

JOHN LEWIS OF HUNGERFORD PLC

("John Lewis of Hungerford" or the "Company")

Interim results

CHAIRMAN'S STATEMENT

This interim statement covers the six month period to 28 February 2015.

Financial performance

The results we are reporting today reflect the challenges created by the staffing changes previously reported. Whilst the first half year is traditionally our weaker trading period it is particularly disappointing to have to report an operating loss of £174k for the half year, following two consecutive years in which we made a profit in our first half (2014: £66,000, 2013: £35,000).

The loss reflects that a number of investments have been made in our business to support the delivery of our strategic plan which anticipated continued turnover growth. However, turnover for the period was static at £3.5 million (2014: £3.6 million), due entirely to a decline in like for like sales from our existing estate.

In particular the unplanned departure of three of our highest performing sales people from our top showroom had a significant impact. This included two of our most experienced designers both of whom elected to pursue alternative careers away from kitchen design. Addressing this became a focus of management during the period and as a consequence we have had to divert senior resource into the showroom to rebuild the client base and secure a pipeline of activity into the second half year. However, this movement of senior staff has had a knock on effect elsewhere in the company, which is borne out by the result for the period.

Segmental information

<i>Products</i>	2015	2014
	£000	£000
Turnover	3,104	3,123
Cost of sales	(1,307)	(1,333)
Gross margin	1,797	1,790

The results shown above were derived from our total estate which includes sales from the new showrooms that were opened last year. Combined sales from our two new showrooms of £520,000 achieved business objectives and made a significant contribution to sales. Our bedroom business continues to grow with sales of £143,000 during the period (2014: £105,000) and is gaining a strong reputation with a high number of successful installations completed. It is our intention to create further bedroom display areas over time, as space allows.

As part of our focus on improving sales our other priority has been to review the general productivity and skill levels across the entire sales team. As a result, further salespeople left the business as part of a managed programme. Although, coupled with the unplanned changes referred to above, this has created temporary challenges the Board believes that revitalising sales performance within our mature estate to be a critical component of driving an improved financial performance.

I am pleased to report we are making some progress in addressing these staffing changes, with a

number of high calibre people recently recruited. As with all new recruits, it will take some time for them to complete their training.

<i>Installations</i>	2015	2014
	£000	£000
Turnover	444	450
Cost of sales	(323)	(322)
Gross margin	121	128

Our artisan installation service continues to trade in line with kitchen volume, so consequently sales were static for the period. As well as making a valuable financial contribution we continue to believe controlling the installation process plays a critical role in enhancing customer's experience of the brand.

Investment in the Future

The first half of the year has seen further investment in our existing showroom estate as we focus on rolling out the new contemporary Pure and Urban ranges following successful testing in Fulham and Chiswick. This has led to comprehensive refits at both our Harrogate and Oxford showrooms, improving the competitiveness of the offering and generating fresh interest at both locations.

We continue to focus our efforts on meeting the customer demand for our new contemporary products and have three further refits planned for this financial year.

In the factory we have replaced our increasingly unreliable and expensive to maintain spray line of 13 years with new machinery and this investment combined with the purchase of new finishing and sanding technology will stand us in good order to meet future production demands in a competitive way.

Cash flow

Cash at bank and in hand at the end of the period was £863,000 (2014: £720,000) inclusive of customer deposits and advance payments. Our bank loans at the end of the period were £816,000 repayable within 10 years.

Current trading

We believe the best measure of current trading to be the aggregate of our dispatched sales and the forward order book, being committed orders for which deposits have been taken. At the end of the period the aggregate of these stood at £4.3 million in line with the comparable period last year. Our statutory revenue recognition policy remains that we only recognise sales at the point orders are dispatched.

An update on trading will be made in June, following completion of the third quarter, ending 31st May 2015. Although the second half year is traditionally our stronger trading period we now consider it unlikely that the losses in the first half will be recovered in full and so expect to report a loss for the full year.

New showrooms

Successful new showrooms are dependent on location, product selection and great people.

Whilst we remain vigilant for opportunities in suitable localities our immediate priority is to recruit and train talented salespeople across our existing store portfolio. Once these people are in place and our existing business is secure, your Board believe it may be appropriate to continue with the cautious expansion of our showroom portfolio.

Outlook

The Company maintains its focus on long standing heritage and brand loyalty. The recent change in PR Company has led to improved coverage in key titles and we have seen an improvement in enquiries and interest in the business. The customer journey continues to be at the heart of everything we do for all areas of the Company.

We are fortunate to have a management team with a proven ability to react quickly to both opportunities and threats presented by volatile economic conditions. The business continues to look forward with confidence that once internal staffing issues are resolved we will be able to return to profitable sales growth.

Malcolm Hepworth

Chairman

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Chairman

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INCOME STATEMENT FOR THE SIX MONTHS ENDED 28 FEBRUARY 2015

	<i>Unaudited 6 months ended</i>		<i>Audited</i>
	<i>28</i>	<i>28</i>	<i>Year</i>
	<i>February</i>	<i>February</i>	<i>ended</i>
	<i>2015</i>	<i>2014</i>	<i>31 August</i>
	<i>£'000</i>	<i>£'000</i>	<i>2014</i>
			<i>£'000</i>
Revenue	3,548	3,573	7,416
Cost of sales	(1,630)	(1,655)	(3,530)
Gross profit	1,918	1,918	3,886
Selling and distribution costs	(267)	(288)	(499)
Administration expenses:			
Share based payments	-	-	(43)
Other	(1,825)	(1,564)	(3,250)
Total	(1,825)	(1,564)	(3,293)

(Loss)/profit before share based payments	(174)	66	137
(Loss)/profit from operations	(174)	66	94
Finance income	3	1	2
Finance expenses	(33)	(17)	(37)
(Loss)/Profit before tax	(204)	50	59
Taxation	-	-	(15)
(Loss)/profit after taxation	(204)	50	44
(Loss)/earnings per share	2		
Basic	(0.11)p	0.03p	0.02p
Fully diluted	(0.11)p	0.03p	0.02p

**STATEMENT OF COMPREHENSIVE
INCOME
FOR THE SIX MONTHS ENDED 28 FEBRUARY
2015**

	<i>Unaudited 6 months ended</i>		<i>Audited Year ended 31 August</i>
	<i>28 February 2015</i>	<i>28 February 2014</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
(Loss) / profit for the period	(204)	50	44
Total Comprehensive Income	(204)	50	44

**BALANCE SHEET
AS AT 28 FEBRUARY 2015**

	<i>Unaudited 28 February 2015</i>	<i>Unaudited 28 February 2014</i>	<i>Audited 31 August 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-Current Assets			
Intangible assets	103	129	109
Tangible assets	2,629	2,494	2,690
Trade and other receivables	57	57	57
	2,789	2,680	2,856

Current assets			
Inventories	235	214	183
Trade and other receivables	367	274	294
Cash and cash equivalents	863	720	1,490
	<u>1,465</u>	<u>1,208</u>	<u>1,967</u>
Current liabilities	(1,538)	(1,306)	(1,905)
Net current (liabilities)/assets	<u>(73)</u>	<u>(98)</u>	<u>62</u>
Total assets less current liabilities	2,716	2,582	2,918
Non-current liabilities	(779)	(494)	(777)
Provisions for liabilities and charges	(31)	(16)	(31)
Net Assets	<u>1,906</u>	<u>2,072</u>	<u>2,110</u>
Equity			
Share capital	187	187	187
Other reserves	1	1	1
Share premium account	1,188	1,188	1,188
Retained Earnings	530	696	734
Total Equity	<u>1,906</u>	<u>2,072</u>	<u>2,110</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY
2015**

	<i>Share Capital</i>	<i>Share Premiu m</i>	<i>Other Reserves</i>	<i>Retained Earnings</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
<i>At 31 August 2013 (Audited)</i>	187	1,188	1	646	2,022
Profit for the period	-	-	-	50	50
<i>At 28 February 2014 (Unaudited)</i>	187	1,188	1	696	2,072
Loss for the period	-	-	-	(5)	(5)
Share based payments	-	-	-	43	43
<i>At 31 August 2014 (Audited)</i>	187	1,188	1	734	2,110

Loss for the period	-	-	-	(204)	(204)
At 28 February 2015	187	1,188	1	530	1,906
<i>(Unaudited)</i>					

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2015

	<i>Unaudited 6 months ended 28 February 2015</i>	<i>Unaudited 6 months ended 28 February 2014</i>	<i>Audited Year ended 31 August 2014</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
(Loss)/Profit from operations	(174)	66	94
Depreciation and amortisation	164	125	288
Share based payments	-	-	43
Increase / (decrease) in inventories	(52)	(22)	9
Increase / (decrease) in receivables	(73)	(37)	(57)
(Decrease) / increase in payables	(361)	(217)	382
Loss / (profit) on disposal of property plant and equipment	(7)	9	4
Net cash from operating activities	(503)	(76)	763
Cash flows from financing activities	(34)	(36)	280
Cash flows from investing activities	(90)	(290)	(676)
Net (decrease) / increase in cash and cash equivalents	(627)	(402)	367
Net cash and cash equivalents at the start of the year	1,490	1,122	1,123
Net cash and cash equivalents at the end of the year	863	720	1,490

NOTES:

1. This interim financial statement has been prepared on the basis of accounting policies adopted by the Company and set out in the annual report and accounts for the year ended 31 August 2014. The Company does not anticipate any change in these accounting policies for the year ended 31 August 2015. As permitted, this interim report has been prepared in accordance with the AIM Rules and not in accordance with IAS 34 "Interim financial reporting".

2. Basic and fully diluted loss per ordinary share is calculated as follows:

	6 months ended 28 February 2015	6 months ended 28 February 2014	Year ended 31 August 2014
Profit / (loss) attributable to ordinary shareholders (£'000)	(204)	50	44
	186,745,51	186,745,51	186,745,51
Weighted average number of shares in issue	9	9	9
Dilution due to share options	-	11,853,752	16,263,222
	<u>186,745,51</u>	<u>198,599,27</u>	<u>203,008,74</u>
Shares used to calculate diluted earnings per share	9	1	1
Basic earnings per ordinary share (pence)	(0.11) p	0.03 p	0.02 p
Diluted earnings per ordinary share (pence)	(0.11) p	0.03 p	0.02 p

At 28th February 2015 the basic and diluted loss per share is the same, as the vesting of share option awards would reduce the loss per share and is, therefore, anti-dilutive.

3. Copies of the 2015 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk