John Lewis of Hungerford plc

Annual Report and Financial Statements

for year ended
31 August 2010

Registered number

1317377

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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)

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

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

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

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

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

Solicitors:
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, retails and installs 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 managed through a licensing agreement set up in January 2010.

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

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

CHAIRMAN'S STATEMENT

Against a challenging economic backdrop I am delighted to be able to report upon a year of significant progress for the business.

Highlights included the opening of a new showroom and the launch of the new Artisan Installation Service which, coupled with strong organic sales growth from our existing showrooms contributed to a 31% growth in sales and return to underlying profitability. Investment in our store network continued after the year end with the opening of another showroom taking our estate to twelve stores. Important operational changes during the year included further investment in the software used in designing our kitchens enabling us to produce better illustrations and design detail for our customers. New product ranges introduced into the business in the last quarter of the previous year have been installed in to all our showrooms. In the factory, investment in new machinery has improved both efficiencies in production and quality.

The first of our new showrooms opened in Blackheath, south east London during August 2010, and because of this, did not contribute sales to the year under review. The second opened during November 2010 in Beaconsfield, Buckinghamshire and, although after the year end for reporting purposes, was an important focus of management effort during the year. The investment in new stores, through additional funding secured from Barclays, demonstrates our confidence in the business and represents a return to our five year growth strategy. Whilst both sites have only been open for a relatively short period we are pleased with initial trading at each.

The Artisan Installation Service was launched during November 2009 and enables us to provide a one stop shop to our customers for the purchase and installation of their kitchens. Our objective was for this service to break even after 12 months of operating and it is encouraging to record that it more than achieved this.

The year ended 31st August 2010 saw the business return to profitability and it is particularly pleasing that the operational changes introduced over the past few years are now beginning to be reflected in the results. The profit before taxation, share based payments and interest was £31,612 compared to a loss of £331,734 in 2009. The return to profitability was primarily driven by an increase in our core product sales which increased by 17% to £4,778,026 versus £4,084,694 in the comparable period last year. The installation service added further sales of £577,102 giving total sales of £5,355,128 for the year.

The charge in respect of share based payments for the year amounted to £154,336 (2009-£152,855). Your Board considers that the arbitrary nature of this accounting methodology means that this resulting charge has little meaningful relevance to the reported financial results.

The overall gross profit margin of the business in the 12 months to 31st August 2010 was 53% compared to 56.9% in 2009. However, the gross margin of our core product business remained stable during the period with the reduction in average gross margin reflecting growth in installation sales, which is inherently lower gross margin.

Net cash inflows from operating activities were £10,516 (2009-£70,558 outflow) and at the balance sheet date, cash at bank stood at £818,015 (2009-£784,455).

Capital expenditure in the period was £252,605 (2009-£57,273) reflecting investments made in the factory, software, updating our existing showrooms and one new showroom.

On the back of the stronger trading results there are plans to continue with the ongoing refurbishment of existing showrooms, together with the introduction of new ranges. Additional investment is also planned for the addition of a mezzanine floor in the factory to increase storage capacity during peak trading periods. We will continue to consider further showroom openings in line with our growth strategy, although no further openings are currently planned.

Our sales and the future order book look healthy with customer interest in our brand remaining strong. The advance order book as of 31st August 2010 was 10% ahead of last year. However the imminent VAT increase and its possible influence on bringing sales forward into this calendar year is not yet known and the Executive team will remain vigilant for any sign of further economic downturn.

Your Board believes we have a strong platform with plans in place to build the sales and build on the return to profitability this year. However, despite this we remain cautious in our outlook for the immediate future until any effect of the VAT increase is understood and a sustained recovery in consumer confidence and economic climate is experienced.

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

Malcolm R. Hepworth
Non Executive Chairman

17 December 2010

DIRECTORS REPORT

The Directors present their report and financial statements for the year ended 31 August 2010.

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

Business review
A full review of the performance of the Company for the year is given in the Chairman's Statement on pages 4 to 5.

Results and dividends
The loss for the year after taxation amounted to £142,972 (2009 – £440,854).

The Directors do not recommend payment of a dividend (2009 – 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.

Political and charitable donations
Financial donations to charities and good causes during the year amounted to £2,700 (2009: nil). There were no political donations (2009: nil).

Directors and their interests
As at 31 August 2010, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	31 August 2010	1 September 2009
John L. Lewis	89,476,678	91,576,678
Malcolm R. Hepworth	1,250,000	750,000
Jonathan S. Rosby	5,923,547	5,023,547
Charlotte Hill-Baldwin	3,873,547	3,773,547
Karen Stanley	500,000	-

Keith A. Bentley resigned as a Director of the Company on 26 April 2010

As at 31 August 2010, 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%
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 2010
Options exercisable at 0.6p granted on 17 October 2006 exercisable 17 September 2010 -16 September 2017	
Malcolm R. Hepworth	12,000,000
Options exercisable at 1.23p granted on 11 December 2006 exercisable between 3 and 10 years from the date of grant	
Jonathan S. Rosby	5,000,000
Options exercisable at 3p granted on 22 March 2007 exercisable between 3 and 10 years from the date of grant	
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, Charlotte Hill-Baldwin 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 Malcolm Hepworth will retire at the Annual General Meeting and, being eligible, will offer himself for re-election at that meeting.

Substantial interests

At 17 December 2010 except for shareholdings which are disclosed in the 'Directors and their interests' paragraph above, the only shareholdings of which the Company has been notified to which there is attached 3% or more of the total voting rights at such date, are as follows:

Shareholder	Number of Ordinary shares of 0.1p each	Percentage of voting rights
Warm Welcome Management Limited	16,375,000	8.77%
Diggle Investments Limited	11,400,000	6.10%

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 Malcolm Hepworth, the Company's non-executive Chairman, who is independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement.

Audit committee

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

Health and safety

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

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

Going concern

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

Annual General Meeting

The next Annual General Meeting of the Company will take place at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF at 4.00 pm on 31 January 2011.

Special Business

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

The notice of Annual General Meeting also contains a special resolution at resolution 6 which seeks to give the Directors power to allot shares for cash as if the statutory pre-emption provisions under the Companies Act 2006 did not apply to any allotments made by way of rights issue, open offer or other pre-emptive offer to existing shareholders in the exercise of the authority conferred by resolution 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 7, 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, two bank loans and various items such as trade debtors and creditors, which arise directly from its operations. It is Company policy that no trading in financial instruments shall be undertaken.

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

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

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

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

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

At the year-end the Company's trade creditor days were 59 days.

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

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

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

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

On behalf of the Board

Jonathan S. Rosby
Director
17 December 2010

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of John Lewis of Hungerford plc

We have audited the financial statements (the "financial statements") of John Lewis of Hungerford plc for the year ended 31 August 2010, 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 2010 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 our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

17 December 2010

FINANCIAL STATEMENTS

Profit and Loss Account for the year ended 31 August 2010

	Notes	**2010** **£**	2009 £
Turnover		5,355,128	4,084,694
Cost of sales		(2,516,380)	(1,761,635)
Gross profit		2,838,748	2,323,059
Selling and distribution costs		(474,575)	(483,428)
Administrative expenses			
Share based payments	*20*	(154,336)	(152,855)
Other		(2,332,561)	(2,171,365)
Total	*2*	(2,486,897)	(2,324,220)
Operating profit / (loss) before share based payments		31,612	(331,734)
Operating loss	*3*	(122,724)	(484,589)
Interest receivable and similar income	*6*	3,507	11,589
Interest payable and similar charges	*7*	(7,708)	(20,752)
Loss on ordinary activities before taxation		(126,925)	(493,752)
Tax on loss on ordinary activities	*8*	(16,047)	52,898
Retained loss for the financial year		(142,972)	(440,854)
Loss per share	*9*		
Basic		(0.08)p	(0.24)p
Fully diluted		(0.08)p	(0.24)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 2010

	Notes	2010 £	2009 £
Fixed assets			
Intangible assets	*10*	7,872	12,238
Tangible assets	*11*	1,799,057	1,717,646
		1,806,929	1,729,884
Current assets			
Stocks	*12*	688,461	596,034
Debtors	*13*	272,853	334,043
Cash at bank and in hand		818,015	784,455
		1,779,329	1,714,532
Creditors: amounts falling due within one year	*14*	(1,252,937)	(1,382,687)
Net current assets		526,392	331,845
Total assets less current liabilities		2,333,321	2,061,729
Creditors: amounts falling due after more than one year	*15*	(477,515)	(233,334)
Provisions for liabilities and charges	*16*	(16,047)	-
Net assets		1,839,759	1,828,395
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
Other reserves	*21*	1,421	1,421
Profit and loss account	*21*	463,572	129,183
Shareholders' funds - all equity interests	*22*	1,839,759	1,828,395

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2010 and were signed on its behalf by:

Malcolm R. Hepworth
Director

Jonathan S. Rosby
Director

Cash Flow Statement for the year ended 31 August 2010

	Notes	**2010** **£**	**£**	2009 £	£
Net cash inflow/ (outflow) from operating activities	*23*		10,516		(70,558)
Returns on investments and servicing of finance					
Interest and similar income received		3,507		11,589	
Interest paid		(13,311)		(20,752)	
Net cash outflow from returns on investments and servicing of finance			(9,804)		(9,163)
Corporation tax refunded			48,034		-
Capital expenditure					
Receipts from disposals of tangible fixed assets		3,350		-	
Payments to acquire tangible fixed assets		(252,605)		(57,273)	
Net cash outflow from capital expenditure			(249,255)		(57,273)
Equity dividends paid			-		-
Net cash outflow before financing			(200,509)		(136,994)
Financing					
New bank loans advanced		500,000		-	
Repayment of bank loans		(265,931)		(20,660)	
Net cash inflow/(outflow) from financing			234,069		(20,660)
Increase/(decrease) in cash	*24*		33,560		(157,654)

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	10% straight line
Fixtures, fittings & equipment/Computers	10% - 33% straight line
Showroom display & shop fittings	33% reducing balance
Motor vehicles	15% straight line

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

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

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

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

Showroom display units and appliances, which are used to demonstrate the Company's products in its showrooms, are considered by the directors to be available for resale and are disclosed as stock

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 one Director's defined contribution personal pension scheme.

1.9 Deferred taxation

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

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

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

1.10 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

	2010	2009
	£	£
General administrative expenses	2,295,190	2,128,787
Public listing costs	37,371	42,578
	2,332,561	2,171,365
Share based payments (note 20)	154,336	152,855
	2,486,897	2,324,220

3 OPERATING LOSS

	2010	2009
	£	£
Operating loss is stated after charging:		
Amortisation of intangible fixed assets	4,366	4,368
Depreciation of owned tangible fixed assets	171,194	184,673
Foreign exchange (profit)/loss	1,325	(1,328)
Operating lease rentals		
- Plant and machinery	10,525	30,285
- Other assets	262,392	258,193
Auditors' remuneration	12,000	12,000

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	*Total* **2010**	*Total* 2009
	£	£	£	£	£
Jonathan S. Rosby	90,400	3,053	8,240	101,693	98,663
Charlotte Hill-Baldwin	61,500	1,781	-	63,281	69,053
Karen Stanley	56,000	1,492	-	57,492	14,099
Malcolm R. Hepworth	25,000	-	-	25,000	25,000
Keith A. Bentley	5,060	-	-	5,060	7,591
John L. Lewis	26,496	3,090	-	29,586	42,500
	264,456	9,416	8,240	282,112	256,906

Retirement benefits are accruing to 1 (2009 - 1) Director under defined contribution schemes.There are 2 Directors (2009 - 2) who have shares receivable under long term incentive schemes. Details of share options held by Directors are set out in the Directors' Report on page 7

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

	Number of shares at 01.09.09 and 31.08.10
Jonathan S. Rosby	3,773,547
Charlotte Hill-Baldwin	3,773,547
	7,547,094

The share awards were granted on 11 February 2008 and will vest on 10 February 2011

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2010 Number	2009 Number
Directors	6	6
Production	15	12
Sales and distribution	27	24
Administration	4	4
	52	46

	2010 **£**	2009 £
Employment costs		
Wages and salaries	1,350,687	1,232,791
Social security costs	141,363	56,601
Other pension costs	16,158	13,997
	1,508,208	1,303,389

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 **£**	2009 £
Bank interest	3,507	11,589

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Interest payable on bank loans	14,811	20,752
Revision to mortgage interest charge in previous years	(7,103)	-
	7,708	20,752

8 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£	£
Current year taxation		
UK Corporation tax (credit)/charge for the year	-	-
Adjustment in respect of prior year - UK	-	-
Total current tax	-	-
Deferred taxation	16,047	(52,898)
	16,047	(52,898)

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

	2010	2009
	£	£
(Loss)/profit on ordinary activities before tax	(126,925)	(493,752)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	(35,539)	(138,251)
Effect of:		
Expenses not deductible for tax purposes	45,977	46,867
Tax losses carried forward	4,940	93,601
Capital allowances in excess of depreciation	(15,378)	(2,217)
Current tax (credit)/charge for the year	-	-

9 LOSS PER SHARE

	2010	2009
(Loss)/earnings per ordinary share is calculated as follows:		
Basic		
Loss attributable to ordinary shareholders (£)	(142,972)	(440,854)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Loss per ordinary share	(0.08)p	(0.24)p
Fully diluted		
Loss attributable to ordinary shareholders	(142,972)	(440,854)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Loss per ordinary share	(0.08)p	(0.24)p
Weighted average number of ordinary shares in issue		
- basic calculation	186,745,519	186,745,519
Weighted average potential ordinary shares	-	-
- fully diluted calculation	186,745,519	186,745,519

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 2009 and at 31 August 2010	55,874
Amortisation	
At 1 September 2009	43,636
Charge for the year	4,366
At 31 August 2010	48,002
Net book value	
At 31 August 2010	7,872
At 31 August 2009	12,238

11 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & equipment / Computers	Total
Cost					
At 1 September 2009	1,513,119	1,139,424	337,019	275,547	3,265,109
Additions	-	168,321	67,591	16,693	252,605
Disposals	-	(89,023)	(157,552)	(65,436)	(312,011)
At 31 August 2010	1,513,119	1,218,722	247,058	226,804	3,205,703
Depreciation					
At 1 September 2009	223,483	864,709	290,184	169,087	1,547,463
Charge for the year	20,191	104,855	11,704	34,444	171,194
Disposals	-	(89,023)	(157,552)	(65,436)	(312,011)
At 31 August 2010	243,674	880,541	144,336	138,095	1,406,646
Net book value					
At 31 August 2010	1,269,445	338,181	102,722	88,709	1,799,057
At 31 August 2009	1,289,636	274,715	46,835	106,460	1,717,646

The freehold land element of freehold land and buildings that was not depreciated was £503,624 (2009 - £503,624).

Included in showroom display & shop fittings are assets with a total value of £6,907 (2009: nil) which have not yet been brought into use. No depreciation has been charged on these assets.

12 STOCKS AND WORK IN PROGRESS

	2010	2009
	£	£
Raw materials and consumables	125,954	151,611
Work in progress	39,377	25,516
Finished goods and goods for resale	523,130	418,907
	688,461	596,034

13 DEBTORS

	2010	2009
	£	£
Trade debtors	63,480	119,785
Other debtors	60,904	29,325
Corporation tax	-	48,034
Prepayments and accrued income	148,469	136,899
	272,853	334,043

Other debtors includes lease deposits totalling £40,575 (2009: £29,325) which are recoverable after more than one year.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	£
Bank loans	22,110	32,222
Payments received on account	282,379	462,557
Trade creditors	607,376	573,412
Other taxes and social security costs	137,926	144,790
Other creditors	4,757	3,194
Accruals and deferred income	198,389	166,512
	1,252,937	1,382,687

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

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010	2009
	£	£
Bank loans	477,515	233,334
Analysis of loan repayments:		
In one year or less	22,110	32,222
In more than one year but not more than two years	23,432	33,585
In more than two years but not more than five years	79,935	105,586
In more than five years	374,148	94,163
	499,625	265,556

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

16 PROVISIONS FOR LIABILITIES AND CHARGES

		Deferred taxation
		£
Balance at 1 September 2009		-
Accelerated capital allowances	23,718	
Share based payments	(13,771)	
Tax losses carried forward	6,100	
Profit and loss account charge/(credit)		16,047
Balance at 31 August 2010		16,047

The provision for deferred taxation consists of the following amounts:

	2010	2009
	£	£
Capital allowances in excess of depreciation	117,362	93,644
Share based payments	(34,297)	(20,526)
Tax losses carried forward	(67,018)	(73,118)
	16,047	-

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 £7,918 (2009 – £5,757). The Company has also made contributions to one Directors personal pension schemes of £8,240 (2009 – £8,240).

18 FINANCIAL INSTRUMENTS

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

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

Interest Rate Risk

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

Interest rate risk profile

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

	2010	2009
	£	£
Floating rate cash and deposits	818,015	784,455
Fixed rate loans	249,625	-
Floating rate loans	250,000	265,556

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 £800,103 in Sterling, and £17,912 held in Euros giving a total in Sterling of £818,015.

Financial Liabilities

The Company's financial liabilities comprise two bank loans. The first loan is repayable over 15 years and carries interest at a floating annual rate of 4.55% over Bank of England base rate. The first loan has a value of £250,000 denominated in Sterling.

The second loan is repayable over 15 years and carries interest at a fixed rate of 7.55% per annum for a period of 10 years and thereafter at a floating rate linked to the Bank of England base rate. The second loan has a value of £249,625 denominated in Sterling.

The fair value of the Company's financial assets and liabilities is not materially different from the carrying values in the Company's Balance Sheet.

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.

	2010	2009
	£	£
Expiry date:		
In one year or less	250,000	250,000

19 SHARE CAPITAL

	2010	2009
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2010	2009
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

At 31 August 2010 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 1 pence each.

Share options

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

20 SHARE BASED PAYMENTS

During the year ended 31 August 2010 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 £nil for the year (2009 – £842 increase). 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 2010 and the assumptions used in the calculation are as follows:

Date of grant	*17.10.2006*	*11.12.2006*	*22.03.2007*	*22.06.2009*
Number of options granted	12,000,000	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 2010 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 2010 is shown below:

	Number of options	*Weighted average exercise price*
Outstanding at 1 September 2009	28,800,000	£0.0100
Granted	-	
Lapsed	(2,500,000)	£0.0123
Exercised	-	
Outstanding at 31 August 2010	26,300,000	£0.0132
Exercisable at 31 August 2010	11,300,000	£0.0222

In the prior year 3,000,000 options were granted with a weighted average exercise price of £0.008 and 2,500,000 options with a weighted average exercise price of £0.0123 lapsed. No options were exercised in the prior year.

The options outstanding at 31 August 2010 have an exercise price in the range £0.006 to £0.03 and have a weighted average remaining contractual life of 3.26 years.

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

	2010	2009
	£	£
Equity settled share based payments - share options	44,189	56,831
Equity settled share based payments - Employee Share Incentive Plan	110,147	96,024
Total share based payments charge	154,336	152,855
Deferred tax credit/(charge) relating to share based payments	13,771	(6,848)

Of the total share based payments charge, £110,395 (2009 – £123,057) 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 2009	1,188,021	323,025	1,421	129,183	1,641,650
Loss for the year	-	-	-	(142,972)	(142,972)
Share based payments	-	-	-	154,336	154,336
Transfer between reserves	-	(323,025)	-	323,025	-
Balance at 31 August 2010	1,188,021	-	1,421	463,572	1,653,014

During the year, the directors transferred the balance on the share based payment reserve to the profit and loss account reserve to present the annual share based payment charges in line with common accounting treatment.

22 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 **£**	2009 £
(Loss)/profit for the financial year	(142,972)	(440,854)
Share based payments	154,336	152,855
Shares sold by Employee Benefit Trust	-	842
Net addition to shareholders' funds	11,364	(287,157)
Opening shareholders' funds	1,828,395	2,115,552
Closing shareholders' funds	1,839,759	1,828,395

23 NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2010 **£**	2009 £
Reconciliation to operating profit:		
Operating loss	(122,724)	(484,589)
Amortisation of intangible fixed assets	4,366	4,368
Depreciation of tangible fixed assets	171,194	184,673
Share based payments	154,336	152,855
Increase in stocks	(92,427)	(15,166)
Decrease/(increase) in debtors	13,156	(117,534)
(Decrease)/increase in creditors	(114,035)	204,835
Profit on disposal of tangible fixed assets	(3,350)	-
	10,516	(70,558)

24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2010	2009
	£	£
Increase/(decrease) in cash	33,560	(157,654)
Cash (inflow)/outflow from increase in debt	(234,069)	20,660
	(200,509)	(136,994)
Net funds at 1 September 2009	518,899	655,893
Net funds at 31 August 2010	318,390	518,899

25 ANALYSIS OF NET FUNDS

	At 1 September 2009	*Cash Flow*	*Non-cash changes*	*At 31 August 2010*
Cash at bank and in hand	784,455	33,560	-	818,015
Loans due after one year	(233,334)	(244,181)	-	(477,515)
Loans due within one year	(32,222)	10,112	-	(22,110)
	518,899	(200,509)	-	318,390

26 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2010 the Company had annual commitments under non- cancellable operating leases as follows:

	Land and buildings		Other	
	2010	2009	**2010**	2009
	£	£	**£**	£
Expiry date:				
Within one year	31,500	12,000	-	13,479
Between two and five years	64,250	64,250	3,940	-
In over five years	213,650	168,650	-	-
	309,400	244,900	3,940	13,479

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of John Lewis of Hungerford plc ("the Company") will be held at The Cygnet Suite, The Three Swans, The High Street, Hungerford, Berkshire RG17 0EF on Monday, 31 January 2011 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 2010, together with the Auditors' report thereon.

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

3. To re-elect as a Director, Charlotte Hill-Baldwin, 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, Malcolm Hepworth, 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 and 7 as special resolutions:

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

   and further,

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

6. That, subject to the passing of resolution 5, the directors be and they are hereby empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under section 551 of the Act conferred by resolution 5 above, as if section 561(1) of the Act did not apply to such allotment provided that:

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

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

      (ii) the allotment, otherwise than pursuant to sub-paragraph (a) (i) above, of equity securities up to an aggregate nominal value equal to £18,674.55, representing approximately 10% of the nominal value of the issued ordinary share capital of the Company as shown in the audited accounts of the Company for the year ended 31 August 2010; and

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

7. 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") on such terms and in such manner as the directors shall determine, 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 2010;

   (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 Appendix of the Daily Official List of London Stock Exchange 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 (either wholly or partly) whereupon the Company may complete such a purchase even though the authority has terminated.

By Order of the Board

Capita Company Secretarial Services Limited
Company Secretary
Dated: 17 December 2010

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

Notes:

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

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

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

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

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

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

   - completed and signed;
   - sent or delivered to Capita Registrars, Proxy Department, The Registry, 34 Beckenham, Kent, BR3 4TU; and
   - received by Capita Registrars no later than 4.00 p.m. on Saturday 29 January 2011.

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

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

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

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

13. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at 6.00 p.m. on 29 January 2011 or, in the event that this meeting is adjourned, in the register of members as at 6.00 p.m. on the day two days before the date of any adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members by the close of business on 29 January 2011 or, in the event that this meeting is adjourned, in the register of members before the close of business on the day two days before the date of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

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

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

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

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

17. Resolution 5 – Under section 551 of the Companies Act 2006, the directors must not exercise any powers of the Company to allot relevant securities unless authorised to do so by the Company in general meeting. At the AGM held on 18 January 2010, members gave authority to the directors, which will expire on conclusion of the meeting, to allot a maximum of £62,248.51 in nominal amount of relevant securities. Resolution 5 (a) replaces the authority granted in 2010. Paragraph (a) of Resolution 5, to be proposed as an ordinary resolution, grants the directors authority to allot relevant securities until the conclusion of the annual general meeting to be held in 2012, unless the authority is renewed or revoked prior to such time. In accordance with guidance issued by the Association of British Insurers institutional shareholder voting guidelines, this authority is limited to the allotment of relevant securities with an aggregate nominal value of £62,248.51 which is equivalent to approximately one-third of the issued ordinary share capital of the Company as at the date of this notice. Paragraph (b) of resolution 5 to be proposed as an ordinary resolution, is a new authority sought and is in line with guidance issued by the Association of British Insurers. It grants the directors authority to allot shares in connection with a rights issue to existing shareholders in proportion (as nearly as practicable) to their existing holdings, up to an aggregate nominal amount of £62,248.51 which is equivalent to approximately one-third of the issued ordinary share capital of the Company as at the date of this notice

The authorities sought under paragraphs (a) and (b) of this resolution will expire at the conclusion of the 2012 AGM.

20. Resolution 6 - Section 561(1) of the Companies Act 2006 requires that equity securities proposed to be allotted for cash are first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1). Resolution 6 to be proposed as a special resolution and in accordance with guidance issued by the Association of British Insurers institutional shareholder voting guidelines, empowers the directors to allot equity securities up to an aggregate nominal value of £18.674.55, being equal to approximately 10 per cent. of the Company's issued ordinary share capital as at the date of this notice, for cash without first offering them to existing shareholders.

This authority will expire at the conclusion of the 2012 AGM.

21. Resolution 7 - It is customary for public companies to maintain authorities to make limited purchases of their own shares. At the AGM held on 18 January 2010, the members granted authority for the Company to buy up to a maximum of £28,011.87 in nominal value of ordinary shares. Resolution 7 renews and replaces that authority (which expires at the meeting) and will authorise the purchase of up to £28,011.87 in nominal value of ordinary shares, representing approximately 15 per cent of the Company's current issued ordinary share capital as at the date of this notice. This renews the Company's existing authority to makes such purchases which expires at the meeting.

The board has no present intention of exercising the authority to make market purchases.