John Lewis
OF HUNGERFORD

Interim Report for the 6 months to 29 February 2012

CHAIRMAN'S STATEMENT

The result for the first half year reflects the loss of consumer confidence in the UK economy during the lead up to Christmas that I highlighted in my recent AGM statement. In particular the decline in sales during the period is attributable almost entirely to reduced customer activity during December and January, with both months being significantly down on budget and the previous year.

This reduction was particularly disappointing as it came on the back of a strong performance during the first quarter which had seen the positive momentum within the business continue to build through year-on-year sales growth in line with that achieved by the business in each of the two previous years.

Our sales cycle means that reported sales are largely driven by purchasing decisions taken by customers several months previous. Therefore whilst it is difficult to be certain we believe the decline was reflective of a more general weakening in consumer confidence at that time. Certainly it coincided with a period of intense speculation over the implications for the UK economy arising from problems within the Eurozone. Inevitably such uncertainty is unhelpful in sectors such as ours, which deal in large discretionary purchase items. Speaking to our customers it is clear this had led some to delay or deferred orders.

Customer activity levels are now beginning to improve but whilst the level of order intake is encouraging we continue to experience difficult trading conditions. Current sales performance is broadly in line with management's expectations although we expect to be trading below last year levels for the remainder of the year.

The volatility in sales between Q1 and Q2 serves to reinforce the extent to which our business is dependent on the prevailing level of consumer confidence. Although we have limited opportunity to influence this we must nevertheless remain vigilant to any changes and act decisively if the need arises. In January we took the decision to reduce our cost base due to the lower activity levels and this means we are now benefiting from greater efficiency levels within our production facilities.

Against this challenging backdrop it is pleasing to note that all our newer showrooms are showing an increase in sales on last year. In addition our latest showroom in Cirencester continues to attract high levels of customer interest. This supports our central strategy, which remains to expand our retail estate through selective investment in new locations. However, no further sites are currently under active consideration.

Although the wider economic conditions have led to a disappointing financial result for the first half year we must not lose sight that the business has taken significant steps forward in recent years. I remain confident that these will ultimately deliver enhanced shareholder value through creating a business better able to take advantage of the improved economic conditions in due course.

Malcolm Hepworth

Chairman

PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

	Note	*Unaudited 6 months ended* *29 February 2012* *£'000*	*28 February 2011* *As restated* *£'000*	*Audited Year ended 31 August 2011* *£'000*
Turnover		**2,459**	2,717	6,224
Cost of sales		**(1,154)**	(1,284)	(2,888)
Gross profit		**1,305**	1,433	3,336
Selling and distribution costs		**(195)**	(179)	(397)
Administration expenses:				
Share based payments		**(2)**	(53)	(54)
Other		**(1,334)**	(1,330)	(2,720)
Total		**(1,336)**	(1,383)	(2,774)
Operating loss before share based payments		**(224)**	(76)	219
Operating loss		**(226)**	(129)	165
Interest receivable		**1**	1	4
Interest payable		**(19)**	(18)	(33)
Loss on ordinary activities before taxation		**(244)**	(146)	136
Taxation		**-**	-	15
Loss on ordinary activities after taxation		**(244)**	(146)	151
Loss per share	3			
Basic		**(0.13)p**	(0.12)p	(0.08)p
Fully diluted		**(0.13)p**	(0.12)p	(0.08)p

BALANCE SHEET
AS AT 29 FEBRUARY 2012

	Unaudited 29 February 2012	*Unaudited 28 February 2011 As restated*	*Audited 31 August 2011*
	£'000	*£'000*	*£'000*
Fixed assets			
Intangible assets	**30**	6	33
Tangible assets	**2,472**	2,322	2,463
	2,502	2,328	2,496
Current assets			
Stocks	**187**	199	219
Debtors	**258**	315	300
Cash at bank and in hand	**587**	925	809
	1,032	1,439	1,328
Creditors: amounts falling due within one year	**(1,205)**	(1,597)	(1,242)
Net current assets	**(173)**	(158)	86
Total assets less current Liabilities	**2,329**	2,170	2,582
Creditors: amounts falling due after more than one year	**(583)**	(473)	(592)
Provisions for liabilities and charges	**(10)**	(16)	(10)
Total net assets	**1,736**	1,681	1,980
Capital and Reserves			
Called up share capital	**187**	187	187
Other reserves	**1**	1	1
Share premium account	**1,188**	1,188	1,188
Share based payment reserve	**-**		-
Profit and Loss account	**360**	305	604
Shareholders funds - all equity interests	**1,736**	1,681	1,980

CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 29 FEBRUARY 2012

	Unaudited 6 months ended 29 February 2012	*Unaudited 6 months ended 28 February 2011 As restated*	*Audited Year ended 31 August 2011*
	£'000	*£'000*	*£'000*
Operating (loss)/profit	**(226)**	(129)	165
Depreciation and amortisation	**116**	114	235
Share based payments	**2**	53	54
Decrease / (increase) in Stock	**32**	(34)	(54)
Decrease / (increase) in Debtors	**42**	(42)	(25)
(Decrease) / increase in Creditors	**(41)**	334	(27)
Profit on disposal of tangible fixed assets	**-**	-	6
Net cash inflow / (outflow) from operating activities	**(75)**	296	354
Returns on investment and servicing of finance	**(18)**	(17)	(57)
Corporation tax refunded	**-**	10	9
Capital expenditure	**(122)**	(178)	(473)
Financing	**(7)**	(4)	129
Increase / (decrease) in cash	**(222)**	107	(38)

NOTES:

1. The interim accounts, which are unaudited, have been prepared under the historical cost convention using the accounting policies set out in the accounts for the year ended 31 August 2011.

2. During the year ended the 31st August 2011 the Company changed its accounting policy relating to internally manufactured showroom display units. Accordingly the comparative figures have been adjusted to reflect the current accounting treatment.

These assets were previously presented at cost as a component of stock. Although they will still ultimately be sold to customers upon the refurbishment of a showroom, given the length of time that these assets are typically held on the balance sheet, the Directors now consider that it is more appropriate to present these assets as tangible fixed assets to be depreciated over their useful economic lives.

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

	6 months ended 29 February 2012	6 months ended 28 February 2011	Year ended 31 August 2011
Loss attributable to ordinary shareholders (£'000)	(244)	(146)	151
Weighted average number of shares in issue	186,745,519	186,745,519	186,745,519
Loss per ordinary share (pence)	(0.13)p	(0.08)p	0.08 p

3. Copies of the 2012 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk