UNAUDITED RESULTS FOR HALF YEAR ENDED 25 JULY 2020

17 September 2020

These results are for John Lewis plc only and do not represent the results for John Lewis Partnership plc which can be found on the John Lewis Partnership website or at www.johnlewispartnership.co.uk/financials.html

A glossary of financial and non-financial terms is included on pages 7-9 of this document. All performance measures throughout this document are presented after the adoption of IFRS 16.

LETTER FROM SHARON WHITE TO PARTNERS

Dear Partner,

I wanted to share with you the Group's financial results for the first half of the year.

I could not be more proud of how Partners have responded to the impact of the pandemic. From the initial lockdown that saw all John Lewis stores close, to surging demand in Waitrose and a huge shift to home delivery in both brands; through to the reopening of John Lewis stores; the easing of lockdown and continued focus on social distancing and other safety measures.

It was with a great deal of sadness that we took the decision not to reopen eight John Lewis stores, and plan to close three Waitrose stores at Ipswich Corn Exchange, Caldicot and Shrewsbury, while selling Waitrose Wolverhampton to Tesco. I want to pay tribute to the dedication of Partners in those stores who have served customers, their communities and the Partnership for many years.

We will, all of us, have stories of how lockdown has affected family, friends and fellow Partners. It continues to test our physical and mental resilience. My biggest priority - always - is the safety of Partners and customers.

Through it all Partners have day in, day out demonstrated the values of the Partnership: 'Do right'; 'We not me'; 'Be yourself. Always'; 'All or nothing'; and 'Give more than you take'. This is shown in the fact that we:

- Served, on average, over 2.5m customers a week across John Lewis and Waitrose
- Donated 110,000 care packages and gifts to NHS staff
- Reopened our textiles factory Herbert Parkinson to make 12,000 protective gowns for the NHS
- Set aside 25% of home delivery slots for vulnerable and elderly people
- Committed £2.7m to charities and local communities, which has helped to fund food to homeless shelters and food banks.

Customer satisfaction is high in both brands, though we know we have room to improve. Waitrose has also won The Grocer magazine Store of the Week 13 times this year, more than any other supermarket.

OUR HALF-YEAR RESULTS

As a Partnership, we have the great advantage that we are able to take a long-term view. We can take the right decisions for the long-term benefit of our customers and our Partners; we can be bolder and more innovative than conventional companies, even in these challenging times.

Constitutionally, we are required to make 'sufficient' not 'maximum' profit to invest back into the business and in our Partners. We are driven to make a difference to people's lives and create positive social change. In that sense, we are a social enterprise.

The pandemic has brought forward changes in consumer shopping habits which might have taken five years into five months. Both brands entered the crisis with strong and established online businesses and in the case of Waitrose, plans for expansion well underway in preparation for the end of the relationship with Ocado. Our digital businesses, powered by Partners, have been key to underpinning our first half performance.

In the first six months of this year, the Group made a loss[1] of £(55)m, about the same as this time last year, a creditable performance in the circumstances and ahead of expectations in our April trading update.

Sales were a touch higher than last year - up 1%. But shoppers spent more on less profitable lines such as laptops and loo rolls. We benefited from Government support through the furlough scheme, which we exited at the end of July, and business rates, which helped to offset £50m of additional pandemic-related costs like safety equipment.

[1] Loss before Partnership Bonus, tax and exceptional items

Our cash and bank facilities position - the money we have to pay our bills - is strong. At the half year, we had £2.1bn compared to £1.5bn at the start of the crisis, mainly as a result of new borrowings.

We are expecting our debt ratio - our total net debts as a proportion of our cash flow - to worsen from 3.9 times - the position in January this year. We expect it to return to under 4 times in two to three years and we continue to target a level of around 3 times in the medium term.

In **John Lewis**, online sales growth was strong at 73%, helping to offset the impact of shop closures, with overall sales[2] down (10)% on last year.

Sales momentum is starting to build in reopened stores, with sales down around 30% on last year, ahead of expectations. Stores in retail parks are down by around 15% and are doing better than city centres, especially London which is down around 40%. Home working has had a big impact on what people are buying - more TVs and tablets, fewer trousers and trainers.

Online now accounts for more than 60% of sales, from 40% before the pandemic. As a result of this pronounced shift to digital we had to reassess how much shops contribute to whether our customers buy online with us or not.

Before the crisis we believed that shops contributed around £6 of every £10 spent online. We now think that figure is, on average, around £3. This has the effect of reducing the book value of John Lewis shops by about £470m, known as an 'impairment'. This is a technical adjustment in our accounts and has no impact on our underlying profits or cash in the bank. There is some judgement here. If shops drove 10% more online sales in future, the impairment would be around £400m; 10% less and it would be around £570m.

In **Waitrose**, like-for-like sales were up almost 10% on last year. The early days of stockpiling pasta and long life milk have given way to a varied basket with more fresh produce and a return to the weekly shop. Demand for online shopping remains strong and we are now delivering around 170,000 weekly orders, up from around 60,000 before the pandemic. The average basket size is four times bigger for home deliveries than in store.

LOOKING AHEAD TO THE SECOND HALF OF THE YEAR

Early weeks of trading have been encouraging in both brands. In **John Lewis** our new Home collection has launched and a bigger revamp for this key category is set for next spring. Services previously only available in store - personal and home styling, beauty and nursery advice - can now be accessed online as well and take-up is high.

Waitrose has seen a strong pick-up in demand since the end of our relationship with Ocado on 1 September. Waitrose.com orders were up 9% in the first week. Waitrose.com is now a £1bn annualised business and we will further expand capacity by around 50% to 250,000 orders a week. We have also entered into a trial partnership with Deliveroo, which has seen very positive early results. Up to 500,000 customers in five areas can now get 30 minute deliveries, with plans to add 25 more localities.

With the whole country having had such a challenging year, we want to help families to celebrate their best Christmas (or other festivals this winter that may be special to them). John Lewis opened its Christmas shop early this year. Sales of Christmas trees and baubles are both markedly up on last year. Alongside our Essential range, which features items such as our whole turkey and shortcrust mince pies, Waitrose is launching 350 new own-brand foods for Christmas - from No.1 British Venison Wellington and Heston from Waitrose Chocolate Bucks Fizz Candles.

The outlook for the second half is clearly uncertain given the broader macroeconomy. Christmas trade is also particularly important to profits in John Lewis and I would ask Partners to do everything we can to serve customers brilliantly both in John Lewis and Waitrose. In April, we set out a worst case scenario for the full year of a sales fall of 5% in Waitrose and 35% in John Lewis. That remains our worst case view. We now believe the most likely outcome will be a small loss or a small profit for the year. As I have mentioned previously, we are targeting £100m head office savings, and we are aiming to make these savings as early as possible this financial year and next.

[2] Total trading sales

IMPLICATIONS FOR BONUS

I said to Partners in April that I could not see the circumstances in which we would be able to pay a bonus next March. The Partnership Board has now confirmed that there will not be a bonus next year given our profit outlook.

I know this will come as a blow to Partners who have worked so hard this year. The decision in no way detracts from the commitment and dedication that you have shown.

Outside of exceptional circumstances, we would now expect to begin paying a bonus again once our profits exceed £150m and our debt ratio falls below 4 times. Once our profits rise above £300m and a debt ratio below 3 times, we would expect to pay a bonus of at least 10%.

The Group found itself in a similar position in 1948 when the bonus was halted following the Second World War. We came through then to be even stronger than before and we will do so again.

STRATEGY REVIEW

We are making good progress with our strategic review of the Group, which aims to recover profitability over the next three to five years.

We are advancing plans for how we will:

- modernise our purpose, making it even more relevant for customers,
- simplify how we work and reduce costs,
- become a stronger retailer with more focus on digital,
- broaden our financial services and expand into more services such as rent, reuse and recycle, housing and outdoor living,
- grow through partnerships with those who respect our ethos.

The new strategy is already taking shape and we will set out more details for Partners in October.

We should be confident about our future. We have two of the best loved brands on the high street. Purpose is fundamental to everything we do and believe in - tackling inequality, improving sustainability and wellbeing - at a time when customers are more thoughtful than ever before about what they buy and who they buy with.

Thank you for everything you are doing. It is a privilege to be a Partner.

Sharon
Partner & Chairman

FINANCIAL OVERVIEW

	2020/21 £m	2019/20 £m	*Change %*
Total trading sales[3]	**5,567**	**5,505**	***1.1%***
Revenue	4,919	4,788	*2.7%*
Trading operating profit[4]	**739**	**815**	***(9.3)%***
Loss before PB, tax and exceptional items	**(55)**	**(52)**	***(5.8)%***
Exceptional items	(580)	244	*n/m*
(Loss)/profit before tax	(635)	192	*n/m*
Total net debts	**2,335**	**2,390**	***(2.3)%***
Liquidity	**2,076**	**1,153**	***80.1%***

Our first half performance includes Government support of £55m of furlough money and £51m from the business rates holiday. This was set against lost trade from the closure of our John Lewis shops, which we estimate is over £200m of sales, as well as additional costs related to the pandemic of around £50m, including the cost of providing safety equipment, extra donations to charities and local communities, and increased benefits to Partners.

ADDITIONAL FINANCIAL INFORMATION

	Waitrose			John Lewis		
	2020/21 £m	2019/20 £m	*Change %*	2020/21 £m	2019/20 £m	*Change %*
Total trading sales	3,707	3,446	*7.6%*	1,860	2,059	*(9.7)%*
LFL sales(i)	9.6%			(9.5)%		
Revenue	3,440	3,176	*8.3%*	1,479	1,612	*(8.3)%*
Trading operating profit	586	530	*10.6%*	153	285	*(46.3)%*

Note (i) Waitrose like-for-like sales excludes fuel

[3] Total trading sales represents the full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustments for sale or return sales and other accounting adjustments.

[4] Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs and depreciation.

EXCEPTIONAL ITEMS

Exceptional costs totalled £(580)m (2019/20: exceptional income of £244m). Further details are included in the following table:

	2020/21 £m	2019/20 £m
Strategic restructuring and redundancy programmes		
Head office reviews	(13)	(10)
Physical estate	(105)	(27)
Shop operations	-	(1)
	(118)	(38)
Branch impairments – Waitrose	9	8
Branch impairments – John Lewis	(471)	13
John Lewis supply chain	-	2
Defined benefit pension closure	-	249
Legal settlement	-	10
	(580)	244

Further details explaining each of the exceptional items is included within Note 4 below.

NET FINANCE COSTS

Net finance costs decreased by £11m to £77m, principally driven by:

- lower long leave financing costs due to less volatility in the market driven assumptions related to our long leave Partner scheme compared to last year.
- reduced interest costs on borrowings.

ENQUIRIES

John Lewis Partnership

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NOTES TO EDITORS

The John Lewis Partnership owns and operates two of Britain's best-loved retail brands - John Lewis and Waitrose. Started as a radical idea nearly a century ago, the Partnership is the largest employee-owned business in the UK and amongst the largest in the world, with over 80,000 employees who are all Partners in the business. For all intents and purposes, the Partnership is a social enterprise; the profits made are reinvested into the business - for customers and Partners. John Lewis operates 42 shops plus one outlet across the UK as well as johnlewis.com. Waitrose has 335 shops in England, Scotland, Wales and the Channel Islands, including 61 convenience branches, and another 27 shops at Welcome Break locations. Waitrose exports products to more than 50 countries worldwide and has 12 shops which operate under licence in the UAE. The retailer's omni-channel business includes the online grocery service, waitrose.com, as well as specialist online shops including waitrosecellar.com for wine and waitroseflorist.com for plants and flowers.

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	Operating profit before PB, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt Ratio.
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	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.
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 Group'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.
Impairment	A reduction in the value of an asset due to a fall in the expected future economic benefits generated by the asset.
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 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.
Long leave	The long leave scheme provides Partners up to six months' paid leave after 25 years' Partnership service.
Loss before PB, tax and exceptional items	Loss or profit before PB, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.
n/m	Not meaningful.

	2020/21 £m	2019/20 £m
Loss before PB, tax and exceptional items	(55)	(52)
Exceptional items	(580)	244
(Loss)/profit before tax	**(635)**	**192**

TERM	DEFINITION
Non-management Partners (NMP)	Level 9 and Level 10 Partners, excluding Assistant Section Managers in Waitrose.
PB	Partnership Bonus
Profit per average FTE	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.
Return on invested capital (ROIC)	Operating profit before PB and exceptionals, adjusted for above market rewards and a notional tax charge (at the statutory marginal tax rate for the year), as a proportion of average operating net assets. The measure is important as it demonstrates how effectively we are utilising our assets.
Revenue investment	Investment spend recognised directly in the income statement.
Total net debts	The Group's borrowings and overdrafts, lease liabilities, derivative financial instruments and IAS 19 pension deficit (net of deferred tax), less any liquid cash, short-term deposits and investments.

	2020/21 £m	2019/20 £m
Borrowings and overdrafts	1,169	718
Amounts owed to Parent in respect of SIP shares	36	47
Derivative financial instruments	-	(20)
Pension deficit (after deferred tax)	534	63
Lease liabilities	2,059	2,102
Liquid cash, short-term deposits and investments	(1,463)	(520)
Total net debts	**2,335**	**2,390**

TERM	DEFINITION
Total trading sales	Total trading sales represents the full customer sales value, including VAT, that is used to assess ongoing sales performance. It is before adjustments for sale or return sales and other accounting adjustments.

2020/21	**Waitrose £m**	**John Lewis £m**	**Group £m**
Total trading sales	3,707	1,860	5,567
Value added tax	(211)	(303)	(514)
Sale or return, concessions and other accounting adjustments	(56)	(78)	(134)
Revenue	**3,440**	**1,479**	**4,919**

2019/20	**Waitrose £m**	**John Lewis £m**	**Group £m**
Total trading sales	3,446	2,059	5,505
Value added tax	(199)	(335)	(534)
Sale or return, concessions and other accounting adjustments	(71)	(112)	(183)
Revenue	**3,176**	**1,612**	**4,788**

TERM	DEFINITION
Trading operating profit	Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs and depreciation.

2020/21	**Waitrose £m**	**John Lewis £m**	**Group £m**
Trading operating profit	586	153	739
Centrally managed costs			(524)
Depreciation and amortisation			(193)
Exceptional items			(580)
Net finance costs			(77)
Loss before tax			**(635)**

2019/20	**Waitrose £m**	**John Lewis £m**	**Group £m**
Trading operating profit	530	285	815
Centrally managed costs			(570)
Depreciation and amortisation			(209)
Exceptional items			244
Net finance costs			(88)
Profit before tax			**192**

John Lewis plc
Unaudited condensed Interim Financial Statements for the half year ended 25 July 2020

Consolidated income statement
for the half year ended 25 July 2020

Notes		**Half year to 25 July 2020 £m**	Half year to 27 July 2019 £m	Year to 25 January 2020 £m
6	**Revenue**	**4,919.4**	4,788.0	10,151.3
	Cost of sales	**(3,433.2)**	(3,222.1)	(6,789.2)
	Gross profit	**1,486.2**	1,565.9	3,362.1
	Other operating income	**51.3**	60.4	125.1
	Operating expenses before exceptional items and Partnership Bonus	**(1,515.5)**	(1,590.0)	(3,256.9)
	Share of loss of joint venture (net of tax)	**(0.4)**	(0.6)	(0.2)
5	**Operating profit before exceptional items and Partnership Bonus**	**21.6**	35.7	230.1
4	Exceptional items	**(579.6)**	243.9	107.4
5	**Operating (loss)/profit before Partnership Bonus**	**(558.0)**	279.6	337.5
7	Finance costs	**(84.7)**	(95.4)	(175.0)
7	Finance income	**8.2**	7.4	13.7
	(Loss)/profit before Partnership Bonus and tax	**(634.5)**	191.6	176.2
	Partnership Bonus	**–**	–	(30.9)
	(Loss)/profit before tax	**(634.5)**	191.6	145.3
8	Taxation	**75.0**	(6.6)	(37.7)
	(Loss)/profit for the period	**(559.5)**	185.0	107.6

	(Loss)/profit before Partnership Bonus, tax, and exceptional items	**(54.9)**	(52.3)	68.8

Consolidated statement of comprehensive income
for the half year ended 25 July 2020

Notes		**Half year to 25 July 2020 £m**	Half year to 27 July 2019 £m	Year to 25 January 2020 £m
	(Loss)/profit for the period	**(559.5)**	185.0	107.6
	Other comprehensive income/(expense):			
	Items that will not be reclassified to profit or loss:			
12	Remeasurement of defined benefit pension scheme	**(206.3)**	161.2	(193.6)
8	Movement in deferred tax on pension scheme	**47.5**	(29.7)	30.4
8	Movement in current tax on pension scheme	**0.5**	2.3	2.5
	Items that may be reclassified subsequently to profit or loss:			
	Fair value gain/(loss) on cash flow hedges	**18.4**	21.1	(8.7)
8	Movement in deferred tax on cash flow hedges	**(2.6)**	(3.2)	3.2
	(Loss)/gain on foreign currency translations	**–**	(0.8)	0.3
	Other comprehensive (expense)/income for the period	**(142.5)**	150.9	(165.9)
	Total comprehensive (expense)/income for the period	**(702.0)**	335.9	(58.3)

John Lewis plc
Unaudited condensed Interim Financial Statements for the half year ended 25 July 2020

Consolidated balance sheet
as at 25 July 2020

Notes		25 July 2020	27 July 2019	25 January 2020
		£m	£m	£m
	Non–current assets			
9	Intangible assets and goodwill	**476.7**	504.1	495.5
9	Property, plant and equipment	**2,999.6**	3,658.9	3,535.4
9	Right-of-use assets	**1,569.0**	1,908.6	1,854.9
	Trade and other receivables	**18.3**	16.5	16.5
14	Derivative financial instruments	**1.7**	2.6	0.1
	Investment in and loans to joint venture	**2.1**	2.1	2.5
	Deferred tax asset	**85.1**	–	0.2
		5,152.5	6,092.8	5,905.1
	Current assets			
	Inventories	**557.9**	611.4	612.9
	Trade and other receivables	**307.0**	271.6	321.0
	Current tax receivable	**20.7**	52.5	–
14	Derivative financial instruments	**10.8**	20.6	4.8
10	Assets held for sale	**14.1**	38.4	1.5
	Short-term investments	**25.3**	164.4	317.2
	Cash and cash equivalents	**1,551.0**	488.4	598.3
		2,486.8	1,647.3	1,855.7
	Total assets	**7,639.3**	7,740.1	7,760.8
	Current liabilities			
14	Borrowings and overdrafts	**(298.3)**	–	–
	Trade and other payables	**(1,568.8)**	(1,480.1)	(1,625.2)
	Current tax payable	**–**	–	(9.0)
14	Lease liabilities	**(119.2)**	(90.2)	(95.4)
11	Provisions	**(146.7)**	(101.3)	(108.6)
14	Derivative financial instruments	**(9.1)**	(3.5)	(18.7)
		(2,142.1)	(1,675.1)	(1,856.9)
	Non–current liabilities			
14	Borrowings	**(870.5)**	(717.5)	(718.5)
	Trade and other payables	**(42.1)**	(51.5)	(46.8)
14	Lease liabilities	**(1,940.1)**	(2,012.0)	(1,999.5)
11	Provisions	**(170.3)**	(148.9)	(144.9)
14	Derivative financial instruments	**(3.1)**	(0.2)	(3.9)
12	Retirement benefit obligations	**(623.8)**	(56.2)	(417.4)
	Deferred tax liability	**–**	(127.1)	(20.4)
		(3,649.9)	(3,113.4)	(3,351.4)
	Total liabilities	**(5,792.0)**	(4,788.5)	(5,208.3)
	Net assets	**1,847.3**	2,951.6	2,552.5
	Equity			
	Share capital	**6.7**	6.7	6.7
	Share premium	**0.3**	0.3	0.3
	Other reserves	**(0.2)**	14.4	(12.8)
	Retained earnings	**1,840.5**	2,930.2	2,558.3
	Total equity	**1,847.3**	2,951.6	2,552.5

Consolidated statement of changes in equity for the half year ended 25 July 2020

Notes		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 26 January 2019	6.7	0.3	1.4	(0.6)	0.1	2,606.6	2,614.5
	Adjustment on initial application of IFRS 16[1]	–	–	–	–	–	4.8	4.8
	Balance at 27 January 2019	6.7	0.3	1.4	(0.6)	0.1	2,611.4	2,619.3
	Profit for the period	–	–	–	–	–	185.0	185.0
12	Remeasurement of defined benefit pension scheme	–	–	–	–	–	161.2	161.2
	Fair value gains on cash flow hedges	–	–	–	21.1	–	–	21.1
	Tax on above items recognised in equity	–	–	–	(3.2)	–	(27.4)	(30.6)
	Loss on foreign currency translations	–	–	–	–	(0.8)	–	(0.8)
	Total comprehensive income for the period	–	–	–	17.9	(0.8)	318.8	335.9
	Hedging gains transferred to cost of inventory	–	–	–	(3.6)	–	–	(3.6)
	Balance at 27 July 2019	**6.7**	**0.3**	**1.4**	**13.7**	**(0.7)**	**2,930.2**	**2,951.6**
	Balance at 27 January 2019	6.7	0.3	1.4	(0.6)	0.1	2,611.4	2,619.3
	Profit for the year	–	–	–	–	–	107.6	107.6
12	Remeasurement of defined benefit pension scheme	–	–	–	–	–	(193.6)	(193.6)
	Fair value loss on cash flow hedges	–	–	–	(8.7)	–	–	(8.7)
	Tax on above items recognised in equity	–	–	–	3.2	–	32.9	36.1
	Gain on foreign currency translations	–	–	–	–	0.3	–	0.3
	Total comprehensive (loss)/income for the year	–	–	–	(5.5)	0.3	(53.1)	(58.3)
	Hedging gains transferred to cost of inventory	–	–	–	(8.5)	–	–	(8.5)
	Balance at 25 January 2020	6.7	0.3	1.4	(14.6)	0.4	2,558.3	2,552.5
	Loss for the period	–	–	–	–	–	(559.5)	(559.5)
12	Remeasurement of defined benefit pension scheme	–	–	–	–	–	(206.3)	(206.3)
	Fair value gains on cash flow hedges	–	–	–	18.4	–	–	18.4
	Tax on above items recognised in equity	–	–	–	(2.6)	–	48.0	45.4
	Total comprehensive income/(loss) for the period	–	–	–	**15.8**	–	**(717.8)**	**(702.0)**
	Hedging gains transferred to cost of inventory	–	–	–	(3.2)	–	–	(3.2)
	Balance at 25 July 2020	**6.7**	**0.3**	**1.4**	**(2.0)**	**0.4**	**1,840.5**	**1,847.3**

[1] The Group applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application which was 27 January 2019.

Consolidated statement of cash flows
for the half year ended 25 July 2020

Notes		**Half year to 25 July 2020**	Half year to 27 July 2019	Year to 25 January 2020
		£m	£m	£m
13	**Cash generated from operations before Partnership Bonus**	**294.6**	187.0	698.7
	Net taxation paid	**(14.6)**	(8.4)	(17.2)
	Pension deficit reduction payments	**(2.5)**	(12.0)	(12.8)
	Finance costs paid	**(56.9)**	(55.0)	(109.0)
	Net cash generated from operating activities before Partnership Bonus	**220.6**	111.6	559.7
	Partnership Bonus paid	**(31.4)**	(45.8)	(45.8)
	Net cash generated from operating activities after Partnership Bonus	**189.2**	65.8	513.9
	Cash flows from investing activities			
	Purchase of property, plant and equipment	**(39.3)**	(61.4)	(191.5)
	Purchase of intangible assets	**(42.5)**	(66.4)	(146.7)
	Proceeds from sale of property, plant and equipment and intangible assets	**139.6**	73.9	174.9
	Finance income received	**3.1**	3.7	4.9
	Cash inflow/(outflow) from short-term investments	**291.1**	101.2	(51.4)
	Net cash from/(used in) investing activities	**352.0**	51.0	(209.8)
	Cash flows from financing activities			
	Finance costs paid in respect of bonds	**–**	(23.0)	(54.2)
	Finance costs paid in respect of financial instruments	**(2.8)**	(3.2)	(0.7)
	Payment of capital element of leases	**(34.0)**	(44.0)	(92.7)
	Cash inflow/(outflow) from borrowings	**448.3**	(275.0)	(275.0)
	Net cash from/(used in) financing activities	**411.5**	(345.2)	(422.6)
	Increase/(decrease) in net cash and cash equivalents	**952.7**	(228.4)	(118.5)
	Net cash and cash equivalents at beginning of the period	**598.3**	716.8	716.8
	Net cash and cash equivalents at end of the period	**1,551.0**	488.4	598.3
	Net cash and cash equivalents comprise:			
	Cash at bank and in hand	**129.6**	161.6	151.2
	Short-term deposits	**1,421.4**	326.8	447.1
		1,551.0	488.4	598.3

Notes to the financial statements

1 Basis of preparation

This condensed set of interim financial statements was approved by the Board on 16 September 2020. The condensed set of interim financial statements is unaudited, but has been reviewed by the auditor and their review report is set out on page 33. 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 27 July 2019 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 25 July 2020 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 Group's published financial statements for the year ended 25 January 2020 have been reported on by the Group's auditor and filed with the Registrar of Companies. The report of the auditor 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 25 July 2020 has been prepared in accordance with 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 financial statements for the year ended 25 January 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Changes to significant accounting policies are described in note 2.

Going concern

In determining the appropriate basis of preparation of the condensed set of interim financial statements for the period ended 25 July 2020, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future and for at least 12 months from the approval of these financial statements. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group in the context of the current Covid-19 pandemic in the UK, for the reasons set out below.

As at 25 July 2020, the Group had total assets less current liabilities of £5.5bn and net assets of £1.8bn. Liquidity as at that date was £2.1bn, made up of cash and cash equivalents, short-term investments and undrawn committed credit facilities of £500m. This increase compared to the year end liquidity position of £1.4bn has been achieved through the active measures undertaken to strengthen the Group's liquidity position in response to the spread of Covid-19 during the first half of 2020/21. In addition to a number of operational cash preservation actions taken, the following has been completed:

- securing £300m from the Government's COVID Corporate Financing Facility (CCFF) maturing in March 2021, which, subject to certain conditions, can be extended for a further year;
- obtaining two new medium term loans of £75m each maturing in November 2022 and December 2022 respectively;
- generating £135m proceeds (exc VAT) on the sale and leaseback of 11 Waitrose stores;
- renegotiating the revolving credit facilities covenants for the year end 2020/21 test;
- extending £385m of the £450m revolving credit facility, which was due to expire in November 2021, to November 2022; £65m will remain as expiring in November 2021; and
- extending a £50m bilateral credit facility from March 2021 to September 2022.

As set out in the January 2020 year end financial statements, despite the Group's position at the end of the financial year, it is now clear that the increasing effects of Covid-19 will result in a material reduction in our expectations for revenue and profit for the next financial period ending 30 January 2021. In particular, across John Lewis, mainly due to the closure of all our branches for a 12 week period from 24 March 2020, it is expected that both sales and margin will decline significantly year on year for the year-ended 30 January 2021. Early indications since branches began to reopen in June 2020, are that in-branch sales are encouraging. Following a detailed consultation process, on 9 July 2020, the John Lewis Partnership announced the decision to permanently close eight John Lewis stores.

Waitrose, on the other hand, has seen an increase in sales above our budget and business plan ('Plan') as a result of increased grocery spend. Both Waitrose stores and its online activities continued to operate during the lockdown period given that they were designated by the UK Government as part of an 'essential industry'. Since the half year, Waitrose has seen a continuation of the favourable year on year sales growth albeit online sales growth has reduced and branch trading has improved, likely due to lockdown restrictions easing. Nevertheless, the full impact of the Covid-19 outbreak is unknown at this time and is unpredictable, and our key priority continues to be the health and wellbeing of our Partners and customers, while we maintain our high standards of service.

Going concern (continued)

Accordingly, the Directors have reviewed the rapidly evolving situation relating to Covid-19 and revised the financial targets for the period to 29 January 2022. The output of the revised financial targets are a range of profit targets with the most ambitious delivering an additional £70m of profit by 2023/24. For prudence, the going concern assessment uses the low end of the range reflecting a cautious plan for Group sales and profits/losses due to the ongoing uncertainty over current trading, customer behaviour and the depth and longevity of a UK recession. This plan has been developed prior to finalising the Strategic Review options. The Directors have further modelled a more severe downside scenario that covers the period to 29 January 2022, representing an increasingly severe but plausible scenario and including the impacts of the following assumptions:

- a further, deeper recession throughout the assessment period resulting in a further reduction in sales, as well as a reduction in margin across both brands;
- the effects of a "no deal" Brexit including negative foreign exchange and tariff impacts;
- a further lockdown and trading restriction over the Christmas period which assumes that John Lewis stores are closed throughout Q4 but that online sales remain operational, albeit dampened due to a reduction in seasonal sales and gifting over peak;
- Waitrose remains operational both in store and online, albeit with sales and margin pulled back from current trading levels which are significantly ahead of last year; and
- a number of one-off events e.g. a regulatory and data breach, increasing pension deficit and project under delivery.

The severe downside modelled has a significant adverse impact on sales, margin and cash flow. In response, the Directors have identified £1.2bn of mitigations, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom, the majority of which would only be triggered in the event of the severe downside scenario materialising. Amongst these are the following mitigating actions: reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); freezing non-essential recruitment and reducing marketing spend; and reducing the supply pipeline to improve our working capital position.

The Group has £2.2bn in total liquidity available, at the date of approval of the condensed set of interim financial statements, with £500m consisting of undrawn committed credit facilities of which £65m expires in November 2021 and the remaining £435m expires beyond the going concern assessment period. The £300m from the Government's COVID Corporate Financing Facility (CCFF) matures in March 2021 and a £75m term loan that matures in November 2021, but beyond this the Group has no other debt or facilities that mature within the going concern assessment period.

The severe downside scenario modelled by management pre-mitigating actions indicates that a number of the Group's covenants relating to the bonds, term loans and undrawn committed credit facilities would breach at the end of the going concern assessment period due to the reduction in profits and net assets modelled. However, whilst the scenario indicates breaches, the same scenario indicates that post mitigating actions, the cash low point under such a scenario would be £805m, our covenants would not breach, the bonds would not be required to be repaid and the committed credit facilities would remain undrawn. The Group would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely.

The Directors have assessed the Group's financial commitments and consider that, in the severe downside scenario, after taking into account mitigations, cash generated from operations and existing facilities, the business would have sufficient liquidity to continue to operate and to discharge its liabilities as they fall due over the going concern assessment period.

The Directors also reviewed reverse stress test scenarios which concluded that a further unbudgeted cost of £1.2bn would need to be incurred in 2020/21 or £800m in 2021/22 for the identified mitigations not to be sufficient to maintain cash headroom. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of our asset base to support liquidity.

The Directors, after reviewing the Group's operating budgets, investment plans and financing arrangements, consider that the Company and Group have sufficient financing available at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the condensed set of interim financial statements.

2 Accounting policies

The Group's results for the half year to 25 July 2020 have been prepared on a basis consistent with the Group's accounting policies published in the financial statements for the year ended 25 January 2020.

A number of amendments to, and the interpretation of, existing accounting standards became effective during the period, none of which have had a significant impact on the condensed interim financial statements.

During the half year ended 25 July 2020, the Group has recognised grant income receipts due from the UK Government's Coronavirus Job Retention Scheme of £54.8m. The Group accounts for government grants on an accruals basis and has elected to present receipts relating to government grants as a deduction in reporting the related expense.

3 Risks and uncertainties

The Group has a formal risk identification process, which includes a rigorous analysis of internal and external risks at the Executive Team, Audit and Risk Committee and Partnership Board level. Since the publication of the January 2020 year end financial statements (see pages 9 - 13; from the Partnership website www.johnlewispartnership.co.uk), the principal risks from year end 2019/20 have evolved as a result of changes in leadership, significant Executive focus; and the unprecedented change experienced across the external environment as a result of Covid-19, and the changes made by the Group to respond. This has resulted in both new risks and changes to current risk scores. The current principal risks and uncertainties affecting the Group are set out below and remain relevant for the second half of the financial year.

Covid-19 continues to be the most significant external risk currently facing the Group, impacting our customers, Partners, supply chain, stores and online operations. The Group has proactively responded to Covid-19, for example by implementing personal protective equipment and social distancing measures across all of our shops and supply chain; increasing Waitrose online delivery capacity; prioritising our vulnerable customers; and protecting our liquidity through securing short-term loans, sale and leaseback of 11 Waitrose stores and reducing operating and marketing costs. The priority continues to be to protect the safety and wellbeing of our customers and Partners and support the community.

Principal Risks:

- External environment: External changes impact the delivery of our BAU operations or strategic objectives;
- Retail economics: Our strategy and business model are not fit for the market we are in;
- Proposition: Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage;
- Partner differentiation: The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our purpose;
- Information security: The Group suffers a loss of key customer, Partner and or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues;
- Liquidity: The Group has insufficient cash when needed to support operating cash flows and our investment plan;
- Change delivery: Change programmes do not realise the desired benefits and drives unforeseen cost and consequences;
- Customer experience: Customers do not receive differentiated, excellent customer service across touchpoints; and
- Regulatory non-compliance: Failure to comply with key regulatory requirements.

Looking forward to the second half of the year, the Group will continue to monitor global Covid-19 developments, Government and Public Health England guidance and respond appropriately, whilst maintaining customer service and protecting Partners, local communities and trade. The Group will also continue to proactively plan for and manage our response to the UK's exit from the EU and future trade deals as Government information becomes clearer.

4 Exceptional items

	Half year to 25 July 2020		Half year to 27 July 2019		Year to 25 January 2020	
	Operating (expenses)/ income	**Taxation credit/ (charge)**	Operating (expenses)/ income	Taxation credit/ (charge)	Operating (expenses)/ income	Taxation credit/ (charge)
	£m	**£m**	£m	£m	£m	£m
Strategic restructuring and redundancy programmes						
Head office reviews	**(12.6)**	**1.2**	(10.2)	4.3	(35.6)	6.6
Physical estate	**(105.5)**	**12.9**	(26.6)	6.9	(27.4)	6.2
Shop operations	**0.2**	**–**	(0.7)	0.3	(0.7)	0.1
	(117.9)	**14.1**	(37.5)	11.5	(63.7)	12.9
Pay provision	**(0.3)**	**0.1**	–	–	–	–
Branch impairments – Waitrose	**9.3**	**(1.2)**	8.3	–	13.3	(1.7)
Branch impairments – John Lewis	**(470.7)**	**61.0**	12.6	–	(110.3)	13.9
John Lewis supply chain	**–**	**–**	1.5	(0.6)	9.1	(0.8)
Legal settlement	**–**	**–**	10.0	(1.9)	10.0	(1.9)
Pension closure	**–**	**–**	249.0	(42.3)	249.0	(42.3)
	(579.6)	**74.0**	243.9	(33.3)	107.4	(19.9)

Strategic restructuring and redundancy programmes
As set out in our January 2020 financial statements, the Group is currently undergoing an unprecedented level of internal change. Given the scale of these changes, the programmes of activity will take a number of years to deliver. Over the life of the programme they are significant in value and, given the level of change, they are significant in nature and therefore the Group considers them exceptional items. Further detail on the nature and expected length of each programme is included within the 2020 financial statements. The financial impact of these for July 2020 and July 2019 is detailed below:

Head office: The transformation of pan-Partnership functions and other head office operations continues. This includes the review of a number of functions which began at the end of 2017. Given the scale of the change, the delivery of these reviews was expected to take four years, and are now well progressed. As at year end January 2020 we expected that these costs would continue over the next two years, however, Covid-19 has caused some delay and these reviews are now expected to be finalised within the next three years. As at July 2020 we have incurred expenses of £12.6m (July 2019: £10.2m) in relation to these reviews. The expense incurred includes redundancy costs, where announced, and consultancy fees.

Physical estate: We have continued with our programme of optimising our existing estate. This includes ensuring that the size and shape of our physical estate is delivering on both our customer proposition, and financial returns. This programme commenced in 2017. As at year end January 2020 we expected that the programme would last for approximately five years. Although, Covid-19 has caused some delay, we still expect the associated costs and income of this programme to be largely complete in this timeframe.

Accordingly, we have continued this half year with our programme of optimising our existing estate, including branch closure, and as at July 2020 we have recognised a net exceptional expense of £105.5m (July 2019: £26.6m). The net charge includes the impairment of assets (reflecting the shortening of the useful economic life), accelerated depreciation of buildings and fixtures & fittings, and management's best estimate of closure costs including onerous leases, dilapidations and, where closure has been approved and announced, redundancy costs. The impairment charge of the recently announced JL branch closures are included in this category. Where credits in relation to previously estimated costs have been realised in the period, these have been shown net, reflecting that the original charges were shown as exceptional.

4 Exceptional items (continued)

Shop operations: Alongside the assessment of our physical estate, we also identified that the way in which we run and manage our shops would require adjustment. In order to improve the customer experience and efficiencies in our stores, we have made a number of changes in our shop operating models. This has included reviewing store management structures, the centralisation of certain functions, and aligning regional offerings in order to deliver a more flexible, multi-skilled and productive model.

This programme is now largely complete and expected to finalise within a year. As at July 2020 income of £0.2m (July 2019: £0.7m charge) has been recognised. This period, a small credit occurred due to the release of redundancy provisions relating to prior year, reflecting that the original charges were shown as exceptional.

Included within operating expenses, and not separately reported as exceptional, are £1.4m of restructuring and redundancy costs which are considered by the Group to be separate from our strategic programmes and part of the underlying business performance.

Branch impairments (Waitrose)

At July 2020 a credit of £9.3m (July 2019: £8.3m credit) has been released as a result of improved branch performance where branch impairment had previously been charged as exceptional.

Branch impairments (John Lewis)

At the year-end Jan 2020 as a result of challenging trading conditions and management's reassessment of the allocation of online sales to impairment CGUs an exceptional impairment charge of £122.9m was recognised. The Covid-19 pandemic in the first half of the year has further impacted trade and the implementation of lockdown and closure of JL branches has led to a surge in online orders. We believe the change in shopping behaviour over this period has accelerated the more gradual transition to online previously witnessed and a fundamental shift in shopping patterns has taken place. As such the percentage allocation of online sales to branches was further reviewed and together with the impact of a revised trading forecast, an impairment charge of £470.7m (July 2019: £12.6m credit), was recognised at the half year end. See note 9 for further detail. By virtue of the size of the charge, and that the circumstances which have led to the charge arising are unique and unusual, the charge has been recognised as exceptional.

Pay provision

In 2017 it was identified that there were potential costs of complying with the National Minimum Wage Regulations. The final payment arising from this investigation was made in May 2020 for £0.3m. There are no future charges or income expected in relation to this.

The Group's response to Covid-19

For the Group, consideration has been given as to whether costs and income relating to Covid-19 meet the definition of exceptional items and whether, individually or collectively, they are significant by virtue of their size and nature. Whilst these criteria are met in a number of cases (for example, furlough income and costs of personal protective equipment), given the diverse actions arising in response to the Covid-19 pandemic, isolating and quantifying all individual items of cost and income in an even handed way is difficult to achieve and could be misleading. On this basis, it has been deemed not appropriate to classify costs or income associated with Covid-19 as exceptional.

5 Segmental reporting

IFRS 8 requires operating segments to be identified based on the way in which the Group's internal financial reporting is organised and regularly reviewed by the chief operating decision-maker (CODM) to allocate resources and to assess the performance of the different operating segments. The Group's reporting segments are determined based on the business activities of its brands (John Lewis and Waitrose) for which operating results are reviewed by the CODM.

The Group adopted a new organisational structure on 3 February 2020 to improve synergies between brands; allowing more costs and resources to be managed centrally. At the same date, the internal decision making process was reorganised and the CODM changed from the Partnership Board to the Executive Team.

The Executive Team reviews the operating performance for each Brand (John Lewis and Waitrose) in the Group, creating new non-GAAP measures known as Total trading sales and Trading Operating Profit ("TOP").

Total trading sales represents the full customer sales value including VAT as reported weekly to the Executive Team, before adjustments for sale or return sales and other accounting adjustments.

TOP is based on operating profit, but excludes centrally managed costs. These centrally managed costs are outside of the direct influence and control of the brands and are reviewed by the Executive Team at a Group level in aggregate. TOP is used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to those segments.

Centrally managed costs include all fixed property costs of the Group, head office costs, and one-off adjusting items. One-off adjusting items are those that do not meet the Group's definition of "exceptional items", because they are considered to be relevant to the principal activities of the business. However, these are removed from the trading operating profit of each brand, as they are non-recurring in a business-as-usual scenario, and this allows management to better assess their underlying performance.

As the Group's reportable segments have changed, the comparative information for 2019 has been restated to reflect this. In addition, as part of the new Group structure we have taken the opportunity to rationalise sales and margin reporting across the Group. Therefore, the trade of four Foodhalls which had been included in the John Lewis segment will now be reported within Waitrose, and the general merchandise sales of the Canary Wharf Waitrose store will now be reported within John Lewis.

The Waitrose 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.

	John Lewis	Waitrose	Group
	£m	£m	£m
Half year to 25 July 2020			
Total trading sales	**1,860.3**	**3,706.7**	**5,567.0**
Value added tax	(302.5)	(210.8)	(513.3)
Sale or return, concessions and other accounting adjustments	(78.2)	(56.1)	(134.3)
Revenue	**1,479.6**	**3,439.8**	**4,919.4**
Trading Operating Profit	**152.9**	**585.7**	**738.6**
Centrally managed costs including property			**(524.3)**
Depreciation and amortisation			**(192.7)**
Operating profit before exceptional items and Partnership Bonus			**21.6**
Exceptional items			**(579.6)**
Operating loss before Partnership Bonus			**(558.0)**
Finance costs			**(84.7)**
Finance income			**8.2**
Loss before Partnership Bonus and tax			**(634.5)**
Partnership Bonus			**-**
Loss before tax			**(634.5)**

5 Segmental reporting (continued)

	John Lewis £m	Waitrose £m	Group £m
Half year to 27 July 2019			
Total trading sales	**2,059.1**	**3,445.5**	**5,504.6**
Value added tax	(335.1)	(199.2)	(534.3)
Sale or return, concessions and other accounting adjustments	(111.5)	(70.8)	(182.3)
Revenue	**1,612.5**	**3,175.5**	**4,788.0**
Trading Operating Profit	**285.1**	**530.0**	**815.1**
Centrally managed costs including property			**(570.0)**
Depreciation and amortisation			**(209.4)**
Operating profit before exceptional items and Partnership Bonus			**35.7**
Exceptional items			**243.9**
Operating profit before Partnership Bonus			**279.6**
Finance costs			**(95.4)**
Finance income			**7.4**
Profit before Partnership Bonus and tax			**191.6**
Partnership Bonus			**-**
Profit before tax			**191.6**

	John Lewis £m	Waitrose £m	Group £m
Year to 25 January 2020			
Total trading sales	**4,829.9**	**6,917.3**	**11,747.2**
Value added tax	(784.3)	(400.3)	(1,184.6)
Sale or return, concessions and other accounting adjustments	(267.6)	(143.7)	(411.3)
Revenue	**3,778.0**	**6,373.3**	**10,151.3**
Trading Operating Profit	**733.6**	**1,063.2**	**1,796.8**
Centrally managed costs including property			**(1,159.1)**
Depreciation and amortisation			**(407.6)**
Operating profit before exceptional items and Partnership Bonus			**230.1**
Exceptional items			**107.4**
Operating profit before Partnership Bonus			**337.5**
Finance costs			**(175.0)**
Finance income			**13.7**
Profit before Partnership Bonus and tax			**176.2**
Partnership Bonus			**(30.9)**
Profit before tax			**145.3**

6 Revenue

Disaggregation of revenue from contracts with customers
The revenue recognition policy is unchanged from that described in the financial statements for the year ended 25 January 2020.

We analyse our revenue between goods and services. Goods are split into four major product lines: Grocery, Home, Fashion and Electricals and Home Technology (EHT). Services comprise free service guarantees on selected goods. This presentation is consistent with how our Executive Team reviews performance.

	Half year to 25 July 2020	Half year to 27 July 2019	Year to 25 January 2020
	£m	£m	£m
Major product lines			
Goods			
- Grocery	**3,430.2**	3,170.8	6,369.7
- Home	**390.1**	465.0	1,052.7
- Fashion	**383.5**	506.0	1,216.5
- EHT	**668.9**	557.6	1,350.8
Services			
- Free service guarantee	**13.3**	13.3	26.8
- Other revenue	**33.4**	75.3	134.8
	4,919.4	4,788.0	10,151.3

7 Net finance costs

	Half year to 25 July 2020	Half year to 27 July 2019	Year to 25 January 2020
	£m	£m	£m
Finance costs			
Finance costs in respect of borrowings and lease liabilities[1]	**(74.1)**	(75.7)	(145.9)
Fair value measurements and other	**(2.5)**	(2.5)	(3.6)
Net finance costs arising on defined benefit retirement scheme	**(3.9)**	(4.4)	(6.9)
Net finance costs arising on other employee benefit schemes	**(4.2)**	(12.8)	(18.6)
Total finance costs	**(84.7)**	(95.4)	(175.0)
Finance income			
Finance income in respect of cash and short-term investments[2]	**5.2**	5.6	11.4
Fair value measurements and other	**3.0**	1.8	2.3
Total finance income	**8.2**	7.4	13.7
Net finance costs	**(76.5)**	(88.0)	(161.3)

[1] Finance costs in respect of borrowings and lease liabilities include interest payable on interest rate swaps of £2.8m (July 2019: £2.9m) and lease liabilities of £53.7m (July 2019: £52.3m).

[2] Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £3.1m (July 2019: £3.2m).

Capitalised borrowing costs totalled £0.9m (July 2019: £2.4m) of which £0.8m (July 2019: £2.3m) were capitalised within intangible assets and £0.1m (July 2019: £0.1m) were capitalised within property, plant and equipment.

8 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 excluding any discrete items. The tax charge on discrete items at half year is calculated separately. The effective tax rate at the half year is higher than would be expected for the full-year. This is as a result of a significant number of discrete items at the half year.

There is a deferred tax prior year adjustment of £1.3m resulting from a change in the tax rate that deferred tax is recognised at. Legislation was previously enacted (Finance Act 2016) to reduce the corporation tax rate from 19% to 17% from 1 April 2020, however the Government announced in the Spring Budget on 11 March 2020 that the corporation tax rate would remain at 19%. The rate of 19% was substantively enacted on 17 March 2020 when the resolution was passed. As at 25 January 2020 the legislation had not yet been amended and therefore the substantively enacted rate for the purposes of determining the deferred tax recognition rate for assets and liabilities expected to reverse in periods overlapping 1 April 2020 remained at 17%. The prior year adjustment updates the recognition rate from 17% to 19% for the period.

9 Property, plant and equipment, intangible assets, and right-of-use assets

	Property, plant and equipment	Intangible assets	Right-of-use assets	Total
	£m	£m	£m	£m
Net book value at 25 January 2020	3,535.4	495.5	1,854.9	5,885.8
Additions [1]	36.5	52.3	88.5	177.3
Depreciation and amortisation [2]	(444.5)	(65.1)	(274.5)	(784.1)
Disposals and write-offs	(114.7)	(6.0)	(99.9)	(220.6)
Transfers to assets held for sale (see note 10)	(13.1)	–	–	(13.1)
Net book value at 25 July 2020	**2,999.6**	**476.7**	**1,569.0**	**5,045.3**

[1] For the period ended 25 July 2020, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £8.2m (January 2020: £26.6m) and intangible assets of £2.4m (January 2020: £1.9m).
[2] For the period ended 25 July 2020 depreciation and amortisation includes a net impairment charge of £274.7m to land and buildings (January 2020: £85.3m), £42.1m to fixtures and fittings (January 2020: £14.4m), £1.1m to intangible assets (January 2020: £16.4m) and £205.7m to right-of-use assets (January 2020: £23.0m).

Intangible assets primarily relate to internally developed computer software.

Right-of-use assets are recognised in relation to the Group's leases, representing the economic benefits of the Group's right to use the underlying leased assets. The Group's lease portfolio is principally comprised of property leases of land and buildings in relation to Waitrose and John Lewis stores, distribution centres and head offices. The Group also holds a number of vehicle and equipment leases and service agreements deemed to meet the definition of a lease under IFRS 16.

The impairment review methodology is unchanged from that described in the financial statements for the year ended 25 January 2020. The impairment review compares the recoverable amount for each Cash Generating Unit (CGU) to the carrying value on the balance sheet; this includes right-of-use assets. The key assumptions in the calculations are the discount rate, expected sales and margin performance, the allocation of online sales to stores in the determination of the John Lewis (JL) branch Cash Generating Unit (CGU) and market valuations considered in fair value less costs of disposal calculations. The discount rate is a pre-tax rate derived from the Group's weighted average cost of capital and is 7% (Jan 2020: 7%) in Waitrose and 10% (Jan 2020: 7%) in John Lewis.

The impact of the Covid-19 pandemic has had differing impacts on the Group's two brands and has most significantly impacted the trade in JL branches and online. The Covid-19 pandemic resulted in a UK lockdown and social distancing measures which have triggered an acceleration of change in customer shopping behaviour. We have been witnessing a move to online for general merchandise over a number of years and the pace of transition has accelerated significantly during lockdown. We anticipate that when 'normal' returns, the proportion of sales arising from online and branch channels will be reweighted to favour online and a significant proportion of JL customers who shop across both channels will retain a predominantly online shopping pattern with reduced visits to physical branches. This has led to a revision of both the Group's financial targets and also how we allocate online sales to CGUs for the purpose of impairment testing of JL branches.

Following the impairment review, the Group recognised a net impairment charge arising from branch performance and trading conditions as an exceptional item of £461.4m across property, plant and equipment and right-of-use assets; £470.7m charge in John Lewis and £9.3m credit in Waitrose. Additionally, £56.2m was recognised in relation to our Physical Estate programme and represents the impairment of assets in our branch closure programme and the exit of a Head Office location. A further £4.9m relating to Waitrose branches was charged but not recognised as exceptional. The total impairment charge at the half year is £522.5m.

9 Property, plant and equipment, intangible assets, and right-of-use assets (continued)

John Lewis branch impairment

Trade restrictions implemented on 23 March 2020 by the UK Government in response to the Covid-19 pandemic represent an impairment trigger. As such all JL branches have been tested for impairment.

The impairment review performed considers the Value in Use (VIU) of a CGU compared to the carrying value in the first instance and subsequently the fair value less cost to dispose if the VIU is lower than the CGU carrying value.

The calculations use a post-tax cash flow based on a 5 year plan approved by the Board. The forecasts are then extrapolated beyond the five-year period using a long-term growth rate of 2.0%. The plan has been prepared post the implementation and lifting of restrictions following the pandemic but ahead of the outcome of an internal Strategic review which is currently ongoing. The key assumptions in this plan are the recovery of JL branch sales from the impact of Covid-19 restrictions, year on year sales growth and margin assumptions. The plan differentiates between online and branch sales growth, which is relevant to our branch CGUs which continue to include an allocation of online sales. The appropriateness of these assumptions will be further reviewed at the year end, following the announcement of the John Lewis Partnership Strategic Review which is currently underway.

The JL branch impairment is most sensitive to changes in sales and margin forecasts and the allocation of online sales, and therefore sensitivity analysis has focused on these aspects of the impairment evaluation.

For the JL business, there is significant ongoing market uncertainty, and therefore a range of forecast scenarios have been included in the 5 year plan and considered by the John Lewis Partnership Board. The output of the scenarios are a range of profit targets with the most ambitious delivering an additional £70m of profit by 2023/2024. The impairment model uses the mid range representing our 'best estimate' of likely profit. Using the more cautious growth scenario increases the JL branch impairment by £77m, and the more optimistic scenario would reduce the JL branch impairment by £38m.

Judgement is required as to whether online sales (and associated costs) should be attributed to John Lewis stores for the purposes of impairment testing. Management believes that a proportion of online sales, made by customers who shop both online and in branch ("omni-channel"), should be attributed to John Lewis stores. This reflects the role our stores play in providing customers with an opportunity to browse, touch and feel our product range before purchasing online. The merchandising of the product offer in our physical estate provides inspiration for our customers who may then choose to purchase online (in particular for larger items and more considered purchases in our Home offer). For these reasons, John Lewis allocates online sales to stores based on Click and Collect online sales, and also a further proportion of online sales to reflect the role the store plays in facilitating online purchases. This further allocation is based on evidence of a physical touchpoint with the store through previous purchasing behaviour. In light of the significant shift in customer shopping behaviour from branches to online through the pandemic, and our expectation that a proportion of customers will adopt a predominantly online shopping pattern in the future, we have reassessed and reduced our allocation of online sales to stores. We continue to allocate Click and Collect online sales but have reviewed and reduced the proportion of online sales we allocate based on the customers' physical touch point with the store. The allocations of the sales and the weighting of the drivers (ie Click & Collect versus greater allocation to reflect the role the branch plays in facilitating online sales) varies by store.

Given the pace of change in customer behaviour and the transition to online purchasing, we have run sensitivities to reflect what a further shift in customer shopping behaviour and therefore online allocation would generate in terms of impairment. If an additional 10% of online sales were allocated to branch CGUs this reduces the impairment charge by £76m, whereas a 10% reduction from the current assumption of online allocation would result in an increased impairment charge of £100m. If the online allocation assumptions were reduced such that only online sales serviced through in store Click and Collect were allocated to CGUs, this would further increase the impairment provision by £225m.

External market valuations are regularly obtained by the Group and used within the consideration of fair value less cost to dispose. In light of the Covid-19 pandemic and in consideration of the available market for department store properties, these valuations have been reassessed at the half year end and where applicable revised down. If the valuations were to reduce by a further 10% this would increase the impairment charge by £3m.

The discount rate used in the calculation of cash flows is derived from the JL Weighted Average Cost of Capital (WACC). This has increased since the year end. A number of factors have contributed to this increase as the markets respond to the Covid-19 pandemic; the Group's underlying bond rates have increased, the Group's gross debt has increased and the increase in average comparative equity betas used in our calculations have risen to reflect the higher level of risk in the market for general merchandise. A reduction in the discount rate assumption of 100 bps would decrease the JL impairment charge by £7m, and an increase of 100 bps would increase the impairment charge by £12m.

9 Property, plant and equipment, intangible assets, and right-of-use assets (continued)

Waitrose branch impairment

The impairment calculations for Waitrose branches use a post-tax cash flow based on a 5 year plan approved by the Board. The forecasts are then extrapolated beyond the five-year period using a long-term growth rate of 2.0%. The key assumptions in this plan are the stabilisation of sales following the disruption of lockdown, year on year sales growth and margin assumptions. Future growth assumptions for Waitrose include the trading uplift seen during the Covid-19 pandemic. The appropriateness of these assumptions will be further reviewed at the year end, following the announcement of the John Lewis Partnership Strategic Review which is currently underway. Waitrose online sales are allocated directly to the branch that the online order is picked and fulfilled from. Online sales are therefore included in the Waitrose CGUs and as the sales are directly attributable to branch activity, this is not considered a key judgement.

The Waitrose charge of £0.4m is a net charge and includes releases of previous impairment charges following the exit of previously impaired branches and impairment reversals due to improved branch performance which has been judged to be sustainable. These reversals have been offset by new impairment charges, principally relating to branches approved for closure but also including specific performance deterioration on a small number of branches.

The discount rate used in the calculation of cash flows is derived from the Waitrose Weighted Average Cost of Capital (WACC). This remains unchanged from the year end due to the increase in the Group's debt to equity ratio offset by the relative strength of the grocery market and lower equity betas for comparator companies.

The Waitrose impairment estimation is most sensitive to changes in the sales growth and margin assumptions. The below sensitivities reflect realistic and reasonable variations to the forecast currently used by the business:

- Reducing the growth rate assumptions for years 1 to 5 by 200 bps would result in an additional impairment charge of £5.3m;
- Reducing the long-term growth rate to nil would result in an additional impairment charge of £0.8m;
- Reducing the gross margin growth assumptions in years 1 to 5 by 30 bps would result in an additional impairment charge of £2.8m; and
- Increasing the discount rate by 100 bps would result in an additional impairment charge of £1.4m.

10 Assets held for sale

At 25 July 2020, four property assets in Waitrose were recorded as held for sale with a total carrying value of £14.1m. It is expected that the sale of these property assets will complete within the next 12 months.

At 25 January 2020 three property assets in Waitrose were recorded as held for sale with a total carrying value of £1.5m.

At 27 July 2019, seven property assets in Waitrose (£36.2m) and three in John Lewis (£2.2m) were recorded as held for sale with a total carrying value of £38.4m.

11 Provisions

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 25 January 2020	(153.5)	(28.8)	(25.3)	(21.9)	(24.0)	(253.5)
Charged to income statement	(11.8)	(24.5)	(8.7)	(46.3)	(28.5)	(119.8)
Released to income statement	6.5	–	–	1.2	2.8	10.5
Utilised	3.2	28.8	3.8	9.2	0.8	45.8
At 25 July 2020	**(155.6)**	**(24.5)**	**(30.2)**	**(57.8)**	**(48.9)**	**(317.0)**

Of which:						
Current	(35.4)	(24.5)	(12.0)	(57.8)	(17.0)	(146.7)
Non-current	(120.2)	–	(18.2)	–	(31.9)	(170.3)

The Group has a long leave scheme, open to all Partners, which provides up to six months paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Group's retirement benefit obligations (note 12) as it reflects a rate appropriate to the shorter duration of the long leave liability so as to accrue the cost over Partners' service periods.

Provisions for customer refunds reflect the Group's expected liability for returns of goods sold based on experience of rates of return.

Provisions for insurance claims are in respect of the Group's employer's, public and vehicle third-party liability insurances. The provisions are based on reserves held in the Group's captive insurance company, JLP Insurance Limited. These reserves are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience.

Provisions for reorganisations reflect restructuring and redundancy costs, principally in relation to our branch, distribution and retail operations as well as head office and central function restructuring.

Other provisions primarily include property related costs.

12 Retirement benefit obligations

The pension scheme operated by the Partnership is the John Lewis Partnership Trust for Pensions. The scheme includes a defined benefit section, providing pensions and death benefits to members. All contributions to the defined benefit section of the scheme are funded by the Partnership. The scheme also includes a defined contribution section. Contributions to the defined contribution section of the scheme are made by both Partners and the Partnership.

On 1 April 2020, the defined benefit section of the scheme closed to future accrual. Following closure, members' deferred pensions will now increase annually by inflation up to five per cent per annum (measured using CPI), which is generally lower than the previous pay growth assumption, resulting in a reduction of the defined benefit obligation.

Pension commitments have been calculated based on the most recent actuarial valuation, as at 31 March 2019, which has been updated by the actuaries to reflect the assets and liabilities of the scheme as at 25 July 2020. The next triennial actuarial valuation of the scheme will take place as at 31 March 2022.

Scheme assets are stated at market value at 25 July 2020.

The market values of properties included within scheme assets have been updated for the half year ended 25 July 2020. As Level 3 assets, there is a high level of uncertainty associated with property valuations which are based on unobservable inputs. This uncertainty has become more significant as a result of Covid-19. To improve transparency, the external valuation report for the half year ended 25 July 2020 includes a 'material valuation uncertainty' clause in order to highlight that less certainty can be attached to the valuation than would otherwise be the case under normal market conditions. This does not invalidate the valuation or mean the valuation cannot be relied upon. A percentage decrease in the index underlying the valuation of 10% would result in a £46m decrease in the property assets valuation. Having reviewed the asset values at 25 July 2020, of which property assets represent 6.8% of the total, the Directors consider that the valuations continue to represent the best estimate of fair value at the half year end date, in the context of current economic conditions.

The following financial assumptions have been used:

	25 July 2020	27 July 2019	25 January 2020
Discount rate	**1.50%**	2.30%	1.90%
Future retail price inflation (RPI)	**2.70%**	3.10%	2.80%
Future consumer price inflation (CPI)	**1.90%**	2.10%	2.00%
Increase in pensions - in payment			
Pre-April 1997	**1.55%**	1.65%	1.60%
April 1997 - April 2016	**2.60%**	2.90%	2.70%
Post-April 2016	**1.55%**	1.65%	1.60%
Increase in pensions - deferred	**1.90%**	2.10%	2.00%

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

	Half year to 25 July 2020	Half year to 27 July 2019	Year to 25 January 2020
	£m	£m	£m
Net defined benefit liability at beginning of period	**(417.4)**	(468.1)	(468.1)
Operating cost/Pension expense	**(23.0)**	(56.5)	(116.1)
Past service gain as a result of closure	**–**	249.0	249.0
Interest cost on pension liabilities	**(64.1)**	(82.0)	(159.3)
Interest income on assets	**60.2**	77.6	152.4
Contributions	**26.8**	62.6	118.3
Total (losses)/gains recognised in equity	**(206.3)**	161.2	(193.6)
Net defined benefit liability at end of period	**(623.8)**	(56.2)	(417.4)

12 Retirement benefit obligations (continued)

The post-retirement mortality assumptions used in valuing the pension liabilities were based on the 'S2 Light' (25 January 2020: 'S2 Light'; 27 July 2019: 'S2 Light') series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 127% for males and 106% for females (25 January 2020: 127% for males and 106% for females; 27 July 2019: 127% for males and 106% for females). Future improvements in life expectancy have been allowed for in line with the latest CMI model projections subject to a long-term trend of 1.25% (25 January 2020: 1.25%; 27 July 2019: 1.25%). The average life expectancies assumed were as follows:

	25 July 2020		25 January 2020	
	Men	**Women**	Men	Women
Average life expectancy for a 65 year old (in years)	**21.0**	**23.3**	21.0	23.3
Average life expectancy at age 65, for a 50 year old (in years)	**21.9**	**24.5**	21.9	24.5

13 Reconciliation of loss before tax to cash generated from operations before Partnership Bonus

	Half year to 25 July 2020	Half year to 27 July 2019	Year to 25 January 2020
	£m	£m	£m
(Loss)/profit before tax	**(634.5)**	191.6	145.3
Amortisation and write offs of intangible assets [1]	**65.1**	73.0	151.7
Depreciation [1]	**719.0**	191.9	517.7
Share of loss of joint venture (net of tax)	**0.4**	0.6	0.2
Net finance costs	**76.5**	88.0	161.3
Partnership Bonus	–	–	30.9
Fair value (gains)/losses on derivative financial instruments	**1.2**	(0.7)	0.3
Profit on disposal of property, plant and equipment and intangible assets	**(10.0)**	(12.3)	(37.1)
Decrease in inventories	**53.6**	44.9	45.8
Decrease/(increase) in receivables	**23.0**	(39.5)	(31.4)
Decrease in payables	**(42.1)**	(101.8)	(39.5)
Decrease in retirement benefit obligations	**(1.3)**	(243.1)	(238.4)
Increase/(decrease) in provisions	**43.7**	(5.6)	(8.1)
Cash generated from operations before Partnership Bonus	**294.6**	187.0	698.7

[1] Includes net impairment charges. Refer to note 9.

14 Analysis of net debt

	25 January 2020	Cash flow	Other non–cash movements	25 July 2020
	£m	£m	£m	£m
Non–current assets				
Derivative financial instruments	0.1	–	1.6	**1.7**
	0.1	–	1.6	**1.7**
Current assets				
Cash and cash equivalents	598.3	952.7	–	**1,551.0**
Short-term investments	317.2	(291.1)	(0.8)	**25.3**
Derivative financial instruments	4.8	(3.3)	9.3	**10.8**
	920.3	658.3	8.5	**1,587.1**
Current liabilities				
Borrowings and overdrafts	–	(298.3)	–	**(298.3)**
Lease liabilities	(95.4)	86.2	(110.0)	**(119.2)**
Derivative financial instruments	(18.7)	1.4	8.2	**(9.1)**
	(114.1)	(210.7)	(101.8)	**(426.6)**
Non–current liabilities				
Borrowings	(725.1)	(150.0)	–	**(875.1)**
Unamortised bond transaction costs	9.4	0.8	(0.6)	**9.6**
Fair value adjustment for hedged element on bonds	(2.8)	–	(2.2)	**(5.0)**
Lease liabilities	(1,999.5)	–	59.4	**(1,940.1)**
Derivative financial instruments	(3.9)	–	0.8	**(3.1)**
	(2,721.9)	(149.2)	57.4	**(2,813.7)**
Total net debt	(1,915.6)	298.4	(34.3)	**(1,651.5)**

During the period ended 25 July 2020 the Group has agreed an 18 month extension on a £50m Bilateral Revolving Credit Facility, and a 12 month extension on £385m of a £450m Syndicated Revolving Credit Facility. Covenants on the Bilateral and Syndicated facilities were also negotiated on more favourable terms.

In addition, the Group entered into two additional term loans of £75m each and new sale & leaseback transactions were undertaken, raising £136.2m.

In May 2020 the Group's application to the Bank of England & HM Treasury 'COVID Corporate Financing Facility' (CCFF) was approved and £300m was drawn down.

14 Analysis of net debt (continued)

Reconciliation of net cash flow to net debt

	Half year to 25 July 2020 £m	Half year to 27 July 2019 £m	Year to 25 January 2020 £m
Increase/(decrease) in net cash and cash equivalents in the period	**952.7**	(228.4)	(118.5)
Cash (inflow)/outflow from movement in short-term investments	**(291.1)**	(101.2)	51.4
Cash (inflow)/outflow from borrowings	**(448.3)**	275.0	–
Cash outflow from movement in other net debt items	**85.1**	94.7	462.1
Cash movement in net debt for the period	**298.4**	40.1	395.0
Opening net debt	**(1,915.6)**	(30.1)	(30.1)
Adjustment on initial application of IFRS 16[1]	–	(2,078.0)	(2,078.0)
Non-cash movements in net debt for the period	**(34.3)**	(79.4)	(202.5)
Closing net debt	**(1,651.5)**	(2,147.4)	(1,915.6)

[1] The Group applied IFRS 16 at 27 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying IFRS 16 is recognised in retained earnings at the date of initial application which was 27 January 2019.

15 Management of financial risks

The principal financial risks to which the Group is exposed are capital and long-term funding risk, liquidity risk, interest rate risk, foreign currency risk, credit 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 financial statements for the year ended 25 January 2020. During the half year to 25 July 2020, the Group has continued to apply the financial risk management process and policies as detailed in the financial statements for the year ended 25 January 2020.

Valuation techniques and assumptions applied in determining the fair value of each class of asset or liability are consistent with those used as at 25 January 2020 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)

During the half year to 25 July 2020, 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 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 fair value of the derivative financial instruments held by the Group 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 25 July 2020, the net fair value of derivative financial instruments was £0.3m, asset (25 January 2020: £17.7m, liability; 27 July 2019: £19.5m, asset).

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

	25 July 2020		27 July 2019		25 January 2020	
	£m	**£m**	£m	£m	£m	£m
	CV	**FV**	CV	FV	CV	FV
Financial liabilities						
Listed bonds	**(590.4)**	**(580.0)**	(590.1)	(630.9)	(590.6)	(645.7)

The fair values of the Group's listed bonds 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.

16 Capital commitments

At 25 July 2020 contracts had been entered into for future capital expenditure of £31.3m (25 January 2020: £20.2m; 27 July 2019: £64.4m) of which £22.1m (25 January 2020: £14.3m; 27 July 2019: £52.8m) relates to property, plant and equipment and £9.2m (25 January 2020: £5.9m; 27 July 2019: £11.6m) relates to intangible assets.

17 Related party transactions

There have been no material changes to the principal subsidiaries listed in the Annual Report and Accounts for the year ended 25 January 2020. 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 25 July 2020.

18 Subsequent events

On 16 September 2020, Waitrose informed Partners that three shops will close later this year at Ipswich Corn Exchange, Caldicot and Shrewsbury, while selling Waitrose Wolverhampton to Tesco. No accounting for potential redundancies was recorded for the half year ended 25 July 2020 in respect of these shop disposals on the basis that the announcement to Partners was after the half year end.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge the condensed set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

For and by Order of the Board

Sharon White, Chairman
Patrick Lewis, Executive Director, Finance

16 September 2020

Independent review report to John Lewis plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the 26 weeks ended 25 July 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the 26 weeks ended 25 July 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Scope of review

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 UK. 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. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors.

The annual financial statements of the company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Michael Maloney

for and on behalf of KPMG LLP
Chartered Accountants
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E14 5GL
16 September 2020