John Lewis plc
Unaudited condensed Interim Financial Statements for the half year ended 30 July 2016
Strict Stock Exchange Embargo, 7.00am
Thursday 15 September 2016

Taking charge of our future

Financial Summary

	Waitrose		John Lewis		Group	
	£m	YoY change	£m	YoY change	£m	YoY change
Gross sales(1)	**3,250.6**	*2.2%*	**2,023.7**	*4.5%*	**5,274.3**	*3.1%*
LFL sales(2)	**(1.0)%**		**3.1%**			
Revenue	**3,064.4**	*2.2%*	**1,607.0**	*3.8%*	**4,671.4**	*2.7%*
Operating profit before exceptional items(3)	**121.3**	*(10.5)%*	**32.4**	*(31.2)%*	**138.7**	*(4.3)%*
Operating profit(3)	**96.3**	*(28.9)%*	**32.4**	*(31.2)%*	**113.7**	*(58.3)%*
PBT before exceptional items(3)					**82.4**	*(14.8)%*
PBT(3)					**57.4**	*(74.5)%*
Net debt					**442.7**	*20.7%*

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

"We have grown gross sales and market share across both Waitrose and John Lewis, but our profits are down. This reflects market conditions and, in particular, steps we are taking to adapt the Group for the future. These are not as a consequence of the EU referendum result, which has had little quantifiable impact on sales so far. Instead there are far reaching changes taking place in society, in retail and in the workplace that have much greater implications.

Our ownership structure makes it especially important that we manage the Partnership carefully and thoughtfully for the long term and our plans anticipate the impact of these bigger changes. Evidence of that is already showing within these results and will become increasingly evident as we implement our long-term strategy."

Key points

- Solid gross sales growth of 3.1% with increased market shares(4) and rising customer numbers in challenging markets
- PBT before exceptional items down 14.8% to £82.4m as we respond to the deep structural changes in the retail market. Our commitment to competitive pricing, excellent service, maintaining pay differentials and investing for the long term have held back profits. We expect these pressures to continue through this year and next
- Exceptional charge of £25.0m for the write-down of property assets no longer intended to be developed and related costs, following a strategic review (2015/16: income of £128.0m following the sale of the Clearings building)
- Net debt of £442.7m, £115.4m (20.7%) lower than 1 August 2015 and consistent with our strategy of strengthening our balance sheet. Increase in net debt since January 2016 of £176.7m (66.4%)
- Accounting pension deficit of £1,453.7m, £512.1m (54.4%) higher than January 2016, reflecting a significant decrease in the real discount rate used to value the liabilities due to historically low bond yields. Net of deferred tax, the deficit was £1,209.1m

(1) Gross sales includes sale or return sales and VAT
(2) Waitrose like-for-like sales excludes petrol
(3) Includes property profits of £0.5m in Waitrose (2014/15: £nil)
(4) Kantar 12 week Grocery data for Waitrose / BRC for John Lewis

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Chairman's overview

In the first half of the year, the Group's gross sales grew 3.1% to £5.27bn. Waitrose gross sales grew 2.2% and John Lewis gross sales by 4.5%, with both brands growing market share and customer numbers. PBT before exceptionals was down by 14.8% with lower operating profits in Waitrose and John Lewis and higher financing costs for our long leave scheme, partly offset by reduced pension operating costs.

Our first half profits are always lower and often more volatile than in the second half which typically accounts for at least two-thirds of our annual profits. We have also decided to prioritise a number of key areas of investment including in IT, our distribution network and in pay, as well as making a shift towards our existing stores in Waitrose which has resulted in exceptional property asset write-downs. These decisions form part of our strategy to get ahead of the significant changes that are affecting the wider retail market and we are confident they will position us well for the future.

Our focus further into the future is reflected in every aspect of the Group's strategy, which was launched internally last year and described in detail in our Annual Report. It has three main themes.

The first is to **strengthen our financial position**, both to increase the resilience of our balance sheet to market shocks and to build our financial firepower to invest in new growth in the future. In the last six months we have taken a number of steps in this direction. In April 2016 we implemented changes to our pension benefit, agreed in 2015, which will reduce the Group's future risk exposure. We will also reduce capital expenditure to approximately £460m this year, 7% lower than last year, as part of our planned reduction in net debt, which has improved by 21% since last year. We also continue to make progress with the priority we have placed on improving productivity.

Secondly, we have anticipated the significant changes in how customers are choosing to shop and we are renewing our focus on **strengthening the appeal of our two well-loved brands**. This includes continuing with a greater proportion of investment in IT and our supply chain – both are critical to improving service and convenience. We are also increasing our focus on innovation. Examples this half include the launch of the Waitrose 1 premium range and a new own-brand luxury womenswear label, Modern Rarity, in John Lewis. We are also developing a series of initiatives to explore new growth opportunities and will make further announcements on these in due course.

Thirdly, we are committed to creating **better jobs, for better performing Partners, on better pay**. We intend to ensure Partners' pay remains well above the National Living Wage on average, and in this year's pay review in March, rates increased by 5.1% on average for our lowest paid Partners. Additional annualised pay costs for our lowest paid Partners will be £33m greater as a result, whereas had we simply complied with the National Living Wage, costs would have been only £3m higher than last year. However, higher pay depends on better productivity and greater contribution and we anticipate that this will mean we will have fewer Partners over time as compared to today. We are developing comprehensive plans to enhance job design, progression pathways and development support.

Outlook 2016/17

For the first six weeks of the second half, Group gross sales are up 3.8%. Waitrose gross sales have increased by 5.0% (1.4% like-for-like, excluding petrol) and John Lewis gross sales are 2.0% higher than last year (0.7% like-for-like). While we expect to trade well compared to the market, the structural changes in retail will not ease.

Our PBT before exceptional items is down 14.8% in the first half as we respond to the changes in the retail market. Our commitment to competitive pricing, excellent service, increasing pay and investing for the long term have held back profits. We expect the trading pressures to continue through this year and next. The EU referendum result has had little quantifiable impact on sales in the first half, but the uncertainty of leaving the EU will remain and the full impact of this change is yet to become clear.

Financial Results

In the first six months of the year, the Group delivered solid gross sales growth with both Waitrose and John Lewis increasing their market shares and customer numbers. Group gross sales (inc VAT) were £5.27bn, an increase of £157.7m, or 3.1%, on last year. Revenue, which is adjusted for sale or return sales and excludes VAT, was £4.67bn, up by £124.2m or 2.7%.

Group operating profit was £113.7m, down £159.2m, or 58.3% on last year. This includes an exceptional charge of £25.0m in Waitrose for the write-down of property assets no longer intended to be developed and related costs, following a strategic review re-prioritising future investment spend towards existing stores (2015/16: income of £128.0m following the sale of the Clearings building). Excluding the exceptional items, operating profit was £138.7m, down £6.2m or 4.3% on last year.

Profit before tax was £57.4m, down by £167.3m, or 74.5% on last year. Excluding the exceptional items it was £82.4m, down by £14.3m or 14.8%.

Waitrose

In a market that remains challenging, we grew gross sales, market share and customer numbers. Gross sales increased by 2.2% to £3.25bn, while like-for-like sales decreased by 1.0%. Online grocery sales grew by 4.3%. Our share of the market(5) was up to 5.2% and we had, on average, 250,000 more customer transactions a week compared to last year.

Operating profit before exceptional items was down 10.5% to £121.3m, impacted not only by the market conditions but also increases in pay to maintain differentials, investment in IT and higher supply chain costs following the transition to our new National Distribution Centre operation.

Including the exceptional item of £25.0m for the write-down of property assets that we now no longer intend to develop and related costs, operating profit was down 28.9% to £96.3m.

We opened seven new branches in the first half of the year, five core supermarkets and two convenience branches, and we closed one convenience branch. In the second half and beyond our Modern Waitrose strategy continues as we plan to increase both the depth and pace of investment in our existing stores. This will enable us to get the best value from our estate and to put even greater focus on what sets Waitrose apart: high quality and high service. As we shift the focus of our investment towards our existing branches the rate of new space growth will slow.

Hospitality sales grew by 7.1% and we now have 121 cafes, 81 bakery grazing areas, seven wine bars and nine juice bars in our branches. As customers' shopping and eating patterns change hospitality will play a big part in our branch programme; our next step will be to trial new concepts in our shops at Barbican, Chandlers Ford and Twyford during the second half.

We will continue to innovate with high quality, high provenance products. A highlight of the first half of this year was the launch of the Waitrose 1 premium range which underlines our leadership in this area and brings together in one brand the very best of Waitrose. The sales uplift in products in this range has been encouraging, up 19.4% on last year.

We now have 6.4 million myWaitrose cardholders, an increase of 7.5% in the last six months, with customers continuing to respond positively to the range of offers and rewards.

Overseas, we already export Waitrose products to 58 countries. A new export deal with Alibaba Group has given us the opportunity to export to China for the first time; and a partnership with online retailer, British Corner Shop, means that people in more than 100 countries are now able to buy over 2,000 Waitrose product lines.

(5) Kantar 12 week Grocery data

John Lewis

In a retail industry under pressure in the face of transformational change, John Lewis has continued to outperform, delivering solid gross sales of £2.02bn, up 4.5%, with strong like-for-like sales growth of 3.1% as we prepare for the critical sales and profit driving second half.

Despite growing sales, operating profit fell by 31.2% to £32.4m, with more than half of this decline due to transitioning costs in our distribution network as we temporarily maintain legacy sites to smooth the transition to Magna Park, and increases in pay to maintain differentials. The balance of the reduction reflects the continued shift to online and a market dynamic of competitive pricing, both of which we expect to continue into the second half.

Against this backdrop we remain committed to delivering our strategy and the first half saw record capital investment in the essentials of omnichannel trading as we go into our most important peak trading period.

The role of fulfilment is underscored by the state-of-the-art, industry-leading campus at Magna Park we will open in September, part of a £150 million investment which will streamline our network to become more productive and deliver better service to our customers.

Across our product areas, we increased gross sales and market share and invested in our in-house design capability to build our unique combination of own-brand collections and the best brands on the high street.

- EHT was up 8.4%, driven by our computing and tablet category, up 8.7%, mobile phones and our industry-first Smart Home concept in Oxford Street.
- Fashion performed well in a declining market with sales up 2.8%, with womenswear up 4.0% and menswear up 4.9%, boosted by our collaboration with vlogger Jim Chapman. Beauty was up 4.0%, and we are investing in refurbishments of our beauty halls. We were the first high street outlet to sell online brands Finery and Selfish Mother.
- Sales in Home were up 3.7%, as we continue to build towards a £1bn own brand business in the category. Sales were driven by furniture, up 6.8%, with beds up 13.7%. Outdoor living had a record half, up 14.0%. Our roll-out of West Elm continued and is now in 7 shops.

Our strategy for shops continues to be anchored in convenience and experience – giving our customers a reason to visit shops and inspiring them when they are there. While sales through this channel were down 1.0%, 65.5% of our merchandise sales come from branches and three-quarters of our customers buy in shops.

This year we will open in two new locations; in Leeds, our most services and experience led branch to date, and in Chelmsford, our first shop in Essex. Both will feature new concepts as well as our full in-store service offer across interior design, personal styling and technical advice.

Online sales represented 34.5% of total merchandise sales, up from 30.6% last year. Because our customers continue to value the convenience of digital and mobile shopping to complete their purchases, we have fully integrated our desktop, mobile and app, and have introduced services such as the Personal Style Edit and 'Find Similar'.

Overseas we are continuing to roll out our wholesale model with shop-in-shops in Australia and Ireland opening next year, taking our total international locations to 29, and we have increased the number of countries where johnlewis.com delivers to 40.

Despite unpredictable customer sentiment and long-term structural challenges faced by the retail industry, we are confident that our ongoing investments and our omnichannel strategy will position us to outperform the market in the critical second half where the majority of our sales and profit are delivered.

Partnership Services Group

Partnership Services and Group includes the operating costs for our Group offices and shared services, the costs for pan-Partnership initiatives and transformation programmes, and certain pension operating costs. Partnership Services and Group net operating costs increased by £3.2m or 19.6%, principally reflecting additional costs supporting initiatives to either drive sales growth through new business opportunities or to reduce costs through increased productivity. However, overall costs decreased by £22.7m to £15.0m, due to the decrease in pension operating costs.

Investment in the future

Capital investment in the first half of the year was £200.5m, a decrease of £37.4m (15.7%) on the previous year. Investment in Waitrose was £76.1m, down £38.7m (33.7%) on the previous year, and in John Lewis investment was £115.7m, up £6.5m (6.0%).

We have continued to focus our investment in IT and distribution, which now represents 55% of our total capital investment, up from 48% last year. In addition, we have decided to prioritise future investment in Waitrose in our existing shops ahead of new space.

Pensions

The pension operating cost was £96.4m, a decrease of £26.0m or 21.2% on the prior year costs, reflecting the impact of our move to a hybrid pension scheme combining defined benefit and defined contribution pensions from April 2016, as well as an increase in the real discount rate used to determine the cost to 0.70% at the beginning of the year from 0.35% at the beginning of the previous year. Pension finance costs were £14.8m, a decrease of £3.7m or 20.0% on the prior year, reflecting a reduction due to a lower accounting pension deficit at the beginning of the year than at the beginning of the previous year. As a result, total pension costs were £111.2m, a decrease of £29.7m or 21.1% on the prior year.

In February 2016, given the Group's strong liquidity position, we made a cash contribution of £137.0m to the pension scheme to prepay approximately 10 months of contributions. As a result, in the first half of the year, total cash contributions to the pension scheme totalled £139.3m, an increase of £56.5m or 68.2%. We are currently undertaking a triennial actuarial valuation as at 31 March 2016, our first since the changes to our pension benefit, which will determine our ongoing contribution rate. The valuation should conclude by December 2016.

The total accounting pension deficit at 30 July 2016 was £1,453.7m, an increase of £512.1m (54.4%) since 30 January 2016. Net of deferred tax, the deficit was £1,209.1m. Pension fund assets increased by £551.9m (13.1%) to £4,750.3m. However, the accounting valuation of pension fund liabilities increased by £1,064.0m (20.7%) to £6,204.0m, mainly reflecting a decrease in the real discount rate used to value the liabilities to -0.25% at July 2016 compared to 0.70% at January 2016, due to historically low bond yields. If this market driven rate persists at these levels to the end of January 2017, it will result in a significant increase in our pension operating costs for the next financial year, the year ending 27 January 2018.

Our deficit has increased by £512.1m over the last 6 months, driven by the steep reduction in interest rates. We are unusual in having an open defined benefit scheme, which means that it is a long term liability – our average duration is around 20 years - and that allows us to target higher returns than the average pension fund. We agree cash funding with the Trustee based on that long term funding commitment. Our open defined benefit pension scheme is an important part of the total reward that Partners receive, and as a co-owned business we have more flexibility in the balance between pay, pension and distribution of profits than many other organisations.

Financing

At 30 July 2016, net debt was £442.7m, £115.4m (20.7%) lower than 1 August 2015, reflecting our focus on cash generation and the reduction in capital investment. Net debt is £176.7m (66.4%) higher than January 2016.

Net finance costs on borrowings and investments decreased by £1.8m (5.9%) to £28.6m, mainly reflecting reduced finance costs following the repayment of the Partnership Bond in April 2016. After including the financing elements of pensions and long service leave and non-cash fair value adjustments, net finance costs increased by £8.1m (16.8%) to £56.3m, impacted by higher long leave financing costs arising from volatility in market driven assumptions.

Sustainability

We continue to embed sustainability in our business, understanding that being a responsible business has wide-reaching implications and underpins our long-term success. This year, Waitrose became the first retailer to announce a deadline to switch all branded canned tuna to more sustainable fishing methods. Recognising the threat from plastics to marine ecosystems, Waitrose is phasing out microbeads from all cosmetics, and cotton bud stems will soon be replaced with biodegradable paper. John Lewis is providing training to suppliers in the requirements of the Modern Slavery Act and has launched a supply chain mapping-tool in order to help suppliers identify sustainable sources of wood and paper.

Enquiries

For further information please contact:

Citigate Dewe Rogerson
Simon Rigby / Jos Bieneman — 020 7638 9571

John Lewis Partnership
Simon Fowler, Director of Communications — 07710 398460
Katie Robson, Group Senior External Communications Manager — 07764 675608

John Lewis
Peter Cross, Director, Communications — 07764 697674
Gillian Taylor, Head of External Communications — 07919 057931

Waitrose
Christine Watts, Communications Director — 07764 676414
Graeme Buck, Head of Communications — 07703 379561

Debt investors
Alan Drew, Group Head of Treasury — 07525 582955
Lynn Lochhead, Assistant Group Treasurer — 07834 770684

Notes to editors

The John Lewis Partnership - The John Lewis Partnership operates 46 John Lewis shops across the UK, johnlewis.com, 349 Waitrose shops, waitrose.com and business to business contracts in the UK and abroad. The business has annual gross sales of over £11bn. It is the UK's largest example of an employee-owned business where all 88,900 staff are Partners in the business.

Waitrose – winner of the Best Supermarket[1] and Best Food Retailer[2] awards - currently has 349 shops in England, Scotland, Wales and the Channel Islands, including 60 convenience branches, and another 27 shops at Welcome Break locations. It combines the convenience of a supermarket with the expertise and service of a specialist shop - dedicated to offering quality food that has been responsibly sourced, combined with high standards of customer service. Waitrose also exports its products to 58 countries worldwide and has eight shops which operate under licence in the Middle East. Waitrose's omnichannel business includes the online grocery service, Waitrose.com, as well as specialist online shops including waitrosecellar.com for wine, and waitrosekitchen.com for cookware, utensils and kitchen gadgets.

[1] Which? Customer Survey
[2] Verdict Customer Satisfaction Awards

John Lewis - John Lewis operates 46 John Lewis shops across the UK (32 department stores, 12 John Lewis at home and shops at St Pancras International and Heathrow Terminal 2) as well as johnlewis.com. John Lewis, 'Best In-Store Experience 2016', 'Best Clothing Retailer 2016', 'Best Electricals Retailer 2016', 'Best Furniture Retailer 2016' and 'Best Homewares Retailer 2016' and 'Best Click & Collect Retailer 2016'[3], typically stocks more than 350,000 separate lines in its department stores across fashion, home and technology. Johnlewis.com stocks over 280,000 products, and is consistently ranked one of the top online shopping destinations in the UK. John Lewis Insurance offers a range of comprehensive insurance products - home, car, wedding and event, travel and pet insurance and life cover - delivering the values of expertise, trust and customer service expected from the John Lewis brand.

[3] Verdict Consumer Satisfaction Awards 2016

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www.johnlewis.com/facebook
www.johnlewis.com/youtube

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

Consolidated income statement
for the half year ended 30 July 2016

Notes		**Half year to 30 July 2016 £m**	Half year to 1 August 2015 £m	Year to 30 January 2016 £m
5	**Gross sales**	**5,274.3**	5,116.6	11,018.8
5	**Revenue**	**4,671.4**	4,547.2	9,748.8
	Cost of sales	**(3,095.4)**	(3,012.9)	(6,442.1)
	Gross profit	**1,576.0**	1,534.3	3,306.7
	Other operating income	**46.4**	47.2	85.2
	Operating expenses before exceptional item	**(1,483.7)**	(1,436.6)	(2,992.5)
5	**Operating profit before exceptional item**	**138.7**	144.9	399.4
4	Exceptional item	**(25.0)**	128.0	129.3
5	**Operating profit**	**113.7**	272.9	528.7
6	Finance costs	**(57.8)**	(49.4)	(99.5)
6	Finance income	**1.5**	1.2	4.2
	Profit before Partnership Bonus and tax	**57.4**	224.7	433.4
	Partnership Bonus	–	–	(145.0)
	Profit before tax	**57.4**	224.7	288.4
7	Taxation	**(15.0)**	(51.7)	(66.0)
	Profit for the period	**42.4**	173.0	222.4

5	***Profit before Partnership Bonus, tax and exceptional item***	***82.4***	*96.7*	*304.1*

Consolidated statement of comprehensive income/(expense)
for the half year ended 30 July 2016

Notes		**Half year to 30 July 2016 £m**	Half year to 1 August 2015 £m	Year to 30 January 2016 £m
	Profit for the period	**42.4**	173.0	222.4
	Other comprehensive (expense)/income:			
	Items that will not be reclassified to profit or loss:			
10	Remeasurement of defined benefit pension schemes	**(564.0)**	144.6	411.1
7	Movement in deferred tax on pension schemes	**101.5**	(28.9)	(94.6)
	Items that may be reclassified subsequently to profit or loss:			
	Net gain/(loss) on cash flow hedges	**14.0**	(7.5)	7.9
7	Movement in deferred tax on cash flow hedges	**(2.7)**	1.5	(1.4)
	(Loss)/gain on currency translations	**(0.4)**	0.2	0.1
	Other comprehensive (expense)/income for the period	**(451.6)**	109.9	323.1
	Total comprehensive (expense)/income for the period	**(409.2)**	282.9	545.5

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Consolidated balance sheet
as at 30 July 2016

Notes		**30 July 2016 £m**	1 August 2015 £m	30 January 2016 £m
	Non–current assets			
8	Intangible assets	**402.1**	363.1	388.4
8	Property, plant and equipment	**4,146.3**	4,153.1	4,189.3
	Trade and other receivables	**64.6**	65.8	65.7
	Deferred tax asset	**133.6**	81.3	33.6
		4,746.6	4,663.3	4,677.0
	Current assets			
	Inventories	**589.6**	552.8	621.9
	Trade and other receivables	**258.0**	228.5	223.7
13	Derivative financial instruments	**25.6**	3.9	11.5
9	Assets held for sale	**6.8**	9.3	–
	Short-term investments	**25.0**	–	10.0
	Cash and cash equivalents	**403.8**	401.0	667.4
		1,308.8	1,195.5	1,534.5
	Total assets	**6,055.4**	5,858.8	6,211.5
	Current liabilities			
12	Borrowings and overdrafts	**(0.3)**	(57.4)	(57.7)
	Trade and other payables	**(1,523.6)**	(1,462.4)	(1,725.4)
	Current tax payable	**(17.6)**	(17.3)	(26.8)
12	Finance lease liabilities	**(1.5)**	(3.2)	(2.6)
	Provisions	**(118.3)**	(107.1)	(141.6)
13	Derivative financial instruments	**(3.5)**	(8.7)	(2.3)
		(1,664.8)	(1,656.1)	(1,956.4)
	Non–current liabilities			
12	Borrowings	**(867.9)**	(867.1)	(867.6)
	Trade and other payables	**(218.1)**	(185.8)	(209.3)
12	Finance lease liabilities	**(23.9)**	(26.6)	(24.7)
	Provisions	**(172.5)**	(165.7)	(148.2)
10	Retirement benefit obligations	**(1,453.7)**	(1,156.4)	(941.6)
		(2,736.1)	(2,401.6)	(2,191.4)
	Total liabilities	**(4,400.9)**	(4,057.7)	(4,147.8)
	Net assets	**1,654.5**	1,801.1	2,063.7
	Equity			
	Share capital	**6.7**	6.7	6.7
	Share premium	**0.3**	0.3	0.3
	Other reserves	**21.3**	(2.0)	10.4
	Retained earnings	**1,626.2**	1,796.1	2,046.3
	Total equity	**1,654.5**	1,801.1	2,063.7

Consolidated statement of changes in equity
for the half year ended 30 July 2016

Notes		Share capital	Share premium	Capital reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
		£m	£m	£m	£m	£m	£m	£m
	Balance at 31 January 2015	6.7	0.3	1.4	2.4	–	1,507.4	1,518.2
	Profit for the period	–	–	–	–	–	173.0	173.0
10	Remeasurement of defined benefit pension schemes	–	–	–	–	–	144.6	144.6
	Fair value losses on cash flow hedges	–	–	–	(4.7)	–	–	(4.7)
	– transfers to inventories	–	–	–	(1.9)	–	–	(1.9)
	– transfers to property, plant and equipment	–	–	–	(0.9)	–	–	(0.9)
	Tax on above items recognised in equity	–	–	–	1.5	–	(28.9)	(27.4)
	Gain on currency translations	–	–	–	–	0.2	–	0.2
	Balance at 1 August 2015	**6.7**	**0.3**	**1.4**	**(3.6)**	**0.2**	**1,796.1**	**1,801.1**

	Balance at 31 January 2015	6.7	0.3	1.4	2.4	–	1,507.4	1,518.2
	Profit for the year	–	–	–	–	–	222.4	222.4
10	Remeasurement of defined benefit pension schemes	–	–	–	–	–	411.1	411.1
	Fair value gains on cash flow hedges	–	–	–	9.7	–	–	9.7
	– transfers to inventories	–	–	–	(0.2)	–	–	(0.2)
	– transfers to property, plant and equipment	–	–	–	(1.6)	–	–	(1.6)
	Tax on above items recognised in equity	–	–	–	(1.4)	–	(94.6)	(96.0)
	Gain on currency translations	–	–	–	–	0.1	–	0.1
	Balance at 30 January 2016	6.7	0.3	1.4	8.9	0.1	2,046.3	2,063.7
	Profit for the period	–	–	–	–	–	42.4	42.4
10	Remeasurement of defined benefit pension schemes	–	–	–	–	–	(564.0)	(564.0)
	Fair value gain on cash flow hedges	–	–	–	21.1	–	–	21.1
	– transfers to inventories	–	–	–	(7.5)	–	–	(7.5)
	– transfers to property, plant and equipment	–	–	–	0.4	–	–	0.4
	Tax on above items recognised in equity	–	–	–	(2.7)	–	101.5	98.8
	Loss on currency translations	–	–	–	–	(0.4)	–	(0.4)
	Balance at 30 July 2016	**6.7**	**0.3**	**1.4**	**20.2**	**(0.3)**	**1,626.2**	**1,654.5**

Consolidated statement of cash flows
for the half year ended 30 July 2016

Notes		**Half year to 30 July 2016**	Half year to 1 August 2015	Year to 30 January 2016
		£m	£m	£m
11	**Cash generated from operations**	**203.7**	341.7	915.7
	Net taxation paid	**(25.3)**	–	(26.4)
	Partnership Bonus paid	**(144.5)**	(156.0)	(156.1)
	Finance costs paid	**(0.6)**	(2.4)	(2.9)
	Net cash generated from operating activities	**33.3**	183.3	730.3
	Cash flows from investing activities			
	Purchase of property, plant and equipment	**(131.2)**	(166.8)	(347.4)
	Purchase of intangible assets	**(69.3)**	(71.1)	(146.4)
	Proceeds from sale of property, plant and equipment and intangible assets	**1.9**	144.6	163.8
	Finance income received	**1.1**	0.5	1.4
	Cash outflow from investments	**(15.0)**	–	(10.0)
	Net cash used in investing activities	**(212.5)**	(92.8)	(338.6)
	Cash flows from financing activities			
	Finance costs paid in respect of bonds	**(24.9)**	(25.0)	(57.2)
	Payment of capital element of finance leases	**(1.9)**	(1.5)	(4.0)
	Payments to preference shareholders	–	–	(0.1)
	Cash outflow from borrowings	**(57.8)**	–	–
	Net cash used in financing activities	**(84.6)**	(26.5)	(61.3)
	(Decrease)/increase in net cash and cash equivalents	**(263.8)**	64.0	330.4
	Net cash and cash equivalents at beginning of period	**667.3**	336.9	336.9
	Net cash and cash equivalents at end of period	**403.5**	400.9	667.3
	Net cash and cash equivalents comprise:			
	Cash at bank and in hand	**117.0**	89.7	89.1
	Short–term deposits	**286.8**	311.3	578.3
	Bank overdraft	**(0.3)**	(0.1)	(0.1)
		403.5	400.9	667.3

Notes to the financial statements

1 Basis of preparation

This condensed set of interim financial statements was approved by the Board on 14 September 2016. The condensed set of interim financial statements is unaudited, but has been reviewed by the auditors and their review report is set out on pages 24 to 25. They do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative information for the half year to or as at 1 August 2015 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 30 July 2016 have been prepared using the discrete period approach, considering the half year as an accounting period in isolation. The tax charge is based on the effective rate estimated for the full year, which has been applied to the profits in the first half year.

The Group’s published financial statements for the year ended 30 January 2016 has been reported on by the Group’s auditors and filed with the Registrar of Companies. The report of the auditors was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed set of interim financial statements for the half year ended 30 July 2016 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union. The condensed set of interim financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 30 January 2016, which has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Going concern

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

Supplier income

Within trade receivables is accrued rebate income of £18.6m (30 January 2016: £7.8m, 1 August 2015: £18.1m). During the interim period, supplier income was received in line with estimates recorded at 30 January 2016. There has been no change in the criteria used to recognise supplier income, though at the half year specific judgement is required to estimate the amount that will be received from suppliers in relation to annual agreements. These judgements have been based on management's best estimates of full year purchases using the latest information available.

2 Accounting policies

The Group’s results for the half year to 30 July 2016 have been prepared on a basis consistent with the Group’s accounting policies published in the financial statements for the year ended 30 January 2016.

3 Risks and uncertainties

The principal and other significant risks and uncertainties affecting the Group were identified as part of the Group Strategic Report, set out on page 8 of the John Lewis plc Annual Report and Accounts 2016, a copy of which is available on the Partnership's website www.johnlewispartnership.co.uk.

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

- Competition: competitor actions put pressure on market value, our margin and threaten our volumes in the retail grocery sector. The growth of online business models in the general merchandise sector, mean customers focus more on value for money and less on loyalty;
- Information security: a breach of Partner or customer data due to the external threat to cause disruption or access sensitive data, and a need to respond to the pace of technological development;
- Pension obligations: changes in the real discount rate causes significant volatility in our pension fund liabilities and could cause a breach in our banking covenants. In addition, it would lead to increased pension operating costs;
- Efficiency: in response to the need to offer exceptional value, we have developed programmes to optimise our efficiency and productivity. These may suffer from issues with planning, governance, funding and competing resources;
- Operating model strain: increasing external pressures such as the ongoing move to online and increased spend on IT (depreciation) create strain on our operating model;
- Change delivery: the complex nature and scale of interdependencies of the change programmes may affect ability to implement programmes/projects to time, budget and quality, ability to manage, and ability to embed the change into the business and realise the benefits;
- Economic environment: external economic pressures, due to the impact of government policy, a static economy and a lack of pay increases, reduce our customers' spending power and harm our suppliers' financial resilience.

4 Exceptional item

At 30 July 2016, the Group recognised an exceptional charge of £25.0m in Waitrose for the write-down of property assets that are now no longer intend to be developed and related costs following a strategic review. £21.6m relates to the impairment of strategic land holdings and £3.4m to abortive property project costs. The tax charge in relation to the exceptional item has been recognised based on management's best estimate of the full year effective tax rate.

On 16 April 2015, the Group disposed of a property which was previously held for sale. The profit on disposal of £129.3m has been recorded as exceptional operating income in the period to 30 January 2016 (£128.0m in the period to 1 August 2015). A tax charge of £25.1m was recognised on the exceptional item in the period to 30 January 2016 (£27.4m in the period to 1 August 2015).

5 Segmental reporting

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

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

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
Half year to 30 July 2016				
Gross sales	**3,250.6**	**2,023.7**	**–**	**5,274.3**
Adjustment for sale or return sales	**–**	**(106.7)**	**–**	**(106.7)**
Value added tax	**(186.2)**	**(310.0)**	**–**	**(496.2)**
Revenue	**3,064.4**	**1,607.0**	**–**	**4,671.4**
Operating profit before exceptional item and profit on sale of property	**120.8**	**32.4**	**(15.0)**	**138.2**
Profit on sale of property	**0.5**	**–**	**–**	**0.5**
Operating profit before exceptional item	**121.3**	**32.4**	**(15.0)**	**138.7**
Exceptional item	**(25.0)**	**–**	**–**	**(25.0)**
Operating profit	**96.3**	**32.4**	**(15.0)**	**113.7**
Finance costs				**(57.8)**
Finance income				**1.5**
Profit before tax				**57.4**
Taxation				**(15.0)**
Profit for the period				**42.4**
Profit before tax and exceptional item				***82.4***

5 Segmental reporting (continued)

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
Half year to 1 August 2015				
Gross sales	3,180.8	1,935.8	–	5,116.6
Adjustment for sale or return sales	–	(85.4)	–	(85.4)
Value added tax	(182.1)	(301.9)	–	(484.0)
Revenue	2,998.7	1,548.5	–	4,547.2
Operating profit before exceptional item and profit on sale of property	135.5	47.1	(37.7)	144.9
Profit on sale of property	–	–	–	–
Operating profit before exceptional item	135.5	47.1	(37.7)	144.9
Exceptional item	–	–	128.0	128.0
Operating profit	135.5	47.1	90.3	272.9
Finance costs				(49.4)
Finance income				1.2
Profit before tax				224.7
Taxation				(51.7)
Profit for the period				173.0
Profit before tax and exceptional item				*96.7*

5 Segmental reporting (continued)

	Waitrose	John Lewis	Partnership Services and Group	Total
	£m	£m	£m	£m
Year to 30 January 2016				
Gross sales	6,461.4	4,557.4	–	11,018.8
Adjustment for sale or return sales	–	(181.9)	–	(181.9)
Value added tax	(375.4)	(712.7)	–	(1,088.1)
Revenue	6,086.0	3,662.8	–	9,748.8
Operating profit before exceptional item and profit on sale of property	232.6	248.7	(83.4)	397.9
Profit on sale of property	–	1.5	–	1.5
Operating profit before exceptional item	232.6	250.2	(83.4)	399.4
Exceptional item	–	–	129.3	129.3
Operating profit	232.6	250.2	45.9	528.7
Finance costs				(99.5)
Finance income				4.2
Profit before Partnership Bonus and tax				433.4
Partnership Bonus				(145.0)
Profit before tax				288.4
Taxation				(66.0)
Profit for the period				222.4
Profit before Partnership Bonus, tax and exceptional item				*304.1*

	Waitrose	John Lewis	Partnership Services and Group	Total
30 July 2016				
Segment assets	2,955.9	2,096.8	1,002.7	6,055.4
Segment liabilities	(777.4)	(790.1)	(2,833.4)	(4,400.9)
Net assets/(liabilities)	**2,178.5**	**1,306.7**	**(1,830.7)**	**1,654.5**
1 August 2015				
Segment assets	2,983.4	1,987.1	888.3	5,858.8
Segment liabilities	(770.8)	(727.8)	(2,559.1)	(4,057.7)
Net assets/(liabilities)	2,212.6	1,259.3	(1,670.8)	1,801.1
30 January 2016				
Segment assets	2,998.8	2,049.1	1,163.6	6,211.5
Segment liabilities	(742.6)	(876.8)	(2,528.4)	(4,147.8)
Net assets/(liabilities)	2,256.2	1,172.3	(1,364.8)	2,063.7

6 Net finance costs

	Half year to 30 July 2016	Half year to 1 August 2015	Year to 30 January 2016
	£m	£m	£m
Finance costs			
Finance costs in respect of borrowings	**(29.4)**	(30.8)	(61.5)
Fair value measurements and other	**(2.4)**	(0.1)	(1.1)
Net finance costs arising on defined benefit and other employee benefit schemes	**(26.0)**	(18.5)	(36.9)
Total finance costs	**(57.8)**	(49.4)	(99.5)
Finance income			
Finance income in respect of cash and short–term investments	**0.8**	0.4	1.5
Fair value measurements and other	**0.7**	0.7	0.4
Net finance income on other employee benefit schemes	**–**	0.1	2.3
Total finance income	**1.5**	1.2	4.2
Net finance costs	**(56.3)**	(48.2)	(95.3)

	Half year to 30 July 2016	Half year to 1 August 2015	Year to 30 January 2016
	£m	£m	£m
Finance costs in respect of borrowings	**(29.4)**	(30.8)	(61.5)
Finance income in respect of cash and short–term investments	**0.8**	0.4	1.5
Net finance costs in respect of borrowings and short–term investments	**(28.6)**	(30.4)	(60.0)
Fair value measurements and other	**(1.7)**	0.6	(0.7)
Net finance costs arising on defined benefit and other employee benefit schemes	**(26.0)**	(18.5)	(36.9)
Net finance income arising on other employee benefit schemes	**–**	0.1	2.3
Net finance costs	**(56.3)**	(48.2)	(95.3)

7 Income taxes

Income tax expense is recognised based on management's best estimate of the full year effective tax rate based on estimated full year profits.

Legislation to reduce the standard rate of corporation tax from 18% to 17% from 1 April 2020 was included in the Finance Bill 2016 and substantively enacted on 6 September 2016. The legislation was not substantively enacted by the balance sheet date and therefore not included in this interim consolidated financial information.

8 Property, plant and equipment and intangible assets

	Property, plant and equipment	**Intangible assets**	**Total**
	£m	**£m**	**£m**
Net book value at 30 January 2016	4,189.3	388.4	4,577.7
Additions	140.9	69.3	210.2
Depreciation and amortisation *	(171.9)	(55.0)	(226.9)
Disposals and write-offs	(5.2)	(0.6)	(5.8)
Transfers to assets held for sale	(6.8)	–	(6.8)
Net book value at 30 July 2016	**4,146.3**	**402.1**	**4,548.4**

* Depreciation and amortisation charge for the period ending 30 July 2016 includes an impairment charge of £30.3m (£26.9m land and buildings, and £3.4m intangible assets).

Intangible assets primarily relate to internally developed computer software.

The impairment review methodology is unchanged from that described in the Annual Report and Accounts for the year ended 30 January 2016.

Key assumptions in the calculations are the discount rate, long-term growth rate and expected sales performance and branch costs. The discount rate is based on the Group's pre-tax weighted average cost of capital of 8% to 9% (January 2016: 9% to 10%).

9 Assets held for sale

At 30 July 2016, two property assets were recorded as held for sale totalling £6.8m. One property is expected to be disposed of within 12 months (£6.4m) and the other was disposed of in August 2016 (£0.4m).

At 1 August 2015, one property asset was recorded as held for sale totalling £9.3m, which was disposed of in October 2015.

10 Retirement benefit obligations

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

Pension commitments have been calculated based on the most recent actuarial valuations, as at 31 March 2013, which have been updated by the actuaries to reflect the assets and liabilities of the scheme as at 30 July 2016. The next triennial actuarial valuation of the scheme will take place as at 31 March 2016.

Scheme assets are stated at market value at 30 July 2016.

The following financial assumptions have been used:

	Half year to 30 July 2016	Half year to 1 August 2015	Year to 30 January 2016
Discount rate	**2.45%**	3.65%	3.70%
Future retail price inflation (RPI)	**2.70%**	3.25%	3.00%
Future consumer price inflation (CPI)	**1.70%**	2.25%	2.00%
Increase in earnings	**3.17%**	3.75%	3.54%
Increase in pensions – in payment			
Pre-April 2016	**2.60%**	3.00%	2.85%
Post-April 2016	**1.45%**	–	1.60%
Increase in pensions – deferred	**1.70%**	2.25%	2.00%

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

	Half year to 30 July 2016	Half year to 1 August 2015	Year to 30 January 2016
	£m	£m	£m
Net defined benefit liability at beginning of period	**(941.6)**	(1,249.3)	(1,249.3)
Operating cost	**(72.6)**	(116.0)	(232.5)
Interest cost on liabilities	**(94.4)**	(82.7)	(165.2)
Interest income on assets	**79.6**	64.2	128.3
Contributions	**139.3**	82.8	166.0
Total (losses)/gains recognised in equity	**(564.0)**	144.6	411.1
Net defined benefit liability at end of period	**(1,453.7)**	(1,156.4)	(941.6)

The post-retirement mortality assumptions used in valuing the pension liabilities were based on the 'S2 Light' (Jan 2016 'S1 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 (Jan 2016: 127% for males and 114% for females). Future improvements in life expectancy have been allowed for in line with the standard CMI model projections subject to a long-term trend of 1.25% (Jan 2016: 1.25%).

The average life expectancies were as follows:

	30 July 2016		30 January 2016	
	Men	**Women**	Men	Women
Average life expectancy for a 65 year old (in years)	**21.5**	**24.0**	22.3	24.4
Average life expectancy at age 65, for a 50 year old (in years)	**22.7**	**25.4**	23.6	25.8

11 Reconciliation of profit before tax to cash generated from operations

	Half year to 30 July 2016	Half year to 1 August 2015	Year to 30 January 2016
	£m	£m	£m
Profit before tax	**57.4**	224.7	288.4
Amortisation of intangible assets	**55.0**	42.7	91.2
Depreciation	**171.9**	140.1	286.0
Net finance costs	**56.3**	48.2	95.3
Partnership Bonus	–	–	145.0
Fair value (gain)/loss on derivative financial instruments	**(1.0)**	0.6	0.7
Loss/(profit) on disposal and write-offs of property, plant and equipment and intangible assets	**3.8**	(126.6)	(124.8)
Decrease/(increase) in inventories	**32.3**	27.9	(41.2)
Increase in receivables	**(33.6)**	(23.5)	(18.9)
(Decrease)/increase in payables	**(61.5)**	(30.4)	103.5
(Decrease)/increase in retirement benefit obligations	**(66.7)**	33.2	66.6
(Decrease)/increase in provisions	**(10.2)**	4.8	23.9
Cash generated from operations	**203.7**	341.7	915.7

12 Analysis of net debt

	30 January 2016	**Cash flow**	**Other non–cash movements**	**30 July 2016**
	£m	**£m**	**£m**	**£m**
Current assets				
Cash and cash equivalents	667.4	(263.6)	–	**403.8**
Short term investments	10.0	15.0	–	**25.0**
Derivative financial instruments	11.5	–	14.1	**25.6**
	688.9	(248.6)	14.1	**454.4**
Current liabilities				
Borrowings and overdrafts	(57.8)	57.6	(0.1)	**(0.3)**
Unamortised bond transaction costs	0.1	–	(0.1)	**–**
Finance leases	(2.6)	1.9	(0.8)	**(1.5)**
Derivative financial instruments	(2.3)	–	(1.2)	**(3.5)**
	(62.6)	59.5	(2.2)	**(5.3)**
Non–current liabilities				
Borrowings	(877.3)	–	0.1	**(877.2)**
Unamortised bond transaction costs	9.7	–	(0.4)	**9.3**
Finance leases	(24.7)	–	0.8	**(23.9)**
	(892.3)	–	0.5	**(891.8)**
Total net debt	(266.0)	(189.1)	12.4	**(442.7)**

12 Analysis of net debt (continued)

Reconciliation of net cash flow to net debt

	Half year to 30 July 2016	Half year to 1 August 2015	Year to 30 January 2016
	£m	£m	£m
(Decrease)/increase in net cash and cash equivalents in the period	**(263.8)**	64.0	330.4
Cash outflow from movement in debt and lease financing	**59.7**	1.5	4.0
Cash outflow from short-term investments	**15.0**	–	10.0
Movement in debt for the period	**(189.1)**	65.5	344.4
Opening net debt	**(266.0)**	(615.2)	(615.2)
Non–cash movements	**12.4**	(8.4)	4.8
Closing net debt	**(442.7)**	(558.1)	(266.0)

13 Management of financial risks

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

This condensed set of interim financial statements does not include all risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Annual Report and Accounts for the year ended 30 January 2016. During the half year to 30 July 2016, the Group has continued to apply the financial risk management process and policies as detailed in the Annual Report and Accounts for the year ended 30 January 2016.

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 2016 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 30 July 2016, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

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

13 Management of financial risks (continued)

At 30 July 2016, the net fair value of derivative financial instruments was £22.1m, asset (30 January 2016: £9.2m, asset; 1 August 2015: £4.8m, liability).

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

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

	30 July 2016		1 August 2015		30 January 2016	
	£m	**£m**	£m	£m	£m	£m
	CV	**FV**	CV	FV	CV	FV
Financial liabilities						
Listed bonds	**(865.7)**	**(1,006.9)**	(864.8)	(996.9)	(865.3)	(980.2)
Preference stock	**(2.3)**	**(2.0)**	(2.3)	(2.1)	(2.3)	(2.1)

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

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

14 Capital commitments

At 30 July 2016 contracts had been entered into for future capital expenditure of £36.2m (30 January 2016: £30.3m; 1 August 2015: £38.8m) of which £31.9m (30 January 2016: £26.5m; 1 August 2015: £34.7m) relates to property, plant and equipment and £4.3m (30 January 2016: £3.8m; 1 August 2015: £4.1m) relates to intangible assets.

15 Related party transactions

There have been no material changes to the principal subsidiaries listed in the Annual Report and Accounts for the year ended 30 January 2016. 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 30 July 2016.

16 Events after the balance sheet date

On 8 September 2016, John Lewis plc announced that it is proposing, subject to shareholder approval, to repay its 5% Cumulative Preference Stock and 7% Cumulative Preference Stock in accordance with their respective terms.

Assuming the proposals are approved by shareholders and following the repayment, the Company will no longer have any listed Cumulative Preference Stock.

Statement of Directors' responsibilities

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

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

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

For and by Order of the Board

Sir Charlie Mayfield, Chairman
Patrick Lewis, Group Finance Director

14 September 2016

Independent review report to John Lewis plc

Introduction

We have been engaged by the Company to review the condensed set of interim financial statements in the half-yearly financial report for the 26 weeks ended 30 July 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent review report to John Lewis plc (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of interim financial statements in the half-yearly financial report for John Lewis plc for the 26 weeks ended 30 July 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Michael Maloney
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
14 September 2016