



# UNAUDITED RESULTS FOR YEAR ENDING 26 JANUARY 2019

INVESTMENT PROGRAMME AND FINANCIAL  
STRENGTH MAINTAINED DESPITE A  
CHALLENGING RETAIL MARKET

## FINANCIAL OVERVIEW

	2018/19	2017/18	YoY
	£m	(restated) £m	change
<b>Gross sales</b>	11,724.1	11,609.5	1.0%
<b>Profit before PB, tax and exceptional items</b>	160.0	292.8	(45.4)%
<b>Adjusted cash flow</b>	617.0	715.1	(13.7)%
<b>Total net debts</b>	2,682.2	3,083.5	(13.0)%
Revenue	10,316.7	10,215.8	1.0%
Profit before tax	117.4	107.5	9.2%
Cash generated from operations before PB	609.9	668.5	(8.8)%

**Sir Charlie Mayfield, Partner and Chairman of the John Lewis Partnership, commented:** “In line with expectations set out in June, our Partnership profits before exceptionals have finished substantially lower in what has been a challenging year, particularly in non-food. Operating profit recovered strongly in Waitrose & Partners, up 18% (to £203.2m), mainly due to improved gross margins. However, it was down sharply, by 56% (to £114.7m), in John Lewis & Partners because of weaker Home sales, gross margin pressure, higher IT costs, the property impact of new shops and lower profit on asset sales. Despite this, we managed cash tightly and reduced total net debts by £401.3m.

This is part of our strategy to build up our cash reserves as a defence against uncertainty in the economy and to enable us to maintain annual investment at £400m-£500m per year. We have also made significant investment in our Partners during the year, particularly in leadership development, apprenticeships and pay, with our average hourly rate for non-management Partners rising to £9.16, 17.0% above the National Living Wage. We expect that average hourly rate of pay to increase by around 4.5% following our April 2019 pay review.

While Partnership profits were down, there were several areas where we have seen performance move forward, particularly in areas where we have invested. In John Lewis & Partners the launch of our own-brand Womenswear and expansion of personal styling offer has driven strong sales growth in Fashion, growing market share significantly. In addition, the investment in front line service delivered best ever customer experience ratings in John Lewis & Partners. In Waitrose & Partners, significant investment in Waitrose.com, new customer smartphone apps and customer delivery services has led to a strong increase in online grocery sales of 14%, well ahead of the market, and increased online customer satisfaction.

The Board has awarded a Bonus at 3%. This enables us to continue debt reduction, maintain our level of investment and retains solid cash reserves to cope with the continuing uncertainty facing consumers and the economy. We expect 2019 trading conditions to remain challenging but are confident in our strategic direction and customer offer across both brands.”

## STRATEGIC PROGRESS

The market context continues to be challenging. That's evident in our results, especially in John Lewis & Partners, where we saw near constant discounting across many categories from October onwards in response to the combination of subdued demand, excess retail space and some other retailers' distress.

As a result, sales in John Lewis & Partners were up 0.7% (down 1.4% like-for-like). Weaker Home sales combined with gross margin pressures drove around half of the reduction in profits, with the remainder largely due to additional IT costs and property related items.

In Waitrose & Partners we saw a 18% rebound in profits. This was driven by like-for-like sales growth of 1.3% and improved gross margin, which benefited from 24 range reviews, as well as stronger operational performance and well controlled costs, especially in the second half year.

Near-term uncertainty, politically and in the economy, is having a major impact on consumer confidence, but we do not believe the market conditions are cyclical. The disruption we have seen on the High Street, including business failures and renewed interest in mergers and acquisitions, are instead signs of an inevitable market adjustment which will require greater clarity on whether brands are competing on scale or difference.

The answer for the Partnership is clear and, despite tough conditions and lower profits, this has been a year when we have developed our brands and invested in Partners. Our difference comes from our people, and the energy, commitment and personality they bring to delivering excellent customer service and high quality products to our customers. This is signalled in our rebranding and is why we have stepped up investment so significantly in training and capability building.

In John Lewis & Partners our strongest sales growth came in areas where we have made the greatest investments in new product and services. Our full range relaunch of own-brand Womenswear, including new product, in-store concept and enhanced Partner training, delivered sales growth of 12.9%, and the expansion of our own-brand electricals range resulted in sales up 11.2%. In the year ahead our furniture assortment and Menswear collections will be completely relaunched.

In Waitrose & Partners we launched more than 5,000 new or updated products including extensive ranges of vegetarian and vegan products. We completed 24 range reviews from breakfast cereals and sliced bread to meat and fish counters, removing duplication, making the offer clearer for customers and increasing our difference versus competitors. We are also on track to phase out black plastic from our own-brand packaging by the end of 2019 and have brought forward our target to make all our own-brand packaging widely recyclable, reusable or home compostable from 2025 to 2023. In addition, the Waitrose & Partners Foundation, which was set up to improve the lives of the people who grow, pick and pack our fresh produce and their communities, now operates in seven countries, having recently expanded to Costa Rica, Senegal and The Gambia.

In the year we stepped up our service difference. We made several improvements to convenience, with shorter delivery windows and live order tracking in John Lewis & Partners, opening of additional delivery slots and trials of a rapid delivery service in Waitrose & Partners, and trials of in-home services across both brands. We have also introduced several added value services including Personal Styling and Beauty Studios in John Lewis & Partners and more Healthy Eating specialists and a new service ambassador role in Waitrose & Partners. We achieved our highest ever levels of customer experience ratings in John Lewis & Partners. Our focus on customer service in Waitrose & Partners was recognised by Which? with the publication giving it the top position in its 2019 supermarket survey.

Greater investment in our Partners was key to this. We invested significantly in leadership development, for over 250 of our most senior leaders, and will extend that to many more this year. We expanded our apprenticeship programme, with over 900 apprentices enrolling in the year in areas such as retail, LGV driving, vehicle maintenance, hospitality, human resources, project management and finance. We made some of these 'open entry' to enable Partners to apply from any part of our business. Among the apprentices that have

completed their programmes in the year, 65% passed with distinction where that was an achievable grade. We have taken significant steps in our aim to be the UK's Healthiest Employer with a review of our Partner dining rooms, including the food and drink we serve, and launching a Wellbeing Champions Network with more than 430 Partners now recruited in more than 130 locations across the country. Partners have accessed our market-leading mental and physical health support services to either prevent health issues or promote quicker recovery, saving more than 60,000 working days across the year. As we have sought to create jobs with more opportunities for Partners to contribute more value through greater use of skills, expertise and judgement, we have increased pay for non-management Partners, with the average hourly rate of base pay rising to £9.16, which is 17%, above the National Living Wage. We expect that average hourly rate of pay to increase by around 4.5% following our April 2019 pay review.

To deliver the level of distinctive difference and innovation we need for the future requires annual investment of £400m-£500m. We anticipated five years ago that market conditions would worsen and took a series of connected steps to strengthen our financial reserves to enable continued investment at this level despite lower profits. These included changes to our pension benefit in 2014, deprioritising investment in new physical space from 2015, and halving the rate of bonus distribution in 2016. We have made a number of divestments of shops and assets in the year and yesterday we also informed Partners that five further Waitrose & Partners shops will be sold to other retailers. We have also made significant organisational changes including moving to single Partnership support functions in many areas. Partner numbers have reduced from 93,800 in January 2015 to 83,900 in January 2019. We will take a series of further steps this year in the move to an even more productive 'one Partnership' approach.

In response to the current economic uncertainty, we have built up a strong liquidity position at nearly £1.5bn which is almost double the level five years ago, despite having made deficit reduction contributions of more than £250m to our pension fund over the last three years, which was nearly 97% funded on an actuarial funding basis at January 2019. We have reduced total net debts by over £400m in the year and will pay, from cash, a further £275m to redeem a bond that matures in April 2019.

The decision to pay a Bonus at 3% reflects our continued commitment to sharing a proportion of profits with Partners, while ensuring we continue to strengthen our financial position through times of significant market uncertainty.

## PROFIT AND FINANCIAL STRENGTH

As we anticipated, our Profit before PB, tax and exceptional items was substantially lower than last year at £160.0m, down £132.8m or 45.4%. This was principally due to the significant operating profit decline in John Lewis & Partners, down £143.1m (55.5%) to £114.7m, which was driven by four major factors, each impacting profit by around a quarter of the year-on-year decline. These were:

- Weaker Home sales as subdued consumer confidence continued to depress demand for big ticket and bespoke items
- Lower gross margin. Our foreign currency hedging, from before the EU referendum, rolled off and in spite of the resulting cost price inflation, we decided not to increase prices. At the same time the market became significantly more promotional and we made sure our customers also benefited from those lower prices through our ongoing commitment to price competitiveness and Never Knowingly Undersold. We expect continued pressure on gross margins in 2019/20 before it rebuilds the following year.
- Increased IT costs. Over the last few years we have steadily increased IT investment to set ourselves up for the future. A number of those significant new systems are now operational resulting in incremental maintenance, support and depreciation costs.
- Property related. This was partly the opening and running costs of two new shops and partly a large property profit we made in 2017/18.

Waitrose & Partners grew operating profits by £31.2m (18.1%) to £203.2m. This was mainly due to improved gross margins, which benefited from the detailed work improving our ranges for customers. That work will continue throughout 2019.

After including exceptional income of £2.1m (2017/18: charge of £111.3m) and Partnership Bonus, our Profit before tax was £117.4m, up £9.9m or 9.2% on last year.

We have maintained total investment at around £400m, with capital investment forming the major part of that. Operating capital investment, which excludes the acquisition of freeholds of our trading branches, was £310.1m, a decrease of £54.3m or 14.9% on last year. However, in addition, we have invested significantly in products and services, in leadership training, in change costs associated with restructuring and transformation of the business, and a greater proportion of our IT investment is revenue investment.

We remain focused on and committed to the long-term financial sustainability of the Partnership, building our return on capital in order to share the rewards of this with Partners on the platform of a strong and flexible balance sheet. We measure this through our three annual Key Performance Indicators (KPIs): Return on Invested Capital (ROIC), Debt Ratio and Profit per average FTE.

- One of our priorities remains to reduce our Debt Ratio to around three times cash flow within around five years. It has remained at 4.3 times this year, despite lower profits, as our total net debts have reduced by £401.3m to £2,682.2m, mainly due to the reduction in the accounting pension deficit of £218.4m (net of deferred tax) and strong cash generation. The reduction in the accounting pension deficit principally reflects an improvement in the real discount rate used to value the liabilities and an increase in pension fund assets. Our pension review is still progressing with any changes to our future pension benefit expected to be agreed in the first half of 2019.
- Our ROIC, 7.3% (2017/18: 9.1%) and Profit per average FTE, £5,000 (2017/18: £6,900) measures are significantly lower than 2017/18, reflecting the substantially lower profits. The actions we are taking are aimed at restoring ROIC and Profit per average FTE Partner to levels that will support increased investment and improved Bonus levels over the medium term, while maintaining a robust balance sheet position.

## OUTLOOK

We have been preparing for the operational implications of Brexit for well over a year, and are in a good position for a managed transition. This covers currency, tariffs, customs and labour. The main risk in an unmanaged transition is a strong fall in consumer confidence and the impact that has on trade. Given the current level of uncertainty, we expect 2019 trading conditions to remain challenging. We have built up a strong liquidity position at nearly £1.5bn so that we have the financial headroom to mitigate the risks and make sure we can continue investing for the future.

The Partnership will adopt IFRS 16 'Leases' for the financial year beginning 27 January 2019, which specifies how to recognise, measure, present and disclose leases. The Partnership has adopted the modified retrospective approach on transition. While there is no change in the underlying economics of our business, the adoption of IFRS 16 will significantly reduce our Partnership profit before tax and exceptional items and significantly increase our reported assets and liabilities. It is, however, expected to have no impact on our Debt Ratio as that already reflects an adjustment to include the present value of future rentals payable under operating leases. It will also have no impact on our cash flow.

## EVENTS AFTER THE BALANCE SHEET DATE

On 30 January 2019, Waitrose & Partners announced changes to the Commercial operating model in head offices. No accounting for potential redundancies was recorded for the year ended 26 January 2019 in respect of these changes.

On 27 February 2019, Waitrose & Partners confirmed that following careful review of the relationship the commercial arrangement with Ocado will come to an end in September 2020, in line with contractual terms. We have strengthened our own online business significantly in recent years, and said last summer that we will double waitrose.com within five years. This change will be a major part of achieving this, and in future, waitrose.com and our shops will be the exclusive places in the UK to buy Waitrose & Partners products. We plan to open a second fulfilment centre to support growing volumes in the London area.

On 6 March 2019, Waitrose & Partners informed Partners that five shops will be sold to other retailers. No accounting for potential redundancies was recorded for the year ended 26 January 2019 in respect of these shop disposals.

## UNAUDITED RESULTS FOR THE 52 WEEKS ENDED 26 JANUARY 2019

	2018/19 £m	2017/18 (restated) £m	Change %
<b>GROSS SALES (including VAT)</b>			
Waitrose & Partners	6,835.0	6,753.7	1.2
John Lewis & Partners	4,889.1	4,855.8	0.7
<b>Gross sales (including VAT)</b>	<b>11,724.1</b>	<b>11,609.5</b>	<b>1.0</b>
<b>REVENUE</b>			
Waitrose & Partners	6,429.5	6,354.7	1.2
John Lewis & Partners	3,887.2	3,861.1	0.7
<b>Revenue</b>	<b>10,316.7</b>	<b>10,215.8</b>	<b>1.0</b>
<b>OPERATING PROFIT (before PB and exceptional items)</b>			
Waitrose & Partners	203.2	172.0	18.1
John Lewis & Partners	114.7	257.8	(55.5)
Group	(90.9)	(65.4)	(39.0)
<b>Operating profit before PB and exceptional items</b>	<b>227.0</b>	<b>364.4</b>	<b>(37.7)</b>
Exceptional items	2.1	(111.3)	n/m
<b>Operating profit before PB</b>	<b>229.1</b>	<b>253.1</b>	<b>(9.5)</b>
Net finance costs	(67.0)	(71.6)	6.4
<b>Profit before PB and tax</b>	<b>162.1</b>	<b>181.5</b>	<b>(10.7)</b>
Partnership Bonus	(44.7)	(74.0)	39.6
<b>Profit before tax</b>	<b>117.4</b>	<b>107.5</b>	<b>9.2</b>
<b>Profit before PB, tax and exceptional items</b>	<b>160.0</b>	<b>292.8</b>	<b>(45.4)</b>

## Notes

1. These results are subject to audit. The Annual Report & Accounts 2019 will be published in April 2019.
2. Like-for-like sales up 1.3% in Waitrose & Partners and down 1.4% in John Lewis & Partners.

**ADDITIONAL FINANCIAL INFORMATION****Exceptional items**

Exceptional income totalled £2.1m (2017/18: charge of £111.3m) with £4.0m charge in Waitrose & Partners (2017/18: £52.2m), £22.1m charge in John Lewis & Partners (2017/18: £21.3m) and £28.2m income in Group (2017/18: charge of £37.8m). Further detail is included in the following table:

	2018/19 £m	2017/18 £m
Strategic restructuring and redundancy programmes		
Head office review (a)	(19.3)	(40.5)
Physical estate (b)	(5.1)	(5.5)
Shop operations (c)	(6.7)	(29.2)
Branch impairments (d)	(12.6)	(35.7)
John Lewis & Partners supply chain (e)	0.5	(3.1)
Pay provision (f)	30.3	-
Legal settlement (g)	15.0	-
Profit on disposal of item previously recognised as exceptional (h)	-	2.7
	2.1	(111.3)

- a) Net charge of £19.3m (2017/18: £40.5m) for redundancy costs, project costs and onerous contracts in relation to restructuring of pan-Partnership functions and other head office operations.
- b) Net charge of £5.1m (2017/18: £5.5m) for asset impairments, accelerated depreciation, closure and redundancy costs for our existing physical estate.
- c) Net charge of £6.7m (2017/18: £29.2m) for redundancy costs and project costs in relation to restructuring of our shop operations.
- d) Following the signing of a lease contract, a charge of £12.6m has been recorded in relation to branch impairment in John Lewis & Partners. In 2017/18 there was a charge of £35.7m for branch impairments in Waitrose & Partners.
- e) In 2016/17, a review of the John Lewis & Partners supply chain led to significant redundancy and restructuring costs which were recognised as exceptional. During the year to January 2019, a small credit of £0.5m (2018: £3.1m charge) has been recognised as actual costs incurred have been smaller than anticipated.
- f) In 2016/17, a £36.0m provision was recorded as an exceptional charge to cover the potential costs of complying with the National Minimum Wage Regulations. During the year, the methodology for calculating the liability has been clarified and discussions with HMRC have completed resulting in a £30.3m (2018: £nil) release of the provision. Rectification payments have been made.
- g) In September 2018, the Partnership reached a settlement in relation to an ongoing legal dispute, receiving income of £15.0m.
- h) In 2017/18, income of £2.7m was recognised on finalisation of a property disposal which was previously recognised as exceptional.

Further disclosure on the strategic restructuring and redundancy programmes will be included in the Annual Report & Accounts 2019 which will be published in April 2019.

**Net finance costs**

Net finance costs decreased by £4.6m reflecting (i) lower pension finance costs due to a lower accounting pension deficit and nominal discount rate used to determine the finance cost at the beginning of the year compared to the beginning of the previous year, as well as early payment of contributions, (ii) lower long leave finance costs arising from volatility in market driven assumptions, and (iii) higher interest receivable on cash deposits, partly offset by (i) fair value losses on foreign currency purchase commitments, (ii) incremental finance costs on the £125m new debt raised in the second half of the year, and (iii) a reduction in the level of borrowing costs capitalised for qualifying assets.



## ENQUIRIES

For further information please contact:

### **John Lewis Partnership**

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Clayton Hirst, Partner & Group Head of Corporate Affairs, 07947 708167

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### **Citigate Dewe Rogerson**

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### **John Lewis & Partners**

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### **Waitrose & Partners**

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### **Debt investors**

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## GLOSSARY OF FINANCIAL AND NON-FINANCIAL TERMS

This glossary gives an explanation of financial and non-financial terms included in the results statement

TERM	DEFINITION																														
Above market reward	These are Partner benefits which are higher than those typically paid by our competitors, as a result of the Partnership model. Above market rewards principally includes pensions, long leave, Partner discount and costs of our democracy. This measure is important for adjusting our financial Key Performance Indicators (KPIs) to be able to assess them against our competitors.																														
Adjusted cash flow	<p>Operating profit before PB, exceptional items, depreciation, amortisation and average one year lease payments, but after lease adjusted interest and tax. This measure is important to assess our Debt Ratio.</p> <table border="1"> <thead> <tr> <th></th> <th>2018/19</th> <th>2017/18</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Operating profit before PB and exceptional items</td> <td>227.0</td> <td>364.4</td> </tr> <tr> <td><i>add back:</i></td> <td></td> <td></td> </tr> <tr> <td>Depreciation, amortisation and write-offs</td> <td>414.4</td> <td>398.5</td> </tr> <tr> <td>Average one year lease payments</td> <td>190.7</td> <td>186.1</td> </tr> <tr> <td><i>less:</i></td> <td></td> <td></td> </tr> <tr> <td>Lease adjusted interest</td> <td>(175.9)</td> <td>(184.8)</td> </tr> <tr> <td>Tax</td> <td>(39.2)</td> <td>(49.1)</td> </tr> <tr> <td><b>Adjusted cash flow</b></td> <td><b>617.0</b></td> <td><b>715.1</b></td> </tr> </tbody> </table>		2018/19	2017/18		£m	£m	Operating profit before PB and exceptional items	227.0	364.4	<i>add back:</i>			Depreciation, amortisation and write-offs	414.4	398.5	Average one year lease payments	190.7	186.1	<i>less:</i>			Lease adjusted interest	(175.9)	(184.8)	Tax	(39.2)	(49.1)	<b>Adjusted cash flow</b>	<b>617.0</b>	<b>715.1</b>
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Average NMP hourly rate of pay	Average non-management Partner hourly pay for Partners on permanent contracts and aged 18 years old and over																														
Capital investment	Cash outflows in relation to additions to tangible fixed assets (property, plant, and equipment), and intangible assets (IT software) recognised on the balance sheet																														
Debt Ratio	<p>Comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts.</p> <table border="1"> <thead> <tr> <th></th> <th>2018/19</th> <th>2017/18</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Total net debts</td> <td>2,682.2</td> <td>3,083.5</td> </tr> <tr> <td>Adjusted cash flow</td> <td>617.0</td> <td>715.1</td> </tr> <tr> <td><b>Debt ratio</b></td> <td><b>4.3</b></td> <td><b>4.3</b></td> </tr> </tbody> </table>		2018/19	2017/18		£m	£m	Total net debts	2,682.2	3,083.5	Adjusted cash flow	617.0	715.1	<b>Debt ratio</b>	<b>4.3</b>	<b>4.3</b>															
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Exceptional items	Items of income and/or expense which are significant by virtue of their size and nature are presented as exceptional items. The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance.																														
Full-time equivalent (FTE)	The hours worked by one Partner on a full time basis. The concept converts the hours worked by several part-time Partners into the hours worked by full-time Partners to enable like-for-like comparisons of resource																														

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Gross sales	<p>Total sales of goods and services including sale or return sales and VAT, net of Partnership discount</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">2018/19</th> <th style="text-align: right;">2017/18</th> </tr> <tr> <th></th> <th style="text-align: right;">£m</th> <th style="text-align: right;">£m</th> </tr> </thead> <tbody> <tr> <td>Gross sales</td> <td style="text-align: right;">11,724.1</td> <td style="text-align: right;">11,609.5</td> </tr> <tr> <td><i>less:</i></td> <td></td> <td></td> </tr> <tr> <td>Sale or return sales</td> <td style="text-align: right;">(259.0)</td> <td style="text-align: right;">(254.6)</td> </tr> <tr> <td>Value added tax</td> <td style="text-align: right;">(1,148.4)</td> <td style="text-align: right;">(1,139.1)</td> </tr> <tr> <td><b>Revenue</b></td> <td style="text-align: right;"><b>10,316.7</b></td> <td style="text-align: right;"><b>10,215.8</b></td> </tr> </tbody> </table>		2018/19	2017/18		£m	£m	Gross sales	11,724.1	11,609.5	<i>less:</i>			Sale or return sales	(259.0)	(254.6)	Value added tax	(1,148.4)	(1,139.1)	<b>Revenue</b>	<b>10,316.7</b>	<b>10,215.8</b>			
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Like-for-like (LFL) sales	Comparison of sales between two periods in time (e.g. this year to last year), removing the impact of branch openings and closures. Waitrose & Partners like-for-like sales excludes fuel																								
Liquidity	The cash and undrawn committed credit facilities we have available to us, which we can use to settle liabilities as they fall due																								
Market comparator	John Lewis & Partners - British Retail Consortium (BRC) market. Waitrose & Partners - Kantar Worldpanel																								
n/m	Not meaningful																								
Non-management Partners (NMP)	Level 9 and Level 10 Partners, excluding Assistant Section Managers in Waitrose & Partners																								
PB	Partnership Bonus																								
Profit per average FTE	<p>Profit before PB and exceptional items but after tax, adjusted for above market reward, divided by the average number of full-time equivalent Partners. This measure is important as it provides the best indication of Partner productivity. Our 2017/18 measure has been restated to adjust for above market reward.</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;">2018/19</th> <th style="text-align: right;">2017/18</th> </tr> <tr> <th></th> <th style="text-align: right;">£m</th> <th style="text-align: right;">£m</th> </tr> </thead> <tbody> <tr> <td>Profit before PB, tax and exceptional items</td> <td style="text-align: right;">160.0</td> <td style="text-align: right;">292.8</td> </tr> <tr> <td>Tax</td> <td style="text-align: right;">(39.2)</td> <td style="text-align: right;">(49.1)</td> </tr> <tr> <td>Above market reward</td> <td style="text-align: right;">183.3</td> <td style="text-align: right;">174.8</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>304.1</b></td> <td style="text-align: right;"><b>418.5</b></td> </tr> <tr> <td><b>Average FTEs</b></td> <td style="text-align: right;"><b>60,800</b></td> <td style="text-align: right;"><b>60,600</b></td> </tr> <tr> <td><b>Profit per average FTE (£k)</b></td> <td style="text-align: right;"><b>5.0</b></td> <td style="text-align: right;"><b>6.9</b></td> </tr> </tbody> </table>		2018/19	2017/18		£m	£m	Profit before PB, tax and exceptional items	160.0	292.8	Tax	(39.2)	(49.1)	Above market reward	183.3	174.8		<b>304.1</b>	<b>418.5</b>	<b>Average FTEs</b>	<b>60,800</b>	<b>60,600</b>	<b>Profit per average FTE (£k)</b>	<b>5.0</b>	<b>6.9</b>
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Restated	The Partnership adopted IFRS 15 'Revenue from Contracts with Customers' from 28 January 2018 using a fully retrospective approach. The main impact is in respect of the timing of revenue recognition of free service guarantees in John Lewis & Partners, principally for certain electrical products. The impact on the prior year financial statements was disclosed in the Partnership's Unaudited condensed Interim Financial Statements for the half year ended 28 July 2018 published on 13 September 2018.																								

TERM	DEFINITION																																																						
Return on invested capital (ROIC)	<p>Operating profit before PB and exceptionals, adjusted for above market rewards, a notional interest on leases (at a 5% interest rate on lease liabilities) and a notional tax charge (at the statutory marginal tax rate for the year), as a proportion of average operating net assets, adjusted to reflect the value of leased assets. This is important because it demonstrates how effectively we are utilising our assets. Our 2017/18 measure has been restated to adjust for above market reward.</p> <table border="1"> <thead> <tr> <th></th> <th>2018/19 £m</th> <th>2017/18 £m</th> </tr> </thead> <tbody> <tr> <td>Operating profit before PB and exceptional items</td> <td>227.0</td> <td>364.4</td> </tr> <tr> <td>Above market rewards</td> <td>183.3</td> <td>174.8</td> </tr> <tr> <td>Notional interest on leases</td> <td>105.1</td> <td>104.1</td> </tr> <tr> <td>Notional tax</td> <td>(97.9)</td> <td>(123.5)</td> </tr> <tr> <td></td> <td><b>417.5</b></td> <td><b>519.8</b></td> </tr> <tr> <td>Net assets</td> <td>2,620.0</td> <td>2,301.7</td> </tr> <tr> <td><i>add back:</i></td> <td></td> <td></td> </tr> <tr> <td>Borrowings and overdrafts</td> <td>1,047.2</td> <td>936.8</td> </tr> <tr> <td>Finance lease liabilities</td> <td>21.1</td> <td>23.3</td> </tr> <tr> <td>Pension deficit (net of deferred tax)</td> <td>404.7</td> <td>623.1</td> </tr> <tr> <td>Present value of operating leases</td> <td>2,076.4</td> <td>2,126.2</td> </tr> <tr> <td>Operational cash</td> <td>479.8</td> <td>453.0</td> </tr> <tr> <td><i>less:</i></td> <td></td> <td></td> </tr> <tr> <td>Cash and short term investments</td> <td>(982.2)</td> <td>(762.2)</td> </tr> <tr> <td><b>Operating net assets</b></td> <td><b>5,667.0</b></td> <td><b>5,702.1</b></td> </tr> <tr> <td><b>Average operating net assets</b></td> <td><b>5,684.5</b></td> <td><b>5,721.5</b></td> </tr> <tr> <td><b>ROIC</b></td> <td><b>7.3%</b></td> <td><b>9.1%</b></td> </tr> </tbody> </table>		2018/19 £m	2017/18 £m	Operating profit before PB and exceptional items	227.0	364.4	Above market rewards	183.3	174.8	Notional interest on leases	105.1	104.1	Notional tax	(97.9)	(123.5)		<b>417.5</b>	<b>519.8</b>	Net assets	2,620.0	2,301.7	<i>add back:</i>			Borrowings and overdrafts	1,047.2	936.8	Finance lease liabilities	21.1	23.3	Pension deficit (net of deferred tax)	404.7	623.1	Present value of operating leases	2,076.4	2,126.2	Operational cash	479.8	453.0	<i>less:</i>			Cash and short term investments	(982.2)	(762.2)	<b>Operating net assets</b>	<b>5,667.0</b>	<b>5,702.1</b>	<b>Average operating net assets</b>	<b>5,684.5</b>	<b>5,721.5</b>	<b>ROIC</b>	<b>7.3%</b>	<b>9.1%</b>
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