

JOHN LEWIS OF HUNGERFORD PLC

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

Interim Results for the Six Months Ended 28 February 2017

Overview

This statement covers the first trading period since the changes in the management and Board structure reported last year.

The improved performance reflects actions taken on cost reduction and renewed focus on improving the customer experience. Implementing these changes against a backdrop of significant management change inevitably creates challenges and was only possible through the strength and commitment of our people, whom remain our most vital asset for the business going forward. We remain committed to returning the business to sustainable profitability and these results are an important milestone in this.

Financial Review

Turnover for the first half year was in line with the previous year at £3.6m (2016: £3.6m), but from an estate comprising two less showrooms. Adjusting for the closures of Harrogate and Tunbridge Wells during the previous year, the comparable like for like (LFL) sales show a growth of 3%. We are pleased with this sales performance which comes against a mixed economic picture, with the strong confidence levels immediately following the Brexit vote, replaced by weakening consumer spend in the early months of 2017.

The improved sales performance combined with the cost reduction activities contributed to a substantially reduced loss in what is traditionally our weaker trading period. The operating loss for the first six months of £144k (2016: £430k) includes a non-recurring charge of £15k, including an under accrual of showroom closure costs in the last financial year.

A summary of the financial results show:

	2017	2016	Movement
	£'000	£'000	%
Turnover:			
Total Turnover	3,569	3,613	
Closed Stores	45	202	
Comparable Stores (LFL)	3,524	3,411	3%
Cost of Sales	(1,790)	(1,795)	0%
Gross Margin	1,779	1,818	(2)%
Overheads/Other	(1,887)	(2,188)	(14)%
Non-recurring Costs	(15)	(38)	(59)%
Operating Loss (before finance costs)	(123)	(408)	(70)%

Key performance indicators for the first half year, on a like for like basis, are summarised below:

	6mths ended 28 Feb 2017	6mths ended 29 Feb 2016	Movement %
Turnover £'000	£3,524	£3,411	+3%
Gross margin%	50%	50%	-
Number of kitchens sold	126	136	(7)%
Average Sale Value	£25.7k	£23.1k	+11%
Number of bedrooms sold	25	25	-
Average Sale Value	£5k	£4.6k	+7%

Store Investment

The first half year has seen further investment into the showroom portfolio, as the simplicity of our lay-on range continues to grow with renewed appeal. We have installed new displays in our Fulham and Cobham showrooms, together with the further roll out of the contemporary Pure into our Hungerford showroom. It is critical in a competitive retailing environment that the showroom offering remains fresh and inspiring.

The Fitted Wardrobe Collection by John Lewis of Hungerford, was launched in April in our Winchester Showroom and has been very warmly received. We are looking to further showcase this category in several stores, to boost the visibility of the Bedrooms business.

Operational Review

During the first half year we have undertaken a review of the internal processes within the business, which has highlighted several areas which require priority attention. This again relies on the commitment of our staff to embrace and enforce change. Examples of some of the actions being undertaken include: updating the systems operating within the company, in order to simplify the process between sales and manufacturing. This will assist us in our drive to further improve our customer satisfaction levels from an already high 96%. It will also lead to improved visibility of product costings and range profitability.

In addition, the newly restructured finance department is implementing new reporting processes to provide the Board with greater insight to drive decision making. This will greatly assist the Board to continue to establish opportunities to improve our internal processes, as we embark upon our next programme of growth.

In conclusion, efforts across the business have been redoubled to ensure that the customer experience is paramount in all aspects of our product delivery. From the early engagement with the business, through to a successful conclusion which builds significant referrals, the focus is exclusively on ensuring that the company delivers on the ambition of our customers to design exceptional and unique home solutions.

Strategic Review

In addition to the operational review, we have commenced work on the previously announced more fundamental review of our strategic positioning. This work has already highlighted areas where we can improve some of the basic customer engagement processes, from the initial marketing, through to an enriched customer experience. Work remains underway and we hope to be in a position to report the conclusions to shareholders by the end of the financial year.

Cash Flow

Cash at bank and in hand at the end of the period was £594k (2016: £494k), which includes customer deposits and advance payments. Our bank loans at the end of the period were £745k (2016: £835k) repayable over 10 years. Our overdraft facility of £250,000 remained unused throughout 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 £4.5m (2016: £4.5m). This differs from our statutory revenue recognition policy, which is to recognise sales only at the point orders are dispatched.

The second half year is traditionally our stronger trading period and we remain cautiously optimistic that we will achieve sales results broadly in line with the previous year, with a reduced cost and store base. This should return the business to a modest level of profitability for the full year. However, our business remains sensitive to the prevailing market conditions and as such, uncertainty around the election and the Brexit negotiations could still affect consumer confidence. The Board continues to monitor the situation closely and will provide a further update to shareholders in due course.

Board Changes

The Board would like to take this opportunity to acknowledge the great contribution John Lewis has made to the company over the last 45 years. John steps down from the Board after a long and notable career serving the business which he founded back in 1972. The staff and the management team would like to thank John for his many years of devoted service and dedication to the business. He has guided the business through years of success and many challenges and always remained steadfast in his support of the team at the helm. His creative talents are many and have helped to build a strong and universally loved brand, which customers and employees alike, have always enjoyed being a part of. We all wish him well and thank him most sincerely.

The Directors expect to announce further Board appointments in due course and will update shareholders at the appropriate time.

Kiran Noonan
Chief Executive Officer

Gary O'Brien
Non-Executive Chairman

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**INCOME STATEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017**

	<i>Unaudited 6 months ended</i>		<i>Audited</i>
	<i>28 February</i>	<i>29 February</i>	<i>Year ended</i>
	<i>2017</i>	<i>2016</i>	<i>31 August</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Note			
Revenue	3,569	3,613	8,180
Cost of sales	(1,790)	(1,795)	(4,114)
Gross profit	<u>1,779</u>	<u>1,818</u>	<u>4,066</u>
Selling and distribution costs	(208)	(258)	(478)
Administration expenses:			
Share based payments	-	-	-
Other	(1,679)	(1,930)	(3,770)
Other non recurring items			
Restructuring Costs	(15)	(38)	(201)
Total	<u>(1,694)</u>	<u>(1,930)</u>	<u>(3,971)</u>
Loss before share based payments	(123)	(408)	(383)
Loss from operations	(123)	(408)	(383)
Finance expenses	(21)	(22)	(33)
Loss before tax	<u>(144)</u>	<u>(430)</u>	<u>(416)</u>
Taxation	-	-	16
Loss after taxation	<u>(144)</u>	<u>(430)</u>	<u>(400)</u>
Loss per share			
Basic	(0.08)p	(0.23)p	(0.21)p
Fully diluted	(0.08)p	(0.23)p	(0.21)p

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017**

	<i>Unaudited 6 months ended</i>		<i>Audited</i>
	<i>28 February</i>	<i>29 February</i>	<i>Year ended</i>
	<i>2017</i>	<i>2016</i>	<i>31 August</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Loss for the period	(144)	(430)	(400)
Total Comprehensive Income	<u>(144)</u>	<u>(430)</u>	<u>(400)</u>

**BALANCE SHEET
AS AT 28 FEBRUARY 2017**

	<i>Unaudited 28 February 2017</i>	<i>Unaudited 29 February 2016</i>	<i>Audited 31 August 2016</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-Current Assets			
Intangible assets	67	86	75
Tangible assets	2,443	2,782	2,590
Trade and other receivables	57	57	57
	<u>2,567</u>	<u>2,925</u>	<u>2,722</u>
Current assets			
Inventories	185	195	212
Trade and other receivables	411	362	362
Cash and cash equivalents	594	496	1,107
	<u>1,190</u>	<u>1,053</u>	<u>1,681</u>
Current liabilities	(1,722)	(1,718)	(2,182)
Net current liabilities	<u>(532)</u>	<u>(665)</u>	<u>(501)</u>
Total assets less current liabilities	2,035	2,260	2,221
Non-current liabilities	(651)	(746)	(693)
Provisions for liabilities and charges	-	(16)	-
Net Assets	<u>1,384</u>	<u>1,498</u>	<u>1,528</u>
Equity			
Share capital	187	187	187
Other reserves	1	1	1
Share premium account	1,188	1,188	1,188
Retained Earnings	8	122	152
Total Equity	<u>1,384</u>	<u>1,498</u>	<u>1,528</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017**

	<i>Share Capital</i>	<i>Share Premium</i>	<i>Other Reserves</i>	<i>Retained Earnings</i>	<i>Total</i>
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	£'000	£'000	£'000	£'000	£'000
<i>At 31 August 2015 (Audited)</i>	187	1,188	1	552	1,928
Loss for the period	-	-	-	(430)	(430)
<i>At 28 February 2016 (Unaudited)</i>	187	1,188	1	122	1,498
Profit for the period	-	-	-	30	30
Share based payments	-	-	-	-	-
<i>At 31 August 2016 (Audited)</i>	187	1,188	1	152	1,528
Loss for the period	-	-	-	(144)	(144)
Share based payments	-	-	-	-	-
<i>At 29 February 2017 (Unaudited)</i>	187	1,188	1	8	1,384

**STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017**

	<i>Unaudited 6 months ended 28 February 2017</i>	<i>Unaudited 6 months ended 29 February 2016</i>	<i>Audited Year ended 31 August 2016</i>
	£'000	£'000	£'000
Loss from operations	(123)	(408)	(383)
Depreciation, impairment and amortisation	130	131	342
Share based payments	-	-	-
(Increase) / Decrease in inventories	27	(5)	(22)
(Increase) / Decrease in receivables	(49)	(55)	(55)
Increase / (Decrease) in payables	(339)	(176)	144
(Profit) / loss on disposal of property plant and equipment	93	1	2
Increase / (Decrease) in provisions	(123)	-	123
Net cash from operating activities	(384)	(512)	151
Cash flows from financing activities	(61)	(74)	(118)
Cash flows from investing activities	(68)	(124)	(132)
Net decrease in cash and cash equivalents	(513)	(710)	(99)
Net cash and cash equivalents at the start of the period	1,107	1,206	1,206
Net cash and cash equivalents at the end of the period	594	496	1,107

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 2016. The Company does not anticipate any change in these accounting policies for the year ended 31 August 2017. 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 2017	6 months ended 29 February 2016	Year ended 31 August 2016
Profit / (loss) attributable to ordinary shareholders (£'000)	(144)	(430)	(400)
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)	(0.08)p	(0.23)p	(0.21)p
Diluted earnings per ordinary share (pence)	(0.08)p	(0.23)p	(0.21)p

At 28th February 2017 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 2017 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk

This announcement is inside information for the purposes of Article 7 of Regulation 596/2014.