John Lewis of Hungerford plc

Annual Report and Financial Statements

for the year ended
30 June 2019

Registered number

01317377

John Lewis of Hungerford plc

Annual Report and Financial Statements 2019

STRATEGIC REPORT

Company Information

Directors:

Gary O'Brien
(Non-Executive Chairman)
Kiran Noonan
(Chief Executive Officer)
James Barnard
(Non-Executive Director)

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

Secretary:
Cargil Management Services Limited
27/28 Eastcastle Street
London
W1W 8DH

Nominated Adviser & Broker:
Cenkos Securities plc
6 - 8 Tokenhouse Yard
London
EC2R 7AS

Auditors:
Moore Kingston Smith LLP
60 Goswell Road
London
EC1M 7AD

Registrars:
Share Registrars Ltd
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

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

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

Company Number:
01317377

STRATEGIC REPORT

Company Profile

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

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

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

www.john-lewis.co.uk

STRATEGIC REPORT

Risk Management

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

Business continuity and major incidents response

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

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

Business strategy

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

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

IT systems and infrastructure

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

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

Employee engagement, retention and capability

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

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

Developing the business

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

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

Cashflow for the business

Risk Major uncertainty in the retail market could lead to strains on the Company's available cashflow.

Mitigation Within our day to day operations the Company prepares detailed short and long term cash flow forecasts which are monitored on a regular basis. The Board has reviewed alternative financial options and is confident that additional sources of funds would be available if needed.

STRATEGIC REPORT

Chairman's Statement

The last twelve months have seen the Company operating within an unprecedented retail landscape. Although the economy is not technically in recession, the current uncertainty within the economy, mainly resulting from Brexit and structural issues facing retail in the high street, has made it more difficult for retail than the recessions in 1990 and 2008. We have seen significant store closures: 2,868 stores have closed in the first half of 2019, and numerous financial restructurings during this period - with some of the High Street's best-known brands being affected. We have seen this within our own sector of kitchen retail with several companies reporting challenging conditions.

Economic conditions are continuing to be difficult and the calling of the General Election, resulting from Parliament's failure to reach any conclusion on Brexit, has further deteriorated the retailing environment.

Against this background, and in this uncertain economic environment our focus has been, and will continue to be, on improving our performance and preserving cash. We have therefore been applying stringent controls on costs and as a result have driven c£275k of costs out of the business in the current financial year. This should provide savings of £450k in a full financial year – some 5.8% of the Companies total cost base. This is with the objective of preserving cash even with a significantly reduced sales base - detailed further in the CEO Report.

We have previously reported on the work we had undertaken to improve the operations within all aspects of the business and also the repositioning of the brand through our marketing activities and marketing collateral which has been a key factor in managing the performance of the business in this difficult trading environment.

We have also discussed the strategic objectives of the business to build the business not only through organic growth following our actions but to add to the store portfolio to give the business an improved critical mass. However, the last couple of years have seen significant uncertainty within the economy and this has hindered the growth of the business. As such we have had to put our growth objectives on hold while we manage costs and cash, by not spending on the capital cost of adding new stores.

We remain focused on delivering our strategic plan, which will see the Company grow the estate and our portfolio of services at a point that we consider appropriate. The Company has improved efficiencies and particularly we have been building a team and a workforce that are ready to take advantage as soon as the economy starts showing signs of recovery.

The primary factors in our loss for the year are both a change in mix towards our lower margin offerings i.e. bedrooms and, inflationary price increases throughout our supply chain, which we have been unable to pass fully onto our customers. This is discussed further in the CEO Report. Our team have worked hard to ensure that efficiencies are realised across the business, to retain high levels of productivity. We are pleased with the efforts from the staff around the business and thank them for their commitment to the future success of the Company.

The longer term forecast for the industry remains positive and we hope that once the Brexit issue is resolved, that consumer confidence will return and the economy will recover in due course. I have full confidence in my colleagues around the business who are ready for the challenges and opportunities, which lay ahead.

Gary O'Brien
Non-Executive Chairman
19 December 2019

STRATEGIC REPORT

Chief Executive's Business Review

Overview

As detailed in the Chairman's Statement, the last year has been a challenging one in many areas of the retail sector. We achieved a turnover of £8.3m for the FY2019, compared to the unaudited comparison for 12 months to 30 June 18 of £8.9m. The FY2018 was affected by our year-end change from 31 August to 30 June so on a like for like basis, removing the benefit of two year-end peaks in FY2018, the prior year comparative turnover was £8.5m. Our turnover achieved in FY2019 was therefore just below the prior year adjusted turnover.

Following a profitable second half year of £127k, the Company reports a reduced operating loss for the full year of £191k, reduced from the £318k loss reported in our Interims for the 6 months ended 31 December 2018.

The results reflect mixed fortunes within the business, with the majority of the estate outperforming the rest with record-breaking results however with several showrooms underperforming, although only one store failing to make a net contribution. Ensuring that all of our showrooms make a positive net contribution is vital to our success. Footfall has been variable throughout the year and across the sites – with our London showrooms continuing to lead the others in this regard. We have been reviewing our lease commitments to ensure we remain flexible in our approach to retaining better performing stores and reviewing underperforming stores, primarily due to changes in local economic factors, coupled with the movement of hubs to out of town locations in some of our territories. New showrooms have been evaluated, however, given the unpredictable nature of the current retail trading environment, any growth of the estate has been delayed at this time. We continue to consider new territories and opportunities as they arise.

As the market tightens, we have focused our attention on adding value to our customer proposition. We are in discussions with an external provider to add a potential finance offering to our portfolio, which will provide the opportunity to broaden our appeal and assist our customers in purchasing from John Lewis of Hungerford in this challenging economy. Our marketing strategy continues to be ever crucial to the reach of the brand and the promotion of our expertise in delivering excellence across our service offering including our customer journey and final installation. With our new website launching last December and our ongoing SEO commitment, we have seen improvements in both the quantity and quality of our web enquiries, increasing by 200% which has been critical given an average of 10% reduction in footfall across our locations. Our focus remains firmly on conversion and this has been an ongoing area of investment, both in marketing tools to aid the customer interaction, with the launch of our new brochure, together with our CRM investment, which is now able to personalise the e-marketing for customers engaging with the business. Supported by our social media, the website has drawn interest from across the sector, from both professionals and the end consumer.

Developing our partnerships within the professional sector has contributed to our performance throughout the year. Key relationships, which have affected our social media presence, include our focus on collaborations with high profile influencers including 2LG Studio, which has led to interest from highly talented interior designers, developers and architects. Through sharing these projects and our portfolio of stunning kitchen and bedroom installations, we have successfully secured numerous projects and a high level of recommendations. Working with like-minded professionals across the industry has given us the opportunity to build sustained relationships with highly influential trade partners, looking for a high quality provider to support their businesses on a regular basis. All of them are ambassadors for the Company and they continue to work in partnership with our design team.

Balancing our customer needs for a bespoke product and our business needs for simplicity in production planning, remain essential to our productivity. The administrative work involved in processing our orders remains complex and an area of focus for our continuous improvement team.

Ongoing investment in our people to prioritise the customer experience with the business remains our key focus, protecting our most distinguishing factor – our highly talented design team. We have invested in their project management skills and capabilities, to ensure that this USP can be retained, leading to high levels of recommendations. Recruiting and retaining high performing individuals in this sector continues to be challenging, although we have noted an improvement in our ability to attract high performing individuals.

Our most significant investment this year, has been in our manufacturing facility, through the installation of new spray booths. This has significantly improved our ability to produce high quality product, with a superb finish, improving our efficiency during the peak months of the year. Our skilled Artisans within our production team continue to work diligently to ensure our error rate across the business continues to improve. It is now in line with industry levels at 1.5%, reduced significantly since the 3% recorded in 2016.

The volume of units sold has seen a small reduction in Kitchens, at 290 (3 year average is 300), and the number of Bedrooms has seen a significant increase at 119 (3 year average 80) with the category now accounting for 7% of overall sales. The level of repeat business from existing JLH customers where we are able to fulfil a 'whole home solution' is now 50% of the category. However, the margins on Bedroom cabinetry are much lower than on Kitchens and we are evaluating our proposition to determine the most viable way forward for our Bedroom collection, and the business.

	12 months to June 2019	10 months to June 2018
	£000	£000
Total Sales	8,306	6,715
Cost of Sales	4,374	3,465
Gross Margin	3,932	3,250
Gross Margin %	47.3%	48.4%

The actions taken over the second half year, which included a necessary price increase, demonstrated an improved margin to 47.3% from the 46.2% detailed in the Interims. Although we are pleased to see movement in a positive direction, the impact of our growing Bedrooms category over the last three years has adversely impacted the margin.

Additional margin dilution from price increases across all bought-in items, including white goods and worktops, presents a challenge that the business is addressing, and how the business might mitigate this margin impact by focusing on increasing kitchen volumes through the supply chain, whilst reducing our cost base.

Input prices have also increased, which have been offset against a corresponding price increase for our customers.

Product Margin

	12 months to June 2019	10 months to June 2018
	£000	£000
Total Sales	7,266	5,847
Cost of Sales	3,520	2,760
Gross Margin	3,746	3,087
Gross Margin %	51.6%	52.8%

The product margin movement is directly attributable to the increased Bedrooms component within our mix this last year. Margins on kitchens have remained consistent with the prior period. The additional costs attributed to the manufacture of bedrooms are approximately 20% higher.

Installations

	12 months to June 2019	10 months to June 2018
	£000	£000
Total Sales	1,040	868
Cost of Sales	854	705
Gross Margin	186	163
Gross Margin %	17.9%	18.8%

Our installation offering has been maintained at 96% of all orders being installed by our Artisan Installation Service. Our professional fitting teams have offered an exemplary service to our customers, for which we thank them.

With the shortage of good trade professionals, it has been vital to our fitter retention, to ensure we are competitive and that we are paying market rate for trade professionals. This has necessitated a price increase from the new financial year, which we have passed directly on to customers.

Cash Flow

At 30 June 2019 the Company had a closing bank balance of £287k including £220k on long term deposit. The Company has an overdraft facility of £250k. Liquidity headroom at 30 June 2019 was therefore £537k.

Closing Comments

The year to 30 June 2019 has served to remind us that market fluctuations can undermine consumer confidence to a degree where discretionary spend on home renovations can be adversely affected. Although the latest IBIS reports suggest market growth over this new financial trading period, we continue to monitor the political and retail climates. Brexit and the General Election have created uncertainty and consumers have delayed high value spend.

Within this challenging environment, we have taken steps to remove c£275k of costs in this current year, with an annualised benefit of £450k. Within the business, we continue to pursue additional areas to ensure that we minimise costs and maximise agility during this challenging time. This review has unfortunately resulted in a reduction of headcount within the business, together with the imminent closure of our Oxford showroom, with potential further headcount reductions in other showrooms. Our focus has also been on working with our trading partners to secure the most effective procurement and ensure that the business is operating with maximum efficiency.

In addition, a project team within the business is working to further reduce waste as the improvement of productivity across the Company remains a primary objective for this year. We continue to promote a lean structure, as we balance our resources in line with business needs and performance. High quality marketing and customer communications remains core to our ability to attract new business and partners for the brand. We have been working hard on new creative innovations, which will continue to keep the brand fresh and relevant this year, as we look to ensure we are always distinctly different to our competitors.

It has undoubtedly been a year of change, determination and challenge. We thank our dedicated team for their ongoing commitment to the business as we continue to work hard to ensure the business is ready for profitable growth once the market begins to stabilise.

Current Trading and Outlook

For the new financial year, despatched sales and forward orders (which we normally consider to be the best measure of current trading) for the first 24 weeks of trading stood at £3.8m (2018: £4.6m). Future orders against which a first stage deposit has been taken stood at £1.6m (2018: £1.5m). Overall design quotation activity within the business is 10% up on the previous year which points to an underlying latent demand but with decisions being delayed by customers as a result of the political climate. The Company expects conversions to improve once we have clarity around Brexit. Whilst the impact on consumer demand continues, we are reacting, as mentioned above, by reducing costs in the business and increasing flexibility to respond to changing demand. The Board continue to monitor the situation closely and work to improve efficiency and agility in the business to ensure the Company is well set to benefit from any improvement in consumer confidence.

With our new marketing initiatives launching for the winter period, and the potential introduction of finance for our customers later in the year, we are confident that our efforts to ensure that the business can achieve sustained profits will be realised, once there is more clarity around Brexit after the General Election.

Kiran Noonan
Chief Executive Officer
19 December 2019

Strategic Report Approval

The Strategic Report on pages 2 to 12, incorporates the sections: Company Information, Company Profile, Risk Management, the Chairman’s Statement and the Chief Executive's Business Review.

By order of the Board

Kiran Noonan
Chief Executive Officer
19 December 2019

GOVERNANCE

Directors' Report

The Directors present their report and financial statements for the year ended 30 June 2019.

Results and dividends
The loss for the year after taxation amounted to £297,171 (2018 - 10 months £192,701).

The Directors do not recommend payment of a dividend (2018: £nil).

Fixed assets
Details of the Company's intangible non-current assets and property, plant and equipment are shown in notes 10 and 11.

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

Directors and their interests
The following persons served on the Board during the year:

Kiran Noonan
Gary O'Brien
James Barnard

As at 30 June 2019, the beneficial interests of the Directors in the issued shares of the Company were:

	Ordinary shares of 0.1p each	
	30 June 2019	30 June 2018
Kiran Noonan	-	-
Gary O'Brien*	5,382,315	-
James Barnard	-	-

** Held via CEPACS Pension Scheme*

As at 30 June 2019, the Directors held option entitlements to subscribe for new ordinary shares in the Company as follows.

	Total options held	Percentage of issued share capital
Kiran Noonan	9,337,276	5.00%
Gary O'Brien	5,602,366	3.00%
James Barnard	746,982	0.40%

The options above are subject to performance conditions relating to the Company's future share price and statutory profit. They are exercisable at 1 pence per share and have a minimum vesting period of 2 years. No options will vest until the Company's share price reaches 3 pence.

In accordance with the Company's articles of association, Gary O'Brien retires as Director and being eligible, will offer himself for re-election at the Annual General Meeting.

Substantial interests

On 5th December 2019 significant shareholders of the Company holding 3% or more of the voting rights, which had been notified to the Company were as follows:

Shareholder	Number of Ordinary shares of 0.1p each	Percentage of voting rights
J L Lewis Esq	66,466,678	35.59%
D Stredder Esq	15,125,000	8.10%
HSBC Securities Services (UK)	11,511,182	6.16%
Hargreaves Lansdown	10,613,197	5.68%
IG Markets Ltd	8,826,187	4.73%
S C Taylor-Young Esq	8,824,841	4.73%
Interactive Investor Trading Ltd	8,503,030	4.55%
Jarvis Investment Manegement Ltd	6,169,085	3.30%

Corporate governance

In September 2018, in accordance with AIM Rule 26, the JLH Board adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (the "QCA Code"). Further details of how the Company complies and does not comply with the QCA Code are set out in the "Statement of Corporate Governance" on pages 16 to 21.

Board meetings

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

Remuneration Committee

The remuneration paid to executive Directors is reviewed and approved by Gary O'Brien, the Company's Non-Executive Chairman and James Barnard, the Company's Non-Executive Director, who are independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, act as the Remuneration committee.

Audit Committee

Gary O'Brien, the Company's Non-Executive Chairman and James Barnard, the Company's Non-Executive Director, who are independent of the Company's management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, act as the Audit committee. They are 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 Mercure London Paddington, 144 Praed Street, Paddington, London at 2p.m. on Tuesday 21st January 2020.

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 the issued Ordinary share capital of the Company at the date of the notice of Annual General Meeting.

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

Financial instruments

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

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

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

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

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

Statement of disclosure of information to auditors

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

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

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

Auditors

Moore Kingston Smith LLP has indicated its willingness to continue as auditor to the Company. Accordingly, a resolution proposing its reappointment as auditor will be put to the members at the forthcoming Annual General Meeting.

On behalf of the Board

Kiran Noonan
Chief Executive
19 December 2019

GOVERNANCE

Statement on Corporate Governance

The Company is quoted on the AIM Market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. In September 2018, in accordance with AIM Rule 26, the Board adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (the 'QCA Code'). Further details of how the Company complies, and does not comply, are set out in the 'Statement on Corporate Governance' that follows.

Principle 1: Establish a strategy and business model, which promote long-term value for shareholders.

John Lewis of Hungerford manufactures and retails high quality kitchens, bedrooms and freestanding furniture. The Board constantly monitors the performance of the various activities within the business throughout the customer journey, from first enquiry, through the sale process, manufacturing and installation. Through departmental reporting, the Board challenges actions as deemed necessary.

The Board has developed and annually reviews its five year strategic plan aimed at increasing the profitability of the business, whilst maintaining a sensible risk profile. This strategy is aimed at improving shareholder value and is constantly reviewed against specific milestones, market trends and the changing economic climate.

The Board have been working to secure consistency in the profitability of the business through a focus on learning and development, improved systems, increased efficiencies and cost reductions in the operating model. Reviews of the brand positioning have led to the creation of new brand collateral, the commissioning of a new website and collaborations with influencers in our market.

Principle 2: Seek to understand and meet shareholder needs and expectations.

Open, relevant and transparent communication with shareholders is given high priority and as such John Lewis of Hungerford has adopted an "open door policy" with regard to communicating with shareholders. The Chairman holds key responsibility for listening to shareholder comments and communications. Formal shareholder presentations as well as the AGM are held annually with the full Board present, however all shareholders are encouraged to communicate on an informal basis either by telephone or electronically. Shareholder attendance at the AGM and shareholder presentations has increased and the Board have welcomed the robust challenge from existing and new shareholders.

Presentations and communications by telephone have also been well attended with a number of positive conference calls.

Regular updates to record news in relation to the Company and the status of its assets are included on the Company's website.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interest of the Company's stakeholders. The Board is acutely aware of its need to grow and maintain strong relationships with its employees, customers, suppliers and shareholders and takes great care in ensuring that wherever possible it listens to their views and provides feedback, regular updates from key stakeholders form part of the monthly departmental Board reports, to discuss feedback and any concerns.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board together with its Audit and Remuneration Committees oversee all the risk management controls in the business.

Financial Risk

John Lewis of Hungerford has appointed auditors, Moore Kingston Smith, a UK top 20 accountancy firm with extensive AIM experience and a strong AIM quoted client base. John Lewis of Hungerford has also strengthened its Finance function with the introduction of a new management accountant with specific responsibility for providing business analysis relating to the retail arm of the business enabling unit profitability to be reviewed working closely with John Lewis of Hungerford's showrooms.

John Lewis of Hungerford is committed to maintaining strong internal financial controls overseen by its Head of Finance. There is a process of continuous review and improvement with processes enhanced and updated in response to changes in accounting governance or upgrades in technology, including the accounting systems, improvements in banking resource and increased use of internet options.

Other Controls

The Board considers it has sufficient internal controls appropriate for the size, complexity and risk profile of John Lewis of Hungerford.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The principal role of the Board is to set the Company's strategy and to review regularly its performance in relationship to the agreed strategy. In doing this, the Board is able to carry out its corporate governance duties and responsibilities.

The Board has established committees which are responsible for audit and remuneration. Nomination issues are addressed by the entire Board. Responsibility for day-to-day management of the business is delegated to the Chief Executive Officer.

The Board directs and monitors the Company's affairs within an evolving framework of controls which enable risk to be assessed and managed effectively. All Directors receive monthly reports on John Lewis of Hungerford's operational, sales and financial performance. Reports are circulated to all Directors in advance of the meetings. The business reports monthly on sales, operations and finance and any variances to budget are reviewed and appropriate actions taken as necessary.

The Board currently comprises a Non -Executive Chairman, one Non–Executive Director and one Executive Director. Both of the Non-Executive Directors are considered by the Board to be independent. The Head of Finance also attends all Board meetings with the Operations Manager attending part of the Board meeting to report on operational matters.

The Chairman continuously reviews the composition of the Board and is cognisant of the fact that additional Executive and Non-Executive Directors may need to be added to the Board, as John Lewis of Hungerford grows. All Directors are encouraged to voice their opinions and use their judgement to actively challenge any matters be they strategic or operational. The Chairman holds one formal appraisal meeting a year with the Executive and Non-Executive Director and informal ad hoc meetings as and when considered necessary. The Board met formally 10 times during the last year. Meetings are held either at John Lewis of Hungerfords Head Office in Wantage, at one of its showrooms or in the offices of its professional advisers.

	Main Board	Audit Committee	Remuneration Committee
Gary O'Brien	9/10	1/1	2/2
Jim Barnard	10/10	N/A	2/2
Kiran Noonan	10/10	N/A	N/A

The Company does not have an internal Company Secretary, these services are provided to the Company by Cargil Management Services Limited. Cargil Management Services Limited provides full secretarial services.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The Chairman is satisfied that the Board has sufficient up to date relevant experience and the right balance of skills to undertake its duties. In particular the Board has experience in finance, sales, marketing, human resources, manufacturing, retailing, strategy, corporate governance and e-commerce. Each member of the Board takes responsibility for maintaining his/her skill set, which includes roles on other boards and ongoing continued professional development courses and seminars.

The biographies of the Directors are:

Gary O'Brien – Non- Executive Chairman

Gary worked with companies such as Allied Lyons, Granada Group and Black & Decker and has over 15 years public company experience. He joined Max Factor in 1982 as Deputy Managing Director and Finance Director. Already experienced in business transformation, Gary built Max Factor into one of the most profitable divisions in the worldwide operation at the time. He moved on to join the Board of the Burton Group in 1986 before joining the Signet Group as Group Finance Director in 1990. More recently he has focussed on working with smaller businesses and has been involved in a management and advisory capacity within corporate finance, telecommunication, IT and financial services marketing businesses. He is currently involved in the Internet, Retailing and Property arenas. Gary is a member of the Chartered Institute of Management Accountants and the Institute of Directors.

James Barnard – Non Executive Director

Jim has over 17 years' operational experience in purchasing, marketing, merchandising and operational roles in omnichannel retailing and associated supplies. Currently the 'Group Go To Market Director' in Halfords PLC, a £1.2bn retailing and services business. His previous roles include the Business Unit Director, Kitchens and Bathrooms, at Wickes Building Supplies where he lead the customer change programme across the £320m business unit. More recently, he has operated as an interim consultant advising a portfolio of clients on customer centred transformation, step change growth strategies and operating model development across pureplay and omnichannel propositions.

Kiran Noonan – CEO

Kiran spent four years "establishing a dedicated, competent and disciplined sales team", in her previous role as Sales and Marketing Director within JLH. She has been working within Sales and Operational Management for over 20 years including the retail sector and management consultancy. Her recent roles have been at Board level and she has provided a sounding board for many CEOs and MDs. She is an Associate CIPD and brings a wealth of experience in good people management and business development. Kiran was appointed to the Board in 2013 and to the role of Chief Executive Officer during 2016.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Given its size the Board undertakes an annual self-evaluation, led by the Chairman. This includes a Skills Analysis and a Gap Analysis to understand what skills would add further value to the Board as we look to extend the Board in the future.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board of John Lewis of Hungerford look to lead by example in terms of looking after the best interests of its staff, customers, suppliers, shareholders and local communities. It is the belief of the Board that by taking this approach the Board encourages best practice amongst its stakeholders particularly the employees. With a diverse Board and team within the business, we work hard to ensure that there is management oversight to ensure that we are free of any workplace bullying or harassment. There is an Employee Handbook which details the accepted Code of Conduct, the respect expected amongst colleagues and all business partners, and the ethical approach we take to the way in which we conduct business. John Lewis of Hungerford actively looks at ways of improving its carbon footprint through reductions in plastics in our packaging and through the recycling of our waste. We also look at ways of supporting local schools and community groups wherever possible.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

John Lewis of Hungerford is governed by its Board supported by both the Audit and Remuneration Committee's. As described above in principle 5, Gary O'Brien, John Lewis of Hungerford's Non-Executive Chairman and James Barnard, Non-Executive Director serve on both the Audit Committee and Remuneration Committee's. The Board meets 10 times a year either at Head Office, in a Company showroom or in the offices of its professional advisers.

The Board meetings are governed by a formal agenda with detailed minutes taken and circulated to all Directors for comment prior to being formally approved by the Chairman at the next Board meeting.

The Board is responsible for the overall strategy, approval of the strategic plan, budget and capex. It is also responsible for the approval of the interim and full year results. In completing this role it is also responsible for monitoring the performance of the business against budget and any actions.

The Audit Committee:

The Audit Committee's main functions include reviewing and monitoring internal financial control systems and risk management systems on which John Lewis of Hungerford is reliant, considering Annual and Interim accounts and Audit Reports, making recommendations to the Board in relation to the appointment and remuneration of auditors and monitoring and reviewing annually the independence, objectivity, effectiveness and qualifications of the auditors. The main responsibilities of the Committee are:

• To review accounting policies and the integrity and content of the financial statements
• To monitor disclosure controls and procedures and the Company's internal controls
• To monitor the integrity of the financial statements of the Company and assist the Board in ensuring the Annual Reporting and Accounts for 2019, when taken as a whole, give a true and fair view
• To consider the adequacy and scope of the external audit
• To review and report on the significant issues considered in relation to the financial statements and how they are addressed
• To review and approve the statements to be included in the Annual Report.

The key activities for the Committee for the year under review was to ensure that the presentation of the Company's audited results for the year ended 30 June 2019 and the unaudited interim results for the 6 months to 31 December 2018 were fair, balanced and understandable for shareholders and other users of the accounts to assess the Company's position and performance.

During the year under review, the only member of the Audit Committee was Gary O'Brien, who is the Chair of the Audit Committee. James Barnard has subsequently been appointed to the Audit Committee. The Audit Committee regularly reviews and reports to the Board on the effectiveness of the system of internal control. Given the size of the Company and the relative simplicity of the systems, the Board considers that there is no current requirement for an internal audit function. The procedures that have been established to provide internal financial control for the Company are considered appropriate for a company of its size and include controls over expenditure, regular reconciliations and management accounts. The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Given the size of the Company, the responsibilities and activities of the Audit Committee are included above and not in a separate Audit Committee Report.

The Remuneration Committee:

During the year under review, the members of the Remuneration Committee were Gary O'Brien and James Barnard. James Barnard is the Chair of the Remuneration Committee. The responsibilities of the Remuneration Committee include the following:

• Determining and agreeing with the Board the remuneration policy for all Directors.
• Within the agreed policy, determining the total individual remuneration package for Executive Directors.
• Agreeing with the Board the annual pay rises to employees.
• Determining bonuses payable under the Group's annual cash bonus scheme.
• Determining the vesting of awards under the Group's long-term incentive plan.

Given the size of the Company, the responsibilities of the Remuneration Committee are included above and not in a more detailed separate Remuneration Committee Report.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant parties.

John Lewis of Hungerford communicates with shareholders in a variety of ways from RNS announcements, the Annual General Meeting, Full year and Half Year Accounts and Annual Shareholder presentation as well as informal meetings and correspondence.

The voting results of Annual General Meetings have not historically been promulgated via RNS and on the John Lewis of Hungerford website however John Lewis of Hungerford will do this going forward. Any vote of 20% or more against a resolution will in future therefore be clearly identified.

GOVERNANCE

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

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

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

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

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

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

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

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

GOVERNANCE

Independent Auditors' Report

to the members of John Lewis of Hungerford Plc only for the financial period ended 30 June 2019

Opinion

We have audited the financial statements of John Lewis of Hungerford Plc for the period ended 30 June 2019 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Revenue recognition**

   We considered revenue recognition to be a key audit area given it is significant performance measure for the Company. The Company takes deposits before work commences and as such there is a risk that revenue and profit could be recognised too early.

   Our audit procedures included:

   - A sample of revenue was agreed to delivery notes and confirmation from customers where available to confirm goods were dispatched prior to the period end

   - A sample of deposits were agreed to delivery notes and confirmation from customers (where available) to confirm work was completed after the period end

2. **Cut off of accruals**

   We considered that this to be a key audit area given that once the period is closed in the accounting software, invoices cannot be included even if they were dated pre year end.

   Our audit procedures included:

   - We performed cut-off testing to confirm that direct costs were recorded in the correct accounting period

   - We reviewed post year end payments and invoices to confirm that costs had not been understated.

3. **Going Concern**

   We considered that this to be a key audit area given the company has been loss making for the last two periods with net current liabilities. Cash has also decreased significantly over the last two periods.

   Our audit procedures included:

   - We reviewed detailed cash flow projections and budgets for the subsequent 2 financial years

   - We obtained information regarding possible refinancing options available to the Board.

Our application of materiality
The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Due to the nature of the Company we considered revenue to be the main focus for the readers of the financial statements, accordingly this consideration influenced our judgement of materiality. Based on our professional judgement, we determined materiality to be £87,500, based on a percentage of revenue.

On the basis of our risk assessments, together with our assessment of the overall control environment, our judgement was that performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Company was 50% of materiality, namely £43,750.

We agreed to report to the Audit Committee all audit differences in excess of £4,375, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including controls, and assessing the risks of material misstatement. Our approach in respect of key audit matters is set out in the table in the Key Audit Matters Section above.

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we required for our audit.

Responsibilities of Directors
As explained more fully in the directors' responsibilities statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of our report

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

MATTHEW MEADOWS (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP
Chartered Accountants
Statutory Auditor
Devonshire House
60 Goswell Road
London ECIM 7AD

19 December 2019

FINANCIAL STATEMENTS

Income Statement for the year ended 30 June 2019

	Notes	2019 £	*10 months to 30 June* 2018 £
Revenue	*1, 2*	8,305,948	6,714,917
Cost of sales		(4,374,380)	(3,465,252)
Gross profit		3,931,568	3,249,665
Selling and distribution costs		(498,435)	(442,951)
Administrative expenses		(3,623,689)	(3,155,462)
Loss from operations	*3*	(190,556)	(348,748)
Finance income	*6*	246	258
Finance expenses	*7*	(38,330)	(25,348)
Loss before tax		(228,640)	(373,838)
Tax on Loss from operations	*8*	(68,531)	181,137
Loss for the year		(297,171)	(192,701)
Loss per share	*9*		
Basic		(0.16)p	(0.10)p
Fully diluted		(0.16)p	(0.10)p

Statement of Comprehensive Income for the year ended 30 June 2019

		10 months to 30 June
	2019	**2018**
	£	£
Loss for the year	(297,171)	(192,701)
Total Comprehensive Income	**(297,171)**	**(192,701)**

Statement of Financial Position as at 30 June 2019

	Notes	30 June 2019 £	30 June 2018 £
Non-current assets			
Intangible assets	10	179,292	56,445
Property, plant and equipment	11	2,299,873	2,356,967
Deferred tax asset	16	-	68,531
Trade and other receivables	13	42,750	42,750
		2,521,915	2,524,693
Current assets			
Inventories	12	144,022	169,536
Trade and other receivables	13	736,593	530,201
Cash and cash equivalents		287,187	685,722
		1,167,802	1,385,459
Total assets		3,689,717	3,910,152
Current liabilities			
Trade and other payables	14	(1,919,598)	(1,834,997)
Borrowings	15	(122,289)	(106,946)
		(2,041,887)	(1,941,943)
Non-current liabilities			
Borrowings	15	(479,034)	(507,558)
Provisions	17	(105,053)	(101,053)
		(584,087)	(608,611)
Total liabilities		(2,625,974)	(2,550,554)
Net assets		**1,063,743**	**1,359,598**
Equity			
Share Capital	20	186,745	186,745
Share Premium		1,188,021	1,188,021
Other Reserves		1,421	1,421
Retained Earnings		(312,444)	(16,589)
Total equity		**1,063,743**	**1,359,598**

The financial statements were approved by the Board of Directors and authorised for issue on 19 December 2019 and were signed on its behalf by:

Kiran Noonan
Director

Gary O'Brien
Director

Statement of Changes in Equity for the year ended 30 June 2019

	Share Capital	Share Premium	Other Reserves	Retained Earnings	Total
	£	£	£	£	£
At 31 August 2017	186,745	1,188,021	1,421	176,112	1,552,299
Loss for the period	-	-	-	(192,701)	(192,701)
At 30 June 2018	186,745	1,188,021	1,421	(16,589)	1,359,598
Loss for the year	-	-	-	(297,171)	(297,171)
Share based payments	-	-	-	1,316	1,316
At 30 June 2019	**186,745**	**1,188,021**	**1,421**	**(312,444)**	**1,063,743**

The total comprehensive income for the year is £297,171 loss (2018: £192,701 loss)

Statement of Cash Flows for the year ended 30 June 2019

	2019	*10 months to 30 June* 2018
	£	£
Cash flows from operating activities		
Loss from operations	(190,556)	(348,748)
Amortisation of intangible assets	22,336	11,728
Depreciation and impairment of property, plant and equipment	233,759	210,928
Share based payments	1,316	-
Loss on disposal of property, plant and equipment	9,738	30,723
Decrease in inventories	25,514	8,301
(Increase) in receivables	(206,392)	(31,445)
Increase/(decrease) in payables	84,601	(351,593)
Increase/(decrease) in provisions	4,000	-
Cash generated from operations	(15,684)	(470,106)
Net cash from operating activities	**(15,684)**	**(470,106)**
Cash flows from investing activities		
Purchase of intangible assets	(145,183)	(9,660)
Purchase of property, plant and equipment	(196,248)	(279,229)
Net proceeds from sale of property, plant and equipment	9,845	56,905
Interest received	246	258
Net cash used in investing activities	**(331,340)**	**(231,726)**
Cash flows from financing activities		
Interest paid	(38,330)	(25,348)
Increase in borrowings	100,876	-
Repayment of borrowings - finance leases	(27,981)	(16,295)
Repayment of borrowings - bank loans	(86,076)	(73,605)
Net cash used in financing activities	**(51,511)**	**(115,248)**
Net increase/(decrease) in cash and cash equivalents	**(398,535)**	**(817,080)**
Net cash and cash equivalents at the start of the period	685,722	1,502,802
Net cash and cash equivalents at the end of the year	**287,187**	**685,722**

Net cash and cash equivalents		
Cash at bank and in hand	287,187	685,722
Bank overdrafts	-	-
	287,187	**685,722**

FINANCIAL STATEMENTS

Notes to the financial Statements

1 ACCOUNTING POLICIES

1.1 Basis of preparation

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

Use of estimates and judgements

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

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

Going concern

Given that the Company has incurred losses over the last two periods and has net current liabilities of £874,085 (2018: £556,484) the Directors have given consideration to the Company's going concern status. After reviewing the Company's operating budgets, investments plans and financing arrangements (both current and potential), the Directors consider that the Company has, at the date of this report, sufficient financing available for the estimated requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the annual report and financial statements.

SIGNIFICANT ACCOUNTING POLICIES

1.2 Revenue

The Company’s revenue arises principally from the sale of products and installation services to consumers from the Company's showrooms. The revenue is predominantly derived in the UK.

Contracts with customers for the sale of products to end consumers include one performance obligation. The Company has concluded that revenue from the sale of products should be recognised at a point in time when control of the goods are transferred to the consumer, which is the point of completion.

Contracts with customers for installations and other services to end consumers include one performance obligation. The Company has concluded that revenue from the sale of installations should be recognised at a point in time when control of the services are transferred to the consumer, which is the point of allocating the installation with the third party installation team.

Revenue is measured at the invoice price less any discounts offered.

1.3 Intangible assets - trademarks

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

1.4 Intangible assets - development costs

Development costs are stated at cost less amortisation to date. Amortisation is provided so as to write off their cost over the expected useful life of 5 - 10 years, on a straight-line basis.

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

1.5 Intangible assets - software costs

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

Included in software costs are website development costs which are stated at cost less amortisation where they demonstrably increase the level of appointments and sales orders from website enquiries and hence can be proven to be revenue generating. Amortisation is provided so as to write off the cost over the expected useful life of 10 years, on a straight line basis.

1.6 Property, plant and equipment

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

Freehold Land & Buildings	2% straight-line
Plant & machinery and loose tools	10% straight-line
Office Fixtures & fittings and IT equipment	10% and 33% straight-line
Showroom display and shop fittings	33% reducing balance and 10% straight-line; 20% straight-line on new showroom displays.

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

1.7 Leases

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

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

1.8 Inventories

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

1.9 Pensions

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

1.10 Current and deferred taxation

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

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

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

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

1.11 Financial instruments

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

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

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

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

1.12 Cash and cash equivalents

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

1.13 Impairment

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

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

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

1.14 Product warranty claims

The Company makes provision for potential future warranty claims. This provision is reviewed and adjusted annually based on the levels of turnover achieved and the claims record in the same 12 month period.

1.15 Dilapidations on leasehold property

The Board will review its showroom estate on an annual basis and make such provision for dilapidations as it considers necessary based on the length of the remaining term for each showroom, the future plans for each showroom and based on this, review independent professional advice as to the costs of exiting a site.

1.16 Adoption of new and revised standards

a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 - Revenue from Contracts with Customers, has replaced all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard has an effective date of 1 July 2018.

The Company has applied the standard using the modified retrospective method in accordance with paragraph C3 (b) of the standard, requiring any cumulative impact to be recognised as an adjustment to the opening balances within equity.

The Company's revenues that are applicable for IFRS 15 are sales of the Company's products and services to retail customers. The Company has performed the five-step model on these sales, identifying the contracts, the performance obligations, transaction price and then allocating this to determine the timing of revenue recognition. For each of these there is no impact on the timing of transfer of control and therefore no impact on the timing of recognition of revenue.

The Company's loss before tax remains unchanged and no adjustments to any line items have been made to the opening balances within equity.

b) IFRS 9 Financial Instruments

IFRS 9 - Financial Instruments, has replaced IAS 39 Financial Instruments: Recognition and Measurement, covering the classification, measurement and derecognition of financial assets and financial liabilities, together with a new hedge accounting model and the new expected credit loss model for calculating impairment. The standard has an effective date of 1 July 2018.

The new standard has had the following effects on the Company's financial statements:

The Company's impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. The Company's history of low credit losses as a result of advance customer payments, has resulted in no change to the provision value previously recorded and there is no change to the opening balances within equity.

1.17 New standards and interpretations not yet adopted

New standards, interpretations and amendments effective for accounting periods beginning on or after 1 July 2019:

No new standards, interpretations and amendments, which are effective for periods beginning on or after 1 July 2019 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements other than IFRS 16, the effect of which is summarised below.

If IFRS 16 had been adopted for the current financial year it would have had the following impact on the Company's financial statements:

- Current and non-current assets increased in total by: £1,717,398
- Current and non-current liabilities increased in total by £2,096,235
- Operating expenses reduced by: £451,692
- Depreciation expense increased by: £304,388
- Finance expense increased by: £129,691
- Reserves brought forward reduced by £396,449

A total reduction in the loss for the company for the period to 30 June 2019 of £17,613.
A total reduction in Net Assets for the company as at 30 June 2019 of £378,837.

2 OPERATING SEGMENTS

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

3 LOSS FROM OPERATIONS

		10 months to 30 June
	2019	2018
	£	£
Loss from operations is stated after charging:		
Auditors remuneration - Company audit	26,000	25,000
Amortisation of intangible fixed assets	22,336	11,728
Depreciation of owned property plant and equipment	215,716	202,928
Depreciation of plant and equipment held on finance leases	18,043	8,000
Loss on disposal of property, plant and equipment	9,738	30,723
Operating lease rentals		
- Plant and machinery	9,503	15,968
- Other assets	455,152	387,991
Cost of inventories recognised as an expense	3,608,473	2,806,020

4 DIRECTORS' EMOLUMENTS

Details of Directors' remuneration is shown below

	Salary/ fees	*Benefits in kind*	*Pension contribution*	***Total* 2019**	*Total* 2018
	£	£	£	£	£
Kiran Noonan	114,797	-	7,000	121,797	107,298
Gary O'Brien	30,000	-	-	30,000	37,575
James Barnard	16,498	-	-	16,498	23,328
	161,295	-	7,000	168,295	168,201

Retirement benefits are accruing to 1 Director (2018 - 1 Director) under defined contribution schemes.

5 EMPLOYEES

Number of employees

The average monthly number of employees during the year was:

	2019	2018
	Number	Number
Directors	3	3
Production	19	19
Sales and distribution	32	34
Administration	6	5
	60	61

	2019	2018
	£	£
Employment costs		
Wages and salaries	2,180,771	1,780,609
Redundancy costs	-	(954)
Social security costs	239,216	175,484
Other pension costs	56,070	45,588
	2,476,057	2,000,727

6 FINANCE INCOME

	2019	2018
	£	£
Bank interest income	246	258

7 FINANCE EXPENSES

	2019	2018
	£	£
Interest payable on bank loans	32,346	25,348
Hire purchase interest	5,984	-
	38,330	25,348

8 TAX ON (LOSS) FROM OPERATIONS

	2019	2018
	£	£
Current period taxation		
UK Corporation tax charge for the period	-	-
Research and development tax credit	-	94,258
Total current tax	-	94,258
Origination and reversal of temporary timing differences	33,665	86,879
Current year deferred tax asset not recognised	(33,665)	-
Reversal of previously recognised Deferred tax asset	(68,531)	
	(68,531)	181,137

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

	2019	2018
	£	£
Loss on ordinary activities before tax	(228,640)	(373,838)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(43,442)	(71,029)
Effect of:		
Expenses not deductible for tax purposes	4,715	2,378
Depreciation on assets not qualifying for tax allowances	4,658	10,563
Other permanent differences	(11,446)	(3,428)
Adjustment in respect of prior years	-	(10,296)
Research and development tax credit	-	(94,258)
Deferred tax adjustments in respect of prior years	-	(23,130)
Effect of change in local corporation tax rate	11,850	8,063
Current year deferred tax asset not recognised	33,665	-
Reversal of previously recognised Deferred tax asset	68,531	-
Total tax charge/(credit) in income statement	68,531	(181,137)

For explanation of current & prior year accounting treatment of Deferred Tax asset, please see note 16.

9 EARNINGS PER SHARE

	2019	*10 months to 30 June* 2018
Loss per ordinary share is calculated as follows:		
Basic		
Loss attributable to ordinary shareholders (£)	(297,171)	(192,701)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Loss per ordinary share	(0.16)p	(0.10)p
Fully diluted		
Loss attributable to ordinary shareholders (£)	(297,171)	(192,701)
Weighted average number of ordinary shares in issue	186,745,519	186,745,519
Weighted average number of ordinary shares under option	6,553,983	-
Loss per ordinary share	(0.16)p	(0.10)p

Basic earnings per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of Ordinary shares outstanding during the year plus the weighted average number of Ordinary shares that would have been issued on the conversion of all dilutive potential Ordinary shares into Ordinary shares. The potential ordinary shares relating to outstanding share options were anti-dilutive because the Company reported a loss from continuing operations for the year, and therefore were excluded from the diluted earnings per share calculation.

10 INTANGIBLE NON-CURRENT ASSETS

	Software	Trademarks	Development Costs	Total
	£	£	£	£
Cost				
At 1 September 2017	50,600	57,154	115,988	223,742
Additions	9,660	-	-	9,660
At 30 June 2018	60,260	57,154	115,988	233,402
Additions	93,000	-	52,183	145,183
At 30 June 2019	**153,260**	**57,154**	**168,171**	**378,585**
Amortisation				
At 1 September 2017	48,645	56,462	60,122	165,229
Charge for the year	2,117	107	9,504	11,728
At 30 June 2018	50,762	56,569	69,626	176,957
Charge for the period	5,391	128	16,817	22,336
At 30 June 2019	**56,153**	**56,697**	**86,443**	**199,293**
Net book value				
At 30 June 2019	**97,107**	**457**	**81,728**	**179,292**
At 30 June 2018	9,498	585	46,362	56,445

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Showroom display & shop fittings	Plant & machinery and loose tools	Office fixtures, fittings & IT equipment	Total
Cost	**£**	**£**	**£**	**£**	**£**
At 1 September 2017	1,754,752	2,153,144	414,390	235,637	4,557,923
Additions	-	247,311	11,400	20,518	279,229
Disposals	-	(125,633)	-	-	(125,633)
At 30 June 2018	1,754,752	2,274,822	425,790	256,155	4,711,519
Additions	-	21,075	138,074	37,099	196,248
Disposals	-	(82,668)	(3,000)	-	(85,668)
Re-classification	(25,332)	25,332	-	-	-
At 30 June 2019	**1,729,420**	**2,238,561**	**560,864**	**293,254**	**4,822,099**
Depreciation and impairment					
At 1 September 2017	452,429	1,340,264	210,231	178,705	2,181,629
Charge for the period	33,684	122,588	29,403	22,231	207,906
Disposals	-	(38,005)	-	-	(38,005)
Dilapidations Amortisation	3,022	-	-	-	3,022
At 30 June 2018	489,135	1,424,847	239,634	200,936	2,354,552
Charge for the year	24,030	148,425	41,630	17,679	231,764
Disposals	-	(64,685)	(1,400)	-	(66,085)
Reclassification	(18,207)	18,207	-	-	-
Dilapidations Amortisation	1,995	-	-	-	1,995
At 30 June 2019	**496,953**	**1,526,794**	**279,864**	**218,615**	**2,522,226**
Net book value					
At 30 June 2019	**1,232,467**	**711,767**	**281,000**	**74,639**	**2,299,873**
At 1 September 2018	1,265,617	849,975	186,156	55,219	2,356,967

The freehold land element of freehold land and buildings which was not depreciated was £503,624 (2018 - £503,624). The net book value of items held under finance leases was £186,601 (30 June 2018: £64,800). The depreciation charge for items held under finance leases is shown in note 3.

12 INVENTORIES

	2019	2018
	£	£
Raw materials and consumables	132,761	140,378
Work in progress	11,261	29,158
	144,022	169,536

Raw materials & consumables stated net of a provision for Obsolete Stock of £8,882 (2018: £14,887)

13 TRADE AND OTHER RECEIVABLES

	2019	2018
Current assets:	**£**	£
Trade receivables	280,907	49,705
Other receivables	15,228	44,487
Prepayments and accrued income	440,458	436,009
	736,593	530,201
Non-current assets:		
Other receivables	42,750	42,750

Non-current other receivables relate to lease deposits totalling £42,750 (2018: £42,750) which are recoverable after more than one year. These have not been discounted as the impact is not material to the financial statements

Trade receivables are stated net of provisions for doubtful debts of £17,161 (2018: £20,508). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

14 TRADE PAYABLES AND OTHER PAYABLES

	2019	2018
	£	£
Payments received on account	369,252	294,028
Trade payables	552,011	559,501
Other taxes and social security costs	325,174	353,289
Other payables	10,769	57,861
Accruals and deferred income	662,392	570,318
	1,919,598	1,834,997

15 BORROWINGS

	2019	2018
	£	£
Bank loans	491,807	577,883
Finance lease liabilities	109,516	36,621
	601,323	614,504
Presented in the balance sheet as:		
Borrowings - current	122,289	106,946
Borrowings - non-current	479,034	507,558
	601,323	614,504
(a) Bank borrowings		
Analysis of bank loan repayments:		
In one year or less	92,383	85,046
In more than one year but not more than two years	95,054	81,156
In more than two years but not more than five years	259,395	263,017
In more than five years	44,975	148,664
	491,807	577,883

The Bank loans are secured by a legal charge over the Company's freehold properties at Park Street, Hungerford, Berkshire and Grove Technology Park, Downsview Road, Wantage, Oxfordshire.

	2019	2018
	£	£
(b) Finance lease liabilities		
Gross finance lease liabilities– minimum lease payments:		
In one year or less	42,909	21,900
Between one and five years	77,247	16,425
More than five years	15,449	-
	135,605	38,325
Future finance charges on finance lease liabilities	(26,089)	(1,704)
Present value of finance lease liabilities	109,516	36,621

Future finance charges on finance lease liabilities are analysed as follows:

	2019	2018
	£	£
In one year or less	(10,426)	(1,372)
Between one and five years	(15,663)	(332)
	(26,089)	(1,704)

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

16 DEFERRED TAX ASSETS / LIABILITIES

		Deferred taxation
		£
Balance at 1 July 2018		(68,531)
Accelerated capital allowances	4,586	
Tax losses carried forward	(36,279)	
Research and development accelerated deductions	(1,972)	
Profit and loss account charge/(credit)		(33,665)
Deferred tax asset not recognised		33,665
Reversal of previously recognised Deferred tax asset		68,531
Balance at 30 June 2019		-

The provision for deferred taxation consists of the following amounts:

	2019	2018
	£	£
Capital allowances in excess of depreciation	122,523	117,937
Tax losses carried forward	(230,629)	(194,350)
Research and development accelerated deductions	5,910	7,882
Transfer to non-current receivables	-	68,531
Deferred tax asset not recognised	33,665	-
Reversal of previously recognised Deferred tax asset	68,531	-
	-	-

In the prior year, a deferred tax asset of £68,531 was recognised in respect of accumulated tax losses amounting to £1,143,232 The Directors continue to believe that the availability of tax losses will in due course reduce the Company's tax liability in future accounting periods, however at this time, the Directors believe that it is prudent for the deferred tax asset of £68,351 to be derecognised, resulting in a deferred tax charge of £68,531. This has no effect on the underlying performance of the business or our cash position.

17 PROVISIONS

	Warranty provision	Dilapidations provision	Total
		£	£
At 1 September 2017	41,575	59,478	101,053
Arising during the year	37,958	-	37,958
Utilised during the year	(37,958)	-	(37,958)
At 30 June 2018	41,575	59,478	101,053
Arising during the period	4,000	-	4,000
Utilised during the period	-	-	-
At 30 June 2019	45,575	59,478	105,053

	2019	2018
	£	£
Non-Current	105,053	101,053
	105,053	101,053

Warranty provision

The Company makes provision for potential future warranty claims on kitchens & bedrooms sold. This provision is reviewed and adjusted annually based on the levels of turnover achieved and the claims record in the same period.

Dilapidations provision

The Company makes such provision for dilapidations relating to its leasehold showroom estate as it considers necessary based on the length of the remaining term for each showroom, the future plans for each showroom and based on this, review independent professional advice as to the costs of exiting a site.

18 PENSION COSTS

The Company operates defined contribution group personal pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £56,070 (2018: £45,588). The scheme complies with the Auto Enrolment requirements and the Company's staging date was March 2015. The amount of unpaid pension commitments at the year end was £4,588 (2018: £4,711).

19 FINANCIAL INSTRUMENTS

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

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

Interest Rate Risk

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

Interest rate risk profile

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

	2019	2018
	£	£
Floating rate cash and deposits	287,187	685,722
Fixed rate loans	132,971	151,163
Floating rate loans	468,352	426,720

Sensitivity Analysis

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

At the reporting date, if interest rates had been 1% higher and all other variables were held constant, the effect on the Company's net assets would have been reduced by £3,141 (2018: £1,078).

Foreign Currency Risk

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

Credit Risk

Exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, namely cash and cash equivalents, trade and other receivables.

At the year end the Company's trade receivables amount to £280,907 (2018: £49,705).

The Company manages its exposure to this risk through its payment terms, which in the majority of cases require payment prior to delivery of product. For any corporate accounts receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Movements in the allowance for doubtful debts are disclosed in note 13.

Liquidity Risk

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

Capital risk management

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

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

Part of the Company's capital risk management is to ensure compliance with the general and financial terms included in the Company's various borrowing facilities. There have been no breaches of these terms in the financial year ended 30 June 2019.

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

	2019	2018
	£	£
Total equity	1,063,743	1,359,598
Bank borrowings	491,807	577,883
	1,555,550	1,937,481

Financial Assets

The Company's financial assets comprise cash at bank or in hand. Cash at bank earns interest at floating rates, based on the relevant bank's commercial rates. Cash at bank and in hand comprises £287,187 (2018: £685,722) in Sterling.

Financial Liabilities

The Company's financial liabilities comprise four bank loans, finance lease liabilities and trade payables. The first bank loan is repayable over 15 years from 4 February 2010 and carries interest at a floating annual rate of 4.55% over Bank of England base rate. The first loan has a value of £132,971 (2018: £151,163) denominated in Sterling.

The second loan is repayable over 15 years from 22 March 2010 and carries interest at a fixed rate of 7.55% per annum for a period of 10 years and thereafter at a floating rate linked to the Bank of England base rate. The second loan has a value of £123,148 (2018: £140,890) denominated in Sterling.

The third loan is repayable over 10 years from 24 August 2011 and carries interest at a floating annual rate of 4.8% over Bank of England base rate. The third loan has a value of £40,432 (2018: £57,416) denominated in Sterling.

The fourth loan is repayable by 31 May 2022 by monthly installments and carries interest at a floating annual rate of 4.35% over Bank of England base rate. The fourth loan has a value of £195,256 (2018: £228,414) denominated in Sterling.

Finance lease liabilities are repayable over 5 years and carry interest at a fixed annual rate of 5%. Finance leases have a value of £109,516 (2018: £36,621) denominated in Sterling.

At the year end the Company's trade payables amount to £552,011 (2018: £559,501). Trade payables are settled within agreed credit terms, so no interest is paid on this category of financial liability.

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

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

Borrowing facilities
The Company had the following un-drawn committed borrowing facilities at 30 June 2019 and 30 June 2018.

	2019	2018
	£	£
Expiry date:		
In one year or less	250,000	250,000

20 SHARE CAPITAL

	2019	2018
	£	£
Authorised		
250,000,000 Ordinary shares of 0.1p each	250,000	250,000

	2019	2018
	£	£
Allotted, called up and fully paid		
186,745,519 Ordinary shares of 0.1p each	186,745	186,745

21 SHARE BASED PAYMENTS

	2019	2018
	£	£
Share based payments expense	1,316	-

The charge relates entirely to equity-settled share based payment transactions.

During the year ended 30 June 2019 the Company granted options over 26,215,931 ordinary shares of 0.1 pence each in the Company ("Ordinary Shares") at an exercise price of 1 pence per Ordinary Share to all employees and Directors of the Company under the Company's Unapproved and EMI Share Option Plan ("Option Plan").

Performance conditions apply to the vesting of options under the Option Plan that are linked to the Company's future profit and share price performance. In addition, the Option Plan includes a hurdle criteria which stipulates that no Ordinary Shares under the share price performance criteria will vest until the share price of an Ordinary Share reaches 3 pence.

The Option Plan was approved by shareholders at the Company's Annual General Meeting on 11 December 2018 . The Company has calculated charges for the share option awards using Monte Carlo and Binomial models. Volatility and risk free rates have been calculated for each share option award based on expected volatility over the vesting period and current risk free rates at the time of each award. Volatility assumptions are based on historic volatility for the Company's share price over 4 years. Assumptions for future profitability have been based on management estimates.

The performance conditions attached to the share options are as follows:

AIM listed share price (per Ordinary Share)	Percentage of the Award which vests
> £0.03	9.375%
> £0.04	9.375%
> £0.05	9.375%
> £0.06	9.375%
> £0.07	9.375%
> £0.08	9.375%
> £0.09	9.375%
> £0.10	9.375%

If the AIM listed share price has reached £0.03 or higher

Profit before Tax (in any 12-month statutory accounting period)	Percentage of the Award which vests
> £200k	5.00%
> £400k	5.00%
> £500k	5.00%
> £600k	5.00%
> £700k	5.00%

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

Award date	Share price at date of award / exercise price (pence)	Expected volatility	Risk free rate	Expected dividends	Option life in years	IFRS2 fair value per share option (pence)
25 March 2019	0.6 / 1.0	50%	1.02%	-	2.6 - 6.9	0.125 - 0.229

Share and share option awards outstanding

As at 30 June 2019 all prior year share and share option awards had vested or lapsed. The share options awarded during the year under the Option Plan were as follows:

Scheme and date of award	Exercise price	Vesting date	Number awarded	Number lapsed	Number exercised	Outstanding at 30 June 2019
Option Plan 25 March 2019	1 pence	Variable but no less than 2 years	26,215,931	-	-	26,215,931

The weighted average remaining contractual life of outstanding share options is 9.5 years. The number of exercisable share options at 30 June 2019 was nil.

22 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2019 the Company had outstanding commitments for future minimum payments under non- cancellable operating leases which fall due as follows:

	Land and buildings		Other	
	2019	2018	**2019**	2018
	£	£	**£**	£
Expiry date:				
Within one year	417,500	394,996	9,973	18,762
Between two and five years	1,161,000	1,070,833	13,324	17,942
In over five years	941,667	782,708	2,120	-
	2,520,167	2,248,537	25,417	36,704

23 CAPITAL COMMITMENTS

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

24 RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The transactions with Directors of the Company are disclosed in notes 4 and 21. Transactions with key management personnel (comprising the Directors and key members of management) are disclosed below:

Compensation of key management personnel (including Directors)

	2019	2018
	£	£
Short term employee benefits	168,295	168,201
Share-based payments	1,316	-
	169,611	168,201

John Lewis of Hungerford plc

Notice of Annual General Meeting

Registered number

01317377

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any of the contents of this document or the action you should take you are recommended to consult an independent advisor authorised under the Financial Services and Markets Act 2000.

If you have recently sold or transferred all of your shares in John Lewis of Hungerford plc, you should forward this document and the accompanying form of proxy to your bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE is hereby given that the Annual General Meeting of **John Lewis of Hungerford plc** ("the Company") will be held at Mercure London Paddington, 144 Praed Street, London, W2 1HU at 2.00 p.m. on Tuesday 21 January 2020 for the following purposes:

As Ordinary Business

To consider and if thought fit pass the following resolutions 1, 2 and 3 that will each be proposed as an ordinary resolution:

1. To receive, consider and adopt the Company's accounts for the period ended 30 June 2019 together with the Directors' report and Auditors' report thereon.

2. To re-appoint Moore Kingston Smith LLP as auditor to the Company and to authorise the Directors to determine their remuneration.

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

As Special Business

To consider and if thought fit pass the following resolutions 4, 5 and 6 that will be proposed as to resolutions 4 and 5 as ordinary resolutions and as to resolution 6 as a special resolution.

4. That in accordance with paragraph 42(2)(b) of Schedule 2 of the Companies Act 2006 (Commencement No 8, Transitional Provisions and Savings) Order 2008, the restriction on the authorised share capital of the Company set out in clause 6 of the memorandum of association of the Company, which by virtue of section 28 of the Companies Act 2006 (the "Act") is treated as a provision of the Company's articles of association, is hereby revoked and deleted.

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 conclusion of the next Annual General Meeting of the Company, 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 4 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 period ended 30 June 2019; and

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

By Order of the Board

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

Cargil Management Services Limited
Company Secretary
Dated: 19 December 2019

Explanatory Notes to the Notice of Annual General Meeting

Resolution 4
Deletion of restriction on authorised share capital.
We have reviewed the Company's existing articles of association to determine the extent to which updates are required since the articles of association were last amended. As a result of that review, we have decided to aim to adopt a new set of articles of association at next year's AGM (subject to shareholder approval). In the meantime, we have decided to remove the legacy restriction on the Company's authorised share capital, in common with many UK companies since 1 October 2009, in light of the full implementation of the Companies Act 2006.

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 the annual 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.

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 Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR; and
   - received by Share Registrars Limited no later than 2.00 p.m. on 17 January 2020.

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

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

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

John Lewis of Hungerford plc (the "Company")

Annual General Meeting

to be held on Tuesday 21 January 2020 at 2.00pm
at Mercure London Paddington
144 Praed Street, Paddington, London, W2 1HU

Form of Proxy

I/We,…….

of
……
being (a) member(s) of the above named Company, hereby appoint the Chairman of the meeting or

……………………………………………………………………………………………………...

of
……
as my/our proxy to exercise all or any of my/our rights to attend, speak and on a poll to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Mercure London Paddington, 144 Praed Street, Paddington, London, W2 1HU at 2.00pm on Tuesday 21 January 2020 and at any adjournment thereof. My/our proxy is directed to vote on the following resolutions at the Annual General Meeting (and any adjournment thereof), as indicated by an "X" in the appropriate box below and on any other resolutions as he thinks fit.

Please indicate with an "X" in the appropriate box how you wish your vote to be cast. If this form is returned without any indication as to how the proxy should vote in relation to the resolutions summarised below and set out in the Notice of Annual General Meeting, the proxy may vote or abstain at his/her discretion

Ordinary resolutions

	For	Against	Vote Withheld	Discretionary
1. To receive, consider and adopt the Company's accounts for the period to 30 June 2019 together with the Directors' report and auditors' report thereon	☐	☐	☐	☐
2. To re-appoint Moore Kingston Smith LLP as auditor to the Company and to authorise the Directors to determine their remuneration.	☐	☐	☐	☐
3. To re-elect Gary O'Brien as a Director who retires from the Board and who, being eligible, offers himself for re-election.	☐	☐	☐	☐
4. To authorise the deletion of the restriction on authorised share capital from the Company's articles of association.	☐	☐	☐	☐
5. To authorise the Directors to allot relevant securities pursuant to section 551 of the Companies Act 2006 ("the Act").	☐	☐	☐	☐
Special resolution				
6. To authorise the Directors pursuant to section 570 of the Act to allot equity securities in certain circumstances as if section 561(1) of the Act did not apply.	☐	☐	☐	☐

Dated ………………………………………………………… Signed…………………………………………………………………

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. You can only appoint a proxy using the procedures set out in these notes.

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. If you sign and return this 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 you 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. To direct your proxy how to vote on the resolutions mark the appropriate box 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 you either select the "Discretionary" option or 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.

5. To appoint a proxy using this form, the form must be:

   (a) completed and signed;
   (b) sent or delivered to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR; and
   (c) received by Share Registrars Limited no later than 2.00pm on 17 January 2020

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

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

8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

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