

**John Lewis plc**  
**Unaudited condensed Interim Financial Statements for the half year ended 26 July 2014**  
**Strict Stock Exchange Embargo, 7.00am**  
**Thursday 11 September 2014**

**Growing customer numbers drive sales in a changing market**

**Financial Summary**

	Waitrose		John Lewis		Group	
	£m	Change	£m	Change	£m	Change
Gross sales	<b>3,146</b>	4.1%	<b>1,865</b>	9.4%	<b>5,011</b>	6.0%
LFL sales <sup>(1)</sup>	<b>1.3%</b>		<b>8.2%</b>			
Revenue	<b>2,967</b>	4.2%	<b>1,494</b>	9.0%	<b>4,461</b>	5.7%
Operating profit before exceptional item <sup>(2)(3)</sup>	<b>145.2</b>	(9.4)%	<b>56.3</b>	62.2% <sup>(4)</sup>	<b>176.1</b>	8.6%
Operating profit <sup>(3)</sup>					<b>176.1</b>	53.3%
PBT before exceptional item <sup>(2)(3)</sup>					<b>130.6</b>	11.8%
PBT <sup>(3)</sup>					<b>130.6</b>	87.9%

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

(2) Exceptional charge of £47.3m last year following review of holiday pay policy

(3) Includes property profits of £10.5m in Waitrose and £0.5m in Group (2013/14: nil)

(4) Includes restructuring costs of £15.4m in 2013/14

**Operational Highlights**

**Waitrose**

- Sales continued to outperform the industry, for the 62<sup>nd</sup> consecutive month<sup>(5)</sup>; market share increased to 5%
- Total online services gross sales of £161m, with online grocery gross sales up 54%
- Operating profit impacted by substantial levels of investment across the business and the market<sup>(5)</sup> sales slowdown
- 15 new branches opened, 11 more than in the same period last year
- 670,000 more weekly customer transactions<sup>(6)</sup>
- Membership of myWaitrose scheme up to 4.8 million

**John Lewis**

- Sales growth and market share increases across all categories
- Online sales of £552m, up 25.6% and now representing over 30% of merchandise sales; shop sales increased by 3.6%
- Opened new full line flexible format shop in York and first airport shop in Heathrow Terminal 2
- Customers and Partners celebrated 150th anniversary
- First phase of second National Distribution Centre in Milton Keynes completed

(5) Source: Kantar

(6) Including myWaitrose benefits

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

“Group sales grew strongly at 6%, with Waitrose and John Lewis both outperforming their respective markets. Profit before tax and exceptionals is ahead of last year by 12%, but is broadly flat after excluding property profits.

Our sales growth was driven by more customers shopping with Waitrose and John Lewis, with customer numbers up by over 6% and 4% respectively. This reflects the growing appeal of our omni-channel offer across both brands, including the success of Click & Collect, which now accounts for more than half of John Lewis orders placed online, and the popularity of the myWaitrose and my John Lewis programmes, which are encouraging customers to shop more frequently with us across all of our channels.

Profit before tax and exceptional item, of £130.6m, is 12% ahead of last year, benefiting from property profits of £11m. Operating profits in John Lewis rose by 62% (£22m), offset by a decline in Waitrose operating profits of 9% (£15m). The strong profit performance in John Lewis reflects robust sales growth across all categories, especially in the higher margin 'Home' category, and good cost control across the business. In Waitrose, profits were lower as a result of a much higher level of investment in new branches and accelerating the growth of the business through investment in Waitrose.com and the myWaitrose programme, as well as the challenging market conditions. However, Waitrose sales performance continued to be well ahead of the market.

Across the Group we continued to step up our level of investment in our systems and supply chain, with total capital investment almost doubling versus last year.

Our first half performance has been hard won. I want to acknowledge the tremendous efforts of all Partners, our co-owners, in achieving these results through a period of significant change, including implementing new IT systems and adopting new ways of working.”

**Outlook 2014/15**

The outlook in the grocery sector remains challenging and we expect that to continue to be the case for some time. In contrast, trading conditions in the non-food sector are more positive than has been the case for several years.

Against this backdrop, we have had an encouraging start to the second half. For the first six weeks of the second half, Group gross sales are up 7.5%. Waitrose gross sales have increased by 5.2% (0.9% like-for-like, excluding petrol) and John Lewis gross sales are 11.3% higher than last year (9.7% like-for-like).

Looking ahead, as always, much will depend on Christmas trading, plans for which look excellent. While we expect the grocery sector to remain challenging, we anticipate sales at both Waitrose and John Lewis will continue to outperform their respective markets in the second half, reflecting the strength of both brands.

## **Financial Results**

In the first six months of the year, the Group delivered good sales growth. Both Waitrose and John Lewis grew sales well ahead of their respective markets, increasing their market shares. Group gross sales (inc VAT) were £5.01bn, an increase of £282.3m, or 6.0%, on last year. Revenue, which is adjusted for sale or return sales and excludes VAT, was £4.46bn, up by £242.4m or 5.7%.

Group operating profit was £176.1m, up £61.2m, or 53.3% on last year. After excluding last year's exceptional item, it was up by £13.9m or 8.6%.

Profit before tax was £130.6m, up by £61.1m, or 87.9% on last year. After excluding last year's exceptional item it was up by £13.8m or 11.8%.

## **Waitrose**

Gross sales in the first half grew by 4.1% to £3.15bn with like-for-like sales up 1.3%. This sales performance was delivered in a period of significant structural change for UK food retail. Operating profit for the half was down by 9.4% to £145.2m, however this performance benefited from property profits of £10.5m (2013: nil). The decline in profit was mainly as a result of the substantial levels of investment made across the business and, to a lesser extent, the tough market conditions. Like-for-like sales were ahead, despite the market conditions, price investment and strong comparative growth in the same period last year.

Our market share grew to 5% and we had on average 670,000 more customer transactions a week, compared to the same period last year.

Being employee-owned allows us to take a long-term view about what is right for our customers and our business. We have maintained the level of investment needed to create the modern Waitrose. Our significant investments in new and existing space, online, convenience, price, hospitality, services and in deepening our understanding of our customers, positions us well for the future.

Our programme of investment in new and existing shops scaled up in the first half. We opened 15 new branches, compared with four new branches and one relocation in the same period last year. We also opened in five additional Welcome Break locations.

We have continued to invest in our core estate, carrying out three major refurbishments and one significant extension (compared to none in the same period last year) and revamping the front of store in a further 40 shops with welcome desks (compared to 15 in the same period last year) and a further 76 shops with horticulture pods (compared to 44 in the same period last year).

In addition, we are developing our supply chain infrastructure to support future growth and the expansion of multichannel retailing. Our new distribution centre in Leyland became fully operational in the half, and we began work on Waitrose's first National Distribution Centre at Magna Park in Milton Keynes.

Waitrose.com was an area of significant investment and performed strongly in the period with grocery gross sales up 54%. We recruited 46,000 new customers and increased the number of delivery slots available by 79% compared with the same period last year. We launched the new Cellar wine website in May and we will shortly launch Click & Collect for Cellar orders. We are also increasing the number of branches offering Click & Collect for Waitrose grocery orders. In addition, more branches will be handling Click & Collect for John Lewis orders, supported by new processes that will make the service more efficient and faster.

We continued to invest in price during the half. This includes matching Tesco on branded products (excluding promotions) and Sainsbury on own-label, increased promotional participation and special deals for our myWaitrose customers, including 10% off hundreds of everyday products every week.

We saw continued strong take-up of the myWaitrose card and the associated offers and the number of myWaitrose customers now stands at 4.8 million. As well as driving incremental sales, myWaitrose is transforming our understanding of customers and allows us to target and personalise our marketing communications.

We invested in innovative marketing campaigns, including developing our own content for Waitrose TV, launching Weekend Kitchen with Waitrose on Channel 4, as well as launching our new brand advertising focusing on the difference our Partners make.

Along with the best service, top quality products are at the heart of our brand. Product innovation continued apace with the launch of the new Alan Titchmarsh and Waitrose gardening range, Asian Fusion ready meals and the great value Pure beauty range. Our successful essential Waitrose range topped 2,500 products as it celebrated its fifth birthday, while our Heston from Waitrose range has been further expanded.

## **John Lewis**

Gross sales in the first half were up 9.4% to £1.87bn, with like-for-like sales up 8.2%. Operating profit increased by 62.2% to £56.3m.

Our strategy of combining the best brands with an ambitious John Lewis own-brand offer is resulting in sales growth and market share gains across all three categories.

- Home increased by 7.4%, driven in part by the revitalisation of the housing market. Although 'House' remained our biggest brand in Home, the introduction of the 'Croft' range proved popular as customers looked for a balance between classic and contemporary design.
- Fashion was up 9.1%, with online fashion sales growth particularly strong at 33.9%. In response to the continued success of our own-brand offer, we recently launched our first John Lewis & Co. men's formalwear collection.
- Electricals and Home Technology (EHT) delivered growth of 11.7%. For the first time we introduced a John Lewis own-brand smart TV, and our minimum two-year guarantee commitment continues to be a key differentiator for customers.

A year on from launching our new web platform, johnlewis.com sales are up 25.6%, outperforming the industry (IMRG) by 16% in the first half. The online business now accounts for over 30% of John Lewis merchandise sales. Click & Collect sales have grown by nearly 50% and now make up over half of online orders. In addition, a continued focus on our mobile strategy has led to over half the traffic to johnlewis.com coming from mobile and tablet devices. This Christmas the cut-off time for ordering for next day collection will be extended to 8pm, complemented by the addition of over 90 new Waitrose locations and the nationwide rollout of CollectPlus.

Investment has continued in new and existing shops as we continue to develop our portfolio. John Lewis York opened in April and, combined with the success of our Exeter shop, demonstrates that there is a role for a smaller department store format to complement regional flagships and at home branches in our future growth. Our first airport shop at Heathrow Terminal 2 opened in June and, as part of our ongoing efforts to meet customers' demand for more convenient ways to shop, we announced that a new 'Click & Commute' shop will open this autumn at St Pancras station. Our next full-line department store will open in Birmingham in 2015, along with shops in Basingstoke and Horsham.

We have also invested in new social experiences in our shops. July marked the opening of two restaurants in John Lewis Oxford Street, Italian restaurant Rossopomodoro and the UK's first outlet of Ham Holy Burger, building on the successful launch of Hotel Chocolat and Joe & Juice cafés last year.

Investment in systems and infrastructure continued apace, with the completion of building work at John Lewis' second National Distribution Centre in Milton Keynes allowing the site to be used as support for existing operations ahead of full operations starting in 2016.

Our 150th anniversary was a unique opportunity to create memorable experiences for our customers and Partners, as well as to collaborate with famous brands to create special edition products. For the first time, we opened the roof garden of our Oxford Street shop and built an interactive exhibition to tell the story of the Partnership. These experiences were enjoyed by more than 150,000 customers. We celebrated our role as the Official Department Store Provider to the Commonwealth Games with a pop-up urban garden in Glasgow city centre, and our brand benefited from its association with a celebrated national event.

Innovation remains key to staying ahead in a competitive retail market and the launch of JLAB, our first-ever technology business incubator, has opened us up to innovative ideas from start-up companies. More than 500 small businesses registered their interest in the chance of a £100,000 investment and the opportunity to trial their technology in our shops.

## Partnership Services Group

Partnership Services and Group includes the operating activities 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 £7.3m to £25.4m.

### Investment in the future

Capital investment in the first half of the year was £332.1m, an increase of £166.5m (100.5%) on the previous year. This includes £90.5m invested in freehold properties, an increase of £66.2m on the previous year, and includes seven freehold branches purchased from the Co-operative.

The majority of our spend continues to be invested in our store base, either on new stores or the refurbishment of existing ones. However, to enhance the agility and robustness of our systems and infrastructure, we almost doubled our capital investment in distribution and IT.

Investment in Waitrose was £220.2m, up £120.4m (120.6%) on the previous year, and in John Lewis investment was £91.3m, up £37.1m (68.5%).

### Pensions

The pension operating cost was £92.1m, an increase of £8.1m or 9.6% on the prior year costs before the exceptional item, reflecting changes to financial assumptions and growth in scheme membership. Pension finance costs were £19.8m, an increase of £2.1m or 11.9% on the prior year, reflecting 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 £111.9m, an increase of £10.2m or 10.0% before last year's exceptional item.

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. In the first half of the year total contributions to the pension scheme totalled £100.6m, an increase of £43.2m or 75.3% on the prior year.

The total accounting pension deficit at 26 July 2014 was £1,029.0m, an increase of £25.6m (2.6%) since 25 January 2014. Net of deferred tax, the deficit was £843.5m. The accounting valuation of pension fund liabilities increased by £218.8m (5.2%) to £4,437.0m, while pension fund assets increased by £193.2m (6.0%) to £3,408.0m.

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 Group. The review of the pension scheme, to ensure that it can remain fair to Partners and affordable from a business perspective, is ongoing with a revised draft proposal published in July. The proposal is to move to a hybrid scheme combining defined benefit and defined contribution pensions, where future pension risk is shared between Partners and the Group. Partners remain at the centre of the review as co-owners of the business and have the opportunity to share their views. A decision is expected to be reached by Partnership Council and the Partnership Board in early 2015 following consultation with Partners.

### **Financing**

Net finance costs on borrowings and investments decreased by £4.3m (15.1%) to £24.2m. After including the financing elements of pensions and long service leave and non-cash fair value adjustments, net finance costs increased by £0.1m (0.2%) to £45.5m.

At 26 July 2014, net debt was £649.4m, an increase of £263.1m (68.1%) in the half year and £255.5m (64.9%) higher than 27 July 2013. The year-on-year increase reflects the funding to support the significant step up in capital investment across the Group. We expect net debt at the end of the year to be at a broadly similar level to January 2014.

### **Sustainability**

Consistent with our belief in the importance of taking a long-term view, this year we are undertaking a thorough review of the medium to long-term CSR challenges facing the business. This will inform our business plans moving forward and ensure we continue to reduce our environmental impact, while supporting communities where we trade and maintaining scrupulous relations with our suppliers around the world.

Meanwhile, we have continued to deliver against our existing ambitious commitments. For example, our new John Lewis branch in York, which opened in April, is the lowest carbon branch on the John Lewis estate and includes many innovative design features to support the local area's biodiversity. The branch has been assessed as Outstanding under the BREEAM rating system for buildings. To date, the Group remains the only retailer to have achieved the 'Outstanding' rating for any of its stores.

Our business has always recognised the importance of building sustainable supply chains and working closely with suppliers and communities. We were delighted that, on World Oceans Day, Waitrose was named Best Certified Fish Counter 2014, for selling the broadest range of Marine Stewardship Council certified options of any UK supermarket. Waitrose also relaunched its national 'Grow and Sell' scheme to encourage schoolchildren to produce food and sell it; the scheme has nearly trebled in size since it launched, teaching children land management and entrepreneurial skills. In India, a new school, funded by the John Lewis Foundation, opened in Bhadohi, a region where a number of our rug suppliers are located, providing much needed access to education for girls, and signalling our long-term commitment to the area.

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## Notes to editors

**The John Lewis Partnership** - The John Lewis Partnership operates 42 John Lewis shops across the UK (31 department stores, 10 John Lewis at home and a shop at Heathrow Terminal 2), johnlewis.com, 326 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 employee-owned business with over 90,000 staff who are all Partners in the business.

**Waitrose** - the Nation's Favourite Supermarket<sup>1</sup> and winner of the BestSupermarket<sup>2</sup> and Best Food and Grocery Retailer<sup>3</sup> awards - currently has 326 shops in England, Scotland, Wales and the Channel Islands, including 51 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 50 countries worldwide and has seven shops in the Middle East.

<sup>1</sup> Conlumino Awards, 2014

<sup>2</sup> Good Housekeeping Best Supermarket 2014, Which? Best Supermarket 2014

<sup>3</sup> Verdict Best Food and Grocery Retailer 2014

**John Lewis** - John Lewis, 'Multichannel Retailer of the Year 2014'<sup>4</sup>, 'Best Overall Retailer'<sup>5</sup> and 'Best Retailer 2014'<sup>6</sup>, typically stocks more than 350,000 separate lines in its department stores across fashion, home and technology. johnlewis.com stocks over 250,000 products, and is consistently ranked one of the top online shopping destinations in the UK ([www.johnlewis.com](http://www.johnlewis.com)). 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.

<sup>4</sup> Oracle Retail Week Awards 2014

<sup>5</sup> Verdict Consumer Satisfaction Awards 2014

<sup>6</sup> Which? Awards 2014

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

[www.johnlewis.com/twitter](http://www.johnlewis.com/twitter)

[www.johnlewis.com/facebook](http://www.johnlewis.com/facebook)

[www.johnlewis.com/youtube](http://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.

**Consolidated income statement  
 for the half year ended 26 July 2014**

<i>Notes</i>	<b>Half year to 26 July 2014</b>	Half year to 27 July 2013	<b>Year to 25 January 2014</b>
	<b>£m</b>	£m	<b>£m</b>
5	<b>Gross sales</b>	4,729.1	<b>10,171.5</b>
5	<b>Revenue</b>	4,218.8	<b>9,027.8</b>
	Cost of sales	(2,832.5)	<b>(6,008.9)</b>
	<b>Gross profit</b>	1,386.3	<b>3,018.9</b>
	Other operating income	34.9	<b>74.2</b>
	Operating expenses before exceptional item	(1,259.0)	<b>(2,624.6)</b>
	<b>Operating profit before exceptional item</b>	162.2	<b>468.5</b>
4	Exceptional item	(47.3)	<b>(47.3)</b>
5	<b>Operating profit</b>	114.9	<b>421.2</b>
6	Finance costs	(47.3)	<b>(95.6)</b>
6	Finance income	1.9	<b>3.0</b>
	<b>Profit before Partnership Bonus and tax</b>	69.5	<b>328.6</b>
	Partnership Bonus	–	<b>(202.5)</b>
	<b>Profit before tax</b>	69.5	<b>126.1</b>
7	Taxation	(15.3)	<b>(24.4)</b>
	<b>Profit for the period</b>	54.2	<b>101.7</b>
4	<i>Profit before Partnership Bonus, tax and exceptional item</i>	<i>116.8</i>	<i>375.9</i>

**Consolidated statement of comprehensive income / (expense)  
 for the half year ended 26 July 2014**

<i>Notes</i>	<b>Half year to 26 July 2014</b>	Half year to 27 July 2013	<b>Year to 25 January 2014</b>
	<b>£m</b>	£m	<b>£m</b>
	<b>Profit for the period</b>	54.2	<b>101.7</b>
	<b>Other comprehensive income/ (expense):</b>		
	Items that will not be reclassified to profit or loss:		
10	Remeasurement of defined benefit pension schemes	(41.0)	<b>(245.2)</b>
7	Movement in deferred tax on pension schemes	2.8	<b>5.9</b>
7	Movement in current tax on pension schemes	–	<b>27.4</b>
	Items that may be reclassified subsequently to profit or loss:		
	Net (loss)/gain on cash flow hedges	1.0	<b>(9.7)</b>
7	Movement in deferred tax on cash flow hedges	–	<b>–</b>
	Other comprehensive expense for the period	(37.2)	<b>(221.6)</b>
	<b>Total comprehensive income/(expense) for the period</b>	17.0	<b>(119.9)</b>



**Consolidated balance sheet  
as at 26 July 2014**

<i>Notes</i>	<b>26 July 2014</b>	27 July 2013	<b>25 January 2014</b>	
	<b>£m</b>	£m	<b>£m</b>	
<b>Non-current assets</b>				
8	Intangible assets	297.3	222.6	266.9
8	Property, plant and equipment	4,059.8	3,826.3	3,987.2
	Trade and other receivables	61.7	61.4	61.3
	Deferred tax asset	79.0	39.6	69.1
		<b>4,497.8</b>	4,149.9	<b>4,384.5</b>
<b>Current assets</b>				
	Inventories	536.7	510.1	554.0
	Trade and other receivables	230.1	214.4	225.7
13	Derivative financial instruments	1.1	5.0	0.7
9	Assets held for sale	32.5	–	–
	Cash and cash equivalents	139.2	434.5	358.9
		<b>939.6</b>	1,164.0	<b>1,139.3</b>
	<b>Total assets</b>	<b>5,437.4</b>	5,313.9	<b>5,523.8</b>
<b>Current liabilities</b>				
12	Borrowings and overdrafts	(116.5)	(167.3)	(75.6)
	Trade and other payables	(1,323.7)	(1,232.7)	(1,599.3)
	Current tax payable	(34.9)	(29.2)	(0.1)
12	Finance lease liabilities	(3.6)	(3.2)	(3.3)
	Provisions	(111.0)	(133.0)	(120.9)
13	Derivative financial instruments	(10.9)	(0.7)	(5.9)
		<b>(1,600.6)</b>	(1,566.1)	<b>(1,805.1)</b>
<b>Non-current liabilities</b>				
12	Borrowings	(629.2)	(628.2)	(628.7)
	Trade and other payables	(144.1)	(126.9)	(135.5)
12	Finance lease liabilities	(29.5)	(34.0)	(32.4)
	Provisions	(145.4)	(132.0)	(137.2)
10	Retirement benefit obligations	(1,029.0)	(908.6)	(1,003.4)
		<b>(1,977.2)</b>	(1,829.7)	<b>(1,937.2)</b>
	<b>Total liabilities</b>	<b>(3,577.8)</b>	(3,395.8)	<b>(3,742.3)</b>
	<b>Net assets</b>	<b>1,859.6</b>	1,918.1	<b>1,781.5</b>
<b>Equity</b>				
	Share capital	6.7	6.7	6.7
	Share premium	0.3	0.3	0.3
	Other reserves	(7.5)	6.3	(4.2)
	Retained earnings	1,860.1	1,904.8	1,778.7
	<b>Total equity</b>	<b>1,859.6</b>	1,918.1	<b>1,781.5</b>

**Consolidated statement of changes in equity  
for the half year ended 26 July 2014**

<i>Notes</i>	Share capital	Share premium	Capital reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
	<b>6.7</b>	<b>0.3</b>	<b>1.4</b>	<b>3.9</b>	–	<b>1,888.9</b>	<b>1,901.2</b>
	–	–	–	–	–	54.2	54.2
10	–	–	–	–	–	(41.0)	(41.0)
	–	–	–	–	–	2.8	2.8
	–	–	–	(2.0)	–	–	(2.0)
	–	–	–	2.9	–	–	2.9
	–	–	–	0.1	–	–	0.1
	–	–	–	–	–	(0.1)	(0.1)
	<b>6.7</b>	<b>0.3</b>	<b>1.4</b>	<b>4.9</b>	–	<b>1,904.8</b>	<b>1,918.1</b>
	<b>6.7</b>	<b>0.3</b>	<b>1.4</b>	<b>3.9</b>	–	<b>1,888.9</b>	<b>1,901.2</b>
	–	–	–	–	–	101.7	101.7
10	–	–	–	–	–	(245.2)	(245.2)
	–	–	–	–	–	33.3	33.3
	–	–	–	(6.6)	–	–	(6.6)
	–	–	–	(3.1)	–	–	(3.1)
	–	–	–	–	0.2	–	0.2
	<b>6.7</b>	<b>0.3</b>	<b>1.4</b>	<b>(5.8)</b>	<b>0.2</b>	<b>1,778.7</b>	<b>1,781.5</b>
	–	–	–	–	–	97.7	97.7
10	–	–	–	–	–	(20.7)	(20.7)
	–	–	–	(1.1)	–	–	(1.1)
	–	–	–	(4.0)	–	–	(4.0)
	–	–	–	(0.4)	–	–	(0.4)
	–	–	–	2.2	–	4.4	6.6
	<b>6.7</b>	<b>0.3</b>	<b>1.4</b>	<b>(9.1)</b>	<b>0.2</b>	<b>1,860.1</b>	<b>1,859.6</b>

**Consolidated statement of cash flows  
for the half year ended 26 July 2014**

<i>Notes</i>	<b>Half year to 26 July 2014</b>	Half year to 27 July 2013	<b>Year to 25 January 2014</b>
	<b>£m</b>	£m	<b>£m</b>
<i>11</i> <b>Cash generated from operations</b>	<b>288.5</b>	285.4	<b>783.8</b>
Net taxation (paid)/received	<b>(1.5)</b>	5.7	<b>(32.1)</b>
Partnership Bonus paid	<b>(202.7)</b>	(210.5)	<b>(210.6)</b>
Additional contribution to the Pension Scheme	–	–	<b>(85.0)</b>
Finance costs paid	<b>(2.5)</b>	(1.4)	<b>(2.6)</b>
<b>Net cash generated from operating activities</b>	<b>81.8</b>	79.2	<b>453.5</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<b>(268.6)</b>	(131.1)	<b>(387.1)</b>
Purchase of intangible assets	<b>(63.5)</b>	(34.5)	<b>(107.9)</b>
Proceeds from sale of property, plant and equipment and intangible assets	<b>16.9</b>	1.8	<b>2.9</b>
Finance income received	<b>0.4</b>	0.9	<b>1.5</b>
<b>Net cash used in investing activities</b>	<b>(314.8)</b>	(162.9)	<b>(490.6)</b>
<b>Cash flows from financing activities</b>			
Finance costs paid in respect of bonds	<b>(24.9)</b>	(25.6)	<b>(54.5)</b>
Payment of capital element of finance leases	<b>(2.7)</b>	(1.6)	<b>(3.1)</b>
Payments to preference shareholders	–	–	<b>(0.1)</b>
Cash inflow from borrowings	<b>35.0</b>	–	–
Cash outflow from borrowings	–	–	<b>(100.0)</b>
<b>Net cash generated from/(used in) financing activities</b>	<b>7.4</b>	(27.2)	<b>(157.7)</b>
Decrease in net cash and cash equivalents	<b>(225.6)</b>	(110.9)	<b>(194.8)</b>
Net cash and cash equivalents at beginning of period	<b>283.3</b>	478.1	<b>478.1</b>
Net cash and cash equivalents at end of period	<b>57.7</b>	367.2	<b>283.3</b>
<b>Net cash and cash equivalents comprise:</b>			
Cash at bank and in hand	<b>94.1</b>	115.7	<b>117.7</b>
Short-term investments	<b>45.1</b>	318.8	<b>241.2</b>
Bank overdraft	<b>(81.5)</b>	(67.3)	<b>(75.6)</b>
	<b>57.7</b>	367.2	<b>283.3</b>

## **Notes to the financial statements**

### **1 Basis of preparation**

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This condensed set of interim financial statements was approved by the Board on 10 September 2014. 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 27 July 2013 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 26 July 2014 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 2014 has been reported on by the Group'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 26 July 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and 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 Annual Report and Accounts for the year ended 25 January 2014, which has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

#### **Going concern**

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

### **2 Accounting policies**

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The Group's results for the half year to 26 July 2014 have been prepared on a basis consistent with the Group's accounting policies published in the financial statements for the year ended 25 January 2014.

### 3 Risks and uncertainties

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The principal and other significant risks and uncertainties affecting the Group were identified as part of the Group Strategic Report, set out on pages 48 and 49 of the John Lewis Plc Annual Report and Accounts 2014, a copy of which is available on the Partnership's website [www.johnlewispartnership.co.uk](http://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.

- Managing the delivery of change: failure to deliver the benefits of major change programmes, such as the Personnel Transformation Programme and the upgrade of the distribution infrastructure in John Lewis, and the associated Partner benefits, resulting in increased costs, disruption in trading activities and loss of Partners' trust;
- Operating model strain: several pressures, such as a shift in sales mix towards lower margin products, growth in online and a lack of flexibility in operations create strain in our operating model, threatening our ability to grow profitably;
- IT operating model: the IT operating model is unable to deliver change programmes and business plan ambitions, placing the Partnership at a competitive disadvantage;
- Pension obligations: defined benefit pension obligations place a significant or unsustainable financial burden on the Partnership;
- Business interruption: reputational damage and financial loss as a result of business interruption and/or the loss of key IT systems;
- Data breach: reputational damage and fines as a result of a data breach;
- Regulatory compliance: failure to comply with legislative requirements in the UK or other legal jurisdictions where the Partnership operates;
- UK economy: external economic and competitive pressures, such as government spend restrictions, a static economy, low market growth or aggressive price competition impair our ability to grow in line with our ambitions; and
- Talent: lack of ability to attract and retain talented Partners with the right capability to deliver our business goals.

#### 4 Exceptional item

No exceptional items have been recorded in the period to 26 July 2014. An exceptional operating expense was recorded in the half year to 27 July 2013 and in the year to 25 January 2014 totalling £47.3m, following a review of the Partnership's holiday pay policy.

#### 5 Segmental reporting

The Group's three operating segments are Waitrose, John Lewis and Partnership Services and Group. Partnership Services and Group 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 any exceptional items.

Waitrose's business is not subject to highly seasonal fluctuations although there is an increase in trading in the fourth quarter sales 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
<b>Half year to 26 July 2014</b>				
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)
<b>Revenue</b>	<b>2,966.9</b>	<b>1,494.3</b>	<b>–</b>	<b>4,461.2</b>
<b>Operating profit before exceptional item and property profits</b>	<b>134.7</b>	<b>56.3</b>	<b>(25.9)</b>	<b>165.1</b>
Property profits	10.5	–	0.5	11.0
<b>Operating profit before exceptional item</b>	<b>145.2</b>	<b>56.3</b>	<b>(25.4)</b>	<b>176.1</b>
Exceptional item	–	–	–	–
<b>Operating profit</b>	<b>145.2</b>	<b>56.3</b>	<b>(25.4)</b>	<b>176.1</b>
Finance costs	–	–	(47.3)	(47.3)
Finance income	–	–	1.8	1.8
<b>Profit before tax</b>	<b>145.2</b>	<b>56.3</b>	<b>(70.9)</b>	<b>130.6</b>

**5 Segmental reporting (continued)**

	<b>Waitrose</b>	<b>John Lewis</b>	<b>Partnership Services and Group</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Half year to 27 July 2013</b>				
Gross sales	3,023.7	1,705.4	–	4,729.1
Adjustment for sale or return sales	–	(66.7)	–	(66.7)
Value added tax	(176.1)	(267.5)	–	(443.6)
<b>Revenue</b>	<b>2,847.6</b>	<b>1,371.2</b>	<b>–</b>	<b>4,218.8</b>
Operating profit before exceptional item and property profits	160.2	34.7	(32.7)	162.2
Property profits	–	–	–	–
Operating profit before exceptional item	160.2	34.7	(32.7)	162.2
Exceptional item	–	–	(47.3)	(47.3)
Operating profit	160.2	34.7	(80.0)	114.9
Finance costs	–	–	(47.3)	(47.3)
Finance income	–	–	1.9	1.9
<b>Profit before tax</b>	<b>160.2</b>	<b>34.7</b>	<b>(125.4)</b>	<b>69.5</b>
<b>Year to 25 January 2014</b>				
Gross sales	6,111.9	4,059.6	–	10,171.5
Adjustment for sale or return sales	–	(148.9)	–	(148.9)
Value added tax	(358.2)	(636.6)	–	(994.8)
<b>Revenue</b>	<b>5,753.7</b>	<b>3,274.1</b>	<b>–</b>	<b>9,027.8</b>
Operating profit before exceptional item	310.1	226.1	(67.7)	468.5
Exceptional item	–	–	(47.3)	(47.3)
Operating profit	310.1	226.1	(115.0)	421.2
Finance costs	–	–	(95.6)	(95.6)
Finance income	–	–	3.0	3.0
Partnership Bonus	–	–	(202.5)	(202.5)
<b>Profit before tax</b>	<b>310.1</b>	<b>226.1</b>	<b>(410.1)</b>	<b>126.1</b>

**5 Segmental reporting (continued)**

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
<b>26 July 2014</b>				
Segment assets	2,946.5	1,875.3	615.6	5,437.4
Segment liabilities	(632.5)	(676.4)	(2,268.9)	(3,577.8)
<b>Net assets/(liabilities)</b>	<b>2,314.0</b>	<b>1,198.9</b>	<b>(1,653.3)</b>	<b>1,859.6</b>
<b>27 July 2013</b>				
Segment assets	2,680.7	1,772.3	860.9	5,313.9
Segment liabilities	(618.3)	(593.7)	(2,183.8)	(3,395.8)
<b>Net assets/(liabilities)</b>	<b>2,062.4</b>	<b>1,178.6</b>	<b>(1,322.9)</b>	<b>1,918.1</b>
<b>25 January 2014</b>				
Segment assets	2,844.4	1,868.9	810.5	5,523.8
Segment liabilities	(610.2)	(730.1)	(2,402.0)	(3,742.3)
<b>Net assets/(liabilities)</b>	<b>2,234.2</b>	<b>1,138.8</b>	<b>(1,591.5)</b>	<b>1,781.5</b>



**6 Net finance costs**

	Half year to 26 July 2014	Half year to 27 July 2013	Year to 25 January 2014
	£m	£m	£m
<b>Finance costs</b>			
Finance costs in respect of borrowings	(24.5)	(29.3)	(58.5)
Fair value measurements and other	–	(0.3)	–
Net finance costs arising on defined benefit and other employee benefit schemes	(22.8)	(17.7)	(37.1)
<b>Total finance costs</b>	<b>(47.3)</b>	<b>(47.3)</b>	<b>(95.6)</b>
<b>Finance income</b>			
Finance income in respect of cash and short-term investments	0.3	0.8	1.6
Fair value measurements and other	1.5	0.1	1.4
Net finance income arising on other employee benefit schemes	–	1.0	–
<b>Total finance income</b>	<b>1.8</b>	<b>1.9</b>	<b>3.0</b>
<b>Net finance costs</b>	<b>(45.5)</b>	<b>(45.4)</b>	<b>(92.6)</b>

	Half year to 26 July 2014	Half year to 27 July 2013	Year to 25 January 2014
	£m	£m	£m
Finance costs in respect of borrowings	(24.5)	(29.3)	(58.5)
Finance income in respect of cash and short-term investments	0.3	0.8	1.6
<b>Net finance costs in respect of borrowings and short-term investments</b>	<b>(24.2)</b>	<b>(28.5)</b>	<b>(56.9)</b>
Fair value measurements and other	1.5	(0.2)	1.4
Net finance costs arising on defined benefit schemes	(19.8)	(17.7)	(35.3)
Net finance (costs)/income arising on other employee benefit schemes	(3.0)	1.0	(1.8)
<b>Net finance costs</b>	<b>(45.5)</b>	<b>(45.4)</b>	<b>(92.6)</b>

## **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 full year effective tax rate for the year to 31 January 2015 is 25.2% (the estimated effective tax rate for the period to 27 July 2013 was 22.0%). The increase on last year is mainly due to the effects of the deferred tax credit recognised last year for the reduction in the statutory rate of corporation tax and disallowable costs and depreciation on assets that do not qualify for tax relief.

## **8 Property, plant and equipment and intangible assets**

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net book value at 25 January 2014	3,987.2	266.9	4,254.1
Additions	251.9	63.5	315.4
Depreciation and amortisation	(128.4)	(33.1)	(161.5)
Disposals	(18.4)	–	(18.4)
Transfers to assets held for sale	(32.5)	–	(32.5)
<b>Net book value at 26 July 2014</b>	<b>4,059.8</b>	<b>297.3</b>	<b>4,357.1</b>

Intangible assets primarily relate to internally developed computer software.

## **9 Assets held for sale**

At 26 July 2014, two property assets were recorded as held for sale totalling £32.5m (25 January 2014 and 27 July 2013: nil). They are expected to be disposed of within 12 months.

## 10 Retirement benefit obligations

The principal pension scheme operated by the Group 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 Group.

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 26 July 2014.

Scheme assets are stated at market value at 26 July 2014.

The following financial assumptions have been used:

	Half year to 26 July 2014	Half year to 27 July 2013	Year to 25 January 2014
Discount rate	4.25%	4.55%	4.40%
Future retail price inflation (RPI)	3.25%	3.30%	3.30%
Future consumer price inflation (CPI)	2.25%	2.40%	2.30%
Increase in earnings	3.75%	3.80%	3.80%
Increase in pensions – in payment	3.00%	3.10%	3.00%
Increase in pensions – deferred	2.25%	2.40%	2.30%

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

	Half year to 26 July 2014 £m	Half year to 27 July 2013 £m	Year to 25 January 2014 £m
Net defined benefit liability at beginning of period	(1,003.4)	(822.1)	(822.1)
Operating cost	(85.7)	(85.2)	(163.7)
Interest cost on liabilities	(91.5)	(86.3)	(172.5)
Interest income on assets	71.7	68.6	137.2
Contributions	100.6	57.4	262.9
Total losses recognised in equity	(20.7)	(41.0)	(245.2)
<b>Net defined benefit liability at end of period</b>	<b>(1,029.0)</b>	<b>(908.6)</b>	<b>(1,003.4)</b>

**11 Reconciliation of profit before tax to cash generated from operations**

	Half year to 26 July 2014	Half year to 27 July 2013	Year to 25 January 2014
	£m	£m	£m
Profit before tax	130.6	69.5	126.1
Amortisation of intangible assets	33.1	23.2	54.5
Depreciation	128.4	126.3	254.6
Net finance costs	45.5	45.4	92.6
Partnership Bonus	–	–	202.5
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(11.7)	2.3	1.6
Decrease/(increase) in inventories	17.3	3.9	(40.0)
Increase in receivables	(1.5)	(28.3)	(39.3)
(Decrease)/increase in payables	(33.4)	(4.5)	135.3
(Decrease)/increase in retirement benefit obligations	(15.1)	27.8	(14.2)
(Decrease)/increase in provisions	(4.7)	19.8	10.1
<b>Cash generated from operations</b>	<b>288.5</b>	<b>285.4</b>	<b>783.8</b>

**12 Analysis of net debt**

	25 January 2014	Cash flow	Other non-cash movements	26 July 2014
	£m	£m	£m	£m
<b>Current assets</b>				
Cash and cash equivalents	358.9	(219.7)	–	139.2
Derivative financial instruments	0.7	–	0.4	1.1
	359.6	(219.7)	0.4	140.3
<b>Current liabilities</b>				
Borrowings and overdrafts	(75.6)	(40.9)	–	(116.5)
Finance leases	(3.3)	2.7	(3.0)	(3.6)
Derivative financial instruments	(5.9)	–	(5.0)	(10.9)
	(84.8)	(38.2)	(8.0)	(131.0)
<b>Non-current liabilities</b>				
Borrowings	(633.9)	–	(0.2)	(634.1)
Unamortised bond transaction costs	5.2	–	(0.3)	4.9
Finance leases	(32.4)	–	2.9	(29.5)
	(661.1)	–	2.4	(658.7)
<b>Total net debt</b>	<b>(386.3)</b>	<b>(257.9)</b>	<b>(5.2)</b>	<b>(649.4)</b>

**12 Analysis of net debt (continued)****Reconciliation of net cash flow to net debt**

	<b>Half year to 26 July 2014</b>	Half year to 27 July 2013	<b>Year to 25 January 2014</b>
	<b>£m</b>	£m	<b>£m</b>
Decrease in net cash and cash equivalents in the period	<b>(225.6)</b>	(110.9)	<b>(194.8)</b>
Cash (inflow)/outflow from movement in debt and lease financing	<b>(32.3)</b>	1.6	<b>103.1</b>
Movement in debt for the period	<b>(257.9)</b>	(109.3)	<b>(91.7)</b>
Opening net debt	<b>(386.3)</b>	(284.9)	<b>(284.9)</b>
Non-cash movements	<b>(5.2)</b>	0.3	<b>(9.7)</b>
<b>Closing net debt</b>	<b>(649.4)</b>	(393.9)	<b>(386.3)</b>

**13 Management of financial risks**

The principal financial risks to which the Group 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 25 January 2014. During the half year to 26 July 2014, the Group has continued to apply the financial risk management process and policies as detailed in the Annual Report and Accounts for the year ended 25 January 2014.

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 2014 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 26 July 2014, 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 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 26 July 2014, the net fair value of derivative financial instruments was £9.8m, liability (25 January 2014: £5.2m, liability; 27 July 2013: £4.3m, asset).

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

	26 July 2014		27 July 2013		25 January 2014	
	£m	£m	£m	£m	£m	£m
	CV	FV	CV	FV	CV	FV
<b>Financial liabilities</b>						
Listed bonds	(570.1)	(694.2)	(669.6)	(809.4)	(569.8)	(695.4)
Preference stock	(2.3)	(1.9)	(2.3)	(2.0)	(2.3)	(2.0)

The fair value of the Group'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 26 July 2014 contracts had been entered into for future capital expenditure of £52.4m (25 January 2014: £106.8m; 27 July 2013: £23.3m) of which £51.4m (25 January 2014: £106.2m; 27 July 2013: £23.2m) relates to property, plant and equipments and £1.0m (25 January 2014: £0.6m; 27 July 2013: £0.1m) 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 25 January 2014. 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 26 July 2014.

### 16 Events after the balance sheet date

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

**Statement of Directors' responsibilities**

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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

**Helen Weir**, Finance Director

10 September 2014

**Independent review report to John Lewis plc**

**Report on the condensed set of interim financial statements**

**Our conclusion**

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We have reviewed the condensed set of interim financial statements, defined below, in the interim report of John Lewis plc for the 26 weeks ended 26 July 2014. 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**

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

- the consolidated balance sheet as at 26 July 2014;
- 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**

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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**

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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  
10 September 2014