

Company No. 00233462

JOHN LEWIS PLC
Annual report and accounts 2023

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JOHN LEWIS PLC

**ANNUAL REPORT AND ACCOUNTS
FOR THE 52 WEEK PERIOD ENDED 28 JANUARY 2023**

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Company information

Directors:	Sharon White (Chairman) Bérangère Michel
Company Secretary:	Jane Cheong Tung Sing
Registered office:	171 Victoria Street, London, SW1E 5NN
Company number:	00233462
Independent auditor:	KPMG LLP 15 Canada Square London E14 5GL

JOHN LEWIS PLC

STRATEGIC REPORT FOR THE 52 WEEK PERIOD ENDED 28 JANUARY 2023

The Directors of John Lewis plc ('the Company' and together with its subsidiaries 'the Group') present the audited consolidated financial statements of the Group and of the Company for the 52 week period ended 28 January 2023.

The Company is the principal trading subsidiary of John Lewis Partnership plc (together with its subsidiaries 'the Partnership'). It owns Waitrose Limited and other companies (see note 29). The Group trades as the Waitrose and John Lewis brands and has over 74,000 employees – or Partners – for whom the Partnership is owned in Trust.

Review of performance

Key performance indicators

	2023	2022
Financial performance		
Revenue (£bn)	10.5	10.8
Loss before tax (£m)	(225.4)	(27.2)
(Loss)/profit before Partnership Bonus, tax and exceptional items (£m)	(68.9)	180.0
Liquidity ¹ (£bn)	1.5	1.9
Borrowings ² (£m)	637.8	791.6

The financial year is the 52 weeks ended 28 January 2023 (prior year: 52 weeks ended 29 January 2022).

¹ Liquidity is the cash, short-term investments and undrawn committed credit facilities we have available to us, which we can use to settle liabilities as they fall due.

² Borrowings consist of £650m of borrowings, less unamortised bond transaction costs and the fair value adjustment for hedged elements on bonds.

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Performance summary

We're on track across many areas of our Partnership Plan, which gives us great confidence, and we're responding at pace to the economic environment as well as the changing needs of our customers. This coming year, we are prioritising where we invest our time and money to deliver three critical priorities: **cost out, margins up and customer focus**. We look ahead from a position of strength and the fundamentals of our business - customer base, liquidity and balance sheet - are robust.

The Partnership's principal internal measure of trading performance is Profit/loss before Partnership Bonus, tax and exceptionals (PBTBE). This comprises trading operating profit for our brands, combined with other operating costs managed centrally (such as costs of our London and Bracknell offices, IT, net finance costs, property costs, depreciation and investment expenses). The loss before tax and exceptional items was £69m in the year, down from a £180m profit in 2021/22. Our loss before tax but after exceptional items was £225m, versus a loss before tax of £27m in 2021/22.

Our loss before tax and exceptional items is £249m lower than last year, primarily due to:

- Waitrose trading operating profit³ declined by £125m to £894m, due to challenging trading dynamics, inflation pressure which increased our cost base by £67m this year and one-off cost inefficiencies, partially offset by cost savings including £29m of Lean Simple Fast savings and profit growth from new propositions;
- John Lewis trading operating profit fell by £82m to £676m, due to trading dynamics and inflation, partially offset by cost savings which includes £47m of Lean Simple Fast savings delivered in the year. Across our John Lewis operations, and excluding the effect of input cost inflation on goods we sell, inflation increased our cost base in John Lewis by £70m this year. Freight costs alone were £26m higher in the year than previously, as pressure on global supply chains created spikes in cost;
- Our financial services results are also reported within the Trading operating profit of John Lewis. Income was up 22%, supported by Partnership Card and rebound of Travel Money after two subdued years of customer travel;
- Other cost savings relate to the Lean Simple Fast savings below Trading operating profit amounting to £62m in year. Added to the cost savings shown in Waitrose and John Lewis Trading operating profit, the combined net saving is £138m in year (£181m of gross savings offset by non recurring savings from last year of £43m);
- Our business rates costs are £58m higher this year following the end of the business rates relief scheme utilised to offset Covid costs. This tax relief was used last year to offset higher operating costs across the business specific to Covid;
- Higher investment has been made in the Partnership Plan transformation which led to an additional £38m of non recurring revenue expenditure;
- Exceptionally high rates of inflation in our other operating costs (below Trading operating profit), such as utility costs increases, added £42m of cost. Total inflation on operating costs (including elements presented in Trading operating profit of our brands) amounted to £179m, including £87m in pay;
- A combination of higher rates of interest earned on short term deposits along with lower pension and long leave costs reduced financing charges by £42m;
- Other costs of £7m of additional cost YoY principally relate to new property costs this year for expansion of our supply chain network to support future growth, partially offset by actuarial gains on the long leave provision.

³ Trading operating profit represents operating profits used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to them. It excludes centrally managed costs, including fixed property costs and depreciation.

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The highlights from the year were:

WAITROSE

- Waitrose sales⁴ for the year were £7.3bn, down 3% like for like and in total last year. Revenue was £6.8bn, down 3% on last year. This equates to a reduction in market share from 5.0% to 4.7%⁵. Trading operating profit fell by £125m to £894m, due to five key drivers: challenging trading dynamics, inflation pressure and one-off cost inefficiencies, partially offset by cost savings and profit growth from new propositions;
- Despite customer numbers increasing by 7% in the year, sales volumes were down 10% in the year. There are a number of factors driving this including record online volume gains from last year in part reversing and a consumer shift to convenience, where we're looking to grow our presence in future. We also saw customers putting fewer items in their basket (basket size down 15% in shops) and switching to lower priced products;
- High online volumes last year have now normalised to lower levels, albeit well above pre pandemic levels. Online sales this year represented just over 14% of Waitrose sales at average orders per week of 168,000. This compares to 17% last year at average weekly orders of 213,000. This 27% drop in online volumes was expected and contributed significantly to the movement in market share during the year;
- As the UK increasingly returns to pre-Covid working patterns, with growing hybrid or office-based working, we have seen, consistent with the wider market, healthy growth in convenience channels. For example, market growth of 32% in 'Food to Go' categories;
- As a consequence of low consumer confidence and pressure on household incomes amid the cost of living crisis, we have seen customers trading down to cheaper ranges; seeking to make their money go further and shifting their purchase behaviour with smaller baskets but more frequent shopping. Secondly, we saw an increase in customer marketing through vouchers and other customer promotions as customers began to spread their spend across supermarkets, convenience channels and eating out;
- Product innovation continued at pace with the launch of 779 new products including the exclusive listing of Plants by Deliciously Ella. The biggest launches of the year included our Cooks Ingredients range, which relaunched with 40 new products and our Summer Food Festival range of 71 products from around the world;
- We provided an even greater choice of high quality Meal Deals during the year, and Essentials maintained its position as the largest value range of any grocer;
- Our industry leading proposition saw Waitrose win more Grocer 33 Store of the Week awards than any other grocer;
- Customers benefited from over £100m in personalised money-off rewards through our loyalty programme, MyWaitrose, which now has nine million members (up by 3%). We relaunched free coffee for members with 240,000 drinks per week, 12% higher than the comparable period in 2019/20;
- The rollout of the John Lewis 'shop within a Waitrose shop' continues and we added 50 shops taking the total to 88, with more planned this year;
- We have expanded Waitrose's presence with third parties, growing our convenience offer: we expect to have rolled out Dobbies Food Halls to 44 branches by May 2023. Our partnership with Deliveroo has expanded; now in 222 shops and customers can choose up to 2,500 products. We've seen strong growth of this proposition, with orders up 33% year-on-year, many of which are to a new, younger customer base. We began supplying 13 convenience stores in Scotland and Jersey and opened 11 new Waitrose shops at Shell forecourts taking the total to 80, with plans for more this financial year.

⁴ All references to sales are trading sales which includes VAT, sale or return and other accounting adjustments.

⁵ Source: Kantar data 52 weeks to 22 January 2023 and 52 weeks to 23 January 2022

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- John Lewis sales⁶ for the year were £4.9bn, up £16m (0.3%) on a like-for-like basis with last year and up £13m (0.3%) in total. Revenue was £3.8bn, down 2% on last year. John Lewis Trading operating profit fell by £82.1m to £675.6m, due to trading dynamics and inflation, partially offset by cost savings;
- Our split of sales across categories reshaped to close to the last full year pre-pandemic with Fashion and Technology our largest sales (by value) categories at 37% and 36% of our sales mix respectively. Home has been relatively consistent for the last four years at 27%;
- Footfall to our shops grew 34% (reaching 100 million for the first time since before Covid), while online traffic was down 5% on last year (albeit more than half a billion visits to our online channels), highlighting the value of both channels working in combination for our customers;
- Retiring our pledge, Never Knowingly Undersold, enabled us to provide even better value for all customers through a £500m investment in price;
- We launched our new mid-tier own label range in September, and expanded our entry range ANYDAY, with 600,000 customers trying it for the first time. Of our 2.7 million ANYDAY customers, over 70% also bought from our mid-tier John Lewis & Partners range and more than 75% bought items from our branded ranges, during the year;
- The strength of our offer and expertise is also evident in the record number of personal styling appointments, with over 60,000 in the year, and nursery advice appointments, at over 21,000;
- We invested significantly in improving our digital capabilities to inspire customers and be more convenient: including in stores, online, through our App and our contact centres;
- We invested £5.4m in 27 shops with store designs using fresh new colours, as well as making it easier for customers to shop and find seasonal newness in store. We also partnered with our suppliers to deliver over 180 enhancements across our shop estate;
- Ten thousand Partners completed courses at the School Of Service, our retail training academy, and we were named top retailer for customer service by The Institute of Customer Service.

Our Partners have been exceptional in embracing the opportunities and challenges this year has brought. During the year, we distributed £26.7m from cash reserves to support our Partners with the cost of living crisis (a £500 payment pro rata), provided free meals across the business over winter at a cost of £5m and doubled the financial assistance fund for Partners facing hardship, to £800,000.

Income in John Lewis Financial Services was up 22% on last year. During the year, we acquired 409k new customers (gross), with Partnership Card, Point of Sale credit and Travel Money performing particularly well. Since the completion of the Partnership Card transfer, which wasn't easy for all customers given the scale of the change, we have seen average weekly spend of these customers increase by over 20% towards the end of last year. Our pet insurance product relaunched in Q2 and offers an annual video health check for pets, winning a Which? Best Buy. We will shortly launch the trial of a new proposition that helps parents invest for the long term future of their children with a John Lewis Junior ISA.

With over 20 million customers, loyalty card members (comprising nine million at Waitrose and five million at John Lewis), 360 stores, over 500 million website visits per year and 2.8 million readers of Waitrose Food Magazine per month, our physical and digital estate is uniquely placed to offer opportunities for third party brands to engage with our customers through our channels. We have significant plans to develop this business further.

The areas of focus for the year ahead include:

- Investing £100m across the year in lowering Waitrose prices;
- Increasing our presence in the convenience market through partnerships with third parties such as Deliveroo, Dobbies, Shell and local convenience shops to bolster and enhance our convenience reach for our customers;

⁶ All references to sales are Total trading sales which includes VAT, sale or return and other accounting adjustments.

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- Launching the trial of a new proposition that helps parents invest for the long term future of their children with a John Lewis Junior ISA;
- Tripling our original efficiency saving target to ~£900m by January 2026 in order to help us return to healthy profit.

Exceptional items

During the year, we took the difficult decision to close two Waitrose branches and also reduce the space at both our Bracknell and London offices. We paid our Partners a onetime cost of living payment of £500 per Partner (pro rata), amounting to £27m. Additionally, we have recorded a net impairment charge for the year of £113m against the value of our store estate. This is a non-cash accounting adjustment reflecting the performance in Waitrose. Together, these have totalled a net charge of £156m (2022: £161m charge).

Cash and liquidity

Our total liquidity at the year end remains strong at £1.5bn, including £1.04bn cash and short-term investments, and undrawn bank facilities of £420m. This allows us to invest with confidence in our Partnership Plan and meet our obligations. We carry £1.7bn of Total net debts including £1.9bn of leases and a pension deficit of £102m on an accounting basis, with £350m of financial borrowings due to be repaid in the next two years (£50m term loan maturing in December 2023 and £300m bond maturing in January 2025).

Liquidity has dropped by £473m from last year end. Our plans for 2022/23 anticipated much of the reduction as we sought to invest strongly in our Partnership Plan and repay £150m of term loans in the year. We had been operating with elevated cash positions from raising additional debt during the pandemic, all of which have now been repaid. In 2022/23, we paid a £46m bonus and £27m cost of living support payment to our Partners.

Despite weaker trading this year, we have positive cash generated from operations before Partnership Bonus of £342m (2021/22: £669m).

Pensions

At the year end, we had an IAS 19 accounting pension deficit of £102m (£100m after deferred tax), compared to a surplus of £474m in January 2022 (£331m post deferred tax). The accounting position reflects the gap between the market value of pension assets held by our defined benefit scheme and the IAS 19 value of our pension liabilities. At the year end, IAS 19 pension liabilities were £4,490m, down from £6,752m at January 2022, with the reduction largely attributable to an increase in the discount rate as a result of increasing interest rates, partly offset by this year's inflation figure being higher than expected. The market value of pension assets was £4,388m, down from £7,226m at January 2022. The reduction was largely due to a fall in the value of liability driven investments designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on an actuarial basis).

Following positive progress over most of 2022, the pension scheme was affected by extreme market volatility in September and October following the UK government's 'mini budget', which created significant instability in the economy and financial markets. In order to preserve suitable liquidity within the Trust's assets, the hedge (designed to protect against movements in interest rates and inflation) was reduced from 100% to 75% of assets. The Trustee is currently in the process of increasing this back to the 100% target and expects to be back to this level of hedging within the next few months. The Trustee continues to manage scheme risks carefully and appropriately and the pension scheme remains liquid and well funded despite the earlier market volatility.

Ethics and sustainability

Our Ethics and Sustainability (E&S) strategy is in service of the Partnership Purpose, and is broken down into six focus areas which we believe are all important in order for us to be a more ethical and sustainable business. By delivering this strategy we will play our part in protecting the planet and respecting and supporting the

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interests of all those touched by our business. Building strong trusted relationships inside and outside of the Partnership is key to delivering our vision for ethics and sustainability and long-term business success.

The Partnership Purpose Working in Partnership for a Happier World		
Our Ethics and Sustainability strategy		
PEOPLE IN SUPPLY CHAINS Protecting the rights of workers in our supply chains and championing worker voice	CLIMATE ACTION AND BIODIVERSITY Reducing greenhouse gas emissions in our operations and supply chains, and protecting and enhancing nature through biodiversity	SOCIAL IMPACT Connecting and giving back to communities and charitable causes
AGRICULTURE, AQUACULTURE, FISHERIES AND RAW MATERIAL SOURCING Guaranteeing a fair deal for producers, and supporting them to farm with nature	CIRCULARITY AND WASTE Designing with circularity in mind and eradicating waste	HEALTH, NUTRITION AND WELLBEING Enabling customers, Partners and communities to lead healthy and happy lives

Our ethics and sustainability highlights for the past year include the following:

- We reduced greenhouse gas emissions by 28.88% compared to the 2018 baseline and continue to make progress towards our goal of reaching net zero emissions in our operations by 2035;
- Reduced the overall Group's energy consumption by 20.1% compared to our 2018 baseline, on track to meeting our target of 25% by 2028;
- Underlining our commitment to our farmers, we pledged and substantially paid an extra £56m to invest in our long-standing UK suppliers to maintain high standards as they struggled with significantly rising costs;
- We won more Compassion in World Farming awards than any other UK retailer;
- In 2022, as we considered both our heritage and our Purpose, we took stock of the impact of our business on the world around us and reaffirmed our long-term relationship with nature. Our founder, John Spedan Lewis, was passionate about the environment and the wildlife within it. So it makes sense that we have developed Our Plan for Nature;
- We launched Our 'Building Happier Futures' programme to provide jobs for young people who have grown up in the care system, and the 'Building Happier Futures' fund has raised over £1m;
- Our customers and Partners donated £4.6m, to which we added a further £5.0m, to local charities including FareShare and Home-Start, to support those in need within our communities and beyond;
- To support our commitment to reducing waste we launched our new fashion rental service with over 3,000 customers registered on the site. We also partnered with thelittleloop to offer 1,500 John Lewis own-brand childrenswear products to rent.

You can find more on our Ethics and Sustainability strategy, ambition and performance in our Ethics and Sustainability Report 2022/23 or at www.johnlewispartnership.co.uk/csr. John Lewis Partnership plc's Annual Report and Accounts 2023 (pages 21 to 31) includes our greenhouse gas emissions, energy consumption and energy efficiency action from January 2022 to December 2022, in line with the UK Government's Streamlined Energy and Carbon Reporting ('SECR') regulation, and our disclosure against the Task Force on Climate-related Financial Disclosures ('TCFD') framework.

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Section 172(1) Statement and Statements on engagement with employees, suppliers, customers and others

This section forms the Company's section 172(1) statement. In accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this section also constitutes the Company's statement on engagement with, and having due regard to the interests of, our Partners (employees) and other key stakeholders.

The Company's ultimate parent company is John Lewis Partnership plc, which is owned in Trust for the benefit of its members, the Partners employed in the Partnership. Whilst being Directors of the Company, and having acted in a way they consider is most likely to promote the success of the Company, the Directors on the Board are also members of the Partnership's Executive Team, which manages the Group's business as part of the Partnership's governance structure. In carrying out their duties, the Directors have had in mind the Partnership's Purpose, which was refreshed at the start of 2022 and is set out in the Partnership's Constitution (available online at www.johnlewispartnership.co.uk). The opening section states: 'Our Partnership is an ongoing experiment to find happier, more trusted ways of doing business, for the benefit of us all. We work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities'.

The Purpose is in many ways aligned to the matters to which Directors must have regard under section 172(1) of the Companies Act 2006 through its objectives to find more trusted ways of doing business and to work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities. Further information on decision-making and engagement with stakeholders in the Partnership can be found in John Lewis Partnership plc's Annual Report and Accounts 2023 available at www.johnlewispartnership.co.uk.

Decision-making at the Board

Certain matters, under the Company's governance arrangements, are reserved for decision by the Directors. Directors are briefed on the background and reasons for any proposal and the associated costs, benefits and risks, as well as any potential impacts and risks for our customers, Partners and other stakeholders including our suppliers, the community and environment and how they are to be managed. The Directors take these factors into account before making a final decision that they believe is in the best interests of the Company and its members - our Partners.

Long term sustainability

The second Principle of the Constitution includes the objective of making 'sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose'. The shared aim of the Partnership Chairman, Partnership Council and Partnership Board, the Partnership's three governing authorities, is to safeguard the Partnership's future, enhance its prosperity and ensure its integrity.

Key stakeholders and community and environmental impact

When it is carrying forward that aim, the Board keeps in mind the impact the Group has on different stakeholder groups. It is not possible to have a financially healthy business, and thus a return for Partners as the beneficiaries of the Trust that holds the Partnership, on a sustainable basis if this is at the expense of other stakeholders. These stakeholders include: our customers, whose needs we respond to and with whom we aim to build long-term relationships; our producers and suppliers from whom we purchase goods and services; the communities and the environments in which we operate; and our financial stakeholders, including the Partnership Pensions Trust, relationship banks and holders of John Lewis plc financial bonds. Alongside these, engagement with campaign groups and non-governmental organisations, particularly those working on ethics and sustainability, is key. Partners are the thread that draws these other stakeholders together, acting as owners of the business and more than employees. Information on the engagement methods in the Partnership,

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which are used by the Company's Directors, are in John Lewis Partnership plc's Annual Report and Accounts 2023 (pages 33 to 39).

Partners

Our Purpose is clear that, as owners of the business, Partners are more than employees and share knowledge, power and profit. The Constitution empowers all Partners to shape the future of the Partnership. Hearing Partner opinion and ensuring this is taken into account in decision-making is intrinsic to our employee ownership model.

Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partnership's Intranet and through the weekly independent Gazette publication. Further information on the engagement methods in the Partnership, which are used by the Company's Directors, and on the democratic structures used to channel Partner views are on pages 33 to 34 and 56 to 59 of John Lewis Partnership plc's Annual Report and Accounts, available at www.johnlewispartnership.co.uk.

Customers

We take pride in making our customers happy. We put everything we have into everything we do, earning the loyalty and trust that we need to be successful. Our Partners support this by providing specialist expertise, curation and advice to our customers. The Partnership aims to offer its customers the best value in the marketplace for goods and services of comparable quality and availability. The Group's own brand ranges offer quality products for every budget, and we offer enhanced payment and credit services. We continually strive to optimise our customer experience by monitoring key customer metrics including Brand Advocacy (Net Promoter Score) and Customer Satisfaction (CSAT), reviewing performance against our historic measures and also our competitive market set.

The Partnership's customer research team are the voice of our customers, seeking to understand how customers and potential customers think and feel. We gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners and contact centres and external data sources. We also manage a dedicated Customer Perspectives Panel allowing deep dives, concept testing and more collaborative research on new services and products, to ensure we understand the customer engagement and reaction ahead of launches. Regular customer reports are produced for management and Directors for Partnership Board meetings, tracking and reviewing emerging trends, as well as measuring the business response and feeding in data to support both strategic and tactical initiatives and decision-making.

Producers and suppliers

A strong, trusted and transparent supply chain is integral to our success as a retailer. Our aim is to take a long-term view, working closely with producers and suppliers across our supply chains, forming mutually beneficial partnerships and ensuring workers are treated fairly. It is the strong working relationships we form that allow us to source high quality, more sustainable and ethical products for our customers.

The Partnership Board monitors relationships with the Partnership's suppliers in a number of ways including: review by the Partnership's Audit and Risk Committee of compliance with the Groceries Supply Code of Practice; and the steps the Partnership is taking to meet its ethics and sustainability goals, to protect the human rights of those who grow, pick, pack or make our products and to prevent modern slavery and human trafficking in our business and supply chains through the Partnership's Ethics and Sustainability Committee. Further information is available at www.johnlewispartnership.co.uk/csr.

The Partnership engages with suppliers in a number of ways, including through our dedicated online supplier portals and supplier forums, such as the Waitrose Farming Partnership (which encompasses the Livestock Steering Group, the Fish Forum and Agronomy Group), and a number of programmes and advocacy work including The John Lewis Better Jobs Programme and The Waitrose & Partners Foundation.

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Communities in which we operate

In line with our Purpose, we are working in Partnership for a Happier World. We are driven to make a difference to people's lives and create positive social impact, using the skills and resources within the Partnership to support where help is needed.

The Partnership Board monitors relationships with communities in which we operate via the Partnership's Ethics and Sustainability Committee, including the Partnership's response to the increasing social challenges faced by today's society.

The Partnership engages on matters impacting communities via a number of channels including our national charity partnerships. We select national charity partners that support our ambition to improve the lives of those most vulnerable in the community and with a geographical presence matching our estate where possible, giving our Partners the opportunity to make a difference locally.

In November 2022, the Partnership launched its Building Happier Futures programme which seeks to support children and young people who have experienced care. We aim to keep the voice of the community at the heart of what we do. To that end, we are supported by an Advisory Group made up of field experts and care-experienced individuals and we have partnered with two national charities, Action for Children and Who Cares? Scotland. Through a mixture of customer and Partnership contributions, we raised £1.1m for this programme.

Financial stakeholders

This includes the John Lewis Partnership Pensions Trust, relationship banks, credit insurers and holders of John Lewis plc bonds. Through our website, we share details on our performance, and the Partnership's Treasury team provides further detail as needed. We invite our financial stakeholders to join our financial updates and announcements, which gives them an opportunity to hear and engage with the Directors and senior management. We maintain an open and collaborative relationship with our pension trustee, providing financial information, and proactive engagement ahead of material transactions.

Environmental impact

The Partnership is committed to sourcing the raw materials used in our own-brand products more sustainably, collaborating with others to drive positive change and being transparent about our progress. We recognise the potential negative impacts that raw materials used in our products can have on people, animals and the natural environment.

The Partnership Board monitors environmental impact via the Partnership's Ethics and Sustainability Committee, including responding to the environmental challenges faced by today's society and those which may impact our business operations. Waitrose and John Lewis leadership teams attend internal workshops used to establish programmes to reduce the environmental impact on those matters most material to the Partnership.

The Partnership engages on environmental issues via a number of stakeholders including our Partners, third parties and as signatories of a number of industry sustainability initiatives. This engagement ensures we have visibility of emerging threats as well as opportunities, are able to communicate and advocate collaboratively with the wider retail sector and develop our own initiatives to reduce our environmental footprint.

Business conduct

The Group's reputation for its standard of business conduct is a key driver of customer perception of our brands. All Partners are expected to contribute to the maintenance of high standards of business conduct, and the Constitution provides our framework to do this for all Partners. It includes specific Rules for Partners relating to maintaining honesty, fairness, courtesy and promptness in their business conduct.

Acting fairly as between the Company's members

The Company and Group form part of a group which is held in Trust for the benefit of its Partners, and their

interests are at the forefront of Board decision-making. The first Principle of the Constitution states that we treat people with fairness, courtesy and respect. All Partners benefit from an interest in the ownership of the Partnership.

Principal risks and uncertainties

Our principal risks are those that have been assessed as high or very high risk in the pursuit of delivering the Partnership Plan when considering the potential impact and likelihood of occurrence. Oversight and monitoring takes place formally on a quarterly basis through the governance mechanisms set out on pages 42 to 50 of John Lewis Partnership plc's Annual Report and Accounts 2023.

Our principal risks are:

1. Insufficient profit to achieve our Purpose;
2. Change delivery;
3. Information security;
4. Regulatory non-compliance;
5. Proposition;
6. Partner differentiation;
7. Customer experience;
8. Partner wellbeing;
9. Ethics and sustainability;
10. Strategic resilience.

What has changed since last year?

Managing our principal risks within appetite this year has been challenging. Significant levels of internal change coupled with volatility in the external environment has exacerbated the likelihood of some principal risks and has given rise to a re-prioritisation of investment in mitigating activity. As a result, mitigations delivered have served to maintain a generally similar overall risk position to last year. The challenging backdrop has sharpened our focus and increased the time we have spent reviewing and navigating our most important potential risk exposures and mitigations in service of achieving our Partnership Plan. Consequently, risk management has matured. Additional mitigations have been identified and delivered in respect of our transformation, driving sufficient profit and differentiation on our distinctive Partnership character and proposition for our customers and Partners. In addition, over 300 senior leaders and change professionals have attended behavioural training in risk management, so as to more quickly and better navigate risk in decision making. This work, alongside other support to develop capability, has noticeably improved the maturity of risk management across the Partnership this year.

Changes to our risk profile over the past twelve months are noted below:

- The historical **External environment** principal risk which tracked how changes outside Partnership control impacted delivery of business as usual operations and strategic objectives was replaced with a new **Strategic resilience** principal risk, placing greater focus on the concepts within the Partnership's control, namely whether our Plan is right for the environment in which we operate. Further detail is provided in the principal risk table below;
- The likelihood of **Insufficient profit to achieve our Purpose** risk was increased in recognition that current market conditions are making a return to sufficient profitability significantly more challenging;
- The likelihood of **Proposition** risk increased in the period as inflation adversely impacted consumer spending;
- The likelihood of **Partner wellbeing** risk increased as challenging internal and external conditions created increasing uncertainty for our Partners;
- **Customer experience** risk likelihood increased in Waitrose reflecting changing consumer habits and internal investment prioritisation; whereas the risk impact decreased in John Lewis as a result of

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the execution of risk mitigation plans driving improvements in performance metrics to an improved and more stable position.

Principal risks are described on the following pages, together with an explanation of how they are managed or mitigated.

Managing our principal risks

The external risk environment in which we operate remains challenging with a range of existing, evolving and new emerging risks driving reduced margins in traditional retail. The Partnership Plan is our strategic response to this environment and its effective operationalisation is our single most important mitigation.

I. Insufficient profit to achieve our Purpose (increased likelihood)		
Risk Risk that we won't make sufficient profit to achieve our Purpose; the impact of which would be a combination of reduced competitiveness and ultimately commercial failure, loss of Partner faith and democratic vitality due to lack of suitable Partner rewards and inability to maintain our distinctive character. Key causes and consequences An inability to diversify fast enough, trade profitably, take out costs and/or allocate capital effectively in a challenging retail environment, combined with increasing inflation, could mean that we fail to deliver the Purpose, Partnership Plan and Partnership Profit.	Current controls and improvements in the year • Monthly performance review reporting to the Partnership Transformation Office, Partnership Executive Team and Partnership Board, with corrective action taken as required • Delivering growth and margin improvement initiatives as part of strategy delivery across retail and new services e.g. John Lewis Brand Promise launched (for all life's moments), Waitrose propositions launched including dine in for two meal deals, myWaitrose and My John Lewis loyalty schemes relaunched, growing our Financial Services business including Partnership card switchover, new and expanded partnerships including Deliveroo and Dobbies and School of Service principles and standards developed with over 10,000 Partners trained Partnership wide • Cost savings 'roadmap' for achieving the required cost savings in the Partnership Plan developed, approved and used to identify priority portfolio funding areas • 2022 Partnership Plan refresh embedded in annual cycle • Methodology for defining and measuring sufficient profit, financial targets and key sensitivities articulated • Refreshed financial strategy to	Further actions planned • Enhance financial reporting and tools to provide greater visibility of profitability • Monitor delivery of the cost savings achieved against the roadmap

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	determine key sensitivities and downturn playbook produced • Ongoing monthly Financial Performance updates to all Partners through Gazette and Partner Intranet to encourage a cost-conscious mindset • Budget targets for leaders have been communicated and reflected in the Partnership Plan Objectives with quarterly progress updates	
2. Change Delivery (no movement)		
Risk Change activity does not realise the desired benefits and drives unforeseen costs and consequences. Key causes and consequences Business, operating model and change complexity combined with the volume and pace of the change required and capacity to receive change, could result in increased costs, disruption to trade, poor customer and Partner experience and missing our transformation ambitions.	Current controls and improvements in the year • Annual Transformation and Operating Plan implemented and enabling the Partnership Transformation and Operations Delivery Group (TxODG) to make informed decisions on optimal resource allocation • Financial spend authority process reviewed and changes implemented • New change profession hub launched • Partnership Chief Transformation and Technology Officer and Partnership Transformation Director appointed • Roles and responsibilities defined and visibility of change and portfolio ownership communicated to the Partnership Executive Team and Partnership Board • Prioritised investment portfolio communicated	Further actions planned • Development of a multi-year Transformation roadmap translating strategic outcomes into programmes of change • Finalise Transformation organisational design • Review capability gaps to be built into roadmap to enable and support Partnership Plan delivery • Improved portfolio management of prioritised activity to deliver the Partnership Plan • Set out Transformation capability roadmap plan with immediate priority areas to include a reset of reporting, set up portfolio management capability and improve partner communication and engagement • Further refinement of Change and Portfolio governance
3. Information security (no movement)		
Risk Loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues. Key causes and consequences External and internal threats, behaviour	Current controls and improvements in the year • Information Security Steering Group established with representation from Partnership Data and Insights, Partnership Data Protection Officer and Partnership	Further actions planned • Continue to deliver further IT Security related projects • External benchmarking exercise, to support strategy and priorities • Mature control framework reporting and ongoing delivery of

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which fails to protect the integrity of data in both Partnership and third party systems could result in loss of key customer, Partner or business data, causing internal and/or external reputational damage, interruption of IT service and trading, fines, unforeseen costs and regulatory consequences.	Technology and Transformation teams • Control improvement strategy and plan underway • Governance exists for all Technology and Transformation sponsored investment and Partnership Chief Information Security Office engagement in place • Mandatory Partner training (handling information) • Controls Assurance framework introduced and continues to be extended across key systems • Security embedded within Technology and Change risk management processes • Information Security and Data Protection policies and standards maintained • Security impact assessments undertaken for projects and programmes to ensure compliance with security standards • Positive confirmation of new third party adherence to policy • Robust security monitoring and alerting	improvements per new information security strategy • Ongoing monitoring, training and controls improvement
4. Regulatory non-compliance (no movement)		
Risk Failure to comply with key regulatory requirements. Key causes and consequences Lack of awareness, understanding or control of key and/or changing regulatory requirements could have legal, reputational and/or financial damage which, depending on scale, could cause major trading disruption.	Current controls and improvements in the year • Policies and standards maintained for identified areas of Regulatory compliance such as Anti-Bribery and Corruption and Gifts and Hospitality • Mandatory Partner training with improved completion rates (and ongoing monitoring) • Clear Executive accountability for all key regulatory areas • Horizon scanning of new/changing regulations and the potential Partnership impact and response • Financial Crime risk assessment completed by the Partnership	Further actions planned • Continued implementation of improvement activity arising from regulatory assurance reviews • Continued focus on mandatory training to maintain completion rates • Annual review and sign-off of the Partnership's accounting policy manual to identify new or amended compliance requirements in accounting standards • Deliver new Financial Services Quality Assurance Framework and Financial Crime Remediation Plan for improved controls

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	Money Laundering Reporting Officer • Implementing measures in response to High in Fat, Salt and Sugar legislation • Programme of independent high risk regulatory assurance reviews • Mature oversight and monitoring • Annual gender pay reporting • People focused Internal Controls framework, including a database of risks, controls and assurance mechanisms	
5. Proposition (likelihood increased)		
Risk Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage. Key causes and consequences Poor customer insight, range, quality, pricing strategy, lack of investment and/or availability of products or competitor disruption could negatively impact the customer proposition and its competitiveness, leading to loss of customers, erosion of profit margins, reputational damage and failure to deliver growth plans.	Current controls and improvements in the year • Regular strategic risk review and monitoring by leadership and the Partnership Executive Team • Regular strategy implementation, customer and performance metrics evaluation • Continued development of high quality, innovative propositions, tested with customers for relevance and consideration • Focus on shop standards • Focus on experience enhancements across the customer journey • myWaitrose and My John Lewis loyalty schemes relaunched • Waitrose propositions launched, including dine in for two meal deals and scan pay go rolled out • John Lewis Brand Promise launched in September 2022 - for all life's moments • John Lewis re-launched its own-brand mid-tier proposition, and delivered additional beauty brands and beauty hall enhancements with increased Christmas 2022 scope • John Lewis Financial Services Partnership card switchover completed	Further actions planned • Continued differentiation on own brand products for example in home, fashion, Waitrose No.1 and Waitrose 'dine in for two' meal deals, as well as further development of John Lewis Financial Services product range • Significant focus on reinforcing value across a number of price points, including Waitrose investment in value throughout the year and John Lewis' 'quality at every price' campaign • Family Life launch to bring family advice, products and services to John Lewis customers from Baby to Tween (John Lewis) • Stock management changes to improve perfect order • Online enhancements to improve website and app experience for customers • Systems advancements to improve stock availability and ranging • Ongoing range and category reviews, including bringing in branded products that complement overall range architecture • Development of more personalised offers and experiences for loyalty members

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	• Launch of circularity propositions such as John Lewis clothing rental, Fashion Cycle and Beauty Cycle	
6. Partner differentiation (no movement)		
Risk The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our Purpose. Key causes and consequences Lack of clarity on, and tangible impact of, the responsibilities and rewards of being a Partner could lead to Partners not feeling or delivering a differentiated experience, leading to Partner and customer dissatisfaction.	Current controls and improvements in the year • Our Partnership Values bring to life what we 'give and get' as Partners and how we support, challenge and find meaning as a community everyday • Our Purpose has been updated to provide a clear and unambiguous message about why we exist, who we are and the three guiding principles that drive us: Happier People, Happier Business and Happier World • Earning membership - a 90 day process to ensure that all new Partners are right for our business and our business is right for them by checking they understand and demonstrate the Partnership Values, have the skills and capabilities we need and have demonstrated the behaviours we aspire to as a Partnership • Our Partner handbook clearly outlines the benefits of membership in the Partnership as well as the rules and frameworks that keep us safe • The Constitution embodies the ideas, rules and values of the Partnership's experiment in industrial democracy and explains the role of Partners within that, as well as some of the key aspects of our Distinctive Character that makes the Partnership different • Democracy structure and channels, including Partnership Council and Forum, with support from Democratic Vitality function ensuring the voice of Partners is heard as part of our democratic	Further actions planned • Continued focus on reimagined approach to performance, specifically recognition and regular conversations on wellbeing, contribution and development • Modernised and simplified pay strategy • Purpose activation plan to embed purpose in everything we do and ensure purpose actively influences our decisions • Increase effectiveness and efficiency of the co-ownership model through the Future of Democracy project and new accountability framework • Leaders improve role modelling of the benefits of co-ownership and the differentiation this brings to Partners and customers • Refreshed Capability policy launching April 2023

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	principles and decision making within the Partnership • Diversity of Partnership Council supplemented with additional Partners under 25 years of age • Democratic Vitality definition updated and aligned to purpose. • One-off £500 pro rata cost of living support payment for all Partners announced and delivered • Doubled financial assistance fund for partners and introduced more support to help partners manage their finances • Free food in the Partner Dining Room over winter • Sharing financial and wider business performance more transparently and frequently with Partners • Leadership behaviours are now embedded in our leadership learning programmes and appear across the Partner lifecycle	
7. Customer experience (likelihood increased; impact decreased)		
Risk Customers do not receive differentiated, excellent customer service across touchpoints. Key causes and consequences Systems, data, process, and the store environment impact service quality and convenience in store and online, resulting in declining customer experience and loyalty, and a gap between customer expectation and reality.	Current controls and improvements in the year • John Lewis Customer Experience strategy defined to identify and address friction and opportunity across customer journeys • School of Service principles and standards developed, with over 10,000 Partners trained Partnership wide and the John Lewis Service at Peak campaign and 'At Your Service' 2023 service plan launched • Branch Operational Procedures in place • Partner training delivered • Delivery of Regular 'Customer Voice' meetings • Customer insight data and key performance indicators, including Have Your Say, Customer Satisfaction, Customer Voice (including complaints and queries) and Net Promoter Scores	Further actions planned • Implementation of a new telephony system for customer service support • Continue School of Service training to develop Partners skills, knowledge and confidence to sell with high quality service • New John Lewis Service Signatures pilot to drive a consistent Partner-led experience in stores and contact centres

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	Weekly performance report reviewed, including metrics for product availability	
8. Partner wellbeing (increased likelihood)		
Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change. Key causes and consequences Pressure on Partners relating to the longer term impact of the pandemic (in respect of both physical and mental health and social impacts), cost of living challenges and/or significant organisational change and job insecurity could lead to deterioration in Partner wellbeing, increased absence, loss of talent and failure to deliver the Partnership Plan.	Current controls and improvements in the year - New Health and Wellbeing strategy introduced, defining what Wellbeing means in the Partnership and clearly connecting Wellbeing and Purpose - Wellbeing support services such as Wellbeing Support, Occupational Health and Personnel Policy and Advice are in place to provide Partners with mental and physical health, emotional, financial and bereavement support - Cost of Living information cascaded along with refreshed advice on emotional support: posters, Gazette coverage, podcasts and Partner Choice campaigns - One-off £500 pro rata cost of living support payment for all Partners announced and delivered - Mechanism for simpler payment of hardship grants implemented - Monitoring of the Partner Choice membership (non financial rewards and benefits)	Further actions planned - Deliver Wellbeing strategy including quarterly Wellbeing themes for 2023 - Maintain routine measurement of Partner Wellbeing with rolling Partner surveys and benchmarking against the UK population - Delivery of pilot mental health awareness course and Wellbeing workshops - Wellbeing course in development for late 2023 rollout - Wellbeing Retreat tested in March 2023 - Community Cafes being evolved in 2023 to combat isolation and loneliness in local communities - Mechanism for faster payment of hardship grants due early 2023 'Pay It Forward' scheme to be implemented following successful proof of concept delivery in January 2023
9. Ethics and sustainability (no movement)		
Risk Failure to live up to our ethics and sustainability ambition. Key causes and consequences Central to the Partnership Plan and our Purpose, rising stakeholder expectations, economic pressures, increasing competitor activity, broad and complex supply chains and the need to invest in systems, processes, data and people. Falling short could cause reputational damage through loss	Current controls and improvements in the year - Partnership Human Rights policy - Stringent animal welfare requirements (progression supporting 'Best Retailer' and 'Best Retailer Innovation' in Compassion in World Farming awards) - Improved visibility, monitoring and ethical compliance of the supply chain, including the factory audits programme	Further actions planned - Improving the sustainability credentials of own-label products and services, including data quality, analysis and reporting, and a single use packaging reduction target and roadmap - Continuing to strengthen animal welfare credentials - Deliver climate and carbon commitments including 2035 net zero operations pathway, science based targets for scopes 1, 2 and 3,

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of trust, with knock-on effects on trading performance.	• Developed and submitted science based targets (climate) • Improved governance and ways of working • Product certification standards and targets • Traceability systems maintained and improved • External targets and reporting e.g. E&S report and Human Rights Report • TCFD climate scenario analysis (see pages 24 to 31 of John Lewis Partnership plc's Annual Report and Accounts 2023) • Dedicated agricultural supply chains in key product categories • Launched Building Happier Futures programme to support Care Experienced community and partners	and further TCFD climate scenario analysis • Continue commitment to Building Happier Futures • Continue to improve visibility, monitoring and ethical compliance of the supply chain, particularly with goods not for resale analysis • Improve communication and engagement with ethics and sustainability activity
10. Strategic Resilience (new)		
Risk Our strategy may not respond to the changes in the external environment sufficiently or fast enough to secure the future success of the Partnership. Key causes and consequences Reduced margins due to changing customer behaviour and confidence - exacerbated by the cost of living crisis - and competitor activity, may result in an inability to sustain financial performance and meet customer needs.	Current controls and improvements in the year • Partnership Plan created and refreshed annually as part of business planning • Material progress in scoring, planning and delivery of key Lean Simple Fast (LSF) programmes, giving increased confidence in benefits • Increased savings target with regular progress reporting against it • Priorities and investment plan for 2023 agreed and signed off by the Board • Monthly portfolio and transformation delivery reporting • John Lewis brand promise launched and customer experience strategy completed • Embedded in key trade and business organisations	Further actions planned • Continue to track progress against the Partnership Plan and ensure Plan continues to reflect changes in the external environment and internal performance • Ongoing strategy development • Continue to engage and lobby through trade groups

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Looking ahead

Our principal risk portfolio will continue to be monitored through our governance into year three of the Partnership Plan. Further maturing of our risk management framework to support decision making in pursuit of the Partnership Plan is important. Strong progress on developing maturity has been made in the last 12 months to clarify governance, information flows and our risk management toolkit, all of which form a solid foundation for risk navigation in decision making for 2023 and beyond. We will review our tolerances in relation to risk appetite with the Board in 2023 and work will continue to broaden and embed the behavioural change started in 2022, to continue to develop the effectiveness of our risk culture by cascading behavioural learnings down to more Partners across the Partnership.

Viability statement

The UK Corporate Governance Code ('the Code') requires Directors of all Companies with a Premium Listing to make a statement on the viability of their business within their annual reports. Although the Company is not required to adhere to the requirements of the Code, in the case of the Viability Statement we believe that the Code provides the best framework for the Directors to communicate how they have assessed the Group's ability to remain commercially viable in line with best practice, and to show how they continue to uphold their constitutional obligation to protect the long-term health of the Group. This takes into account the Group's current position (pages 30 to 105); current strategy (pages 3 to 7); and risks and uncertainties (pages 12 to 21).

Assessment period

The Partnership Plan is designed to develop our business over the long term and is underpinned by work in recent years to strengthen the Partnership's and Group's balance sheet and financial sustainability, with £1.5bn in total liquidity available at the date of approval of these financial statements. As shown below, a wide variety of time horizons are relevant to the management of the Group:

	1	2	3	4	5	6	8	10+	
Strategy	Years 3-5 of the five year Partnership Plan				Extended Plan				
Forecasting and budgeting	Detailed budget	Currency and commodity hedging forecasts							
Financial strategy and funding	Annual funding and liquidity plan		Funding the Partnership Plan		Long-term financial strategy				
Asset lives	Majority of lease payments subject to market review every five years								
	Useful economic lives for intangible assets								
	Useful economic lives for larger tangible assets								
Employee benefit liabilities*							Long leave		Pensions

* Weighted average duration

The Directors have assessed the Group's viability over a three year period to January 2026. Reflecting the speed of change in the retail environment, a three year period of assessment is deemed an appropriate timeframe as it captures the period over which detailed budgeting and forecasting is provided for planning purposes. As a business that takes a longer term view of its strategy and financial plans, the details of our plans run to 2026 and we also extend a further two years to derive a five year plan out to 2027/28.

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Current climate

Given the pace of change in the retail sector, the economic uncertainty and the continued war in Ukraine, along with risks resulting from the volatility in the external environment linked to inflation, energy price rises and labour shortages, we expect to see continued volatility over the short-term. We are continuing on our journey to implement the Partnership Plan in order to transform our business into a thriving Group, loved by Partners and customers.

Severe downside modelling

In assessing the viability of the Group, the Directors considered the Group's revenue, profit, net assets and cash position under the budget and the Partnership Plan approved by the Partnership Board. In the context of a challenged UK economy, these took account of factors such as increased levels of inflation and sustained cost pressures. Based on the Group's principal risks, which are the most relevant risks when assessing the Group's viability, the Directors created three downside risks scenarios which are severe but plausible. The financial impact of the risks occurring was modelled by overlaying them on the budget and remaining two years of the Partnership Plan to quantify the potential impact over the assessment period. In addition a combined severe downside scenario combining selected impacts and assumptions from the scenarios was modelled consistent with management's going concern assessment but extended for the full viability period.

The severe downside scenarios and the principal risks (pages 13 to 20) underpinning them have been assumed to occur over the three year period of assessment, in order to test the Group's ability to withstand multiple simultaneous challenges. These scenarios also assume that all Group borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The potential impact of one-off 'black-swan' events that cannot reasonably be anticipated are not included within the severe downside scenarios.

The downside scenarios do not represent the Groups view of probable outcome. Details of the scenario assumptions and how they link to the Group's principal risks are summarised below:

Downside scenarios	Link to Group principal risks
Scenario 1 - Customer and external environment The tough trading environment seen in the last year continues with increased competitive pressure and persistent high inflation. Against this background the Group proposition will be stretched, requiring further price investment and lower margins. Assumptions: Sales: Customer demand and sales volumes decline until mid 2024 Margin / Costs: High levels of inflation persist into 2025 impacting costs with a further impact of consumer confidence and increased competitive pressure. Fall in the value of Pension scheme assets due to the market environment	1. Insufficient profit to achieve our Purpose 5. Proposition 7. Customer experience 9. Ethics and sustainability 10. Strategic resilience
Scenario 2 - Under delivery of Lean Simple Fast The Group fails to deliver on the Lean Simple Fast programme and does not transform into a more efficient business. This would consequently lead to a loss of Partner sentiment and support. Assumptions: Margin: Removal of the margin improvements from Lean Simple Fast efficiency savings included in the Partnership plan Costs: Missed project delivery and under delivery of cost savings included in the Partnership plan	1. Insufficient profit to achieve our Purpose 2. Change delivery 6. Partner differentiation 8. Partner wellbeing

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Scenario 3 - Information security or regulatory breach A serious but one-off breach resulting in a fine and loss of reputational damage. Assumptions: Sales: Fall in sales volumes due to reputation damage Costs: £50m Penalty paid in 2024	3. Information security 4. Regulatory non-compliance
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Mitigating actions

In response to any of the scenarios occurring, the Directors have identified £2.4bn of mitigations (£1.5bn available within the first two years up to January 2025, and a further £0.9bn available in the third year 2025/26), all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom, the majority of which would only be triggered in the event of a severe downside scenario materialising. These actions were identified as part of the Group's contingency planning which considered both feasibility and time frames to execute. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend. These mitigations are all within the control of the Group and exclude those mitigations which place some reliance on the external market (such as asset sales). Continuous monitoring of the Group's liquidity position enables management to proactively apply these mitigations as required.

Internal mitigations alone would be sufficient to absorb the effects of each of the severe downside scenarios in isolation.

Reverse stress testing

The combined severe downside scenario model indicates that without mitigating actions a number of the Partnership's covenants relating to the bonds and undrawn committed credit facilities would breach at the next balance sheet date due to the reduction in profits and net assets modelled. Further modelling was performed using the combined severe downside scenario to determine the sales decline which would be required before the Group breached its covenants or utilised all available funding after applying all available mitigations. This model indicates that the Group's covenants relating to the undrawn syndicated credit facility of £420m are the most sensitive and would breach at the next balance sheet date due to the reduction in profits and net assets modelled. Management consider that the resulting sales declines in each brand to be highly unlikely and whilst this extremely severe scenario indicates breaches in the next year, the cash low point under such a scenario would be £630m after mitigations, the bond covenants would not breach, and the bonds would not be required to be repaid early. The Group would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely and, if deemed necessary, the Group will seek a covenant relaxation from its bank group, or take other actions to replace the level of liquidity support provided by these facilities.

The Directors consider that such a severe decline in combination with the two other severe scenarios occurring is highly unlikely; however should a combined event occur, additional liquidity could be sourced from the external market assuming sufficient appetite existed, e.g. asset disposal or sale and leaseback of property.

Viability assessment

This assessment is based on the Directors' best view of severe but plausible scenarios that the Group might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example accessing the value of our asset base to support liquidity.

Having reviewed current performance, forecasts and risks, the Directors have a reasonable expectation that the Group:

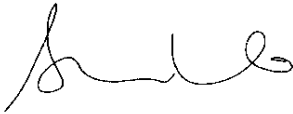
- Has adequate resources to continue in operation;

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- Can meet its liabilities as they fall due;
- Can retain sufficient available cash across all three years of the assessment period;
- Will not breach any financial covenants attached to its financial debt (bonds, term loans and bank facilities).

The Directors therefore have a reasonable expectation that the Group will remain commercially viable over the three-year period of assessment. An overview of the process undertaken to reach this conclusion was provided to, and reviewed by, the Partnership's Audit and Risk Committee (see pages 69 to 70 of John Lewis Partnership plc's Annual Report and Accounts 2023).

Approved by the Directors on 27 April 2023 and signed on behalf of the Board.



Sharon White
Director, John Lewis plc
28 April 2023

DIRECTORS' REPORT FOR THE 52 WEEK PERIOD ENDED 28 JANUARY 2023

The Directors present their report and the audited consolidated financial statements for the 52 week period ended 28 January 2023.

The Directors have chosen, as permitted under section 414C(1) of the Companies Act 2006, to include certain matters in the Strategic report that would otherwise be required to be disclosed in the Directors' report as the Board considers them to be of strategic importance. These are:

- Section 172(1): In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statements on engagement with, and having due regard to, the interests of employees and key stakeholders are contained within the Section 172(1) report in the Strategic report (pages 9 to 11);
- Risk management - pages 12 to 20;
- Future business developments - pages 6 and 21.

Principal activities

The Company is incorporated and registered in England and Wales. The principal activity of the Company is retailing, with the main trading operations being the Waitrose and John Lewis brands: John Lewis operates in a number of different formats including 34 John Lewis stores, online (johnlewis.com), financial services, in-home services, and sourcing offices in Gurgaon, India and Kwun Tong, Hong Kong; Waitrose operates 329 supermarkets and convenience shops in the UK and Channel Islands, online (waitrose.com and specialist sites for wine, pet supplies, plants and flowers), cookery schools and the Leckford Estate (the Waitrose Farm). Shops also operate under licence in the Middle East. There are also business to business contracts in the UK and abroad and ancillary manufacturing activities. The Company's subsidiaries and related undertakings are listed in note 29.

Directors

The Directors of the Company, who held office during the year, and up to the date of signing the financial statements, were as follows:

Sharon White
Bérangère Michel

Corporate governance statement

The Company, as the principal trading subsidiary of John Lewis Partnership plc, falls within the governance auspices of the Partnership. The Directors of the Company are members of the Partnership's Executive Team and are two of the three Executive Directors on the Partnership Board.

The Company's corporate governance arrangements are in accordance with policies agreed by the Partnership Board and its Committees. These arrangements are explained in the Governance section on pages 56 to 94 of John Lewis Partnership plc's Annual Report and Accounts 2023. As stated in John Lewis Partnership plc's Annual Report and Accounts 2023, the Partnership does not report against any formal corporate governance code, because it is governed by its own Constitution. The Constitution and the governance structures are broadly consistent with the Wates Principles. The Constitution sets out the Partnership's Purpose and values, and the Governance section of John Lewis Partnership plc's Annual Report and Accounts 2023 sets out how the Partnership's governing authorities are structured and monitor alignment of policy and behaviour with the Purpose.

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The management functions responsible for preparing the consolidated financial statements for John Lewis plc and its Internal Audit and Risk management functions are provided by the Partnership. The Partnership's Audit and Risk Committee ('the Committee'), which has at least one independent member and at least one member with competence in accounting, assists the Partnership Board in fulfilling its responsibility by reviewing and monitoring (i) the integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them (ii) the effectiveness of the Partnership's system of internal controls and risk management; (iii) the effectiveness of the Partnership's auditor and the internal and external audit process; and (iv) the effectiveness of the Partnership's processes for compliance with laws and regulations, including systems and controls for the detection of fraud. Its composition and the Committee's activities in these areas are detailed in the Audit and Risk Committee report on pages 66 to 75 of John Lewis Partnership plc's Annual Report and Accounts 2023.

KPMG LLP were the Partnership's and the Group's external auditor for 2022/23. They provided the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter. The Committee is responsible for making a recommendation to the Partnership Board relating to the appointment, re-appointment or removal of the external auditor.

The Partnership has a risk management framework, including a process for how we identify, evaluate, manage and monitor the principal risks faced by the Partnership, supported by tools, Partners and a governance structure with defined accountability. The principal risks and uncertainties for the Company and their mitigations are explained on pages 13 to 20 of the Strategic report. These risks are reviewed and monitored by the Committee. The work undertaken by the Committee during the year to review these risks is detailed in the Audit and Risk Committee report on pages 66 to 75 of John Lewis Partnership plc's Annual Report and Accounts 2023.

Reporting to the Committee during the year was through presentations from senior management and Financial Control as well as the work of , which provides independent and objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Director of Internal Audit and Risk reports operationally to the Chair of the Committee and structurally to the Partnership's Executive Director, Finance. The Partnership Board receives updates, through the Chair of the Committee and copies of its minutes, on the operation of the systems of internal control for risk management.

Employees

The Constitution of the Partnership provides for the democratic involvement of our Partners as co-owners of the business. Partners are provided with extensive information on all aspects of business operations and are encouraged to take an active interest in promoting its commercial success.

The Partnership has in place a structure for sharing power amongst the Partnership Council (which reflects Partner opinion), the Partnership Board and the Partnership Chairman, as established by the Constitution. The Council's democratic network of elected council, committees and forums enables Partners of all levels and experience to participate in decision making, challenge management on performance and have a say in how the business is run. There are further formal ways in which democratic vitality is encouraged: through Councillors and Forum representatives; open journalism through the Gazette; through the work of the Democratic Vitality Team, which seeks to gather and promote the communication of Partner opinion; and through the Independent Directors (Partners who are independent from executive accountabilities and are appointed by, and report to, the Partnership Chairman).

Partners may receive an annual Partnership Bonus from the profits of the business if approved by the Partnership Board in any given year. This is a shared bonus for shared effort. No Partnership Bonus was awarded in respect of 2022/23.

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Equal opportunities, diversity and inclusion

The Partnership is committed to promoting equal opportunities in employment for existing Partners and for prospective Partners throughout the recruitment process. All Partners and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. These are known as 'Protected Characteristics'.

The Group is actively working to attract Partners from a diverse range of backgrounds and experiences, and we remain devoted to nurturing a feeling of belonging in a Partnership where we all feel comfortable being our true selves without fear or judgement, no matter our background, identity or circumstance. The Partnership has a Diversity and Inclusion Plan, and its Inclusion Report sets out the steps the Partnership is taking to achieve its aim to become the UK's most inclusive business. It is underpinned by the following Rules contained in the Constitution:

- **Rule 54:** The Partnership takes no account of age, sex, marital status, sexual orientation, ethnic origin, social position or religious or political views.
- **Rule 55:** The Partnership employs disabled people in suitable vacancies and offers them appropriate training and careers.

The Group recruits people with disabilities to suitable vacancies on merit. We offer tailored support through the recruitment process for applicants who declare their disability. We know adjustments are of the utmost importance for our Partners with disabilities, be they physical or cognitive, and arrange reasonable adjustments required at an individual level to ensure our disabled applicants and Partners are supported.

For further information, see John Lewis Partnership plc's Annual Report and Accounts 2023 at pages 19 to 20 and the Partnership's Inclusion Report which can be viewed at www.johnlewispartnership.co.uk.

Directors' interests

Under the Constitution of the Partnership, all the Directors, as employees of John Lewis plc, are interested in the 612,000 deferred ordinary shares in John Lewis Partnership plc, which are held in trust for the benefit of employees of John Lewis plc and other Partnership companies.

The Company maintains procedures that allow for the review of potential conflicts of interest. Directors are required to declare pertinent interests and absent themselves from any discussion that might give rise to a conflict of interest. A register of interests is maintained by the Company Secretary and reconfirmed every six months.

During the year no Director declared a material interest in any contract of significance with the Company or any of its subsidiary undertakings, other than any third party indemnity between each Director and the Company.

Directors' and Officers' liability insurance and indemnities

The Directors and key managers (Officers) of the Company are beneficiaries of Directors' and Officers' liability insurance providing cover for claims made, subject to certain limitations and exclusions, which is purchased and maintained throughout the year by the Partnership. The Partnership also provides an indemnity for the benefit of the Trustees of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee.

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Capital structure

At 28 January 2023, the Company had in issue 6.75m ordinary shares of £1 each. Each ordinary share carries the right to one vote at a general meeting of the Company. The ordinary shares are wholly owned by John Lewis Partnership plc.

Listing on the London Stock Exchange (LSE)

John Lewis plc is a Standard Listed company in respect of two corporate bonds listed on the LSE. The Company has no securities carrying voting rights admitted to trading on a regulated market.

Dividends

The Directors do not recommend the payment of a dividend on the ordinary shares (2022: £nil).

Use of financial instruments

The notes to the financial statements, including note 7 from pages 92 to 97, include further information on our use of financial instruments.

Going concern

The Directors, after reviewing the Group's operating budgets, investment plans and financing arrangements, consider that the Company and Group have sufficient financing available at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements. Refer to pages 36 and 37 for further detail.

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic report on pages 3 to 24.

Political donations

It is the Partnership's policy not to make donations to political groups or those acting with the express purpose of seeking changes to the law or political policy. No political donations were made in respect of the year under review (2022: £nil).

Ethics and sustainability

More information on the progress we are making on our ethics and sustainability aims is available in the John Lewis Partnership 2022/23 Ethics and Sustainability Progress Report. To read this and our latest Modern Slavery Statement, please visit www.johnlewispartnership.co.uk/csr.

Annual General Meeting (AGM)

The Company's 2023 AGM will be held and conducted in accordance with the Companies Act and the Company's Articles of Association on Tuesday 20 June 2023 at 8:55am at 171 Victoria Street, London SW1E 5NN.

Events after the balance sheet date

Since 28 January 2023, there have been no subsequent events which require disclosure in the financial statements. See note 8.3 for further information.

JOHN LEWIS PLC

Auditor and disclosure of information to auditor

The auditor, KPMG LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed to the 2023 AGM, together with a resolution to authorise the Directors to determine the auditor's remuneration.

The Directors have taken all reasonable steps to make themselves aware of any information needed by the Group's auditor in connection with preparing their report and to establish that the auditor is aware of that information. As far as the Directors are aware, there is no such information of which the Group's auditor is unaware.

Approved by the Directors on 27 April 2023 and signed on behalf of the Board.



Jane Cheong Tung Sing
Company Secretary
28 April 2023

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT for the 52 week period ended 28 January 2023

Our revenue minus our incurred expenses showing the Group's overall profit for the 52 week period

Notes	2023	2022
	£m	£m
2.1, 2.2 Revenue	10,534.0	10,837.5
Cost of sales	(7,280.8)	(7,359.4)
Gross profit	3,253.2	3,478.1
2.3 Other operating income	126.8	108.1
2.4 Operating and administrative expenses	(3,532.1)	(3,469.5)
2.5 of which:		
Exceptional items (net)	(156.5)	(160.8)
Partnership Bonus	-	(46.4)
3.3 Share of profit of joint venture (net of tax)	1.2	1.0
2.1 Operating (loss)/profit	(150.9)	117.7
5.1 Finance costs	(139.7)	(155.2)
5.1 Finance income	65.2	10.3
2.6 Loss before tax	(225.4)	(27.2)
2.9 Taxation	35.0	(41.1)
Loss for the year	(190.4)	(68.3)
2.1 Profit before Partnership Bonus, tax and exceptional items	(68.9)	180.0

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 52 week period ended 28 January 2023

Profit as shown in the income statement plus other income and expenses not yet realised, giving total comprehensive income for the 52 week period

Notes	2023 £m	2022 £m
Loss for the year	(190.4)	(68.3)
Other comprehensive (expense)/income:		
Items that will not be reclassified to profit or loss:		
6.1 Remeasurement of defined benefit pension scheme	(599.5)	1,116.9
2.9 Movement in deferred tax on pension scheme	147.2	(241.2)
2.9 Movement in current tax on pension scheme	2.0	1.9
Items that may be reclassified subsequently to profit or loss:		
Fair value gain/(loss) on cash flow hedges	36.7	(2.1)
Cash flow hedge gain reclassified and reported in the consolidated income statement	(10.2)	(1.0)
2.9 Movement in deferred tax on cash flow hedges	(1.9)	(3.5)
Other comprehensive (expense)/income for the year	(425.7)	871.0
Total comprehensive (expense)/income for the year	(616.1)	802.7

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET as at 28 January 2023

A financial snapshot of the Group, showing our assets and how they are financed

Notes		2023 £m	2022 £m
	Non-current assets		
3.1	Intangible assets	441.8	446.0
3.2	Property, plant and equipment	2,883.3	2,927.4
3.2	Right-of-use assets	1,319.5	1,473.3
4.2	Trade and other receivables	16.9	15.8
7.2	Derivative financial instruments	1.6	1.7
3.3	Investment in and loans to joint venture	5.6	4.4
2.9	Deferred tax asset	5.7	0.5
6.1	Retirement benefit surplus	-	492.8
		4,674.4	5,361.9
	Current assets		
4.1	Inventories	701.7	655.7
4.2	Trade and other receivables	344.1	331.7
	Current tax receivable	16.3	-
7.2	Derivative financial instruments	11.3	6.0
5.3	Short-term investments	0.3	95.3
5.4	Cash and cash equivalents	1,038.1	1,415.4
		2,111.8	2,504.1
	Total assets	6,786.2	7,866.0
	Current liabilities		
5.5	Borrowings and overdrafts	(50.0)	(150.0)
4.3	Trade and other payables	(1,768.9)	(1,806.9)
	Current tax payable	-	(0.5)
5.2, 5.6	Lease liabilities	(148.5)	(156.6)
4.4	Provisions	(102.3)	(140.8)
7.2	Derivative financial instruments	(4.0)	(8.4)
		(2,073.7)	(2,263.2)
	Non-current liabilities		
5.5	Borrowings	(587.8)	(641.6)
4.3	Trade and other payables	(28.3)	(30.0)
5.2, 5.6	Lease liabilities	(1,754.7)	(1,831.7)
4.4	Provisions	(122.9)	(161.2)
7.2	Derivative financial instruments	(8.8)	(0.8)
6.1	Retirement benefit obligations	(101.9)	(19.3)
2.9	Deferred tax liability	(5.1)	(177.5)
		(2,609.5)	(2,862.1)
	Total liabilities	(4,683.2)	(5,125.3)
	Net assets	2,103.0	2,740.7
	Equity		
8.1	Share capital	6.7	6.7
	Share premium	0.3	0.3
	Other reserves	3.8	1.3
	Retained earnings	2,092.2	2,732.4
	Total equity	2,103.0	2,740.7

CONSOLIDATED BALANCE SHEET as at 28 January 2023 (continued)

The financial statements on pages 30 to 98 were approved by the Board of Directors on 27 April 2023 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis plc.



Sharon White and Bérangère Michel
Directors, John Lewis plc
28 April 2023



Registered number 00233462

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the 52 week period ended 28 January 2023

A reconciliation between the beginning and the end of the 52 week period which discloses profit or loss, items of comprehensive income/(expense) and any changes in ownership interests

Notes	Share capital £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
Balance at 30 January 2021	6.7	0.3	1.4	(14.5)	0.4	1,923.1	1,917.4
Loss for the year	-	-	-	-	-	(68.3)	(68.3)
6.1 Remeasurement of defined benefit pension scheme	-	-	-	-	-	1,116.9	1,116.9
Fair value loss on cash flow hedges	-	-	-	(2.1)	-	-	(2.1)
Cash flow hedge (gains) / losses reclassified and reported in the consolidated income statement	-	-	-	(1.0)	-	-	(1.0)
2.9 Tax on above items recognised in equity	-	-	-	(3.5)	-	(239.3)	(242.8)
Total comprehensive expense for the year	-	-	-	(6.6)	-	809.3	802.7
Hedging losses transferred to cost of inventory	-	-	-	20.6	-	-	20.6
Balance at 29 January 2022	6.7	0.3	1.4	(0.5)	0.4	2,732.4	2,740.7
Loss for the year	-	-	-	-	-	(190.4)	(190.4)
6.1 Remeasurement of defined benefit pension scheme	-	-	-	-	-	(599.5)	(599.5)
Fair value gain on cash flow hedges	-	-	-	36.7	-	-	36.7
Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	(10.2)	-	-	(10.2)
2.9 Tax on above items recognised in equity	-	-	-	(1.9)	-	149.2	147.3
Total comprehensive expense for the year	-	-	-	24.6	-	(640.7)	(616.1)
Reclassification	-	-	-	-	(0.5)	0.5	-
Hedging losses transferred to cost of inventory	-	-	-	(21.6)	-	-	(21.6)
Balance at 28 January 2023	6.7	0.3	1.4	2.5	(0.1)	2,092.2	2,103.0

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS for the 52 week period ended 28 January 2023

The Group's cash inflows and outflows analysed by various key activities

Notes		2023 £m	2022 £m
2.7	Cash generated from operations before Partnership Bonus	342.2	668.7
	Net taxation (paid)/received	(9.7)	2.1
	Pension deficit reduction payments	(10.0)	(10.0)
	Finance costs paid	(96.3)	(105.5)
	Net cash generated from operating activities before Partnership Bonus	226.2	555.3
	Partnership Bonus paid	(46.2)	-
	Net cash generated from operating activities after Partnership Bonus	180.0	555.3
	Cash flows from investing activities		
	Purchase of property, plant and equipment	(222.8)	(205.7)
	Purchase of intangible assets	(128.6)	(109.1)
	Proceeds from sale of property, plant and equipment and intangible assets	2.0	11.0
	Finance income received	11.6	0.9
5.2	Cash inflow/(outflow) from short-term investments	95.0	(95.0)
	Net cash used in investing activities	(242.8)	(397.9)
	Cash flows from financing activities		
	Finance costs paid in respect of bonds	(31.1)	(31.1)
	Finance costs (paid)/received in respect of financial instruments	(0.5)	1.0
	Payment of capital element of leases	(132.9)	(155.1)
	Cash outflow from borrowings	(150.0)	(75.0)
	Net cash used in financing activities	(314.5)	(260.2)
	Decrease in net cash and cash equivalents	(377.3)	(102.8)
5.2	Net cash and cash equivalents at beginning of the year	1,415.4	1,518.2
	Net cash and cash equivalents at end of the year	1,038.1	1,415.4
5.4	Net cash and cash equivalents comprise:		
	Cash at bank and in hand	162.9	162.5
	Short-term deposits	875.2	1,252.9
		1,038.1	1,415.4

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

I ACCOUNTING INFORMATION

I.1 ACCOUNTING PRINCIPLES AND POLICIES

PURPOSE

We prepare our financial statements in compliance with UK-adopted international accounting standards (UK-adopted IFRS). We have set out our significant accounting policies in these notes. These have been applied in the current reporting period and apply to the financial statements as a whole. All of the Group's accounting policies are set in line with the requirements of UK-adopted IFRS. Changes to significant accounting policies are described in note 1.1.4.

COMPANY INFORMATION

The Company is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales under number 00233462. The address of the registered office is 171 Victoria Street, London SW1E 5NN.

I.1.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their deemed cost amounts, and financial assets and financial liabilities (including derivative financial instruments) which are valued at fair value through profit or loss. These consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS).

The preparation of consolidated financial statements in conformity with UK-adopted IFRS requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting estimates and key judgements made by management are disclosed in section 1.1.6.

The financial year is the 52 weeks ended 28 January 2023 (prior year: 52 weeks ended 29 January 2022). See Glossary section in John Lewis Partnership plc's Annual Report and Accounts 2023 pages 183 to 188 for explanation of financial terms.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.1 BASIS OF PREPARATION (CONTINUED)

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 28 January 2023, the Directors are required to consider whether the Group can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group, for the reasons set out below.

2022/23 has been a tough year for financial performance due to a range of macro economic pressures such as high inflation and the resulting cost of living crisis. However the Group still has a strong balance sheet, as at 28 January 2023, the Group had total assets less current liabilities of £4.7bn and net assets of £2.1bn. Liquidity as at that date remains strong at £1.5bn, made up of cash and cash equivalents, short-term investments and undrawn committed credit facilities of £0.4bn.

The Directors have modelled a severe but plausible downside scenario ('severe downside scenario') which reflects a deeper economic downturn and under delivery of the Partnership Plan. This scenario combines selected impacts with consistent assumptions to the scenarios disclosed in the viability statement. The modelling covers the going concern assessment period, being the 12 month period ending 27 April 2024. For the purposes of the going concern assessment, it is assumed that all Group borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken.

In this severe downside scenario, Waitrose and John Lewis remain operational both in store and online, albeit with sales and margin pulled back from current trading levels due to poor trading environment throughout the assessment period resulting in a reduction in sales, as well as a reduction in margin across both brands and a higher impairment charge, a decrease in pension scheme assets and under-delivery of key activities of the Partnership Plan. The impact of the severe downside adjustments has been reviewed against the Group's projected cash position and financial covenants. Should these adjustments occur simultaneously, mitigating actions would be required to ensure that the Group's liquidity remains sufficient.

The severe downside model has a significant adverse impact on sales, margin, costs and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the severe downside scenario materialising. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend.

The Group has a syndicated credit facility of £420m maturing in 2026. The credit facility is undrawn at the balance sheet date and has not been drawn at any point throughout the year. The severe downside scenario modelled indicates that without mitigating actions a number of the Group's financial covenants would breach at the next balance sheet date due to the reduction in profits and net assets modelled. Post mitigating actions, there would be no breaches of financial covenants and the cash low point under such a scenario would be £661m, with further mitigations available.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.1 BASIS OF PREPARATION (CONTINUED)

The severe downside scenario detailed above is considered by the Directors to provide a severe but plausible stress test on our ability to adopt the going concern basis. This includes a significant reduction in 2023/24 performance and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to forecast. We have made our assessment based on our best view of the severe but plausible downside scenario that we might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of our asset base to support liquidity.

Consequently, the Directors have concluded that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Annual Report and Accounts and therefore have prepared the financial statements on a going concern basis.

1.1.2 BASIS OF CONSOLIDATION

The Group's consolidated financial statements incorporate the results for the Company and all entities controlled by the Company including its subsidiaries and the Group's share of its interest in joint ventures made up to the year end date.

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS

Subsidiary undertakings are all entities over which the Group has control. Control exists when the Group has the power to direct the relevant activities of an entity so as to affect the return on investment. Joint ventures are investments for which the Group shares joint control with a third party. All intercompany balances, transactions and unrealised gains are eliminated upon consolidation.

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the 52 week period ended 28 January 2023. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

Company name	Company number
Carlisle Place Ventures Limited	02829583
Herbert Parkinson Limited	00318082
JLP Scotland Limited ¹	SC370158
John Lewis Car Finance Limited	04328890
John Lewis International Limited	07501166
John Lewis Partnership Pensions Trust	00372106
John Lewis PT Holdings Limited	07106855

¹ Registered office is John Lewis & Partners Edinburgh, 60 Leith Street, Edinburgh EH1 3SP

The following UK subsidiaries will take advantage of the exemption from preparing and filing individual accounts as set out within section 394A(1) and 448A of the Companies Act 2006 for the 52 week period ended 28 January 2023. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London, SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

Company name	Company number
Buy.Com Limited	03709785
Jonelle Jewellery Limited	00223203
Jonelle Limited ¹	00240604
Peter Jones Limited	00285318
The Odney Estate Limited	02828420

¹ Jonelle Limited has three classes of shares, each with a nominal value of £1.

As required, John Lewis plc, the principal trading subsidiary of the Group, guarantees all outstanding liabilities to which the subsidiary companies listed in the tables above are subject at the end of the financial year, until they are satisfied in full. This is in accordance with Section 479C of the Companies Act 2006. The guarantee is enforceable against John Lewis plc as the parent undertaking, by any person to whom the subsidiary companies listed above are liable in respect of those liabilities.

1.1.4 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the periods beginning after 1 January 2022 and therefore adopted by the Group for the period from 30 January 2022 to 28 January 2023. The adoption of these standards has not had a significant impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (applicable for the period beginning 30 January 2022);
- Amendments to IFRS 3: Business Combinations - updated references (applicable for the period beginning 30 January 2022);
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (applicable for the period beginning 30 January 2022);
- Annual improvements cycle to IFRS 2018-2020.

The Group is assessing the impact of the following new and amended standards, which have been issued or are awaiting endorsement by the UK Endorsement Board:

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective date 29 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date to be confirmed);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 29 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 29 January 2023);
- Amendments to IFRS 16: Lease liability in a Sale and Leaseback (effective date to be confirmed);
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 29 January 2023).

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.5 SIGNIFICANT ACCOUNTING POLICIES

Where significant accounting policies are specific to a particular note, they are described within that note. Other significant accounting policies are included below.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in financial markets, including foreign exchange rates, interest rates and certain commodity prices. Derivative financial instruments used by the Group include forward currency and commodity forward contracts and interest rate swaps.

Derivative financial instruments are initially measured at fair value. The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date. Subsequent to initial recognition, unless designated as hedging instruments, derivatives are measured at fair value and any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting has been adopted for derivative financial instruments where possible. At the inception of designated hedging relationships, the risk management objective and strategy for undertaking the hedge is documented. Additionally, the Group documents the economic relationship between the item being hedged and the hedging instrument, and a qualitative and forward-looking approach is taken to assess whether the hedge will be effective on an ongoing basis. At the end of each financial reporting period, for each derivative financial instrument, prospective testing is performed to ensure that the economic relationship remains; the impact of credit risk on changes in values is reviewed; and the hedging ratio is reassessed.

Hedge accounting is discontinued when the hedging instrument matures, is terminated or exercised, the designation is revoked or it no longer qualifies for hedge accounting.

A cash flow hedge is a hedge of the exposure to variability of cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective portion of changes in the intrinsic fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. All other changes in fair value are recognised immediately in the income statement within other gains or losses. When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. Derivative financial instruments qualifying for cash flow hedge accounting are principally forward currency contracts.

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability. Derivative financial instruments qualifying for fair value hedge accounting are principally interest rate swaps.

Notes to the consolidated financial statements (continued)
1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)
1.1.5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The table below sets out the Group's accounting classification of each class of its financial assets and liabilities:

	Note	Measurement
Financial assets:		
Trade receivables	4.2	Amortised cost
Other receivables	4.2	Amortised cost
Derivative financial instruments	7.2	Fair value through profit and loss or OCI ¹
Short-term investments	5.3	Amortised cost
Cash and cash equivalents	5.4	Amortised cost
Financial liabilities:		
Borrowings and overdrafts	5.5	Amortised cost
Trade payables	4.3	Amortised cost
Other payables	4.3	Amortised cost
Accruals	4.3	Amortised cost
Partnership Bonus accrual	4.3	Amortised cost
Lease liabilities	5.2, 5.6	Amortised cost
Derivative financial instruments	7.2	Fair value through profit and loss or OCI ¹

¹ Cash flow hedges designated as being in a hedged relationship upon initial recognition are measured at fair value with the effective portion of any changes in the intrinsic value recognised in equity.

Offsetting

Balance sheet netting only occurs to the extent that there is the legal ability and intention to settle net. As such, bank overdrafts are presented in current liabilities to the extent that there is no intention to offset with any cash balances.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. On translation of assets and liabilities in foreign currencies, movements go through the foreign currency translation reserve.

Government grants

The Group accounts for government grants on an accruals basis and has elected to present receipts relating to government grants as a deduction in reporting the related expense.

1.1.6 KEY JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including management's reasonable expectations of future events.

The preparation of the financial statements requires management to make estimates and judgements concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and management's key judgement in respect of presentation are:

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.6 KEY JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Areas of key risk	Note	Critical accounting estimates and key judgements
Exceptional items	2.5	Key judgements
Impairment	3.2	Critical accounting estimates
Retirement benefits	6.1	Critical accounting estimates

1.2 NON-GAAP MEASURES

PURPOSE

Our financial statements disclose financial measures which are required under UK-adopted IFRS. We also report additional financial measures that we believe enhance the relevance and usefulness of the financial statements. These are important for understanding underlying business performance, and they are described as non-GAAP measures. In this note, we have explained what the primary non-GAAP financial measures are and why we use them. For definitions, and where applicable, reconciliations, of other non-GAAP measures, please see the Glossary section in John Lewis Partnership plc's Annual Report and Accounts 2023, pages 183 to 188.

1.2.1 TOTAL TRADING SALES

Total trading sales represents the full customer sales value including VAT as reported weekly to the Group's Executive Team, before adjustments for sale or return sales and other accounting adjustments. This measure shows the headline sales trend and is used by the Executive Team and brands to assess the performance of the John Lewis and Waitrose brands.

1.2.2 TRADING OPERATING PROFIT

Trading operating profit ('TOP') is based on operating profit, but excludes centrally managed costs. These centrally managed costs are outside of the direct influence and control of the brands and are reviewed and managed by the Executive Team at a Group level in aggregate. TOP is used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to those segments.

1.2.3 CENTRALLY MANAGED COSTS

Centrally managed costs include all Group fixed property costs, costs of central operations, change-related costs, revenue expenditure and one-off adjusting items. One-off adjusting items are those that do not meet the Group's definition of 'exceptional items', because they are considered to be relevant to the principal activities of the business. However, these are removed from the trading operating profit of each brand, as they are non-recurring in a business-as-usual scenario. This allows management to better assess the underlying performance.

1.2.4 EXCEPTIONAL ITEMS

The separate reporting of exceptional items helps to provide an indication of the Group's underlying business performance. Exceptional items relate to certain costs or incomes that individually or collectively, are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, each of the following:

- Whether the item is outside of the principal activities of the business;
- The specific circumstances which have led to the item arising;
- The likelihood of recurrence.

1.2.5 PROFIT/LOSS BEFORE PARTNERSHIP BONUS, TAX AND EXCEPTIONAL ITEMS (PBTBE)

Profit/loss before Partnership Bonus, tax and exceptional items is presented at the foot of the consolidated income statement. This measure is important as it allows for a comparison of the Group's underlying profitability, and is a core measure of performance for Partners.

Notes to the consolidated financial statements (continued)

1.2 NON-GAAP MEASURES (CONTINUED)

1.2.6 NET DEBT

Net debt incorporates the Group's consolidated borrowings, bank overdrafts, fair value of derivative financial instruments and lease liabilities, less cash and cash equivalents, short-term investments and unamortised bond transaction costs. This measure indicates the Group's debt position, excluding any pension deficit/surplus.

2 PARTNERSHIP PERFORMANCE

2.1 SEGMENTAL REPORTING

PURPOSE

During the year we analysed our performance between our two reporting segments, Waitrose and John Lewis. This analysis is consistent with how our Executive Team reviewed performance throughout the year.

ACCOUNTING POLICIES

Segmental reporting: *The Group's reporting segments are determined based on business activities for which operating results are reviewed by the chief operating decision-maker (CODM). The Group's CODM is the Executive Team and the reporting segments reflect the management structure of the Group.*

Partnership Bonus: *Whether to award a Partnership Bonus is decided by the Board each March, having regard to performance in the previous year. When the Board has decided to award a Bonus, it is announced and paid in the same month. The Partnership Bonus is recorded in the year it relates to rather than the year it was declared because there is a constructive obligation to pay a Partnership Bonus and the amount can be reliably estimated once the results for the year are known.*

IFRS 8 Operating Segments requires operating segments to be identified based on the way in which the Group's internal financial reporting is organised and regularly reviewed by the CODM to allocate resources and to assess the performance of the different operating segments. The Group's reporting segments are determined based on the business activities of its brands (John Lewis and Waitrose) for which operating results are reviewed by the CODM which is the Executive Team.

The Executive Team reviews the operating performance for each brand (John Lewis and Waitrose) in the Group, including non-GAAP measures known as Total trading sales and Trading operating profit ('TOP') (see note 1.2).

Notes to the consolidated financial statements (continued)

2.1 SEGMENTAL REPORTING (CONTINUED)

2023	John Lewis £m	Waitrose £m	Total £m
Total trading sales	4,938.3	7,311.9	12,250.2
Value added tax	(800.2)	(424.5)	(1,224.7)
Sale or return and other accounting adjustments	(354.2)	(137.3)	(491.5)
Revenue	3,783.9	6,750.1	10,534.0
Trading operating profit¹	675.6	894.3	1,569.9
Other operating and administrative expenses			(1,720.8)
of which:			
Exceptional items (net)			(156.5)
Partnership Bonus			-
Operating profit²			(150.9)
Finance costs			(139.7)
Finance income			65.2
Loss before tax			(225.4)
Taxation			35.0
Loss for the year			(190.4)
Profit before Partnership Bonus, tax and exceptional items			(68.9)

¹ Included in trading operating profit is other operating income of which £118.9m (split between operating segments: £37.3m Waitrose and £81.6m John Lewis) represents further income from external customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

² Included within operating loss is a £1.2m share of profit of a joint venture in John Lewis. See note 3.3.

Notes to the consolidated financial statements (continued)

2.1 SEGMENTAL REPORTING (CONTINUED)

2022	John Lewis £m	Waitrose £m	Total £m
Total trading sales	4,925.6	7,535.9	12,461.5
Value added tax	(797.5)	(439.6)	(1,237.1)
Sale or return and other accounting adjustments	(274.2)	(112.7)	(386.9)
Revenue	3,853.9	6,983.6	10,837.5
Trading operating profit¹	757.7	1,019.6	1,777.3
Other operating and administrative expenses			(1,659.6)
of which:			
Exceptional items (net)			(160.8)
Partnership Bonus			(46.4)
Operating profit²			117.7
Finance costs			(155.2)
Finance income			10.3
Loss before tax			(27.2)
Taxation			(41.1)
Loss for the year			(68.3)
Profit before Partnership Bonus, tax and exceptional items			180.0

¹ Included in trading operating profit is other operating income of which £101.2m (split between operating segments: £30.8m Waitrose and £70.4m John Lewis) represents further income from external customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

² Included within operating profit is a £1.0m share of profit of a joint venture in John Lewis. See note 3.3.

Notes to the consolidated financial statements (continued)

2.2 REVENUE

PURPOSE

Revenue is generated solely from contracts with customers.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

ACCOUNTING POLICIES

Revenue: We evaluate our revenue with customers based on the five-step model under IFRS 15: Revenue from Contracts with Customers: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied. We generate the majority of our revenue from the sale of goods or from providing services to our customers.

Revenue from the sale of goods and services is recognised when the Group has satisfied its performance obligations by transferring a promised good or service to the customer. The good or service is considered to be transferred when the customer obtains control of that good, or the service is complete. Revenue in respect of 'sale or return sales' which represents concession income is stated at the value of the margin that the Group receives on the transaction. Revenue is also net of Partner and customer discounts and VAT, adjustments for the sale of free warranties and adjustments for expected customer returns. Revenue is recognised in respect of sales under bill and hold arrangements when the buyer takes control of the asset, even if it has not physically been transferred to the customer. Revenue under bill and hold arrangements is not recognised when there is simply an intention to acquire.

Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction. Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry. Certain entities within the Group sell products with a right of return, and experience is used to estimate and provide for the value of such returns at the time of sale. This is further discussed in note 4.1.

Business is predominantly carried out in the United Kingdom and gross sales and revenue derive almost entirely from that source.

Notes to the consolidated financial statements (continued)

2.2 REVENUE (CONTINUED)

2.2.1 DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

We analyse our revenue between goods and services. Goods are split into four major product lines: Grocery, Home, Fashion and Technology. Services currently comprise free warranties on selected goods. This presentation is consistent with how our Board and Executive Team review performance throughout the year.

	2023 £m	2022 £m
Major product lines:		
Goods		
– Grocery	6,726.2	6,899.7
– Home	1,061.3	1,119.8
– Fashion	1,218.4	1,127.9
– Technology ¹	1,397.5	1,569.5
Services		
– Free warranty ¹	17.8	12.4
Other revenue	112.8	108.2
	10,534.0	10,837.5

¹ The balances for the 52 week period ended 29 January 2022 have been adjusted to reflect the split of revenue between Technology and free warranty.

2.2.2 REVENUE RECOGNITION POLICIES

The following table provides information about the nature of the major product and service lines generating revenue.

Type of product/service	Nature and timing of satisfaction of performance obligations	Revenue recognition
Grocery	Grocery products are principally sold by Waitrose and include food, drink, household and other items. Additionally, fuel sales and food halls are shown here. Customers obtain control of grocery products when the goods are received by the customer. Customers pay at the point of sale in Waitrose shops. Where a grocery product is ordered online, it is fulfilled by a Waitrose shop and customers are charged on the day of delivery. For business to business (B2B) customers, invoices are raised and are usually payable within 30 days. Waitrose accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer and control obtained. Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.
Home	Home products are principally sold by John Lewis and include items intended for use in the home environment. Customers obtain control of home products when the goods are received by the customer. Customers pay at the point of sale in John Lewis shops. Where a home product is ordered online, it is generally fulfilled from a centralised location. For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days. John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer and control obtained. Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.

Fashion	Fashion products are principally sold by John Lewis and include clothing, jewellery and other items. This also includes 'sale or return' sales. Customers obtain control of fashion products when the goods are received by the customer. Customers pay at the point of sale in John Lewis shops. Where a fashion product is ordered online, it is generally fulfilled from a centralised location. For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days. John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer and control obtained. Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.
Technology	Technology products are principally sold by John Lewis and include televisions, computers, tablets and other electrical items. Customers obtain control of Technology products when the goods are received by the customer. Customers pay at the point of sale in John Lewis shops. Where a Technology product is ordered online, it is generally fulfilled from a centralised location. For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days. John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer. When Technology products are sold with a free warranty an element of the sales price is allocated to the performance of that service (see below). Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.
Free warranties	The free service guarantee is provided with certain Technology products which are sold by John Lewis. Customers receive a free warranty of between two and five years on the purchase of specified Technology products. No separate payment is made for this free service guarantee. An element of the sales price of the Technology product is allocated to the free service guarantee on a cost plus margin basis. This amount is deducted from revenue and deferred on the balance sheet.	Revenue is deferred on the balance sheet and then released to the income statement over the period of the guarantee on a straight-line basis. Deferred income is shown under trade and other payables. See note 4.3.
Other revenue	Other revenue products/services are principally sold by John Lewis and include catering, customer delivery and workrooms. Other revenue also includes non-redemption revenue relating to gift vouchers and gift cards that are never redeemed or expire unredeemed. Customers obtain control of other revenue products/services when the products/services have been rendered and the performance obligations have been met. Customers pay at the point of sale in John Lewis shops. Where other revenue products/services are ordered online, it is generally fulfilled from a centralised location.	Revenue is recognised when the products/services have been received by the customer and the performance obligations have been met. Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry.

Notes to the consolidated financial statements (continued)

2.3 OTHER OPERATING INCOME

PURPOSE

Other operating income is income that does not satisfy the definition of revenue in that it does not relate to the main trading operations of the Group.

ACCOUNTING POLICIES

Other operating income includes:

Commissions, backhauling, car park income and licence fees: *Income is recognised when the Group has satisfied its performance obligation by delivering a promised service to the customer in accordance with the transaction price agreed.*

Rental income: *Rental income is recognised on a straight-line basis based on the length of the contract and when the performance obligation of the contract is satisfied.*

Other income: *Other income is recognised when the services have been rendered to the customer and performance obligations have been met.*

	2023	2022
	£m	£m
Other operating income		
Commissions	89.5	77.2
Rental income	9.4	6.9
Backhauling income	7.8	7.0
Car park income	6.8	5.0
Licence fees	4.2	3.5
Other income	9.1	8.5
	126.8	108.1

Other income mainly relates to concession income and data provision for industry research. It is made up of items that individually are not material and no other material groups were considered to be shown.

2.4 OPERATING AND ADMINISTRATIVE EXPENSES

PURPOSE

We analyse operating expenses into shop and online operating expenses and administrative expenses, as well as exceptional items and Partnership Bonus. Shop and online operating expenses are directly associated with the sale of goods and services. Administrative expenses are those which are not directly related to the sale of goods and services.

	2023	2022
	£m	£m
Operating and administrative expenses		
Shop and online operating expenses	(2,245.0)	(2,225.9)
Administrative expenses	(1,130.6)	(1,036.4)
Exceptional items (net) - see note 2.5	(156.5)	(160.8)
Partnership Bonus	-	(46.4)
	(3,532.1)	(3,469.5)

In addition to the items disclosed in note 2.6, within operating and administrative expenses, we include charges such as marketing expenses, general rates and customer delivery.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS

PURPOSE

Exceptional items are items of income/expense that are significant by virtue of their size and nature (see note 1.2.4). We believe these exceptional items are relevant for a better understanding of our underlying business performance, and exceptional items are therefore highlighted separately on the face of the income statement. This note provides detail of the exceptional items reported in both the current and prior year.

KEY JUDGEMENTS

Exceptional items: Exceptional items are those where, in management's opinion, their separate reporting provides a better understanding of the Group's underlying business performance; and which are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, whether the item is outside the principal activities of the business; the specific circumstances which have led to the item arising; the likelihood of recurrence; and if the item is likely to recur, whether it is unusual by virtue of its size.

No single criterion alone classifies an item as exceptional, and therefore management must exercise judgement when determining whether, on balance, presenting an item as exceptional will help users of the financial statements understand the Group's underlying business performance.

Exceptional items	2023 Operating (expense)/ income £m	2023 Taxation credit/ (charge) £m	2022 Operating (expense)/ income £m	2022 Taxation credit/ (charge) £m
Strategic restructuring and redundancy programmes:				
Central operations reviews	(0.2)	0.0	11.7	(2.2)
Physical estate ¹	(14.1)	0.5	(108.0)	2.5
Shop operations	(2.2)	0.4	(41.4)	7.9
	(16.5)	0.9	(137.7)	8.2
Shop impairments (Waitrose)	(131.7)	13.6	-	-
Shop impairments (John Lewis)	18.4	(4.3)	(23.1)	3.0
Cost of living payment	(26.7)	5.1	-	-
	(156.5)	15.3	(160.8)	11.2

¹ For the 52 week period ended 28 January 2023 this includes a net impairment charge of £14.0m (2022: £11.9m).

Strategic restructuring and redundancy programmes

The Partnership Plan is about two things - increasing the appeal of our brands and building on them to diversify into new services. Some of this transformation is in the form of restructuring.

The costs incurred over the life of the change programmes outlined are significant in value and, given the level of change, they are significant in nature, therefore the Group considers them exceptional items to provide a more meaningful view of the Group's underlying business performance.

Since January 2022, the Group has continued its strategic review of physical estate with the closure of two Waitrose stores and reduction in office space at our sites in London and Bracknell. During the year, the Group has progressed reorganisation of management structures in John Lewis and Waitrose stores and the restructure of central operations, as announced in previous years.

These programmes present significant deviations from normal operations for the Group, in terms of their size and nature, and are therefore presented as exceptional items. The financial impacts of these programmes are detailed below.

Central operations reviews: The transformation of central operations began at the end of 2017 to make the central operations leaner and more efficient. The associated transformation programmes have reached completion this year with a net £0.2m of costs recognised across the Head Office Transformation and Tech & Change Transformation initiatives, primarily related to redundancies.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Included within operating expenses, and not separately reported as exceptional, are £4.1m (January 2022: £4.6m) of restructuring and redundancy costs which are considered by the Group to be separate from our strategic programmes and part of the underlying business performance.

Physical estate: Since 2017, we have been working on our programme of rebalancing our existing estate; this includes ensuring that the size and shape of our physical estate is delivering on both our customer proposition, and financial returns. With the launch of the Partnership Plan, and the acceleration of change we have seen in customer shopping behaviour, we have refocused on the need to ensure our stores reflect how our customers want to shop - 'right space, right place' - and as a result we anticipate these changes will extend to 2027/28.

In 2022, we negotiated the early surrender of the leasehold interest in the London office. In 2023, plans for the use of this office space have developed and we have recognised an impairment charge of £15.6m, following the announcement to close seven floors of our London office and to revise the use of our Bracknell office buildings.

Further charges of £2.9m were recognised for the closure of two Waitrose stores, announced in August 2022, primarily comprising redundancies and impairment of assets. These costs are offset by a £0.2m release of provisions held for prior year Waitrose closures. In 2019/20 and 2020/21 we closed 16 John Lewis stores. This year we have recognised a net income of £4.2m associated with these closures, following the exit of the lease for two stores and a net release of associated property, impairment and redundancy provisions.

Shop operations: Alongside the assessment of our physical estate, we also identified that the way in which we run and manage our shops would require adjustment. In order to improve the customer experience and efficiencies in our stores, we have made a number of changes in our shop operating models in order to deliver a more flexible, multi-skilled and productive model.

In July 2021, we announced the proposal to redesign management structures in Waitrose and John Lewis shops to be simpler and more flexible. This change programme has progressed since January 2022 and, in the 52 weeks to 28 January 2023, we have recognised a net charge of £2.2m primarily related to redundancies.

Store impairments (Waitrose)

In 2023, a net impairment charge of £131.7m (2022: nil) has been recognised. The cash flow forecasts for individual Waitrose stores at January 2023 have been updated for the latest view of future trading, based on a prudent scenario which excludes costs and benefits associated with capital investment.

The updated cash flow forecasts have led to new impairment charges of £131.9m and a reversal of impairment charges of £0.2m for existing provisions which were previously charged as exceptional. The charge has been recognised as exceptional by virtue of its size, and that the circumstances which have led to the charge arising are unique and unusual, including external factors such as higher discount rates, shifts in consumer behaviours and high inflation. See note 3.2 for further detail.

Store impairments (John Lewis)

In 2023, a net impairment release of £18.4m (2022: £23.1m charge) has been recognised. The cash flow forecasts for individual John Lewis stores at January 2023 have been updated for the latest view of future trading, based on a prudent scenario which excludes costs and benefits associated with capital investment.

The updated cash flow forecasts have led to a reversal of impairment charges of £75.8m and new impairment charges of £57.4m. The existing provisions were previously charged as exceptional. By virtue of the size of the charge, and that the circumstances which have led to the charge arising are unique and unusual, the charge has been recognised as exceptional. See note 3.2 for further detail.

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Cost of living payment

In 2022/23, the Board decided to distribute a one-off cost of living support payment of up to £500 per Partner, pro rata based on scheduled weekly hours. The total cost including employers' National Insurance was £26.7m (2022: £nil). The Group has classified these payments as an exceptional item to provide a more meaningful view of the Group's underlying business performance because this type of payment is material and specific to the unusual economic circumstances this year.

2.6 LOSS BEFORE TAX

PURPOSE

Detailed below are items (charged)/credited to arrive at our loss before tax as defined by UK-adopted IFRS and required to be reported under UK-adopted IFRS.

	2023 £m	2022 £m
Staff costs (note 2.8.2)	(1,819.6)	(1,843.2)
Depreciation ¹	(476.9)	(387.9)
Amortisation of intangible assets	(131.5)	(129.4)
Net loss on sale of property (including exceptional items)	(1.0)	(39.2)
Net profit/(loss) on disposal of other plant and equipment and intangible assets	1.5	(2.6)
Net profit/(loss) on lease exit ²	2.7	(9.8)
Inventory – cost of inventory recognised as an expense	(7,280.8)	(7,359.4)
Sub-lease income:		
– land and buildings	10.0	6.0

¹ Included within depreciation is a net impairment charge of £121.2m (2022: £35.6m) see note 3.2.

² Includes gain from the early termination of lease liabilities, less cost of the corresponding right-of-use asset and any termination payments or receipts.

Total auditor's remuneration is included within administrative expenses, and is payable to our auditor, KPMG LLP, as analysed below:

	2023 £m	2022 £m
Auditor's remuneration		
Audit and audit-related services:		
– Audit of the Company and consolidated financial statements	(0.8)	(0.6)
– Audit of the Company's subsidiaries	(1.8)	(1.2)
	(2.6)	(1.8)
Non-audit services:		
– Other assurance services	(0.1)	(0.1)
	(0.1)	(0.1)
Total fees	(2.7)	(1.9)

Notes to the consolidated financial statements (continued)

2.7 RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS BEFORE PARTNERSHIP BONUS

PURPOSE

We have analysed how our loss before tax reconciles to the cash generated from our operating activities before Partnership Bonus. Items added back to, or deducted from, loss before tax are non-cash items that are adjusted to arrive at cash generated from operations before Partnership Bonus which is shown in the consolidated statement of cash flows. Loss before tax includes investment costs which are not eligible to be capitalised.

	2023 £m	2022 £m
Loss before tax	(225.4)	(27.2)
Amortisation and write-offs of intangible assets	133.4	129.4
Depreciation ¹	476.9	387.9
Share of profit of joint venture (net of tax)	(1.2)	(1.0)
Net finance costs	74.5	144.9
Partnership Bonus	-	46.4
Fair value gains on derivative financial instruments	0.1	(1.2)
(Profit)/loss on disposal of property, plant and equipment, intangible assets and early termination of leases	(3.1)	51.6
Increase in inventories	(48.5)	(12.9)
Increase in receivables	(12.7)	(70.5)
Increase in payables	(1.0)	77.3
Decrease in retirement benefit obligations	(3.1)	(3.4)
Decrease in provisions	(47.7)	(52.6)
Cash generated from operations before Partnership Bonus	342.2	668.7

¹ Includes a net impairment charge. See note 3.2.

Notes to the consolidated financial statements (continued)

2.8 PARTNERS

PURPOSE

The average number of Partners employed during the year, together with details of the area of the Group in which they work, and total employment-related costs are shown in the tables below. The average number of full time equivalent employees is 53,300 (2022: 56,000). At the end of the year, our total number of Partners was 74,300 (2022: 78,600). This note also covers Partner benefits, including pay for senior Partners and the Board.

2.8.1 PARTNER NUMBERS

During the year the average number of Partners in the Group was as follows:

	2023	2022
John Lewis	21,100	21,200
Waitrose	52,700	55,800
Other	2,600	2,500
	76,400	79,500

2.8.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2023 £m	2022 £m
Staff costs:		
Wages and salaries	(1,526.1)	(1,540.2)
Social security costs	(119.8)	(112.6)
Partnership Bonus	-	(41.4)
Employers' National Insurance on Partnership Bonus	-	(5.0)
Cost of living payment	(26.7)	-
Other pension charge (note 6.1.2)	(137.3)	(134.0)
Long leave cost	(9.7)	(10.0)
Total before Partner discounts	(1,819.6)	(1,843.2)
Partner discounts (excluded from revenue)	(101.8)	(105.0)
	(1,921.4)	(1,948.2)

Notes to the consolidated financial statements (continued)

2.8 PARTNERS (CONTINUED)

2.8.3 KEY MANAGEMENT COMPENSATION

	2023 £m	2022 £m
Salaries and short-term benefits	(6.3)	(6.0)
Post-employment benefits ¹	(0.6)	(0.5)
Termination provisions ²	(1.2)	-
	(8.1)	(6.5)

¹ Includes cash supplements in lieu of future pension accrual.

² Includes contractual payments and compensation for loss of office.

Key management includes the Directors of the Company and other officers of the Group. Key management compensation includes salaries, Partnership Bonus, National Insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable. Costs of key management compensation are included within operating expenses and exceptional items as applicable.

Key management participate in the Group's long leave scheme, which is open to all Partners and provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. It is not practical to allocate the cost of accruing entitlement to this benefit to individuals, and therefore no allowance has been made for this benefit in the amounts disclosed.

2.8.4 DIRECTORS' EMOLUMENTS

Directors' emoluments have been summarised below. Further details of the remuneration of Directors is given in the parts of the Remuneration Committee report noted in John Lewis Partnership plc's Annual Report and Accounts 2023 on pages 83 to 89, which can be viewed at www.johnlewispartnership.co.uk.

	2023 £m	2022 £m
Aggregate emoluments	(1.8)	(1.8)

Notes to the consolidated financial statements (continued)

2.9 TAXATION

PURPOSE

Our tax charge for the year is shown below. This includes an explanation of how each item is calculated, a reconciliation of our effective tax rate to the UK standard tax rate, and an update on any tax rate changes. We have placed further explanatory boxes within the note to explain each table.

Our Tax strategy aligns to the Principles of our Constitution and, as a responsible leading retailer, we recognise that paying taxes arising from our activities is an important part of how our business contributes to the societies in which we operate. The Tax strategy adopted by the Board is available on the Group's website. In addition, our total tax contributions are shown in John Lewis Partnership plc's Annual Report and Accounts 2023 on page 55.

ACCOUNTING POLICIES

Taxation: *Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income/(expense), in which case it is recognised directly in other comprehensive income/(expense).*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled.

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.1 ANALYSIS OF TAX CHARGE FOR THE YEAR

PURPOSE

The components of our tax charge are below. The tax charge is made up of current and deferred tax. Current tax is the amount payable on the taxable income for the year; and any adjustments to tax payable in previous years. Current tax is charged through the consolidated income statement and consolidated statement of comprehensive income/(expense). Deferred tax is explained in note 2.9.3.

	2023 £m	2022 £m
Tax credited/(charged) to the income statement		
Current tax – current year	(4.9)	(11.1)
Current tax – adjustment in respect of prior years	7.6	0.5
Total current tax credit/(charge)	2.7	(10.6)
Deferred tax – current year	18.7	(14.6)
Deferred tax – rate change	9.3	(15.4)
Deferred tax – adjustment in respect of prior years	4.3	(0.5)
Total deferred tax credit/(charge)	32.3	(30.5)
	35.0	(41.1)
Tax credited/(charged) to other comprehensive income		
Current tax on pension scheme ¹	2.0	1.9
Total current tax credit	2.0	1.9
Deferred tax on pension scheme	147.2	(241.2)
Deferred tax on cash flow hedges	(1.9)	(3.5)
Total deferred tax credit/(charge)	145.3	(244.7)
	147.3	(242.8)

¹ An additional deficit funding contribution of £10.0m has been paid by the Group during the year (2022: £10.0m) in relation to the defined benefit pension scheme, resulting in a tax credit of £1.9m (2022: £1.9m) to the statement of other comprehensive income/(expense) and a corresponding reduction in our current tax liability.

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.2 FACTORS AFFECTING TAX CHARGE FOR THE YEAR

PURPOSE

Taxable profit differs from profits as reported in the income statement because some items of income or expense may never be taxable or deductible.

The table below shows the reconciliation between the tax charge on profits at the standard UK tax rate and the actual tax charge recorded in the income statement ignoring the effects of temporary differences. The effective tax rate is the tax charge as a percentage of Group profit before tax.

The tax credit for the year is lower (2022: higher) than the standard corporation tax rate of 19.0% (2022: 19.0%). The differences are explained below:

	2023 £m	2022 £m
Loss before tax	(225.4)	(27.2)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2022: 19.0%)	42.8	5.2
Effects of:		
Changes in tax rate	9.3	(15.4)
Adjustment in respect of prior years	11.9	-
Depreciation on assets not qualifying for tax relief	(11.7)	(12.4)
Difference between accounting and tax base for land and buildings	(4.4)	(2.4)
Differences in overseas tax rates	(0.1)	(0.1)
Sundry disallowables	(18.5)	(20.5)
Other	5.7	4.5
Total tax credit/(charge)	35.0	(41.1)
Effective tax rate (%)	15.5	(151.1)

2.9.3 DEFERRED TAX

PURPOSE

Deferred tax is the tax expected to be payable or recoverable in the future due to temporary differences that arise when the carrying value of assets and liabilities differ between accounting and tax treatments. Deferred tax assets represent the amounts of income taxes recoverable in the future in respect of these differences, while deferred tax liabilities represent the amounts of income taxes payable in the future in respect of these differences. Here we show the movements in deferred tax assets and liabilities during the year.

Deferred tax is calculated on temporary differences using a tax rate of 25% reflecting that the rate of Corporation Tax will increase from April 2023 to 25% for companies with profits over £250,000. The movement on the deferred tax account is shown below:

	2023 £m	2022 £m
Deferred tax		
Opening net asset/(liability)	(177.0)	98.2
Credited/(charged) to income statement	32.3	(30.5)
Credited/(charged) to other comprehensive income/(expense)	145.3	(244.7)
Closing net asset/(liability)	0.6	(177.0)

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.3 DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the year are shown below.

Deferred tax assets/(liabilities)	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
At 30 January 2021	(59.2)	(6.6)	(37.4)	(1.0)	(104.2)
Charged to income statement	(25.8)	(4.1)	(10.8)	-	(40.7)
At 29 January 2022	(85.0)	(10.7)	(48.2)	(1.0)	(144.9)
Charged to income statement	(12.6)	(1.3)	-	-	(13.9)
Charged to other comprehensive (expense)/income	-	-	-	(1.9)	(1.9)
At 28 January 2023	(97.6)	(12.0)	(48.2)	(2.9)	(160.7)

Deferred tax assets/(liabilities)	Tax losses £m	Capital gains tax on land and buildings £m	Pensions and provisions £m	Other £m	Total £m
At 30 January 2021	23.7	29.0	133.8	15.9	202.4
Credited/(charged) to income statement	(7.5)	10.2	2.9	4.6	10.2
Charged to other comprehensive (expense)/income	-	-	(241.2)	(3.5)	(244.7)
At 29 January 2022	16.2	39.2	(104.5)	17.0	(32.1)
Credited/(charged) to income statement	58.4	(3.5)	(9.3)	0.6	46.2
Credited to other comprehensive (expense)/income	-	-	147.2	-	147.2
At 28 January 2023	74.6	35.7	33.4	17.6	161.3

The deferred tax asset in relation to the defined benefit pension scheme is £1.7m (2022: £142.1m liability).

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net. Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset):

	2023 £m	2022 £m
Deferred tax		
Deferred tax assets	5.7	0.5
Deferred tax liabilities	(5.1)	(177.5)
Deferred tax net	0.6	(177.0)

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.3 DEFERRED TAX (CONTINUED)

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable. At the year end, the Group had approximately £298m of unutilised tax losses. Deferred tax assets have been recognised on the entire amount, the recovery of which is supported by forecasts of future profitability as set out in the Partnership Plan. Current forecasts indicate that losses will be utilised within approximately five years.

The deferred tax balance associated with the pension surplus has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Group to the pension scheme (see note 6.1). The deferred tax assets and liabilities are recoverable after more than one year.

As a result of exemptions on dividends from subsidiaries and capital gains on disposal there are no significant taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements.

2.9.4 FACTORS AFFECTING TAX CHARGES IN CURRENT AND FUTURE YEARS

PURPOSE

Here we explain any changes to the current or future tax rates that have been announced or substantively enacted.

The main rate of UK corporation tax is 19.0% and will increase to 25.0% from 1 April 2023 as substantively enacted in the Finance Act 2021. This has increased the tax rate applied on deferred tax balances for the past two years and will increase the tax rate applied on taxable profits and losses from the 2023/24 financial year.

The Group is aware of the upcoming Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. The UK has not yet substantively enacted the rules, but they are expected to apply to accounting periods beginning on or after 31 December 2023. From an initial review of the Group's business and tax profile, we do not expect the rules to have a material impact on the Group's tax rate or tax payments. There is no impact on the Group's results for the 52 week period ended 28 January 2023.

Notes to the consolidated financial statements (continued)

3 OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS

PURPOSE

Our balance sheet contains non-physical assets in relation to computer software which are used to support our business and the generation of our profits. This note shows the cost of the assets, which is the amount we initially paid for them, and details any additions and disposals during the year. Additionally, the note shows amortisation, which is an expense in the income statement to reflect the usage of these assets. Amortisation is calculated by estimating how many years we expect to use the assets, which is also known as the useful economic life (UEL). The amortisation charge reduces the initial value of the assets over time spread evenly over their useful economic lives. The value after deducting accumulated amortisation is known as the net book value.

Each year we review the value of our assets to ensure that their expected future value in use (VIU) in the business has not fallen below their net book value. This might occur where there has been a system replacement in the year. If an asset's expected value in use falls below its net book value, this is reflected through an additional impairment expense, which reduces profit.

ACCOUNTING POLICIES

Intangible assets: *Intangible assets, comprising both purchased and internally developed computer software, are carried at cost less accumulated amortisation and impairments. The cost of internally developed software, including all directly attributable costs necessary to create, produce and prepare the software for use, is capitalised where the development meets the criteria for capitalisation required by IAS 38: Intangible Assets. This may include capitalised borrowing costs. Internally developed software assets that are not yet in use are reviewed at each reporting date to ensure that the development still meets the criteria for capitalisation, and is not expected to become impaired or abortive.*

Amortisation: *Once available for use, the purchased or internally developed software is amortised on a straight-line basis over its useful economic life, which is deemed to be between three and ten years. The assets' useful economic lives are reviewed and adjusted if appropriate at each balance sheet date.*

Impairment: *Assets are reviewed for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. An impairment loss is recognised for the amount by which the asset's amortised cost exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. The reversal of an impairment loss is recognised immediately as a credit to the income statement.*

Notes to the consolidated financial statements (continued)
3 OPERATING ASSETS AND LIABILITIES (CONTINUED)
3.1 INTANGIBLE ASSETS (CONTINUED)

	Computer software			Total
	Purchased	Internally developed	Work in progress	
Intangible assets	£m	£m	£m	£m
Cost				
At 30 January 2021	222.7	815.3	107.5	1,145.5
Additions ¹	-	-	109.9	109.9
Transfers	42.9	102.5	(145.4)	-
Disposals and write-offs	(30.3)	(74.4)	(2.3)	(107.0)
At 29 January 2022	235.3	843.4	69.7	1,148.4
Additions ¹	-	-	129.2	129.2
Transfers	77.8	34.5	(112.3)	-
Disposals and write-offs	(15.2)	(48.0)	(1.9)	(65.1)
At 28 January 2023	297.9	829.9	84.7	1,212.5
Accumulated amortisation				
At 30 January 2021	(182.5)	(495.1)	-	(677.6)
Charge for the year	(26.2)	(103.2)	-	(129.4)
Disposals and write-offs	30.3	74.3	-	104.6
At 29 January 2022	(178.4)	(524.0)	-	(702.4)
Charge for the year	(38.3)	(93.1)	(0.1)	(131.5)
Disposals and write-offs	15.2	48.0	-	63.2
At 28 January 2023	(201.5)	(569.1)	(0.1)	(770.7)
Net book value at 30 January 2021	40.2	320.2	107.5	467.9
Net book value at 29 January 2022	56.9	319.4	69.7	446.0
Net book value at 28 January 2023	96.4	260.8	84.6	441.8

¹ For the 52 week period ended 28 January 2023, additions for the year include the non-cash capital expenditure accrual on intangible assets of £2.8m (2022: £2.6m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years.

There are five individually significant assets (2022: five) within the total carrying amount of intangible assets as at 28 January 2023: three are customer projects (£170.0m, 2022: three projects, £150.2m) and two relate to distribution projects (£101.4m, 2022: two projects £118.0m). These assets have remaining useful economic lives ranging from three to ten years.

During the year to 28 January 2023, computer software valued at £112.3m (2022: £145.4m) were brought into use. This covered a range of selling, support, administration and information technology infrastructure applications, with useful economic lives ranging from three to seven years.

Amortisation of intangible assets is charged within operating expenses.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

PURPOSE

Our balance sheet contains significant property, plant and equipment, and right-of-use assets, primarily comprising assets relating to stores, distribution centres, offices and vehicles.

This note shows the cost of the assets, which is the amount we initially paid for them, or deemed cost if the assets were purchased before 31 January 2004 when the Group transitioned to report under UK-adopted IFRS. For right-of-use assets, the cost is equivalent to the present value of the future lease payments relating to the leased assets. This note also details any additions and disposals during the year, and shows depreciation, which is an expense in the income statement to reflect the usage of these assets. Depreciation is calculated by estimating how many years we expect to use the asset; this is also known as the useful economic life (UEL). The depreciation charge reduces the initial value of the assets over time and spread evenly over their useful economic lives (UELs). The value after deducting accumulated depreciation is known as the net book value.

ACCOUNTING POLICIES

Property, plant and equipment: *The cost of property, plant and equipment includes the purchase price and directly attributable costs of bringing the asset into working condition ready for its intended use. This may include capitalised borrowing costs.*

The Group's freehold and long leasehold properties were last revalued to fair value by the Directors, after consultation with CB Richard Ellis, Chartered Surveyors, as at 31 January 2004. These values have been incorporated as deemed cost, subject to the requirement to test for impairment in accordance with IAS 36: Impairment of Assets. The Group has decided not to adopt a policy of revaluation since 31 January 2004.

Right-of-use assets: *Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, less any lease incentives received. See note 5.6 for the lease liabilities accounting policy.*

Depreciation: *No depreciation is charged on freehold land or assets in the course of construction. Depreciation is calculated for all other assets to write off the cost or valuation, less residual value, on a straight-line basis over the following expected UELs:*

Freehold and long leasehold buildings – 25-50 years

Other leaseholds – over the shorter of the UEL or the remaining period of the lease

Building fixtures – 10-40 years

Fixtures, fittings and equipment (including vehicles and information technology equipment) – 3-10 years

Property residual values are assessed as the price in current terms that a property would be expected to realise, if the buildings were at the end of their UEL. The assets' residual values and UELs are reviewed and adjusted if appropriate at each balance sheet date.

For right-of-use assets depreciation is calculated on a straight-line basis over the expected UEL of the lease. Judgement is applied to estimate the lease UEL. This is done on an individual lease basis and considers the lease terms and the enforceable period of the lease.

Impairment: *Assets are reviewed for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Impairment testing is performed on cash generating units (CGUs) which are individual stores (including an allocation of online), this being the lowest level of separately identifiable cash flows. An impairment loss is recognised for the amount by which the asset's net book value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate, which reflects the asset specific risks and the time value of money.*

When an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of the recoverable amount, but ensuring the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the CGU in prior years. A reversal of an impairment loss is recognised as a credit to the income statement when recovery of performance is considered reasonably certain.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

JUDGEMENTS

Depreciation: Depreciation is recorded to write down property, plant and equipment and right-of-use assets to their residual values over their UELs. Management must therefore estimate the appropriate UELs to apply to each class of asset as set out in the accounting policy above. Changes in the estimated UELs would alter the amount of depreciation charged each year, which could materially impact the carrying value of the assets in question over the long term. UELs are therefore reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.

Application of residual values: The application of residual values to shell assets on freehold and long leasehold properties is a key accounting judgement that impacts the depreciation charge recognised in respect of these assets. Management has assessed that it is appropriate to apply residual values to these assets as the buildings will retain significant value both during and at the end of their UELs. This residual value could be realised through a sale of the property or a subletting arrangement. Management has therefore concluded that the application of residual values is consistent with the definition set out in IAS 16.

CRITICAL ACCOUNTING ESTIMATES

Impairment: In line with the Group's accounting policy, management must assess the value in use of each CGU when testing for impairment. This requires estimation of the present value of future cash flows expected to arise from the continuing operation of the CGU. These estimates require assumptions over future sales and margin performance, the application of an appropriate discount rate and the JL online sales allocation. As an omnichannel retailer, the presence of a physical store plays an important role in generating and facilitating online sales. Judgement is required in relation to the proportion of online sales and costs allocated to the future cash flows of John Lewis stores to reflect the role that the stores play. The allocation of online sales and costs to the respective stores is based on customer sales data (which identifies omnichannel customers) and physical touchpoints with a store, including Click & Collect. Were there to be significant changes in these estimations, the amount charged as impairment during the year could be materially impacted, or impairment charges recognised in previous years may be reversed.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

	Land and buildings £m	Fixtures, fittings and equipment £m	Assets in course of construction £m	Total £m
Property, plant and equipment				
Cost				
At 30 January 2021	4,423.6	1,890.7	94.1	6,408.4
Additions ¹	-	-	215.9	215.9
Transfers	89.2	112.2	(201.4)	-
Disposals and write-offs	(112.6)	(163.2)	-	(275.8)
At 29 January 2022	4,400.2	1,839.7	108.6	6,348.5
Additions ¹	-	0.1	224.2	224.3
Transfers	77.8	123.0	(200.8)	-
Disposals and write-offs	(13.9)	(118.1)	-	(132.0)
At 28 January 2023	4,464.1	1,844.7	132.0	6,440.8
Accumulated depreciation				
At 30 January 2021	(1,888.4)	(1,536.5)	-	(3,424.9)
Charge for the year ²	(132.3)	(99.9)	-	(232.2)
Disposals and write-offs	76.0	160.0	-	236.0
At 29 January 2022	(1,944.7)	(1,476.4)	-	(3,421.1)
Charge for the year ²	(161.4)	(105.5)	0.1	(266.8)
Disposals and write-offs	12.8	117.6	-	130.4
At 28 January 2023	(2,093.3)	(1,464.3)	0.1	(3,557.5)
Net book value at 30 January 2021	2,535.2	354.2	94.1	2,983.5
Net book value at 29 January 2022	2,455.5	363.3	108.6	2,927.4
Net book value at 28 January 2023³	2,370.8	380.4	132.1	2,883.3

¹ For the 52 week period ended 28 January 2023, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £34.8m (2022: £34.1m).

² For the 52 week period ended 28 January 2023 this includes an impairment charge of £46.6m in land and buildings (2022: £21.5m charge) and £5.2m in fixtures and fittings (2022: £1.8m credit).

³ Included within the net book value at 28 January 2023 are £5.3m (2022: £3.8m) of owned assets which are outside the Group's normal course of business.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Right-of-use assets			
Cost			
At 30 January 2021	1,974.0	48.2	2,022.2
Additions	133.0	6.3	139.3
Disposals and write-offs ²	(89.5)	-	(89.5)
At 29 January 2022	2,017.5	54.5	2,072.0
Additions	60.6	-	60.6
Disposals and write-offs ²	(10.7)	-	(10.7)
At 28 January 2023	2,067.4	54.5	2,121.9
Accumulated depreciation			
At 30 January 2021	(478.1)	(3.9)	(482.0)
Charge for the year ¹	(147.5)	(8.2)	(155.7)
Disposals and write-offs	39.0	-	39.0
At 29 January 2022	(586.6)	(12.1)	(598.7)
Charge for the year ¹	(201.8)	(8.3)	(210.1)
Disposals and write-offs	6.4	-	6.4
At 28 January 2023	(782.0)	(20.4)	(802.4)
Net book value at 30 January 2021	1,495.9	44.3	1,540.2
Net book value at 29 January 2022	1,430.9	42.4	1,473.3
Net book value at 28 January 2023	1,285.4	34.1	1,319.5

¹ For the 52 week period ended 28 January 2023 this includes an impairment charge of £69.4m (2022: £15.9m).

² Included within disposals and write offs is the impact of changes to leases following lease reviews.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

In accordance with IAS 36, the Group reviews its property, plant and equipment and right-of-use assets for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. Each cash generating unit (CGU) that shows an indication of impairment is included in the impairment review.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet. It considers the value in use (VIU) of a CGU compared to the carrying value in the first instance, and subsequently the fair value less cost to dispose if the VIU is lower than the carrying value. The VIU calculation is based on five year cash flow projections using the latest forecast data. For John Lewis, different growth expectations are applied to online and store sales. The forecasts are then extrapolated beyond the five year period using a long-term growth rate of 2% for both Waitrose and John Lewis. There are four CGUs for which the recoverable amounts are the fair value less cost to dispose which are valued with reference to an active market and other relevant market inputs. The recoverable amounts of all other impaired CGUs are based on the VIU.

The key assumptions used in the VIU calculation are the expected sales and margin performance, the allocation of online sales and associated costs to stores in the determination of the John Lewis store CGU and the discount rate.

External market valuations are regularly obtained by the Group and used within the consideration of fair value less cost to dispose. This is an annual exercise that considers the available market for properties.

Following the impairment review, the Group recognised a net impairment charge of £131.7m for Waitrose and a net impairment release of £18.4m for John Lewis as exceptional items. Additionally, within operating expenses, an impairment charge of £1.0m for strategic land holdings was recognised, as well as a release of £7.1m for Waitrose impairment previously charged to operating expenses. A further £14.0m exceptional charge was recognised in relation to our Physical Estate programme and represents the impairment of assets in our JL and Waitrose store closure programme, and the resulting impairment from the reduction of the space we use in our London and Bracknell offices. The total net impairment charge for the year following the impairment review is £121.2m.

In the value in use calculations, no specific impact has been included in respect of climate change as it is not expected to be materially different to the forecast assumptions during the forecast period.

John Lewis store impairment

The impact of the JL impairment review is a net release of £18.4m to exceptional items. The carrying value of JL plant, property and equipment and right of use assets that were subject to impairment testing is £638.4m, after impairment. The cash flow forecasts for the individual stores have been updated for the latest view of future trading which is based on expected future customer behaviour, inflation and cost of living, post pandemic. For some stores, this is better than our previous expectations, whilst for other stores performance expectations have declined. The updated cash flow forecasts have led to a reversal of impairment charges of £75.8m and new impairment charges of £57.4m.

Cash forecasts

The calculations use a post-tax cash flow based on a five year plan approved by the Board. The plan includes the impact of the updated property strategy, and factors in changes to customer behaviour post-pandemic as well as the impacts of higher inflation and the associated cost of living crisis. The forecasts exclude any costs or benefits associated with capital investments. The key assumptions in this plan are: sales which includes the continued recovery of JL store sales following the pandemic disruption and online sales allocation; margin rates which includes the effect of cost inflation and cost efficiencies; and discount rate. The plan differentiates between online and store sales, which is relevant to our store CGUs that continue to include an allocation of online sales and associated costs.

For the JL business, there is significant ongoing market uncertainty and changing customer behaviours. The JL impairment estimation is most sensitive to changes in the sales and margin forecasts, as well as the allocation of online sales and costs, and therefore sensitivity analysis has focused on these aspects of the impairment evaluation. Reducing sales growth by 3% would increase the net JL impairment by £27.7m. A decline of 75 bps in the margin rate would increase the JL impairment by £20.8m.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

Online sales allocation

Judgement is required as to whether online sales and associated costs should be attributed to JL stores for the purposes of impairment evaluation. Our allocation of a proportion of online sales, made by customers who shop both online and in store (omnichannel), is supported by the omnichannel approach embedded in our strategy, management and operation of our stores. It reflects the role our stores play in providing customers with an opportunity to browse, touch and feel our product range before purchasing online. The merchandising of the product offer in our physical estate provides inspiration for our customers who may then choose to purchase online (in particular for larger items and more considered purchases in our Home offer). For these reasons, online sales are allocated to stores based on Click & Collect online sales, and also a further proportion of online sales to reflect the role the store plays in facilitating online purchases. This further allocation is based on evidence of a physical touchpoint with the store through previous purchasing behaviour. The allocations of the sales and weighting of the drivers (ie Click & Collect versus further allocation to reflect the role the store plays in facilitating online sales) varies by store.

Given the pace of change in customer behaviour and the transition to online purchasing, as well as the sensitivity of the JL impairment to the online allocation, management continue to consider how further changes could impact impairment. If the online allocation assumptions were reduced such that only online sales serviced through instore Click & Collect were allocated to CGUs, this would further increase the impairment provision by £126.1m. If no online sales were attributed to the CGUs, the impairment provision would increase by £158.5m.

Discount rate

The pre-tax discount rate of 14.5% (2022: 12.0%) used in the calculation of cash flows is derived from the JL Weighted Average Cost of Capital (WACC). This has increased since last year end, reflecting increased interest rates. An increase in the discount rate of 300 bps would increase the JL impairment charge by £21.1m.

Waitrose store impairment

The impact of the Waitrose impairment review is a net charge of £124.6m, split into a net charge of £131.7m to exceptional items and a release of £7.1m recognised in operating expenses. The carrying value of Waitrose plant, property and equipment and right of use assets that were subject to impairment testing is £398.5m, after impairment. The plan includes the impact of the updated property strategy, and factors in changes to customer behaviour post-pandemic as well as the impacts of higher inflation and the associated cost of living crisis. The updated cash flow forecasts have led to new impairment charges of £131.6m and reversal of previous impairment charges of £7.0m. The releases are due to improved store performance which has been judged to be sustainable.

The impairment calculations for Waitrose stores use a post-tax cash flow based on a five year plan approved by the Board. The forecasts exclude any costs or benefits associated with capital investments. The forecasts exclude any costs or benefits associated with capital investments. The key assumptions in this plan are: sales which includes the recovery of volumes through price investment and year-on-year sales growth; margin rates which includes the effect of cost inflation and cost efficiencies; and discount rate. Waitrose online sales are allocated directly to the store that the online order is picked and fulfilled from. Online sales are therefore included in the Waitrose CGUs as the sales are directly attributable to store activity; this is not considered a key judgement.

The Waitrose Customer Fulfilment Centres (CFCs) have been included in the impairment review alongside the store CGUs in a way that reflects the commercial reality that the CFCs are designed to serve specific regional postcodes of the UK alongside the stores.

The Waitrose impairment estimation is most sensitive to changes in the sales and margin forecasts. Reducing the sales growth by 3% would increase the Waitrose impairment by £25.2m. A decline of 75 bps in the margin rate would increase the Waitrose impairment by £32.1m.

The pre-tax discount rate of 13.5% (2022: 10.0%) used in the calculation of cash flows is derived from the Waitrose Weighted Average Cost of Capital (WACC) which has increased from last year end, reflecting increased interest rates. An increase in the discount rate of 300 bps would increase the Waitrose impairment charge by £38.5m.

Notes to the consolidated financial statements (continued)

3.3 INVESTMENT IN AND LOANS TO JOINT VENTURE

PURPOSE

Our balance sheet includes an investment in a joint venture, Clicklink Logistics Limited, which is used to support our business and the generation of our profits.

This note shows the cost of the investment in, and loans made to, the joint venture. It also includes details of the share of profit/loss and any dividends received from the joint venture during the year.

ACCOUNTING POLICIES

Joint arrangements: The Group applies IFRS 11 Joint Arrangements to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

John Lewis plc and GXO Logistics UK II Limited (formerly Clipper Logistics plc) are both investors in Clicklink Logistics Limited. Each party owns 50.0% of the equity of Clicklink Logistics Limited and decisions regarding Clicklink Logistics Limited require the unanimous consent of both parties.

	Investment £m	Loan £m	Total £m
joint venture			
Cost			
At 30 January 2021	2.1	2.0	4.1
At 29 January 2022	2.1	2.0	4.1
At 28 January 2023	2.1	2.0	4.1
Share of profit/(loss)			
At 30 January 2021	(0.7)	-	(0.7)
Share of profit	1.0	-	1.0
At 29 January 2022	0.3	-	0.3
Share of profit	1.2	-	1.2
At 28 January 2023	1.5	-	1.5
At 30 January 2021	1.4	2.0	3.4
At 29 January 2022	2.4	2.0	4.4
At 28 January 2023	3.6	2.0	5.6

Notes to the consolidated financial statements (continued)

3.4 COMMITMENTS AND CONTINGENCIES

PURPOSE

A commitment represents a contractual obligation to make a payment in the future. We have commitments for capital expenditure. Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be measured reliably.

In line with accounting standards, commitments and contingencies are not included within the balance sheet, but are detailed in the note below. The amounts below represent the maximum amounts that we are obliged to pay.

At 28 January 2023, contracts had been entered into for future capital expenditure of £37.2m (2022: £23.3m) of which £32.8m (2022: £20.8m) relates to property, plant and equipment and £4.4m (2022: £2.5m) relates to intangible assets.

4 WORKING CAPITAL AND PROVISIONS

4.1 INVENTORIES

PURPOSE

Our inventory is the stock available for sale or for manufacturing our products. This note sets out the make-up of our inventories between raw materials, work in progress and finished goods and goods for resale. Our raw materials and work in progress are primarily related to Herbert Parkinson and Leckford Farm. Slow-moving and obsolete inventory is assessed each reporting period and an appropriate provision is made against the inventory balance. The value of inventory is shown net of provisions. Once the inventory is sold, it is charged to cost of sales in the consolidated income statement.

ACCOUNTING POLICIES

Inventory valuation: *Inventory is stated at the lower of cost, which is computed on the basis of average unit cost, and net realisable value. Inventory excludes merchandise purchased by the Group on a sale or return basis, where the Group does not have the risks and rewards of ownership. Slow-moving and obsolete inventory is assessed for impairment at each reporting period based on past experience and an appropriate provision is made. Inventory also includes a 'right to return goods' asset, which represents the value of inventory expected to be returned as a result of customers exercising their rights under the Group's returns policy. The expected level of returns is based on past experience.*

	2023	2022
Inventory	£m	£m
Raw materials	5.7	3.9
Work in progress	0.2	0.1
Finished goods and goods for resale	695.8	651.7
	701.7	655.7

Provisions against inventories of £32.0m were charged (2022: £30.6m charged) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £12.3m (2022: £12.5m). This relates to the Group's expected returns inventory based on previous rates of return.

Notes to the consolidated financial statements (continued)

4.2 TRADE AND OTHER RECEIVABLES

PURPOSE

Our receivables are amounts owed to the Group. This note provides a split of receivables into trade receivables, other receivables and prepayments and accrued income.

Trade receivables are amounts owed to us from customers and from suppliers if we are owed rebates. Other receivables include interest receivable from third parties and amounts due from our Partners in respect of the Group's car finance scheme. Prepayments are payments made in advance of the delivery of goods or rendering of services. Accrued income is income earned by the Group for providing a product or service which has not yet been invoiced.

Other receivables and prepayments are split into current and non-current to show those amounts due within one year and those which will be recovered over a longer period. Trade receivables are shown net of an allowance for debts which we do not consider to be recoverable.

ACCOUNTING POLICIES

Trade receivables: *Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach under IFRS 9: Financial Instruments. Such allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the expected life of the financial asset. The Group also performs analysis on a case-by-case basis for particular trade receivables with irregular payment patterns or history.*

Supplier income (shown as part of accrued income): *The price that the Group pays suppliers for goods is determined through negotiations with suppliers regarding both the list price and a variety of rebates and discounts. The principal categories of rebate income are in the form of volume and marketing rebates. Supplier income is broadly split evenly between the two categories as follows:*

Volume rebates: *Volume rebates are earned based on sales or purchase triggers set over specific periods, such as the number of units sold to customers or purchased from the supplier. Volume rebates are recognised over the period set out in the supplier agreement.*

Marketing rebates: *Marketing rebates include promotions, mark downs or marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific periods and products.*

Rebate income is recognised when the Group has contractual entitlement to the income, it can be estimated reliably and it is probable that it will be received. Rebate income receivable is shown as part of trade receivables.

Rebate income is recorded against cost of sales and inventory, which is adjusted to reflect the lower purchase cost for the goods on which a rebate has been earned. Depending on the agreement with suppliers, rebates invoiced are either received in cash from the supplier or netted off against payments made to suppliers.

For promotions which are confirmed after the balance sheet date, the Group is sometimes required to estimate the amounts due from suppliers at the year end. Estimates of supplier income are accrued within accrued income, and are based on a review of the supplier agreements in place and of relevant sales and purchase data.

The majority of rebates are confirmed before the year end, therefore the level of estimate and judgement required in determining the year end receivable is limited.

Notes to the consolidated financial statements (continued)
4.2 TRADE AND OTHER RECEIVABLES (CONTINUED)

	2023 £m	2022 £m
Trade and other receivables		
Current:		
Trade receivables	69.2	86.4
Other receivables	129.9	122.2
Prepayments	94.0	94.3
Accrued income	51.0	28.8
	344.1	331.7
Non-current:		
Other receivables	14.0	11.3
Prepayments	2.9	4.5
	16.9	15.8

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. Within trade receivables is supplier income which has been invoiced where there is no legal right to offset. Included in trade payables are invoices for supplier income where there is a right to offset and the Group intends to offset against amounts owed to suppliers (see note 4.3).

Within accrued income, there is £23.3m (2022: £11.9m) in relation to supplier income which has not yet been invoiced. Additionally, accrued income includes £7.0m (2022: £9.8m) in relation to other operating income items (see note 2.3) which has not been billed at the reporting date. The unbilled amounts of other operating income is made up of items that are not individually material for further disclosures and had no significant changes during the period.

The Group recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 28 January 2023, trade and other receivables of £0.4m (2022: £1.5m) were partially or fully impaired.

For trade receivables, the Group applies the simplified approach with lifetime ECLs recognised from initial recognition of the receivables. The reconciliation for the year is as follows:

Allowance for expected credit losses	£m
At 30 January 2021	2.1
Charged to income statement	1.8
Released to income statement	(2.5)
Written off	0.1
At 29 January 2022	1.5
Charged to income statement	0.1
Released to income statement	(0.7)
Written off	(0.5)
At 28 January 2023	0.4

As at 28 January 2023, trade and other receivables of £27.1m (2022: £29.2m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2023 £m	2022 £m
Ageing analysis		
Up to 3 months past due	27.0	28.0
3 to 12 months past due	0.1	0.8
Over 12 months past due	-	0.4
	27.1	29.2

Notes to the consolidated financial statements (continued)

4.3 TRADE AND OTHER PAYABLES

PURPOSE

Trade and other payables include amounts owed by the Group. We owe payments to suppliers for goods or services that have been invoiced or accrued, and to HMRC in the form of taxes and social security. Amounts are payable to our Partners through salaries and our annual profit share, the Partnership Bonus. Deferred income includes amounts owed to customers through goods or services to be delivered, including in respect of free warranties. Non-current trade and other payables and non-current deferred income balances are not expected to be settled within the next financial year.

ACCOUNTING POLICIES

Trade payables: Trade payables are initially recognised at fair value and subsequently measured at amortised cost.

Deferred income: Deferred income is recognised when the Group has received cash in advance of providing a good or service. It includes revenue in respect of free warranties for Technology products. The Group allocates a portion of the consideration received for the Technology product to the free warranty on a cost plus margin basis. The amount allocated to the free warranty is deferred and recognised as revenue over the period of the guarantee on a straight-line basis.

ACCOUNTING ESTIMATES

Liabilities: Liabilities recognised in this note at the reporting date include amounts for unredeemed gift vouchers and gift cards. In order to estimate these liabilities, management must make assumptions around likely redemption rates. Management must therefore exercise a degree of estimation when predicting redemption patterns based on actual experience.

Deferred income: In relation to free warranties, deferred income is based on the expected future repair or replacement costs for all goods sold with a free warranty, plus a margin. The expected future costs are based on historical evidence of claims and costs to repair or replace. Management exercise a degree of estimation regarding the margin percentage.

	2023 £m	2022 £m
Trade and other payables		
Current:		
Trade payables	(1,127.9)	(1,061.9)
Amounts owing to parent undertakings	(103.9)	(112.0)
Other payables	(161.0)	(159.4)
Other taxation and social security	(159.6)	(155.4)
Accruals	(142.9)	(183.7)
Deferred income	(73.6)	(88.1)
Partnership Bonus	-	(46.4)
	(1,768.9)	(1,806.9)
Non-current:		
Other payables	-	(0.1)
Deferred income	(28.3)	(29.9)
	(28.3)	(30.0)

The carrying amount of trade and other payables approximates to fair value.

Other payables principally relate to liabilities in respect of unredeemed gift cards and gift vouchers.

Included in deferred income are contract liabilities for free warranties of £26.0m (2022: £27.6m) and payments from customers for goods and services sold but not delivered of £54.7m (2022: £67.5m). During the year an amount of £17.8m (2022: £12.4m) was released to the income statement in relation to free warranties matching to the period over which the free warranties are utilised. The deferral for the year was £17.8m (2022: £9.3m). All of the contract liabilities for goods and services sold but not delivered at 29 January 2022 have been recognised as revenue in the 52 week period ended 28 January 2023.

Notes to the consolidated financial statements (continued)

4.4 PROVISIONS

PURPOSE

We incur liabilities which have some uncertainty regarding the timing or the future cost required to settle them. These are termed provisions and have been estimated and provided for at the year end. Our provisions primarily relate to the expected cost of long leave, expected customer refunds, insurance claims, reorganisation costs and property-related costs.

ACCOUNTING POLICIES

Provisions: Provisions are recognised when the Group has an obligation in respect of a past event, it is more likely than not that payment (or a non-cash settlement) will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Employee benefits: The Group has a scheme to provide up to six months' paid leave after 25 years' service (long leave). The cost of providing the benefits under the scheme is determined using the projected unit credit actuarial valuation method. The current service cost is included within operating profit in the consolidated income statement. The financing elements of long leave are included in finance costs in the consolidated income statement. Actuarial gains or losses are taken directly to the consolidated income statement.

ACCOUNTING ESTIMATES

Provisions: As the provision for liabilities under the long leave scheme is assessed on an actuarial basis, estimates are required for the appropriate discount rate, staff turnover, salary increases and inflation.

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
Provisions						
At 29 January 2022	(144.4)	(24.8)	(24.3)	(49.6)	(58.9)	(302.0)
Charged to income statement	(12.6)	(46.2)	(8.3)	(13.0)	(10.3)	(90.4)
Released to income statement	26.7	-	1.0	4.6	11.0	43.3
Utilised	9.1	48.2	7.2	47.2	12.2	123.9
At 28 January 2023	(121.2)	(22.8)	(24.4)	(10.8)	(46.0)	(225.2)
Of which:						
Current	(34.8)	(22.8)	(12.9)	(10.8)	(21.0)	(102.3)
Non-current	(86.4)	-	(11.5)	-	(25.0)	(122.9)

The Group has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Group's retirement benefits (note 6.1) as it reflects a rate appropriate to the shorter duration of the long leave liability, so as to accrue the cost over Partners' service periods.

Provisions for customer refunds reflect the Group's expected liability for returns of goods sold based on experience of rates of return.

Provisions for insurance claims are in respect of the Group's employer's, public and vehicle third-party liability insurances. The provisions are based on reserves held in the Group's captive insurance company, JLP Insurance Limited. These reserves are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience.

Provisions for reorganisation reflect restructuring and redundancy costs, principally in relation to central operations reviews, shop closures and the review of shop management structures (note 2.5).

Other provisions primarily include property-related costs including dilapidations provisions.

Notes to the consolidated financial statements (continued)

5 FINANCING

5.1 NET FINANCE COSTS

PURPOSE

Net finance costs include our costs in respect of interest payable on borrowings, our defined benefit pension and other employee benefit schemes. Finance income includes interest received from short-term deposits, short-term investments and fair value movements.

	2023 £m	2022 £m
Finance costs		
Net interest payable on:		
Commitment fees and bank overdrafts	(2.3)	(2.2)
Other loans repayable within five years ¹	(25.7)	(28.9)
Other loans repayable in more than five years	(12.7)	(12.8)
Interest payable in relation to lease liabilities	(91.8)	(97.3)
Amortisation of issue costs of bonds and credit facilities	(2.0)	(2.5)
Finance costs in respect of borrowings	(134.5)	(143.7)
Fair value measurements and other	(5.2)	(2.8)
Net finance costs arising on defined benefit retirement scheme	-	(8.7)
Total finance costs	(139.7)	(155.2)
Finance income		
Finance income in respect of cash and short-term investments ²	20.7	7.2
Fair value measurements and other	4.7	3.1
Net finance income arising on other employee benefit schemes	39.8	-
Total finance income	65.2	10.3
Net finance costs	(74.5)	(144.9)

¹ Other loans repayable within five years includes interest payable on interest rate swaps of £6.6m (2022: £5.0m).

² Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £6.1m (2022: £6.1m).

Capitalised borrowing costs totalled £1.4m (2022: £0.6m) of which £0.3m (2022: £nil) were capitalised within intangible assets and £1.1m (2022: £0.6m) were capitalised within property, plant and equipment.

Notes to the consolidated financial statements (continued)

5.2 ANALYSIS OF NET DEBT

PURPOSE

Net debt summarises our debt position as at the year end, excluding any pension deficit. Net debt incorporates the Group's borrowings, bank overdrafts, fair value of derivative financial instruments and obligations under leases. These liabilities are offset by cash and cash equivalents, short-term investments and a portion of bond transaction costs that relate to the remaining duration of the bond. This note shows how our net debt position has moved from the prior year end, split out between cash movements and non-cash movements.

	2022	Cash movements	Other non-cash movements	2023
	£m	£m	£m	£m
Non-current assets				
Derivative financial instruments	1.7	-	(0.1)	1.6
	1.7	-	(0.1)	1.6
Current assets				
Cash and cash equivalents	1,415.4	(377.3)	-	1,038.1
Short-term investments	95.3	(95.0)	-	0.3
Derivative financial instruments	6.0	(32.9)	38.2	11.3
	1,516.7	(505.2)	38.2	1,049.7
Current liabilities				
Borrowings and overdrafts	(150.0)	150.0	(50.0)	(50.0)
Lease liabilities	(156.6)	224.7	(216.6)	(148.5)
Derivative financial instruments	(8.4)	3.1	1.3	(4.0)
	(315.0)	377.8	(265.3)	(202.5)
Non-current liabilities				
Borrowings	(650.0)	-	50.0	(600.0)
Unamortised bond transaction costs	7.4	-	(1.4)	6.0
Fair value adjustment for hedged element on bonds	1.0	-	5.2	6.2
Lease liabilities	(1,831.7)	-	77.0	(1,754.7)
Derivative financial instruments	(0.8)	-	(8.0)	(8.8)
	(2,474.1)	-	122.8	(2,351.3)
Total net debt	(1,270.7)	(127.4)	(104.4)	(1,502.5)

Notes to the consolidated financial statements (continued)
5.2 ANALYSIS OF NET DEBT (CONTINUED)

	2023 £m	2022 £m
Reconciliation of net cash flow to net debt		
Decrease in net cash and cash equivalents in the year	(377.3)	(102.8)
Cash outflow from borrowings	150.0	75.0
Cash (inflow)/outflow from movement in short-term investments	(95.0)	95.0
Cash inflow from SIP shares	(0.1)	-
Cash outflow from movement in other net debt items	194.9	274.1
Cash movement in net debt for the year	(127.5)	341.3
Opening net debt	(1,270.7)	(1,405.5)
Non-cash movement in net debt for the year	(104.4)	(206.5)
Closing net debt	(1,502.6)	(1,270.7)

Our total borrowings and lease liabilities are summarised below.

	Borrowings £m	Lease liabilities £m	Total £m
At 30 January 2021	(875.0)	(2,037.3)	(2,912.3)
Movements arising from operating cash flows	-	97.3	97.3
Movements arising from financing cash flows	106.1	155.1	261.2
Other non-cash movements	(31.1)	(203.4)	(234.5)
At 29 January 2022	(800.0)	(1,988.3)	(2,788.3)
Movements arising from operating cash flows	-	91.8	91.8
Movements arising from financing cash flows	181.1	132.9	314.0
Other non-cash movements	(31.1)	(139.6)	(170.7)
At 28 January 2023	(650.0)	(1,903.2)	(2,553.2)

Borrowings exclude unamortised bond transaction costs of £6.0m (2022: £7.4m) and the fair value adjustment for hedged element on bonds of £6.2m gain (2022: £1.0m gain).

5.3 SHORT-TERM INVESTMENTS

PURPOSE

Our short-term investments represent amounts on short-term deposits. They are deposited for a period of greater than 90 days but less than one year with financial institutions.

ACCOUNTING POLICIES

Short-term investments: *Short-term investments comprise tradable securities and deposits with original maturities of greater than 90 days but less than one year. Maturity periods are not the sole factor. Investments in Variable Net Asset Values (VNAV) with a weighted average maturity of less than 90 days, are included within short-term investments due to the fact they do not bear an insignificant risk of changes in value.*

	2023 £m	2022 £m
Short-term investments		
Short-term investments	0.3	95.3

For the 52 week period ended 28 January 2023, the effective interest rate on short-term investments was 1.3% (2022: 0.3%) and these investments had an average maturity of 93 days (2022: 102 days).

Notes to the consolidated financial statements (continued)

5.4 CASH AND CASH EQUIVALENTS

PURPOSE

Our cash and cash equivalents include cash in hand and cash placed on short-term deposits of less than 90 days with financial institutions and money market funds.

ACCOUNTING POLICIES

Cash and cash equivalents: *Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of less than 90 days which are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, net cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.*

	2023	2022
	£m	£m
Cash and cash equivalents		
Cash at bank and in hand	162.9	162.5
Short-term deposits	875.2	1,252.9
	1,038.1	1,415.4

For the 52 week period ended 28 January 2023, the effective interest rate on short-term deposits was 1.4% (2022: 0.0%) and these deposits had an average maturity of six days (2022: two days).

At 28 January 2023, £12.4m (2022: £13.4m) of the Group's cash balance and £0.1m (2022: £nil) of the Group's accrued interest balance was pledged as collateral. This is part of the Group's insurance arrangements and the release of these funds is subject to approval from third parties.

5.5 BORROWINGS AND OVERDRAFTS

PURPOSE

Our borrowings comprise bonds, bank loans, bank overdrafts and Share Incentive Plan shares, which are held in trust for the benefit of Partners.

ACCOUNTING POLICIES

Borrowings: *Borrowings are initially recognised at fair value net of transaction costs and subsequently measured at amortised cost. Where there is an effective related fair value hedge, the movement in the fair value attributable to the hedged risk is separately disclosed.*

Arrangement costs for bonds and loan facilities in respect of debt are capitalised and amortised over the life of the debt at a constant rate. Finance costs are charged to the income statement, based on the effective interest rate of the associated borrowings.

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised. Qualifying assets are those that take a substantial period of time to get ready for their intended use. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred. Capitalisation ceases when the asset is ready for its intended use. The capitalisation rate used to determine the borrowing costs eligible for capitalisation is 5.6% (2022: 4.2%).

Share Incentive Plan: *The Share Incentive Plan (SIP or BonusSave) is initially measured at fair value and the liability is subsequently measured at amortised cost. It is de-recognised once the liability has been settled.*

Notes to the consolidated financial statements (continued)
5.5 BORROWINGS AND OVERDRAFTS (CONTINUED)

	2023	2022
	£m	£m
Borrowings and overdrafts		
Current:		
Bank loans ¹	(50.0)	(150.0)
	(50.0)	(150.0)
Non-current:		
Bank loans ¹	-	(50.0)
6¼% Bonds, 2025	(300.0)	(300.0)
4¼% Bonds, 2034	(300.0)	(300.0)
Unamortised bond and loan transaction costs	6.0	7.4
Fair value adjustment for hedged element on bonds	6.2	1.0
	(587.8)	(641.6)

¹ £150m of term loans were repaid during 2022/23. See note 7.1.2.

All borrowings are unsecured, denominated in Sterling and are repayable on the dates shown, at par.

Notes to the consolidated financial statements (continued)

5.6 LEASE LIABILITIES

PURPOSE

The Group enters into leases for property, plant and equipment. The Group's lease portfolio principally comprises property leases of land and buildings in relation to Waitrose and John Lewis shops, distribution centres and head offices. The leases typically run for terms between 5 and 100 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Group's lease payments are subject to market review, usually every five years, and some lease agreements include rental payments contingent on turnover or economic indices. These contingent lease payments are excluded from the calculation of lease liabilities under IFRS 16: Leases.

ACCOUNTING POLICIES

Lease liabilities: The Group assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised.

The Group has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet where the underlying asset is of low value. Lease expenses relating to low value assets will be recognised in the income statement on a straight-line basis.

In relation specifically to vehicle leases, the Group has also elected to apply the exemption for short-term leases and therefore will not recognise right-of-use assets and lease liabilities on the balance sheet for vehicle leases of less than 12 months in duration.

Contingent rentals are recognised as an expense in the income statement when incurred.

Sub-lease income is recognised as other operating income on a straight-line basis over the sub-lease term, less allowances for situations where recovery is doubtful.

Sale and leaseback: A sale and leaseback transaction is where the Group sells an asset and immediately leases back the same asset from the buyer. On sale, the property, plant and equipment asset is derecognised from the balance sheet and the Group measures a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights of use retained by the Group. The Group also recognises a lease liability at the date of the transaction. Any gain or loss that relates to the rights of the buyer is recognised in the income statement.

Notes to the consolidated financial statements (continued)
5.6 LEASE LIABILITIES (CONTINUED)

The following amounts are included in the Group's consolidated financial statements in respect of its leases:

	2023 £m	2022 £m
Depreciation charge for right of use assets (excluding impairment) (see note 3.2)	(140.8)	(139.8)
Interest expense on lease liabilities	(91.8)	(97.2)
Expense relating to short-term leases	(4.3)	(1.7)
Expense relating to leases of low-value assets that are not shown above as short-term leases	(0.3)	(1.8)
Expense relating to variable lease payments not included in lease liabilities	(3.7)	(3.3)
Total cash outflow for leases comprising interest and capital payments (see note 5.2)	(224.7)	(252.4)
Additions to right-of-use assets (see note 3.2)	60.6	139.3
Carrying amount of right-of-use assets (see note 3.2)	1,319.5	1,473.3
Income from sub-leasing right-of-use assets	10.0	6.0

We currently do not disclose potential future undiscounted lease payments not included in lease liabilities as these are subject to a high level of judgement regarding expected lease extension terms and future end dates. Additionally, the value of rental payments are subject to future market rates applicable as at the date of extension which are parameters not yet publicly known. As a result, we do not consider the potential future undiscounted lease payments to be able to be reliably estimated. There were no leases not yet commenced to which the Group is committed that are not included in lease liabilities as at the year end.

Notes to the consolidated financial statements (continued)

6 PENSIONS

6.1 RETIREMENT BENEFITS

PURPOSE

The Group's pension scheme is made up of two parts: the defined benefit section and the defined contribution section. The defined benefit section provides a non-contributory pension in retirement based on Partners' pensionable pay and pensionable service. The defined contribution section is where contributions made by Partners and the Group are invested in a choice of funds and then the contributions and investment returns are used to buy benefits on retirement.

The consolidated balance sheet includes a retirement benefit asset or liability, which is the expected future cash flows to be paid out by the defined benefit section of the pension scheme, offset by assets held by the scheme to meet these liabilities. The expected liabilities are calculated by an actuary using a number of financial and demographic assumptions whilst the assets are held at fair value. The defined benefit section of the scheme closed to future accrual on 1 April 2020.

The defined contribution section of the scheme is available to all Partners and pays fixed contributions into individual investment funds on Partners' behalf. There is therefore no liability on the Group balance sheet relating to the defined contribution section of the pension scheme, other than any accrual for the previous period's monthly defined contribution payments.

This note details the financial and demographic assumptions made in estimating the defined benefit obligation, together with an analysis of the components of the pension liability. It also explains where these amounts have been recorded in the consolidated balance sheet and the consolidated income statement.

ACCOUNTING POLICIES

Employee benefits: *The defined benefit scheme assets are held separately from the Group. The cost of providing benefits under the defined benefit section of the scheme is determined using the projected unit credit actuarial valuation method, which measures the liability based on service completed and allows for projected future increases.*

Remeasurements of defined benefit pension schemes due to experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income during the period in which they arise.

There are a number of unfunded pension liabilities, where the actuarially assessed costs of providing the benefit are charged to the consolidated income statement. There are no assets supporting these arrangements.

Contributions to the Group's defined contribution section are charged to the income statement as they are incurred. The Group has no further obligation once the contributions have been made.

CRITICAL ACCOUNTING ESTIMATES

Retirement benefits: *This section details the assumptions used to calculate the total defined benefit pension obligation. This is the estimate of the current cost of meeting future benefits to be paid out by the pension scheme. The calculation requires the application of a discount rate to estimate the present day fair value of the pension payments, as well as assumptions on mortality rates and inflation. Given the size of the Group's defined benefit obligation, relatively small movements in these assumptions could cause a material adjustment to the carrying amount of the obligation. Sensitivity analysis on the key assumptions is provided in note 6.1.5. The pension scheme asset includes a variety of assets including those where a market quotable price is not available (level 3). The assets are valued by third party fund managers using a variation of valuation models (see note 6.1.4).*

Retirement benefits

The pension scheme operated by the Group is the John Lewis Partnership Trust for Pensions. The scheme is governed by a corporate trustee which is independent of the Group. The Trustee is responsible for the operation and governance of the scheme, including making decisions regarding the scheme's investment strategy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

The scheme includes a funded final salary defined benefit section, providing pensions and death benefits to members. This scheme closed to new members and future accrual on 1 April 2020 and all active members of the scheme moved to become deferred members.

All contributions to the defined benefit section of the pension scheme to meet the obligations are funded by the Group.

The scheme also includes a defined contribution section. Contributions to the defined contribution section of the scheme are made by both Partners and the Group.

There are a number of unfunded pension liabilities, where the actuarially assessed costs of providing the benefit are charged to the consolidated income statement. There are no assets supporting these arrangements.

Actuarial valuation

The pension scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Pensions Trust and the Group. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future benefit payments.

The last valuation was completed by an independent professionally qualified actuary as at 31 March 2019. The valuation at that date showed a funding deficit of £58.0m (31 March 2016: £479.0m deficit). The actuarial valuation showed that the scheme assets were sufficient to cover 99% (31 March 2016: 90%) of the benefits which had accrued to members.

As a result of the actuarial valuation, the Group and the Trustee agreed to put in place a plan to eliminate the deficit of £58.0m over a six year period. As part of this plan, it was agreed that deficit reducing contributions would be paid in equal monthly instalments from 1 April 2020 to 31 March 2026 totalling £10m per annum.

We are in the closing stages of finalising the 31 March 2022 actuarial valuation. We expect the results of the valuation to show that, since the last valuation in 2019, the funding position of the scheme and the estimated time period to low dependency has improved, and this may mean that no deficit contributions will be required ahead of the next triennial valuation in 2025.

IAS 19 accounting valuation

In the financial statements the liabilities are determined in accordance with IAS 19: Employee Benefits. At the year end, there was an IAS 19 accounting pension deficit of £101.9m (£100.2m after deferred tax), compared to a surplus of £473.5m in January 2022 (£331.4m post deferred tax). The accounting position reflects the gap between the market value of pension assets held by our defined benefit scheme and the IAS 19 value of our pension liabilities.

At the year end, IAS 19 pension liabilities for the defined benefit obligation for funded arrangements were £4,475.9m, down from £6,732.7m at January 2022, with the reduction largely attributable to an increase in the discount rate as a result of increasing interest rate expectations, partly offset by this year's inflation figure being higher than expected. The market value of pension assets was £4,387.8m, down from £7,225.5m at January 2022. The reduction was largely due to a fall in the value of liability driven investments designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on the actuarial basis).

Differences between the actuarial valuation and accounting valuation

The actuarial valuation will almost always be different compared with the accounting valuation, mainly due to the use of different assumptions to value the liabilities. The discount rate used for the accounting valuation is prescribed by the accounting standard and assumes that pension assets are invested in high quality (AA) corporate bond yields of an appropriate term. The actuarial discount rate is determined based on assumptions set by the Trustee following consultation with the Group and Scheme Actuary, and takes into account the scheme's actual investment strategy, expected evolution of the investment strategy (the journey plan) and the Trustee's view of the Group's covenant.

Whilst the accounting valuation is useful for comparing pension schemes across different businesses, it does not take into account the scheme's actual investment strategy, often producing a higher value of liabilities than the technical provisions

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

valuation, and therefore it is of less use for scheme funding purposes. It is the actuarial valuation, not the accounting valuation, that is used to judge the cash contributions from the Group to the scheme.

Investment strategy and de-risking

The Pensions Trust's investment strategy is consulted upon with the Group. The investment strategy is designed to ensure the scheme can pay members benefits as they fall due, while also targeting full funding on a low dependency basis. The Trustee will pursue an investment strategy that generates investment returns in excess of government bonds but with a risk level that is commensurate with the strength of the covenant.

Following positive progress over most of 2022, the pension scheme was affected by extreme market volatility in September and October following the UK Government's 'mini budget', which created significant instability in the economy and financial markets. In order to preserve suitable liquidity within the Trust's assets, the hedge (a liability matching strategy designed to protect against movements in interest rates and inflation on the actuarial basis) was reduced from 100% to 75% of assets. As at 31 March 2023 the hedge was increased to 100% of liabilities on a technical provisions basis. The Pensions Trust continues to manage scheme risks carefully and appropriately. The pension scheme remains liquid and well funded despite the market volatility.

Recognition of a retirement benefit surplus

The Group recognised a retirement benefit surplus position at the prior year balance sheet date. The recognition of a surplus is determined by IAS 19 and applying IFRIC 14 which is an interpretation providing further guidance about when a surplus can be recognised. The Group considers that under the Pension scheme rules, the Group has an unconditional right to a refund of surplus after all pension payments have been made. As such the surplus was recognised as the amount that the Group has a right to receive as a refund.

Risk management

The cost of the scheme to the Group depends upon a number of assumptions about future events. Future contributions may be higher or lower than those currently agreed if these assumptions are not borne out in practice or if different assumptions are agreed in the future.

Specific risks include:

- Changes in future expectations of price inflation: the majority of the scheme's benefit obligations are linked to inflation (subject to a cap) and higher inflation will lead to higher liabilities. Changes in the liabilities due to changes in inflation expectations are broadly offset by the Trustees' liability matching strategy as detailed in note 6.1 (the liability matching scheme is designed to hedge the actuarial liabilities and not the accounting measurement of liabilities);
- Changes in the discount rate used to value pension liabilities: a lower discount rate will lead to higher liabilities. On an actuarial basis, changes in the technical provision liabilities due to changes in the discount rate are broadly offset by the Trustees' liability matching strategy as detailed above. On an accounting basis, if the change in the discount rate is driven solely by an increase in credit spreads (and not gilt movements which is what the liability matching strategy hedges) then there will not be an offsetting impact on the assets for accounting purposes;
- The return on assets being lower than assumed: if the rate of growth in assets falls below the discount rate used to value the liabilities then the pension deficit (surplus) will increase (reduce). This is offset in part by the Trustee's investment strategy of holding a diversified portfolio of assets as detailed in note 6.1.4;
- Falls in asset values not being matched by similar falls in the value of liabilities: as the majority of assets held by the scheme are not matched to the liabilities of the scheme, a fall in plan assets will lead to an increase (reduction) in the deficit (surplus). This is offset in part by the Trustee's investment strategy of holding a diversified portfolio of assets as detailed in note 6.1.4;
- Unanticipated increase in life expectancy leading to an increase in the scheme's liabilities: an increase in life expectancy would mean pensions are expected to be paid for a longer period, increasing the obligations and increasing (decreasing) the scheme's deficit (surplus). This is mitigated in part by the benefit design including a Life Expectancy Adjustment Factor, whereby future pensions coming into payment are adjusted to allow for increases in life expectancy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.1 ASSUMPTIONS

PURPOSE

This section details the assumptions used to calculate the total defined benefit pension obligation. This is the estimate of the current cost of meeting future benefits to be paid out by the pension scheme. The calculation includes applying a discount rate to estimate the present day fair value of the pension payments, allowing for future expected increases in earnings and pension payments and the life expectancy of the members of the pension scheme.

Financial assumptions

Scheme assets are stated at market values at 28 January 2023. The following financial assumptions have been used to value the obligation:

	2023	2022
Discount rate	4.65%	2.30%
Future RPI inflation	3.00%	3.30%
Future CPI inflation	2.60%	2.85%
Increase in pensions – in payment		
Pre-April 1997	1.85%	1.95%
April 1997-April 2016	2.85%	3.05%
Post-April 2016	1.85%	1.95%
Increase in pensions – deferred	2.60%	2.85%

Nominal discount rate: IAS 19 requires that the nominal discount rate is set by reference to market yields on high quality corporate bonds of a suitable term consistent with the scheme cash flows. The Group's pension scheme has cash flows spanning out over 50 years and an average duration of 17 years. The model adopted by the Group is a yield curve approach, based on corporate bonds within the iBoxx AA corporate bond index. Where there are no high quality corporate bonds of appropriate duration to reference, an extrapolation from other bond yields is required. Following actuarial advice, the criteria used to determine which bonds are included in the model has been updated during the year, to ensure the discount rate remains robust to changes in bond yields. This change in estimate has increased the discount rate by 0.2% at 28 January 2023.

Future RPI and CPI inflation: The inflation assumptions used to calculate the Group's defined benefit pension obligations are based on a cash flow weighted Bank of England RPI, which is then adjusted for inflation risk. The Group has reflected the impact of RPI reform to align RPI with CPIH (a variant of the Consumer Price Index that includes an estimate of housing costs) expected from 2030 onwards. An inflation risk premium of 0.2% has been applied until 2030, increasing to 0.5% beyond this date (an average margin of 0.35%). A long-term gap of 1.0% between RPI and CPI has been applied until 2030, reducing to 0.1% beyond this date (an average long-term gap of 0.45%).

Demographic assumptions

The post-retirement mortality assumptions used in valuing the pension liabilities were based on the S3 (2022: S2 Light) series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 118% for males and 100% for females who were non pensioners and 109% for males and 97% for females who were pensioners (2022: 127% for males and 106% for females who were non pensioners and 130% for males and 109% for females who were pensioners). This reflects evidence of lower life expectancy due to delayed medical intervention as a result of the Covid-19 pandemic. Future improvements in life expectancy have been allowed for in line with the CMI 2021 improvements model with a smoothing parameter of 7.0 (2022: CMI 2020, smoothing parameter of 7.0) subject to a long-term trend of 1.25%.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.1 ASSUMPTIONS (CONTINUED)

The average life expectancies assumed were as follows:

	2023		2022	
	Male	Female	Male	Female
Average life expectancy for a 65 year old (in years)	21.3	24.0	21.0	23.4
Average life expectancy at age 65, for a 50 year old (in years)	21.6	24.9	22.0	24.7

6.1.2 AMOUNTS RECOGNISED IN THE FINANCIAL STATEMENTS

PURPOSE

This section details the amounts recognised in our consolidated financial statements in relation to the defined benefit section of our pension scheme. This consists of the net pension asset and liability, recognised on our balance sheet, the cost of providing the pension benefit over the year, recognised in the income statement, and actuarial gains and losses (being changes in assumptions, or assumptions not being borne out in practice) which are recognised in the statement of comprehensive income/(expense). The movements are broken down into the key components that impact the defined benefit section of the pension scheme.

	2023 £m	2022 £m
Amounts recognised in the balance sheet		
Defined benefit obligation for funded arrangements	(4,475.9)	(6,732.7)
Total value of scheme assets	4,387.8	7,225.5
Total funded defined benefit (liability)/asset at end of year	(88.1)	492.8
Defined benefit obligation for unfunded arrangements	(13.8)	(19.3)
Defined benefit (liability)/asset at end of year (net)	(101.9)	473.5

PURPOSE

The cost of providing the pension scheme over the year, recognised in the consolidated income statement, is broken down as follows:

Service cost is the cost to the Group of future benefits earned by members which is attributable to members' service in the current period. Following the closure of the defined benefit section of the pension scheme on 1 April 2020, no further service costs will be recognised.

Contribution expense is in respect of the Group's contributions to the defined contribution section of the pension scheme and cash supplements in respect of certain Partners in lieu of future pension accrual.

Administrative expenses are in relation to the pension scheme. Net interest on the net defined benefit liability is made up of the interest cost on pension liabilities and interest income on pension assets.

	2023 £m	2022 £m
Amounts recognised in the income statement		
Contribution expense ¹	(114.2)	(115.3)
Administrative expenses – funded by the pension scheme	(9.4)	(7.6)
Administrative expenses – funded by the employer	(13.7)	(11.1)
Total operating expense	(137.3)	(134.0)
Net interest on net defined benefit liability	11.1	(9.9)
Total pension charge	(126.2)	(143.9)

¹ Includes Group contributions to the defined contribution section of the pension scheme of £113.1m (2022: £113.9m), together with cash supplements in respect of certain Partners in lieu of future pension accrual of £1.1m (2022: £1.4m).

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.3 RECONCILIATION OF RETIREMENT BENEFITS

	2023 £m	2022 £m
Amounts recognised in equity		
Return on plan assets greater than interest income	(2,812.2)	505.6
Remeasurements:		
– gain from changes in financial assumptions	2,634.1	500.9
– (loss)/gain from changes in demographic assumptions	(70.2)	5.3
– experience (losses)/gains	(351.2)	105.1
Total (loss)/gain recognised in equity	(599.5)	1,116.9

PURPOSE

The net defined benefit pension asset/(liability) is the difference between the total pension liability (being the expected cost of making future defined benefit pension payments) and scheme assets. The table below details movements in the net defined benefit pension asset/(liability) during the year. Movements in scheme assets are explained further in 6.1.4.

Movements in the net defined benefit asset/(liability) are as follows:

Pension expense, which is the cost associated with providing defined benefit pension benefits over the year. This is equal to the pension operating expense set out above in 6.1.2, but excluding contribution expense and administrative expenses met directly by the employer.

Contributions paid into the scheme will increase the value of the net pension asset.

Gains or losses recognised in equity relating to returns on plan assets being different to the interest income and remeasurements (explained further below).

	2023 £m	2022 £m
Reconciliation of net defined benefit (liability)/asset		
Net defined benefit asset/(liability) at beginning of year	473.5	(646.9)
Pension credit/(charge)	1.7	(17.5)
Contributions	22.4	21.0
Total (losses)/gains recognised in equity	(599.5)	1,116.9
Net defined benefit (liability)/asset at end of year	(101.9)	473.5

PURPOSE

The total pension liability (or defined benefit obligation) represents the current cost of meeting the future benefits to be paid out by the scheme. The movements in the defined benefit obligation are broken down into key areas that impact the obligation as follows:

Future pension obligations are stated at present value. A discount rate is used to calculate the current value of the future liability.

The interest on pensions liabilities is the unwinding of this discount rate and is charged to the income statement within net finance costs.

Remeasurements arise from the uncertainty in making assumptions about future events when calculating the liability. These may arise from changes in assumptions, for example movements in the discount rate, or experience adjustments which result from differences between the assumptions made and what actually occurred over the period. Remeasurements are recognised in equity and shown in the statement of comprehensive income/(expense).

Any cash benefits paid out by the scheme will reduce the defined benefit obligation.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.3 RECONCILIATION OF RETIREMENT BENEFITS (CONTINUED)

	2023 £m	2022 £m
Reconciliation of defined benefit obligation		
Defined benefit obligation at beginning of year	(6,752.0)	(7,443.5)
Interest on pension liabilities	(153.0)	(114.0)
Remeasurements:		
– gain/(loss) from changes in financial assumptions	2,634.1	500.9
– (loss)/gain from changes in demographic assumptions	(70.2)	5.3
– experience (losses)/gains	(351.2)	105.1
Benefits paid	202.6	194.2
Defined benefit obligation at end of year	(4,489.7)	(6,752.0)

The scheme liabilities are 55.2% (2022: 71.9%) in respect of deferred scheme participants and 44.8% (2022: 28.1%) in respect of retirees.

The weighted average duration of the scheme liabilities at the end of the year is 17 years (2022: 22 years). The reduction in duration is due to the significant increase in discount rates.

PURPOSE

The pension scheme holds a number of investments to meet future pension payments, referred to as the assets of the scheme. This note details movements in the value of pension assets during the year. The movements are broken down into key areas that impact the pension assets as follows:

Interest income on assets represents the expected return on investments if it is in line with the discount rate. It is calculated as the discount rate at the beginning of the year multiplied by the value of the assets at the beginning of the year. This is recognised within net finance costs in the income statement.

Return on plan assets greater/(less) than interest income represents how much greater or less the actual return is than the interest income. This is recognised in equity and shown in the statement of comprehensive income/(expense).

Any cash benefits paid out or expenses paid by the scheme will reduce the value of the scheme's assets.

Contributions paid into the scheme will increase the value of the scheme's assets.

	2023 £m	2022 £m
Reconciliation of value of assets		
Value of assets at the beginning of year	7,225.5	6,796.6
Interest income on assets	164.1	104.1
Return on plan assets greater than interest income	(2,812.2)	505.6
Benefits paid	(202.6)	(194.2)
Administrative expenses paid	(9.4)	(7.6)
Contributions	22.4	21.0
Value of assets at the end of year	4,387.8	7,225.5

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.4 ANALYSIS OF ASSETS

	2023				2022			
	Quoted £m	Unquoted £m	Total £m	Total	Quoted £m	Unquoted £m	Total £m	Total
Equities								
UK	-	-	-	-	10.5	10.8	21.3	0.3%
Rest of the world	-	-	-	-	368.1	520.7	888.8	12.3%
Bonds								
Government – Rest of the world	-	-	-	-	197.0	10.6	207.6	2.9%
Corporates – UK	-	-	-	-	23.8	0.5	24.3	0.3%
Corporates – Rest of the world	-	-	-	-	380.8	247.9	628.7	8.7%
Property								
UK	-	594.0	594.0	13.5%	-	554.1	554.1	7.7%
Alternative assets								
Liability driven investments	-	1,630.8	1,630.8	37.2%	-	3,020.6	3,020.6	41.8%
Hedge funds	-	254.2	254.2	5.8%	-	374.4	374.4	5.2%
Private equity	-	477.0	477.0	10.9%	-	519.3	519.3	7.2%
Other alternative assets	-	601.4	601.4	13.7%	-	810.7	810.7	11.2%
Cash and other	830.4	-	830.4	18.9%	175.7	-	175.7	2.4%
Total market value of assets	830.4	3,557.4	4,387.8	100.0%	1,155.9	6,069.6	7,225.5	100.0%

Equities and bonds which are traded on active markets are included at the quoted price, which is normally the bid price.

Level 3 assets are investments where a market quotable price is not available. The fair values of these assets are derived in accordance with IFRS 13 and provided by the relevant fund manager. Final audited year-end valuations for some of these assets are not available until after the year-end. As part of the checks carried out on these assets, a retrospective review is carried out for the purposes of these accounts and finally once all year-end valuations are available.

Freehold properties are stated at fair value as determined by CBRE Ltd, who are Royal Institution of Chartered Surveyors (RICS) Registered Valuers. Valuations included in the financial statements are valued as at 31 December 2022 in accordance with the current edition of the RICS Valuation – Professional Standards Global and UK, and Financial Reporting Standard 102. The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms, and reflects the rental income from current tenants, the remaining term of current leases, and market rents for the locations in which the properties were based. The fair value of the indirect property assets is based on the most recent available fund valuation at 31 December 2022 adjusted for cash flows to year end.

Hedge funds, private equity funds, private credit funds, insurance linked funds and infrastructure funds are valued at fair value by the investment managers or their third-party agents, having regard to professional valuations, asset values and other appropriate financial information. For private equity funds, private credit funds and infrastructure funds, fair values are based on the most recently available quarterly valuations adjusted where relevant for cash flows to year end. This is 31 December 2022 for all funds with the exception of £71.0m of private equity funds for which this is 30 September 2022. Hedge funds and insurance linked funds are valued monthly including at the end of January. Various different valuation methods and assumptions are utilised by the fund managers as appropriate for the underlying investment including discounted cash flows, enterprise value, cost plus accrued interest and external pricing. Where internal cash flow modelling

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.4 ANALYSIS OF ASSETS (CONTINUED)

has been performed, significant assumptions will include discount rate and expected cash flows. The sensitivity of significant assumptions to the valuation of level 3 assets has not been disclosed as the diversified nature of the portfolio and the wide range of different assumptions adopted by each fund manager make disclosure impractical.

Due to the complex nature of valuing the quarterly priced assets, which includes private equity funds, private credit funds, infrastructure funds and property, no estimate has been used from 31 December 2022 to determine the year end valuation for these assets to 28 January 2023 as any valuation difference is not expected to be material.

Assets sold after the year end and prior to signing of the financial statements are stated at the realised value within 'cash and other'.

Financial instruments including derivatives are valued in accordance with note 1.1.5.

Liability driven investments are invested with through a unit-linked insurance policy and include UK Government bond and cash equivalent assets valued at £1,973.9m (2022: £4,272.6m) and associated repurchase agreements and swaps valued at £(343.1)m (2022: £(1,252.0)m). This is part of the Trustee's interest rate and inflation hedging strategy (liability matching strategy).

Other alternative assets include investments in infrastructure funds of £247.8m (2022: £345.3m), insurance linked funds £1.6m (2022: £76.8m) and private debt £352.0m (2022: £388.6m).

Cash and other includes cash deposits of £329.3m (2022: £187.4m), pending cash for unsettled transactions of £488.2m (2022: £nil), forward foreign exchange contracts valued at £11.0m (2022: £(9.7)m) and other items valued at £1.9m (2022: £(2.0)m).

The Trustee and the Group are undertaking useful discussions to align understanding and goals where appropriate in respect of climate risk. This process will continue in future years. The Group is not aware of any particular risk pertaining to the pension assets and will continue to review this matter with the Trustee.

	2023 £m	2022 £m
Actual return on assets		
Interest income on assets	164.1	104.1
Return on plan assets greater than interest income	(2,812.2)	505.6
Actual return on assets	(2,648.1)	609.7

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.5 SENSITIVITY ANALYSIS

PURPOSE

The defined benefit obligation is volatile given that it is based on a number of long-term assumptions, which are likely to change over time. Illustrated below is the sensitivity of the defined benefit obligation to changes in key assumptions.

The sensitivities have been derived using approximate methods which are consistent with the rest of the disclosure and calculated by changing the relevant assumption while holding all other assumptions constant, except where this directly impacts other assumptions such as pension increase assumptions which are dependent on inflation assumptions:

	£m	% change
Defined benefit obligation as at 28 January 2023	(4,489.7)	
Sensitivity of:		
– 0.1% increase to Discount rate ¹	(72.7)	(1.6%)
– 1.0% increase to Discount rate ¹	(649.5)	(14.5%)
– 0.1% increase to Retail price inflation ¹	20.5	0.5%
– 0.1% increase to Consumer price inflation ¹	25.6	0.6%
– a one-year increase in life expectancy	132.1	2.9%

¹ The discount rate and inflation sensitivities do not allow for the impact of the liability matching strategy, which is designed to hedge interest rate and inflation risks related to the pension scheme's liabilities (as measured on the actuarial basis). As set out above, changes in the accounting liabilities due to changes in inflation expectations are broadly offset by the Trustees' liability matching strategy. However, if the change in the accounting discount rate is driven solely by an increase in credit spreads (and not gilt movements which is what the liability matching strategy hedges) then there will not be an offsetting impact on the assets for accounting purposes.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.6 OTHER ARRANGEMENTS

JLP Scottish Limited Partnership

On 30 January 2010, the Group entered into an arrangement with the Pension Scheme Trustee to address an element of the scheme deficit that existed at that time.

The Group established two partnerships, JLP Scottish Limited Partnership and JLP Scottish Partnership, which are both consolidated within these Group financial statements.

Together with another Group company, JLP Scottish Limited Partnership provided sufficient capital to JLP Scottish Partnership to enable it to procure property assets with a market value of £150.9m from other Group companies. The Group retains control over these properties, including the flexibility to substitute alternative properties. The properties held in JLP Scottish Group have been leased back to John Lewis plc and Waitrose Limited.

As a partner in JLP Scottish Limited Partnership, the pension scheme is entitled to an annual share of the profits of the JLP Scottish Limited Partnership each year over 21 years. At the end of this period, the partnership capital allocated to the pension scheme will be reassessed, depending on the funding position of the pension scheme at that time, with a potential value in the range of £0.5m to £99.5m. At that point, the Group may be required to transfer this amount in cash to the scheme.

Under IAS 19, the investment held by the pension scheme in JLP Scottish Limited Partnership, a consolidated entity, does not represent a plan asset for the purpose of the Group's consolidated financial statements. Accordingly, the pension surplus position presented in these consolidated accounts does not reflect the £69.6m (2022: £65.3m) investment in JLP Scottish Limited Partnership held by the pension scheme. The distribution of JLP Scottish Limited Partnership profits to the pension scheme is reflected as pension contributions in these consolidated financial statements on a cash basis.

John Lewis Properties plc guarantee

As part of agreeing the funding valuation in 2017, John Lewis Properties plc provided a corporate guarantee to the pension scheme. This guarantee means that if John Lewis plc fails to make any payments due to the scheme, then the pension scheme can claim against John Lewis Properties plc for those payments. As part of the guarantee, John Lewis Properties plc is required to maintain at least £760.0m of net assets.

Waitrose Limited guarantee

As part of agreeing the funding valuation in 2020, Waitrose Limited provided a corporate guarantee to the pension scheme. This guarantee means that if John Lewis plc fails to make any payments due to the scheme, then the pension scheme can claim against Waitrose Limited for those payments. There is no requirement for Waitrose Limited to maintain a minimum net asset position.

The guarantees have improved the recovery to the pension scheme in the event of insolvency of the Group. The pension scheme would be entitled to claim against either or both of John Lewis Properties plc and Waitrose Limited under these arrangements.

Notes to the consolidated financial statements (continued)

7 FINANCIAL RISK MANAGEMENT

7.1 MANAGEMENT OF FINANCIAL RISKS

PURPOSE

The principal financial risks that we are exposed to relate to the capital structure and long-term funding of the Group and also to the markets and counterparties we are exposed to in our operations. These risks can be summarised as: capital and long-term funding risk, liquidity risk, interest rate risk, foreign currency risk, credit risk and energy risk. This note details how each of these risks is managed.

7.1.1 CAPITAL AND LONG-TERM FUNDING RISK

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, provide returns for its Partners and to maintain a prudent level of funding. The Group is a long-term business, held in trust for the benefit of its Partners.

The Group's capital management strategy is to maintain a prudent capital structure, seeking to maintain a financial risk profile consistent with an investment grade credit rating to ensure the long-term financial sustainability of the Group. Although the Group does not have an external credit rating, it routinely monitors its capital and liquidity requirements, whilst maintaining an appropriate level of liquidity (cash plus undrawn committed credit facilities) and a managed debt maturity profile to reduce refinancing risk and ensure continuity of funding. Forms of borrowing include bond issues, bank debt, assets acquired via leases, any pension deficit and Share Incentive Plan shares as part of the BonusSave scheme.

7.1.2 LIQUIDITY RISK

In line with the Group Board approved Treasury Standard, the Group is required to hold a minimum amount of liquidity, made up of a mixture of cash and undrawn committed credit facilities. Liquidity requirements are managed in line with short and long-term cash flow forecasts and reviewed against the Group's debt portfolio and maturity profile. Surplus cash is invested in accounts, short-term deposits and other short-term investments with sufficient, prudent liquidity determined by the above mentioned cash flow forecasts. The Group actively reviews and manages its cash holdings, sources of debt and committed credit facilities. Greater emphasis has been placed on cash balances providing a material portion of the Group's overall liquidity, with undrawn committed credit facilities complementing these balances.

At the year end, the Group had undrawn committed credit facilities of £420m (2022: £420m). This facility was renewed during the previous year and now matures in October 2026. In addition to these facilities, the Group had listed bonds at the year end totalling £600.0m (2022: £600.0m), with £300.0m due to mature in 2025 and the remaining £300.0m due to mature in 2034. The bonds have fixed coupons. The Group has a bank loan of £50m which is due to mature in Q4 2023. The loan has variable interest payments. Two £75.0m bank loans were repaid in March 2022, in advance of their maturity in Q4 2022. The maturity profiles of financial debt are set out below.

The Group's listed bonds, bank loans and committed credit facilities contain financial covenants. Throughout the year the Group maintained comfortable headroom against its covenants.

Notes to the consolidated financial statements (continued)
7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)
7.1.2 LIQUIDITY RISK (CONTINUED)

The following analysis shows the contractual undiscounted cash flows payable under financial liabilities and derivative financial liabilities at the balance sheet date:

	Carrying amount £m	Total contractual cash flows £m	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities					
Borrowings and overdrafts	(637.8)	(650.0)	(50.0)	(300.0)	(300.0)
Interest payments on borrowings	-	(189.2)	(32.2)	(30.9)	(126.1)
Lease liabilities ¹	(1,903.2)	(2,954.8)	(222.0)	(216.2)	(2,516.6)
Trade and other payables	(1,431.8)	(1,431.8)	(1,431.8)	-	-
Derivative financial liabilities					
Derivative contracts – receipts	-	439.5	362.5	77.0	-
Derivative contracts – payments	-	(438.4)	(357.4)	(81.0)	-
At 28 January 2023	(3,972.8)	(5,224.7)	(1,730.9)	(551.1)	(2,942.7)

¹ The lease liabilities due 2 years and beyond can be further broken down as £(582.8)m 2-5 years, £(654.1)m 5-10 years, £(653.1)m 10-15 years and £(626.6)m 15 years and beyond.

	Carrying amount £m	Total contractual cash flows £m	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities					
Borrowings and overdrafts	(791.6)	(800.0)	(150.0)	(50.0)	(600.0)
Interest payments on borrowings	-	(225.2)	(35.1)	(31.7)	(158.4)
Lease liabilities ¹	(1,988.3)	(3,089.4)	(221.3)	(220.6)	(2,647.5)
Trade and other payables	(1,451.5)	(1,451.5)	(1,451.4)	(0.1)	-
Derivative financial liabilities					
Derivative contracts – receipts	-	513.8	391.3	116.4	6.1
Derivative contracts – payments	-	(513.1)	(392.7)	(115.3)	(5.1)
At 29 January 2022	(4,231.4)	(5,565.4)	(1,859.2)	(301.3)	(3,404.9)

For the purposes of this note, the foreign currency element of forward foreign currency contracts is translated at spot rates prevailing at the year end.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.3 INTEREST RATE RISK

In order to manage the risk of interest rate fluctuations on the Group's financial debt and cash, the Group maintains a mix of fixed and floating rate debt (77% fixed) in line with the Board approved Treasury Standard. An analysis of the Group's financial liabilities is detailed below. Exposures to interest rate fluctuations are managed, when required, using interest rate derivatives. The Group has converted £100.0m of fixed rate debt to floating rate debt using interest rate swap contracts. The interest rate swap contracts are designated as fair value hedges and fair value movements are recognised within the income statement. Derivative financial instruments recognised as fair value hedges during the year were effective.

7.1.4 FOREIGN CURRENCY RISK

The Group uses derivative financial instruments to manage exposures to movements in exchange rates arising from transactions with overseas-based suppliers and other organisations. Foreign exchange management committees exist for each of Waitrose and John Lewis, and they meet regularly to oversee the foreign exchange purchasing activities for each brand. Foreign currency exposures are hedged primarily using forward foreign exchange contracts covering up to 100% of forecast direct exposures on a rolling basis. Forward foreign exchange contracts used to hedge forecast currency requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow hedges during the year were effective. At the balance sheet date, the notional value of open forward foreign currency contracts of £421.7m (2022: £497.6m) had been entered into, to hedge purchases in foreign currencies which will mature over the next 24 months.

7.1.5 CREDIT RISK

The Group has no significant exposure to an individual customer's credit risk due to transactions being principally of a high volume, low value and short maturity. Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. These risks are managed by restricting such transactions to an approved list of counterparties, who have an investment grade credit rating by at least two of the three primary rating agencies. Appropriate credit limits are designated to each counterparty.

The Group considers its maximum exposure to credit risk is as follows:

	2023 £m	2022 £m
Trade and other receivables	213.1	219.9
Short-term investments	0.3	95.3
Cash and cash equivalents	1,038.1	1,415.4
Derivative financial instruments	12.9	7.7
	1,264.4	1,738.3

7.1.6 ENERGY RISK

The Group actively manages the energy cost risk associated with the Group's activities. The Group regularly reviews its pricing exposure to diesel, electricity and gas consumption and determines strategies for forward purchasing and hedging of energy costs using flexible purchase contracts and by entering into over-the-counter diesel swap contracts.

Diesel cost exposures are hedged primarily using over-the-counter diesel swaps covering up to 100% of forecast direct exposures on a rolling basis. Diesel swaps used to hedge forecast diesel requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow value hedges during the year were effective. At the balance sheet date, the notional value of open diesel swaps of £5.1m (2022: £6.2m) had been entered into, to hedge future purchases of diesel.

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.7 SENSITIVITY ANALYSIS

The following analysis illustrates the sensitivity of the Group's financial instruments to changes in market variables, namely UK interest rates and the US Dollar and Euro to Sterling exchange rates. The level of sensitivities chosen, being 1% movement in Sterling interest rates and a 10% movement in Sterling when compared to the US Dollar and Euro, provide a reasonable basis to measure sensitivity whilst not being the Group's view of what is likely to happen in the future.

The analysis excludes the impact of movements in market variables on the carrying value of pension and other provisions, which is addressed in notes 4.4 and 6.1.5.

The analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating rate borrowings and the proportion of financial instruments in foreign currencies are constant throughout the year, based on positions as at the year end.

The following assumptions have been made in calculating the sensitivity analysis:

- The sensitivity of interest costs to movements in interest rates is calculated using floating rate debt and investment balances prevailing at the year end;
- Changes in the carrying value of derivative financial instruments not in hedging relationships are assumed only to affect the income statement;
- All derivative financial instruments designated as hedges are assumed to be fully effective.

	2023		2022	
	Income statement	Equity	Income statement	Equity
	+/- £m	+/- £m	+/- £m	+/- £m
UK interest rates +/- 1% (2022: +/- 1%)	10.9	-	10.9	-
US Dollar exchange rate (GBP/USD) +/- 10% (2022: +/- 10%)	-	23.7	-	26.0
Euro exchange rate (GBP/EUR) +/- 10% (2022: +/- 10%)	-	13.2	-	19.2

7.2 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES

PURPOSE

We use cash flow hedges to manage the risk of adverse currency movements.

This note details the fair value of these financial instruments and financial liabilities, together with the valuation techniques and key assumptions made in determining the fair value, as required by UK-adopted IFRS. The fair value represents the amount that would be received from the sale of an asset or the amount that would be paid to pass on a liability.

Fair value estimation

The different levels per the IFRS 13: Fair Value Measurement fair value hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

During the 52 week period ended 28 January 2023, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

Notes to the consolidated financial statements (continued)

7.2 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES (CONTINUED)

7.2.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is as follows:

	2023				2022			
	Assets	Liabilities	Recognised in other comprehensive income	Recognised in income statement	Assets	Liabilities	Recognised in other comprehensive income	Recognised in income statement
Fair value of derivative financial instruments	£m	£m	£m	£m	£m	£m	£m	£m
Non-current								
Currency and commodity derivatives - cash flow hedge	1.6	(3.1)	(7.1)	-	1.7	(0.8)	0.9	-
Other derivatives	-	(5.7)	-	-	-	-	-	-
	1.6	(8.8)	(7.1)	-	1.7	(0.8)	0.9	-
Current								
Currency and commodity derivatives - cash flow hedge	11.3	(4.0)	7.4	-	5.8	(7.5)	(1.7)	-
Other derivatives	-	-	-	(0.1)	0.2	(0.9)	-	(0.7)
	11.3	(4.0)	7.4	(0.1)	6.0	(8.4)	(1.7)	(0.7)

The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date.

The fair value of the derivative financial instruments held by the Group are classified as level 2 under the IFRS 13 fair value hierarchy, as all significant inputs to the valuation model used are based on observable market data and are not traded in an active market.

Specific valuation techniques used to value the financial instruments include quoted market prices. There have been no changes in valuation techniques from the prior year.

7.2.3 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES HELD AT AMORTISED COST

The following table compares the Group's liabilities held at amortised cost, where there is a difference between carrying value (CV) and fair value (FV):

	2023		2022	
	CV £m	FV £m	CV £m	FV £m
Financial liabilities				
Listed bonds	(594.0)	(482.3)	(592.6)	(619.5)

The fair values of the Group's listed bonds have been determined by reference to market price quotations and are classified as level 1 under the IFRS 13 fair value hierarchy.

For other financial assets and liabilities, there are no material differences between carrying value and fair value because they are all of a short term nature.

Notes to the consolidated financial statements (continued)

7.3 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

PURPOSE

This note sets out the currency exposure of our financial assets and liabilities. The currency analysis details the amount of financial assets, primarily cash and cash equivalents, and financial liabilities, held in Sterling or other currencies, together with the amounts at floating or fixed interest rates. The maturity analysis provides an indication of repayment phasing for the financial liabilities.

7.3.1 ANALYSIS OF FINANCIAL ASSETS

Short-term trade and other receivables and derivative financial assets are excluded from this analysis, on the basis that they are primarily non-interest bearing and denominated in Sterling.

	Floating rate £m	Non-interest bearing £m	Total £m
Currency analysis			
Sterling financial assets	945.3	92.9	1,038.2
Other financial assets	0.2	-	0.2
At 28 January 2023	945.5	92.9	1,038.4
Sterling financial assets	1,418.1	92.4	1,510.5
Other financial assets	0.2	-	0.2
At 29 January 2022	1,418.3	92.4	1,510.7

Floating rate assets are short-term deposits and investments at market rates or the base rate of the relevant currency. Non-interest bearing balances include cash in shops and cash in transit, primarily made up of credit and debit card transactions not yet settled.

7.3.2 ANALYSIS OF FINANCIAL LIABILITIES

Short-term trade payables are excluded from this analysis on the basis that they are all non-interest bearing.

	Fixed rate £m	Floating rate £m	Total £m
Currency analysis			
All Sterling			
At 28 January 2023	(2,400.5)	(146.7)	(2,547.2)
At 29 January 2022	(2,485.1)	(295.8)	(2,780.9)

Notes to the consolidated financial statements (continued)

8 OTHER NOTES

8.1 SHARE CAPITAL

PURPOSE

Share capital consists of ordinary shares. It is measured as the number of shares issued and fully paid, multiplied by their nominal value.

	2023	2022
	Issued and fully paid £m	Issued and fully paid £m
Share capital		
Equity		
Deferred ordinary shares		
6,750,000 of £1 each	6.7	6.7

8.2 RELATED PARTY TRANSACTIONS

PURPOSE

Two or more parties are considered to be related if one party has direct or indirect control or significant influence over financial or operating policies of the other party. We have a number of related parties with whom we transact, including the Pension Scheme Trustee, key management personnel and certain related charities. We are required by UK-adopted IFRS to detail the transactions made in the year with related parties to draw attention to the possibility that our financial position and results may have been affected by them. This disclosure allows us to demonstrate that we are transacting fairly with all our related parties.

8.2.1 SUBSIDIARIES AND RELATED UNDERTAKINGS

All transactions between the Group and its subsidiaries and related undertakings are eliminated upon consolidation, and therefore do not need to be disclosed separately. A list of subsidiaries and related undertakings within the Group is included within note 29. Loans to joint ventures are disclosed in note 3.3.

8.2.2 ARRANGEMENTS WITH PENSION SCHEME TRUSTEE

The Group entered into an arrangement with the Pension Scheme Trustee on 30 January 2010 to address an element of the scheme deficit that existed at that time.

8.2.3 OTHER TRANSACTIONS

Key management compensation has been disclosed in note 2.8.3.

During the year the Group provided administrative support services to charities related to the Group. The estimated value of these support services is £167,000 (2022: £161,000). The Group also made donations totalling £1.0m (2022: £0.8m) to the John Lewis & Partners Foundation.

8.3 SUBSEQUENT EVENTS

PURPOSE

Events that take place after the balance sheet date of 28 January 2023 and before the date the financial statements are signed are recorded in this note. In order to be disclosed, these events must be sufficiently material to warrant disclosure.

There are no subsequent events to report.

John Lewis plc - Company only financial statements
COMPANY BALANCE SHEET as at 28 January 2023

Notes	2023 £m	2022 £m
Non-current assets		
12 Intangible assets	292.3	288.6
13 Property, plant and equipment	601.8	554.0
13 Right-of-use-assets	669.5	732.2
17 Trade and other receivables	5.2	6.6
Derivative financial instruments	1.6	1.7
14 Investments in subsidiaries	941.3	809.2
24 Deferred tax asset	99.0	-
15 Investments in and loans to joint venture	5.6	4.4
26 Retirement benefit surplus	-	558.1
	2,616.3	2,954.8
Current assets		
16 Inventories	426.9	411.0
17 Trade and other receivables	251.3	239.1
Current tax receivable	18.8	7.9
Derivative financial instruments	11.3	6.0
18 Short-term investments	0.3	95.3
19 Cash and cash equivalents	938.6	1,319.2
	1,647.2	2,078.5
Total assets	4,263.5	5,033.3
Current liabilities		
20 Borrowings and overdrafts	(50.0)	(150.0)
21 Trade and other payables	(1,641.4)	(1,657.7)
22 Lease liabilities	(58.3)	(66.5)
23 Provisions	(93.4)	(107.4)
Derivative financial instruments	(4.0)	(8.4)
	(1,847.1)	(1,990.0)
Non-current liabilities		
20 Borrowings	(587.8)	(641.6)
21 Trade and other payables	(20.6)	(22.1)
22 Lease liabilities	(925.7)	(985.4)
23 Provisions	(113.6)	(157.8)
Derivative financial instruments	(8.8)	(0.8)
26 Retirement benefit obligations	(32.3)	(19.3)
24 Deferred tax liability	-	(51.8)
	(1,688.8)	(1,878.8)
Total liabilities	(3,535.9)	(3,868.8)
Net assets	727.6	1,164.5
Equity		
27 Share capital	6.7	6.7
Share premium	0.3	0.3
Other reserves	2.9	0.4
Retained earnings	717.7	1,157.1
Total equity	727.6	1,164.5

COMPANY BALANCE SHEET (CONTINUED)

The financial statements on pages 99 to 115 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis plc.



Sharon White and
Directors, John Lewis plc
28 April 2023
Registered number 00233462



Bérangère Michel

The accompanying notes are an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the 52 week period ended 28 January 2023

	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Notes	£m	£m	£m	£m	£m	£m
Balance at 30 January 2021	6.7	0.3	(14.5)	0.9	358.7	352.1
10 Loss for the year	-	-	-	-	(69.5)	(69.5)
Remeasurement of defined benefit pension scheme	-	-	-	-	1,109.0	1,109.0
Fair value loss on cash flow hedges	-	-	(2.1)	-	-	(2.1)
Cash flow hedge gains reclassified and reported in the consolidated income statement	-	-	(1.0)	-	-	(1.0)
Tax on above items recognised in equity	-	-	(3.5)	-	(241.1)	(244.6)
Total comprehensive (expense)/income for the year	-	-	(6.6)	-	798.4	791.8
Hedging losses transferred to cost of inventory	-	-	20.6	-	-	20.6
Balance at 29 January 2022	6.7	0.3	(0.5)	0.9	1,157.1	1,164.5
10 Loss for the year	-	-	-	-	4.2	4.2
Remeasurement of defined benefit pension scheme	-	-	-	-	(592.3)	(592.3)
Fair value loss on cash flow hedges	-	-	36.7	-	-	36.7
Cash flow hedge gains reclassified and reported in the consolidated income statement	-	-	(10.2)	-	-	(10.2)
Tax on above items recognised in equity	-	-	(1.9)	-	148.2	146.3
Total comprehensive (expense)/income for the year	-	-	24.6	-	(439.9)	(415.3)
Recycle to retained earnings	-	-	-	(0.5)	0.5	-
Hedging losses transferred to cost of inventory	-	-	(21.6)	-	-	(21.6)
Balance at 28 January 2023	6.7	0.3	2.5	0.4	717.7	727.6

The accompanying notes are an integral part of the financial statements.

Notes to the company financial statements

9 ACCOUNTING POLICIES

9.1 BASIS OF PREPARATION

The separate financial statements of the Company are prepared in accordance with United Kingdom Accounting Standards and in conformity with the requirements of the Companies Act 2006, in particular Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 using the historical cost convention. FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS). The Company is a qualifying entity for the purposes of FRS 101.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of paragraph 33(c) of IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations';
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers';
- The requirements of paragraph 52 of IFRS 16 'Lease';
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
 - Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - Paragraph 118(e) of IAS 38 Intangible Assets;
- The following paragraphs of IAS 1 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 40A - 40D (requirements for a third statement of financial position);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B - 38D (additional comparative information);
 - 111 (statement of cash flows information);
 - 134 - 136 (capital management disclosures);
- The requirements of IAS 7 'Statement of cash flow';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and error' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Notes to the company financial statements (continued)

9 ACCOUNTING POLICIES (CONTINUED)

9.1 BASIS OF PREPARATION (CONTINUED)

The Company's accounting policies are aligned with the Group's accounting policies as described in note 1 to the consolidated financial statements. Additional accounting policies are noted below.

The financial year is the 52 weeks ended 28 January 2023 (prior year: 52 weeks ended 29 January 2022).

Going concern

In determining the appropriate basis of preparation of the financial statements for the 52 week period ended 28 January 2023, the Directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements.

The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the Company in the context of the trading position of the Company, for the reasons set out in note 1.1.1. Consequently, the Directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

9.2 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The Company has a number of investments in subsidiary companies. Investments are valued at cost, less allowances for impairment. Investments are reviewed for evidence of a trigger for potential impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

9.3 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the periods beginning after 1 January 2022 and therefore adopted by the Company for the period from 30 January 2022 to 28 January 2023. The adoption of these standards has not had a significant impact on the Company's results, financial position or disclosures:

- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (applicable for the period beginning 30 January 2022);
- Amendments to IFRS 3: Business Combinations - updated references (applicable for the period beginning 30 January 2022);
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (applicable for the period beginning 30 January 2022).

10 PROFIT AND LOSS OF THE COMPANY FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, John Lewis plc has not presented its own income statement or statement of comprehensive income/(expense). The result dealt with in the accounts of the Company amounted to £4.2m profit (2022: £69.5m loss). There was £nil dividend income in the year (2022: £nil).

Details of auditor's remuneration are provided in note 2.6 to the consolidated financial statements of the Group.

Notes to the company financial statements (continued)

11 PARTNERS

11.1 PARTNER NUMBERS

The Partner numbers and benefits referred to below relate to Partners contracted by the Company in branches and central functions. Full employee numbers are provided in note 2.8.1 to the consolidated financial statements of the Group.

During the year the average number of Partners employed by the Company was as follows:

	2023	2022
John Lewis	21,100	21,200
Other	2,600	2,500
	23,700	23,700

11.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2023 £m	2022 £m
Staff costs:		
Wages and salaries	(614.1)	(626.7)
Social security costs	(55.4)	(49.8)
Partnership Bonus	-	(15.6)
Employers' National Insurance on Partnership Bonus	-	(1.9)
Cost of living payment	(9.2)	-
Other pension expenses	(63.8)	(57.0)
Long leave cost	(4.7)	(4.6)
Total before Partner discounts	(747.2)	(755.6)
Partner discounts (excluded from revenue)	(52.1)	(48.4)
	(799.3)	(804.0)

In 2022, some John Lewis Partners worked in Waitrose branches which resulted in a recharge of £11.5m between the entities and was not reflected in the total £804.0m analysed in the table 11.2 above. The average number of Partners in table 11.1 has not been adjusted to reflect the seconded Partners. There were no such arrangements in 2023.

Included above are the following amounts in respect of key management compensation:

	2023 £m	2022 £m
Salaries and short-term benefits	(6.3)	(6.0)
Post-employment benefits ¹	(0.6)	(0.5)
Termination provisions ²	(1.2)	-
	(8.1)	(6.5)

¹ Includes cash supplements in lieu of future pension accrual.

² Includes contractual payments and compensation for loss of office.

Key management includes the Directors of the Company, members of the Executive Team and other officers of the Group. Key management compensation includes salaries, Partnership Bonus, National Insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable. Costs of key management compensation are included within operating expenses and exceptional items as applicable.

Notes to the company financial statements (continued)

11 PARTNERS (CONTINUED)

11.2 PARTNER NUMBERS (CONTINUED)

Key management participate in the Group's long leave scheme, which is open to all Partners and provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. It is not practical to allocate the cost of accruing entitlement to this benefit to individuals, and therefore no allowance has been made for this benefit in the amounts disclosed.

11.3 DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed in note 2.8.4 to the consolidated financial statements.

12 INTANGIBLE ASSETS

Intangible assets	Computer software			Total £m
	Purchased £m	Internally developed £m	Work in progress £m	
Cost				
At 29 January 2022	153.6	555.8	49.9	759.3
Additions ¹	-	1.2	88.0	89.2
Transfers	53.0	21.0	(74.0)	-
Disposals and write-offs	(8.9)	(21.2)	(3.1)	(33.2)
At 28 January 2023	197.7	556.8	60.8	815.3
Accumulated amortisation				
At 29 January 2022	(115.1)	(355.6)	-	(470.7)
Charge for the year	(23.3)	(59.1)	-	(82.4)
Disposals and write-offs	8.9	21.2	-	30.1
At 28 January 2023	(129.5)	(393.5)	-	(523.0)
Net book value at 29 January 2022	38.5	200.2	49.9	288.6
Net book value at 28 January 2023	68.2	163.3	60.8	292.3

¹ For the 52 week period ended 28 January 2023, additions for the year include the non-cash capital expenditure accrual on intangible assets of £2.1m (2022: £1.7m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years.

There are three individually significant assets within the total carrying amount of intangible assets as at 28 January 2023: three are customer projects (£86.7m, 2022: £72.8m) and one relates to a distribution project (£106.7m, 2022: £42.0m). These assets have useful economic lives ranging from seven to ten years.

During the year to 28 January 2023, computer systems valued at £75.9m (2022: £55.2m) were brought into use. This covered a range of selling, support, supply chain, administration and information technology infrastructure applications, with useful economic lives ranging from three to ten years.

Amortisation of intangible assets is charged within operating expenses.

Notes to the company financial statements (continued)

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Total
Property, plant and equipment	£m	£m	£m	£m
At 29 January 2022	934.0	934.7	70.1	1,938.8
Additions ¹	15.4	11.2	115.3	141.9
Transfers	0.3	78.4	(78.7)	-
Disposals and write-offs	(9.2)	(73.6)	(47.8)	(130.6)
At 28 January 2023	940.5	950.7	58.9	1,950.1
Accumulated depreciation				
At 29 January 2022	(632.6)	(752.2)	-	(1,384.8)
(Charge)/release for the year ²	2.0	(48.0)	0.1	(45.9)
Disposals and write-offs	9.1	73.3	-	82.4
At 28 January 2023	(621.5)	(726.9)	0.1	(1,348.3)
Net book value at 29 January 2022	301.4	182.5	70.1	554.0
Net book value at 28 January 2023	319.0	223.8	59.0	601.8

¹ For the 52 week period ended 28 January 2023, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £19.6m (2022: £18.4m).

² For the 52 week period ended 28 January 2023, this includes an impairment credit of £22.1m to land and buildings (2022: £10.2m charge) and a credit of £5.6m to fixtures and fittings (2022: £4.1m credit).

In accordance with IAS 36, the Company reviews its property, plant and equipment for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet and includes right-of-use assets. The key assumptions used in the calculations are the discount rate, long-term growth rate, allocation of online sales, expected sales performance and costs, and market valuations considered in fair value less costs of disposal calculations.

	Land and buildings	Fixtures, fittings and equipment	Total
Right-of-use assets	£m	£m	£m
Cost			
At 29 January 2022	964.0	49.9	1,013.9
Additions	6.4	1.0	7.4
Disposals and write-offs	(17.2)	-	(17.2)
At 28 January 2023	953.2	50.9	1,004.1
Accumulated depreciation			
At 29 January 2022	(272.2)	(9.5)	(281.7)
Charge for the year ¹	(47.7)	(7.9)	(55.6)
Disposals and write-offs	2.7	-	2.7
At 28 January 2023	(317.2)	(17.4)	(334.6)
Net book value at January 2022	691.8	40.4	732.2
Net book value at 28 January 2023	636.0	33.5	669.5

¹ For the 52 week period ended 28 January 2023, this includes an impairment charge of £8.1m (2022: £10.8m).

Notes to the company financial statements (continued)
14 INVESTMENTS IN SUBSIDIARIES

The Company has the following investments at 29 January 2022.

	Shares in Group companies	Loan to Group companies	Total
	£m	£m	£m
At 29 January 2022	63.0	746.2	809.2
Movements	(14.3)	146.4	132.1
At 28 January 2023	48.7	892.6	941.3

During the year the Company recognised an impairment of £14.3m (2022: £nil) related to one of its subsidiaries, following a review of the subsidiary's expected future performance.

A list of subsidiary undertakings is provided in note 29.

15 INVESTMENTS IN AND LOANS TO JOINT VENTURE

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the balance sheet.

The Company financial statements include the Company's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

John Lewis plc and GXO Logistics UK II Limited (formerly Clipper Logistics plc) are both investors in Clicklink Logistics Limited. Each party owns 50.0% of the equity of Clicklink Logistics Limited and decisions regarding Clicklink Logistics Limited require the unanimous consent of both parties.

Joint venture	Investment £m	Loan £m	Total £m
Cost			
At 29 January 2022	2.1	2.0	4.1
Additions	-	-	-
At 28 January 2023	2.1	2.0	4.1
Share of profit			
At 29 January 2022	0.3	-	0.3
Share of profit	1.2	-	1.2
At 28 January 2023	1.5	-	1.5
At 29 January 2022	2.4	2.0	4.4
At 28 January 2023	3.6	2.0	5.6

Notes to the company financial statements (continued)

16 INVENTORIES

	2023	2022
Inventory	£m	£m
Finished goods and goods for resale	426.9	411.0
	426.9	411.0

The cost of inventory recognised as an expense by the Company in the year was £2,448.0m (2022: £2,449.6m). Provisions against inventories of £26.3m were charged (2022: £24.5m) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £12.3m (2022: £12.5m). This relates to the Group's expected returns inventory based on previous rates of return.

17 TRADE AND OTHER RECEIVABLES

	2023	2022
Trade and other receivables	£m	£m
Current:		
Trade receivables	45.8	51.2
Other receivables ¹	112.0	107.3
Prepayments	60.6	65.1
Accrued income	32.9	15.5
	251.3	239.1
Non-current:		
Other receivables	2.3	2.1
Prepayments	2.9	4.5
	5.2	6.6

¹ The Group operates the BonusSave scheme, a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Group (see John Lewis Partnership plc's Annual Report and Accounts note 5.5). Included within other receivables is a balance of £86.9m (2022: £80.8m) due from John Lewis Partnership Trust Limited in relation to SIP shares in issue but not allocated to Partners.

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. Within trade receivables is supplier income which has been invoiced where there is no legal right to offset. Included in trade payables are invoices for supplier income where there is a right to offset and the Company intends to offset against amounts owed to suppliers (see note 21).

Within accrued income, there is £20.4m (2022: £8.6m) in relation to supplier income which has not yet been invoiced.

The Company recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 28 January 2023, trade and other receivables of £0.3m (2022: £0.7m) were partially or fully impaired. As at 28 January 2023, trade and other receivables of £23.6m (2022: £23.6m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2023	2022
	£m	£m
Up to 3 months past due	23.5	23.0
3 to 12 months past due	0.1	0.5
Over 12 months past due	0.0	0.1
	23.6	23.6

Notes to the company financial statements (continued)

18 SHORT-TERM INVESTMENTS

	2023	2022
	£m	£m
Short-term investments	0.3	95.3

For the 52 week period ended 28 January 2023, the effective interest rate on short-term investments was 1.3% (2022: 0.3%) and these investments had an average maturity of 93 days (2022: 102 days).

19 CASH AND CASH EQUIVALENTS

	2023	2022
	£m	£m
Cash and cash equivalents		
Cash at bank and in hand	91.5	96.1
Short-term deposits	847.1	1,223.1
	938.6	1,319.2

For the 52 week period ended 28 January 2023, the effective interest rate on short-term deposits was 1.4% (2022: 0.0%) and these deposits had an average maturity of six days (2022: two days).

20 BORROWINGS AND OVERDRAFTS

	2023	2022
	£m	£m
Current:		
Bank loans ¹	(50.0)	(150.0)
	(50.0)	(150.0)
Non-current:		
Bank loans	-	(50.0)
61/8% bonds, 2025	(300.0)	(300.0)
41/4% bonds, 2034	(300.0)	(300.0)
Unamortised bond transaction costs	6.0	7.4
Fair value adjustment for hedged element on bonds	6.2	1.0
	(587.8)	(641.6)

¹ £150m of term loans were repaid during 2022/23.

All borrowings are unsecured, denominated in sterling, and are repayable on the dates shown, at par.

Notes to the company financial statements (continued)

21 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Current:		
Trade payables	(531.1)	(494.4)
Amounts owed to parent company ¹	(102.6)	(112.1)
Amounts owed to Group companies	(551.3)	(537.3)
Other payables	(146.5)	(141.3)
Other taxation and social security	(133.3)	(123.6)
Accruals	(107.8)	(120.0)
Deferred income	(68.8)	(82.6)
Partnership Bonus	-	(46.4)
	(1,641.4)	(1,657.7)
Non-current:		
Deferred income	(20.6)	(22.1)
	(20.6)	(22.1)

¹ The Company operates the BonusSave scheme, a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Company (see John Lewis plc Annual Report and Accounts note 5.5). Included within amounts owed to parent company is a balance of £104.2m in relation to the SIP shares in issue, of which £86.9m relates to SIP shares in issue but not allocated to Partners. There is an offsetting equivalent balance in relation to these shares included within other receivables. The remaining £17.3m relates to SIP shares held directly by Partners.

The carrying amount of trade and other payables approximates to fair value.

Included in deferred income are contract liabilities for free warranties of £26.0m (2022: £27.6m) and payments from customers for goods and services sold but not delivered of £54.7m (2022: £67.5m). During the year an amount of £9.0m (2022: £12.4m) was released to the income statement in relation to free warranties matching to the period over which the free warranties are utilised. The deferral for the year was £10.7m (2022: £9.3m). All of the contract liabilities for goods and services sold but not delivered at 29 January 2022 have been recognised as revenue in the 52 week period ended 28 January 2023.

22 LEASE LIABILITIES

The following amounts are included in the Company's financial statements in respect of its leases.

	2023 £m	2022 £m
Depreciation charge for right-of-use assets (excluding impairment) (see note 13)	(55.6)	(47.2)
Interest expense on lease liabilities	(48.4)	(32.3)
Expense relating to short-term leases	(2.2)	(1.7)
Expense relating to leases of low value assets that are not shown above as short-term leases	(0.3)	(1.2)
Expense relating to variable lease payments not included in lease liabilities	(0.8)	(0.6)
Total cash outflow for leases comprising interest and capital payments	(100.1)	(73.1)
Additions to right-of-use assets	7.4	83.7
Carrying amount of right-of-use assets	669.5	732.2
Income from sub-leasing right-of-use assets	0.1	-

Lease liabilities repayable by instalments falling due after more than five years are £769.9m (2022: 802.3m).

Notes to the company financial statements (continued)

23 PROVISIONS

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 29 January 2022	(144.4)	(24.8)	(16.0)	(24.5)	(55.5)	(265.2)
Charged to income statement	(12.6)	(46.2)	(8.0)	(7.1)	(4.5)	(78.4)
Released to income statement	26.7	-	1.0	3.7	9.1	40.5
Utilised	9.1	48.2	7.3	19.6	11.9	96.1
At 28 January 2023	(121.2)	(22.8)	(15.7)	(8.3)	(39.0)	(207.0)
Of which:						
Current	(34.8)	(22.8)	(8.9)	(8.3)	(18.6)	(93.4)
Non-current	(86.4)	-	(6.8)	-	(20.4)	(113.6)

The Group has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Group's retirement benefits (note 6.1) as it reflects a rate appropriate to the shorter duration of the long leave liability, so as to accrue the cost over Partners' service periods.

Provisions for customer refunds reflect the Group's expected liability for returns of goods sold based on experience of rates of return.

Provisions for insurance claims are in respect of the Group's employer's, public and vehicle third-party liability insurances. The provisions are based on reserves held in the Group's captive insurance company, JLP Insurance Limited. These reserves are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience.

Provisions for reorganisation reflect restructuring and redundancy costs, principally in relation to head office reviews, shop closures and the review of shop management structures (note 2.5).

Other provisions primarily include property-related costs.

Notes to the company financial statements (continued)

24 DEFERRED TAX

24.1 DEFERRED TAX

Deferred tax is calculated on temporary differences using a rate of 25.0%. The movement on the deferred tax account is shown below:

	2023 £m	2022 £m
Opening (liability)/asset	(51.8)	186.5
Credited to income statement	5.5	8.4
Credited/(charged) to other comprehensive income/(expense)	145.3	(246.7)
Closing asset/(liability)	99.0	(51.8)

The movements in deferred tax assets and liabilities during the year are shown below.

	Accelerated tax depreciation	Revaluation of land and buildings	Rollover gains	Other	Total
Deferred tax liabilities	£m	£m	£m	£m	£m
At 30 January 2021	(3.3)	(2.1)	(6.2)	(0.4)	(12.0)
Charged to income statement	(4.5)	(2.8)	(2.0)	-	(9.3)
Charged to other comprehensive income	-	-	-	(0.1)	(0.1)
At 29 January 2022	(7.8)	(4.9)	(8.2)	(0.5)	(21.4)
Charged to income statement	(35.1)	(1.2)	-	-	(36.3)
At 28 January 2023	(42.9)	(6.1)	(8.2)	(0.5)	(57.7)

	Tax and capital losses	Capital gains tax on land and buildings	Pensions and provisions	Other	Total
Deferred tax assets/(liabilities)	£m	£m	£m	£m	£m
At 30 January 2021	23.7	17.1	151.3	6.4	198.5
(Charged)/credited to income statement	(7.4)	12.2	10.1	2.8	17.7
Charged to other comprehensive income/(expense)	-	-	(243.1)	(3.5)	(246.6)
At 29 January 2022	16.3	29.3	(81.7)	5.7	(30.4)
Credited/(charged) to income statement	47.0	0.4	(7.6)	2.0	41.8
Credited/(charged) to other comprehensive income/(expense)	-	-	147.2	(1.9)	145.3
At 28 January 2023	63.3	29.7	57.9	5.8	156.7

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable.

Notes to the company financial statements (continued)

24.1 DEFERRED TAX (CONTINUED)

The deferred tax balance associated with the pension surplus has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 6.1 to the consolidated financial statements).

The deferred tax assets and liabilities are recoverable after more than one year.

24.2 FACTORS AFFECTING TAX CHARGES IN CURRENT AND FUTURE YEARS

The Government announced in March 2021 that the rate of Corporation tax will increase from April 2023 to 25% for companies with profits over £250,000. This will increase the tax rate applied on taxable profits and losses from the 2023/24 financial year.

25 COMMITMENTS AND CONTINGENCIES

At 28 January 2023, contracts had been entered into for future capital expenditure of £22.8m (2022: £12.7m) of which £19.4m (2022: £11.2m) relates to property, plant and equipment and £3.4m (2022: £1.5m) relates to intangible assets.

26 RETIREMENT BENEFIT OBLIGATIONS

As disclosed in note 6.1 to the consolidated financial statements, the investment held by the pension scheme in JLP Scottish Partnership is £69.6m (2022: £65.3m). This represents a plan asset for the Company accounts which is added to the Group funded defined benefit deficit of £88.1m (2022: £492.8m surplus). The retirement benefit deficit of the Company as at 28 January 2023 was £32.3m with a funded deficit of £18.5m and an unfunded obligation of £13.8m (2022: £538.8m net surplus, with a £558.1m funded surplus and £19.3m unfunded obligation). Note 6.1 of the consolidated financial statements details the financial assumptions used.

27 SHARE CAPITAL

	2023		2022	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
Share capital	£m	£m	£m	£m
Equity				
Deferred ordinary shares				
6,750,000 of £1 each	6.7	6.7	6.7	6.7

28 RELATED PARTY TRANSACTIONS

During the year, the Company provided administrative support services to charities related to the Company. The estimated value of these support services is £167,000 (2022: £161,000). The Company also made donations totalling £1.0m (2022: £0.8m) to the John Lewis & Partners Foundation.

Notes to the company financial statements (continued)

29 SUBSIDIARIES AND RELATED UNDERTAKINGS

The Company has a number of subsidiaries and related undertakings which contribute to the overall profitability of the Group. In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, registered office addresses and the percentages of share class owned as at 28 January 2023 are disclosed below. Subsidiaries and related undertakings as at 28 January 2023 were as follows:

Name	Principal activity	Country of incorporation	Class of share	Percentage shareholdings
Admiral Park Retail Management Limited	Property holding company	Guernsey ¹	Ordinary	54%
Buy.Com Limited	Dormant	England & Wales ²	Ordinary	100%
Carlisle Place Ventures Limited	Home services	England & Wales ²	Ordinary	100%
Clicklink Logistics Limited	Joint venture	England & Wales ³	Ordinary	50%
Herbert Parkinson Limited	Manufacturing and making up	England & Wales ²	Ordinary	100%
JLP Insurance Limited	Insurance	Guernsey ⁴	Ordinary	100%
JLP Scotland Limited	Non-trading	Scotland ⁵	Ordinary	100%
JLP Scottish Limited Partnership ⁽ⁱ⁾	Investment holding undertaking	Scotland ⁵	Partnership interest	100%
JLP Scottish Partnership ⁽ⁱⁱ⁾	Investment holding undertaking	Scotland ⁵	Partnership interest	100%
John Lewis Car Finance Limited	Car finance	England & Wales ²	Ordinary	100%
John Lewis Hong Kong Limited	Sourcing company	Hong Kong ⁶	Ordinary	100%
John Lewis India Private Limited	Sourcing company	India ⁷	Ordinary	100%
John Lewis International Limited	International retail	England & Wales ²	Ordinary	100%
John Lewis Partnership Pensions Trust	Non-trading	England & Wales ²	Ordinary	100%
John Lewis Properties plc	Property holding company	England & Wales ²	Ordinary	100%
John Lewis PT Holdings Limited	Holding company	England & Wales ²	Ordinary	100%
Jonelle Jewellery Limited	Dormant	England & Wales ²	Ordinary	100%
Jonelle Limited	Dormant	England & Wales ²	Ordinary ¹⁰	100%
Park One Management Limited	Provision of management services	England & Wales ⁸	Ordinary	37%
Peter Jones Limited	Dormant	England & Wales ²	Ordinary	100%
The Odney Estate Limited	Dormant	England & Wales ²	Ordinary	100%
Waitrose (Jersey) Limited	Food retailing	Jersey ⁹	Ordinary	100%
Waitrose (Guernsey) Limited	Food retailing	Guernsey ¹	Ordinary	100%
Waitrose Limited	Food retailing	England & Wales ²	Ordinary	100%

¹ The address of the registered office is PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB.

² The address of the registered office is 171 Victoria Street, London SW1E 5NN.

³ The address of the registered office is Clipper Logistics Group, Gelderd Road, Leeds, West Yorkshire LS12 6LT.

⁴ The address of the registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 4ET.

⁵ The address of the registered office is John Lewis & Partners, 60 Leith Street, Edinburgh EH1 3SP.

⁶ The address of the registered office is Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong.

⁷ The address of the registered office is 3rd Floor, Tower B, Signature Towers, South City, Sector - 30, Gurgaon, Haryana 122001, India.

⁸ The address of the registered office is Number 22 Mount Ephraim, Tunbridge Wells, Kent TN4 8AS.

⁹ The address of the registered office is 44 Esplanade, St Helier, Jersey JE4 9WG.

¹⁰ Jonelle Limited has three classes of shares, each with a nominal value of £1.

⁽ⁱ⁾ John Lewis Partnership Pensions Trust and JLP Scotland Limited are the Limited Partners. John Lewis plc is the General Partner.

⁽ⁱⁱ⁾ JLP Scottish Limited Partnership and John Lewis Properties plc are the General Partners.

Notes to the company financial statements (continued)

29 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

The whole of the ordinary share capital of the subsidiary undertakings of John Lewis plc is held within the Group. Except as noted above, all of these subsidiary undertakings operate wholly or mainly in the United Kingdom.

Ultimate control rests with John Lewis Partnership Trust Limited, which holds the deferred ordinary shares issued by John Lewis Partnership plc in Trust for the benefit of employees of the Partnership. Both of these companies are registered in England and Wales. Copies of the accounts for these companies may be obtained from the Company Secretary, John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN.

The Company is a General Partner of JLP Scottish Limited Partnership, a qualifying limited partnership registered at John Lewis & Partners, 60 Leith Street, Edinburgh, EH1 3SP. This is consolidated within John Lewis plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards (UK-adopted IFRS) and have elected to prepare the Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

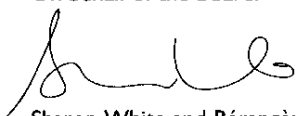
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group and company financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS);
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

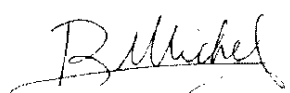
Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board.



Sharon White and Bérangère Michel
Directors, John Lewis plc
28 April 2023



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC

1. Our opinion is unmodified

We have audited the financial statements of John Lewis plc ("the Group") for the 52-week period ended 28 January 2023 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 1 of the Group financial statements and the accounting policies in note 9 of the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 January 2023 and of the Group's loss for the 52-week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee.

We were first appointed as auditor by the shareholders on 8 June 2016. The period of total uninterrupted engagement is for the seven financial years ended 28 January 2023. We have fulfilled our ethical responsibilities under, and we are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Materiality:	£22 million (2022: £14.5 million) 0.21% (2022: 0.13%) of Revenue	
group financial statements as a whole		
Coverage	98% (2022: 99%) of Group Revenue	
Key audit matters	vs 2022	
Recurring risks	Impairment of property, plant and equipment and right-of-use assets	↔
	Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets)	↓
Parent Company recurring risk	Recoverability of parent Company's investment in subsidiaries	↔

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Impairment of property, plant and equipment and right-of-use assets Carrying amount £1,036.8 million, out of the total PPE and ROUA of £4,202.8 million (2022: carrying amount £864 million, out of the total PPE and ROUA of £4,400.7 million) <i>Page 62 to 63 (accounting policy) and page 64 to 67 (financial disclosures)</i>	Forecast-based assessment The Group has significant property, plant and equipment (PPE) and right-of-use assets (ROUAs) held on the consolidated balance sheet. In the period a net impairment charge of £106.2 million was recognised, in relation to PPE and ROUAs included in Cash Generating Units ("CGUs") of John Lewis and Waitrose operating segments There is a risk that the carrying value of stores and related PPE and ROUAs may be higher than the recoverable amount. Where there is an indicator of impairment and a review for impairment is conducted, the recoverable amount is determined based on the higher of 'value-in-use' (VIU) or 'fair value less costs of disposal'. The recoverable amount is calculated at a CGU level and a single store is considered to be a CGU. The recoverable amount was assessed for £1,036.8 million of the total PPE and ROUA net book value (2022: £864 million) and resulted in a net impairment charge of £ 106.2 million during the year (2022: £ 25 million).	Our procedures included: We performed the tests below rather than seeking to rely on any of the Group's manual controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. However we engaged our IT Audit specialists to evaluate the design and implementation and operating effectiveness of relevant IT controls over certain IT systems and layers used in deriving elements of the online sales allocation rates for certain CGUs within the John Lewis operating segment. - Model design evaluation and re-performance: We evaluated the reasonableness of the design of VIU models in line with the requirements of the accounting standard and re-performed the calculations the Directors performed for determining the VIU of each cash generating unit. - Our sector experience: We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins for the Waitrose and John Lewis stores. We also challenged the Directors as to the achievability of their

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

	The recoverable amount of an individual store relies on a number of assumptions, most notably short-term sales growth and profit margin, the discount rate and specifically for the CGUs within John Lewis operating segment, the online sales allocation, which all involve a high a degree of estimation uncertainty. Auditor judgement is required to assess whether the Directors' estimate of an individual store's recoverable amount falls within an acceptable range.	forecasts and business plans, taking into account the historical accuracy of previous forecasts. - Benchmarking assumptions: We compared the Director's key assumptions to externally derived data in relation to key inputs such as projected economic growth, customer spending behaviours cost inflation, market inputs used in deriving the discount rate and online allocation. We performed an assessment of whether an over/understatement of the impairment charge for certain CGUs identified through these procedures was material. - Sensitivity analysis: We performed sensitivity analysis to stress-test the impairment calculation to changes in short-term sales growth and profit margins, the discount rate and specifically for CGUs within John Lewis operating segment, online sales allocation. - Real estate valuation specialist: We engaged our real estate valuation specialist to evaluate the reasonableness of the assumptions and methodologies used in determining the fair value less cost of disposals of CGUs whose recoverable amounts are determined on that basis. - Assessing disclosures: We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of PPE and ROUAs.
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

	The risk	Our response
Impairment of property, plant and equipment and right-of-use assets (continued)	The effect of these matters is that, as part of our risk assessment, we determined that the VIU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements note 3.2 disclose the sensitivities estimated by the Group.	Our results We found the carrying amount of PPE and ROUAs, and the related impairment charge to be acceptable (2022: acceptable).
Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) Net £101.9 million pension deficit (2022: £473.5 million pension surplus) <i>Refer to page 81 (accounting policy) and pages 82 to 91 (financial disclosures)</i>	Subjective valuation A significant level of estimation is required in order to determine the valuation of the gross liability. Small changes in the key assumptions (in particular, discount rates, inflation and mortality rates) can have a material impact on the gross liability. In addition, within the pension asset portfolio are a number of assets whose valuation require significant judgement as a result of quoted prices being unavailable (level 3 assets). Certain of these include assets for which a net asset valuation ("NAV") is not readily available and therefore additional audit procedures are necessary given the nature of the valuation. The asset classes where significant audit effort and judgement was focused were investment properties, private equity investments and infrastructure funds (non-NAV priced valuations). Level 3 holdings together represented £1,926m (2022: £2,260m) out of which a substantial proportion of assets are stated at a non-NAV priced valuation.	Our procedures included: We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. - Assessing assumptions: We used our actuarial specialists to challenge the key assumptions used for defined benefit obligation (in particular, the discount rate, inflation and mortality rates). This involved comparing the assumption to available market data and our expectations based on the scheme profile. - Assessing base data: We assessed whether the data used in the current year defined benefit obligation valuation is consistent with that prepared at the triennial valuation as at 31 March 2022. We used our actuarial specialists to challenge the methodology used to roll-forward the results of the triennial valuation as at 31 March 2022.

	The risk	Our response
Net defined benefit obligation (continued)	The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value of the gross defined benefit obligation and level 3 pension asset has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 6.1.5) disclose the sensitivity estimated by the Group.	Our procedures for level 3 assets included: - Substantive tests of detail: We assessed historical accuracy of valuations for a sample of assets to help inform whether current valuations were appropriate. Additionally, we obtained direct confirmations from third party fund managers to support the valuation of assets stated in the financial statements. - In addition, for non-NAV price valued assets we performed the following additional procedures: - Our valuation expertise: For property assets, we used our own property valuation specialist to assess the key inputs and assumptions used by external valuers by reference to our own market and industry benchmarks. - Methodology choice: We have assessed the pricing model methodologies used with reference to the Royal Institute of Chartered Surveyors for property and the International Private Equity and Venture Capital Valuation guidance (IPEV) or applicable financial accounting framework for private equity investments, private credit funds and infrastructure funds included in plan assets. - Assessing disclosures: We considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit obligation to these assumptions and disclosure of estimation uncertainty over the valuation of level 3 pension assets. Our results We found the valuation of the Defined benefit pension schemes (Gross liability

		estimation and valuation of level 3 assets) to be acceptable (2022: acceptable).
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	The risk	Our response
Recoverability of parent Company's investment in subsidiaries (£929.3 million; 2022: £809.2 million) <i>Refer to Page 103 (accounting policies) and Page 107 (financial disclosures)</i>	Low risk, high value The carrying amount of the parent Company's investment in subsidiaries amount to £929.3 million (2022: £809.2 million). Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effort on our overall parent Company audit.	Our procedures included: We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. - Test of details: We compared the carrying values of the investment in subsidiary and debt due from the group entities with the net assets of the relevant subsidiary included within the group consolidation, to identify whether the net asset values of the subsidiaries, being an approximation of its minimum recoverable amount, were in excess of their carrying amount. - Assessing subsidiary audits: Assessing the work performed over the subsidiaries and considering the results of the work on those subsidiaries' profit and net assets. Our results We found that the carrying amount of the investment and the related impairment charge to be acceptable (2022: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £22 million (2022: £14.5 million), determined with reference to a benchmark of Group revenue (as disclosed in note 2.1) of which it represents 0.21% (2022: 0.13%).

We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than profit before tax.

Materiality for the parent Company financial statements as a whole was set at £19.75 million (2022: £12.3 million), determined with reference to a benchmark of Company total assets, of which it represents 0.46% (2022: 0.2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £16.5 million (2022: £10.9) for the Group and £14.8 million (2022: £9.2 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £1.0 million (2022: £0.725 million), in addition to other identified misstatements that warranted reporting on qualitative grounds. Of the Group's 18 (2022: 18) reporting components, we subjected 6 (2022: 6) to full scope audits for Groups purposes, and 1 component (2022: 1) was subjected to specified risk-focused audit procedures. The latter was not individually significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed over Claims paid and Outstanding loss reserve.

The components within the scope of our work accounted for the following percentages: 98% of total revenue (2022: 99%), 86% of total assets (2022: 86%) and 83% of profit before tax (2022: 84%). The remaining 2% of total revenue (2022: 1%), 14% total assets (2022: 14%) and 17% of profit before tax (2021: 13%) is represented by 11 reporting components (2021: 11), none of which individually represented more than 5% (2022: 5%) of Group revenue, Group total assets or Group profit before tax. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1 million to £19.8 million (2022: 0.7 million to 12.3 million), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 7 components (2022: 1 of the 7 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive

In working with component auditors, we have held planning calls to discuss the areas of the audit relevant to the component. We issued group audit instructions to the component auditor on the scope of their work. We have conducted video conference meetings to discuss the findings reported to the Group team.

4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was weaker than expected trading performance.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1.1.1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit and risk committee, internal audit, legal counsel and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit and Risk Committee and Remuneration Committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to the component audit team of relevant fraud risks identified at the Group level and request to the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

As required by auditing standards, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure on management to achieve an expected revenue target and limited opportunity to commit fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted by irregular users to irregular account and post close journals.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through our discussion with the Directors, and other management (as required by auditing standards, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the component audit team of relevant laws and regulations identified at the group level, and a request for the component auditor to report to the Group audit team any instances of non-compliance with laws and regulation that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, General Data Protection Regulation (GDPR), fraud bribery and corruption, environmental protection legislation, export control, Consumer Rights Act, Competition Law, Food Standards Act and employment law recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Risk Committee matters related to actual or suspected breaches of laws and regulations, for which disclosure is not necessary, and considered any implications for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report.
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 116, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

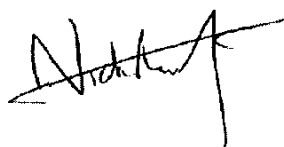
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members *those matters we are required to state to them in an auditor's report and for no other purpose*. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Frost

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

28 April 2023

JLP Scottish Limited Partnership

Financial Statements

28 January 2023

Registered number: SL007561

JLP Scottish Limited Partnership

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JLP Scottish Limited Partnership

Partnership information

General partner	John Lewis plc
Limited partners	JLP Scotland Limited John Lewis Partnership Pensions Trust
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL
Banker	The Royal Bank of Scotland plc
Registered office	John Lewis, 60 Leith Street, Edinburgh, EH1 3SP
Registered in Scotland No.	SL007561

JLP Scottish Limited Partnership

Strategic report for the 52 week period ended 28 January 2023

Review of performance

Key performance indicators:

	2023	2022
	£'000	£'000
Profit for the year	2,885.5	3,318.1
Investment in JLP Scottish Partnership	99,725.1	99,750.1
Net assets/partners' interests	99,725.0	99,750.0

The financial year is the 52 weeks ended 28 January 2023 (prior year: 52 weeks ended 29 January 2022).

The Income statement on page 8 shows a profit for the year of £2,885,500 (2022: £3,318,100) principally as a result of the distribution received from JLP Scottish Partnership.

The balance sheet on page 8 shows the JLP Scottish Limited Partnership's financial position at the year end. The partners' funds as at 28 January 2023 were £99,725,000 (2022: £99,750,000).

No significant changes in the activities of the JLP Scottish Limited Partnership are anticipated in the forthcoming year.

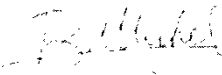
Principal risks and uncertainties

JLP Scottish Limited Partnership's financial and operational issues are managed on a Partnership wide basis by John Lewis Partnership plc (the Partnership) and so, where it is relevant, the Strategic report and General partner's report provides information in respect of the Partnership. Details of principal risks and uncertainties are presented in the Strategic Report in the Partnership's Annual Report and Accounts.

JLP Scottish Limited Partnership's principal risks and uncertainties are in line with those of the Partnership. However, the risk that is most relevant to the JLP Scottish Limited Partnership is strategic resilience, which for the JLP Scottish Limited Partnership is the risk of a fall in freehold estate valuation across the range of Partnership properties.

Details of key mitigations to these principal risks and uncertainties are presented in the Strategic Report in the Partnership's Annual Report and Accounts.

For and on behalf of the general partner



Berangere Michel
Director
John Lewis plc
31 March 2023

JLP Scottish Limited Partnership

General partner's report for the 52 week period ended 28 January 2023

The general partner presents its report and the audited financial statements of JLP Scottish Limited Partnership for the year to 28 January 2023.

Principal activity

The principal activity of JLP Scottish Limited Partnership is an investment holding partnership.

The JLP Scottish Limited Partnership was registered (number SL007561) in Scotland as a limited partnership by the Registrar of Companies in Scotland on 17 December 2009 and is a partnership between John Lewis plc, JLP Scotland Limited and John Lewis Partnership Pensions Trust as trustee of the John Lewis Partnership Trust for Pensions. The JLP Scottish Limited Partnership allocates and distributes income to its partners in accordance with an Amended and Restated Limited Partnership Agreement dated 26 January 2010, which has been further revised on 27 January 2012, following agreement of the partners.

The JLP Scottish Limited Partnership has an interest in JLP Scottish Partnership, which is a property holding partnership established pursuant to a Partnership Agreement with John Lewis Properties plc and it receives income and capital distributions from JLP Scottish Partnership in accordance with that agreement.

General partner and manager

John Lewis plc
171 Victoria Street
London
SW1E 5NN

Political donations

JLP Scottish Limited Partnership made no political donations during the year (2022: £nil).

Directors' and Officers' liability insurance

The Directors' and key managers (Officers) of the general partner are beneficiaries of Directors' and Officers' liability insurance providing cover for claims made, subject to certain limitations and exclusions, which is purchased and maintained throughout the year by the John Lewis Partnership. The John Lewis Partnership also provides an indemnity for the benefit of each Trustee of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee.

Going concern

The JLP Scottish Limited Partnership is currently in a net assets position. The Directors of the general partner, having reviewed the Partnership's current performance and financing arrangements, consider, at the approval date of these accounts, that the Partnership has sufficient resources to continue in operation and meet its liabilities as they fall due. Accordingly, the Directors of the general partner are satisfied that it is appropriate to adopt the going concern basis in preparing the Partnership's financial statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

JLP Scottish Limited Partnership

General partner's report for the 52 week period ended 28 January 2023 (continued)

Disclosure of information to the independent auditor

Each of the persons who are a Director of the general partner at the date of approval of this report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the JLP Scottish Limited Partnership's auditor is unaware; and
2. The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

For and on behalf of the general partner



Berangere Michel
Director John Lewis plc
31 March 2023

JLP Scottish Limited Partnership

Statement of general partner's responsibilities in respect of the Strategic Report, the General Partner's Report and the financial statements

The general partner is responsible for preparing the Strategic Report, the General Partner's Report and the financial statements in accordance with applicable law and regulations.

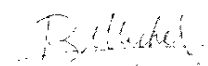
Company law requires the general partner to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the general partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the qualifying partnership and of the profit or loss of the qualifying partnership for that period. In preparing these financial statements, the general partner is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

The general partner is responsible for keeping adequate accounting records that are sufficient to show and explain the qualifying partnership's transactions and disclose with reasonable accuracy at any time the financial position of the qualifying partnership and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

For and on behalf of the general partner



Berangere Michel
Director
John Lewis plc

31 March 2023

JLP Scottish Limited Partnership

Income statement for the 52 week period ended 28 January 2023

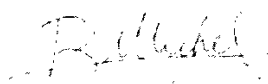
		2023	2022
Note		£'000	£'000
	Distribution received	2,888.5	3,321.1
2	Administrative expenses	(3.0)	(3.0)
	Profit and total comprehensive income for the year	2,885.5	3,318.1

Balance sheet as at 28 January 2023

		2023	2022
Notes		£'000	£'000
	Non current assets		
3	Investment in JLP Scottish Partnership	99,725.1	99,750.1
	Current assets		
	Cash and cash equivalents	40.5	37.5
		40.5	37.5
	Total assets	99,765.6	99,787.6
	Current liabilities		
	Amounts due to John Lewis plc	(40.6)	(34.6)
4	Other payables	-	(3.0)
	Net current liabilities	(0.1)	(0.1)
	Total liabilities	(40.6)	(37.6)
	Total assets less current liabilities	99,725.0	99,750.0
	Net assets attributable to partners	99,725.0	99,750.0
	Represented by:		
	Partners' interests		
5	Partners' capital and other interests	99,725.0	99,750.0

The accompanying notes on pages 9 to 12 form part of these financial statements.

These financial statements on pages 8 to 12 were approved by the general partner on 31 March 2023 and signed on its behalf by:



Berangere Michel
Director
John Lewis plc

Registered number: SL007561

JLP Scottish Limited Partnership

Notes to the financial statements

1 Accounting Policies

Basis of preparation

The financial statements are prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006 as applicable to qualifying partnerships.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

FRS 101 sets out a reduced disclosure framework for a “qualifying entity” as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. The JLP Scottish Limited Partnership is a qualifying entity for the purposes of FRS 101.

The disclosure exemptions adopted by the JLP Scottish Limited Partnership in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present on cash flow statements and related notes;
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries; and
- The requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new issued standards but which are not yet effective.

The financial year is the 52 weeks ended 28 January 2023 (prior year: 52 weeks ended 29 January 2022).

The JLP Scottish Limited Partnership is an intermediate parent entity and is exempt from preparing consolidated financial statements as noted in section 400 of the Companies Act 2006.

Going concern

In determining the appropriate basis of preparation of the financial statement for the year ended 28 January 2023, the Directors of the general partner are required to consider whether the partnership can continue in operational existence for at least 12 months from the date of approval of the financial statements. The partnership is part of a wider group ('the Group'), of which John Lewis Partnership plc is the ultimate parent company and the partnership's ability to operate as a going concern is directly linked to the Group's position.

In connection with the unaudited results announcement for the year ended 28 January 2023, the Board of John Lewis Partnership plc undertook an assessment of the ability of the Group to continue in operation and meet its liabilities as they fall due over a period not less than 12 months from the date of their assessment. This assessment considered a forecast for the 12 month period ending March 2024 which included a base forecast and a downside case which represents a severe but plausible scenario. The impact of the downside adjustments has been reviewed against the Group's projected cash position and financial covenants. Should these occur, mitigating actions would be required to ensure that the Group remains liquid and financially viable. The downside modelled has a significant adverse impact on sales, margin and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the downside scenario materialising. This assessment was made available to the Directors of the general partner who have considered it in their assessment. The Directors of the general partner have also undertaken a rigorous assessment of the financial forecasts.

JLP Scottish Limited Partnership

Notes to the financial statements (continued)

1. Accounting Policies (continued)

As at 28 January 2023, the partnership had net assets of £99,725,000. The partnership has been profitable for a number of years and distributed consistently to its general partners in line with the Partnership agreement. In the current year it made profit of £2,885,500 and has minimal costs, incurring only £3,000. In the 12 months from the date of approval of the financial statements, it is expected that performance will be consistent with 2022/23. This includes that the JLP Scottish Partnership will continue to receive rental income from John Lewis plc and Waitrose Limited and to distribute profits to its general partners in line with the Limited Partnership Agreement, as well as a low level of expenses, a strong net asset position and sufficient liquidity. Consequently, the Directors of the general partner have concluded that the partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Administrative expenses

Administrative expenses are charged to the Income statement on an accrual basis.

Distributions

Distributions received from JLP Scottish Partnership are credited to the Income statement when received.

Investments

Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually. Investments consist of an interest in JLP Scottish Partnership.

Cash at bank and in hand

Cash at bank and in hand in the balance sheet comprises cash at bank.

Taxation

No tax is recorded in the financial statements of the JLP Scottish Limited Partnership, as all tax liabilities are liabilities of the partners and not the JLP Scottish Limited Partnership.

2. Administrative expenses

Administrative expenses comprise auditor remuneration of £3,000 (2022: £3,000).

The JLP Scottish Limited Partnership had no employees during the current year (2022: nil).

3. Investment in JLP Scottish Partnership

	£'000
Cost	
As at 30 January 2021	99,775.1
Decrease in investment	(25.0)
As at 29 January 2022	99,750.1
Decrease in investment	(25.0)
As at 28 January 2023	99,725.1

JLP Scottish Limited Partnership has a 58% (2022: 58%) investment in JLP Scottish Partnership, a property holding partnership, as set out in the General partner's report on page 5. JLP Scottish Limited Partnership jointly shares control over the operation and the management of JLP Scottish Partnership with John Lewis Properties plc. As such, JLP Scottish Limited Partnership does not have control to direct the relevant activities of JLP Scottish Partnership and therefore consolidated financial statements are not prepared.

JLP Scottish Limited Partnership

Notes to the financial statements (continued)

3. Investment in JLP Scottish Partnership (continued)

JLP Scottish Limited Partnership's investment in JLP Scottish Partnership has a carrying value of £101,157,200 at 28 January 2023 (2022: £101,168,800) including capital (£99,725,100) and other interests (£1,432,100). The value of the investment in JLP Scottish Partnership decreased during the year following the return of capital from JLP Scottish Partnership and the share of profits and income distributions in accordance with the terms of the Amended and Restated Limited Partnership Agreement.

4. Other payables

	2023	2022
	£'000	£'000
Accruals	-	(3.0)

5. Partners' interests

	Total interests at 29 January 2022 £'000	Share of income profit £'000	Distribution £'000	Return of capital £'000	Total interests at 28 January 2023 £'000
Limited partners:					
JLP Scotland Limited	0.1	-	-	-	0.1
John Lewis Partnership Pensions Trust	94,749.8	2,871.0	(2,871.0)	(25.0)	94,724.8
General partner:					
John Lewis plc	5,000.1	14.4	(14.4)	-	5,000.1
Total partners' interests	99,750.0	2,885.4	(2,885.4)	(25.0)	99,725.0

JLP Scottish Limited Partnership

Notes to the financial statements (continued)

5. Partners' interests (continued)

	Total interests at 30 January 2021 (restated*)	Share of income profit	Distribution	Return of capital (restated*)	Total interests at 29 January 2022 (restated*)
	£'000	£'000	£'000	£'000	£'000
Limited partners:					
JLP Scotland Limited	0.1	-	-	-	0.1
John Lewis Partnership Pensions Trust	94,774.8	3,301.5	(3,301.5)	(25.0)	94,749.8
General partner:					
John Lewis plc	5,000.1	16.6	(16.6)	-	5,000.1
Total partners' interests	99,775.0	3,318.1	(3,318.1)	(25.0)	99,750.0

*The opening capital balances for John Lewis Partnership Pensions Trust and John Lewis plc at 30 January 2021, as well as the return of capital made in the 52 week period to 29 January 2022, have been restated to correct the partners' interests. £225,000 of capital repayments had been recorded to John Lewis plc which should have been to John Lewis Partnership Pensions Trust. There has been no change to Total partners' interests.

The partners' interests include the initial capital contribution plus share of income profit less distributions and return of capital since incorporation.

6. Ultimate parent company and controlling entity

John Lewis plc¹ is the parent company of the smallest group to consolidate the financial statements of JLP Scottish Limited Partnership. John Lewis Partnership plc¹, JLP Scottish Limited Partnership's ultimate parent company, is the parent company of the largest group to consolidate these financial statements. Ultimate control rests with John Lewis Partnership Trust Limited¹, which holds the deferred ordinary shares issued by John Lewis Partnership plc in Trust for the benefit of employees. These companies are registered in England and Wales. JLP Scottish Limited Partnership is registered in Scotland.

The consolidated financial statements of these groups and of these financial statements are available to the public and may be obtained from the Company Secretary, John Lewis Partnership, 171 Victoria Street, London SW1E 5NN.

¹The address of the registered office is 171 Victoria Street, London SW1E 5NN.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JLP Scottish Limited Partnership

Opinion

We have audited the financial statements of JLP Scottish Limited Partnership ("the qualifying Partnership") for the 52-week period ended 28 January 2023 which comprise the Income statement, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying Partnership's affairs as at 28 January 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying Partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The general partner have prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease its operations, and as they have concluded that the qualifying Partnership's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the general partner's conclusions, we considered the inherent risks to the qualifying Partnership's business model and analysed how those risks might affect the qualifying Partnership's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the general partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the general partner's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the qualifying Partnership's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the qualifying Partnership will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:



- Enquiring of general partner, the Audit and Risk Committee, internal audit, legal counsel and inspection of policy documentation as to the qualifying partnership's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the qualifying partnership's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading General Partner's meeting and Audit and Risk Committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure on management to achieve an expected revenue target and limited opportunity to commit fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, post-closing journals and unusual opposing entries to cash or bank accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the general partner and other management (as required by auditing standards), and discussed with the general partner and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the qualifying partnership is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation) and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the qualifying partnership is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, and environment protection legislation, recognising the nature of the qualifying partnership's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the general partner and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-



compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and general partner's report

The general partner is responsible for the strategic report and the general partner's report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the general partner's report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the general partner's report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

General Partner's responsibilities

As explained more fully in their statement set out on page 7, the general partner is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the qualifying Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the qualifying Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.



The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the qualifying Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying Partnership and the qualifying Partnership's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Nicholas Frost', written over a horizontal line.

Nicholas Frost
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
31 March 2023