INTERIM REPORT

For six months ended 28 February 2011

CHAIRMAN'S STATEMENT

In the face of the continued challenging economic conditions I am pleased to be able to report that the business has built on the positive momentum of the last full financial year. Like for like sales are some 9% ahead of last year, which combined with the impact of new stores openings have contributed to the overall 18% growth in sales. Operating loss before the impact of share based payments has further narrowed and with a strong order book, the Board considers the business well positioned to build on the first half year. Nevertheless the current economic climate requires caution to be exercised and your Board remain alert to the risk presented by continuing weak consumer confidence.

As previously reported, a key highlight during the period was the opening of our new showroom during November 2010 in Beaconsfield, Buckinghamshire. We are pleased with the showrooms initial trading and also trading at our Blackheath store which opened in August 2010. This validates the Board's strategy of seeking to complement organic growth through selective investment in new stores. Wider problems in the retail sector inevitably presents opportunities for further store openings, although your Board will continue to adopt a cautious approach taking into account the general economic conditions and the financial performance of the existing business.

The overall gross profit margin of the business in the 6 months to 28th February 2011 was 52.7% compared to 52.3% in 2010. This increase in gross margin is a result of increased efficiencies in production and reduced overtime costs. The Normalised Loss before taxation, share based payments and interest was £62k (2010 - £153k). The charge in respect of share based payments for the period amounted to £53k (2010 - £81k) although your Board continues to believe the arbitrary nature of the accounting methodology in arriving at this charge means it has little meaningful relevance to the reported financial results. The reduced loss was driven by both an increase in our core product sales which increased by 12.6% to £2,376k (2010: £2,109k) and The Artisan Installation Service which has significantly increased sales of £341k (2010: £188k), giving total sales of £2,717k (2010: £2,298k).

Net cash inflow for the half year was £107k (2010: £330k outflow) and at the balance sheet date, cash in bank stood at £925k (2010: £454k). This increase reflects the higher value of forward orders for the year compared with last year. Capital expenditure in the period was £104k (2010 - £79k) reflecting investments made in one new showroom and the factory.

Our sales and future order book look healthy with customer interest in our brand remaining strong and this is reflected in our advance order book which as of 28th February 2011 is some 20% ahead of last year. This reflects both the growth in our business and investment made in strengthening the customer facing teams in some of our showrooms. However, we are operating in difficult, if not unprecedented, economic times and so it is very difficult to predict the future with any degree of certainty. In particular the Board is vigilant of margin pressures through increases in raw material costs.

Nevertheless your Board continues to believe the strength of the John Lewis of Hungerford brand coupled with the expanded product range at reasonable prices means the business is well positioned to face the future with confidence.

Malcolm Hepworth

Chairman

20 April 2011

PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

	Note	*Unaudited 6 months ended 28 February 2011 £'000*	*Unaudited 6 months ended 28 February 2010 £'000*	*Audited Year ended 31 August 2010 £'000*
Turnover		**2,717**	2,298	5,355
Cost of sales		**(1,284)**	(1,097)	(2,516)
Gross profit		**1,433**	1,201	2,839
Selling and distribution costs		**(179)**	(242)	(475)
Administration expenses:				
Share based payments		**(53)**	(81)	(154)
Other		**(1,316)**	(1,112)	(2,333)
Total		**(1,369)**	(1,193)	(2,487)
Operating profit before share based payments		**(62)**	(153)	31
Operating loss		**(115)**	(234)	(123)
Interest receivable		**1**	13	4
Interest payable		**(18)**	(9)	(8)
Loss on ordinary activities before taxation		**(132)**	(230)	(127)
Taxation		**-**	-	(16)
Loss on ordinary activities after taxation		**(132)**	(230)	(143)
Loss per share	3			
Basic		**(0.07)p**	(0.12)p	(0.08)p
Fully diluted		**(0.07)p**	(0.12)p	(0.08)p

BALANCE SHEET
AS AT 28 FEBRUARY 2011

	Unaudited 28 February 2011 £'000	*Unaudited 28 February 2010 £'000*	*Audited 31 August 2010 £'000*
Fixed assets			
Intangible assets	**6**	10	8
Tangible assets	**1,805**	1,715	1,799
	1,811	1,725	1,807
Current assets			
Stocks	**796**	644	688
Debtors	**315**	314	273
Cash at bank and in hand	**925**	454	818
	2,036	1,412	1,779
Creditors: amounts falling due within one year	**(1,597)**	(1,215)	(1,253)
Net current assets	**439**	197	526
Total assets less current Liabilities	**2,250**	1,922	2,333
Creditors: amounts falling due after more than one year	**(473)**	(243)	(477)
Provisions for liabilities and charges	**(16)**	-	(16)
Total net assets	**1,761**	1,679	1,840
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	**-**	404	-
Profit and Loss account	**385**	(101)	464
Shareholders funds - all equity interests	**1,761**	1,679	1,840

CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2011

	Unaudited 6 months ended 28 February 2011 £'000	*Unaudited 6 months ended 28 February 2010 £'000*	*Audited Year ended 31 August 2010 £'000*
Operating loss	**(115)**	(234)	(123)
Depreciation and amortisation	**100**	88	176
Share based payments	**53**	81	154
Increase in Stock	**(108)**	(48)	(92)
(Increase) / decrease in Debtors	**(42)**	(28)	13
(Increase) / decrease in Creditors	**334**	(172)	(114)
Profit on disposal of tangible fixed assets	**-**	-	(3)
Net cash inflow / (outflow) from operating activities	**222**	(313)	11
Returns on investment and servicing of finance	**(17)**	4	(10)
Corporation tax refunded	**10**	48	48
Capital expenditure	**(104)**	(79)	(249)
Financing	**(4)**	10	234
Increase / (decrease) in cash	**107**	(330)	34

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 2010.

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

	6 months ended 28 February 2011	6 months ended 28 February 2010	Year ended 31 August 2010
Loss attributable to ordinary shareholders (£'000)	(132)	(230)	(143)
Weighted average number of shares in issue	186,745,519	186,745,519	186,745,519
Loss per ordinary share (pence)	(0.07)p	(0.12)p	(0.08)p

3. Copies of the 2011 interim accounts will be available to shareholders on the Company's website www.john-lewis.co.uk