# Final Results

JOHN LEWIS OF HUNGERFORD PLC

Released 07:00:04 18 March 2021

RNS Number : 6349S
John Lewis Of Hungerford PLC
18 March 2021

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse (Amendment) (EU EXIT) Regulations 2019/310.*

18 March 2021

**JOHN LEWIS OF HUNGERFORD PLC**

**FINAL RESULTS**

John Lewis of Hungerford plc ("John Lewis of Hungerford" or the "Company"), the specialist kitchen manufacturer and retailer, announces its final results for the year ended 30 June 2020.

**Chief Executive's Business Review**

Due to the COVID-19 pandemic, the Company was not able to announce and post its annual audited report and accounts for the financial year ended 30 June 2020 (the "Annual Report") to shareholders by 31 December 2020. The Company therefore applied to AIM Regulation, pursuant to the guidance provided by AIM Regulation, for an additional period of up to three months to publish the Annual Report which was granted. I am now pleased to be able to report the results for the year ended 30 June 2020, together with an update on trading since that date. The unaudited interim results for the six months ended 31 December 2020 will be released shortly after this announcement.

Prior year comparatives are restated for the impact of the adoption of IFRS16: Leases. The impact is fully disclosed in Note 2 to the financial statements.

**Overview**

As reported within our Finance and Operations Update released on 30 June 2020, the timing of the initial lockdown period of 12 weeks from 23 March 2020 restricted the Company's ability to trade during its seasonal peak in the final quarter, which has had a significant impact on the final results for the year ended 30 June 2020, with the resulting revenues for the year of £5.55 million (2019: £8.31 million). The Company recognises revenues at the point of delivery of orders to customers, and, therefore, the financial performance in the second half of the financial year was particularly adversely affected. The restrictions on trades operating in peoples' homes, combined with customers who were shielding or self-isolating, severely restricted customer deliveries for much of the final quarter of the financial year. The underlying loss before tax for the year was £886k (2019: restated loss before tax of £220k).

Since re-opening our showrooms on 15 June 2020, we have seen record breaking levels of customers engaging with the business through both our digital channels and face-to- face during the periods when the showrooms have been open. The aggregate value of first design quotations provided to customers ("quoted business") in the period since our re-opening through to February 2021 is double the figure for the comparable period in the previous financial year. We are pleased with the progress to date and can see latent demand, arising from the earlier lockdowns and from customers with delayed projects, now moving forward.

With FCA approval granted, we are now offering finance facilities to our customers, which has been well received. We look forward to assessing the benefit that this new service offering brings over the coming period.

The new financing facility with Devon & Cornwall Securities Limited for £1.079 million, announced on 30 June 2020, supported the working capital requirements of the business with operating costs as we emerged from the earlier lockdown. Liquidity (cash and unutilised overdraft) as at 30 June 2020 was £559k (2019: £538k).

The first six months of our new financial year for the year ending 30 June 2021 have seen a broadly comparable sales performance with the year ended 30 June 2020. The unaudited results for the six months ended 31 December 2020 show sales of £3.33 million (2020: £3.35 million), suppressed in part due to delays arising from the additional November lockdown. The loss before tax is £213k (2020: restated loss before tax £398k)

**Marketing**

The switch to digital advertising has been a strategic shift for the business over the last two years. Developing our website and our social media following, combined with using influencers to support our brand strategy and positioning, has been instrumental in generating the increase in online traffic we have seen, and this has continued into the new financial year. With a more sophisticated PPC and SEO strategy, combined with our enhanced website offering, we have been able to attract online visitors at a time that we could no longer rely on footfall. Our website and social media channels became a very critical way for customers to engage with the business. Despite the complete closure of the showrooms for the final quarter of the year, we still achieved committed orders at a rate of around 30% of the prior year levels during this difficult period.

During the subsequent lockdowns, we have successfully switched our design teams back online, with virtual consultations working well through popular video conferencing systems such as Zoom and MS Teams, as seen during the November and the new year 2021 lockdowns. Our online tools and services, including Virtual Showroom Tours and Product Demonstration Videos, have aided the customer decision making in this high value spend on the home. Having created an effective and seamless virtual proposition to provide either a blended, or fully virtual experience, for customers who may find themselves unable to visit showrooms, we are confident that our customers will experience an immersive and engaging virtual experience.

**Operations**

Within this challenging environment, we took steps to remove approximately £275k of costs in the year ended 30 June 2020, with an annualised benefit of around £450k. As a result of the recent uplift in quoted business, selected re-investments will be made within the business. However, we continue to pursue additional cost savings to ensure that we optimise the cost base for the business and maximise agility during this challenging time. Operating margins for the year ended 30 June 2020 were broadly in line with the prior year, achieved through improvements in our production facility following our investment in the spray booths and ovens in 2019. Improved productivity, combined with more proficient procurement, has led to additional cost savings.

Our commitment to building our professional relationships with architects, developers and interior designers continues to gather pace.

Our modern Shaker and handless Pure ranges continue to dominate our sales, although we have seen a sustained interest in our traditional framed kitchens, representing 18% of our sales during the year to 30 June 2020.

| | 12 months to June 2020 | 12 months to June 2019 |
|---|---|---|
| | £000 | £000 |
| Total Sales | 5,553 | 8,306 |
| Cost of sales | 3,004 | 4,374 |
| Gross margin | 2,549 | 3,932 |
| Gross Margin % | 45.9% | 47.3% |

The movement in the gross margin is a result of the fixed labour costs incurred when running our production facility during the period that the showrooms remained closed. The Board took the decision to complete production of all committed orders, even where customers were self-isolating or shielding, or were unable to take delivery or resume building works, until after the year end.

**Financials**

Given the strong design quoted activity during January and February 2020, together with the effect of the cost saving measures already implemented, the Board had previously been cautiously confident of a profitable second half, which was expected to approximately offset the first half loss.

However, since the national lockdown began in March 2020, the Company's immediate focus switched to cash preservation. As soon as it became clear that the final quarter disruption would have an adverse impact on our cash reserves, the Company explored all available options to mitigate the revenue loss by implementing cost-cutting measures immediately. We sought to agree preferential terms from our landlords and suppliers, and we thank them for their support during this difficult period. We continue to look to our strategic partners for their ongoing support with preferential payment terms until our showrooms reopen and we can see more certainty moving forwards.

In addition, the Company utilised UK Government support measures, including VAT payment holidays and PAYE deferral, the local business grants, business rates relief and the Coronavirus Job Retention Scheme. This support helped the business to reduce monthly cash operating costs throughout the earlier lockdown.

The Board met regularly to ensure support for the executive team and provided valuable guidance for the many challenges we encountered, and assisted in making critical decisions, which were needed to secure the financial resilience of the Company. The Directors continue to meet as often as is required to support the executive team.

**Covid-19 Response**

As soon as the Government advised retail outlet closures in March 2020, we suspended all manufacturing activities for the initial three-week lockdown and our installation teams completed essential works only, before pausing operations completely. All delivery services were also deferred with the health and safety of our teams being of vital importance.

With nearly 70% of the workforce furloughed initially, the business continued to support our teams on full pay initially and then at 80% until the teams returned to work. The Board also took a 20% reduction in pay for three months. Any colleagues who suffered Covid-19 symptoms were paid full sick pay until they recovered, or until their self-isolation ended. Supporting our teams has been central to our policies throughout the period, with our Employee Assistance Programme also providing a Health & Wellbeing Helpline, for those who found the experience of lockdown stressful. Contact was maintained throughout the lockdown period with the teams to ensure they were fully informed of progress being made within the business.

Reopening our sites was carefully managed to ensure that both the showrooms and the factory teams were COVID-Safe. Additional safety measures including strict social distancing and hygiene measures have been taken, with customers returning to the showrooms in June 2020, on an 'appointment only basis'. This helped restore customer confidence in visiting our showrooms, with the design team now able to fully interact with a customer on a one-to-one basis.

With customer deliveries fully resumed and the manufacturing facility operating at normal lead times with effect from May 2020, our performance to date in the new financial year has been ahead of our expectations. Customers continue to prioritise works in their homes, ahead of any future lockdowns or restrictions being imposed on trades operating in peoples' homes.

The Board continues to work closely with all of its partners to ensure the safety of its employees, customers and suppliers. Any action needed to improve our ability to protect the health, safety and wellbeing of our people, both at work and at home, continues to be paramount as we move forward during this period.

**Trading Outlook**

The first six months of our new financial year for the year ended 30 June 2021 have seen a broadly comparable sales performance with the year ended 30 June 2020. The unaudited results for the six months ended 31 December 2020 show sales of £3.33 million (2020: £3.35 million), due in part to the additional November lockdown and a loss before tax of £213k (2020: restated loss before tax £398k). The impact of the November lockdown has deferred sales into the second half of our current financial year, as supported by the high level of deposits taken to date, as detailed below.

Our despatched sales and forward orders (which we normally consider to be the best measure of current trading) for the first 35 weeks of trading of the current financial year stood at £6.2 million (2020: £5.7 million). Future orders against which a first stage deposit has been taken stood at £2.1 million (2020: £0.7 million), of which £1.5 million is currently scheduled for completion by the June 2021 year end (2020: £0.5 million). Therefore, the total of all despatched sales and forward orders is £8.3 million, which is 30% ahead of the corresponding period in the previous year, which was prior to the first lockdown beginning on 23 March 2020. Quotation activity within the business continues to be substantially up on the previous year which reflects a now, sustained consumer interest in home improvements.

The Government's road map out of lockdown currently states that our showrooms can re-open on 12 April 2021. Although this remains uncertain whilst the government assess the steps taken to start to reopen society. Whilst conscious of the inherent uncertainties, we remain cautiously optimistic for an improved performance over recent years, however, we are prepared for further disruption from the pandemic, including further building delays for the trades people, caused by a backlog of projects arising from the succession of lockdowns, that could impact our results and cashflows in the current year. The work done to move the business online in the event of extensions to local lockdowns, however, should support customers to continue their buying journey with our design team and reduce the adverse impact on our order book.

The year under review has been one of the most challenging in the history of the Company. The dedication and loyalty of our employees to come together during this period of significant disruption has been inspiring. They have continued to work hard to serve our customers to fulfil their ambitions for their homes and we thank them most sincerely for their efforts and their determination to see the business through these difficult times. We also thank our shareholders for their continued support and assure them of our commitment to return the business to profitability.

Kiran Noonan
Chief Executive Officer

17 March 2021

Enquiries:

| | |
|---|---|
| John Lewis of Hungerford plc<br>Kiran Noonan - Chief Executive Officer | 01235 774300 |
| Allenby Capital Limited (Nominated Adviser and Broker)<br>David Worlidge/Nick Naylor | 020 3328 5656 |

**Income Statement for the year ended 30 June 2020**

| | Notes | 2020<br>£ | *Restated*<br>2019<br>£ |
|---|---|---|---|
| **Revenue** | | 5,552,564 | 8,305,948 |
| Cost of sales | | (3,003,810) | (4,374,380) |
| **Gross profit** | | 2,548,754 | 3,931,568 |
| Selling and distribution costs | | (413,375) | (498,435) |
| Administrative expenses | | (3,080,877) | (3,491,059) |
| Other operating income | | 210,000 | - |
| **Total** | | (2,870,877) | (3,491,059) |
| **Loss from operations** | | (735,498) | (57,926) |
| Finance income | | 336 | 246 |
| Finance expenses | | (150,654) | (162,345) |
| **Loss before tax** | | (885,816) | (220,025) |
| Tax Credit/(charge) | 3 | 94,592 | (68,531) |
| **Loss for the year** | | (791,224) | (288,556) |
| **Loss per share** | 4 | | |
| Basic | | (0.42)p | (0.15)p |
| Fully diluted | | (0.42)p | (0.15)p |

**Statement of Comprehensive Income for the year ended 30 June 2020**

| | Notes | 2020<br>£ | *Restated*<br>2019<br>£ |
|---|---|---|---|
| Loss for the year | | (791,224) | (288,556) |
| Revaluation of freehold land and buildings | 6 | 692,477 | - |
| Deferred tax on revaluation of freehold land and | 13 | (131,571) | - |

| | | |
|---|---|---|
| buildings | | |
| **Total Comprehensive Income** | **(230,318)** | **(288,556)** |

**Statement of financial position as at 30 June 2020**

| | *Notes* | **30 June 2020** | *Restated* **30 June 2019** |
|---|---|---|---|
| | | **£** | £ |
| **Non-current assets** | | | |
| Intangible assets | *5* | 157,190 | 179,292 |
| Property, plant and equipment | *6* | 2,790,875 | 2,299,873 |
| Right of use assets | *7* | 1,444,476 | 1,758,101 |
| Trade and other receivables | *10* | 42,750 | 42,750 |
| | | 4,435,291 | 4,280,016 |
| **Current assets** | | | |
| Inventories | *9* | 152,530 | 144,022 |
| Trade and other receivables | *10* | 542,526 | 736,593 |
| Cash and cash equivalents | | 558,765 | 287,187 |
| | | 1,253,821 | 1,167,802 |
| **Total assets** | | 5,689,112 | 5,447,818 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | (1,454,231) | (1,550,346) |
| Customer deposits | | (581,058) | (369,252) |
| Lease liabilities | *8* | (242,253) | (327,452) |
| Provisions | *14* | (60,998) | - |
| Borrowings | *12* | (111,701) | (122,289) |
| | | (2,450,241) | (2,369,339) |
| **Non-current liabilities** | | | |
| Borrowings | *12* | (1,156,033) | (479,034) |
| Lease liabilities | *8* | (1,432,063) | (1,674,319) |
| Provisions | *14* | (56,055) | (105,053) |
| | | (2,644,151) | (2,258,406) |
| **Total liabilities** | | (5,094,392) | (4,627,745) |
| **Net assets** | | **594,720** | **820,073** |
| **Equity** | | | |
| Share Capital | | 186,745 | 186,745 |
| Share Premium | | 1,188,021 | 1,188,021 |
| Other Reserves | | 1,421 | 1,421 |
| Revaluation reserve | *13* | 560,906 | - |
| Retained Earnings | | (1,342,373) | (556,114) |
| **Total equity** | | **594,720** | **820,073** |

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2021 and were signed on its behalf by:

**Kiran Noonan**
*Director*

**Stephen Huggett**
*Director*

**Statement of Changes in Equity for the year ended 30 June 2020**

| | **Share Capital** | **Share Premium** | **Other Reserves** | **Revaluation Reserve** | **Retained Earnings** | **Total** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |

| | | | | | | |
|---|---|---|---|---|---|---|
| At 30 June 2018 | 186,745 | 1,188,021 | 1,421 | - | (16,589) | 1,359,598 |
| application of IFRS 16 | - | - | - | - | (252,285) | (252,285) |
| At 01 July 2018 - restated | 186,745 | 1,188,021 | 1,421 | - | (268,874) | 1,107,313 |
| year | - | - | - | - | (288,556) | (288,556) |
| Share based payments | - | - | - | - | 1,316 | 1,316 |
| At 30 June 2019 | 186,745 | 1,188,021 | 1,421 | - | (556,114) | 820,073 |
| Loss for the year | - | - | - | - | (791,224) | (791,224) |
| Revaluation of freeholds | - | - | - | 692,477 | - | 692,477 |
| Deferred tax on Revaluation of freeholds | - | - | - | (131,571) | - | (131,571) |
| Share based payments | - | - | - | - | 4,965 | 4,965 |
| **At 30 June 2020** | **186,745** | **1,188,021** | **1,421** | **560,906** | **(1,342,373)** | **594,720** |

**Statement of Cash Flows for the year ended 30 June 2020**

| | **2020** | ***Restated*** **2019** |
|---|---|---|
| | £ | £ |
| **Cash flows from operating activities** | | |
| Loss from operations after tax | (640,906) | (126,457) |
| Amortisation of intangible assets | 32,839 | 22,336 |
| Depreciation and impairment of property, plant and equipment | 219,769 | 233,759 |
| Depreciation of right of use assets | 313,625 | 318,327 |
| Share based payments | 4,965 | 1,316 |
| (Profit)/loss on disposal of property, plant and equipment | (1,237) | 9,738 |
| (Increase)/decrease in inventories | (8,508) | 25,514 |
| Decrease/(increase) in receivables | 157,088 | (206,392) |
| (Decrease)/increase in payables | (96,114) | 9,378 |
| Increase in Customer Deposits | 211,806 | 75,224 |
| Increase in provisions | 12,000 | 4,000 |
| **Cash generated from operations** | 205,327 | 366,743 |
| Tax (Credit) / Charge on Operations | (94,592) | 68,531 |
| **Net cash from operating activities** | **110,735** | **435,274** |
| | | |
| **Cash flows from investing activities** | | |
| Purchase of intangible assets | (10,737) | (145,183) |
| Purchase of property, plant and equipment | (27,538) | (196,248) |
| Net proceeds from sale of property, plant and equipment | 10,480 | 9,845 |
| Interest received | 336 | 246 |
| **Net cash used in investing activities** | **(27,459)** | **(331,340)** |
| | | |
| **Cash flows from financing activities** | | |
| Interest paid | (150,654) | (162,345) |
| Increase in borrowings | 1,079,000 | 100,876 |
| Repayment of borrowings - finance leases | (32,483) | (27,981) |
| Repayment of borrowings - bank loans | (380,106) | (86,076) |
| Repayment of IFRS 16 lease liabilities | (327,455) | (326,943) |
| **Net cash used in financing activities** | **188,302** | **(502,469)** |

| | | |
|---|---|---|
| **Net increase/(decrease) in cash and cash equivalents** | **271,578** | **(398,535)** |
| Net cash and cash equivalents at the start of the period | 287,187 | 685,722 |
| **Net cash and cash equivalents at the end of the year** | **558,765** | **287,187** |

| | | |
|---|---|---|
| **Net cash and cash equivalents comprise:** | | |
| Cash at bank and in hand | 558,765 | 287,187 |
| Bank overdrafts | - | - |
| | **558,765** | **287,187** |

The table below sets out an analysis of net debt and the movements in net debt for each of the periodspresented.

**Net debt reconciliation**

| | *Liabilities from financing activities* | | | *Other assets* |
|---|---|---|---|---|
| | **Borrowings** | **Lease liabilities** | **Sub-total** | **Cash balances** |
| *Net debt as at 1 July 2018* | 614,504 | 1,950,968 | 2,565,472 | 685,722 |
| Cash Flows | (13,181) | (326,943) | (340,124) | (398,535) |
| New leases | - | 377,746 | 377,746 | - |
| *Net debt as at 30 June 2019* | 601,323 | 2,001,771 | 2,603,094 | 287,187 |
| Cash Flows | 666,411 | (327,455) | 338,956 | 271,578 |
| New leases | - | - | - | - |
| *Net debt as at 30 June 2020* | 1,267,734 | 1,674,316 | 2,942,050 | 558,765 |

**Notes to the financial Statements**

## 1. STATUTORY ACCOUNTS

The financial information set out above does not constitute statutory accounts for the years ended 30 June 2020 or 2019 within the meaning of sections 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards.

The Financial Statements for the year ended 30 June 2019, upon which the Company's auditors have given a report which was unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The Financial Statements for the year ended 30 June 2020, upon which the Company's auditors have given a report which was unqualified and included reference to the material uncertainty related to going concern [and did not contain any statement under section 498(2) or (3) of the Companies Act 2006]:

"Material uncertainty related to going concern"

We draw attention to the going concern accounting policy in note 1.1 to the financial statements which indicates that the ability of the Company to continue as a going concern is subject to material uncertainty.
The Company recorded a loss for the year ended 30 June 2020 of £791,224 and at 30 June 2020 had cash reserves of £558,765, net current liabilities of £1,196,420 and net assets of £594,720. The Company's revenues and timing of the associated cash flows have been adversely affected by the Covid-19 pandemic and lockdown restrictions. As the Company operates a made-to-order, negative working capital model, it is reliant on the cash flows from customer deposits and completion of sales to be able to meet its liabilities as they fall due.

These events or conditions, along with other matters set out in note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements do not include adjustments that would be necessary if the Company was unable to continue as a going concern. Our opinion is not modified in respect of this matter."

The Financial Statements for the year ended 30 June 2020 will be delivered to the Registrar of Companies in due course.

**2. ACCOUNTING POLICIES**

**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. The Company's financial statements are presented in Sterling and rounded to whole pounds.

*Going concern*

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the following reasons:

The strength of the current order book, as discussed in the Trading Outlook within the Chief Executives Business Review and with the current lockdown due to allow the re-opening of non-essential retail on 12April 2021, will allow the Company to maintain the ongoing conversion of quoted business intocommitted orders, further supported by the sustained consumer interest in the home improvement sector.

The results show that the Company made a loss after tax during the year of £791k (2019: restated loss after tax of £289k) and had net current liabilities of £1,196k (2019: £1,202k) as at 30 June 2020, as the pandemic had a significant impact on the Company's performance particularly during its seasonally important, final quarter. The Company own the Freehold of its Head Office and Factory in Wantage and it's Hungerford Showroom, which was revalued in February of this financial year, and has a Net Book Value of £1,896k as at 30 June2020. The total Net Assets at 30 June 2020 were £595k. The Company operates a made-to-order, negative working capital model and therefore to minimise disruption to the Company's cash flows it has taken a number of measures since the start of the Covid-19 pandemic. The Company has refinanced to release additional working capital combined with measures taken to ensure an ongoing focus on cash preservation. The Company has undertaken a series of cost-cutting measures, and successfully agreed preferential terms from landlords and suppliers. In addition, the Company has been utilising the government support available during the pandemic, including VAT payment holidays, PAYE deferral, local business grants, business rates relief and the Job Retention Scheme.

Despite the losses made during the year and subsequent to the year end, as stated, in the Trading Outlook within the Chief Executive's Business review, the Company's forward orders against which a first stage deposit has been taken, together with the significant increase in quoted business compared to the corresponding period in the prior year, leads the Directors to believe that there is now sustained levels of consumer interest in home improvements, and this is expected to continue.

The Directors have prepared cash flow forecasts for the Company for a period of at least 12 months fromthe date of signing of these financial statements. These forecasts include a number of assumptions in relation to the timing of cash flows, level of customer order intake; gross profit margins; and achievement of cost savings in line with the Company's strategic plans.

The Directors have also prepared severe, but plausible, downside sensitivity scenarios, which cover the same period as our cash flow forecasts for a period of at least 12 months from the date of signing. These downside scenarios include specific consideration of a range of impacts that could arise from a continuedimpact of the coronavirus pandemic. These scenarios include lockdown continuing beyond the expected date that the showrooms are scheduled to re-open on 12 April 2021; reduced customer spending; and further lockdowns beyond 12 April 2021 of up to 12 weeks. As part of this analysis, mitigating actions within the Company's control should these severe, but plausible, scenarios occur, have also been considered. These mitigating actions included reducing discretionary spend across the Company and other measures to protect cash balances. The forecast cash flows for this scenario allow for the ability and the intention of the Directors to implement mitigating actions should they need to.

As the Company operates a made-to-order, negative working capital model, it is reliant on the cash flowsfrom customer deposits and completion of sales to be able to meet its liabilities as they fall due. These cashflows have been adversely impacted by the pandemic. The timing of these cash receipts is a key consideration in the cash flow forecasts and sensitivity scenarios that have been reviewed. The Directors have considered all of the factors noted above, including the Company's forward orders and quoted business; the support of its landlords and suppliers; plus, the government support available. Taking these factors into account, balanced with the inherent uncertainty associated with forecasting the impact of the Covid-19 pandemic, the Directors are confident that the Company has adequate resources to continue to meet all liabilities, as and when they fall due, for the foreseeable future and, at least for the period of twelve months from the date of approval of these financial statements.

Whilst the current pandemic has resulted in there being delays in the timings of cash receipts, the Directors are further encouraged by the early effects of the vaccination programme and remain positive regarding the prospects for the Company. However, we recognise that these circumstances represent a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

Notwithstanding the above, the Directors believe that with the current Government Road Map suggestingthat all restrictions are due to be lifted by June 2021, there is reasonable evidence to conclude that a further period of extended lockdown or disruption is unlikely. Accordingly, the financial statements are prepared on a going concern basis.

**3 TAX ON (LOSS) / PROFIT FROM OPERATIONS**

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| Current period taxation | | |
| UK Corporation tax charge for the period | - | - |
| Research and development tax credit | - | - |
| Total current tax | - | - |
| Origination and reversal of temporary timing differences | 229,886 | 33,665 |
| Current year deferred tax asset not recognised | (229,886) | (33,665) |
| Reversal of previously recognised Deferred Tax asset | - | (68,531) |
| Deferred tax credit on losses | 131,571 | - |
| Adjustment in respect of previous years Research and Development tax credit | (36,979) | - |
| | 94,592 | (68,531) |

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

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| Loss on ordinary activities before tax | (885,816) | (228,640) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% | (168,305) | (43,442) |
| Effect of: | | |
| Expenses not deductible for tax purposes | 1,425 | 4,715 |
| Depreciation on assets not qualifying for tax allowances | 4,498 | 4,658 |
| Other permanent differences | (7,547) | (11,446) |
| Adjustment in respect of previous years Research and Development tax credit | (36,979) | - |
| Prior year adjustment on IFRS16 adoption | (47,934) | - |
| Effect of change in local corporation tax rate | (12,023) | 11,850 |
| Deferred tax asset not recognised | 229,886 | 33,665 |
| Deferred tax credit on losses | 131,571 | - |
| Reversal of previously recognised deferred tax asset | - | (68,531) |
| Total tax credit / (charge) in income statement | 94,592 | (68,531) |

On 3rd March 2021, the Chancellor of the Exchequer announced an increase in rate of Corporation tax to 25% to take effect from 1st April 2023 for companies whose profits are greater than £250,000 per annum.

**4 EARNINGS PER SHARE**

| | **2020** | *Restated* 2019 |
|---|---|---|
| Loss per ordinary share is calculated as follows: | | |

| | | |
|---|---|---|
| *Basic* | | |
| Loss attributable to ordinary shareholders (£) | (791,224) | (288,555) |
| Weighted average number of ordinary shares in issue | 186,745,519 | 186,745,519 |
| Loss per ordinary share | (0.42)p | (0.15)p |
| *Fully diluted* | | |
| Loss attributable to ordinary shareholders (£) | (791,224) | (288,555) |
| Weighted average number of ordinary shares in issue | 186,745,519 | 186,745,519 |
| Weighted average number of ordinary shares under option | 4,369,961 | 6,553,983 |
| Loss per ordinary share | (0.42)p | (0.15)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.

## 5 INTANGIBLE NON-CURRENT ASSETS

| | Software | Trademarks | Development Costs | Total |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| *Cost* | | | | |
| At 1 July 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 |
| Additions | - | 3,387 | 7,350 | 10,737 |
| **At 30 June 2020** | **153,260** | **60,541** | **175,521** | **389,322** |
| *Amortisation* | | | | |
| At 1 July 2018 | 50,762 | 56,569 | 69,626 | 176,957 |
| Charge for the year | 5,391 | 128 | 16,817 | 22,336 |
| At 30 June 2019 | 56,153 | 56,697 | 86,443 | 199,293 |
| Charge for the year | 10,266 | 354 | 22,219 | 32,839 |
| **At 30 June 2020** | **66,419** | **57,051** | **108,662** | **232,132** |
| *Net book value* | | | | |
| **At 30 June 2020** | **86,841** | **3,490** | **66,859** | **157,190** |
| At 30 June 2019 | 97,107 | 457 | 81,728 | 179,292 |

Disclosures relating to the impairment review of assets can be seen under the accounting policies note 1.1.

## 6 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land and buildings | Showroom display & shop fittings | Plant & machinery and loose tools | Office fixtures, fittings & IT equipment | Total |
|---|---|---|---|---|---|

| *Cost or Revaluation* | **£** | **£** | **£** | **£** | **£** |
|---|---|---|---|---|---|
| At 1 July 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 |
| Additions | - | 10,490 | 3,035 | 14,012 | 27,537 |
| Disposals | - | (12,279) | - | - | (12,279) |
| Revaluation | 956,466 | - | - | - | 956,466 |
| **At 30 June 2020** | **2,685,886** | **2,236,772** | **563,899** | **307,266** | **5,793,823** |
| *Depreciation and impairment* | | | | | |
| At 1 July 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 |
| Charge for the year | 23,273 | 115,874 | 48,078 | 27,077 | 214,302 |
| Revaluation | 263,989 | - | - | - | 263,989 |
| Disposals | - | (3,036) | - | - | (3,036) |
| Dilapidations Amortisation | 5,467 | - | - | - | 5,467 |
| **At 30 June 2020** | **789,682** | **1,639,632** | **327,942** | **245,692** | **3,002,948** |
| *Net book value* | | | | | |
| **At 30 June 2020** | **1,896,204** | **597,140** | **235,957** | **61,574** | **2,790,875** |
| At 1 July 2019 | 1,232,467 | 711,767 | 281,000 | 74,639 | 2,299,873 |

The freehold land element of freehold land and buildings which was not depreciated was £503,624 (2019 - £503,624). The net book value of items held under finance leases was £105,956 (30 June 2019: £186,601). The depreciation charge for items held under finance leases is shown in note 5.

**7 RIGHT OF USE ASSETS**

| | Right of Use property £ | Total £ |
|---|---|---|
| *Cost* | | |
| At 1 July 2018 | 3,859,120 | 3,859,120 |
| Additions | 377,747 | 377,747 |
| At 30 June 2019 | 4,236,867 | 4,236,867 |
| Additions | - | - |
| **At 30 June 2020** | **4,236,867** | **4,236,867** |
| *Depreciation* | | |
| At 1 July 2018 | 2,160,439 | 2,160,439 |
| Charge for the year | 318,327 | 318,327 |
| At 30 June 2019 | 2,478,766 | 2,478,766 |
| Charge for the period | 313,625 | 313,625 |
| **At 30 June 2020** | **2,792,391** | **2,792,391** |

*Net book value*

| | | |
|---|---|---|
| **At 30 June 2020** | **1,444,476** | **1,444,476** |
| At 30 June 2019 | 1,758,101 | 1,758,101 |

The Company's portfolio of leases consists of 11 leases over showroom premises. Leases generally have an initial term of 15 years, with an option to extend for an additional period of 10 years. Rents payable are generally reviewed at five year intervals.

| | **2020** | 2019 |
|---|---|---|
| **Amounts recognised in profit and loss** | | |
| | **£** | £ |
| Depreciation expense on right-of-use assets | 313,625 | 318,327 |
| Interest expense on lease liabilities | 113,388 | 124,015 |

## 8 LEASE LIABILITIES

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| Total lease liabilities | 1,674,316 | 2,001,771 |

| | | |
|---|---|---|
| Maturity analysis | | |
| to 1 year | 242,253 | 327,452 |
| 1 to 2 years | 228,480 | 242,253 |
| 2 to 3 years | 204,381 | 228,480 |
| 3 to 4 years | 182,054 | 204,381 |
| 4 - 5 years | 187,357 | 182,054 |
| > 5 years | 629,791 | 817,151 |

The average lease term remaining is 6 years. For the year ended 30 June 2020, the average effective borrowing rate was 6.13% which is management's best estimate of the incremental rate of borrowings. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Sterling

The Company's obligations under leases are secured by the lessors' rights over the leased assets.

## 9 INVENTORIES

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| Raw materials and consumables | 116,980 | 132,761 |
| Work in progress | 35,550 | 11,261 |
| | 152,530 | 144,022 |

Raw materials & consumables stated net of a provision for obsolete stock of £8,882 (2019: £8,882)

## 10 TRADE AND OTHER RECEIVABLES

| | **2020** | 2019 |
|---|---|---|
| **Current assets:** | **£** | £ |
| Trade receivables | 79,495 | 280,907 |
| Other receivables | 218,533 | 15,228 |
| Prepayments and accrued income | 244,498 | 440,458 |
| | 542,526 | 736,593 |
| **Non-current assets:** | | |
| Other receivables | 42,750 | 42,750 |

Non-current other receivables relate to lease deposits totalling £42,750 (2019: £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 £12,778 (2019: £17,161). The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

| Aging of Trade Receivables | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| 0-30 Days | 45,757 | 400,327 |
| 30-60 Days | 2,000 | (124,892) |
| 60-90 Days | - | (24,321) |
| 90 Days + | 31,738 | 29,793 |
| Total | 79,495 | 280,907 |

Financial Assets at amortised cost comprise of Trade & Other receivables.

**11 TRADE PAYABLES AND OTHER PAYABLES**

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Trade payables | 526,052 | 552,011 |
| Other taxes and social security costs | 453,986 | 325,174 |
| Other payables | 8,055 | 10,769 |
| Accruals and deferred income | 466,138 | 662,392 |
| | 1,454,231 | 1,550,346 |

Trade Payables are settled on average End of Month following delivery or c45 days.

Financial Liabilities at amortised cost comprise of trade payables, other payables and accruals.

**12 BORROWINGS**

| | 2020 | 2019 |
|---|---|---|
| | £ | £ |
| Loans | 1,190,701 | 491,807 |
| Finance lease liabilities | 77,033 | 109,516 |
| | 1,267,734 | 601,323 |
| Presented in the balance sheet as: | | |
| Lease liabilities - current | 242,253 | 327,452 |
| Borrowings - current | 111,701 | 122,289 |
| Borrowings - non-current | 1,156,033 | 479,034 |
| | 1,509,987 | 928,775 |
| *(a) Bank & other borrowings* | | |
| Analysis of bank loan repayments: | | |
| In one year or less | 111,701 | 92,383 |
| In more than one year but not more than two years | - | 95,054 |
| In more than two years but not more than five years | - | 259,395 |
| In more than five years | 1,079,000 | 44,975 |
| | 1,190,701 | 491,807 |

The loan is secured by a legal charge over the Company's freehold properties at Park Street, Hungerford, Berkshire and Grove Business Park, Downsview Road, Wantage, Oxfordshire. The interest only loan facility has an interest rate of 10.55% above base rate with a minimum rate of 10.8% per annum, payable monthly on drawn down funds. In case of default, an additional 7.2% interest would be payable under the loan.

In the previous year the company held four bank loans secured by a legal charge over the Company's freehold properties at Park Street, Hungerford, Berkshire and Grove Business Park, Downsview Road, Wantage, Oxfordshire.
The first bank loan was repayable over 15 years from 4 February 2010 and carried interest at a floating annual rate of 4.55% over Bank of England base rate. The first loan had a value of £0, (2019: £132,971) denominated in Sterling.

The second loan was repayable over 15 years from 22 March 2010 and carried 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 £111,701, (2019: £123,148) denominated in Sterling.

The third loan was repayable over 10 years from 24 August 2011 and carried interest at a floating annual rate of 4.8% over Bank of England base rate. The third loan had a value of £0, (2019: £40,432) denominated in Sterling.

The fourth loan was repayable by 31 May 2022 by monthly installments and carried interest at a floating annual rate of 4.35% over Bank of England base rate. The fourth loan had a value of £0, (2019 £195,256) denominated in Sterling.

| | 2020 | 2019 |
|---|---|---|
| | **£** | £ |
| *(b) Finance lease liabilities* | | |
| Gross finance lease liabilities- minimum lease payments: | | |
| In one year or less | 26,484 | 42,909 |
| Between one and five years | 66,212 | 77,247 |
| More than five years | - | 15,449 |
| | 92,696 | 135,605 |
| Future finance charges on finance lease liabilities | (15,663) | (26,089) |
| Present value of finance lease liabilities | 77,033 | 109,516 |

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

| | 2020 | 2019 |
|---|---|---|
| | **£** | £ |
| In one year or less | (7,597) | (10,426) |
| Between one and five years | (8,066) | (15,663) |
| | (15,663) | (26,089) |

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

## 13 DEFERRED TAX ASSETS / LIABILITIES

| | | Deferred taxation |
|---|---|---|
| | **£** | **£** |
| Balance at 1 July 2019 | | - |
| Accelerated capital allowances | (7,165) | |
| Tax losses carried forward | (165,026) | |
| Research and development accelerated deductions | (1,509) | |
| Short term timing differences | (8,252) | |
| Deferred tax on revaluation of freehold property in Other Comprehensive Income | (131,571) | |
| Deferred tax recognised on losses | 131,571 | |
| Prior year adjustment on IFRS16 adoption | (47,934) | |
| Profit and loss account charge/(credit) | | (229,886) |
| Deferred tax asset not recognised | | 229,886 |
| Balance at 30 June 2020 | | - |

The provision for deferred taxation consists of the following amounts:

| | 2020 | 2019 |
|---|---|---|
| | **£** | £ |
| Capital allowances in excess of depreciation | 115,358 | 122,523 |
| Tax losses carried forward | (395,655) | (230,629) |
| Research and development accelerated deductions | 4,401 | 5,910 |
| Short term timing differences | (56,186) | - |
| Transfer to non-current receivables | - | 68,531 |
| Deferred tax on revaluation of freehold property in Other Comprehensive Income | (131,571) | - |
| Deferred tax recognised on losses | 131,571 | - |
| Deferred tax asset not recognised | 332,082 | 33,665 |
| | - | - |

The remaining deferred tax asset has not been recognised as while 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, given the current uncertainty in relation to the ongoing restrictions related to the pandemic, the Board have not recognised a deferred tax asset in this reporting period.

## 14 PROVISIONS

| | Warranty provision | Dilapidations provision | Total |
|---|---|---|---|
| | | £ | £ |
| At 1 July 2018 | 41,575 | 59,478 | 101,053 |
| Arising during the year | 4,000 | - | 4,000 |
| Utilised during the year | - | - | - |
| At 30 June 2019 | 45,575 | 59,478 | 105,053 |
| Arising during the period | 48,782 | - | 48,782 |
| Utilised during the period | (36,782) | - | (36,782) |
| At 30 June 2020 | 57,575 | 59,478 | 117,053 |

| | **2020** | 2019 |
|---|---|---|
| | **£** | £ |
| Current | 60,998 | - |
| Non-Current | 56,055 | 105,053 |
| | 117,053 | 105,053 |

*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 recorded 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. Based on this, experience of exiting previous showrooms and industry averages, Management have estimated that a provision of £5 per square foot will give a reasonable estimate of any futures costs. On exit from a showroom, once the costs have been finalised and the showroom exited, the provision would be released.

## 15 POST BALANCE SHEET EVENTS

**Share Issue and subscription**

The company issued 7,200,000 of ordinary shares of 0.1p each in the Company at a subscription prices of 0.675 pence per share generating a total consideration of £48,600. The proceeds of the issue will be used for Working Capital purposes.

The subscription shares being issued to the Directors of the Company and their resulting interests are set out below:

| | *Total Shares* | Interest in ordinary shares upon Admission | *Percentage of Issued share capital* |
|---|---|---|---|
| Kiran Noonan | 500,000 | 500,000 | 0.26% |
| Alan Charlton | 5,000,000 | 9,423,178 | 4.86% |
| Stephen Huggett | 1,500,000 | 1,500,000 | 0.77% |

## 16 POSTING OF ACCOUNTS

Copies of the statutory accounts for the financial period ended 30 June 2020 will be posted shortly to shareholders with the notice of the Annual General Meeting. An electronic copy will be available on the Company's website www.john-lewis.co.uk.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our Privacy Policy.

END

FR SFWESWEFSESD