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 29th February 2016.

Financial performance and cost reduction exercise

Turnover for the first half year, traditionally our weaker trading period, was marginally ahead of the previous year. This was however lower than our anticipated sales growth for the period, due in part to a number of orders linked to related building works being deferred to the second half. The lower sales growth coupled with costs associated with gearing the business for future growth, has contributed to the loss reported today.

Whilst the Board are mindful of the strong order book generated by the second half deferrals, we also recognise the need to better align the cost base of the business against underlying activity levels. Consequently the Board has undertaken a comprehensive review of the organisational structure with a view to substantially reducing costs and improving productivity. This review has resulted in a number of positions being made redundant or roles being combined. Although this has been a difficult process the Board are determined to return the business to a position of generating positive shareholder returns. These changes will achieve an annualised saving of approximately £300k from the beginning the next financial year. A non-recurring expense of £38k relating to redundancy costs arising out of the review has been recorded in the first half year.

The operational changes we have made include moving line responsibility for the installations department to the Head of Operations. Consequently the role of Installations Director has been made redundant and as a result, Damian Walters will leave the business at the end of this financial year. Damian has therefore stepped down from the Board with immediate effect. The Board would like to place on record their appreciation for his valuable contribution to the business since his appointment in 2013 and wish him well for the future.

In light of underlying activity levels we had expected to achieve a turnover figure of around £4.0 million in the first half year. Instead turnover was constant at £3.6 million due in part to the second half deferrals referred to above Whilst these orders contribute to a healthy forward order book of commissioning deposits at the period end of £1.9 million (2015: £1.3 million) they did not have a material effect on financial results for the first half. The new staff recruited over the last twelve months are now embedded into the business and have contributed to this forward order book, combined with a positive return on investment from showroom refits completed in the last financial year.

Products	2016	2015
	£000	£000
Turnover	3,130	3,104
Cost of sales	(1,436)	(1,307)

Gross margin	1,694	1,797

The results shown above were derived from a comparable showroom estate year-on-year. The reduction in gross margin reflects continued deflationary pricing pressure and management continue to take steps to address this.

Installations	2016	2015
	£000	£000
Turnover	483	444
Cost of sales	(359)	(323)
Gross margin	124	121

Our artisan installation service generally trades in line with kitchen volume, however improved conversion in the first half this year saw sales increase by 9% to £483,000. We have been careful to ensure the aforementioned changes in reporting structures within our installations department will not impact on the customer experience as we see our ability to control the installation process as a critical part of protecting our 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 a comprehensive refit at our Winchester showroom improving the competiveness of the offering and generating fresh interest at this location. We do not anticipate making any material further investment in the remainder of the financial year.

Cash flow

Cash at bank and in hand at the end of the period was £496,000 (2015: £863,000) inclusive of customer deposits and advance payments. Our bank and other loans at the end of the period were £835k repayable within 10 years. Our overdraft facility of £250k remained unused during the period.

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 £4.5 million, a 5% increase over the comparable period last year (2015: £4.3 million). However, our statutory revenue recognition policy is to recognise sales only at the point orders are dispatched.

A further update on trading will be provided in June, following completion of the third quarter, ending 31st May 2016. However, we expect that reported sales for the third quarter will be around 12.5% higher than the previous year at £1.86 million.

Although the second half year is traditionally our stronger trading period we consider it unlikely that the losses in the first half will be recovered in full and therefore expect to report a loss for the full year.

Chairman

As previously announced Malcolm Hepworth has resigned as a non-executive director due to ill health. The Board wishes Mr Hepworth well with his continued recovery and wishes to express its appreciation of his valuable contribution since his appointment in 2006. The Board intends to appoint a new non-executive Chairman of the Board and the selection process is under way. Pending this appointment the Board have requested that I fulfil the role of interim Chairman and I have agreed to do so.

John Lewis
Interim Chairman

Enquiries:

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INCOME STATEMENT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

	Note	*Unaudited 6 months ended*		*Audited Year ended*
		29 February 2016	*28 February 2015*	*31 August 2015*
		£'000	*£'000*	*£'000*
Revenue		**3,613**	3,548	7,799
Cost of sales		**(1,795)**	(1,630)	(3,744)
Gross profit		**1,818**	1,918	4,055
Selling and distribution costs		**(258)**	(267)	(482)
Administration expenses:				
Share based payments		**-**	-	43
Other		**(1,930)**	(1,825)	(3,718)
Total		**(1,930)**	(1,825)	(3,675)

Other non recurring items - restructuring costs		**(38)**	-	-
Loss before share based payments		**(408)**	(174)	(145)
Loss from operations		**(408)**	(174)	(102)
Finance income		**-**	3	2
Finance expenses		**(22)**	(33)	(54)
Loss before tax		**(430)**	(204)	(154)
Taxation		**-**	-	15
Loss after taxation		**(430)**	(204)	(139)
Loss per share	2			
Basic		**(0.23)p**	(0.11)p	(0.07)p
Fully diluted		**(0.23)p**	(0.11)p	(0.07)p

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

	Unaudited 6 months ended		*Audited Year ended*
	29 February 2016	*28 February 2015*	*31 August 2015*
	£'000	*£'000*	*£'000*
Loss for the period	(430)	(204)	(139)
Total Comprehensive Income	**(430)**	(204)	(139)

BALANCE SHEET
AS AT 29 FEBRUARY 2016

	Unaudited	*Unaudited*	*Audited*
	29 February 2016	*28 February 2015*	*31 August 2015*
	£'000	*£'000*	*£'000*
Non-Current Assets			
Intangible assets	**86**	103	92
Tangible assets	**2,782**	2,629	2,784
Trade and other receivables	**57**	57	57
	2,925	2,789	2,933

Current assets			
Inventories	**195**	235	190
Trade and other receivables	**362**	367	307
Cash and cash equivalents	**496**	863	1,206
	1,053	1,465	1,703
Current liabilities	**(1,718)**	(1,538)	(1,906)
Net current liabilities	**(665)**	(73)	(203)
Total assets less current liabilities	**2,260**	2,716	2,730
Non-current liabilities	**(746)**	(779)	(786)
Provisions for liabilities and charges	**(16)**	(31)	(16)
Net Assets	**1,498**	1,906	1,928
Equity			
Share capital	**187**	187	187
Other reserves	**1**	1	1
Share premium account	**1,188**	1,188	1,188
Retained Earnings	**122**	530	552
Total Equity	**1,498**	1,906	1,928

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2016

	Share Capital	*Share Premium*	*Other Reserves*	*Retained Earnings*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
At 31 August 2014 (Audited)	187	1,188	1	734	2,110
Loss for the period	-	-	-	(204)	(204)
At 28 February 2015 (Unaudited)	187	1,188	1	530	1,906
Profit for the period	-	-	-	65	65
Share based payments	-	-	-	(43)	(43)
At 31 August 2015 (Audited)	187	1,188	1	552	1,928
Loss for the period	-	-	-	(430)	(430)
At 29 February 2016 (Unaudited)	**187**	**1,188**	**1**	**122**	**1,498**

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2016

	Unaudited 6 months ended 29 February 2016	*Unaudited 6 months ended 28 February 2015*	*Audited Year ended 31 August 2015*
	£'000	*£'000*	*£'000*
Loss from operations	**(408)**	(174)	(102)
Depreciation and amortisation	**131**	164	297
Share based payments	**-**	-	(43)
Increase in inventories	**(5)**	(52)	(7)
Increase in receivables	**(55)**	(73)	(13)
Decrease in payables	**(176)**	(361)	(41)
Loss / (profit) on disposal of property plant and equipment	**1**	(7)	29
Net cash from operating activities	**(512)**	(503)	120
Cash flows from financing activities	**(74)**	(34)	(98)
Cash flows from investing activities	**(124)**	(90)	(306)
Net decrease in cash and cash equivalents	**(710)**	(627)	(284)
Net cash and cash equivalents at the start of the year	**1,206**	1,490	1,490
Net cash and cash equivalents at the end of the period	**496**	863	1,206

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 2015. The Company does not anticipate any change in these accounting policies for the year ended 31 August 2016. 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 29 February 2016	6 months ended 28 February 2015	Year ended 31 August 2015
Profit / (loss) attributable to ordinary shareholders (£'000)	(430)	(204)	(139)
Weighted average number of shares in issue	186,745,519	186,745,519	186,745,519
Shares used to calculate diluted earnings per share	186,745,519	186,745,519	186,745,519
Basic earnings per ordinary share (pence)	(0.23) p	(0.11)p	(0.07)p
Diluted earnings per ordinary share (pence)	(0.23) p	(0.11)p	(0.07)p

At 29th February 2016 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 2016 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk