JOHN LEWIS PARTNERSHIP UNAUDITED RESULTS

FOR THE HALF YEAR ENDED 31 JULY 2021

16 September 2021

A glossary of financial and non-financial terms is included on pages 19 to 22 of this document.

JOHN LEWIS PARTNERSHIP UNAUDITED RESULTS FOR THE HALF YEAR ENDED 31 JULY 2021

Dear Partner,

I want to thank you for your extraordinary efforts over the past six months. Throughout the course of the pandemic, Partners have stepped up - going above and beyond to deliver exceptional service to our customers and supporting one another.

We are in year one of our five-year Partnership Plan to return the business to sustainable profit of £400m a year, the level of profit required to meet our ambitions for customers, Partners and communities. This half year, we have had to take difficult but necessary decisions to reduce costs and improve our competitiveness.

We have closed eight John Lewis stores and are consulting on the closure of an associated delivery hub. The number of head office roles have been reduced and we are consulting on plans to have fewer managers in John Lewis and Waitrose. This has been painful for the Partnership. Eighty per cent of affected Partners have found new roles in the Partnership in the half, while retraining support has been available to Partners to secure work outside. We are also creating new jobs: a total of 500 next year to operate our new warehouse at Fenny Lock. We have faced our biggest ever test and we will come through stronger. That is because we are a Partnership and we are invested in our collective success.

Our financial performance in the first half year shows encouraging progress against the Partnership Plan.

Half year results

As at full year, we report our profits using two measures - before and after exceptional items. Measuring our profits without these exceptional items gives a better indication of our underlying performance.

For the first six months of the year, our profit before exceptional items[1] was £69m. That is £124m up on 2020/21, when the Partnership made a loss[2] of £55m. Last year's results were, of course, heavily affected by the pandemic. Therefore 2019/20 is a more meaningful benchmark. Compared to the first half of 2019/20 when we made a loss[2] of £52m, profit is up £121m. Cost reduction is a key priority and we made savings of £66m in the first half. We received business rates relief of £58m[3].

The Partnership had exceptional costs of £98m in the half, for two main reasons. First, property costs of £24m, principally to settle lease obligations arising from John Lewis shop closures. Second, redundancy costs of £54m from restructuring, reflecting our commitment to ensure proper support for Partners leaving the Partnership. These upfront costs will help to drive an annual reduction in costs of £300m by the end of 2022/23, improving our competitiveness and freeing money to invest in growth.

Including these exceptional items, the Partnership made a loss before tax of £29m. This is a significant improvement on last year's loss before tax of £635m, which was dominated by a write down in the value of John Lewis stores. This year is down on the first half of 2019/20 when profit before tax was £192m because of a one-off gain from the closure of the defined benefit pension scheme.

[1] Profit before Partnership Bonus, tax and exceptional items (PBTBE)
[2] Loss before Partnership Bonus, tax and exceptional items
[3] Rates relief in the half: £23m in the Government's original scheme and £35m in the extension

£m	**2021/22**	2020/21	2019/20*	*Better/ (worse) than 20/21*	*Better/ (worse) than 19/20*
Profit/(loss) before Partnership Bonus, tax and exceptional items (PBTBE)	**69**	(55)	(52)	*124*	*121*
Exceptional items	**(98)**	(580)	244	*482*	*(342)*
(Loss)/profit before tax	**(29)**	(635)	192	*606*	*(221)*

* 2019/20 is also presented due to the unusual nature of 2020/21.

Underpinning the growth in profit was a 6% increase in sales[4] across the Partnership. In detail:

Waitrose continued its positive momentum with 2% sales[4] growth (like-for-like up 4%) on last year and up 10% on 2019/20. This was largely driven by online growth as we increased capacity in our shops and delivery fleet and through a new fulfilment centre in Greenford, West London, to meet rising demand. Our partnership with Deliveroo expanded from 40 to 150 shops with a potential reach of up to 13m customers. It is already generating sales of almost £1m a week and attracting younger customers.

Online sales now stand at 17%, up from 11% a year ago but back a bit from 20% in March this year. Waitrose was the only supermarket in growth and was the fastest growing online supermarket since the pandemic began, according to Kantar.[5] Customer service remains high with Waitrose winning Grocer magazine's Gold 33 Award.

A combination of pandemic-related costs and growth of online has diluted operating margins. We are addressing this through investment in stock management systems, delivery charging and other efficiencies.

We are making good progress in exploiting the potential of our **two brands to work closer together** giving our customers more choice. All general merchandise sold in Waitrose will be sourced by John Lewis in time for Christmas. 17 Waitrose stores now have a dedicated, redesigned John Lewis space, and that number will be approximately 40 by the end of the year. Sales in these stores are higher and customer reaction has been very positive. We are also launching joint ranges for the first time, and have begun with the Levantine Table, which brings together Waitrose food and drink with John Lewis homeware with a Middle Eastern theme.

John Lewis saw strong sales[4] growth in the first half: up 12% on last year (like-for-like up 13%). Pleasingly, this was slightly up by 1% on 2019/20 (like-for-like up 11%). Almost 75% of sales were online in the first half, broadly the same as last year, and significantly up on pre-pandemic levels (40%).

Margins also rebounded strongly against last year as we returned to a more balanced pattern of trade: fewer laptops, more lamps and linen sales. Technology sales were flat year on year while growth was strong in Home (up 23%), Fashion (up 22%) and Nursery (up 18%). Compared to 2019/20, margins remained subdued as sales in lower margin categories remained higher than before the pandemic and inflationary pressures in global freight pushed up costs.

In Home, we launched ANYDAY, our new own brand that combines John Lewis' long admired quality with style and value for money. It has been our most successful own brand launch ever for a Spring season with £56m of sales in the half. We announced plans to introduce 90 new Fashion and Beauty brands, and invested significantly in Nursery with the launch of our own brand travel range and launch of post-birth consultations.

[4] All references to sales are total trading sales which includes VAT, sale or return and other accounting adjustments
[5] Source: Kantar data March 2020 to July 2021

Customers are returning to stores typically for larger, more considered purchases such as furniture and beds, and 'take with you' items like stationery and gifts, but so far not in the same numbers as before the pandemic. For the period that our shops were open this year, like-for-like sales[6] compared to two years ago were around 20% lower. City centres have been harder hit than retail parks and standalone stores. John Lewis continues to rank highly with customers as the highest rated retailer in the July 2021 UK Customer Satisfaction Index.

As part of our Partnership Plan, we are seeking to grow our profits beyond retail in areas where the brand is trusted, margins are higher and customer demand is strong. Following the relaunch of home insurance and the roll out of point of sale credit for the first time online in the first half, in August **John Lewis Financial Services** launched its first investment products in partnership with Nutmeg, the digital wealth manager. They are particularly intended for people who are considering taking the first step into investing.

Partnership responsibilities

As a Partnership, we measure our success not just by our commercial performance but by the contribution we make to our Partners' lives and to the wider community. As our commercial performance recovers, we will be able to do more on both fronts.

Investing in our Partners: Clearly, it has been a tough year for Partners but we are also investing. From November this year, Partners will be able to take six months' paid parental leave and time off for pregnancy loss, a benefit offered by no other retailer. Where possible, all roles are now advertised with flexible working. In the lead up to Christmas, Partners will be able to eat for free at work and will receive a higher discount at Waitrose. We want Partners to be proud of the benefits we offer and as a Partnership we are gathering views as to how best to ensure our package remains up to date and valued. At our April pay review, the Partnership invested £54m into pay resulting in 28,000 more Partners being paid the voluntary real living wage, taking the proportion from 47% to 81%. Today, the average rate of pay for a Partner who is not a manager is now £10.32. We want to pay the voluntary real living wage to all Partners and last year pledged that we would do so when our profits recover to £200m.

Wider community: We are cutting waste in our own operations and helping customers to do the same. From 27 September, we will no longer sell 10p bags for life in Waitrose and all online grocery deliveries will be bagless. Waitrose 'Unpacked' - which offers customers refillable solutions to help cut out plastics - has been expanded with 13 new lines. Over the next four years Waitrose customers will have access to 800 electric vehicle charging points in 100 of our shops through our growing collaboration with Shell. John Lewis customers can now rent over 350 furniture lines, including ANYDAY, through our tie-up with Fat Llama, and hundreds more lines will be added this month. We made £2.5m in charitable donations this half year and also launched trials with Essex County Council and The Prince's Trust to help care leavers into employment.

Outlook

Our focus for the second half will be execution of the Partnership Plan: delighting our customers with unrivalled products and service (online and in store) and giving them the best possible Christmas. Second half highlights include:

- Autumn/Winter expansion of ANYDAY to include Men's, Women's and Children's Fashion;
- Relaunching the MyJL app to improve rewards for customers;
- Expanding areas dedicated to John Lewis within Waitrose to approximately 40 shops by early 2022;
- 10 new Christmas emporiums (one-stop Christmas shops offering inspirational experiences, including in-store events and workshops) in John Lewis and over 100 new Christmas lines in Waitrose;
- A bigger Waitrose Levantine Table range and new vegan/vegetarian own brands - Plant Life and GoVeggie.

[6] All references to sales are total trading sales which includes VAT, sale or return and other accounting adjustments

We have begun the financial year with profits recovering, ahead of both last year and expectations set at our year end results. Traditionally, our profits are skewed to the second half of the year because of the importance of Christmas, especially in John Lewis. As we look ahead, there is significant uncertainty. Like the whole of retail, we are managing global supply chain challenges and labour shortages. We are seeing inflationary pressures, which we expect to persist.

We are taking a raft of measures to mitigate these risks and deliver Christmas for our customers. These include a successful campaign to recruit drivers, offering competitive salaries and benefits, recruiting 7,000 temporary seasonal roles and booking additional freight to make sure John Lewis Christmas products arrive on time.

Given the back ended nature of our trading year, we do not generally provide an outlook. And this year we face additional uncertainty. Even with the success of the vaccination programme the course of the pandemic this winter is hard to call. As we set out in March, we retained business rates relief under the original Government scheme to see the Partnership through the pandemic and avoid further job losses. We also said in March that we would keep under review whether to retain business rates relief under the extended scheme. We will take a decision at year end.

The conditions for paying a bonus to Partners - sustainable profits of £150m and net debts of less than four times our earnings - were set by the Board in September 2020 and remain in place. The Board will take a decision on whether to award a bonus for 2021/22 in the usual way in March 2022.

Thank you for your continued commitment to our business and to one another. We will come through stronger.

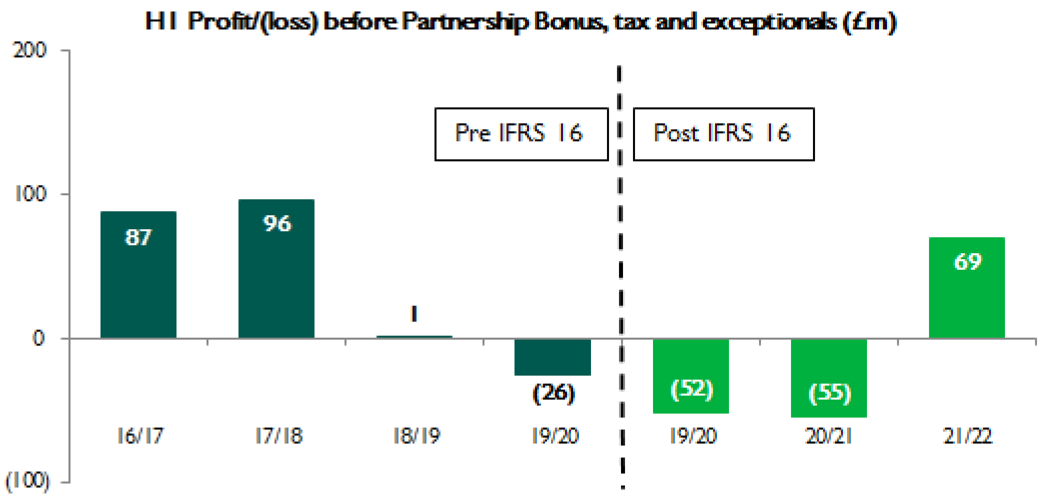
Sharon White
Partner and Chairman

JOHN LEWIS PARTNERSHIP UNAUDITED HALF YEAR RESULTS 2021/22 - DETAIL

Market context

Retail in the UK is showing signs of recovering from the pandemic but the pre-pandemic structural changes to the retail industry continue - such as pressure on margins, declining footfall, increased demand for online shopping plus operational cost inflation running ahead of sales growth in a number of areas. Added to new economic and supply chain challenges, these factors reinforce the need to press on with the delivery of our Partnership Plan, to become a thriving Partnership, loved by Partners and customers.

INTERIM FINANCIAL PERFORMANCE TO 31 JULY 2021



Note: The chart shows our Profit/(loss) 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 £26m. 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.

Profit

£m	**2021/22**	2020/21	2019/20*	*Better/ (worse) than 20/21*	*Better/ (worse) than 19/20*
Profit/(loss) before Partnership Bonus, tax and exceptional items (PBTBE)	**69**	(55)	(52)	*124*	*121*
Exceptional items	**(98)**	(580)	244	*482*	*(342)*
(Loss)/profit before tax	**(29)**	(635)	192	*606*	*(221)*

* 2019/20 is also presented due to the unusual nature of 2020/21.

Sales

£m	**2021/22**	2020/21	2019/20*	*Change % vs 20/21*	*Change % vs 19/20*
Total trading sales	**5,874**	5,567	5,505	*+6%*	*+7%*
Revenue	**5,153**	4,919	4,788	*+5%*	*+8%*

* 2019/20 is also presented due to the unusual nature of 2020/21.

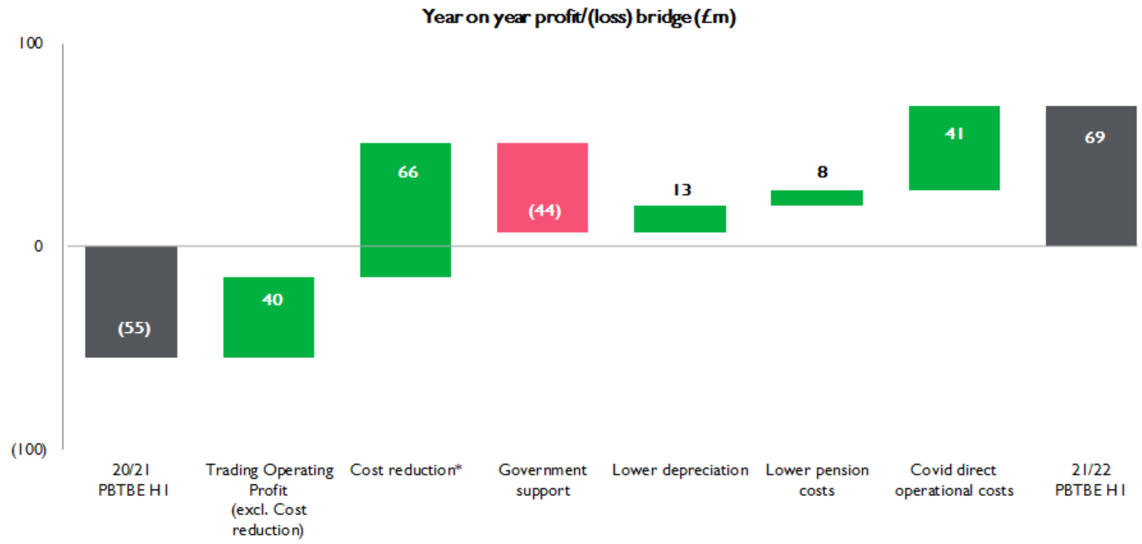
Profitability

Before exceptionals, the Partnership made a profit[7] of £69m, which was up £124m on last year. Last year's results were, of course, heavily affected by the pandemic. Therefore 2019/20 is a more meaningful benchmark. Compared to the first half of 2019/20 when we made a loss[8] of £52m, profit is up £121m. The shape of the profit movement is very different between the two comparisons.

Compared to the half year results for 2020/21, our PBTBE improvement of £124m is due to a number of factors:

- Improved sales performance, with John Lewis sales[9] up 12% on last year and Waitrose up 2%. This uplift in sales led to an improvement in trading operating profit of £40m;
- Cost reduction activity towards the £300m target by the end of 2022/23 set in the Partnership Plan delivered £66m improvement in profit. This resulted from efficiencies achieved within cost of goods sold, operating cost reductions and restructuring activity;
- Depreciation costs £13m lower as a result of the write down of John Lewis stores recorded last year, and pension costs £8m lower following the closure of our defined benefit pension scheme in April 2020 leading to additional benefits through the first quarter of this year;
- Direct operational costs of the pandemic at £8m were £41m lower this year, as costs in areas like PPE reduced substantially this year;
- Offsetting the lower direct operational costs, we received £44m less in Government support this year as we stopped claiming under the Coronavirus Job Retention Scheme in July 2020.

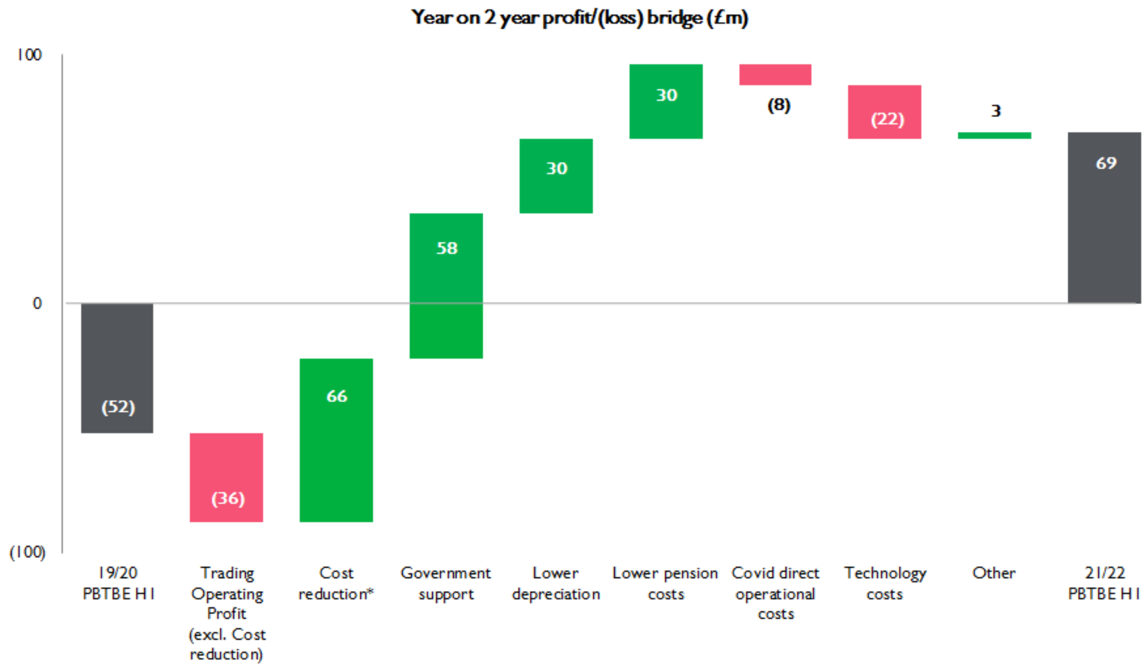
[7] Profit before Partnership Bonus, tax and exceptional items (PBTBE)
[8] Loss before Partnership Bonus, tax and exceptional items
[9] All references to sales are total trading sales which includes VAT, sale or return and other accounting adjustments



*£41m of this cost reduction benefit is reported later in this statement within trading operating profit. Our total reported increase in trading operating profit of £81m (an increase of £142m in John Lewis and a decline of £61m in Waitrose) consists of the £40m trading operating profit increase shown above, plus £41m of benefits that have been included within cost reduction.

Compared to 2019/20, our PBTBE has improved by £121m due to:

- Cost reduction activity delivered £66m improvement in profit;
- Depreciation costs £30m lower as a result of the write down of John Lewis stores recorded last year and pension costs £30m lower following the closure of our defined benefit pension scheme in April 2020;
- We received £58m in Government support via business rates relief this year, including £23m in the Government's original scheme and £35m in the extension of the scheme from April to June. This was not available prior to the pandemic;
- This support helped to offset the impact of John Lewis department store closures, which were closed for 10 weeks in the first half (open for the full half in 2019/20), which weakened trading operating profit by £36m, and direct ongoing costs of £8m;
- Our technology costs increased by £22m, a combination of increased running costs for new technology and transitional costs as we transfer parts of our IT operations to managed service providers.



*£41m of this cost reduction benefit is reported later in this statement within trading operating profit. Our reported increase in trading operating profit of £5m (an increase of £10m in John Lewis and a decline of £5m in Waitrose) consists of the £36m trading operating profit decrease shown above, plus £41m of benefits that have been included within cost reduction.

The table below sets out the first half financial headlines for our brands. We report trading operating profit for each brand, which excludes costs that are centrally managed for the Partnership as a whole, such as property, IT and head office costs, investment spend and depreciation.

	Waitrose					John Lewis				
	2021/22	**2020/21**	**2019/20**	***% vs 20/21***	***% vs 19/20***	**2021/22**	**2020/21**	**2019/20**	***% vs 20/21***	***% vs 19/20***
Total trading sales (£m)	**3,792**	**3,707**	**3,446**	***+2%***	***+10%***	**2,082**	**1,860**	**2,059**	***+12%***	***+1%***
Revenue (£m)	3,515	3,440	3,176	*+2%*	*+11%*	1,638	1,479	1,612	*+11%*	*+2%*
Trading operating profit (£m)	**525**	**586**	**530**	***(10)%***	***(1)%***	**295**	**153**	**285**	***+93%***	***+4%***
Trading operating profit (%)	**13.8%**	**15.8%**	**15.4%**			**14.2%**	**8.2%**	**13.8%**		

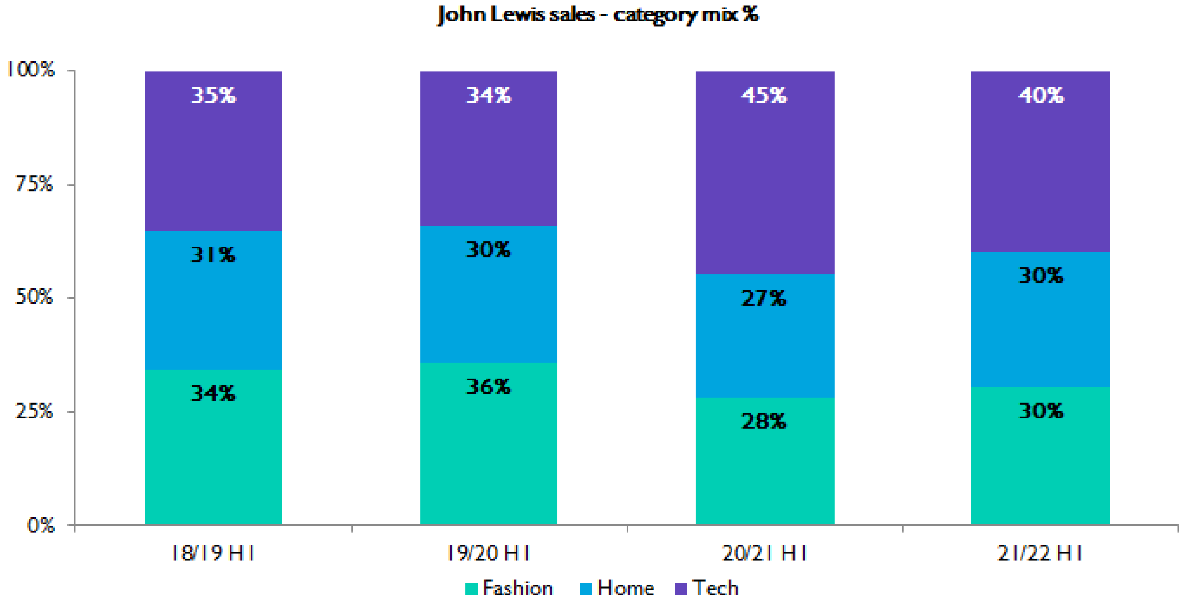
In Waitrose, total sales [10] grew at 2% (like-for-like up 4%) - up 10% on 2019/20 - as customer demand held up well, benefiting from the ongoing closure of much of the hospitality sector and online capacity growth as we responded to customer behaviour shifts. A combination of pandemic-related costs and growth of online has diluted operating margins. This resulted in a decline in trading operating profit of £61m, down 10%.

Top sellers for the period included ready meals and food-to-go as customers started to return to offices and looked for easy meal options as well as flowers and houseplants, champagne and sparkling wine, as they continued to treat themselves at home.

[10] All references to sales are total trading sales which includes VAT, sale or return and other accounting adjustments

In John Lewis, we saw sales[11] growth of 12% (like-for-like up 13%) with the strength of online helping to offset lost trade from John Lewis shops being closed for 10 weeks in the first half and permanent shop closures. We saw a more balanced shopping basket than in the prior year as sales in H1 shifted towards Home and Fashion after a high Technology mix in 2020/21 and as customers have started to go out more while continuing to care for and invest in their homes. This helped margins recover significantly this half. The combination of stronger sales, better margins and lower operating costs this year helped trading operating profit grow £142m, up 93% in the half, bouncing back to 2019/20 levels.

Top sellers for the period include fashion items such as outerwear and dresses, premium jewellery, and baby car seats. Popular products include the Theragun massage device, Mulberry handbags and AirPods as customers looked for ways to treat themselves.



This year has not been without operational challenges. We started the year with our John Lewis shops closed for the first 10 weeks of our financial year due to the lockdown. For the period of lockdown, our John Lewis Partners once again stepped in to support Waitrose with up to 4,500 Partners re-deployed into our supermarkets during those weeks.

Like the whole of retail, we are managing global supply chain challenges and labour shortages. We are seeing inflationary pressures, which we expect to persist. We are taking a raft of measures to mitigate these risks and deliver Christmas for our customers. These include a successful campaign to recruit drivers, recruiting 7,000 temporary seasonal roles, offering competitive salaries and benefits and booking additional freight to make sure John Lewis Christmas products arrive on time.

Loss before tax

Our loss before tax, which is after exceptional costs, was £29m. This compares to a loss before tax of £635m the previous year. Exceptional costs totalled £98m (2020/21: exceptional costs of £580m), principally relating to:

- £97m of restructuring and redundancy costs from eight John Lewis store closures, our proposed Shop Leadership Transformation, the proposed closure of our Uckfield customer delivery hub and an updated view on the expected costs of our Head Office Transformation;

[11] All references to sales are total trading sales which includes VAT, sale or return and other accounting adjustments

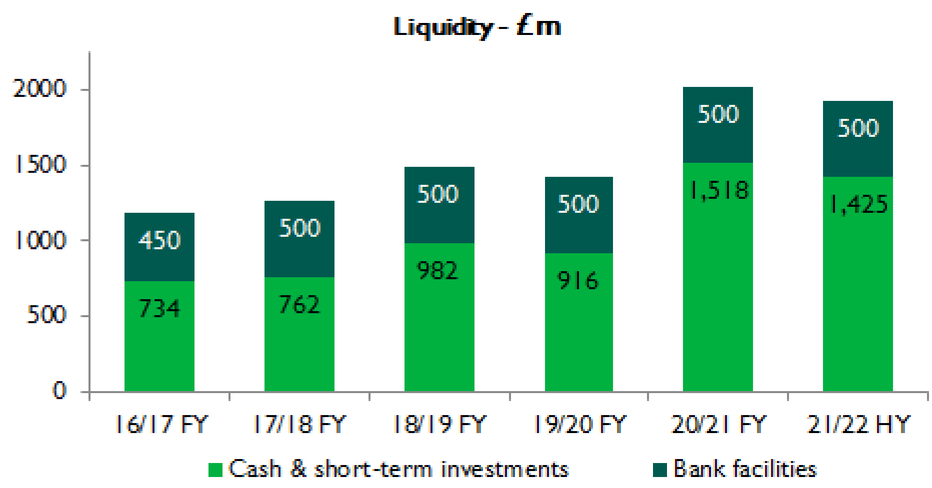
- £1m net charge of our impairment provision for the John Lewis stores. Further details are included in Note 4 to the interim financial statements.

Exceptionals (£m)	**2021/22**	2020/21
Strategic restructuring and redundancy programmes	**(97)**	(118)
Store impairments - Waitrose	**-**	9
Store impairments - John Lewis	**(1)**	(471)
	(98)	(580)

Cash and Liquidity

We continue to manage cash prudently given the uncertain environment. Our liquidity at the half year remains strong, with £1.4bn cash, including short-term investments of £0.4bn, and undrawn bank facilities of £0.5bn. This position is required to deliver the Partnership Plan and meet our obligations; we carry £1.7bn of total net debts including pension and leases, with £0.5bn of financial borrowings due to be repaid in the next four years (£200m of bank term loans maturing between November 2022 and December 2023 and a £300m bond maturing in January 2025). It also ensures that there is adequate funding available to withstand material volatility in trading, particularly important to the Partnership as we do not have access to equity markets owing to our model. During the first half, we repaid a £75m bank term loan (originally due in November 2021) and £300m of the Covid Corporate Financing Facility in the second half of last year.

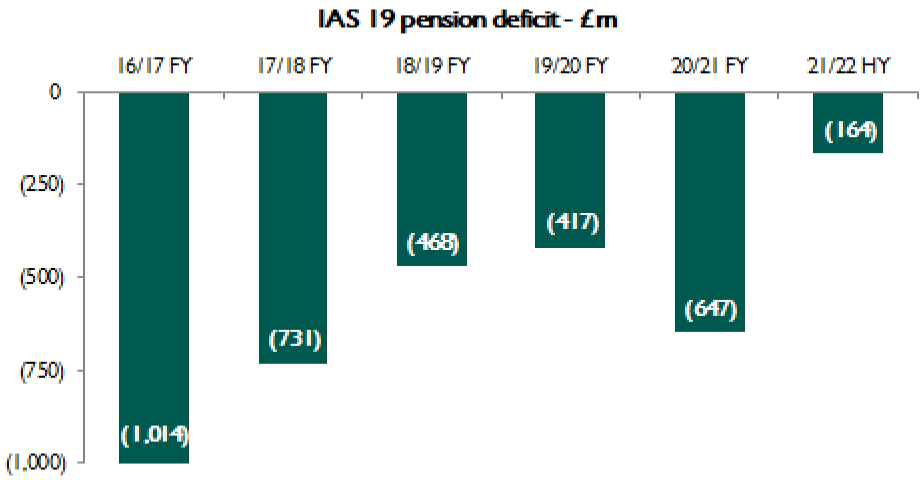
At half year, we do not report a debt ratio. This is consistent with previous years and reflects the seasonality of performance in the second half, particularly within John Lewis.



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 which is 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.

As at July 2021, the accounting pension deficit before deferred tax was £164m, compared to £647m in January 2021. The improvement of £483m is mainly due to higher market values for the pension assets, largely driven by increasing equity investment valuations.



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.

DELIVERING THE PARTNERSHIP PLAN

Over the last 20 years, we have navigated the changing landscape of retail by continuing to build on our reputation for quality and service, growing scale through expanding our physical estate for both brands and early online expansion for johnlewis.com. Significant capital was invested to acquire new shops (especially in Waitrose), technology infrastructure and supply chain expansion to support digital growth, which stood us well during the pandemic. As the retail landscape shifted, increasing scale did not lead to increased margins leaving the Partnership with greater fixed costs, which have put pressure on profits in recent years as sales growth has slowed.

To date, cost reduction plans have been insufficient to fully address our financial position, hence investment and bonus were tightened too to bring the Partnership to a stronger financial footing. This period of austerity has been difficult for Partners but has resulted in the Partnership having built sufficiently strong liquidity to be able to afford the Partnership Plan and secure a longer term future where the Partnership thrives, for the benefit of customers, Partners and communities.

Our role now is to deliver the Partnership Plan, which sets out the transformation of our business as we set ourselves back on the path to 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. In the first two years of the Plan, we are reducing our cost base to be able to continue fuelling our turnaround and meet our commitment to paying the voluntary real living wage, and are focusing on Retail Customers Love, to build on what makes our brands special and create the platform for growth outside of retail. The latter years of the Plan see us boost our investment in our customer offer even further while driving profit growth from higher margin activities outside retail, with financial services and rental housing being our near term priorities.

Investing in transformation

As shared in our full year results statement, we are investing up to £800m this year to support our transformation, approximately 40% higher than recent years. This investment includes a number of key elements which are critical to our Partnership Plan:

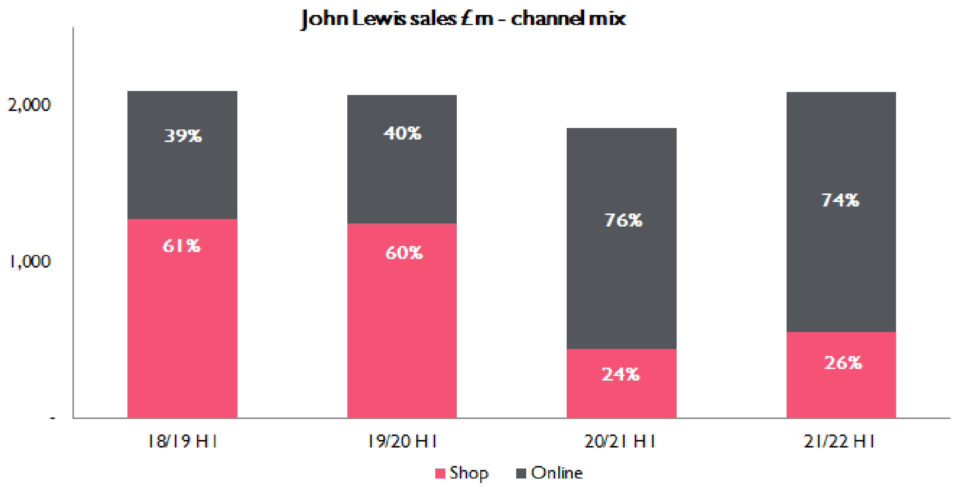
- Digital investment across both brands, at a significantly higher level than recent years including new capacity to support our John Lewis online growth;
- Improvements in our store estate;
- Updating major category propositions such as Home, and refreshing financial services products;
- Restructuring to reduce costs.

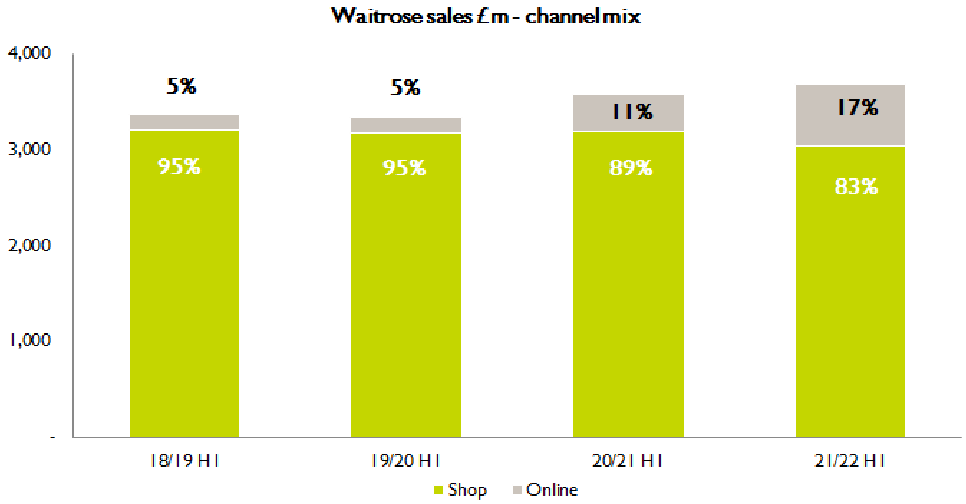
During the first half, we have invested £334m of the £800m in support of the Plan. Below we draw out some of the key areas of focus during H1.

Digital investment including new capacity

The pandemic has accelerated the shift to online sales across both our brands. In John Lewis, we entered the pandemic with around 40% of our sales from online. For long periods during the pandemic, including the first two months of this financial year, we were an online-only retailer. As lockdown restrictions eased, we have seen a new normal beginning to emerge. In the half to date, online sales have accounted for 74% of all sales.

In Waitrose, we're seeing a shift in the mix of trade between shops and online. In the first half, 17% of our Waitrose sales were online (either home delivered or Click & Collect), compared to 20% during lockdown and 5% before the pandemic.



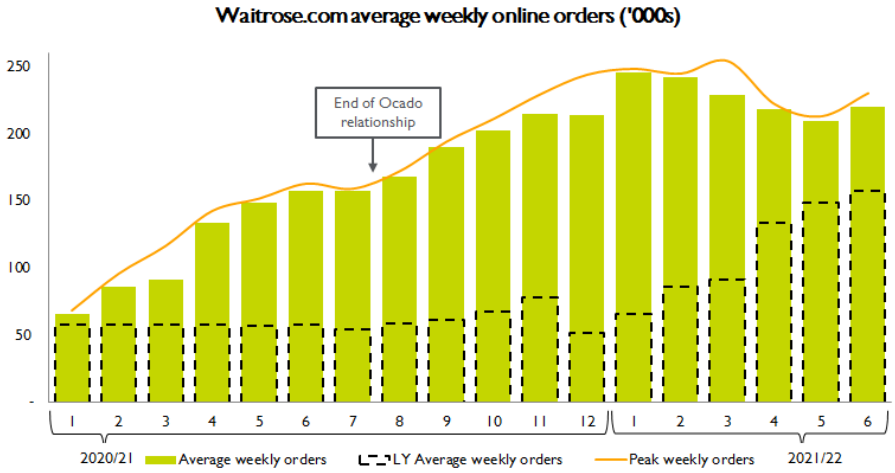


Notes: The John Lewis chart shows sales and channel mix since 2018/19. The proportion of online sales has increased to 74% in 2021/22, which includes national lockdowns that resulted in John Lewis shops being closed for 10 weeks of the year. The Waitrose chart shows sales and channel mix since 2018/19. It does not include sales to Ocado between 2018/19 and 2020/21 and excludes sales made through Deliveroo in 2021/22.

There remains uncertainty about where the balance of trade between online and physical retail will normalise. However, the marked shifts we have seen since 2019/20 are highly unlikely to reverse to pre-pandemic levels. Consequently we are investing significantly in both our digital proposition and capacity growth to support customers as they evolve their shopping behaviour.

We continued to invest in capacity within John Lewis to support the growth in demand for online sales. In August 2021, we announced our acquisition of a new lease for one million square foot capacity at Fenny Lock, four miles from our state-of-the-art distribution facility at Magna Park. The expansion of our distribution capacity will increase the order volumes we can handle alongside creating over 500 new jobs. It will also support combining customers' orders to reduce packages by one million. In addition, we secured a shorter term lease at Bardon in Leicestershire, further increasing our scale to support this year's peak.

In Waitrose, we have invested in 24 shops to expand the online capacity within these shops ; with expansion of a further 45 expected in the second half. Alongside this we opened a new customer fulfilment centre in Greenford, West London, adding further capacity to meet our customers' needs. Combined, these investments have supported an increase in capacity to deliver more than 300,000 grocery orders per week, up from 130,000 a year ago.



Note: The chart shows Waitrose.com average and peak weekly online orders by period in 2020/21 and 2021/22 - this does not include Deliveroo orders.

Alongside capacity growth, we continue to improve our digital proposition for customers. During H1 we invested £40m in creating improved customer experience on waitrose.com and johnlewis.com. Waitrose has delivered a number of improvements to the end-to-end customer experience including: providing more delivery slots, improving site search, streamlining the checkout process for our apps making them easier to use and the introduction of online delivery tracking. The proportion of orders made via the app has increased from 15% to 28%. Following a successful trial we announced an expansion of our partnership with Deliveroo, bringing this service, with an expanded range, to 150 Waitrose shops nationwide and a potential reach of 13 million customers. Deliveroo sales are largely incremental and are helping us attract a younger mix of customers.

In John Lewis, our investment has improved shopping tools like search and sort, making the shopping journey easier, as well as creating richer content into customer journeys based on customer feedback and insight. We've also launched a 'Fit Finder' trial in John Lewis, which identifies recommended clothing sizes based on personal measurements and will trial video-on-demand shopping, enabling customers to engage and shop with live content. The proportion of orders made via the John Lewis app has increased from 14% to 24%.

Improvements to our store estate

We have invested in 17 Waitrose shops to create an enhanced John Lewis proposition in these shops. This is either through taking excess space in these Waitrose shops and converting into a standalone John Lewis format, or through upweighted 'in-aisle' branded propositions for customers. This has proven incredibly popular with our customers, with sales [12] of John Lewis products showing approximately 20% growth year on year compared to the previous ranges we sold through Waitrose shops.

Across our Waitrose estate, we have scaled up our investment pipeline to refresh and modernise our offer, with a total of 18 full refurbishments planned for this year. Nearly a third of our estate will have received some store investment this year. Alongside these investments we will have introduced ten new Waite and Rose Cafes, 13 dry age beef cabinets and four sushi counters in our stores.

During H1, we completed our long term investment in our John Lewis Edinburgh store. It is early days following the refurbishment, however, early signs are encouraging. Since reopening, on a two year basis, shop catchment sales are up 20%. Across the remainder of the John Lewis stores, we have completed a deep dive on

[12] All references to sales are total trading sales which includes VAT, sale or return and other accounting adjustments

performance across six shops with a series of customer proposition improvements identified which we are now implementing.

We announced and completed the closure of a further eight John Lewis shops. This is always a difficult decision to make, and is felt strongly by both Partners and customers in these communities.

We have significantly scaled up the number of John Lewis touchpoints around the UK, with products now available for customers to collect or purchase at over 1,000 locations, with further expansion planned for the second half.

JL Touchpoints				
	Jan 2019	**Jan 2020**	**Jan 2021**	**Aug 2021**
John Lewis	52	51	34	34
Waitrose	339	328	327	327
Third Parties	6	68	540	665
Total	**397**	**447**	**901**	**1,026**

Restructuring and reducing costs

The Partnership Plan contains a commitment to saving £300m per annum from the end of 2022/23. Higher than expected inflation in some operating cost areas will continue to offset some savings this year, however we delivered £66m of savings in the first half.

Cost reduction target	**Delivered in H1 £m**	**Total target* £m**
Head Office Transformation#	2	55
Operational restructuring	13	75
Restructuring programmes	**15**	**130**
Buying efficiencies	30	85
Operating efficiencies	21	85
Cost out activities	**51**	**170**
Total annual cost reduction target	**66**	**300**

Includes the restructuring of our Head Office functions, including the net benefit of the outsourcing of parts of our Technology function to managed service providers
* The total target composition may alter over time as benefits are realised

Our restructuring programmes in the half principally relate to the completion of the Head Office Transformation and shop productivity benefits ahead of formal restructuring. Our cost out activities are focused on driving structural cost savings across the Partnership principally through margin optimisation in Waitrose and John Lewis, reducing our selling and supply chain costs by being more efficient in how we operate and lowering spend on goods not for resale as well as lower property related costs.

Developing New Services

The Partnership Plan sets out our ambition to have 40% of our profits from outside of retail by 2030, through financial services, private housing and outdoor living. Our focus for the first two years of the plan is on financial services and to lay the foundations to launch a residential rental property offer.

Residential rental property

We have announced ambitions to build 10,000 homes for rental over the next decade, of which half would be from our own estate. Our plans are taking shape and we are in the process of shortlisting partners.

Financial Services

Our financial services business is made up of the Partnership (credit) Card, insurance products, foreign exchange, investments and point of sale credit. While spend on the Partnership Card has recovered during the period, foreign exchange continues to suffer due to ongoing overseas travel restrictions. Insurance has had a mixed performance.

Financial Product	**Half Year performance**
Partnership Card	Customer spend up 23%
Home insurance	Customer policies down 9%
Car insurance	Customer policies up 65%
Pet insurance	Customer policies up 11%
Foreign exchange	Customer transactions down 75%

In the first half, we have improved our customer offer: launching our innovative Home Insurance product; signing a new five year agreement with Covea as our car insurance provider and receiving Product of the Year at the GoCompare insurance awards; adding a new point of sale credit proposition with BNP both in store and online with £31m of funding already provided and, most recently, launching a Stocks & Shares ISA, Junior ISA and General Investing service in partnership with the UK's largest digital wealth manager, Nutmeg.

Our work will continue in the second half to quadruple the size of our John Lewis Financial Services business over the next five years, consistent with the Partnership Plan.

Purpose and sustainability

As a Partnership driven by social purpose, we measure our success not just by our commercial performance but by the contribution we make to our Partners' lives and to the wider community.

We made progress against our ambition to be the UK's most inclusive business. During the first half, we announced equal parental pay and leave where all Partners will receive 26 weeks' paid leave (14 weeks at full contractual pay and 12 weeks at 50% contractual pay) once they have worked for the Partnership for one year. We also announced plans to introduce pregnancy loss leave. Both of these are taking effect from 1 November 2021. We also introduced a Flexible First policy with job vacancies advertised as flexible working where possible and launched career support and job opportunities programme for young people leaving the care system.

In our annual pay review, we invested a total of £54m into pay, delivering a 4% increase in non-management Partner pay. Our average non-management pay is now £10.32 and we remain committed to paying the voluntary real living wage when we reach over £200m profit.

We made charitable donations of £2.5m, supporting causes ranging from food poverty to international disaster relief. Through our Give a Little Love campaign, Waitrose and its suppliers diverted over five million surplus fresh products from its farm to food charity FareShare, providing over one million meals to vulnerable households. We donated over £1m this summer to more than 1,000 local charities and community organisations helping to end child poverty across the UK, in addition to £200k to the Trussell Trust, which will help to enable 136 food banks in its network to support thousands of families with emergency food and practical support over the summer. This summer, we worked with FareShare and Waitrose farmers/suppliers to donate four million healthy snacks to ensure children in need have access to great quality food during the summer holidays and became an official supporter of the British Nutrition Foundation's Healthy Eating Week.

We are making good progress against our six strategic commitments on sustainability[13].

With regards to climate action, we announced plans with Shell to install 800 customer electric vehicle charging points in 100 of our Waitrose shops by 2025. Against our People in Supply Chains commitment, we increased our supply chain transparency by publishing our first ever 'Women in John Lewis Partnership Supply Chains' report. This looks at the specific challenges that women face in our supply chains, and what the Partnership is doing to try and address them.

Both brands have also made positive steps in waste reduction: we have expanded the 'Unpacked' trial range in Waitrose, integrating refillable ranges into regular aisles at Waitrose Wallingford, and have extended our John Lewis furniture rental service with Fat Llama, now offering over 350 lines. We are also trialling a number of initiatives to reduce plastic waste including Prevented Ocean Plastics, flexi plastic recycling trials and plastic reduction trials across soft and exotic fruit lines.

ENQUIRIES

John Lewis Partnership

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[13] https://www.johnlewispartnership.co.uk/csr/our-strategy.html

GLOSSARY OF FINANCIAL AND NON-FINANCIAL TERMS

This glossary gives an explanation of financial and non-financial terms included in the results statement, compared to last half year, i.e. July 2020.

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 include pensions, long leave, Partner discount and costs of our democracy. This measure is important for adjusting our financial Key Performance Indicators (KPIs) to be able to assess them against our competitors.
Adjusted cash flow	Operating profit before Partnership Bonus, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax. This measure is important to assess our Debt Ratio.
Average NMP hourly rate of pay	Average Non-Management Partner hourly pay for Partners on permanent contracts and aged 18 years old and over.
Capital investment	Cash outflows in relation to additions to tangible fixed assets (property, plant and equipment), and intangible assets (IT software) recognised on the balance sheet.
Debt Ratio	Comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts. This is used at year end only.
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.
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.
Non-management Partners (NMP)	Level 9 and Level 10 Partners, excluding Assistant Team Managers in Waitrose.

TERM	DEFINITION
PB	Partnership Bonus
Profit before Partnership Bonus, tax and exceptional items (PBTBE)	Profit before Partnership Bonus, tax and exceptional items. This measure is important as it allows for a comparison of underlying profit performance.
Revenue investment	Investment spend recognised directly in the income statement.
Total net debts	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.

	2021/22 £m	**2020/21 £m**
Profit before PB, tax and exceptional items	69	(55)
Exceptional items	(98)	(580)
(Loss)/profit before tax	**(29)**	**(635)**

	2021/22 £m	**2020/21 £m**
Borrowings and overdrafts	(820)	(1,205)
Derivative financial instruments	(15)	-
Pension deficit (after deferred tax)	(147)	(534)
Lease liabilities	(2,016)	(2,059)
Liquid cash, short-term deposits and investments	1,305	1,463
Total net debts	**(1,693)**	**(2,335)**

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

2021/22	**Waitrose £m**	**John Lewis £m**	**Partnership £m**
Total trading sales	3,792	2,082	5,874
Value added tax	(221)	(338)	(559)
Sale or return and other accounting adjustments	(56)	(106)	(162)
Revenue	**3,515**	**1,638**	**5,153**

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

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

2021/22	**Waitrose £m**	**John Lewis £m**	**Partnership £m**
Trading operating profit	525	295	820
Centrally managed costs incl property			(431)
Depreciation and amortisation			(244)
Net finance costs			(76)
PBTBE			**69**
Exceptional items			(98)
Loss before PB and tax			**(29)**

2020/21	**Waitrose £m**	**John Lewis £m**	**Partnership £m**
Trading operating profit	586	153	739
Centrally managed costs incl property			(524)
Depreciation and amortisation			(193)
Net finance costs			(77)
PBTBE			**(55)**
Exceptional items			(580)
Loss before PB and tax			**(635)**

TERM	DEFINITION
Trading operating profit %	Trading operating profit divided by Total trading sales.

John Lewis Partnership plc
Unaudited condensed Interim Financial Statements for the half year ended 31 July 2021

Consolidated income statement
for the half year ended 31 July 2021

Notes		Half year to 31 July 2021	Half year to 25 July 2020	Year to 30 January 2021
		£m	£m	£m
6	**Revenue**	**5,152.8**	4,919.4	10,771.8
	Cost of sales	**(3,512.5)**	(3,433.2)	(7,408.6)
	Gross profit	**1,640.3**	1,486.2	3,363.2
	Other operating income	**50.2**	51.3	102.4
	Operating expenses before exceptional items and Partnership Bonus	**(1,546.2)**	(1,515.5)	(3,178.1)
	Share of profit/(loss) of joint venture (net of tax)	**0.5**	(0.4)	0.9
5	**Operating profit before exceptional items and Partnership Bonus**	**144.8**	21.6	288.4
4	Exceptional items	**(97.9)**	(579.6)	(648.0)
5	**Operating profit/(loss) before Partnership Bonus**	**46.9**	(558.0)	(359.6)
7	Finance costs	**(80.0)**	(84.8)	(168.9)
7	Finance income	**4.4**	8.2	11.3
	Loss before Partnership Bonus and tax	**(28.7)**	(634.6)	(517.2)
	Partnership Bonus	**-**	-	-
	Loss before tax	**(28.7)**	(634.6)	(517.2)
8	Taxation	**(11.8)**	75.0	65.2
	Loss for the period	**(40.5)**	(559.6)	(452.0)

5	**Profit/(loss) before Partnership Bonus, tax, and exceptional items**	**69.2**	(55.0)	130.8

Consolidated statement of comprehensive income
for the half year ended 31 July 2021

Notes		Half year to 31 July 2021	Half year to 25 July 2020	Year to 30 January 2021
		£m	£m	£m
	Loss for the period	**(40.5)**	(559.6)	(452.0)
	Other comprehensive income/(expense):			
	Items that will not be reclassified to profit or loss:			
12	Remeasurement of defined benefit pension scheme	**484.8**	(206.3)	(237.4)
8	Movement in deferred tax on pension scheme	**(81.1)**	47.5	53.6
8	Movement in current tax on pension scheme	**1.0**	0.5	1.6
	Items that may be reclassified subsequently to profit or loss:			
	Fair value (loss)/gain on cash flow hedges	**(8.5)**	18.4	(5.6)
8	Movement in deferred tax on cash flow hedges	**(0.5)**	(2.6)	0.3
	Other comprehensive income/(expense) for the period	**395.7**	(142.5)	(187.5)
	Total comprehensive income/(expense) for the period	**355.2**	(702.1)	(639.5)

Consolidated balance sheet
as at 31 July 2021

Notes		**31 July 2021**	25 July 2020	30 January 2021
		£m	£m	£m
	Non–current assets			
9	Intangible assets and goodwill	**456.4**	476.7	467.9
9	Property, plant and equipment	**2,941.2**	2,999.6	2,983.5
9	Right-of-use assets	**1,515.6**	1,569.0	1,540.2
	Trade and other receivables	**15.8**	18.3	18.0
14	Derivative financial instruments	**0.8**	1.7	0.1
	Investment in and loans to joint venture	**3.7**	2.1	3.4
	Deferred tax asset	**14.1**	85.1	103.4
		4,947.6	5,152.5	5,116.5
	Current assets			
	Inventories	**629.7**	557.9	643.9
	Trade and other receivables	**234.2**	239.1	179.7
	Current tax receivable	**0.3**	19.9	9.0
14	Derivative financial instruments	**5.5**	10.8	7.2
10	Assets held for sale	**-**	14.1	10.6
	Short-term investments	**391.8**	25.3	0.3
	Cash and cash equivalents	**1,032.8**	1,551.0	1,518.2
		2,294.3	2,418.1	2,368.9
	Total assets	**7,241.9**	7,570.6	7,485.4
	Current liabilities			
14	Borrowings and overdrafts	**(25.9)**	(334.3)	(107.8)
	Trade and other payables	**(1,507.0)**	(1,457.7)	(1,543.2)
14	Lease liabilities	**(135.8)**	(119.2)	(127.3)
11	Provisions	**(207.7)**	(146.7)	(193.6)
14	Derivative financial instruments	**(20.3)**	(9.1)	(20.9)
		(1,896.7)	(2,067.0)	(1,992.8)
	Non–current liabilities			
14	Borrowings	**(794.6)**	(870.7)	(795.7)
	Trade and other payables	**(41.3)**	(42.1)	(45.0)
14	Lease liabilities	**(1,879.8)**	(1,940.1)	(1,910.0)
11	Provisions	**(169.6)**	(170.3)	(162.4)
14	Derivative financial instruments	**(0.6)**	(3.1)	(2.7)
12	Retirement benefit obligations	**(163.9)**	(623.8)	(646.9)
	Deferred tax liability	**(5.2)**	-	(5.2)
		(3,055.0)	(3,650.1)	(3,567.9)
	Total liabilities	**(4,951.7)**	(5,717.1)	(5,560.7)
	Net assets	**2,290.2**	1,853.5	1,924.7
	Equity			
	Share capital	**0.6**	0.6	0.6
	Other reserves	**(6.4)**	4.8	(7.7)
	Retained earnings	**2,296.0**	1,848.1	1,931.8
	Total equity	**2,290.2**	1,853.5	1,924.7

Consolidated statement of changes in equity
for the half year ended 31 July 2021

Notes		Share capital £m	Capital redemption reserve £m	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
	Balance at 25 January 2020	0.6	5.0	1.4	(14.6)	0.4	2,566.0	2,558.8
	Loss for the period	-	-	-	-	-	(559.6)	(559.6)
12	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(206.3)	(206.3)
	Fair value gain on cash flow hedges	-	-	-	18.4	-	-	18.4
	Tax on above items recognised in equity	-	-	-	(2.6)	-	48.0	45.4
	Total comprehensive income/(expense) for the period	-	-	-	15.8	-	(717.9)	(702.1)
	Transfers to inventories	-	-	-	(3.2)	-	-	(3.2)
	Balance at 25 July 2020	0.6	5.0	1.4	(2.0)	0.4	1,848.1	1,853.5
	Balance at 25 January 2020	0.6	5.0	1.4	(14.6)	0.4	2,566.0	2,558.8
	Loss for the year	-	-	-	-	-	(452.0)	(452.0)
12	Remeasurement of defined benefit pension scheme	-	-	-	-	-	(237.4)	(237.4)
	Fair value loss on cash flow hedges	-	-	-	(5.6)	-	-	(5.6)
	Tax on above items recognised in equity	-	-	-	0.3	-	55.2	55.5
	Total comprehensive expense for the year	-	-	-	(5.3)	–	(634.2)	(639.5)
	Transfers to inventories	-	-	-	5.4	–	–	5.4
	Balance at 30 January 2021	0.6	5.0	1.4	(14.5)	0.4	1,931.8	1,924.7
	Loss for the period	-	-	-	-	-	(40.5)	(40.5)
12	Remeasurement of defined benefit pension scheme	-	-	-	-	-	484.8	484.8
	Fair value loss on cash flow hedges	-	-	-	(8.5)	-	-	(8.5)
	Tax on above items recognised in equity	-	-	-	(0.5)	-	(80.1)	(80.6)
	Total comprehensive (expense)/income for the period	-	-	-	(9.0)	-	364.2	355.2
	Transfers to inventories	-	-	-	10.3	-	-	10.3
	Balance at 31 July 2021	**0.6**	**5.0**	**1.4**	**(13.2)**	**0.4**	**2,296.0**	**2,290.2**

Consolidated statement of cash flows
for the half year ended 31 July 2021

Notes		**Half year to 31 July 2021**	Half year to 25 July 2020	Year to 30 January 2021
		£m	£m	£m
13	**Cash generated from operations before Partnership Bonus**	**240.6**	302.8	831.3
	Net taxation paid	**5.6**	(14.6)	(16.0)
	Pension deficit reduction payments	**(5.0)**	(2.5)	(7.5)
	Finance costs paid	**(53.0)**	(56.9)	(114.7)
	Net cash generated from operating activities before Partnership Bonus	**188.2**	228.8	693.1
	Partnership Bonus paid	**-**	(31.4)	(31.4)
	Net cash flow in relation to Share Incentive Plan shares	**(7.1)**	(7.9)	(11.0)
	Net cash generated from operating activities after Partnership Bonus	**181.1**	189.5	650.7
	Cash flows from investing activities			
	Purchase of property, plant and equipment	**(77.4)**	(39.3)	(122.5)
	Purchase of intangible assets	**(53.3)**	(42.5)	(99.1)
	Proceeds from sale of property, plant and equipment and intangible assets	**10.9**	139.6	142.2
	Finance income received	**0.3**	3.1	4.0
	Cash (outflow)/inflow from short-term investments	**(391.5)**	291.1	316.1
	Net cash (used in)/from investing activities	**(511.0)**	352.0	240.7
	Cash flows from financing activities			
	Finance costs paid in respect of bonds	**-**	-	(31.1)
	Finance costs paid in respect of financial instruments	**(2.5)**	(2.8)	-
	Payment of capital element of leases	**(77.8)**	(34.0)	(90.1)
	Payments to Share Incentive Plan shareholders	**(0.2)**	(0.3)	(0.3)
	Cash (outflow)/inflow from borrowings	**(75.0)**	448.3	150.0
	Net cash (used in)/from financing activities	**(155.5)**	411.2	28.5
	(Decrease)/Increase in net cash and cash equivalents	**(485.4)**	952.7	919.9
	Net cash and cash equivalents at beginning of the period	**1,518.2**	598.3	598.3
	Net cash and cash equivalents at end of the period	**1,032.8**	1,551.0	1,518.2
	Net cash and cash equivalents comprise:			
	Cash at bank and in hand	**162.8**	129.6	178.2
	Short-term deposits	**870.0**	1,421.4	1,340.0
		1,032.8	1,551.0	1,518.2

Notes to the financial statements

1 Basis of preparation

This condensed set of interim financial statements was approved by the Board on 15 September 2021. The condensed set of interim financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed set of interim financial statements is unaudited and has not been reviewed by the auditor. The comparative information for the half year to or as at 25 July 2020 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 31 July 2021 have been prepared using the discrete period approach, considering the half year as an accounting period in isolation. The tax charge is based on the effective rate estimated for the full-year, which has been applied to the profits in the first half year.

The Partnership's published financial statements for the year ended 30 January 2021 have been reported on by the Partnership's auditor and filed with the Registrar of Companies. The report of the auditor was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed set of interim financial statements for the half year ended 31 July 2021 has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed set of interim financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 30 January 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Changes to significant accounting policies are described in note 2.

Going concern

In determining the appropriate basis of preparation of the condensed set of interim financial statements for the period ended 31 July 2021, the Directors are required to consider whether the Partnership can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Partnership, for the reasons set out below.

As at 31 July 2021, the Partnership had total assets less current liabilities of £5.3bn and net assets of £2.3bn. Liquidity as at that date remains strong at £1.9bn, made up of cash and cash equivalents, short-term investments and undrawn committed credit facilities of £0.5bn.

The financial year has started well with profits recovering, ahead of last year and the previous year. Both Waitrose stores and its online activities continued to perform well with the number of orders fulfilled more than double the level being fulfilled last year. Customer demand remained high during the lockdown earlier this year although, since the slow reopening of hospitality services, customer behaviour has begun to return to pre-pandemic patterns and year on year growth rates for online have slowed. For John Lewis, sales and trading operating profit has rebounded in the first half after a very disrupted year last year. On 28 June 2021, it was confirmed that the eight John Lewis stores proposed for closure earlier in the year will not reopen following the end of group consultation. The full impact of the Covid-19 pandemic is unknown at this time and is unpredictable, and our key priority continues to be the health and wellbeing of our Partners and customers, while we maintain our high standards of service.

Accordingly, the Directors have reviewed the continually evolving situation relating to Covid-19 and considered its longer term impacts, for example on consumer demand, by modelling a downside scenario to cover the going concern assessment period, being for the 12 month period ending September 2022. In addition, the Directors have modelled a further period to 28 January 2023 in order to cover the maturity of the revolving credit facility and term loan repayments which fall due ahead of this date. For the purposes of the going concern assessment, it is assumed that all Partnership borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The downside case represents an increasingly severe but plausible scenario. It assumes lockdown conditions resume in Q4 2021/22 and that John Lewis stores are closed during this period, with online sales remaining operational but with reduced demand.

Going concern (continued)

Waitrose remains operational both in store and online, albeit with sales and margin pulled back from current trading levels. This is followed by a further, deeper recession throughout the assessment period resulting in a further reduction in sales, as well as a reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, increasing pension deficit and under-delivery of key activities of the Partnership Plan. The impact of the downside adjustments has been reviewed against the Partnership's projected cash position and financial covenants. Should these occur, mitigating actions would be required to ensure that the Partnership remains liquid and financially viable.

The downside model has a significant adverse impact on sales, margin and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the downside scenario materialising. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend.

The Partnership has debt maturing in November 2021 when £64m (of a total £450m) syndicated facility matures. The Partnership's committed facilities contain one financial performance covenant, which is a profit based covenant ('Fixed Charge Cover'). The downside scenario modelled indicates that without mitigating actions a number of the Partnership's covenants relating to the bonds, term loans and undrawn committed credit facilities would breach at the next balance sheet date due to the reduction in profits and net assets modelled. However, whilst the scenario indicates breaches, the same scenario indicates that post mitigating actions, the cash low point under such a scenario would be £575m, under which our covenants would not breach, the bonds would not be required to be repaid early and the committed credit facilities would remain undrawn. The Partnership would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely and, if deemed necessary, the Partnership will seek a covenant relaxation from its bank group, or take other actions to replace the level of liquidity support provided by these facilities.

The downside detailed above is deemed by the Directors to provide a severe but plausible stress test on our ability to adopt the going concern basis. This includes a significant reduction in 2021/22 performance and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to forecast. Uncertainty exists in respect of the potential impact of Covid-19 in 2021/22 and its longer term economic impact. We have made our assessment based on our best view of the severe but plausible downside scenario that we might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of our asset base to support liquidity. Consequently, the Directors have concluded that it is not reasonable to do a further stress test of a level of increased severity beyond the severe downside already modelled.

Consequently, the Directors have concluded that the Partnership and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the condensed set of interim financial statements and therefore have prepared the financial statements on a going concern basis.

2 Accounting policies

The Partnership's results for the half year to 31 July 2021 have been prepared on a basis consistent with the Partnership's accounting policies published in the financial statements for the year ended 30 January 2021.

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

3 Risks and uncertainties

The Partnership has a formal risk identification process which includes a rigorous analysis of internal and external risks within leadership teams, at the Executive Team, Audit and Risk Committee, Ethics & Sustainability Committee and the Partnership Board. The principal risks and uncertainties affecting the Partnership were reported in the Strategic Report, set out on pages 48 to 56 of the John Lewis Partnership Annual Report and Accounts 2021, a copy of which is available on the Partnership's website www.johnlewispartnership.co.uk. All risks remain relevant for the second half of the financial year.

Covid-19 continues to be the most significant external risk currently facing the Partnership, impacting our customers, Partners, supply chain, stores and online operations. The Partnership has proactively responded to Covid-19, for example by implementing personal protective equipment and social distancing measures across all of our shops and supply chain; increasing Waitrose online delivery capacity; prioritising our vulnerable customers; and protecting our liquidity through reducing capital and investment expenditure, deferring or cancelling discretionary spend such as marketing, and negotiating financing arrangements. Despite the relaxation of restrictions in recent months, our priority continues to be to protect the safety and wellbeing of our customers and Partners and support the community.

Principal risks:

- External environment: external environment changes impact the delivery of business-as-usual (BAU) operations or strategic objectives;
- Proposition: failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage;
- Partner differentiation: the responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our purpose;
- Information security: loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues;
- Liquidity: insufficient cash when needed to support operating cash flows, pay our debts or invest for the future;
- Change delivery: change does not realise the desired benefits and drives unforeseen cost and consequences;
- Customer experience: Customers do not receive differentiated, excellent customer service across touchpoints;
- Regulatory non-compliance: failure to comply with key regulatory requirements;
- Ethics and sustainability: failure to live up to our ethics and sustainability ambition; and
- Partner wellbeing: partners' sense of wellbeing is threatened by societal and organisational uncertainty and change.

Looking forward to the second half of the year, the Partnership will continue to monitor global Covid-19 developments, Government and National Institute for Health Protection guidance and respond appropriately, whilst maintaining customer service and protecting Partners and local communities. Emerging risks around UK labour shortages, especially in areas like drivers, alongside inflationary effects from global supply chain challenges will be actively monitored and mitigating actions taken.

4 Exceptional items

	Half year to 31 July 2021		Half year to 25 July 2020		Year to 30 January 2021	
	Operating (expenses)/ income £m	**Taxation credit/ (charge) £m**	Operating (expenses)/ income £m	Taxation credit/ (charge) £m	Operating (expenses)/ income £m	Taxation credit/ (charge) £m
Strategic restructuring and redundancy programmes						
Physical estate	**(63.4)**	**6.8**	(105.5)	12.9	(93.7)	15.6
Shop operations	**(41.3)**	**9.9**	0.2	-	0.6	(0.1)
Head office reviews	**7.4**	**(1.7)**	(12.6)	1.2	(96.1)	18.3
	(97.3)	**15.0**	(117.9)	14.1	(189.2)	33.8
Store impairments – John Lewis	**(0.6)**	**(2.6)**	(470.7)	61.0	(468.1)	72.2
Store impairments – Waitrose	**-**	**0.1**	9.3	(1.2)	9.6	(1.3)
Pay provision	**-**	**-**	(0.3)	0.1	(0.3)	0.1
	(97.9)	**12.5**	(579.6)	74.0	(648.0)	104.8

Strategic restructuring and redundancy programmes
Since January 2021, the Partnership has continued its strategic review of physical estate with the closure of a further eight John Lewis stores, announced a major reorganisation of management structures in John Lewis and Waitrose stores, and progressed with the restructure of head office functions. These programmes present significant deviations from normal operations for the Partnership, in terms of their size and nature, and are therefore presented as exceptional items to provide a more meaningful view of the Partnership's underlying business performance. The financial impacts of these programmes are detailed below.

Physical estate: Since 2017, we have been working on our programme of optimising our existing estate; this includes ensuring that the size and shape of our physical estate is delivering on both our customer proposition, and financial returns. With the launch of the Partnership Plan, and the acceleration of change we have seen in customer shopping behaviour, we have refocused on the need to ensure our stores reflect how our customers want to shop - 'right space, right place' - and as a result we anticipate these changes may now be extended to 2025/26.

Following the closure of eight John Lewis stores in 2020, it was confirmed in June 2021 that a further eight stores would be closed this year. A subsequent review of our distribution network led to the proposal in July 2021 for the Uckfield CDH to close in the first half of 2022. Accordingly, at July 2021 we have recognised a net exceptional charge of £(63.4)m (January 2021: £(93.7)m; July 2020: £(105.5)m; charges recognised following the announcement of the first eight John Lewis store closures). The net charge includes the impairment of assets (reflecting the shortening of the useful economic life), accelerated depreciation of buildings and fixtures and fittings, and management's best estimate of closure costs including onerous leases, dilapidations, project costs and, where closure has been approved and announced, redundancy costs. The impairment charge of the recently announced store closures are included in this category.

4 Exceptional items (continued)

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

The next stage of this review was announced in July 2021, with the proposal to simplify and reduce layers of management in Waitrose and John Lewis shops. Approximately 3,000 Partners entered into a period of consultation in July with a proposed overall reduction of around 1,000 management roles. As such, £(39.4)m of expected redundancy-related costs, as well as £(1.9)m of project costs, have been recognised at July 2021, based on management's best estimate of future expenses. In the year to January 2021, a credit of £0.6m was recognised in exceptional items under 'shop operations' due to the release of redundancy provisions relating to the prior year.

Head office: The transformation of head office operations has continued this half. This is part of the wider review of a number of pan Partnership functions which began at the end of 2017. Given the scale of the change, the delivery of these reviews was expected to take four years, and are now well progressed with the completion of the consultation periods for the Head Office Transformation (HOT) programme. This programme was announced as part of the Partnership Plan in November 2020 and builds on previous reviews to make the head office leaner and more efficient. Last financial year £(96.1)m of exceptional costs were recognised for head office reviews, £(72.6)m of which were based on management's best estimates of expected costs for redundancy and voluntary severance related to the HOT programme. Following completion of the consultation periods, the expected costs have been updated resulting in a net credit of £7.4m recognised at July 2021. The credit related to the release of these provisions has been classified as exceptional as the original charge was treated as such last financial year. This net credit also includes expenses incurred this half for consultancy fees and redundancies related to the Tech & Change restructure.

Included within operating expenses, and not separately reported as exceptional, are £(3.0)m (January 2021: £(4.0)m; July 2020: £(1.4)m) of restructuring and redundancy costs which are considered by the Partnership to be separate from our strategic programmes and part of the underlying business performance.

Store impairments (Waitrose)
At July 2021, there was no charge to exceptionals (January 2021: £9.6m credit; July 2020: £9.3m credit).

Store impairments (John Lewis)
At July 2021, a net impairment charge of £(0.6)m (January 2021: £(468.1)m charge; July 2020: £(470.7)m charge) has been recognised. The cash flow forecasts across the John Lewis store estate at July 2021 have been updated for the latest view of future trading, allocation of online sales and the impact of the John Lewis property strategy concluded during the period.

The updated cash flow forecasts have led to a reversal of impairment charges of £70.4m and new impairment charges of £(71.0)m. The existing provisions were previously charged as exceptional. By virtue of the size of the charge, and that the circumstances which have led to the charge arising are unique and unusual, the charge has been recognised as exceptional. See note 9 for further detail.

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

5 Segmental reporting

The Partnership's reporting segments are determined based on the internal financial reporting to the chief operating decision-maker (CODM) and is split by the business activities of its brands (John Lewis and Waitrose).

The Executive Team reviews the operating performance for each Brand (John Lewis and Waitrose) in the Partnership, using non-GAAP measures known as total trading sales and trading operating profit ('TOP').

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

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

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

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

	Waitrose £m	John Lewis £m	Partnership £m
Half year to 31 July 2021			
Total trading sales	**3,792.5**	**2,081.7**	**5,874.2**
Value added tax	(221.2)	(337.8)	(559.0)
Sale or return and other accounting adjustments	(56.5)	(105.9)	(162.4)
Revenue	**3,514.8**	**1,638.0**	**5,152.8**
Trading operating profit[1]	**524.6**	**295.0**	**819.6**
Centrally managed costs including property			(430.5)
Depreciation and amortisation			(244.3)
Operating profit before exceptional items and Partnership Bonus			**144.8**
Exceptional items			(97.9)
Operating profit before Partnership Bonus			**46.9**
Finance costs			(80.0)
Finance income			4.4
Loss before Partnership Bonus and tax			**(28.7)**
Partnership Bonus			-
Loss before tax			**(28.7)**

[1] Included in trading operating profit is other operating income of which £46.5m (split between operating segments: £31.6m John Lewis and £14.9m Waitrose) represents further income from external customers. This is reported to the CODM separately as part of other income and expenses.

5 Segmental reporting (continued)

	Waitrose £m	John Lewis £m	Partnership £m
Half year to 25 July 2020			
Total trading sales	**3,706.7**	**1,860.3**	**5,567.0**
Value added tax	(210.8)	(302.5)	(513.3)
Sale or return and other accounting adjustments	(56.1)	(78.2)	(134.3)
Revenue	**3,439.8**	**1,479.6**	**4,919.4**
Trading operating profit[1]	**585.7**	**152.9**	**738.6**
Centrally managed costs including property			(524.3)
Depreciation and amortisation			(192.7)
Operating profit before exceptional items and Partnership Bonus			**21.6**
Exceptional items			(579.6)
Operating loss before Partnership Bonus			**(558.0)**
Finance costs			(84.8)
Finance income			8.2
Loss before Partnership Bonus and tax			**(634.6)**
Partnership Bonus			-
Loss before tax			**(634.6)**

[1] Included in trading operating profit is other operating income of which £48.1m (split between operating segments: £22.4m John Lewis and £25.7m Waitrose) represents further income from external customers. This is reported to the CODM separately as part of other income and expenses.

	Waitrose £m	John Lewis £m	Partnership £m
Year to 30 January 2021			
Total trading sales	**7,595.2**	**4,721.9**	**12,317.1**
Value added tax	(438.9)	(766.9)	(1,205.8)
Sale or return and other accounting adjustments	(112.4)	(227.1)	(339.5)
Revenue	**7,043.9**	**3,727.9**	**10,771.8**
Trading operating profit[1]	**1,144.6**	**554.4**	**1,699.0**
Centrally managed costs including property			(900.6)
Depreciation and amortisation			(510.0)
Operating profit before exceptional items and Partnership Bonus			**288.4**
Exceptional items			(648.0)
Operating loss before Partnership Bonus			**(359.6)**
Finance costs			(168.9)
Finance income			11.3
Loss before Partnership Bonus and tax			**(517.2)**
Partnership Bonus			-
Loss before tax			**(517.2)**

[1] Included in trading operating profit is other operating income of which £95.6m (split between operating segments: £50.0m John Lewis and £45.6m Waitrose) represents further income from external customers. This is reported to the CODM separately as part of other income and expenses.

6 Revenue

Disaggregation of revenue from contracts with customers

The revenue recognition policy is unchanged from that described in the Annual Report and Accounts for the year ended 30 January 2021.

We analyse our revenue between goods and services. Goods are split into four major product lines: Grocery, Home, Fashion and Technology. Services comprise free service guarantees on selected goods. This presentation is consistent with how our Executive Team reviews performance. In line with our five-year Partnership Plan, we expect our service offering to increase in the coming year and, as such, will keep this reporting under review including the classification of commission income from other services as other income rather than revenue.

	Half year to 31 July 2021 £m	Half year to 25 July 2020 £m	Year to 30 January 2021 £m
Major product lines			
Goods			
- Grocery	**3,512.9**	3,430.2	7,040.4
- Home	**501.7**	390.1	995.5
- Fashion	**430.4**	383.5	946.6
- Technology	**660.9**	668.9	1,695.5
Services			
- Free warranty	**12.7**	13.3	25.9
- Other revenue	**34.2**	33.4	67.9
	5,152.8	4,919.4	10,771.8

7 Net finance costs

	Half year to 31 July 2021	Half year to 25 July 2020	Year to 30 January 2021
	£m	£m	£m
Finance costs			
Finance costs in respect of borrowings and lease liabilities[1]	**(72.3)**	(74.2)	(150.1)
Fair value measurements and other	**(0.9)**	(2.5)	(2.5)
Net finance costs arising on defined benefit retirement scheme	**(5.0)**	(3.9)	(7.8)
Net finance costs arising on other employee benefit schemes	**(1.8)**	(4.2)	(8.5)
Total finance costs	**(80.0)**	(84.8)	(168.9)
Finance income			
Finance income in respect of cash and short-term investments[2]	**3.4**	5.2	8.8
Fair value measurements and other	**1.0**	3.0	2.5
Total finance income	**4.4**	8.2	11.3
Net finance costs	**(75.6)**	(76.6)	(157.6)

[1] Finance costs in respect of borrowings and lease liabilities include interest payable on interest rate swaps of £2.5m (July 2020: £2.8m; January 2021: £5.3m) and lease liabilities of £49.2m (July 2020: £53.7m; January 2021: £104.2m).
[2] Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £3.1m (July 2020: £3.1m; January 2021: £6.1m).

Capitalised borrowing costs totalled £0.3m (July 2020: £0.9m; January 2021: £2.2m) of which £nil (July 2020: £0.8m January 2021: £2.1m) were capitalised within intangible assets and £0.3m (July 2020: £0.1m; January 2021: £0.1m) were capitalised within property, plant and equipment.

8 Income taxes

Income tax expense is recognised based on management's best estimate of the full-year effective tax rate based on estimated full-year profits excluding any discrete items. The tax charge on discrete items at half year is calculated separately. The effective tax rate at the half year is higher than would be expected for the full-year. This is as a result of a significant number of discrete items at the half year.

On 3 March 2021, the UK Government announced its intention to increase the rate of corporation tax from 19% to 25% with effect from 1 April 2023. The Finance Act 2021 received Royal Assent on 10 June 2021. The impact of the enacted change to the Partnership is an increase to the net deferred tax asset on the balance sheet of £32.7m.

9 Property, plant and equipment, Intangible assets, and Right-of-use assets

	Property, plant and equipment	Intangible assets	Right-of-use assets	Total
	£m	£m	£m	£m
Net book value at 30 January 2021	2,983.5	467.9	1,540.2	4,991.6
Additions[1]	67.7	53.5	53.0	174.2
Depreciation and amortisation[2]	(109.7)	(64.9)	(77.5)	(252.1)
Disposals and write-offs	(0.3)	(0.1)	(0.1)	(0.5)
Net book value at 31 July 2021	2,941.2	456.4	1,515.6	4,913.2

[1] For the period ended 31 July 2021, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £14.7m (January 2021: £24.4m) and intangible assets of £1.7m (January 2021: £1.1m).

[2] For the period ended 31 July 2021 depreciation and amortisation includes net impairment charges of £(9.1)m to right-of-use assets (January 2021: £(209.9)m) and £(1.9)m to land and buildings (January 2021: £(274.0)m), and an impairment release of £3.2m to fixtures and fittings (January 2021: £(41.8)m).

Intangible assets primarily relate to internally developed computer software.

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

The impairment review methodology is unchanged from that described in the Annual Report and Accounts for the year ended 30 January 2021. The review compares the recoverable amount for each Cash Generating Unit (CGU), typically a store, to the carrying value on the balance sheet; this includes right-of-use assets. It considers the Value in Use (VIU) of a CGU compared to the carrying value in the first instance, and subsequently the fair value less cost to dispose if the VIU is lower than the CGU carrying value.

External market valuations are regularly obtained by the Partnership and used within the consideration of fair value less cost to dispose. This is an annual exercise completed ahead of each year end that considers the available market for department store properties and factors in the impact of the Covid-19 pandemic.

The key assumptions in the calculations are the discount rate, expected sales and margin performance, the allocation of online sales to stores in the determination of the JL store Cash Generating Units (CGUs) and market valuations considered in fair value less costs of disposal calculations. The discount rate is a pre-tax rate derived from the Partnership's weighted average cost of capital and is 10% (Jan 2021: 7%) in Waitrose and 14% (Jan 2021: 10%) in JL.

Following the impairment review, the Partnership recognised a net impairment charge arising from JL stores as an exceptional charge of £(0.6)m across property, plant and equipment and right-of-use assets. Additionally, a £(9.9)m charge was recognised as exceptional in relation to our Physical Estate programme and represents the impairment of assets in our JL store closure programme. A £2.7m credit relating to Waitrose stores was not recognised as exceptional. The total impairment charge at the half year is £(7.8)m.

The existing provisions have an underlying reduction due to utilisation of the provision, which is principally due to store exits: £42.5m for JL and £4.1m for Waitrose.

9 Property, plant and equipment, Intangible assets, and Right-of-use assets (continued)

John Lewis store impairment

The Covid-19 pandemic continues to represent an impairment trigger. As such, all John Lewis (JL) stores have been tested for impairment, in line with last year.

The calculations use a post-tax cash flow based on a five year plan approved by the Board. The forecasts are then extrapolated beyond the five-year period using a long-term growth rate of 2.0%. The plan has been prepared following the lifting of lockdown restrictions associated with the pandemic and including the impact of the updated property strategy. The key assumptions in this plan are the recovery of JL shop sales from the impact of Covid-19 restrictions, year on year sales growth and margin assumptions. The plan differentiates between online and shop sales growth/decline, which is relevant to our store CGUs that continue to include an allocation of online sales.

The impact of the JL impairment review is a net charge of £(0.6)m to exceptionals. The cash flow forecasts across the John Lewis store estate have been updated for the latest view of future trading which includes the impact of the John Lewis property strategy announced during the half year, allocation of online sales and continued change in customer shopping behaviour. The updated cash flow forecasts have led to a reversal of impairment charges of £70.4m and new impairment charges of £(71.0)m.

For the JL business, there is significant ongoing market uncertainty and changing customer behaviours. The JL impairment estimation is most sensitive to changes in sales and margin forecasts, as well as the allocation of online sales, and therefore sensitivity analysis has focused on these aspects of the impairment evaluation. Management's review of historical forecasts shows an average variance for the sales growth of 2.7%. Reducing the sales growth by this percentage would increase the net JL impairment by £(19.8)m.

Judgement is required as to whether online sales (and associated costs) should be attributed to JL stores for the purposes of impairment testing. Our allocation of a proportion of online sales, made by customers who shop both online and in shops('omnichannel'), is supported by the 'omnichannel' approach embedded in our strategy, management and operation of our stores. It reflects the role our stores play in providing customers with an opportunity to browse, touch and feel our product range before purchasing online. The merchandising of the product offer in our physical estate provides inspiration for our customers who may then choose to purchase online (in particular for larger items and more considered purchases in our Home offer). For these reasons, online sales are allocated to stores based on Click & Collect online sales, and also a further proportion of online sales to reflect the role the store plays in facilitating online purchases. This further allocation is based on evidence of a physical touchpoint with the store through previous purchasing behaviour. The allocations of the sales and weighting of the drivers (i.e. Click & Collect versus greater allocation to reflect the role the store plays in facilitating online sales) varies by store.

Given the pace of change in customer behaviour and the transition to online purchasing, as well as the sensitivity of the JL impairment to the online allocation, management continue to consider how further changes could impact impairment. If the online allocation assumptions were reduced such that only online sales serviced through instore Click & Collect were allocated to CGUs, this would further increase the impairment provision by £(146.5)m. If no online sales were attributed to the CGUs, the impairment provision would increase by £(211.5)m.

The discount rate used in the calculation of cash flows is derived from the JL Weighted Average Cost of Capital (WACC) which has increased since the year end. An increase in the discount rate assumption of 100 bps would increase the JL impairment by £(3.5)m.

9 Property, plant and equipment, Intangible assets, and Right-of-use assets (continued)

Waitrose store impairment

The impairment calculations for Waitrose stores use a post-tax cash flow based on a five year plan approved by the Board. The forecasts are then extrapolated beyond the five-year period using a long-term growth rate of 2.0%. The key assumptions in this plan are the stabilisation of sales following the pandemic disruption, year on year sales growth and margin assumptions. Waitrose online sales are allocated directly to the store that the online order is picked and fulfilled from. Online sales are therefore included in the Waitrose CGUs as the sales are directly attributable to store activity; this is not considered a key judgement.

The Waitrose Customer Fulfilment Centres (CFCs) have been included in the impairment review alongside the store CGUs in a way that reflects the commercial reality that the CFCs are designed to serve specific regional postcodes of the UK alongside the stores.

The impact of the Waitrose impairment review is a net credit of £2.7m within operating expenses. It includes the release of previous impairment charges of £9.5m due to improved store performance which has been judged to be sustainable. These reversals have been partly offset by new impairment charges of £(6.8)m relating to performance deterioration on a small number of stores.

The Waitrose impairment estimation is most sensitive to changes in the sales growth and margin assumptions. Based on realistic and reasonable variations to the forecast currently used by the business, reducing the sales growth by 0.7% and the margin assumption by 50 bps would together increase the impairment by £(7.5)m. Management's review of historical forecasts shows an average variance for the sales growth of 0.6%. Reducing the sales growth by this percentage would increase the Waitrose impairment by £(1.6)m.

The discount rate used in the calculation of cash flows is derived from the Waitrose Weighted Average Cost of Capital (WACC) which has increased from year end. Increasing the discount rate by 100 bps would increase the Waitrose impairment by £(2.4)m.

10 Assets held for sale

At 31 July 2021, there were no properties recorded as held for sale.

At 30 January 2021, one property asset in Waitrose was recorded as held for sale with a total carrying value of £10.6m and has been subsequently sold.

At 25 July 2020, four property assets in Waitrose were recorded as held for sale with a total carrying value of £14.1m and have been subsequently sold.

11 Provisions

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 30 January 2021	(150.7)	(37.2)	(26.7)	(90.4)	(51.0)	(356.0)
Charged to income statement	(4.9)	(27.7)	(7.0)	(105.9)	(2.1)	(147.6)
Released to income statement	-	-	0.9	24.0	4.6	29.5
Utilised	3.0	37.2	4.2	46.9	5.5	96.8
At 31 July 2021	**(152.6)**	**(27.7)**	**(28.6)**	**(125.4)**	**(43.0)**	**(377.3)**

Of which:						
Current	(35.1)	(27.7)	(11.1)	(125.4)	(8.4)	(207.7)
Non-current	(117.5)	-	(17.5)	-	(34.6)	(169.6)

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

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

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

Provisions held for reorganisation relate to strategic restructuring and redundancy programmes; principally in relation to the ongoing review of the Partnership's physical estate, our shop management reorganisation, as well as head office and central function restructuring.

Other provisions primarily include property related costs.

12 Retirement benefit obligations

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

On 1 April 2020, the defined benefit section of the scheme closed to future accrual. Following closure, members' deferred pensions now increase annually by inflation up to 5% per annum (measured using CPI).

Pension commitments have been calculated based on the most recent actuarial valuations, as at 31 March 2019, which have been updated by the actuaries to reflect the assets and liabilities of the scheme as at 31 July 2021. The next triennial actuarial valuation of the scheme will take place as at 31 March 2022.

Scheme assets are stated at market value at 31 July 2021.

The following financial assumptions have been used:

	31 July 2021	25 July 2020	30 January 2021
Discount rate	**1.70%**	1.50%	1.55%
Future retail price inflation (RPI)	**3.05%**	2.70%	2.75%
Future consumer price inflation (CPI)	**2.60%**	1.90%	2.30%
Increase in pensions - in payment			
Pre-April 1997	**1.85%**	1.55%	1.75%
April 1997 - April 2016	**2.85%**	2.60%	2.65%
Post-April 2016	**1.85%**	1.55%	1.75%
Increase in pensions - deferred	**2.60%**	1.90%	2.30%

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

	Half year to 31 July 2021 £m	Half year to 25 July 2020 £m	Year to 30 January 2021 £m
Net defined benefit liability at beginning of period	**(646.9)**	(417.4)	(417.4)
Operating cost/Pension expense	**(3.9)**	(23.0)	(26.6)
Interest cost on pension liabilities	**(57.1)**	(64.1)	(128.1)
Interest income on assets	**52.1**	60.2	120.3
Contributions	**7.1**	26.8	42.3
Total gains/(losses) recognised in equity	**484.8**	(206.3)	(237.4)
Net defined benefit liability at end of period	**(163.9)**	(623.8)	(646.9)

12 Retirement benefit obligations (continued)

The post-retirement mortality assumptions used in valuing the pension liabilities were based on the 'S2 Light' (30 January 2021: 'S2 Light'; 25 July 2020: 'S2 Light') series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 127% for males and 106% for females who were non pensioners, and 130% for males and 109% for females who were pensioners (30 January 2021: 127% for males and 106% for females; 25 July 2020: 127% for males and 106% for females). Future improvements in life expectancy have been allowed for in line with the latest CMI model projections subject to a long-term trend of 1.25% (30 January 2021: 1.25%; 25 July 2020: 1.25%). The average life expectancies assumed were as follows:

	31 July 2020		30 January 2021	
	Men	**Women**	Men	Women
Average life expectancy for a 65 year old (in years)	**20.9**	**23.3**	21.1	23.4
Average life expectancy at age 65, for a 50 year old (in years)	**21.9**	**24.6**	22.0	24.5

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

	Half year to 31 July 2021	Half year to 25 July 2020	Year to 30 January 2021
	£m	£m	£m
Loss before tax	**(28.7)**	(634.6)	(517.2)
Amortisation and write offs of intangible assets [1]	**64.9**	65.1	135.6
Depreciation [1]	**187.2**	719.0	906.1
Share of (profit)/loss of joint venture (net of tax)	**(0.5)**	0.4	(0.9)
Net finance costs	**75.6**	76.6	157.6
Partnership Bonus	**-**	-	-
Fair value (gains)/losses on derivative financial instruments	**(1.2)**	1.2	(0.3)
Loss/(profit) on disposal of property, plant and equipment and intangible assets	**2.3**	(10.0)	(21.0)
Decrease/(increase) in inventories	**14.2**	53.6	(30.2)
(Increase)/decrease in receivables	**(50.1)**	23.0	80.0
(Decrease)/increase in payables	**(44.4)**	(33.9)	51.4
Increase/(decrease) in retirement benefit obligations	**1.8**	(1.3)	(8.2)
Increase in provisions	**19.5**	43.7	78.4
Cash generated from operations before Partnership Bonus	**240.6**	302.8	831.3

[1] Includes net impairment charges

14 Analysis of net debt

	30 January 2021	Cash flow	Other non–cash movements	31 July 2021
	£m	£m	£m	**£m**
Non–current assets				
Derivative financial instruments	0.1	-	0.7	**0.8**
	0.1	-	0.7	**0.8**
Current assets				
Cash and cash equivalents	1,518.2	(485.4)	-	**1,032.8**
Short-term investments	0.3	391.5	-	**391.8**
Derivative financial instruments	7.2	0.8	(2.5)	**5.5**
	1,525.7	(93.1)	(2.5)	**1,430.1**
Current liabilities				
Borrowings and overdrafts	(107.8)	81.9	-	**(25.9)**
Lease liabilities	(127.3)	127.0	(135.5)	**(135.8)**
Derivative financial instruments	(20.9)	9.7	(9.1)	**(20.3)**
	(256.0)	218.6	(144.6)	**(182.0)**
Non–current liabilities				
Borrowings	(800.3)	0.2	-	**(800.1)**
Unamortised bond transaction costs	8.8	-	(0.8)	**8.0**
Fair value adjustment for hedged element on bonds	(4.2)	-	1.7	**(2.5)**
Lease liabilities	(1,910.0)	-	30.2	**(1,879.8)**
Derivative financial instruments	(2.7)	-	2.1	**(0.6)**
	(2,708.4)	0.2	33.2	**(2,675.0)**
Total net debt	(1,438.6)	125.7	(113.2)	**(1,426.1)**

During the period ended 31 July 2021, one term loan of £75m due for repayment in November 2021 was repaid early.

Reconciliation of net cash flow to net debt

	Half year to 31 July 2021	Half year to 25 July 2020	Year to 30 January 2021
	£m	£m	£m
(Decrease)/increase in net cash and cash equivalents in the period	**(485.4)**	952.7	919.9
Cash outflow/(inflow) from movement in short-term investments	**391.5**	(291.1)	(316.1)
Cash outflow/(inflow) from borrowing	**75.0**	(448.3)	(150.0)
Cash outflow from SIP shares	**7.1**	7.9	11.0
Cash outflow from movement in other net debt items	**137.5**	85.1	199.8
Cash movement in net debt for the period	**125.7**	306.3	664.6
Opening net debt	**(1,438.6)**	(1,959.7)	(1,959.7)
Non-cash movements in net debt for the period	**(113.2)**	(34.3)	(143.5)
Closing net debt	**(1,426.1)**	(1,687.7)	(1,438.6)

15 Management of financial risks

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

This condensed set of interim financial statements does not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 30 January 2021. During the half year to 31 July 2021, the Partnership has continued to apply the financial risk management process and policies as detailed in the Annual Report and Accounts for the year ended 30 January 2021.

Valuation techniques and assumptions applied in determining the fair value of each class of asset or liability are consistent with those used as at 30 January 2021 and reflect the current economic environment.

Fair value estimation

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

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

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

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

During the half year to 31 July 2021, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date. The fair value of the derivative financial instruments held by the Partnership are classified as Level 2 under the IFRS 13 fair value hierarchy, as all significant inputs to the valuation model used are based on observable market data and are not traded in an active market. At 31 July 2021, the net fair value of derivative financial instruments was £14.6m, liability (30 January 2021: £16.3m, liability; 25 July 2020: £0.3m, asset).

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

	31 July 2021		25 July 2020		30 January 2021	
	£m	**£m**	£m	£m	£m	£m
	CV	**FV**	CV	FV	CV	FV
Financial liabilities						
Listed bonds	(592.0)	(659.8)	(590.4)	(580.0)	(591.2)	(641.5)

The fair values of the Partnership's listed bonds have been determined by reference to market price quotations and classified as Level 1 under the IFRS 13 fair value hierarchy. For other financial assets and liabilities, there are no material differences between carrying value and fair value.

16 Capital commitments

At 31 July 2021, contracts had been entered into for future capital expenditure of £49.2m (30 January 2021: £35.5m; 25 July 2020: £31.3m) of which £44.1m (30 January 2021: £30.5m; 25 July 2020: £22.1m) relates to property, plant and equipment and £5.1m (30 January 2021: £5.0m; 25 July 2020: £9.2m) relates to intangible assets.

17 Related party transactions

There have been no material changes to the principal subsidiaries listed in the Annual Report and Accounts for the year ended 30 January 2021. 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 31 July 2021.

18 Subsequent events

There are no disclosable subsequent events.

Statement of Directors' responsibilities

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

For and by Order of the Board

Sharon White, Chairman
Berangere Michel, Executive Director, Finance

15 September 2021