

John Lewis Partnership

John Lewis Partnership plc
 Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015
 Strict Stock Exchange Embargo, 7.00am
 Thursday 10 September 2015

Solid first half for the Partnership in a difficult market

Financial Summary

	Waitrose		John Lewis		Partnership	
	£m	YoY change	£m	YoY change	£m	YoY change
Gross sales	3,180.8	1.1%	1,935.8	3.8%	5,116.6	2.1%
LFL sales ⁽¹⁾	(1.3)%		3.0%			
Revenue	2,998.7	1.1%	1,548.5	3.6%	4,547.2	1.9%
Operating profit before exceptional item ⁽²⁾⁽³⁾	135.5	(6.7)%	47.1	(16.3)%	144.9	(17.7)%
Operating profit ⁽³⁾					272.9	55.0%
PBT ⁽⁴⁾ before exceptional item ⁽²⁾⁽³⁾					96.0	(26.0)%
PBT ⁽³⁾⁽⁴⁾					224.0	72.6%

(1) Waitrose like-for-like sales excludes petrol

(2) Exceptional income of £128.0m (2014/15: £nil) following the sale of the Clearings building

(3) Includes property profits of £nil (2014/15: £10.5m in Waitrose and £0.5m in Group). Excluding property profits, Waitrose operating profit is up 0.6%

(4) Profit before Partnership Bonus and tax

Operating highlights

- Robust sales performance and increased market share⁽⁵⁾ in both Waitrose and John Lewis
- Continued growth in customer numbers, up 7% in Waitrose and 6% in John Lewis
- 18% increase in number of active myWaitrose card holders and strong take-up of “Pick Your Own Offers” scheme with 700,000 customers now taking part
- 5 new Waitrose branches and a new .com distribution centre in Coulsdon; first John Lewis full line department store in 4 years set to open in Birmingham following £35m investment
- Waitrose national distribution centre (NDC) opened and announcement of third John Lewis NDC, both in Milton Keynes
- International expansion with new John Lewis shop-in-shops in Singapore and the Philippines

Financial highlights

- Operating profit before property profits up £0.8m (0.6%) in Waitrose and down £9.2m (16.3%) in John Lewis; both impacted by incremental holiday pay costs⁽⁶⁾ and a higher share of central costs as well as restructuring costs in John Lewis
- Waitrose total volume growth of 1.8%; LFL sales decline of 1.3% reflecting tough grocery market conditions, with price deflation, and strong prior year comparative through promotion-driven online performance last year
- Johnlewis.com gross sales⁽⁷⁾ up 17.1% to £647m. Sales transacted in shops decreased 1.8%, partly due to comparison to 150 Year anniversary celebrations last year, but were up 1.7% over a two year period

(5) Kantar

(6) Incremental costs to take paid overtime into account when calculating holiday pay for Partners

(7) Online returns to shops deducted from shop sales

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

- PBT before exceptional items down 26.0%, predominantly due to higher pension charges, arising from volatility in the market driven assumptions, and last year's property profits
- As pension charges for the full year will be approximately £60m higher than the comparable figure for last year, and given the tough trading environment, PBT before exceptional items for the year ending 30 January 2016 expected to be between £270m and £320m versus £342.7m last year
- Strong cash generation driven by lower capital investment and the sale of the Clearings building
- Net debt⁽⁸⁾ of £664.6m, £30.2m (4.3%) lower than July 2014 despite the issue of a £300m bond in December 2014, with net proceeds contributed to the pension scheme
- Pension deficit of £1,156.4m, £92.9m (7.4%) lower than January 2015

Sir Charlie Mayfield, Chairman of John Lewis Partnership, commented:

“This has been a solid first half for the Partnership in a difficult market. Both Waitrose and John Lewis are growing sales and increasing market share. Profit before tax and exceptionals was down by £33.8m to £96.0m, predominantly driven by higher pension charges arising from volatility in the market driven assumptions and last year's property profits. Excluding these, at a trading level our profits were broadly level with last year, despite the turmoil in the grocery market. That reflects tight management of costs and the steps we have taken to strengthen the appeal of our trading brands, where we have seen an encouraging increase in the number of customers shopping with us.

Outlook 2015/16

Conditions in the market will remain difficult, especially in grocery where there is little sign of any price inflation. However, I expect sales in both Waitrose and John Lewis to perform comparatively well against the market, helped by promising new ranges and online capability.

For the full year, pension charges will be approximately £60m higher than the comparable figure last year, predominantly arising from volatility in the market driven assumptions. In the current market, even a strong trading performance is unlikely to offset this fully and therefore we expect to see Profit before Partnership Bonus, tax and exceptionals of between £270m and £320m, versus £342.7m last year. Despite this, through tight cash management, we expect to achieve a further reduction in our net debt.”

Financial Results

In the first six months of the year, the Partnership delivered robust sales growth. Both Waitrose and John Lewis grew sales ahead of their respective markets, increasing their market shares. Partnership gross sales (inc VAT) were £5.12bn, an increase of £105.2m, or 2.1%, on last year. Revenue, which is adjusted for sale or return sales and excludes VAT, was £4.55bn, up by £86.0m or 1.9%.

Partnership operating profit was £272.9m, up £96.8m, or 55.0% on last year. This includes exceptional income of £128.0m following the sale of the Clearings building. Excluding the exceptional item, operating profit was £144.9m, down £31.2m or 17.7% on last year.

Profit before tax was £224.0m, up by £94.2m, or 72.6% on last year. Excluding the exceptional item it was £96.0m, down by £33.8m or 26.0%.

(8) Net debt has been restated for 2014/15. See note 2 of the interim statement on page 12 for further details

Waitrose

Despite exceptionally tough conditions in the UK grocery market caused by falling prices and changing customer shopping patterns, our plans to create Modern Waitrose progressed well as we continued to outperform the industry on sales and increased our market share and volumes. Gross sales for the first half grew by 1.1% to £3.18bn, with like-for-like sales down 1.3%. We had on average 280,000 more customer transactions each week compared to the same period last year, total volume growth of 1.8% and our market share⁽⁹⁾ grew to 5.1%.

Operating profit before property profits was up 0.6% to £135.5m, despite incremental costs for holiday pay and absorbing a greater share of centrally incurred functional costs. Effective management of our costs and capital expenditure, together with a focus on efficiency throughout the business, helped our profit position.

Because we are confident in our value, quality, provenance and service we have not joined the industry in across-the-board price cutting aimed at driving volume in the short-term. Our approach is to achieve sustainable sales growth through the targeted price investment of our “Pick Your Own Offers” scheme which launched in June. This gives myWaitrose members the power to choose the ten products (from a list of nearly a thousand) on which they can save 20% every time they shop, whether in branch or online.

The scheme has had a strong take-up with 700,000 customers now taking part and is a clear example of how myWaitrose is enabling us to deepen our relationships with our customers. There has been a year-on-year 18% uplift in the number of active myWaitrose card holders.

Building our online business is also a key strategic driver. Although online grocery gross sales were down 13.0%, these were impacted by a strong promotion-driven performance last year. Average order value was up by 8.2%. We closed our Acton .com fulfilment centre in the half and our first purpose-built .com distribution centre opened in March on a seven acre site in Coulsdon, increasing our capacity to handle online orders in London by a third.

We opened five new branches in the first half, including one acquisition, two relocations and one convenience store, and announced the planned closure of two convenience stores. In August we opened a branch in Bagshot and there are five more core branches, two major redevelopments and one convenience store planned for the rest of this year.

Creating additional reasons for customers to visit branches in the online era is a key part of Modern Waitrose and the newly-opened core shops all have hospitality offers. Our hospitality business successfully taps into the growing trend for casual dining and showed increases of 23.5% in the first half.

We now have 114 cafes in our branches and 35 bakery grazing areas, with grazing planned for 26 more branches in the second half. In addition we now have outdoor seating in 82 branches.

Offering services is another way we attract customers into our branches. The popularity of Click & Collect continues to grow, with orders up nearly 50%, and we have introduced foreign exchange Click & Collect in 94 branches. Dry cleaning is now offered in 128 shops.

We continued to invest in transforming our IT capability, which is the enabler for strategic developments such as Pick Your Own and the growth of our online business. We are also using technology to improve customer service and to drive efficiency. Our customers were some of the first to use Apple Pay when it launched in the UK in July.

We also maintained investment in our supply chain and our first National Distribution Centre opened in Milton Keynes at the end of July and will handle 25,000 longer-life ambient products.

(9) Kantar

John Lewis

John Lewis saw solid sales growth in the first half, with gross sales of £1.94bn and like-for-like sales up 3.0%. Operating profit fell by 16.3% to £47.1m, impacted by restructuring costs, incremental costs for holiday pay and absorbing a greater share of centrally incurred functional costs. It also reflects the costs associated with the ongoing shift in both channel and fulfilment mix, a consequence of operating in an omni-channel world.

We continued to outperform both the BRC and IMRG – a good performance in the context of lower consumer confidence at the beginning of the year. The results are also achieved against a strong Spring / Summer season last year, with 2014 boosted by our 150 Year anniversary promotions and exceptional demand for Electricals and Home Technology (EHT) products in the run-up to the FIFA World Cup.

Gross sales in our fashion and home directorates accelerated during the period whilst EHT experienced a slower market.

- Fashion was the standout performance, up 7.5%, with our strategy of combining an ambitious John Lewis own-brand offer with the best of other brands continuing to pay dividends. Menswear was particularly strong, up 10.5%, with John Lewis Kin tailoring up 23.9%. A new womenswear collaboration with the designer Bruce Oldfield started in September.
- Sales in Home were up 4.9% - a good performance against the impact of the General Election and a late start to summer sales. Outdoor living was up 33.5%. Own-brand continues to be our star performer with our newest range, Croft, achieving an increase of 87.5%.
- In EHT, sales fell by 0.7% against strong figures from the same period last year and impacted by a lack of new product launches in the home technology market. In the first half we launched sim-free mobile phones and announced a partnership with Vodafone to sell John Lewis mobile contracts. We have also announced that Apple Watch will be available in our shops, which will give us more momentum in technology sales for the second half.

Johnlewis.com gross sales⁽¹⁰⁾ grew by 17.1% to £647m. Online returns to shops are currently deducted from shops sales, but from 2016/17 onwards we intend to change our reporting so that online returns to shops are deducted from online sales. After four years of consecutive growth, sales transacted in our shops were down by 1.8%, partly due to comparison to our 150 Year anniversary celebrations last year, but up 1.7% over a two year period. Our main focus continues to be on investing in both our shops and online to maintain and develop our omnichannel proposition.

John Lewis Birmingham, opening in September, will be our first full line department store to open in four years and represents a £35m investment in the heart of the UK's second city. It will be the first to feature new concepts including an &Beauty spa. September also saw the reopening of our home department at Oxford Street after a £14m investment, which will showcase London's largest single selection of home products and services, and underline our leadership in this key market. The first half saw the opening of a new at home shop in Horsham, which will be followed by a further at home shop in Basingstoke in October.

Our range of in-store services and experiences continued to expand during the half with the opening of three foreign exchange bureaus and the announcement of ten further Joe & the Juice or Rossopomodoro restaurants, and another in-store Opticians. We have expanded our international footprint, with shop-in-shops in Singapore and the Philippines joining our existing Korean sites.

(10) Online returns to shops deducted from shop sales

John Lewis Partnership plc

Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

Alongside our shop investment we continue to focus on the strength of our distribution model, with the announcement of a third national distribution centre in Milton Keynes. We are determined to build a sustainable model so that we deliver on our customer promises at Christmas. In addition, the introduction of a £30 threshold for free Click & Collect has gone smoothly.

Looking forward, Black Friday and Christmas will again be defined by the importance of logistics and operational excellence, coupled with ensuring our shops remain the “must visit” destination on the high street. We go into the second half with confidence in both our ability to deliver outstanding customer service and in our strongest-ever product assortment.

Partnership Services Group

Partnership Services and Group includes the operating costs for our Group offices and shared services, as well as the costs for transformation programmes and certain pension operating costs. Partnership Services and Group net operating costs decreased by £14.6m or 47.2% reflecting lower costs for transformation programmes and an increase in the share of functional costs charged to Waitrose and John Lewis. However, overall costs increased by £12.3m to £37.7m predominantly due to the increase in pension operating costs resulting from changes in financial assumptions.

Investment in the future

Capital investment in the first half of the year was £237.9m, a decrease of £94.2m (28.4%) on the previous year. However, we have continued to increase our investment in IT and distribution, which now represents 48% of our total capital investment.

Investment in Waitrose was £114.8m, down £105.4m (47.9%) on the previous year, and in John Lewis investment was £109.2m, up £17.9m (19.6%).

Pensions

The pension operating cost was £122.4m, an increase of £30.3m or 32.9% on the prior year costs, predominantly reflecting the substantial decline in the real discount rate used to determine the cost to 0.35% at the beginning of the year from 1.10% at the beginning of the previous year. Pension finance costs were £18.5m, a decrease of £1.3m or 6.6% on the prior year, reflecting a reduction due to the lower discount rate partly offset by a higher accounting pension deficit at the beginning of the year than at the beginning of the previous year. As a result, total pension costs were £140.9m, an increase of £29.0m or 25.9% on the prior year.

Following the conclusion of the triennial actuarial valuation of our defined benefit pension scheme as at 31 March 2013, we agreed to increase the ongoing contribution rate to 16.4% of members' gross taxable pay and put in place a plan to eliminate the deficit over a 10 year period through a one-off contribution and annual deficit reduction contributions. However, to secure long term debt at low interest rates, we issued a £300m bond in December 2014 and used the net proceeds of the issue to prepay almost 7 years of the previously-agreed deficit reduction contributions to the pension scheme. As a result, in the first half of the year total cash contributions to the pension scheme totalled £82.8m, a decrease of £17.8m or 17.7% on the prior year. Our next triennial actuarial valuation will take place as at 31 March 2016.

The total accounting pension deficit at 1 August 2015 was £1,156.4m, a decrease of £92.9m (7.4%) since 31 January 2015, mainly reflecting a marginal increase in the real discount rate used to value the liabilities. Net of deferred tax, the deficit was £944.1m. The accounting valuation of pension fund liabilities decreased by £11.0m (0.2%) to £5,290.0m, while pension fund assets increased by £81.9m (2.0%) to £4,133.6m.

John Lewis Partnership plc

Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

The pension continues to be one of the most important benefits offered to Partners, but it also accounts for the greatest single investment made each year by the Partnership. The move to a hybrid pension scheme combining defined benefit and defined contribution pensions, where future pension risk is shared between Partners and the Partnership, was approved earlier this year. However, the changes will only start impacting our pension operating costs during 2016/17 and will take a number of years to be fully effected.

Financing

At 1 August 2015, net debt⁽¹¹⁾ was £664.6m, a decrease of £57.1m (7.9%) in the half year and £30.2m (4.3%) lower than 26 July 2014. Net debt decreased year-on-year, despite the issue of a £300m 4.25% bond in December 2014 with net proceeds contributed to the pension scheme. The reduction reflects our focus on cash generation, the reduction in capital investment and the completion of the sale of our Clearings building. We expect our net debt at the end of the year will be materially lower than at January 2015.

Net finance costs on borrowings and investments increased by £6.1m (24.4%) to £31.1m, reflecting the additional finance costs on the £300m bond issued in December 2014. After including the financing elements of pensions and long service leave and non-cash fair value adjustments, net finance costs increased by £2.6m (5.6%) to £48.9m.

Sustainability

Our sustainability strategy is bringing together the outcomes of our recent materiality assessment. We have prioritised the issues in our supply chains, our operations and our communities which are of greatest importance to our Partners, our stakeholders and the long-term commercial health of the business. Further details on our strategy and performance are included in our Annual Report & Accounts at www.johnlewispartnership.co.uk/financials/our-results.html

(11) Net debt has been restated for 2014/15. See note 2 of the interim statement on page 12 for further details

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

Enquiries

For further information please contact:

John Lewis Partnership

Andrew Moys, Director of Communications

07525 272377

Citigate Dewe Rogerson

Simon Rigby / Jos Bieneman

020 7638 9571

John Lewis

Peter Cross, Director, Communications

07764 697674

Ann Bryon, Head of External Communications

07767 304853

Waitrose

Christine Watts, Communications Director

07764 676414

Gill Smith, Senior Manager, Corporate PR

07887 898133

Notes to editors

The John Lewis Partnership - The John Lewis Partnership operates 44 John Lewis shops across the UK, johnlewis.com, 340 Waitrose shops, waitrose.com and business to business contracts in the UK and abroad. The business has annual gross sales of over £10bn. It is the UK's largest example of an employee-owned business where all 88,700 staff are Partners in the business.

Waitrose - the Nation's Favourite Supermarket¹ and winner of the Best Supermarket² and Best Food and Grocery Retailer³ awards - currently has 340 shops in England, Scotland, Wales and the Channel Islands, including 61 convenience branches, and another 28 shops at Welcome Break locations. It combines the convenience of a supermarket with the expertise and service of a specialist shop - dedicated to offering quality food that has been responsibly sourced, combined with high standards of customer service. Waitrose also exports its products to 53 countries worldwide and has seven shops which operate under licence in the Middle East. Waitrose's omnichannel business includes the online grocery service, Waitrose.com, as well as direct services websites including a specialist wine website (waitrosecellar.com).

¹ Conlumino Awards, 2014

² Good Housekeeping Best Supermarket 2014, *Which?* Best Supermarket 2014, 2015

³ Verdict Best Food and Grocery Retailer 2015

John Lewis - John Lewis operates 44 John Lewis shops across the UK (31 department stores, 11 John Lewis at home and shops at St Pancras International and Heathrow Terminal 2) as well as johnlewis.com. John Lewis, 'Best Clothing Retailer 2015', 'Best Electricals Retailer 2015' and 'Best Homewares Retailer 2015'⁴, typically stocks more than 350,000 separate lines in its department stores across fashion, home and technology. Johnlewis.com stocks over 280,000 products, and is consistently ranked one of the top online shopping destinations in the UK. John Lewis Insurance offers a range of comprehensive insurance products - home, car, wedding and event, travel and pet insurance and life cover - delivering the values of expertise, trust and customer service expected from the John Lewis brand.

⁴ Verdict Consumer Satisfaction Awards 2015

You can follow John Lewis on the following social media channels:

www.johnlewis.com/twitter

www.johnlewis.com/facebook

www.johnlewis.com/youtube

Where this interim report contains forward-looking statement these are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. These statements should be treated with caution due to inherent uncertainties underlying any such forward-looking information.

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

Consolidated income statement
for the half year ended 1 August 2015

<i>Notes</i>	Half year to 1 August 2015	Half year to 26 July 2014	Year to 31 January 2015*	
	£m	£m	£m	
5	Gross sales	5,116.6	5,011.4	10,942.6
5	Revenue	4,547.2	4,461.2	9,701.0
	Cost of sales	(3,012.9)	(2,971.9)	(6,426.9)
	Gross profit	1,534.3	1,489.3	3,274.1
	Other operating income before exceptional item	47.2	40.0	86.1
	Operating expenses	(1,436.6)	(1,353.2)	(2,917.9)
5	Operating profit before exceptional item	144.9	176.1	442.3
4	Exceptional item	128.0	–	7.9
5	Operating profit	272.9	176.1	450.2
6	Finance costs	(50.1)	(48.1)	(102.5)
6	Finance income	1.2	1.8	2.9
	Profit before Partnership Bonus and tax	224.0	129.8	350.6
	Partnership Bonus	–	–	(156.2)
	Profit before tax	224.0	129.8	194.4
7	Taxation	(51.5)	(32.7)	(50.9)
	Profit for the period	172.5	97.1	143.5
5	<i>Profit before Partnership Bonus, tax and exceptional item</i>	<i>96.0</i>	<i>129.8</i>	<i>342.7</i>

Consolidated statement of comprehensive income/(expense)
for the half year ended 1 August 2015

<i>Notes</i>	Half year to 1 August 2015	Half year to 26 July 2014	Year to 31 January 2015*	
	£m	£m	£m	
	Profit for the period	172.5	97.1	143.5
	Other comprehensive income/(expense):			
	Items that will not be reclassified to profit or loss:			
10	Remeasurement of defined benefit pension schemes	144.6	(20.7)	(523.5)
7	Movement in deferred tax on pension schemes	(28.9)	4.4	38.3
7	Movement in current tax on pension schemes	–	–	70.8
	Items that may be reclassified subsequently to profit or loss:			
	Net (loss)/gain on cash flow hedges	(7.5)	(5.5)	8.8
7	Movement in deferred tax on cash flow hedges	1.5	2.2	(0.6)
	Other comprehensive income/(expense) for the period	109.7	(19.6)	(406.2)
	Total comprehensive income/(expense) for the period	282.2	77.5	(262.7)

* 53 week year

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

Consolidated balance sheet
as at 1 August 2015

<i>Notes</i>	1 August 2015	26 July 2014 (restated, see note 2)	31 January 2015 (restated, see note 2)	
	£m	£m	£m	
Non-current assets				
8	Intangible assets	363.1	297.3	335.5
8	Property, plant and equipment	4,153.1	4,059.8	4,160.1
	Trade and other receivables	65.8	61.7	62.7
	Deferred tax asset	81.3	79.0	123.8
		4,663.3	4,497.8	4,682.1
Current assets				
	Inventories	552.8	536.7	580.7
	Trade and other receivables	228.7	230.3	208.6
	Current tax receivable	–	–	18.9
13	Derivative financial instruments	3.9	1.1	9.6
9	Assets held for sale	9.3	32.5	15.7
	Cash and cash equivalents	401.0	118.8	336.9
		1,195.7	919.4	1,170.4
	Total assets	5,859.0	5,417.2	5,852.5
Current liabilities				
12	Borrowings and overdrafts	(57.4)	(35.0)	–
	Trade and other payables	(1,355.8)	(1,279.1)	(1,572.2)
	Current tax payable	(17.5)	(34.7)	–
12	Finance lease liabilities	(3.2)	(3.6)	(3.1)
	Provisions	(107.1)	(111.0)	(110.1)
13	Derivative financial instruments	(8.7)	(10.9)	(6.6)
		(1,549.7)	(1,474.3)	(1,692.0)
Non-current liabilities				
12	Borrowings	(973.6)	(735.7)	(1,030.2)
	Trade and other payables	(185.8)	(144.1)	(175.9)
12	Finance lease liabilities	(26.6)	(29.5)	(28.3)
	Provisions	(165.7)	(145.4)	(158.0)
10	Retirement benefit obligations	(1,156.4)	(1,029.0)	(1,249.3)
		(2,508.1)	(2,083.7)	(2,641.7)
	Total liabilities	(4,057.8)	(3,558.0)	(4,333.7)
	Net assets	1,801.2	1,859.2	1,518.8
Equity				
	Share capital	0.6	0.6	0.6
	Other reserves	3.0	(2.5)	8.8
	Retained earnings	1,797.6	1,861.1	1,509.4
	Total equity	1,801.2	1,859.2	1,518.8

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

Consolidated statement of changes in equity
for the half year ended 1 August 2015

<i>Notes</i>	Share capital	Capital redemption reserve	Capital reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
	Balance at 25 January 2014	0.6	5.0	1.4	(5.8)	1,780.3	1,781.7
	Profit for the period	–	–	–	–	97.1	97.1
10	Remeasurement of defined benefit pension schemes	–	–	–	–	(20.7)	(20.7)
	Fair value losses on cash flow hedges	–	–	–	(1.1)	–	(1.1)
	– transfers to inventories	–	–	–	(4.0)	–	(4.0)
	– transfers to property, plant and equipment	–	–	–	(0.4)	–	(0.4)
	Tax on above items recognised in equity	–	–	–	2.2	4.4	6.6
	Balance at 26 July 2014	0.6	5.0	1.4	(9.1)	1,861.1	1,859.2
	Balance at 25 January 2014	0.6	5.0	1.4	(5.8)	1,780.3	1,781.7
	Profit for the year	–	–	–	–	143.5	143.5
10	Remeasurement of defined benefit pension schemes	–	–	–	–	(523.5)	(523.5)
	Fair value gains on cash flow hedges	–	–	–	0.4	–	0.4
	– transfers to inventories	–	–	–	9.1	–	9.1
	– transfers to property, plant and equipment	–	–	–	(0.7)	–	(0.7)
	Tax on above items recognised in equity	–	–	–	(0.6)	109.1	108.5
	Loss on currency translations	–	–	–	–	(0.2)	(0.2)
	Balance at 31 January 2015*	0.6	5.0	1.4	2.4	1,509.4	1,518.8
	Profit for the period	–	–	–	–	172.5	172.5
10	Remeasurement of defined benefit pension schemes	–	–	–	–	144.6	144.6
	Fair value losses on cash flow hedges	–	–	–	(4.7)	–	(4.7)
	– transfers to inventories	–	–	–	(1.9)	–	(1.9)
	– transfers to property, plant and equipment	–	–	–	(0.9)	–	(0.9)
	Tax on above items recognised in equity	–	–	–	1.5	(28.9)	(27.4)
	Gain on currency translations	–	–	–	–	0.2	0.2
	Balance at 1 August 2015	0.6	5.0	1.4	(3.6)	1,797.6	1,801.2

* 53 week year

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

Consolidated statement of cash flows
for the half year ended 1 August 2015

<i>Notes</i>	Half year to 1 August 2015	Half year to 26 July 2014 (restated, see note 2)	Year to 31 January 2015* (restated, see note 2)
	£m	£m	£m
<i>11</i> Cash generated from operations	343.1	274.8	875.8
Net taxation paid	–	(1.5)	(16.1)
Partnership Bonus paid	(156.0)	(202.7)	(202.8)
Additional contribution to the Pension Scheme	–	–	(294.1)
Finance costs paid	(2.4)	(1.5)	(3.1)
Net cash generated from operating activities	184.7	69.1	359.7
Cash flows from investing activities			
Purchase of property, plant and equipment	(166.8)	(268.6)	(526.2)
Purchase of intangible assets	(71.1)	(63.5)	(144.7)
Proceeds from sale of property, plant and equipment and intangible assets	144.6	16.9	44.7
Finance income received	0.5	0.4	0.6
Net cash used in investing activities	(92.8)	(314.8)	(625.6)
Cash flows from financing activities			
Finance costs paid in respect of bonds	(25.0)	(24.9)	(44.0)
Payment of capital element of finance leases	(1.5)	(2.7)	(4.4)
Payments to preference shareholders	(0.1)	(0.1)	(0.2)
Payments to Share Incentive Plan shareholders	(1.3)	(1.7)	(1.3)
Cash inflow from borrowings	–	42.0	300.8
Net cash (used in)/generated from financing activities	(27.9)	12.6	250.9
Increase/(decrease) in net cash and cash equivalents	64.0	(233.1)	(15.0)
Net cash and cash equivalents at beginning of period	336.9	351.9	351.9
Net cash and cash equivalents at end of period	400.9	118.8	336.9
Net cash and cash equivalents comprise:			
Cash at bank and in hand	89.7	73.7	96.8
Short-term investments	311.3	45.1	240.1
Bank overdraft	(0.1)	–	–
	400.9	118.8	336.9

* 53 week year

Notes to the financial statements

1 Basis of preparation

This condensed set of interim financial statements was approved by the Board on 9 September 2015. The condensed set of interim financial statements is unaudited, but has been reviewed by the auditors and their review report is set out on pages 24 to 25. They do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative information for the half year to or as at 26 July 2014 has not been audited, but has been reviewed in accordance with the International Standard on Review Engagements (UK and Ireland) 2410.

The results for the half year to 1 August 2015 have been prepared using the discrete period approach, considering the half year as an accounting period in isolation. The tax charge is based on the effective rate estimated for the full year, which has been applied to the profits in the first half year.

The Partnership's published financial statements for the year ended 31 January 2015 has been reported on by the Partnership's auditors and filed with the Registrar of Companies. The report of the auditors was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed set of interim financial statements for the half year ended 1 August 2015 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed set of interim financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 31 January 2015, which has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Going concern

Having reviewed the Partnership's principal risks, operating budgets, investment plans and financing arrangements, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the condensed set of interim financial statements.

Supplier income

Within trade receivables is accrued rebate income of £18.1m (31 January 2015: £6.5m). During the interim period, supplier income was received in line with estimates recorded at 31 January 2015. There has been no change in the criteria used to recognise supplier income, though at the half year specific judgement is required to estimate the amount that will be received from suppliers in relation to annual agreements. These judgements have been based on management's best estimates of full year purchases using the latest information available.

2 Accounting policies

The Partnership's results for the half year to 1 August 2015 have been prepared on a basis consistent with the Partnership's accounting policies published in the financial statements for the year ended 31 January 2015, except as noted below.

Restatement

During the first half of the year, the Directors reviewed the accounting for certain cash in transit balances and determined that, because outgoing payments have been instructed but not completed at the balance sheet date, it is more appropriate to retain the associated payables balance than to recognise an overdraft. In addition, it was determined that certain outstanding payments are more appropriately recognised as a reduction in cash than in overdrafts, in line with the Group's cash pooling arrangements. This has resulted in a reclassification of part of the overdraft balance into current trade and other payables of £58.5m at 31 January 2015 and £61.1m at 26 July 2014 and into cash of £2.9m at 31 January 2015 and £20.4m at 26 July 2014. Net debt, segmental net assets, opening cash balances and working capital movements in the cash flow have been restated. Net assets are unchanged.

3 Risks and uncertainties

The principal and other significant risks and uncertainties affecting the Partnership were identified as part of the Group Strategic Report, set out on pages 45 to 47 of the John Lewis Partnership Annual Report and Accounts 2015, a copy of which is available on the Partnership's website www.johnlewispartnership.co.uk.

The Partnership has a formal risk identification process, which includes a rigorous analysis of internal and external risks both at a Divisional Board and Partnership Board level. The Partnership has identified the following key risks, which are unchanged from year end and remain relevant for the second half of the financial year, with the addition of a funding and liquidity risk.

- **Competition:** aggressive price competition puts pressure on our margin and profitability as the current environment in the retail grocery sector means that Waitrose customers focus more on value for money and less on loyalty;
- **Pension obligations:** the open nature of the Partnership's defined benefit scheme could lead to a future increase in pension liabilities, with the risk that cash flows are put under strain in order to address a significant pension deficit;
- **Property valuation:** continuing market shifts in the retail grocery sector, from the current channel format towards online and convenience stores, could cause a fall in freehold estate valuation for Waitrose's freehold properties;
- **Efficiency:** in response to the ever changing external environment and pressures on our operating model, we have developed programmes to optimise our efficiency and productivity. There is a risk that these programmes fail and therefore the required savings are not delivered;
- **Economic environment:** a worsening external economic environment, for instance due to government spending restrictions, a static economy and lack of pay increases, reduces our customers' spending power and harms our suppliers' financial resilience;
- **Operating model strain:** changing customer requirements, a shift to online and the need to increase investment in supply chain and IT put strain on our operating model and threaten our ability to meet customer needs and grow profitably;
- **IT infrastructure capability:** as our customer needs change and our ambitions grow, our IT infrastructure becomes less 'fit for purpose' for our current operational needs and is not able to adapt to meet our future aspirations;
- **Change delivery:** due to the size, nature and complexity of our change agenda, we may experience issues with planning and governance, resourcing and investment, and engaging our Partners;
- **Data protection breach:** due to increasing external attempts to cause disruption or access sensitive data and the pace of technological development, we may be vulnerable to a breach of our Partner or customer data;
- **Talent:** in a changing and competitive market and in consideration of our Partnership model, we constantly need to assess what talent the Partnership needs to deliver our business goals and how we can attract, develop and retain it; and
- **Funding and liquidity:** as the Partnership looks to grow, whilst maintaining its financial independence and commercial vitality, we may need to raise new finance or refinance existing facilities. Depending on circumstances at the time, we may not be able to achieve this.

4 Exceptional item

On 16 April 2015, the Partnership disposed of a property which was previously held for sale. The profit on disposal of £128.0m has been recorded as exceptional operating income in the period to 1 August 2015. A tax charge of £27.4m was recognised on the exceptional item.

In the year to 31 January 2015, exceptional operating income was recorded totalling £7.9m in respect of a review of the Partnership's holiday pay policy in 2014. This comprised a release of £3.4m from the pension liability and a release of £4.5m from other provisions, as the estimated costs for correcting our systems following the review, and updating pension scheme members' entitlements were lower than originally expected. A tax charge of £1.7m was recognised on the exceptional item.

5 Segmental reporting

The Partnership's three reporting segments are Waitrose, John Lewis and Partnership Services and Group, which includes the operating costs for our Group offices, Partnership Services, transformation programmes and certain pension operating costs. The operating profit of each segment is reported after charging relevant Partnership Services and Group costs based on the business segments' usage of these facilities and services, and before the exceptional item.

Waitrose's business is not subject to highly seasonal fluctuations although there is an increase in trading in the fourth quarter of the year. There is a more marked increase in the fourth quarter for the John Lewis business.

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
Half year to 1 August 2015				
Gross sales	3,180.8	1,935.8	–	5,116.6
Adjustment for sale or return sales	–	(85.4)	–	(85.4)
Value added tax	(182.1)	(301.9)	–	(484.0)
Revenue	2,998.7	1,548.5	–	4,547.2
Operating profit before exceptional item and profit on sale of property	135.5	47.1	(37.7)	144.9
Profit on sale of property	–	–	–	–
Operating profit before exceptional item	135.5	47.1	(37.7)	144.9
Exceptional item	–	–	128.0	128.0
Operating profit	135.5	47.1	90.3	272.9
Finance costs	–	–	(50.1)	(50.1)
Finance income	–	–	1.2	1.2
Profit before tax	135.5	47.1	41.4	224.0
Taxation	–	–	(51.5)	(51.5)
Profit for the period	135.5	47.1	(10.1)	172.5
<i>Profit before tax and exceptional item</i>	<i>135.5</i>	<i>47.1</i>	<i>(86.6)</i>	<i>96.0</i>

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

5 Segmental reporting (continued)

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
Half year to 26 July 2014				
Gross sales	3,146.4	1,865.0	–	5,011.4
Adjustment for sale or return sales	–	(78.8)	–	(78.8)
Value added tax	(179.5)	(291.9)	–	(471.4)
Revenue	2,966.9	1,494.3	–	4,461.2
Operating profit before exceptional item and profit on sale of property	134.7	56.3	(25.9)	165.1
Profit on sale of property	10.5	–	0.5	11.0
Operating profit before exceptional item	145.2	56.3	(25.4)	176.1
Exceptional item	–	–	–	–
Operating profit	145.2	56.3	(25.4)	176.1
Finance costs	–	–	(48.1)	(48.1)
Finance income	–	–	1.8	1.8
Profit before tax	145.2	56.3	(71.7)	129.8
Taxation	–	–	(32.7)	(32.7)
Profit for the period	145.2	56.3	(104.4)	97.1
<i>Profit before tax and exceptional item</i>	<i>145.2</i>	<i>56.3</i>	<i>(71.7)</i>	<i>129.8</i>

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

5 Segmental reporting (continued)

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
Year to 31 January 2015				
Gross sales	6,508.9	4,433.7	–	10,942.6
Adjustment for sale or return sales	–	(173.1)	–	(173.1)
Value added tax	(373.6)	(694.9)	–	(1,068.5)
Revenue	6,135.3	3,565.7	–	9,701.0
Operating profit before exceptional item and profit on sale of property	226.9	247.7	(46.5)	428.1
Profit on sale of property	10.5	2.8	0.9	14.2
Operating profit before exceptional item	237.4	250.5	(45.6)	442.3
Exceptional item	–	–	7.9	7.9
Operating profit	237.4	250.5	(37.7)	450.2
Finance costs	–	–	(102.5)	(102.5)
Finance income	–	–	2.9	2.9
Profit before Partnership Bonus and tax	237.4	250.5	(137.3)	350.6
Partnership Bonus	–	–	(156.2)	(156.2)
Profit before tax	237.4	250.5	(293.5)	194.4
Taxation	–	–	(50.9)	(50.9)
Profit for the period	237.4	250.5	(344.4)	143.5
<i>Profit before Partnership Bonus, tax and exceptional item</i>	<i>237.4</i>	<i>250.5</i>	<i>(145.2)</i>	<i>342.7</i>
1 August 2015				
Segment assets	2,983.4	1,987.1	888.5	5,859.0
Segment liabilities	(770.8)	(727.8)	(2,559.2)	(4,057.8)
Net assets/(liabilities)	2,212.6	1,259.3	(1,670.7)	1,801.2
26 July 2014 (restated, see note 2)				
Segment assets	2,944.8	1,873.8	598.6	5,417.2
Segment liabilities	(675.2)	(691.5)	(2,191.3)	(3,558.0)
Net assets/(liabilities)	2,269.6	1,182.3	(1,592.7)	1,859.2
31 January 2015 (restated, see note 2)				
Segment assets	2,946.1	2,001.9	904.5	5,852.5
Segment liabilities	(710.9)	(789.7)	(2,833.1)	(4,333.7)
Net assets/(liabilities)	2,235.2	1,212.2	(1,928.6)	1,518.8

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

6 Net finance costs

	Half year to 1 August 2015	Half year to 26 July 2014	Year to 31 January 2015
	£m	£m	£m
Finance costs			
Finance costs in respect of borrowings	(31.5)	(25.3)	(53.5)
Fair value measurements and other	(0.1)	–	(1.5)
Net finance costs arising on defined benefit and other employee benefit schemes	(18.5)	(22.8)	(47.5)
Total finance costs	(50.1)	(48.1)	(102.5)
Finance income			
Finance income in respect of cash and short-term investments	0.4	0.3	0.7
Fair value measurements and other	0.7	1.5	2.2
Net finance income on other employee benefit schemes	0.1	–	–
Total finance income	1.2	1.8	2.9
Net finance costs	(48.9)	(46.3)	(99.6)

	Half year to 1 August 2015	Half year to 26 July 2014	Year to 31 January 2015
	£m	£m	£m
Finance costs in respect of borrowings	(31.5)	(25.3)	(53.5)
Finance income in respect of cash and short-term investments	0.4	0.3	0.7
Net finance costs in respect of borrowings and short-term investments	(31.1)	(25.0)	(52.8)
Fair value measurements and other	0.6	1.5	0.7
Net finance costs arising on defined benefit retirement schemes	(18.5)	(19.8)	(37.6)
Net finance income/(costs) arising on other employee benefit schemes	0.1	(3.0)	(9.9)
Net finance costs	(48.9)	(46.3)	(99.6)

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

7 Income taxes

Income tax expense is recognised based on management's best estimate of the full year effective tax rate based on estimated full year profits. The estimated pre-exceptional full year effective tax rate for the year to 30 January 2016 is 25.1% (the estimated effective tax rate for the period to 26 July 2014 was 25.2%).

8 Property, plant and equipment and intangible assets

	Property, plant and equipment	Intangible assets	Total
	£m	£m	£m
Net book value at 31 January 2015	4,160.1	335.5	4,495.6
Additions	143.9	71.1	215.0
Depreciation and amortisation	(140.1)	(42.7)	(182.8)
Disposals	(1.5)	(0.8)	(2.3)
Transfers to assets held for sale	(9.3)	–	(9.3)
Net book value at 1 August 2015	4,153.1	363.1	4,516.2

Intangible assets primarily relate to internally developed computer software.

9 Assets held for sale

At 1 August 2015, one property asset was recorded as held for sale totalling £9.3m. It is expected to be disposed of within 12 months.

At 31 January 2015, one property asset was recorded as held for sale totalling £15.7m, which was disposed of post the 31 January 2015 year end and the gain was recorded as an exceptional item in the first half of the year (see note 4). At 26 July 2014, two properties were held for sale totalling £32.5m.

10 Retirement benefit obligations

The principal pension scheme operated by the Partnership is the John Lewis Partnership Trust for Pensions. The scheme is a funded final salary defined benefit pension scheme, providing pension and death benefits to members, and is open to new members. All contributions to the scheme are funded by the Partnership.

Pension commitments have been calculated based on the most recent actuarial valuations, as at 31 March 2013, which have been updated by the actuaries to reflect the assets and liabilities of the scheme as at 1 August 2015.

Scheme assets are stated at market value at 1 August 2015.

The following financial assumptions have been used:

	Half year to 1 August 2015	Half year to 26 July 2014	Year to 31 January 2015
Discount rate	3.65%	4.25%	3.15%
Future retail price inflation (RPI)	3.25%	3.25%	2.80%
Future consumer price inflation (CPI)	2.25%	2.25%	1.80%
Increase in earnings	3.75%	3.75%	3.30%
Increase in pensions – in payment	3.00%	3.00%	2.70%
Increase in pensions – deferred	2.25%	2.25%	1.80%

The movement in the defined benefit liability in the period is as follows:

	Half year to 1 August 2015	Half year to 26 July 2014	Year to 31 January 2015
	£m	£m	£m
Net defined benefit liability at beginning of period	(1,249.3)	(1,003.4)	(1,003.4)
Operating cost	(116.0)	(85.7)	(177.6)
Interest cost on liabilities	(82.7)	(91.5)	(183.1)
Interest income on assets	64.2	71.7	145.5
Contributions	82.8	100.6	492.8
Total gains/(losses) recognised in equity	144.6	(20.7)	(523.5)
Net defined benefit liability at end of period	(1,156.4)	(1,029.0)	(1,249.3)

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 1 August 2015

11 Reconciliation of profit before tax to cash generated from operations

	Half year to 1 August 2015	Half year to 26 July 2014 (restated, see note 2)	Year to 31 January 2015 (restated, see note 2)
	£m	£m	£m
Profit before tax	224.0	129.8	194.4
Amortisation of intangible assets	42.7	33.1	76.1
Depreciation	140.1	128.4	281.7
Net finance costs	48.9	46.3	99.6
Partnership Bonus	–	–	156.2
Fair value losses on derivative financial instruments	0.6	–	–
Profit on disposal of property, plant and equipment and intangible assets	(126.6)	(11.7)	(12.3)
Decrease/(increase) in inventories	27.9	17.3	(26.7)
(Increase)/decrease in receivables	(23.5)	(1.5)	19.2
(Decrease)/increase in payables	(29.0)	(47.1)	108.7
Increase/(decrease) in retirement benefit obligations	33.2	(15.1)	(21.2)
Increase/(decrease) in provisions	4.8	(4.7)	0.1
Cash generated from operations	343.1	274.8	875.8

12 Analysis of net debt

	31 January 2015 (restated, see note 2)	Cash flow	Other non-cash movements	1 August 2015
	£m	£m	£m	£m
Current assets				
Cash and cash equivalents	336.9	64.1	–	401.0
Derivative financial instruments	9.6	–	(5.7)	3.9
	346.5	64.1	(5.7)	404.9
Current liabilities				
Borrowings and overdrafts	–	(0.1)	(57.4)	(57.5)
Unamortised bond transaction costs	–	–	0.1	0.1
Finance leases	(3.1)	1.5	(1.6)	(3.2)
Derivative financial instruments	(6.6)	–	(2.1)	(8.7)
	(9.7)	1.4	(61.0)	(69.3)
Non-current liabilities				
Borrowings	(1,040.9)	–	57.2	(983.7)
Unamortised bond transaction costs	10.7	–	(0.6)	10.1
Finance leases	(28.3)	–	1.7	(26.6)
	(1,058.5)	–	58.3	(1,000.2)
Total net debt	(721.7)	65.5	(8.4)	(664.6)

12 Analysis of net debt (continued)

Reconciliation of net cash flow to net debt

	Half year to 1 August 2015	Half year to 26 July 2014 (restated, see note 2)	Year to 31 January 2015 (restated, see note 2)
	£m	£m	£m
Increase/(decrease) in net cash and cash equivalents in the period	64.0	(233.1)	(15.0)
Cash outflow/(inflow) from movement in debt and lease financing	1.5	(39.3)	(296.4)
Movement in debt for the period	65.5	(272.4)	(311.4)
Opening net debt	(721.7)	(417.2)	(417.2)
Non-cash movements	(8.4)	(5.2)	6.9
Closing net debt	(664.6)	(694.8)	(721.7)

13 Management of financial risks

The principal financial risks to which the Partnership is exposed are liquidity risk, interest rate risk, foreign currency risk, credit risk, capital risk and energy risk.

This condensed set of interim financial statements does not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 31 January 2015. During the half year to 1 August 2015, the Partnership has continued to apply the financial risk management process and policies as detailed in the Annual Report and Accounts for the year ended 31 January 2015.

Valuation techniques and assumptions applied in determining the fair value of each class of asset or liability are consistent with those used as at 31 January 2015 and reflect the current economic environment.

Fair value estimation

The different levels per the IFRS 13 fair value hierarchy have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

13 Management of financial risks (continued)

During the half year to 1 August 2015, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

The fair value of the derivative financial instruments held by the Partnership are classified as Level 2 under the IFRS 13 fair value hierarchy, as all significant inputs to the valuation model used are based on observable market data and are not traded in an active market.

At 1 August 2015, the net fair value of derivative financial instruments was £4.8m, liability (31 January 2015: £3.0m, asset; 26 July 2014: £9.8m, liability).

The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date.

The following table compares the Partnership's liabilities held at amortised cost, where there is a difference between carrying value (CV) and fair value (FV):

	1 August 2015		26 July 2014		31 January 2015	
	£m	£m	£m	£m	£m	£m
	CV	FV	CV	FV	CV	FV
Financial liabilities						
Listed bonds	(864.8)	(996.9)	(570.1)	(694.2)	(864.5)	(1,031.2)
Preference stock	(4.6)	(4.8)	(4.6)	(3.7)	(4.6)	(3.9)

The fair value of the Partnership's listed bonds and preference stock have been determined by reference to market price quotations and classified as Level 1 under the IFRS 13 fair value hierarchy.

For other financial assets and liabilities, there are no material differences between carrying value and fair value.

14 Capital commitments

At 1 August 2015 contracts had been entered into for future capital expenditure of £38.8m (31 January 2015: £39.4m; 26 July 2014: £52.4m) of which £34.7m (31 January 2015: £36.0m; 26 July 2014: £51.4m) relates to property, plant and equipment and £4.1m (31 January 2015: £3.4m; 26 July 2014: £1.0m) relates to intangible assets.

15 Related party transactions

There have been no material changes to the principal subsidiaries listed in the Annual Report and Accounts for the year ended 31 January 2015. All related party transactions arise during the ordinary course of business. There were no material changes in the transactions or balances during the half year ended 1 August 2015.

16 Events after the balance sheet date

There have been no events after the balance sheet date requiring disclosure.

Statement of Directors' responsibilities

The Directors confirm that this condensed set of interim financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules (DTR) paragraphs DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the half year and their impact on the condensed set of interim financial statements, and a description of the principal risks and uncertainties for the remaining half of the financial year; and
- material related-party transactions in the half year and any material changes in the related-party transactions described in the last annual report.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For and by Order of the Board

Sir Charlie Mayfield, Chairman

Loraine Woodhouse, Acting Group Finance Director

9 September 2015

Independent review report to John Lewis Partnership plc
Report on the condensed set of interim financial statements

Our conclusion

We have reviewed the condensed set of interim financial statements, defined below, in the interim report of John Lewis Partnership plc for the 26 weeks ended 1 August 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed set of interim financial statements, which are prepared by John Lewis Partnership plc, comprise:

- the consolidated balance sheet as at 1 August 2015;
- the consolidated income statement and statement of comprehensive income/(expense) for the period then ended;
- the statement of consolidated cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed set of interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed set of interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of the condensed set of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim financial statements.

Responsibilities for the condensed set of interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the condensed set of interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed set of interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
9 September 2015