

# JOHN LEWIS PARTNERSHIP UNAUDITED RESULTS FOR 53 WEEKS ENDED 30 JANUARY 2021



**11 March 2021**

2020/21 is a 53 week year and is reported on that basis. 2020/21 results have benefitted from an additional week's trade compared to 2019/20. The impact on Profit before PB, tax and exceptional items is small.

A glossary of financial and non-financial terms is included on pages 21 - 24 of this document.

## SUMMARY OF JOHN LEWIS PARTNERSHIP UNAUDITED FINANCIAL RESULTS

Dear Partner,

The past year has been one of the most challenging in the Partnership's history. The worst of times bring out the best in people and I could not be more proud of the commitment and dedication of Partners, in the most unimaginably difficult circumstances. We have come through the pandemic stronger and that is because we are a Partnership.

It's a privilege to be a Partner in the UK's largest employee-owned business. Employee ownership means we pull together in the good times - and in the tougher moments. You have shown extraordinary agility, creativity and adaptability as the Partnership has worked so hard to keep our customers fed and cared for through three lockdowns.

Your safety and the safety of our customers has been paramount throughout the pandemic and remains so. We were one of the first businesses to introduce social distancing - ahead of it becoming law - and an early adopter of rapid testing for Partners at scale. We are investing more in mental health support for Partners, conscious of the toll the last year has taken.

As a Partnership, it is even more important to us that in the tough times we reach out to those in our communities with the greatest needs:

- Our Give A Little Love Christmas campaign raised £3m for FareShare and Home-Start who help families at risk of food poverty and parents in need respectively; with a further £2m now pledged.
- We have set up a new programme with FareShare - Farm to Family - becoming the first UK supermarket to take surplus food straight from our largest suppliers and farms to the plates of those in need.
- We donated nearly 5,000 items of warm clothing to Home-Start to distribute to families.
- We delivered almost 2,000 care packages to over 500 NHS Hospitals and Mental Health Trusts, and another 110,000 care packages and gifts to NHS staff.
- We have given over at least a quarter of supermarket home deliveries to vulnerable customers with the figure reaching 35% in recent weeks.
- We have repurposed space at our head office in Bracknell into a vaccination centre run by the NHS and over 10,000 people have been vaccinated so far.

We were pleased to be named Supermarket of the Year by Which? in recognition of our response to Covid-19; and John Lewis was named the number one brand in the UK for the fourth consecutive year in YouGov's Brand Rankings survey.

The climate emergency presents an even greater challenge than the pandemic, and we believe now is the time to accelerate efforts to improve sustainability. We are not perfect but we are trying hard. We became a signatory of HRH The Prince of Wales's Terra Carta earth charter in February. In the same month, Waitrose topped Greenpeace's annual league table as the best supermarket in tackling single use plastics, thanks in part to our Unpacked initiative. We continue to champion animal welfare standards, becoming the first retailer in the world to measure the emotional wellbeing of farm animals using a specialist mobile app.

### OUR FINANCIAL PERFORMANCE<sup>1</sup>

#### Profitability

£m	2020/21	2019/20	Change
<b>(Loss)/profit before tax</b>	<b>(517)</b>	<b>146</b>	<b>(663)</b>
<b>Profit before PB, tax and exceptional items<sup>2</sup></b>	<b>131</b>	<b>70</b>	<b>61</b>

<sup>1</sup> 2020/21 is a 53 week year and is reported on that basis. 2020/21 results have benefitted from an additional week's trade compared to 2019/20. The impact on Profit before PB, tax and exceptional items is small.

<sup>2</sup> All comparatives are reported after the adoption of IFRS 16. Last year we reported alternative performance measures before IFRS 16 and our 2019/20 Profit before PB, tax, exceptionals and IFRS 16 was £123m.

In a difficult year, the Partnership recorded a Loss before tax of £(517)m, compared to a Profit before tax of £146m in the previous year. This is the result of substantial exceptional costs of £(648)m, mainly the write down in the value of John Lewis shops owing to the pronounced shift to online, as well as restructuring and redundancy costs from store closures and changes to our head office. John Lewis shops are now held on our balance sheet at almost half the value they were before this year's and last year's write downs. Before the pandemic we judged that £6 in every £10 spent online with John Lewis was driven by our shops. The ratio has fallen to £3 in every £10.

Our Profit before exceptionals was £131m. While this was up £61m on the previous year, the Partnership would have made a loss before exceptionals if it weren't for crisis-related support from the Government. We were helped by support from the Government of £190m, which was made up of business rates relief and furlough support (the latter claimed only to July 2020). Government funding has been used for the purpose it was designed for - to protect the business - and was critical to cover the direct operational costs relating to Covid and the substantial hit to trading operating profit. The business rates relief has helped to keep us running and avoid more severe restructuring of the Partnership, which would have put more jobs at risk at a time when the high street is already under pressure. We are not out of the crisis yet and the economic environment remains extremely uncertain. Therefore, our current intention is to accept the business rates relief made available from April to June, but we will keep this under review.

Trading operating profit was significantly challenged as the improvement seen in Waitrose, in part helped by the closure of the hospitality industry, was insufficient to cover the substantial decline in John Lewis as "non-essential" physical retailing closed temporarily. However, we improved our cost base with pension costs reducing by around £55m following the closure of the Partnership's defined benefit pension scheme in April 2020. There was also an almost £25m reduction in the depreciation of John Lewis Stores - i.e. less wear and tear - owing to their significantly reduced value in our accounts through the exceptional write down.

£m	2020/21	2019/20	Change
<b>Trading operating profit<sup>3</sup></b>			
Waitrose	1,145	1,063	82
John Lewis	554	734	(180)
	<b>1,699</b>	<b>1,797</b>	<b>(98)</b>
Centrally managed costs	(900)	(1,026)	126
Depreciation and amortisation	(510)	(539)	29
Net finance costs	(158)	(162)	4
<b>Profit before PB, tax and exceptional items</b>	<b>131</b>	<b>70</b>	<b>61</b>
Exceptional items	(648)	107	(755)
Partnership Bonus	-	(31)	31
<b>(Loss)/profit before tax</b>	<b>(517)</b>	<b>146</b>	<b>(663)</b>

We entered this year with our financial performance already challenged - profits and Partner bonus having fallen for the past three years. We are having to take very difficult decisions to return the business to a path of sufficient profit of £400m by 2025/26. Last year we closed eight John Lewis stores and seven Waitrose stores that were loss making, and we are in the process of reducing the cost of our head office by 20%. We have seen limited impact from Brexit so far operationally owing to our advance preparations and the Brexit trade deal. The one area of the

<sup>3</sup> The additional week in 2020/21 is estimated to inflate the reported trading operating profit for the Partnership by around £30m (Waitrose £20m and John Lewis £10m). Adjusting for this, the Partnership trading operating profit would have declined by around £(128)m.

business that is temporarily disrupted is deliveries to Northern Ireland and we expect to resume these before the summer.

With a challenging external environment and difficult decisions as a Partnership, I could not be more proud of Partners. You have responded with exceptional agility - providing new services to customers, whose satisfaction with both brands has risen year on year.

### Laying the foundations for growth

Our rapid response to the crisis has laid the foundations of our growth:

- The benefit of being one Partnership with two brands is that more than 4,500 Partners from John Lewis were redeployed to Waitrose during the various lockdowns helping to keep the nation fed, and avoiding £15m in additional costs.
- Waitrose.com has grown fourfold since February 2020, now taking around 240,000 orders a week, and stands as a £1bn sales business. This expansion was supported by the opening of a new customer fulfilment centre in Enfield last May, and the extension of online picking and delivery, which is now available in 260 of 331 Waitrose shops. We also trebled our 'Rapid' delivery service within the first month of lockdown. This has all made Waitrose.com the fastest growing online retailer, growing at more than double the market rate according to Kantar.
- Johnlewis.com has grown significantly, up 73%, and this year was three quarters of the brand's sales, from 40% before the crisis.
- Services - previously only available in-store like nursery, home interiors advice, wine tasting and cookery courses - went online, with Partners supporting customers in a personal way via Zoom and apps. A Guinness World Record was broken with the largest ever virtual beauty event masterclass with Charlotte Tilbury.
- A trial partnership with Deliveroo has attracted younger new customers and is available through 40 Waitrose shops.
- Click & Collect is now available at over 900 locations, nearly 400 of which were added in nine weeks, up from 458 last year. Purchases from Boden, Sweaty Betty and Nespresso can now be picked up through our network.
- 30 new fashion and beauty brands have been launched in store and online, with a further 50 being introduced, many of them independent and British.
- John Lewis achieved its highest ever net promoter score of 70, up 4 points year-on-year (ie many more customers recommending the brand than not), and Waitrose's customer satisfaction score rose 5.5 percentage points to 69%.

### Thanking Partners

In recognition of Partners' hard work this past year, we introduced free food on site and raised the Waitrose shopping discount to 25% during the three lockdowns. We also made thank you payments to all non-management Partners and first level managers who worked in April and May 2020. The total cost was around £55m<sup>4</sup>.

We wish we were in a position to pay a bonus and it has been a very difficult decision not to. The Partnership Board believed that to do so would have held back our ability to protect the business in very difficult times and to lay the foundations to return to sustainable profit.

We are committed to restarting bonus as soon as our profits (before exceptionals) reach £150m on a sustainable basis and our debt ratio is below 4 times, and to paying the voluntary real living wage<sup>5</sup> when profits rise to £200m.

### THE YEAR AHEAD

We now have a five-year Partnership Plan. The first priority is to reduce our costs and reinvest the proceeds in improved customer service to ensure that John Lewis and Waitrose remain the go-to brands for quality, value and sustainability, with greater ease and convenience. With retail margins declining and the Partnership wishing to

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<sup>4</sup> Includes the total cost increase in Partner discount compared to 15% discount rate before the crisis.

<sup>5</sup> Different from the legally stipulated National Living Wage, which we already pay

return more benefit to Partners, customers and communities, we are aiming that by 2030, 40% of our profits will come from areas outside retail, namely financial services, housing and outdoor living.

The outlook is uniquely uncertain as the country charts its exit from lockdown, with non-essential retail in England due to open on 12 April at the earliest; and the timetable varying in Scotland and Wales. No one has a crystal ball to predict the strength and pace of the recovery - or the future course of the virus. Our priority is to make sure that the Partnership is well placed to serve our customers, however they want to shop with us. We are expecting working from home to be at higher levels than before the crisis as more people work a 'hybrid' of home and office.

Many customers will have accumulated savings over the past year, having been less able to spend on holidays and going out<sup>6</sup>. This pent up demand might be spent shopping or on the experiences that they have been deprived of in the past year. Equally, with unemployment and inflation both forecast to rise<sup>7</sup> our customers may be more hesitant about spending and more cost conscious.

### **Funding the Plan**

We managed cash tightly through the year and intentionally slowed investment when the crisis hit to preserve cash. We also obtained new medium term bank loans of £150m, and raised £136m from the sale and leaseback of 11 Waitrose shops.

Consequently, our liquidity as of January 2021 was abnormally high with £1.5bn cash plus bank facilities of £500m. The cash balances will be required to help meet our obligations - we carry £2.1bn of total net debts (including pensions and leases), with £575m of borrowings due to be repaid in the next 4 years. They will also provide us with a buffer to withstand material volatility in trading. Managing cash prudently is particularly important for the Partnership as we cannot raise money from equity capital markets by design of our structure.

We are targeting a £300m a year cost reduction by 2022/23. Our cash position and focus on cost will allow us to fund our critical turnaround - to secure and grow the Partnership for the benefit of current and future generation of customers and Partners. We expect our liquidity levels to normalise over the medium term as we invest in our plan and repay borrowings and we will continue to manage cash tightly.

### **Growth plans**

We plan to invest £800m in 2021/22 to support our turnaround, approximately 40% higher than recent years. Given this raised level of investment, we expect our financial results - including liquidity, debt ratio, and profit before exceptionals - to worsen in 2021/22 and then improve in later years.

Investments include:

- digital investment across both brands, at a significantly higher level than recent years;
- improvements in our store estate;
- updating of major category propositions such as Home, and refresh of financial services products such as home insurance;
- new capacity at our John Lewis Magna Park distribution site to handle a higher volume of sales during Christmas;
- restructuring to reduce costs.

We will provide an update later in the year as to how we are ensuring best value for John Lewis customers as we finalise our review of Never Knowingly Undersold, informed by intensive customer research.

### **Future of John Lewis stores**

As spending shifts online we want to ensure our stores reflect how customers want to shop - 'right space, right place'.

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<sup>6</sup> According to Bank of England data - <https://www.bankofengland.co.uk/bank-overground/2020/how-has-covid-affected-household-savings>

<sup>7</sup> Office for Budget Responsibility (OBR)

Our shops will always be important and we are proud of our presence on the high street across the country. They provide a sensory experience that online cannot, supported by the expert advice of Partners. And both brands will remain a blend of stores and online.

We've undertaken substantial research into how shopping habits vary in different parts of the country and between online and stores. Customers tell us they want to shop John Lewis closer to home in more convenient locations and they want our stores to be more enticing. We will reshape our store estate over the five years of the Partnership Plan towards:

- **Destination stores:** showcasing our inspiring products - displaying great design with more space given over to experiences and services that cannot be found anywhere else.
- **Smaller service stores:** new formats of smaller, more local shops with the very best of John Lewis.
- **Bringing our brands closer together:** we are trialling the introduction of John Lewis shopping areas in Waitrose stores in Godalming, Horley, Wallingford, Lincoln and Lymington; the early signs are positive. If successful, we will roll out to a significant number of our 331 Waitrose shops. Our plan is for all the general merchandise in Waitrose shops to be sourced from John Lewis.
- **Even greater convenience for customers:** improved Click & Collect service in Waitrose stores and more local collection points through third parties like the Co-op.

All our John Lewis stores need to be exciting places to shop, more reflective of the tastes and interests of local customers. This will require investment and we are working closely with landlords and local authorities. We are keen to play our part in the revitalisation of the high street.

Hard as it is, there is no getting away from the fact that some areas can no longer profitably sustain a John Lewis store. Regrettably, we do not expect to reopen all our John Lewis shops at the end of lockdown, which will also have implications for our supply chain. We are currently in discussions with landlords and final decisions are expected by the end of March.

Closing a store is one of the hardest decisions we can make as a Partnership. We are acutely sensitive to the impact on our Partners, customers and communities, particularly at a time when retail and our high streets are undergoing major structural change. We will do everything we can to lessen the impact and will continue to provide community funds to support local areas.

A national effort of business, local and national government, and community will be needed to address the challenges facing the high street, communities and jobless youngsters from the sheer speed at which Covid is altering the structure of the economy.

We are going through the greatest scale of change in the Partnership's 156-year history. As employee-owners, we share the responsibility of securing the Partnership for future generations of customers and Partners. Difficult decisions taken now will hopefully set the course for those next generations.

I know I am asking so much of Partners. Retail is changing fast around us. And the Partnership is adapting just as fast. What won't change are the principles and values in which the Partnership is rooted. We have withstood our toughest test and emerged stronger. The strength of the Partnership has seen us successfully navigate the pandemic and will see us to a successful future.

**Sharon White**  
**Partner & Chairman**

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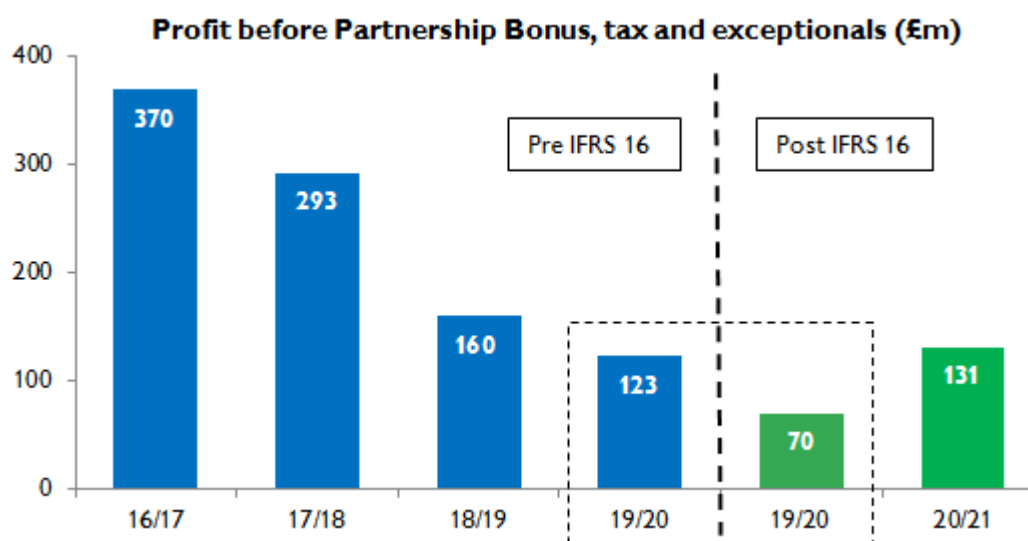
**The rest of this note provides more detail on our financial position over the last year and the impact of the pandemic, if you would like to read on. It is also intended as a fuller brief for those outside the Partnership who want further information about our results.**



## JOHN LEWIS PARTNERSHIP UNAUDITED FINANCIAL RESULTS - DETAIL

### MARKET CONTEXT

Retail in the UK has been undergoing significant structural change for a number of years. There has been pressure on sales and margins from excess physical space, declining footfall, increased online competition and changes in shopping habits - plus operational costs running ahead of inflation. The Partnership entered 2020/21 in an already challenged position, with profits having declined over the previous three years.



Note: The chart shows our Profit before Partnership Bonus, tax and exceptionals since 2016/17, with 2019/20 shown twice as that is the year we adopted IFRS 16 (lease accounting standard) which reduced our profits that year by £53m. The period from 2016/17 to 2019/20 is shown before the adoption of IFRS 16, and 2019/20 and 2020/21 are shown after the adoption of IFRS 16.

### 2020/21 FINANCIAL PERFORMANCE<sup>8</sup>

#### PROFIT

£m	2020/21	2019/20	Change
(Loss)/profit before tax	(517)	146	(663)
Exceptional items	(648)	107	(755)
Profit before PB, tax and exceptional items <sup>9</sup>	131	70	61

#### SALES

£m	2020/21	2019/20	Change %
Total trading sales <sup>10</sup>	12,317	11,747	5%
Revenue	10,772	10,151	6%

<sup>8</sup> 2020/21 is a 53 week year and is reported on that basis. 2020/21 results have benefitted from an additional week's trade compared to 2019/20, but the impact on Profit before PB, tax and exceptional items is small.

<sup>9</sup> All comparatives are reported after the adoption of IFRS 16. Last year we reported alternative performance measures before IFRS 16 and our 2019/20 Profit before PB, tax, exceptionals and IFRS 16 was £123m.

<sup>10</sup> Total trading sales growth reduces to 3% after adjusting for the additional week in 2020/21.

## CASH FLOW AND FINANCIAL KPIS<sup>11</sup>

	2020/21	2019/20	Change
Adjusted cash flow (£m)	624	621	0%
Cash generated from operations before PB (£m)	832	713	17%
Debt ratio	3.4 times	3.9 times	(0.5) times
ROIC %	6.7%	5.8%	0.9ppt
Profit per average FTE (£)	3,500	3,500	nil

### Profitability

Our loss before tax, which is after exceptionals, was £(517)m. This compares to a profit before tax of £146m the previous year. Exceptional costs totalled £(648)m (2019/20: exceptional income of £107m), principally relating to:

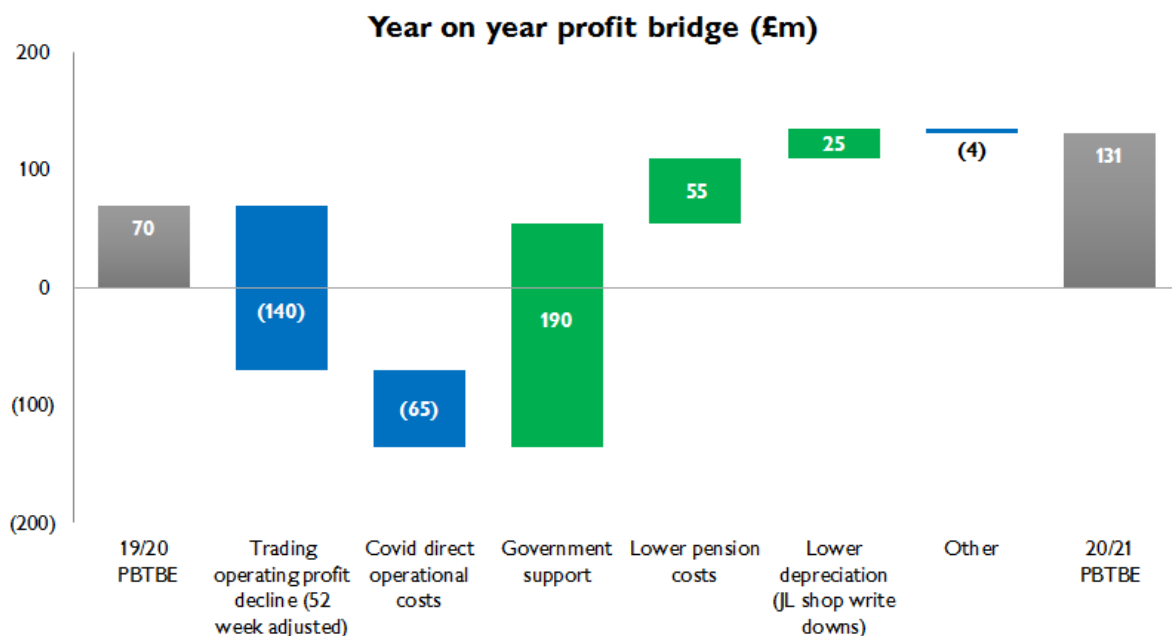
- Restructuring and redundancy costs from store closures and our head office transformation programmes.
- The write down in value of John Lewis stores. We first reported this at the half year and there has been no significant change since then. Given the pronounced shift to digital, we reassessed how much shops contribute to whether our customers buy online with us or not. Before the pandemic we believed that shops contributed around £6 of every £10 spent online but we now think that figure is £3. John Lewis shops are now held on our balance sheet at almost half the value they were before the write downs recognised in 2019/20 and 2020/21.

Exceptionals (£m)	2020/21	2019/20
Strategic restructuring and redundancy programmes	(190)	(64)
Shop impairments - Waitrose	10	13
Shop impairments - John Lewis	(468)	(110)
Defined benefit pension closure	-	249
Other prior year exceptionals	-	19
	<u>(648)</u>	<u>107</u>

Before exceptionals, the Partnership made a profit of £131m in 2020/21, which was up £61m on the previous year. Without £190m of Government support, we would have made a loss before exceptionals. Government support covered the direct operational costs of the pandemic and the substantial hit to trading operating profit, with the impact of the closure of our department stores, and the weaker margins in John Lewis only partly offset by Johnlewis.com sales growth and the improvement in Waitrose. Furthermore, around £55m of the year-on-year profit improvement was the result of lower pension costs following the closure of our defined benefit pension scheme in April 2020; around £25m was from lower depreciation costs because of the write down of the value of John Lewis shops.

<sup>11</sup> Further details of cash flow and KPI measures are included in the glossary of financial and non-financial terms





Note: The chart shows a bridge of Profit before Partnership Bonus, tax and exceptionals from last year's £70m to this year's £131m. The trading operating profit decline of £(140)m reflects the 52 week year-on-year decline of £(128)m adjusted for the element of Covid direct operational costs (around £25m) and lower pension costs (around £37m) that were reported in trading operating profit but are shown within separate items in the bridge.

At the half year, we were expecting to make a small loss or profit for the full year. In the end we had a stronger than feared second half, especially in John Lewis, where we traded better through the national lockdowns and peak. The strength of online compensated for the loss of store sales more than we had expected, and sales over the peak trading period were robust, even though many shops were closed for a number of weeks. The brand had its biggest ever Black Friday and Christmas for online sales. Technology was the biggest growth area with Apple AirPods and the iPad 8 top sellers. Moreover, when shops were open, they were busier than expected.

In Waitrose, sales were also stronger than forecast, benefiting from: families continuing their festive celebrations (even though they couldn't meet in large groupings as they had hoped), the closure of hospitality and sustained growth in online. Like-for-like sales through peak were up 9% with online grocery up 182%.

As a result of the new Partnership organisational structure that was adopted on 3 February 2020, which created common functions that allow more costs and resources to be managed centrally, 2019/20 was the last year that we reported operating profit separately for Waitrose and John Lewis.

We now report trading operating profit for each brand, which excludes costs that are managed for the Partnership as a whole (such as property, IT and head office costs, investment spend and depreciation).

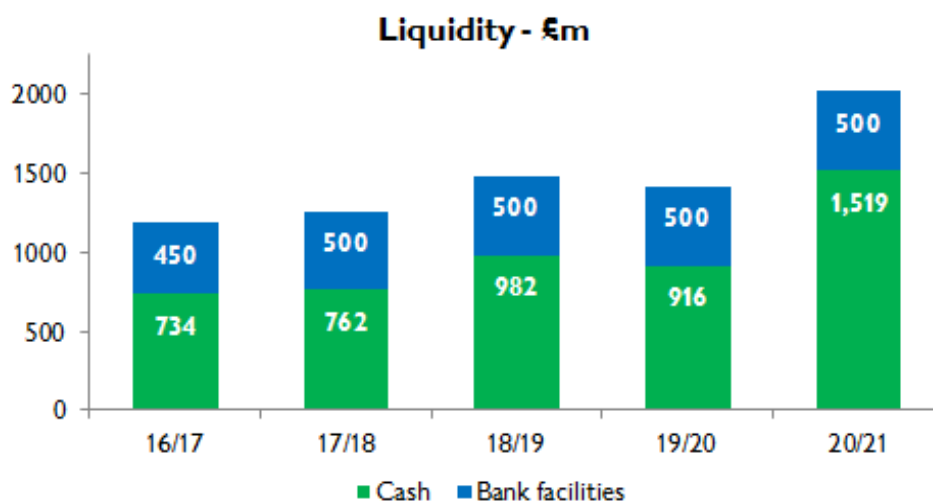
The table below sets out the financial headlines for our brands. The additional week in 2020/21, which is a 53 week year, is estimated to inflate the reported trading operating profit by around £20m in Waitrose and around £10m in John Lewis.

	Waitrose			John Lewis		
	2020/21	2019/20	Change %	2020/21	2019/20	Change %
<b>Total trading sales<sup>12</sup> (£m)</b>	<b>7,595</b>	<b>6,917</b>	<b>10%</b>	<b>4,722</b>	<b>4,830</b>	<b>(2)%</b>
<b>LFL sales growth<sup>13</sup> (%)</b>	<b>10%</b>			<b>0%</b>		
Revenue (£m)	7,044	6,373	11%	3,728	3,778	(1)%
<b>Trading operating profit (£m)</b>	<b>1,145</b>	<b>1,063</b>	<b>8%</b>	<b>554</b>	<b>734</b>	<b>(25)%</b>
<b>Trading operating profit (%)</b>	<b>15.1%</b>	<b>15.4%</b>		<b>11.7%</b>	<b>15.2%</b>	

### Liquidity

We have managed cash tightly through the year, given both the uncertainty and volatility of trade and our inability to raise funds from issuing shares because we are employee-owned. In addition, we obtained new medium term bank loans of £150m and raised £136m from the sale and leaseback of 11 Waitrose shops.

We also deliberately slowed investment in the early months of 2020 to preserve cash, and our ability to spend was anyway limited by the practical impact of the pandemic. Consequently, our liquidity as of January 2021 was unusually high with £1.5bn cash plus bank facilities of £500m. This cash position is required to help meet our obligations - we carry £2.1bn of total net debts (including pension and leases), with £575m of borrowings due to be repaid in the next 4 years<sup>14</sup>. It also ensures that there is adequate funding available to withstand material volatility in trading and to allow us to invest in turning around the business.



### Pensions

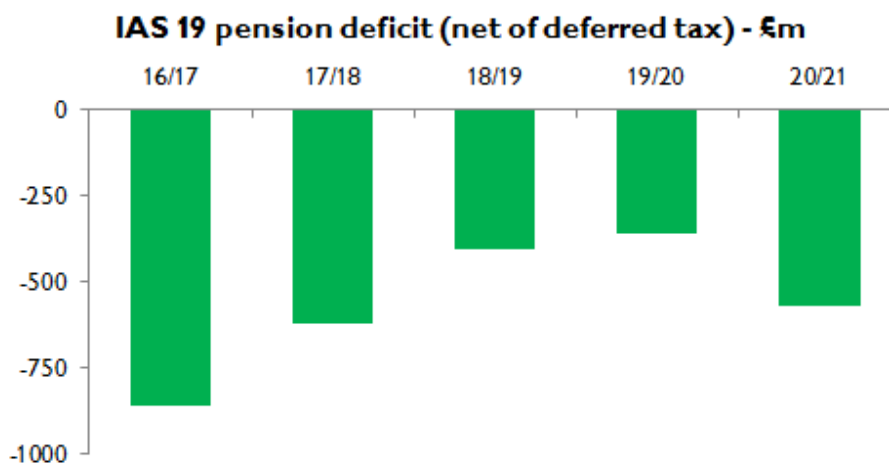
Our accounting pension deficit reflects the gap between the market value of pension assets held by our defined benefit scheme and our pension liabilities - an estimate of the expected pension payments to be made to current and future pensioners in today's money. The deficit is highly sensitive to changes in financial and demographic assumptions, particularly changes in interest rates, as well as to returns on pension investments.

<sup>12</sup> Adjusting for the additional week in 2020/21, Waitrose total trading sales growth reduces to 8% and John Lewis total trading sales decline worsens to (4)%.

<sup>13</sup> Like-for-like sales have been calculated on a 53 week vs 53 week basis. Waitrose LFL sales excludes fuel.

<sup>14</sup> The Partnership has £575m of borrowings maturing over the next four years. This is made up of £275m of bank loans maturing between November 2021 and December 2023 and a £300m bond maturing in January 2025.

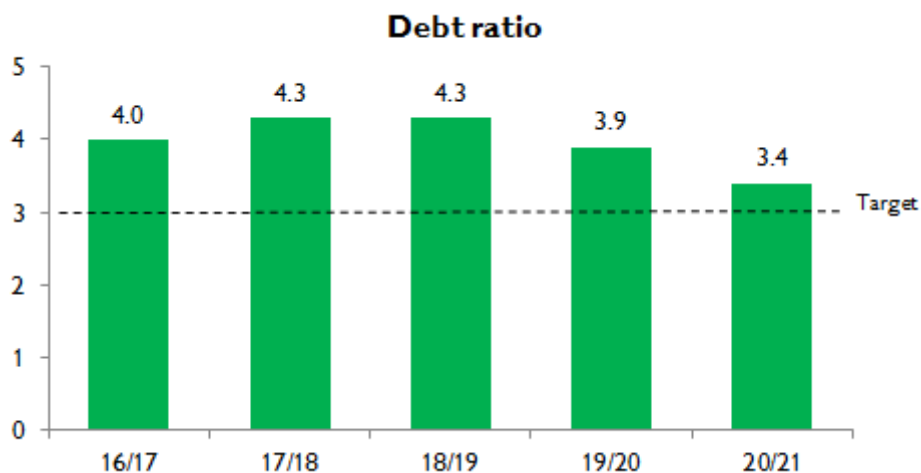
As at January 2021, the accounting pension deficit (net of deferred tax)<sup>15</sup> was £572m. This is £209m higher than the year before, mainly due to lower interest rates and the Government's decision to replace RPI (retail price index) with CPIH (consumer price index including owner occupiers' housing costs) from 2030 with only a limited transition, which together mean we are likely to have to put more money aside to cover future pension payments.



While the accounting pension deficit is shown on the Partnership's balance sheet, it does not drive the cash contributions that the Partnership makes to the pension scheme. That is decided every three years as part of the triennial actuarial valuation. The last triennial valuation as at 31 March 2019 was concluded in May 2020 and showed a deficit of £58m. The Partnership has agreed to make annual cash contributions of £10m until 2026 to eliminate the deficit.

### Debt ratio

The strength of our cash position has improved our debt ratio - how much we owe as a proportion of the cash we generate each year - to 3.4 times from 3.9 times last year. We expect this to reverse in 2021/22 as we invest in our turnaround before returning to an improving trajectory the following year. In the medium term we continue to target a debt ratio of around three times.



<sup>15</sup> Pension deficit calculated in line with accounting standards, less the tax we expect to be able to recover in the future. Before deferred tax the pension deficit was £684m (pension liabilities of £7.44bn and pension assets of £6.76bn).

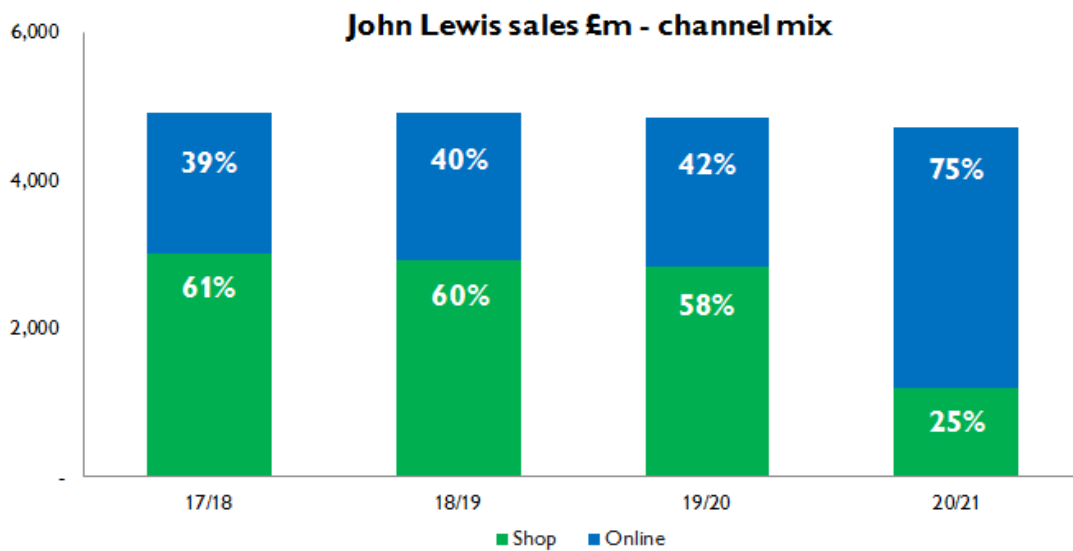
## IMPACT OF THE PANDEMIC

### Online shift

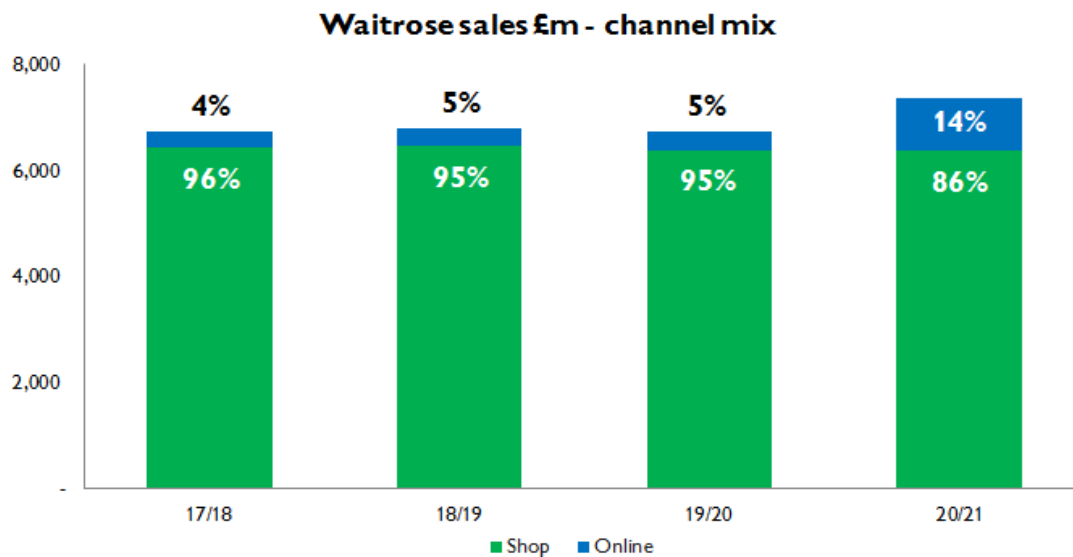
The pandemic has greatly accelerated the shift to online sales. Trends that might in normal times have taken five years to transpire have happened in five months. Household names have been lost to the high street and are now online only.

John Lewis began the crisis as a 60:40 bricks and mortar: online retailer. That ratio has more than reversed. The crisis has also led significantly higher numbers of people to get comfortable buying food online - out of necessity. At the start of the financial year, online accounted for 5% of Waitrose sales; it is now 20% with the average across the year being 14%.

While there is clearly uncertainty over the extent to which these changes will endure, we are expecting much of the shift online to be permanent and are adapting the business accordingly.



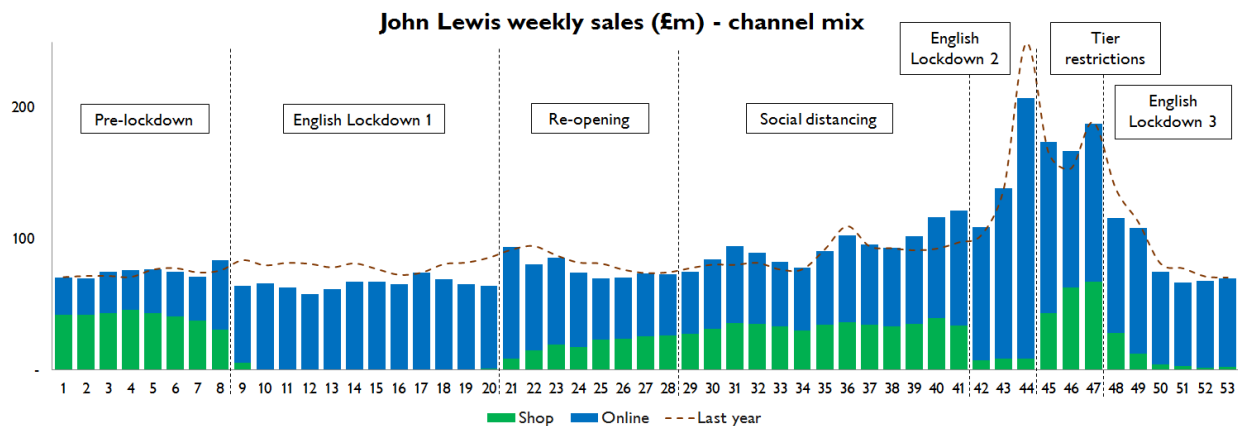
Note: The chart shows John Lewis sales and channel mix since 2017/18. The proportion of online sales has increased to 75% in 2020/21, which includes national lockdowns that resulted in John Lewis shops being closed for at least 20 weeks of the year.



Note: The chart shows Waitrose sales and channel mix since 2017/18. It does not include sales to Ocado.

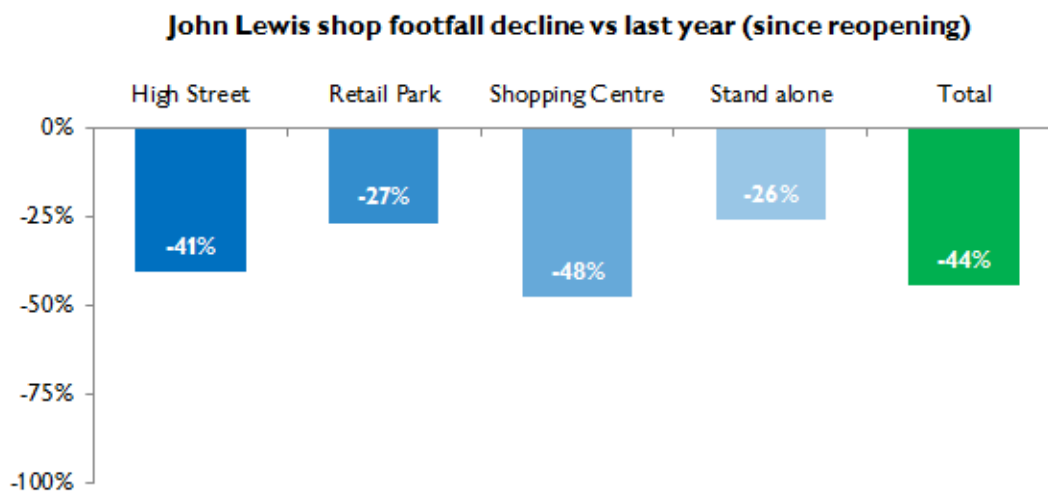
John Lewis stores were closed for at least 20 weeks out of 53, as a result of the national lockdowns. In the first, Click & Collect was permitted in Waitrose but not in John Lewis stores. In the second and third lockdowns Click & Collect was allowed in both locations. In January 2021, we stopped Click & Collect in John Lewis stores to prevent unnecessary journeys, for the safety of our customers as new variants of Covid were identified.

John Lewis sales were down (4)% year on year, after adjusting for the additional week in 2020/21: up 73% online and down (59)% in store. In the first half of the year sales were down (10)% as the loss of shop sales was not offset by the strong online growth. However, in the second half of the year online growth more than compensated for the closure of stores, with sales ahead of the year before by 1%.



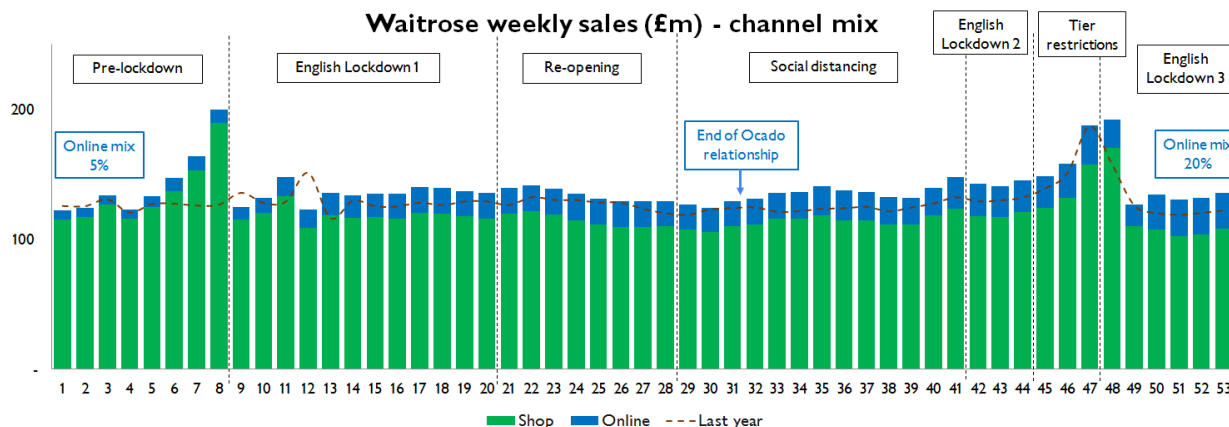
Note: The chart shows the channel mix of John Lewis sales on a weekly basis.

When shops were allowed to reopen last summer, footfall held up better in retail parks - easily accessible by car - than on the high street. This was similar for our standalone stores, which are not on the high street. Shopping centre and high street branches saw the steepest decline in numbers.



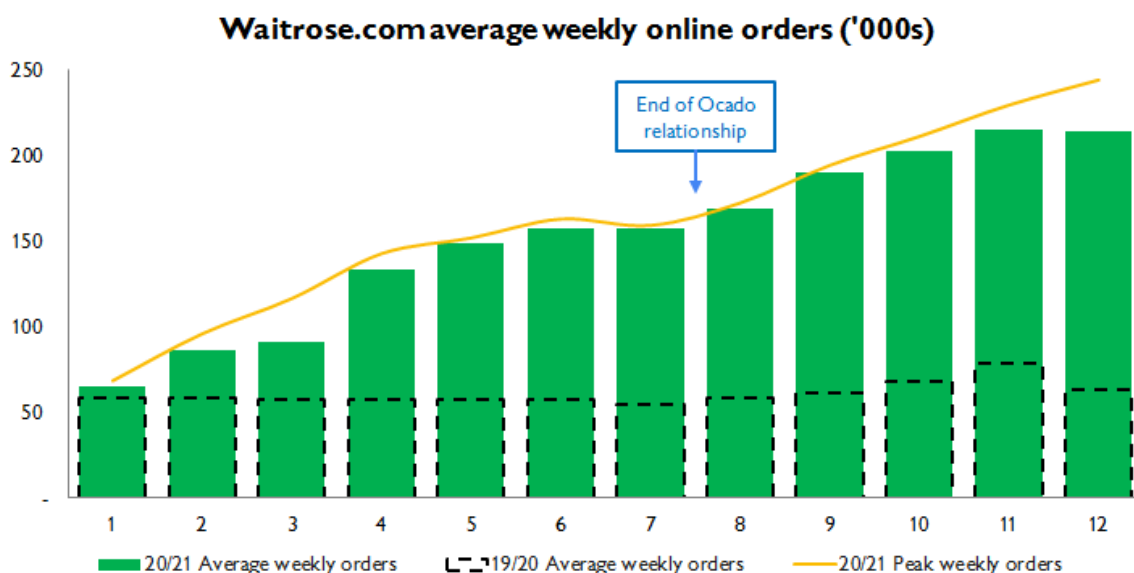
Note: Shows the year-on-year % decline in footfall at John Lewis shops for the periods they have been open since reopening after the first lockdown.

In Waitrose, like-for-like sales were up 10% on the year. The end of the Ocado relationship on 1 September 2020 and the start of the trial with Deliveroo on the same day provided a boost to sales. Our trial with Deliveroo - through which customers can order over 650 products, delivered in as little as 30 minutes - has helped to attract younger shoppers, many of whom are new to Waitrose. We trebled our 'Waitrose Rapid' delivery service within the first month of lockdown, offering up to 25 products for delivery within two hours and 7,000 delivery slots per week.



Note: The chart shows the channel mix of Waitrose sales on a weekly basis, with online mix increasing from 5% pre-pandemic to 20% at the end of the year.

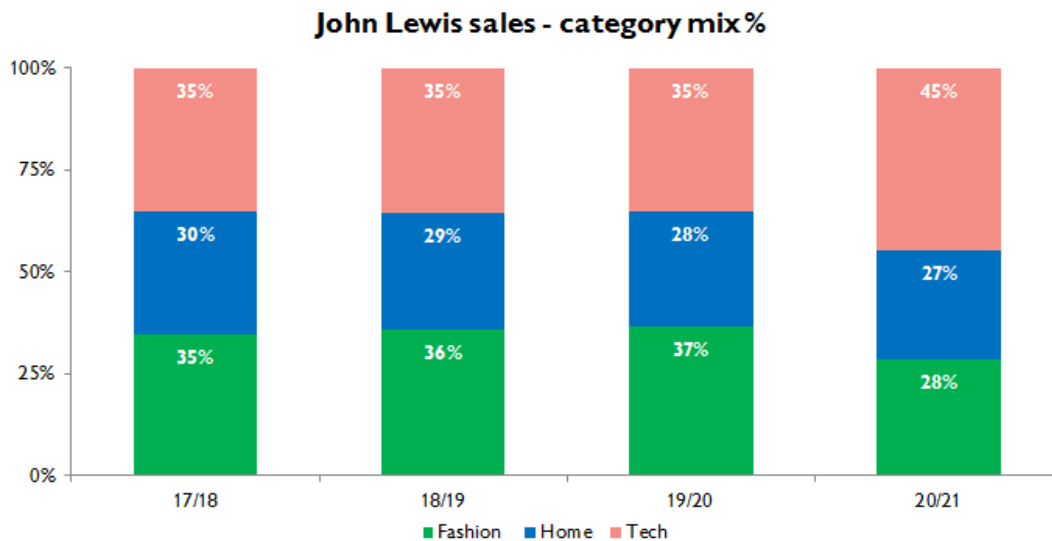
Waitrose.com has grown rapidly in the year, increasing to more than 240,000 orders a week, up from around 60,000 a year ago. With higher costs to fulfil, this has led to a dilution of profit margins in Waitrose, in spite of our largely store picking model which is more flexible and cost efficient than warehouses.



Note: The chart shows Waitrose.com average and peak weekly online orders by period in 2020/21 - this does not include Deliveroo orders. Across the financial year our periods follow a 4-4-5 weekly reporting cycle, and in a 53 week year, period 12 includes 6 weeks. Using a 52 week rolling basis, the average weekly online orders is based on a comparable number of weeks for each period this year and last year.

### Category and fulfilment shift

In John Lewis, overall margins decreased because of the change in sales mix, as profit margins on the categories and products that sold well - especially technology, which was the biggest winner - were lower than those that sold less well. What people bought in John Lewis changed compared to a normal year.



Note: The chart shows the John Lewis annual category mix % since 2017/18.

### What sold well in John Lewis

- Technology, including TVs, computers and games consoles, were in demand as customers sought home entertainment and needed support with home working and schooling. Sports equipment increased, with exercise bikes, treadmills and yoga equipment up.

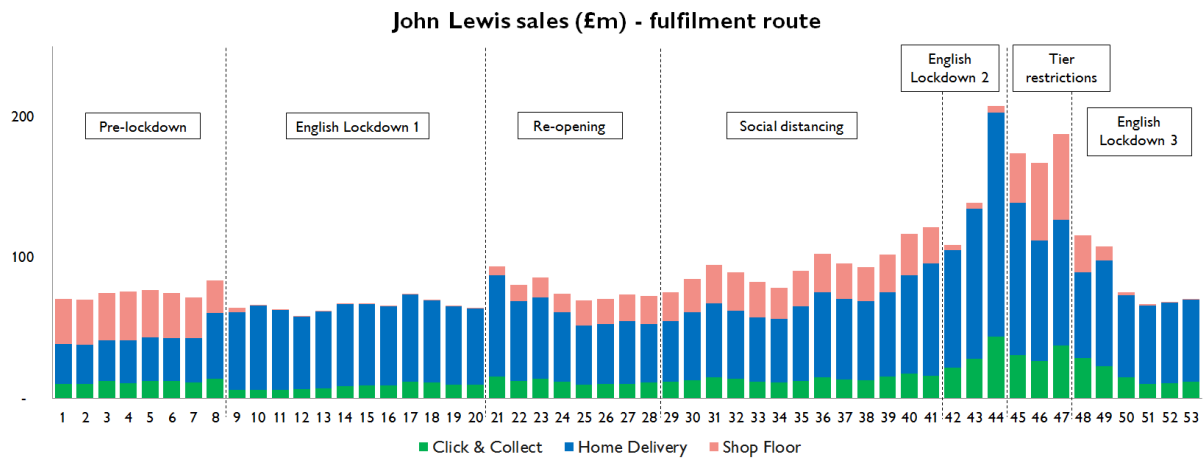
### What did not sell well in John Lewis

- Fashion was down overall as increased sales in loungewear did not offset falls in work and formal wear. Cosmetics sales also fell, as did gifting for new babies with celebration events and religious ceremonies on hold.

We expect most of these trends to reverse as we move out of lockdown, with people buying less tech and more fashion and home furnishings. Once a laptop has been purchased for home working or home schooling, it is unlikely that another will be needed for a while.

The channel shift online has meant higher fulfilment costs. Most online orders have been for home delivery as opposed to Click & Collect, (the latter is cheaper to fulfil), reflecting widescale working from home, people's desire not to go out or inability to do so because of self isolation. We would expect to see higher levels of working from home sustained compared to before the crisis as more people choose to adopt flexible working between home and office on a permanent basis.





Note: The chart shows the fulfilment mix of John Lewis sales on a weekly basis, with a significant proportion of sales fulfilled through home delivery since the start of the pandemic.

In Waitrose, it's not only what people shopped during the pandemic that has changed but how they shop. In line with the rest of the market, we have seen customers condense their shopping into fewer visits, with bigger shops and fewer top up shops.

### What sold well in Waitrose

- **Fresh food, ambient and beers, wine and spirits:** fewer visits to pubs and restaurants, meant more entertaining at home and home cooking from scratch saw all these categories benefiting from a sales uplift.

### What did not sell well in Waitrose

- **Food to go:** As people ate at home, sandwiches, takeaway salads and pre-packed cakes saw lower sales. Our in-store hospitality (cafes and wine bars) also suffered owing to lockdown closures.

### John Lewis Financial Services

Our financial services business - made up of the Partnership (credit) Card, insurance products and foreign exchange – had a mixed year. Foreign exchange obviously suffered as a result of severe restrictions on overseas travel. Spend on the Partnership Card was also squeezed. Set against that, sales of car and pet insurance have both risen.

Financial product	2020/21 performance
Partnership Card	Customer spend down (18)%
Home insurance	Customer policies down (4)%
Car insurance	Customer policies up 17%
Pet insurance	Customer policies up 16%
Foreign exchange	Customer transactions down (85)%

We will be investing significantly in financial services as part of our Partnership Plan ambition to grow profitability beyond retail. We have taken some important first steps and in February 2021 launched an innovative home insurance product that gives customers more flexibility and choice, and a new interest free retail credit product.

## COST OF THE PANDEMIC AND GOVERNMENT SUPPORT

Covid has affected the Partnership in three ways:

- Contributed to a decrease in trading operating profit (through a combination of lost sales, switch to lower margin products and higher costs of fulfilment).
- Increased labour costs through sickness absence, shielding, and care of vulnerable family members of around £25m. This would have been higher still - by £15m - without the redeployment of more than 4,500 Partners from John Lewis to Waitrose.
- Added direct costs for personal protection equipment, security, testing and screens of around £40m.<sup>16</sup>

These costs have been offset by Government support of £190m, which we have taken only where we have judged critical:

- The Coronavirus Job Retention Scheme (£55m), claimed between March and July 2020. We made our last claim when we made the decision not to reopen eight John Lewis shops following the first national lockdown.
- Business rates relief provided for all eligible Partnership properties (£135m – supermarkets £85m; and department stores £50m).

We also applied for and were granted a £300m Covid Corporate Financing Facility loan from the Bank of England, which we repaid in January 2021.

Government support has been critical to mitigate the significant financial impact created by the pandemic and has enabled us to continue to serve our customers and keep them, and Partners, safe. Without this support the impact on the business would have been greater, necessitating a greater level of restructuring and putting more jobs at risk at a time when the high street is already under stress.

## OUTLOOK

At the time of writing, the country remains in lockdown and the timeline set out by the Government suggests a gradual easing through to the summer with non-essential retail permitted to reopen no earlier than 12 April.

The Office for Budget Responsibility<sup>17</sup> is forecasting unemployment to rise by 500,000 by the end of this year, peaking at 6.5% as the Government's furlough scheme unwinds at the end of September.

The Bank of England in its recent Monetary Policy Report<sup>18</sup> suggested that there is likely to be pent up demand from people who have built up savings over the past year. Some people have saved money from not being able to spend on going out or on holiday. Evidence from countries that have come out of lockdown before the UK, such as China or South Korea, suggests a relatively rapid return to previous growth trajectories.

Given the degree of uncertainty, we do not believe it is sensible to provide a profit forecast for the year ahead.

## Turnaround

The coming year is a crucial one in our five year turnaround of the Partnership as we set ourselves back on the path of sustainable profit (£200m by 2022/23 and £400m by 2025/26); this would meet our constitutional requirement to make 'sufficient' not maximum profit and allow us to distribute a bonus to Partners.

To support the turnaround we will be investing £800m in the year ahead, a 40% increase on recent years. We are targeting cost savings of £300m a year by 2022/23 and will draw on our cash reserves in a prudent and disciplined

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<sup>16</sup> This does not include thank you recognition to Partners or support to charities.

<sup>17</sup> Economic and fiscal outlook - March 2021 <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/>

<sup>18</sup> <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2021/february/monetary-policy-report-february-2021.pdf>

manner. We therefore expect our financial results (including liquidity, debt ratio and profit before exceptionals) to worsen in 2021/22 and then improve in later years.

<b>Cost reduction target</b>	<b>£m</b>
Head office transformation <sup>19</sup>	55
Operational restructuring	75
<b>Restructuring programmes</b>	<b>130</b>
Buying efficiencies	85
Operating efficiencies	85
<b>Cost out activities</b>	<b>170</b>
<b>Total annual cost reduction target</b>	<b>300</b>

The Partnership Plan envisages that by 2030, 40% of profits will come from higher margin activities outside retail - namely financial services, housing and outdoor living - that can more sustainably support a model of employee ownership. The immediate focus is to improve and expand our existing financial services business.

We are investing significantly in our core retail business, to ensure John Lewis and Waitrose remain the go-to brands for customers seeking quality, value and sustainability - as well as ease and convenience.

Priority investment for 2021 includes:

- Improved digital capability for Johnlewis.com and Waitrose.com.
- A new customer Waitrose fulfilment centre in Greenford, West London which opened earlier this month.
- Rebalancing our John Lewis physical estate to offer customers more convenient and local options.
- Continued investment in the automation of our distribution centres, to increase capacity and improve e-commerce efficiency, in support of both Waitrose and John Lewis.
- New pricing approach in John Lewis, which will launch later this year.
- Investment in customer service to ensure standards are consistently high whichever channel customers shop.
- Stronger sustainability in both brands, with further reductions in plastics in Waitrose and the expansion of 'Unpacked', tackling food waste to reduce food poverty via initiatives such as 'Farm to Family', and more progress towards reuse and recycling in John Lewis, building on the success of our furniture rental trial with Fat Llama.

We have carried out a detailed review of John Lewis customers and our store portfolio. Research has confirmed that our shops are really important, especially to our most loyal customers. What customers want is the wonderful service from Partners and quality they have always had, combined with better value for money and a more enticing and inspiring shopping experience. They also want us to be more local and convenient. One of the biggest reasons customers don't shop in our stores is they are too far from where they live.

We have examined every shopping district or 'catchment' in the UK to see which are the strongest for John Lewis and what is the right blend of online and physical experience that best meets our customers' needs.

<sup>19</sup> Includes restructuring of the Partnership's technology and change activities.

Customer research and postcode analysis	Understand our customers' needs and the locations they live and work in, including the role and use of shops for offline & online purchases.
Analysing each 'catchment' across the UK	Analyse each shopping area, or 'catchment' in the UK, to understand which are potentially the most attractive for the brand.
Deciding what best serves each catchment	Determine the right format of shop or physical presence, such as Click & Collect, for every 'catchment' in the UK, ensuring broad customer coverage and considering feasibility of decisions on property.
Plan and delivery	Prioritise actions into a clear roadmap for the brand in each catchment area: considering the mix of destination stores; smaller service stores; John Lewis shopping areas in Waitrose; and improved Click & Collect.

We have developed an even deeper understanding of our customers' evolving needs and we will create more local places to shop in John Lewis. We have learnt:

- Many catchments remain strong for us and will benefit from investment to capitalise on shop and online opportunities.
- There is a great opportunity for us to attract new target customers who want to shop closer to home by bringing John Lewis products into Waitrose, as well as improving the look and feel of Click & Collect locations, and greatly expanding their number through third parties like the Co-op.
- There are catchments that have the potential to be great locations for John Lewis – where the brand isn't present today – but Waitrose is and with spare space.
- There is scope in all our stores to provide an even more compelling experience for our customers with branch Partners helping to shape this.
- We have lots of opportunities to improve John Lewis stores without significant investment by improving ranges and being more targeted towards local customers.

There is no getting away from the hard fact that some areas can no longer profitably support the current size of store. In some cases, a smaller, more flexible, more local format could work well and we are looking at examples that have been successful in other countries. Regrettably, this will almost certainly mean we do not reopen all our stores when we exit lockdown. Discussions with landlords are continuing and final decisions are expected by the end of March.

Whenever we make a decision to close a shop, we know the impact on our Partners and the wider community is felt strongly, these decisions are not taken lightly and we will always make sure affected Partners hear first. Partners whose stores close will be supported to find opportunities within the Partnership wherever possible and outside the Partnership where not.

For those leaving the Partnership, a retraining fund will contribute up to £3,000 towards a recognised qualification or course for up to two years for any Partner with two years' service or more. All Partners will be given access to a three month support programme to help with CV writing and interview skills. This is in addition to redundancy payments.

In locations where we do not reopen existing stores we will be looking at the right combination of options for that catchment in order to ensure that we remain convenient for our customers and that they can access John Lewis products and services on a nationwide basis.

## **Investing in Partners**

It is not enough that we become a sustainable business; our Partners must be at the heart of everything we do. We are targeting the return of bonus and payment of the voluntary real living wage.

We will continue to develop and invest in our Partners as the business transforms and creates new opportunities. We want to be even stronger in respect of diversity and inclusion - and to widen access to the Partnership including from disadvantaged youngsters coming out of the care system.

During the pandemic it's been even more important to keep our Partners safe, fit and healthy. We've been investing in Partners health and wellbeing since 1929 – 19 years before the NHS – when we introduced free in-house health and medical services to all our Partners. Today, this continues through our Partnership Health Services team and over £20m is invested annually.

This year, we stepped up the mental wellbeing support and trialed new areas of support such as a My Resilience health check-up tool. We also created an EatWell FeelWell campaign, undertook a diabetes screening pilot and became one of the first UK businesses to roll out rapid lateral flow Covid-19 testing for our Partners, delivering 80,000 tests to date.

We also want our Partners to have a stronger say in running the business, and we are investing more in the process, structures and technology for our formal democracy - our Partnership Council, which is voted on by Partners - for our customer facing Partners about what goes in their store and to open up local channels for Partners to give their views as to what improvements they want to see in the Partnership.

The strength of the John Lewis Partnership is our community of 80,000 Partners – employee-owners sharing in the responsibilities as well as the rewards of ownership.

## **ENQUIRIES**

### **John Lewis Partnership**

Chris Wynn, Partner & Director of Corporate Communications, 07980 242019, [chris.wynn@johnlewis.co.uk](mailto:chris.wynn@johnlewis.co.uk)  
Sarah Henderson, Partner & Senior External Communications Manager, 07764 676036,  
[sarah.henderson@johnlewis.co.uk](mailto:sarah.henderson@johnlewis.co.uk)

### **Debt investors**

Lynn Lochhead, Partner & Head of Treasury and Corporate Finance, [investor.relations@johnlewis.co.uk](mailto:investor.relations@johnlewis.co.uk)

## GLOSSARY OF FINANCIAL AND NON-FINANCIAL TERMS

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

TERM	DEFINITION																					
Above market reward	These are Partner benefits which are higher than those typically paid by our competitors, as a result of the Partnership model. Above market rewards principally includes pensions, long leave, Partner discount and costs of our democracy. This measure is important for adjusting our financial Key Performance Indicators (KPIs) to be able to assess them against our competitors.																					
Adjusted cash flow	<p>Operating profit before PB, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt Ratio.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2019/20</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Operating profit before PB and exceptional items <i>add back</i></td> <td>288</td> <td>231</td> </tr> <tr> <td>Depreciation, amortisation and write-offs <i>less</i></td> <td>525</td> <td>553</td> </tr> <tr> <td>Lease adjusted interest</td> <td>(149)</td> <td>(145)</td> </tr> <tr> <td>Tax</td> <td>(40)</td> <td>(18)</td> </tr> <tr> <td><b>Adjusted cash flow</b></td> <td><b>624</b></td> <td><b>621</b></td> </tr> </tbody> </table>		2020/21	2019/20		£m	£m	Operating profit before PB and exceptional items <i>add back</i>	288	231	Depreciation, amortisation and write-offs <i>less</i>	525	553	Lease adjusted interest	(149)	(145)	Tax	(40)	(18)	<b>Adjusted cash flow</b>	<b>624</b>	<b>621</b>
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Average NMP hourly rate of pay	Average Non-Management Partner hourly pay for Partners on permanent contracts and aged 18 years old and over.																					
Capital investment	Cash outflows in relation to additions to tangible fixed assets (property, plant, and equipment), and intangible assets (IT software) recognised on the balance sheet.																					
Debt Ratio	<p>Comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2019/20</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Total net debts</td> <td>2,127</td> <td>2,436</td> </tr> <tr> <td>Adjusted cash flow</td> <td>624</td> <td>621</td> </tr> <tr> <td><b>Debt ratio</b></td> <td><b>3.4</b></td> <td><b>3.9</b></td> </tr> </tbody> </table>		2020/21	2019/20		£m	£m	Total net debts	2,127	2,436	Adjusted cash flow	624	621	<b>Debt ratio</b>	<b>3.4</b>	<b>3.9</b>						
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Exceptional items	Items of income and/or expense which are significant by virtue of their size and nature are presented as exceptional items. The separate reporting of exceptional items helps to provide an indication of the Partnership's underlying business performance.																					
Full-time equivalent (FTE)	The hours worked by one Partner on a full-time basis. The concept converts the hours worked by several part-time Partners into the hours worked by full-time Partners to enable like-for-like comparisons of resource.																					
Impairment	A reduction in the value of an asset due to a fall in the expected future economic benefits generated by the asset.																					
Investment	Total investment spend includes capital investment, revenue investment, restructuring and redundancy costs, and lease disposal costs.																					

TERM	DEFINITION																								
Like-for-like (LFL) sales	Comparison of sales between two periods in time (e.g. this year to last year), removing the impact of shop openings and closures. Waitrose like-for-like sales excludes fuel.																								
Liquidity	The cash, short term investments 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.																								
n/m	Not meaningful.																								
Non-management Partners (NMP)	Level 9 and Level 10 Partners, excluding Assistant Section Managers in Waitrose.																								
PB	Partnership Bonus																								
PBTBE	Profit before PB, tax and exceptional items																								
ppt	Percentage point																								
Profit before PB, tax and exceptional items	<p>Profit before PB, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2019/20</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Profit before PB, tax and exceptional items</td> <td>131</td> <td>70</td> </tr> <tr> <td>Exceptional items</td> <td>(648)</td> <td>107</td> </tr> <tr> <td>Partnership Bonus</td> <td>-</td> <td>(31)</td> </tr> <tr> <td>(Loss)/profit before tax</td> <td><u>(517)</u></td> <td><u>146</u></td> </tr> </tbody> </table>		2020/21	2019/20		£m	£m	Profit before PB, tax and exceptional items	131	70	Exceptional items	(648)	107	Partnership Bonus	-	(31)	(Loss)/profit before tax	<u>(517)</u>	<u>146</u>						
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Profit per average FTE	<p>Profit before PB and exceptional items but after tax, adjusted for above market reward, divided by the average number of full-time equivalent Partners. This measure is important as it provides the best indication of Partner productivity.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2019/20</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Profit before PB, tax and exceptional items</td> <td>131</td> <td>70</td> </tr> <tr> <td>Tax</td> <td>(40)</td> <td>(18)</td> </tr> <tr> <td>Above market reward</td> <td>105</td> <td>160</td> </tr> <tr> <td></td> <td><u>196</u></td> <td><u>212</u></td> </tr> <tr> <td><b>Average FTEs</b></td> <td><b>56,800</b></td> <td><b>59,700</b></td> </tr> <tr> <td><b>Profit per average FTEs (£k)</b></td> <td><b>3.5</b></td> <td><b>3.5</b></td> </tr> </tbody> </table>		2020/21	2019/20		£m	£m	Profit before PB, tax and exceptional items	131	70	Tax	(40)	(18)	Above market reward	105	160		<u>196</u>	<u>212</u>	<b>Average FTEs</b>	<b>56,800</b>	<b>59,700</b>	<b>Profit per average FTEs (£k)</b>	<b>3.5</b>	<b>3.5</b>
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TERM	DEFINITION																																																			
Return on invested capital (ROIC)	<p>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.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2019/20</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Operating profit before PB and exceptional items</td> <td>288</td> <td>231</td> </tr> <tr> <td>Above market reward</td> <td>105</td> <td>160</td> </tr> <tr> <td>Notional tax</td> <td>(74)</td> <td>(74)</td> </tr> <tr> <td></td> <td><b>319</b></td> <td><b>317</b></td> </tr> <tr> <td>Net assets</td> <td>1,894</td> <td>2,559</td> </tr> <tr> <td><i>add back</i></td> <td></td> <td></td> </tr> <tr> <td>Borrowings and overdrafts</td> <td>904</td> <td>762</td> </tr> <tr> <td>Pensions deficit (net of deferred tax)</td> <td>572</td> <td>363</td> </tr> <tr> <td>Lease liabilities</td> <td>2,037</td> <td>2,095</td> </tr> <tr> <td>Operational cash</td> <td>327</td> <td>489</td> </tr> <tr> <td><i>less</i></td> <td></td> <td></td> </tr> <tr> <td>Cash and short term investments</td> <td>(1,519)</td> <td>(916)</td> </tr> <tr> <td><b>Operating net assets</b></td> <td><b>4,215</b></td> <td><b>5,352</b></td> </tr> <tr> <td><b>Average operating net assets</b></td> <td><b>4,784</b></td> <td><b>5,512</b></td> </tr> <tr> <td><b>ROIC</b></td> <td><b>6.7%</b></td> <td><b>5.8%</b></td> </tr> </tbody> </table>		2020/21	2019/20		£m	£m	Operating profit before PB and exceptional items	288	231	Above market reward	105	160	Notional tax	(74)	(74)		<b>319</b>	<b>317</b>	Net assets	1,894	2,559	<i>add back</i>			Borrowings and overdrafts	904	762	Pensions deficit (net of deferred tax)	572	363	Lease liabilities	2,037	2,095	Operational cash	327	489	<i>less</i>			Cash and short term investments	(1,519)	(916)	<b>Operating net assets</b>	<b>4,215</b>	<b>5,352</b>	<b>Average operating net assets</b>	<b>4,784</b>	<b>5,512</b>	<b>ROIC</b>	<b>6.7%</b>	<b>5.8%</b>
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<i>add back</i>																																																				
Borrowings and overdrafts	904	762																																																		
Pensions deficit (net of deferred tax)	572	363																																																		
Lease liabilities	2,037	2,095																																																		
Operational cash	327	489																																																		
<i>less</i>																																																				
Cash and short term investments	(1,519)	(916)																																																		
<b>Operating net assets</b>	<b>4,215</b>	<b>5,352</b>																																																		
<b>Average operating net assets</b>	<b>4,784</b>	<b>5,512</b>																																																		
<b>ROIC</b>	<b>6.7%</b>	<b>5.8%</b>																																																		
Revenue investment	Investment spend recognised directly in the income statement.																																																			
Total net debts	<p>The Partnership'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.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2019/20</th> </tr> <tr> <th></th> <th>£m</th> <th>£m</th> </tr> </thead> <tbody> <tr> <td>Borrowings and overdrafts</td> <td>904</td> <td>762</td> </tr> <tr> <td>Derivative financial instruments</td> <td>16</td> <td>18</td> </tr> <tr> <td>Pension deficit (after deferred tax)</td> <td>572</td> <td>363</td> </tr> <tr> <td>Lease liabilities</td> <td>2,037</td> <td>2,095</td> </tr> <tr> <td>Liquid cash, short-term deposits and investments</td> <td>(1,402)</td> <td>(802)</td> </tr> <tr> <td><b>Total net debts</b></td> <td><b>2,127</b></td> <td><b>2,436</b></td> </tr> </tbody> </table>		2020/21	2019/20		£m	£m	Borrowings and overdrafts	904	762	Derivative financial instruments	16	18	Pension deficit (after deferred tax)	572	363	Lease liabilities	2,037	2,095	Liquid cash, short-term deposits and investments	(1,402)	(802)	<b>Total net debts</b>	<b>2,127</b>	<b>2,436</b>																											
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