	655,893	(136,994)	-	518,899

26 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2009 the Company had annual commitments under non- cancellable operating leases as follows:

	Land and buildings		Other	
	2009	2008	**2009**	2008
	£	£	**£**	£
Expiry date:				
Within one year	12,000	-	13,479	-
Between two and five years	64,250	44,000	-	33,810
In over five years	168,650	183,900	-	-
	244,900	227,900	13,479	33,810

27 CONTROLLING PARTIES

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc will be held at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF on Monday, 18 January 2010 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 2009, together with the Auditors' report thereon.

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

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

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

To transact any other ordinary business of the Company.

As Special Business

To consider and if thought fit pass the following resolutions which will be proposed as to resolution 5 as an ordinary resolution and as to resolutions 6, 7 and 8 as special resolutions:

5. 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 Act to exercise all powers of the Company 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 as shown in the audited accounts of the Company for the year ended 31 August 2009 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 fifteen 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.

6. That the Company may send or supply any document or information that is required or authorised to be sent or supplied by the Company under the Companies Acts (as defined in section 2 of the Companies Act 2006 (the "Act") to members of the Company or which is required to be sent or supplied by the Company to such members under any other enactment, rules or regulations by which the Company is bound, by making the same available on a website or by other electronic means. The authority hereby conferred shall take effect notwithstanding and supersede any provision of the Company's Articles of Association that is inconsistent with this resolution.

7. That 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 2009; 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 and the date fifteen months from the date of passing this resolution, 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.

8. That the Company be and is hereby unconditionally and generally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 0.1p each ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares authorised to be purchased is 28,011,827 representing approximately 15% of the Company's issued ordinary share capital as shown in the audited accounts of the Company for the year ended 31 August 2009;

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

(c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market quotations for an Ordinary Share as derived from the AIM Index of the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

(d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 12 months after the date of the passing of this resolution, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

By Order of the Board

Capita Company Secretarial Services Limited
Company Secretary

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

Dated: 10 December 2009

Explanatory note to resolution 6

Electronic communications
Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website communications. Increased use of electronic communications will deliver significant savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits.

Resolution 6 authorises the Company to communicate in such manner. Before the Company can communicate with a Shareholder by means of website communication, the relevant Shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent.

Assuming that Resolution 6 is passed the Company will write to Shareholders seeking such agreement. The Company will notify the Shareholder (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a Shareholder can always request a hard copy version of the document or information.

Notes:

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

2. A form of proxy accompanies this notice. This includes details of how to appoint the Chairman of the Annual General Meeting or another person as proxy. Members wishing their proxy to speak on their behalf at the Annual General Meeting will need to appoint someone of their own choosing (not the Chairman) and to give instructions directly to that person. In order to be valid, the form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars, PXS, 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 6 p.m. on 16 January 2010, 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 that time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any persons 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.