No. 238937

John Lewis Partnership plc annual report and accounts 2004

John Lewis
Waitrose

The John Lewis Partnership

The John Lewis Partnership is one of the UK's top ten retail businesses with 26 John Lewis department stores and 144 Waitrose supermarkets.

It is also the country's largest employee co-operative, with over 59,000 staff. The Partnership aims to ensure that everyone who works for it enjoys the experience of ownership, by sharing in the profits, by having access to information and by sharing in the decision making.

The Partnership believes that the commitment of Partners to the business is a unique source of competitive advantage which has underpinned 75 years of profitable growth and a reputation amongst customers and suppliers unparalleled in the UK retail industry.

The company's record of performance testifies to the robustness of the vision of its founder John Spedan Lewis, to create a company dedicated to the happiness of the staff through their worthwhile, secure and satisfying employment in a successful business.

The Partnership Board of John Lewis Partnership plc comprises twelve members – the Chairman, the Deputy Chairman, five members nominated by the Chairman and five by the Partnership Council, the elected body which represents all the members of the Partnership.

John Lewis Partnership plc and its subsidiary John Lewis plc have small issues of preference stock which have first claim on the profits.
The whole of the balance is available to be used for the benefit of the business and the Partners. The share of profits allocated to Partners, the Partnership Bonus, is fixed each year by the Partnership Board and is distributed as the same percentage of gross annual pay for all Partners. All Partners received a 12% bonus for the current year as their share of profits at a total cost of £87m.

Summary of results

for the year ended 31 January 2004

	2004* **£m**	2003 **Restated £m
Gross sales (including sale or return sales and VAT)	**5,046.8**	4,679.3
Trading profit	**212.8**	199.1
Exceptional gain on disposal of account card operation	**4.3**	–
Share of operating loss of associate (Ocado)	**(15.2)**	(19.5)
Total operating profit	**201.9**	179.6
Interest	**(28.4)**	(34.1)
Profit before Partnership bonus and taxation	**173.5**	145.5
Taxation	**(24.5)**	(36.7)
Preference dividends	**(0.2)**	(0.2)
Balance available for profit sharing and retention in the business	**148.8**	108.6
Partnership bonus	**(87.3)**	(67.6)
Retained in the business for development	**61.5**	41.0
Net assets employed at the year end	**1,543.0**	1,481.5
Average number of employees (weighted for part-timers)	**40,500**	40,700
Number of shops – Department stores	**26**	26
– Supermarkets	**144**	141

* 53 week year.

** The 2002/03 comparatives have been restated following the amendment to FRS 5, published in November 2003, and reflect a change of accounting policy for recognition of sales, as described in note 1.

Five year record

years ended January

	2004*	2003 **Restated	2002	2001	2000
	£m	£m	£m	£m	£m
Gross sales (including sale or return sales and VAT)	**5,046.8**	4,679.3	4,459.4	4,126.6	3,747.6
Profit before pension costs	**284.2**	266.6	252.6	235.5	263.7
Pension costs	**(71.4)**	(67.5)	(62.3)	(54.9)	(49.7)
Exceptional gain on disposal of account card operation	**4.3**	–	–	–	–
Share of operating loss of associate (Ocado)	**(15.2)**	(19.5)	(17.8)	(3.8)	–
Interest	**(28.4)**	(34.1)	(31.0)	(27.3)	(19.3)
Profit before Partnership bonus and taxation	**173.5**	145.5	141.5	149.5	194.7
Taxation	**(24.5)**	(36.7)	(37.9)	(28.8)	(33.4)
Dividends	**(0.2)**	(0.2)	(0.3)	(0.3)	(0.3)
Net profit available for profit sharing and retention in the business	**148.8**	108.6	103.3	120.4	161.0
Partnership bonus	**(87.3)**	(67.6)	(57.3)	(58.1)	(77.8)
As a percentage of ranking pay	**12**	*10*	*9*	*10*	*15*
Retained in the business	**61.5**	41.0	46.0	62.3	83.2
Net assets employed	**1,543.0**	1,481.5	1,440.5	1,395.1	1,431.0
Pay	**689.7**	653.7	611.4	562.7	508.1
Average number of employees	**59,600**	58,800	56,100	53,200	49,000
including part-time employees	**29,400**	28,000	25,600	23,600	20,800

*53 week year.

**The 2002/03 comparatives have been restated following the amendment to FRS 5, published in November 2003, and reflect a change of accounting policy for recognition of sales, as described in note 1. Earlier years have not been restated.

Chairman's statement

Partnership sales have moved past £5 billion[1] for the first time, with an increase of 8% on 2002/03. Over the last five years our sales increased by 35% which was excellent progress in a period marked by significant deflation in much that we sell in John Lewis department stores and by increasingly competitive conditions for Waitrose. Gross margins have improved in both divisions.

We built on last year's profit recovery and achieved profit before taxation of £174m, a 19% increase on 2002/03.

The rate of distribution of Partnership Bonus was increased to 12% of Partners' pay (compared with 10% last year). This accounted for £87m, and we retained £62m for reinvestment in the business.

John Lewis
Department store sales were ahead by more than 3% (2% on a comparable basis after allowing for the 53 week trading year) helped by an outstanding Christmas season. John Lewis Direct forged ahead with an increase of more than 70% in sales, bringing the divisional uplift to nearly 4%. The year started weakly with demand affected by the Iraq war and the impact on London of the Central Line closure and the Congestion Charge. In the second half-year we gained market share, despite continuing problems in London, unhelpful weather and a very late build up to Christmas.

Investment in our future has continued with the Peter Jones project seeing the completion of the Cadogan Gardens end of the building, and with continuing work on fashion, furniture, perfumery and fashion accessory departments and restaurants. The benefits of this upgrading to our selling floors were best demonstrated by strong gains at our branches in Nottingham and Edinburgh following their expansion and refurbishment. We have continued to adjust opening hours, with twelve of our twenty-six department stores now open for seven days a week, four more than at the beginning of 2003.

It was a successful year operationally with improvements across the board. Considerable progress was made in improving margin, reducing our cost base and securing higher productivity. Reviews of our maintenance arrangements, credit operations and financial management have been an important part of this process, but incurred one-off costs. Despite longer opening hours, we had 4% fewer Partners (full time equivalents - FTEs) employed in John Lewis shops and sales per FTE improved by 6%.

Our textile production units had a very difficult year. We have reorganised them to match the tighter market conditions we face, but the one-off costs involved inevitably reduced the division's profits as did the other reorganisation costs referred to above. The total adverse impact of these exceptional costs was some £12m, which held back the encouraging profit performance from the division's retail trading.

The division's profits (as disclosed in note 2) have been significantly affected by the transfer of the account card operation to HFC (detailed below), as previously interest earned on customer accounts, after expenses, was included in divisional income (£15m for 2002/03, £8m in 2003/04). The combined effect of the exceptional costs and the loss of account card income was to reduce divisional profit by £19m (16%) to £99m. When adjusted for these factors, John Lewis profits increased 13% from £91m to £103m.

Waitrose
Waitrose sales increased by 12% and the like-for-like increase was 5%. We benefited from successful new openings in Belgravia, Mill Hill and Portishead and the relocation of our well established branch in Romsey. In their first full year, the new Food and Home branches at Canary Wharf and Cheltenham produced outstanding sales performances, while at Southend

[1]including VAT and sale or return sales

and Salisbury we also enjoyed significant further growth in sales and profit. We recently announced that we shall be opening a fifth Food and Home at Maidstone in 2006. The year was marred by a serious fire at Finchley, but to the great credit of Partners the branch was back trading after only a few weeks.

There has been significant improvement in wastage and in pay costs as percentages of sales in Waitrose branches, and system developments have resulted in reduced average stockholding. We are also benefiting from lower distribution costs.

Waitrose secured an excellent improvement in divisional profit which increased to £114m, a 23% gain on the figure for last year.

Customer Accounts
We announced in June that we were transferring our customer accounts operation to HFC, the HSBC subsidiary. Half of the £27m premium received from HFC is reflected in these accounts, with the remainder deferred against future performance, and, after reorganisation costs, we have recorded an exceptional credit for the year of £4m. The transfer of over £200m of customer receivables shows in a reduced interest charge for the year, although this is offset by a net £7m reduction in income which mainly affects John Lewis.

Employment and Pensions
The average number of Partners employed during the year increased slightly to 59,600 but the end of year total fell to 59,100 (52% Waitrose, 47% John Lewis and 1% for corporate departments). The 1% levy on employers' national insurance contributions cost us around £4m in 2003 and the full year cost will be in excess of £5m. The charge for our non-contributory pension scheme rose by 6% to £71m. Changes made in 2002 to contain the cost of the pension scheme, balanced by enhancements for its lower paid members, had a neutral effect on costs in 2003.

Taxation
The ending of a challenge which the Inland Revenue had mounted to our tax treatment of a 1996 property transaction led to a refund which reduced our tax charge for the year by £10m and gave us an interest credit amounting to some £3m.

The Year Ahead
For John Lewis, the year ahead will see the completion of the four-year refurbishment project at Peter Jones, which holds great promise for this key profit-generator for the division. It will also see the start of another long project as Robert Sayle moves to a temporary home in Cambridge to make way for the Grand Arcade scheme, which is due for completion in 2007. Work continues on fitting out our second department store in the Manchester region, at the Trafford Centre, scheduled to open in mid-2005. We recently announced that we shall also be opening new department stores in Leicester in 2007 and Cardiff in 2008.

For Waitrose we shall complete four new branches already under development. The first, Wandsworth, opened successfully in February and Sanderstead, Newbury and Kensington will follow. We shall also be relocating our long established Newmarket shop.

We were delighted to announce in March 2004 that we are acquiring 19 supermarkets from William Morrison as a result of the disposal programme they are required to undertake following their acquisition of Safeway. Integration of these shops will be a significant challenge for Waitrose in the course of the coming year, but they will be greatly aided by the experience gained in 2000 when we purchased 11 supermarkets from Somerfield.

After 11 weeks of the trading year sales are ahead of last year by 5% at John Lewis and 4% at Waitrose.

The future holds great opportunities for growing our business, both from our existing portfolio of shops and from new developments. Forecasts for the economy indicate only modest growth in consumer expenditure, and so we shall need to continue to capture market share by trading more strongly than our competitors. Our profit advance over the last year has been the result of Partners in all parts of our business embracing change and seeking better ways of working, and the year ahead should see further gains as we continue with that same determination.

Sir Stuart Hampson
Chairman
22 April 2004

Directors and advisers

DIRECTORS

†Under the Constitution of the John Lewis Partnership five of the directors hold office by biennial election of the Partnership Council.

Sir Stuart Hampson age 57

Executive Chairman since 1993. Deputy Chairman from 1989-1993. Member of the Board since 1986. Joined the Partnership 1982.

Johnny Aisher † age 42

Information Systems Manager, Waitrose since 2003. Member of the Board since 1999. Joined the Partnership 1985.

Ian Alexander age 54

Finance Director since 2001. Member of the Board since 1990. Joined the Partnership 1987.

Anne Buckley † age 36

Assistant Staff and Training Manager, Waitrose since 2001. Joined the Board in 2003. Joined the Partnership 1985.

Steven Esom age 43

Managing Director, Waitrose since 2002 when he joined the Board. Joined the Partnership 1995.

David Felwick age 59

Deputy Chairman and General Inspector since 2002. Joined the Board in 1991. Joined the Partnership 1982.

David Jones † age 43

Head of Buying Services, Waitrose since 2002. Member of the Board since 1999. Joined the Partnership 1982.

Charlie Mayfield age 37

Development Director since 2001 when he joined the Board. Joined the Partnership 2000.

Luke Mayhew age 50

Managing Director, John Lewis since 2000. Member of the Board since 1993. Joined the Partnership 1992.

Alastair McKay † age 58

Partners' Counsellor since 2000. Member of the Board since 2000. Joined the Partnership 1990.

Andy Street age 40

Director of Personnel since 2002 when he joined the Board. Joined the Partnership 1985.

Ken Temple † age 56

Chief Registrar since 1995. Member of the Board since 1996. Joined the Partnership 1982.

OFFICERS AND ADVISERS

Company Secretary and Director of Legal Services

Terence Neville

Director of Financial Control

Ros Haigh FCA

Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells

Bankers

Royal Bank of Scotland PLC

Registered Office

171 Victoria Street, London SW1E 5NN,
Registered in England No. 238937

Transfer Office

Capita Registrars, The Registry,
34 Beckenham Road,
Beckenham, Kent BR3 4TU

Directors' report

Directors

The directors of the company at the date of this report are listed on Page 7. Anne Buckley was appointed as a director on 22 May 2003 and Monty Peach resigned on the same date. All other directors served in the period under review.

Principal Activity and Business Review

The principal activity of the group is retailing. The company controls, through John Lewis plc, the businesses listed on page 38, comprising 26 John Lewis department stores, 144 Waitrose supermarkets and ancillary manufacturing activities. A review of the business and future developments is included in the Chairman's statement.

Employees

The constitution of the John Lewis Partnership provides for the involvement of employees, known as Partners. As 'co-owners' of the business they are provided with full information on all aspects of its operations and take responsibility for promoting its commercial success. Elected councils at all levels of the business provide regular opportunities for management to be held accountable to Partners; councils receive regular reports by directors and have an opportunity to follow these up with questions on any subject, while an open system of journalism both contributes to this process of accountability and provides the means of sharing information extensively with all Partners. Partners also share in the profits of the business through Partnership Bonus.

The Partnership recuits people with disabilities to suitable vacancies on merit. All employees can benefit from our training and development policies. Where disability occurs during the period of employment, every effort is made to continue to provide suitable employment with the provision of appropriate training.

Corporate Governance

The ultimate purpose of the John Lewis Partnership is defined in its Constitution – "the happiness of all its members through their worthwhile, secure and satisfying employment in a successful business". Its Principles and Rules encourage the widest possible sharing of profit, knowledge and power by all Partners and also set out the business's responsibilities to its suppliers, its customers and the community in which it operates.

The following paragraphs describe the key governance structures and internal controls operating within the Partnership. Through these mechanisms, the Partnership aims to apply the highest standards of corporate governance and to conform with the spirit of the 'Combined Code' in a manner framed to suit its unique democratic ownership structure.

The co-ownership character of the Partnership is reflected in the balance of authority between the Chairman and his management team, the Board of John Lewis Partnership plc (the Partnership Board) and the elected Partnership Council. The Partnership Council nominates five of the twelve members of the Partnership Board, who are required to stand for re-election every two years. The Board meets at least 8 times a year and has a formal schedule of matters reserved for its decision. The Partnership's Constitution sets out the Partnership Board's responsibility for determining major strategic and financial issues. In particular, it agrees the Partnership Business Plan and those of the divisional Management Boards, its annual budget and monitors the performance of the two operating divisions against their business plans.

All new directors are provided with an appropriate induction programme and have access to the advice and services of the Company Secretary. Subsequent training is available on an ongoing basis to meet specific needs.

Internal Control

The directors have overall responsibility for the Partnership's system of internal control, which covers strategic, financial, regulatory and operational controls. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The directors have reviewed the effectiveness of the Partnership's system of internal control for the accounting period under review.

Audit Committee

The Partnership has an Audit Committee, chaired by the Deputy Chairman, David Felwick, and composed of two of the five elected directors chosen by that group, currently Johnny Aisher and Alastair McKay. It meets at least three times a year and its purpose is to assist the Board in ensuring the Partnership's systems provide accurate and up to date information on its financial position, and that the Partnership's published financial statements represent a true and fair statement of this position. It also ensures that appropriate accounting policies and internal controls are in place and it reviews the performance, independence and objectivity of the external auditors. Its terms of reference, which are available for inspection, are reviewed annually and include responsibility for making recommendations to the Partnership Board in relation to the appointment, re-appointment and removal of external auditors. The external auditors attend its meetings as does the Head of Internal Audit. The Head of Internal Audit has separate meetings with the Chairman of the Audit Committee and the Committee monitors and reviews the scope of work of the Internal Audit department.

As part of its remit, the Audit Committee keeps the nature and extent of non-audit services provided to the Partnership by the external auditors under review, seeking to ensure the maintenance of both their objectivity and independence. The external auditors confirm, at least annually, to the Audit Committee that in their professional judgement they are independent with respect to the audit. Furthermore, in September 2003, the Audit Committee introduced a policy (endorsed by the Partnership Board) that governs the scope of services provided by the external auditors and the approval process relating to them.

Remuneration Committee

The Partnership has a Remuneration Committee which makes a recommendation each year to the Board on the Chairman's pay, taking into account appropriate market data provided by an external remuneration consultant. The Committee also considers the Chairman's remuneration proposals for the appointed Partnership Board directors and provides a commentary to the Board on whether they are appropriate in relation to the market.

The Committee is chaired by the Deputy Chairman, David Felwick, and is composed of the Director of Personnel, Andy Street, and two of the five directors elected by the Partnership Council, chosen by that group, currently David Jones and Johnny Aisher. The Committee is supported by an external remuneration consultant who attends its meetings in an advisory capacity. The salaries of elected members of the Board are determined by their managers and do not include any element in recognition of their Board duties. Partnership Board directors do not receive fees as all members of the Board are paid a salary for their respective roles within the business, in accordance with the Partnership's pay policy, which requires salaries to be in line with market rates. Exceptional performance is recognised in enhanced pay and in individual bonuses, not against pre-set targets or criteria. There are no annual incentive bonuses or long-term bonus schemes related to individual or company performance. Details of directors' emoluments are set out in note 10.

Risk Committee

The Partnership Board has overall responsibility for internal control and the management of risk throughout the business. Executive management is responsible for identifying and evaluating the risks of business operations and for implementing and maintaining systems for managing those risks in an efficient and effective manner through their business planning processes in accordance with the Partnership Business Plan.

Directors' report

continued

The Partnership has a Risk Committee established as a committee of the Board. It is chaired by the Deputy Chairman, David Felwick, and composed of four other directors, currently Ian Alexander, Steven Esom, Charlie Mayfield and Luke Mayhew, together with the Director of Legal Services & Company Secretary, the Head of Risk Management & Insurance and the Director of Building & Services who provide appropriate functional and professional advice. It meets twice a year and its main purposes are to steer the Partnership's development of policies and systems for identifying, evaluating and managing significant risk throughout the group. It monitors management's actions to manage these risks and reports annually to the Board. The operating divisions, John Lewis and Waitrose, include risk assessments as part of their business plans as do all the corporate departments.

Health and Safety
The Director of Personnel, Andy Street, is the Partnership Board director with the remit for health and safety across the business. He is supported in this role by the Health and Safety Steering Group, comprising divisional board representatives from John Lewis and Waitrose, the Partnership's Safety Adviser, the Head of Risk Management & Insurance and the Chief Medical Adviser. The Group has a role in the determination of health and safety policy; providing effective health and safety leadership; ensuring management systems adequately provide for planning, organising, consulting, monitoring, reviewing performance and preventative measures in an atmosphere of continuous improvement; and reporting on health and safety performance.

The Partnership is committed to providing a safe shopping and working environment for customers, staff and contractors. During the year, we have developed an improved health and safety management system in the John Lewis division and increased our in-house technical expertise. We have also developed a database for consistent reporting, investigation and collation of statutorily reportable incidents. Although our environment is essentially low risk, we aim to manage health and safety effectively, in the same manner as we manage other business risks. These steps will allow us to achieve the standard of health and safety management and reporting expected of a top UK company by the Health and Safety Commission.

Corporate Social Responsibility (CSR)
The terms of the Partnership's Constitution clearly define the behaviour expected towards customers, suppliers, the wider community, the environment and its Partners. Social responsibility programmes and governance structures have been developed from these provisions and the principal responsibility for managing and co-ordinating environmental, ethical and social issues resides with the Partnership's Deputy Chairman, David Felwick.

In addition, the Partnership has a CSR Committee, a management committee reporting annually to the Partnership Board, which is representative of both Divisions and Corporate departments. The Committee is chaired by the Deputy Chairman, David Felwick and comprises several members of senior management. Its purpose is to define, stimulate and co-ordinate the Partnership's CSR policy and strategy, to lead the development of systems to manage them, to guide Divisional and Corporate implementation and to monitor and review performance. The policy is to integrate and align our CSR strategy with existing management structures.

The Partnership has made a public commitment to communicate its CSR programme and performance and promote good practice in general and considers this is best achieved through regular external reporting of its social and environmental progress. These reports are issued biennially and information on current policies and procedures is also included on the Corporate website. Individual branches are further encouraged to contribute to locally inspired initiatives and our membership of Business in the Community provides a platform to help co-ordinate these activities.

Pensions

The principal pension scheme operated by the Partnership is a non-contributory defined benefit scheme, providing benefits based on final pensionable pay. The assets of this scheme are held in a separate, trustee administered fund. Details are contained in note 31.

Payments to suppliers

The Partnership's policy on the payment of its suppliers is to agree terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with those terms. The Partnership's trade creditors at 31 January 2004 were equivalent to 23 days of purchases (27 days) during the year ended on that date.

Charitable and political donations

The Partnership donated £1,650,000 (£1,700,000) for charitable purposes during the year comprising £1,240,000 (£1,210,000) for welfare causes and £410,000 (£490,000) for music and arts, learning and the environment. In addition, we provided substantial financial and practical support to causes in the communities where we trade. The Partnership made no political donations.

Treasury policy and financial risk management

The Board approves the group's treasury and financial risk management policies; senior financial management are responsible for implementing these policies and directly controlling day to day treasury operations.

Interest rate risk

The group's policy is to have a mix of fixed and floating interest rate exposures. At 31 January 2004, total fixed rate financial liabilities were £350m, with £227m at floating rates, as detailed in note 21. At that date interest rate swaps were in place on £100m of fixed rate borrowing, converting it to floating rate. These swaps have terms of 8 years, with, on £50m of this, an option for the counterparty to cancel the arrangement from 2005 onwards.

Liquidity risk

The group's policy is to manage its borrowing requirements in line with a five year cash forecast which is produced annually. Committed revolving borrowing facilities of £300m are available for five years, together with a £50m loan for one year. The Board is satisfied that its borrowing facilities are adequate for the group's needs.

Currency risk

The group's policy is to hedge currency exposures with foreign exchange contracts so as to provide greater certainty on the cost of purchases from abroad. All major currencies are hedged, and at the year end £5.0m of a total £5.4m of liabilities denominated in foreign currency were covered in this way. In addition, £10.5m of commitments under forward orders were also hedged at the year end.

Derivatives and financial instruments

The main types of instrument used are interest rate swaps and forward currency contracts and such transactions are only undertaken, with approved counterparties, where there is an underlying commercial justification. The details of derivatives and other financial instruments required by FRS 13, Derivatives and Other Financial Instruments, are shown in notes 18, 21 and 22 to the Accounts.

Properties

The Partnership's freehold and long leasehold department store properties were last valued, by the directors, after consultation with Hillier Parker, Chartered Surveyors, at 31 December 1999 on the basis of existing use value, and this valuation was incorporated in the consolidated balance sheet at 29 January 2000. On adoption of FRS 15 the Partnership

Directors' report

continued

followed the transitional provisions to retain the book value of land and buildings revalued in 1999, together with certain leisure properties carried in the accounts at their 1988 valuation, and decided not to adopt a policy of revaluation for the future. These values are retained, subject to the requirement to test assets for impairment, in accordance with FRS 11.

The Partnership's supermarket and distribution properties are stated at depreciated historical cost.

Acquisition of stores
In March 2004 the group entered into a contract with Wm Morrison Supermarkets PLC to acquire 19 stores. The total cost of these stores, including conversion costs, taxes and fees is expected to be £330m. The contract is conditional on the approval of the Office of Fair Trading. Once approval is received, title to the stores will be transferred to the group on a phased basis.

Investments
In February 2004 the Partnership invested a further £8.6m in its associate company, Ocado Limited, by way of convertible loan stock.

Dividends and retentions
Dividends on Preference Shares absorbed £247,000 (£247,000) leaving £61.5m (£41.0m) to be transferred to reserves.

Purchase of shares
At the annual general meeting held on 25 June 2003, the company was authorised to make market purchases of up to £3,696,995 nominal of the 5% Cumulative Preference Stock and up to £500,000 nominal of the 7½% Cumulative Preference Stock representing the remaining stock in issue. No purchases were made during the year, and shareholders will be invited to renew the authority at the annual general meeting, as detailed on page 42.

The Board considers that these stocks are an inefficient form of fixed interest finance and that it would be advantageous to the company to acquire them over time.

Directors' interests
Under the Constitution of the Partnership all the directors, as employees of John Lewis plc, are necessarily 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 of certain other companies.

No director has or had a material interest in any contract or arrangement to which the company or any subsidiary is or was a party.

Going concern
The directors, having made appropriate enquiries, consider that the company and the group have adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

For and by Order of the Board
Terence Neville
Secretary
22 April 2004

Consolidated profit and loss account

for the year ended 31 January 2004

	Notes	Before exceptional items £m	Exceptional items (note 4) £m	*2004 £m	2003 **Restated £m
2	**Gross sales**	5,046.8	–	**5,046.8**	4,679.3
	Adjustment for sale or return sales	(76.9)	–	**(76.9)**	(66.9)
	Value added tax	(470.4)	–	**(470.4)**	(443.3)
	Turnover	4,499.5	–	**4,499.5**	4,169.1
	Cost of sales	(3,047.3)	–	**(3,047.3)**	(2,836.3)
	Gross profit	1,452.2	–	**1,452.2**	1,332.8
3	Operating expenses	(1,155.2)	(12.8)	**(1,168.0)**	(1,066.2)
31	Pension costs	(71.4)	–	**(71.4)**	(67.5)
2	**Trading profit**	225.6	(12.8)	**212.8**	199.1
	Exceptional gain on disposal of account card operation	–	4.3	**4.3**	–
	Share of operating loss of associate	(15.2)	–	**(15.2)**	(19.5)
	Total operating profit	210.4	(8.5)	**201.9**	179.6
5	Net interest payable	(31.1)	2.7	**(28.4)**	(34.1)
	Profit before Partnership bonus and taxation	179.3	(5.8)	**173.5**	145.5
	Partnership bonus	(87.3)	–	**(87.3)**	(67.6)
6	**Profit on ordinary activities before taxation**	92.0	(5.8)	**86.2**	77.9
7	Tax on profit on ordinary activities	(37.0)	12.5	**(24.5)**	(36.7)
8	**Profit for the financial year**	55.0	6.7	**61.7**	41.2
9	Dividends – including non equity interests	(0.2)	–	**(0.2)**	(0.2)
24	**Profit retained**	54.8	6.7	**61.5**	41.0

* 53 week year.

** The 2002/03 comparatives have been restated following the amendment to FRS 5, published in November 2003, and reflect a change of accounting policy for recognition of sales, as described in note 1.

There is no material difference between reported profits and profits on a historical cost basis for the company or the group.

The group has no recognised gains and losses other than the profit above, and therefore no separate statement of recognised gains and losses has been presented.

Consolidated balance sheet

as at 31 January 2004

Notes		2004 £m	2003 £m
	Fixed assets		
12	Goodwill	**0.2**	2.6
13	Tangible assets	**1,972.6**	1,917.3
14	Investment in associate	**18.6**	34.6
		1,991.4	1,954.5
	Current assets		
16	Stocks	**329.2**	315.3
17	Debtors	**87.5**	366.2
	Short term deposits	**314.0**	9.5
	Cash at bank and in hand	**66.3**	61.0
		797.0	752.0
	Creditors		
19	Amounts falling due within one year	**(587.8)**	(629.4)
	Net current assets	**209.2**	122.6
	Total assets less current liabilities	**2,200.6**	2,077.1
	Creditors		
19	Amounts falling due after more than one year	**(500.0)**	(450.0)
20	***Provisions for liabilities and charges***	**(157.6)**	(145.6)
	Net assets	**1,543.0**	1,481.5
	Capital and reserves		
23	Called up share capital – equity	**0.6**	0.6
	– non equity	**4.2**	4.2
	Total share capital	**4.8**	4.8
	Minority interest in subsidiary (non equity)	**0.4**	0.4
24	Revaluation reserve	**235.6**	238.6
24	Other reserves	**6.4**	6.4
24	Profit and loss account	**1,295.8**	1,231.3
	Total shareholders' funds (including non equity interests)	**1,543.0**	1,481.5

Approved by the Board on 22 April 2004

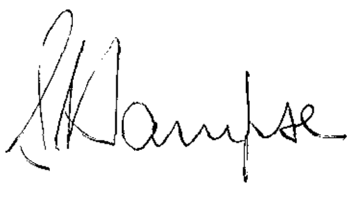
Sir Stuart Hampson

Balance sheet of the company

as at 31 January 2004

Notes		2004 £m	2003 £m
	Fixed assets		
15	Investments	**14.9**	14.9
	Current liabilities		
	Creditors	**(0.2)**	(0.2)
	Net *current liabilities*	**(0.2)**	(0.2)
	Net assets	**14.7**	14.7
	Capital and reserves		
23	Called up share capital – equity	**0.6**	0.6
	– non equity	**4.2**	4.2
	Total share capital	**4.8**	4.8
24	Other reserves	**5.0**	5.0
24	*Profit and loss account*	**4.9**	4.9
	Total shareholders' funds (including non equity interests)	**14.7**	14.7

Approved by the Board on 22 April 2004
Sir Stuart Hampson



Consolidated cash flow statement

for the year ended 31 January 2004

Notes		2004 £m	2003 £m
26	**Net cash inflow from operating activities**	**250.7**	244.8
	Returns on investments and servicing of finance		
	Interest received	**23.8**	1.0
	Exceptional interest income	**1.4**	–
	Interest paid	**(64.3)**	(32.3)
	Preference dividends paid	**(0.2)**	(0.2)
	Net cash outflow from returns on investments and servicing of finance	**(39.3)**	(31.5)
	Taxation	**(26.3)**	(30.9)
	Exceptional tax refund	**10.3**	–
	Capital expenditure and financial investment		
	Purchases of tangible fixed assets	**(209.9)**	(232.8)
	Proceeds of sales of tangible fixed assets	**4.9**	6.6
	Net cash outflow from capital expenditure and financial investment	**(205.0)**	(226.2)
	Acquisitions and disposals		
	Net proceeds of disposal of account card operation	**257.8**	–
	Investment in associate	–	(30.0)
	Net cash inflow/(outflow) before liquid resources and financing	**248.2**	(73.8)
	Management of liquid resources		
	Increase in short term deposits	**(304.5)**	(37.5)
	Financing		
	Increase in borrowings	–	115.0
	Net cash inflow from financing	–	115.0
	(Decrease)/increase in cash in the year	**(56.3)**	3.7

Reconciliation of net cash flow to net debt

Notes		2004 £m	2003 £m
	(Decrease)/increase in cash in the year	**(56.3)**	3.7
	Cash inflow from increase in debt and lease financing	–	(115.0)
	Cash outflow from increase in liquid resources	**304.5**	37.5
	Movement in debt for the year	**248.2**	(73.8)
27	Opening net debt	**(444.8)**	(371.0)
27	Closing net debt	**(196.6)**	(444.8)

Notes to the accounts

1 Accounting policies

Accounting convention and basis of consolidation
The consolidated profit and loss account and balance sheet include the accounts of the company and all its subsidiary and associated undertakings. The group's share of the profit or loss of associated undertakings is included in the consolidated profit and loss account, and the share of net assets is included in the consolidated balance sheet, using the equity accounting method. The results included are based on the latest audited accounts, or management accounts where their accounting date is not co-terminous with the group's year end. The accounts are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their revalued amounts, and in accordance with the Companies Act 1985 and applicable accounting standards.

An amendment to FRS 5 has provided new guidance on revenue recognition, and this has been adopted by the group in the year. The group's accounting policy has changed to account for gross sales net of staff discounts, and to include in turnover only the commission element of sale or return sales. The prior year comparatives have been restated accordingly. This had no effect on reported profits.

Gross sales and turnover
Gross sales are the amounts receivable by the group for goods and services supplied to customers, net of discounts but including sale or return sales and VAT. Turnover is stated net of adjustments for sale or return sales and VAT.

Stock valuation
Stock is stated at the lower of cost, which is generally computed on the basis of selling price less the appropriate trading margin, and net realisable value. Stocks exclude sale or return merchandise.

Pension costs
The cost of providing retirement benefits is recognised in the profit and loss account so as to spread it over employees' working lives. The contributions are assessed in accordance with the advice of a qualified actuary. Any funding surpluses or deficits are amortised over the average remaining employees' service life. The group has adopted the transitional provisions of FRS 17, Retirement Benefits.

Property valuation
The Partnership's freehold and long leasehold department store properties were last valued by the directors, after consultation with Hillier Parker, Chartered Surveyors, at 31 December 1999, on the basis that each property is regarded as available for existing use in the open market. On adoption of FRS 15 the Partnership followed the transitional provision to retain the book value of land and buildings revalued in 1999, together with certain leisure properties carried in the accounts at their 1988 valuation, and decided not to adopt a policy of revaluation for the future. These values are retained subject to the requirement to test for impairment, in accordance with FRS 11. Supermarket and distribution properties are carried at depreciated historical cost.

Depreciation
No depreciation is charged on freehold land, leasehold land with over 100 years to expiry, and assets in the course of construction. Depreciation is calculated for all other assets to write off the cost or valuation, less residual value, in equal annual instalments at the following rates:

Freehold and long leasehold buildings – 2% to 4%
Other leaseholds – over the remaining period of the lease
Buildings fixtures – 2.5% to 10%
Fixtures and fittings – 10% to 33%

Notes to the accounts

continued

1 Accounting policies (continued)

Leased assets
Assets used by the group which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors. The interest element of finance lease rentals is charged to the profit and loss account. Rentals payable under operating leases are charged to the profit and loss account as incurred.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, with the exception of gains that would arise if properties were sold at their revalued amounts. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Goodwill
For acquisitions of subsidiary undertakings made after February 1998, goodwill is capitalised as an intangible fixed asset. Goodwill relating to aquisitions of associated undertakings made after February 1998 is capitalised as part of the cost of investment. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to bring the accounting policies of acquired businesses into alignment with those of the group. Goodwill arising on acquisitions is amortised by equal annual instalments over its estimated useful economic life, taking into account the nature of the business acquired and other competitive considerations.

Prior to February 1998 goodwill arising on the acquisition of subsidiaries was written off to reserves at the time of acquisition.

Financial instruments
The group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates and interest rates. Derivative instruments used by the group are primarily interest rate swaps and forward currency contracts. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to the interest charge over the period of the contract. Each forward currency contract is accounted for a hedge, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account.

Insurance
The group's captive insurance company, JLP Insurance (Guernsey) Limited, provides reinsurance of the group's employers', public and vehicle third party liability insurances, and of the group's healthcare insurance cover. It also insures ServicePlan Limited, a third party provider of extended warranty products to customers of John Lewis. Appropriate reinsurance arrangements limit the company's liability. The results of each liability underwriting year are determined at the end of the third year when any profits or losses arising are recognised. In the interim, the level of insurance provisions for unreported and uncertain future liabilities is kept under review and, where appropriate, adjustments are made. Extended warranty insurances are accounted for on an annual basis, with unearned premiums attributed to unexpired periods of insurance at the year end, and held in a ring fenced Trust administered by an Independent Trustee.

Foreign currencies
Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year-end are translated at year-end exchange rates or the exchange rate of a related forward exchange contract where appropriate. The resulting exchange gain or loss is dealt with in the profit and loss account.

2 Divisional analysis of gross sales* and trading profit

	Gross sales		Trading profit			
	2004 £m	2003 Restated £m	Before exceptional items £m	Exceptional items (note 4) £m	**2004 £m**	2003 £m
John Lewis	**2,355.5**	2,267.1	111.0	(12.4)	**98.6**	105.9
Waitrose	**2,691.3**	2,412.2	114.6	(0.4)	**114.2**	93.2
	5,046.8	4,679.3	225.6	(12.8)	**212.8**	199.1

*Gross sales include sale or return sales and VAT.

The Partnership is principally engaged in the business of retailing, in John Lewis department stores and Waitrose supermarkets, and also operates some ancillary manufacturing and farming activities.

The business is carried on in the United Kingdom and gross sales derive almost entirely from that source. Gross sales and trading profit derive from continuing operations, there having been no material discontinued operations or acquisitions in the year.

During the year the customer account card operation transferred to HFC Bank plc. This reduced John Lewis profits as, previously, interest earned on customer accounts, after store costs, was included in divisional income.

3 Operating expenses

	2004 £m	2003 Restated £m
Branch operating expenses	**896.6**	818.9
Administrative expenses	**271.4**	247.3
	1,168.0	1,066.2

4 Exceptional items

	2004 £m	2003 £m
Exceptional items comprise the following (charges) and credits:		
Operating expenses – reorganisation costs, primarily within John Lewis (including asset write downs of £2.5m)	**(12.8)**	–
Gain on disposal of account card operation	**4.3**	–
Interest on corporation tax refund	**2.7**	–
Corporation tax refund	**10.3**	–
Tax effect of exceptional items		
Current tax	**0.7**	–
Deferred tax	**1.5**	–
	6.7	–

Notes to the accounts

continued

4 Exceptional items (continued)

Following the disposal of the account card operation, the Partnership received £233m for the book value of the related debtors, plus a premium of £27m. £13.5m of the premium was taken to profit, offset by £9.2m costs to give a £4.3m gain, and £13.5m has been deferred on the balance sheet. The corporation tax refund of £10.3m and associated interest of £2.7m arise from the conclusion of a dispute with the Inland Revenue.

5 Net interest payable

	2004 £m	2003 £m
Interest payable on:		
Bank loans and overdrafts	**8.1**	12.3
Other loans repayable within 5 years	**5.2**	5.1
Loans repayable in more than 5 years	**30.1**	24.9
Interest receivable	**(13.1)**	(8.9)
Exceptional interest receivable on corporate tax refund	**(2.7)**	–
Group	**27.6**	33.4
Share of interest charge of associate	**0.8**	0.7
	28.4	34.1

6 Profit on ordinary activities before taxation

	2004 £m	2003 £m
Profit on ordinary activities before taxation is stated after charging the following:		
Depreciation – owned assets	**126.8**	111.9
Amortisation of goodwill – subsidiaries	**2.4**	2.3
– associate	**1.0**	3.6
Auditors' remuneration – audit of group	**0.5**	0.5
– audit of company (included in the above)	**0.1**	0.1
– non audit	**0.1**	0.3
Operating lease rentals – land and buildings	**52.7**	48.9
– plant and machinery	**1.9**	0.5

7 Tax on profit on ordinary activities

	2004 £m	2003 £m
Analysis of tax charge:		
Corporation tax based on the profit for the year	**30.6**	27.3
Corporation tax – prior years	**(14.5)**	(2.0)
Total current tax charge	**16.1**	25.3
Deferred tax – origination and reversal of timing differences	**8.4**	11.4
	24.5	36.7

7 Tax on profit on ordinary activities (continued)

	2004 £m	2003 £m
The tax credit which is attributable to exceptional items comprises:		
Current tax	**(11.0)**	–
Deferred tax	**(1.5)**	–
	(12.5)	–

The tax charge is based on a corporation tax rate of 30% (30%).

	2004 £m	2003 £m
Factors affecting the tax charge for the year:		
Profit on ordinary activities before tax and after Partnership bonus	**86.2**	77.9
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	**25.9**	23.4
Effects of:		
Expenses not deductible for tax purposes:		
Losses and goodwill amortisation of associate	**4.8**	6.1
Goodwill amortisation of subsidiaries	**0.7**	0.7
Exceptional items	**0.9**	–
Other	**1.1**	2.2
Capital allowances in excess of depreciation	**(0.8)**	(4.0)
Other timing differences	**(0.2)**	0.6
Non-taxable receipts	**(1.8)**	(1.7)
Adjustment for prior years	**(14.5)**	(2.0)
Current tax charge for the year	**16.1**	25.3

8 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, John Lewis Partnership plc has not presented its own profit and loss account. The profit dealt with in the accounts of the company amounted to £nil (£0.1m).

9 Dividends

	2004 £m	2003 £m
Non equity interests		
7½% First Cumulative Preference Stock and 5% Cumulative Preference Stock	**0.2**	0.2

Notes to the accounts

continued

10 Directors' emoluments

	2004 £000	2003 £000
Directors' remuneration including Partnership bonus of 12% (10%)	**3,479**	3,110

The emoluments of the Chairman, who was also the highest paid director, were £626,000 (£554,000), including Partnership bonus of £66,000 (£49,000). The Chairman's aggregate pension entitlement from the age of 60 accrued at the end of the year was £363,000 per annum (£317,000 per annum). The transfer value of the increase in accrued entitlement during the year was £524,000.

Excluding pension fund contributions but including Partnership bonus, the emoluments of the individual directors, excluding the Chairman, who served on the Board during any part of the year, were as follows:

	2004	2003		2004	2003
£0 - £50,000	**2**	3	£300,001 - £350,000	–	2
£50,001 - £100,000	**2**	2	£350,001 - £400,000	**1**	1
£150,001 - £200,000	**1**	2	£400,001 - £450,000	**2**	–
£200,001 - £250,000	**1**	2	£450,001 - £500,000	**1**	1
£250,001 - £300,000	**2**	–			

Contracts of employment for the Chairman and six directors provide for a notice period of one year. Contracts for all other directors provide for six months' notice, with the exception of two directors who have notice periods of three months.

All members of the Board qualify for the annual distribution of profit in Partnership bonus, paid at the same percentage of pay as for any Partner in employment on 31 January.

The Chairman and ten of the thirteen members of the Board who served during the year were entitled to a car for their personal use, or its cash equivalent. The same number of directors also benefited from private medical insurance paid by the Partnership.

All members of the Board belong to the Partnership's non-contributory pension scheme. During the year the Chairman and five directors also belonged to a senior pension scheme which provides additional benefits intended to produce a total pension worth two-thirds of pensionable pay on retirement at age 60, after at least 20 or 30 years' service, depending on the level of benefit. The Inland Revenue introduced a ceiling on tax-exempt pension benefits in 1989. The Partnership has given undertakings that four directors who are affected by this ceiling will have their pension made up to the same level as other directors benefiting from the senior pension scheme. The obligation is unfunded but, in line with group policy, provision has been made for this liability.

The annual pension entitlements from the age of 60, accrued at the end of the year for individual directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amounts for the same individuals, were as follows:

	2004	2003		2004	2003
£0 - £50,000	**5**	6	£151,001 - £200,000	**1**	–
£50,001 - £100,000	**4**	3	£200,001 - £250,000	–	1
£100,001 - £150,000	**1**	2	£250,001 - £300,000	**1**	–

10 Directors' emoluments (continued)

The aggregate pension entitlement accrued at the end of the year for all directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amount for the same individuals, was £914,000 per annum (£734,000 per annum). The increase in accrued pension reflects the combined effect of a further year's service and of an increase in pay during the year. In addition, most of the directors are entitled to temporary pensions payable from the age of 60 until their State pension starts. The amounts of these temporary pensions are all less than the State pensions they expect to receive. The aggregate entitlement to temporary pensions was £23,000 per annum (£22,000 per annum). The transfer value of the aggregate increase in accrued entitlement, including temporary pensions, during the year was £1,795,000.

11 Employees

During the year the average number of employees of the group, all of whom were employed in the UK, was as follows:

	2004	2003
John Lewis	**27,300**	28,000
Waitrose	**30,600**	29,000
Other	**1,700**	1,800
	59,600	58,800

Employment and related costs were as follows:

	2004 £m	2003 £m
Staff costs:		
Wages and salaries	**689.7**	653.7
Social security costs	**55.9**	49.2
Partnership bonus	**77.7**	60.7
Employers' national insurance on Partnership bonus	**9.6**	6.9
Pension costs	**71.4**	67.5
Partner discounts (deducted from gross sales)	**19.0**	17.8

12 Goodwill

	£m
Cost at 25 January 2003 and 31 January 2004	7.0
Amortisation at 25 January 2003	4.4
Amortisation charge for the period	2.4
Amortisation at 31 January 2004	6.8
Net book value at 25 January 2003	2.6
Net book value at 31 January 2004	**0.2**

Notes to the accounts

continued

12 Goodwill (continued)

Goodwill is in respect of the acquisition in March 2001 of buy.com Limited. Goodwill is being amortised on a straight line basis over three years, which is the period over which the directors estimate that the value of the underlying business is expected to exceed the value of the underlying assets.

13 Tangible fixed assets

	Land and buildings £m	Fixtures and fittings £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation				
At 25 January 2003	1,698.7	922.6	96.2	2,717.5
Additions at cost	26.0	55.5	109.6	191.1
Transfers	89.5	55.1	(144.6)	–
Disposals	(3.9)	(65.8)	–	(69.7)
At 31 January 2004	**1,810.3**	**967.4**	**61.2**	**2,838.9**
At cost	1,185.8	967.4	61.2	2,214.4
At valuation 1988	21.0	–	–	21.0
At valuation 2000	603.5	–	–	603.5
At 31 January 2004	**1,810.3**	**967.4**	**61.2**	**2,838.9**
Depreciation				
At 25 January 2003	243.4	556.8	–	800.2
Charges for the year	45.4	81.4	–	126.8
Transfers	(0.1)	0.1	–	–
Disposals	(1.5)	(59.2)	–	(60.7)
At 31 January 2004	**287.2**	**579.1**	–	**866.3**
Net book values at 25 January 2003	1,455.3	365.8	96.2	1,917.3
Net book values at 31 January 2004	**1,523.1**	**388.3**	**61.2**	**1,972.6**

	2004 £m	2003 £m
Land and buildings at cost or valuation:		
Freehold property	**989.3**	947.0
Leasehold property, 50 years or more unexpired	**628.1**	668.7
Leasehold property, less than 50 years unexpired	**192.9**	83.0
	1,810.3	1,698.7

13 Tangible fixed assets (continued)

In 1988 Hillier Parker, chartered surveyors, valued most of the Partnership's freehold and long leasehold properties. This valuation was on the basis of existing use value. At 31 December 1999, the directors, after consultation with Hillier Parker, revalued the Partnership's department store properties on the same basis, and this valuation was incorporated into the accounts as at 29 January 2000. All supermarket and distribution properties are stated at depreciated historical cost. Certain leisure properties, which represent less than 2% of the Partnership's total property assets, are carried in the accounts at their 1988 valuation, which was carried out by external valuers, depreciated as appropriate.

On adoption of FRS 15 the Partnership followed the transitional provisions to retain the book value of land and buildings revalued in 1999 and 1988, and decided not to adopt a policy of revaluation for the future. These values are retained subject to the requirement to test for impairment, in accordance with FRS 11.

Included in land and buildings at 31 January 2004 is land valued at £362.9m (£335.0m), which is not subject to depreciation. At 31 January 2004 land and buildings would have been included at the following amounts, if they had not been revalued:

	2004 £m	2003 £m
Cost	**1,607.8**	1,496.2
Accumulated depreciation	**(320.3)**	(279.5)
	1,287.5	1,216.7

The gross cost of assets held under finance leases is £12.3m (£12.3m) with accumulated depreciation in respect of those assets of £12.3m (£12.3m).

Notes to the accounts

continued

14 Investment in associate

Cost	Share of net assets £m	Loans £m	Goodwill £m	Total £m
At 25 January 2003	1.9	30.0	17.0	48.9
Share of retained loss	(15.0)	–	–	(15.0)
Dilution of interest	2.8	–	(0.5)	2.3
At 31 January 2004	**(10.3)**	**30.0**	**16.5**	**36.2**
Amounts written off				
At 25 January 2003	–	–	(14.3)	(14.3)
Amortisation in year	–	–	(1.0)	(1.0)
Dilution of interest	–	–	0.4	0.4
Credit arising on dilution of interest	–	(1.1)	(1.6)	(2.7)
At 31 January 2004	–	**(1.1)**	**(16.5)**	**(17.6)**
Net book value				
At 25 January 2003	1.9	30.0	2.7	34.6
At 31 January 2004	**(10.3)**	**28.9**	–	**18.6**

Investments represent 0.1% of the Ordinary Shares and 60% of the Convertible Preference Shares of Ocado Limited which equates to 36% of the issued share capital.

In November 2003 preference shares were issued to other investors providing funding and, as a result, the Partnership's holding reduced from 37% to 36% of the issued share capital. This gave rise to a credit of £2.7m on the dilution of the holding; however, the Directors do not believe it is appropriate to recognise such a credit at this stage in Ocado's development. Accordingly, the amount has been taken against loans and goodwill on the group's investment in Ocado.

If all holders of loan stock were to exercise their rights to convert to preference shares, the Partnership's holding in Ocado would increase to 43%. £17.7m of the loan stock is repayable in 2007 or, at Ocado's option, from 2004. Conversion to preference shares is at the Partnership's option, from 2004. £12.3m of B loan stock is repayable in 2010, or earlier at Ocado's option. Conversion to preference shares is at the Partnership's option in 2010 or on earlier repayment of the loan stock, or in the event of Ocado issuing new shares to other investors.

Goodwill is being amortised on a straight line basis over five years. This is the period over which the directors estimate that the value of the underlying business is expected to exceed the value of the underlying assets.

In February 2004 the Partnership invested a further £8.6m in Ocado loan stock.

15 Fixed asset investments

	Subsidiary		Other	Total
Company	**Shares in John Lewis plc £m**	**Loan to John Lewis plc £m**	**Shares in John Lewis Partnership Trust Limited £m**	**£m**
At 25 January 2003	13.0	1.8	0.1	14.9
Movements	–	(0.2)	–	(0.2)
Dividend receivable	–	0.2	–	0.2
At 31 January 2004	**13.0**	**1.8**	**0.1**	**14.9**

16 Stocks

	2004 £m	2003 £m
Raw materials	**7.5**	8.4
Work in progress	**2.6**	2.2
Finished goods and goods for resale	**319.1**	304.7
	329.2	315.3

17 Debtors

	2004 £m	2003 £m
Amounts falling due within one year:		
Trade debtors	**25.4**	297.6
Other debtors	**25.6**	21.8
Due from associated undertaking	**2.9**	1.3
Prepayments and accrued income	**33.6**	45.5
	87.5	366.2

Notes to the accounts

continued

18 Analysis of financial assets

The currency and interest rate exposure of the group's financial assets is as set out below. Short term debtors are excluded from this analysis.

Interest rate and currency analysis	Floating rate £m	Non interest bearing £m	Total £m
Sterling	372.6	5.7	378.3
Euro	1.9	–	1.9
Other	0.1	–	0.1
At 31 January 2004	**374.6**	**5.7**	**380.3**
Sterling	61.1	6.3	67.4
Euro	2.3	–	2.3
US dollar	0.7	–	0.7
Other	0.1	–	0.1
At 25 January 2003	64.2	6.3	70.5

Floating rate assets are bank balances and short term deposits at interest rates linked to LIBOR. Non interest bearing balances relate to cash floats, primarily held in the stores.

19 Creditors

	2004 £m	2003 £m
Amounts falling due within one year:		
Bank overdraft and other borrowings	**76.9**	15.3
Loans	–	50.0
Trade creditors	**239.3**	277.8
Other creditors	**81.5**	76.4
Corporation tax	**6.3**	6.3
Other taxation and social security	**58.1**	68.6
Accruals and deferred income	**48.0**	74.3
Partnership bonus	**77.7**	60.7
	587.8	629.4
Amounts falling due after more than one year:		
Loans	**50.0**	–
10¼% Bonds, 2006	**50.0**	50.0
6⅜% Bonds, 2012	***300.0***	*300.0*
10½% Bonds, 2014	**100.0**	100.0
	500.0	450.0

Trade creditors includes £5.4m (£4.9m) of balances denominated in foreign currencies. Of this, £5.0m (£4.6m) is covered by currency bank balances or forward currency contracts as at the year end. All borrowings are unsecured and are repayable on the dates shown at par.

20 Provisions for liabilities and charges

	Deferred tax £m	Pensions £m	Other £m	Total £m
At 25 January 2003	119.8	14.9	10.9	145.6
Charged to profit and loss account	8.4	71.4	14.7	94.5
Utilised	–	(71.9)	(10.6)	(82.5)
At 31 January 2004	**128.2**	**14.4**	**15.0**	**157.6**

Further details on pensions are provided in note 31. Other provisions include reorganisation costs, accrued holiday pay, property related costs and provisions for service guarantees. The exact timing of utilisation of these provisions will vary according to the individual circumstances. However, the group's best estimate of utilisation is provided in note 21.

Provision for deferred taxation	2004 £m	2003 £m
Accelerated capital allowances	**131.6**	123.7
Pension and other timing differences	**(3.4)**	(3.9)
	128.2	119.8

No provision has been made in these accounts for the liability to taxation of £46.2m (£49.9m) on capital gains, which would arise if properties were to be sold at the amounts at which they were revalued and included in these accounts.

21 Analysis of financial liabilities

The currency and interest rate exposure of the group's financial liabilities, after taking account of £100m of swaps from fixed rate to floating rate, is as set out below. Short term creditors are excluded from this analysis.

Interest rate and currency analysis	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m
All sterling				
At 31 January 2004	**350.0**	**226.9**	**15.0**	**591.9**
At 25 January 2003	250.0	265.3	10.9	526.2

Floating rate borrowings are at interest rates linked to LIBOR. The weighted average rate for fixed rate borrowings is 8.1% (8.8%), with a weighted average period to maturity of 7.8 years (8.7 years).

Other financial liabilities excludes non equity minority interests of £0.4m (£0.4m), and preference share capital of £4.2m (£4.2m) as detailed in note 23.

21 Analysis of financial liabilities (continued)

Maturity of financial liabilities	**2004 £m**	2003 £m
Repayable in one year or less		
Bank overdraft and other borrowings	**76.9**	15.3
Provisions	**9.6**	5.5
	86.5	20.8
Repayable between one and two years		
Provisions	**3.3**	4.5
Loans	**50.0**	–
	53.3	4.5
Repayable between two and five years		
Provisions	**1.6**	0.9
Loans	–	50.0
10¼% Bonds 2006	**50.0**	50.0
	51.6	100.9
Repayable in more than five years		
Provisions	**0.5**	–
6⅜% Bonds 2012	**300.0**	300.0
10½% Bonds 2014	**100.0**	100.0
	400.5	400.0
	591.9	526.2

Borrowing facilities
In December 2003 committed facilities of £150m, due to expire in May 2004, were cancelled and replaced by committed facilities of £300m, which expire in December 2008.

At 31 January 2004 the group had undrawn committed facilities of £300m expiring in 2-5 years (£10m, expiring in 1-2 years). There was also an undrawn overdraft facility of £75m (£60m), renewable on an annual basis.

Further information in connection with FRS 13, Derivatives and Other Financial Instruments, is given in the Directors' Report on page 11.

Notes to the accounts

continued

22 Fair values of financial instruments

	2004 Book value £m	2004 Fair value £m	2003 Book value £m	2003 Fair value £m
Derivatives				
Interest rate swap	–	2.3	–	11.3
Forward currency contracts				
– to hedge existing creditors	–	(0.1)	–	–
– to hedge future purchases	–	(0.5)	–	(0.1)
Assets				
Short term deposits	314.0	314.0	9.5	9.5
Cash at bank and in hand	66.3	66.3	61.0	61.0
Liabilities				
Short term borrowings	(76.9)	(76.9)	(65.3)	(65.3)
Long term borrowings	(500.0)	(549.2)	(450.0)	(555.0)
Provisions	(15.8)	(15.8)	(10.9)	(10.9)
Non equity shares				
Preference shares	(4.2)	(3.3)	(4.2)	(3.5)
Non equity minority interest	(0.4)	(0.4)	(0.4)	(0.4)

Market values have been used to determine the fair value of derivatives, long term borrowings and preference shares. For other assets and liabilities carrying value represents fair value. There are no material exchange rate or other gains or losses recognised in the year or unrecognised as at the year end. Short term debtors and creditors, apart from borrowings and items covered by forward currency contracts, are excluded from this analysis.

23 Share capital

	2004 Authorised £m	2004 Issued and fully paid £m	2003 Authorised £m	2003 Issued and fully paid £m
Equity				
Deferred Ordinary Shares of £1 each	0.6	0.6	0.6	0.6
Non equity				
Fixed interest Cumulative Preference Stock of £1 each held by the public:				
7½%	0.6	0.5	0.6	0.5
5%	8.8	3.7	8.8	3.7
	10.0	4.8	10.0	4.8

23 Share capital (continued)

Unless the preference dividends are in arrears, the 7½% and 5% Cumulative Preference Shares only have voting rights in relation to a variation of their class rights. The amounts receivable in a winding up would be limited to the amounts paid up, for the 5% Cumulative Preference Shares, and to one and a half times the amounts paid up for the 7½% Cumulative Preference Shares. The Deferred Ordinary Shares rank in all respects as equity shares except that each share has 1000 votes in a vote taken on a poll.

The Deferred Ordinary Shares are held by John Lewis Partnership Trust Limited, with whom ultimate control rests.

24 Reserves

Consolidated	*Profit and loss account £m*	*Capital redemption reserve £m*	*Revaluation reserve £m*	*Other reserves £m*	*Total reserves £m*
At 25 January 2003	1,231.3	5.0	238.6	1.4	1,476.3
Profit retained	61.5	–	–	–	61.5
Transfers	3.0	–	(3.0)	–	–
At 31 January 2004	**1,295.8**	**5.0**	**235.6**	**1.4**	**1,537.8**

The cumulative amount of goodwill written off to reserves is £10.9m (£10.9m).

Company	Profit and loss account £m	Capital redemption reserve £m	Total reserves £m
At 25 January 2003	4.9	5.0	9.9
Profit retained	–	–	–
At 31 January 2004	**4.9**	**5.0**	**9.9**

All of the reserves are attributable to equity shareholders.

Notes to the accounts

continued

25 Reconciliation of movements in shareholders' funds

	2004 £m	2003 £m
Profit for the financial year	**61.7**	41.2
Dividends	**(0.2)**	(0.2)
Net addition to shareholders' funds	**61.5**	41.0
Opening shareholders' funds	**1,481.5**	1,440.5
Closing shareholders' funds	**1,543.0**	1,481.5

26 Reconciliation of trading profit to net cash inflow from operating activities

	2004 £m	2003 £m
Trading profit	**212.8**	199.1
Depreciation charged	**126.8**	111.9
Amortisation of goodwill	**2.4**	2.3
(Increase)/decrease in debtors	**31.0**	(8.6)
Increase/(decrease) in creditors	**(43.9)**	6.1
Movement in provisions	**3.1**	4.6
Increase in stocks	**(13.9)**	(13.3)
Partnership bonus paid for previous year	**(67.6)**	(57.3)
Net cash inflow from operating activities	**250.7**	244.8

Included in net cash inflow from operating activities are cash outflows of £9.6m in respect of exceptional reorganisation costs.

27 Analysis of changes in net debt

	2003 £m	Cash flows £m	Other changes £m	2004 £m
Cash balances	61.0	**5.3**	–	**66.3**
Overdrafts	(15.3)	**(61.6)**	–	**(76.9)**
	45.7	**(56.3)**	–	**(10.6)**
Debt due within one year	(50.0)	–	**50.0**	–
Debt due after one year	(450.0)	–	**(50.0)**	**(500.0)**
Short term (loans)/deposits	9.5	**304.5**	–	**314.0**
Net debt	(444.8)	**248.2**	–	**(196.6)**

28 Acquisition of stores

In March 2004 the group entered into a contract with Wm Morrison Supermarkets PLC to acquire 19 stores. The total cost of these stores, including conversion costs, taxes and fees is expected to be £330m. The contract is conditional on the approval of the Office of Fair Trading. Once approval is received, title to the stores will be transferred to the group on a phased basis.

29 Commitments

At 31 January 2004 contracts had been entered into for future capital expenditure of £43.8m (£53.9m).

John Lewis plc has entered into bank guarantees in favour of subsidiary companies amounting to £16.0m, and lease and loan guarantees in favour of the group's associate company (Ocado) of £18.6m. In February 2004 the Partnership invested a further £8.6m in Ocado, and an £8m loan guarantee consequently lapsed.

30 Lease commitments

Operating leases Rentals for the next financial year on operating leases expiring:	**2004 Land and Buildings £m**	**2004 Plant and Machinery £m**	2003 Land and Buildings £m	2003 Plant and Machinery £m
Within 1 year	**1.2**	**0.3**	2.1	0.1
Between 1 and 5 years	**2.8**	**0.7**	3.3	0.4
Over 5 years	**49.1**	**–**	44.1	–

31 Pension commitments

The principal pension scheme operated by the Partnership is a defined benefit scheme, providing benefits based on final pensionable pay. The assets of this scheme are held in a separate, trustee administered fund.

The fund was last valued by consulting actuaries as at 31 March 2001, using the projected unit method. The assumption which has the most significant effect on the results of the valuation is the relative rate of return on the investments of the fund compared with increases in pay and pensions. It was assumed for this purpose that, on average, the annual return on investments would exceed increases in pay and pensions by 2.1% and 3.6% respectively. The market value of the assets of the fund as at 31 March 2001 was £1,000m. The actuarial valuation of these assets showed that they were sufficient to cover 94% of the benefits which had accrued to members.

The actuaries have recommended a normal future contribution rate of 9.0% of total pay, together with an additional 1.0% of total pay in respect of the past-service deficit arising from the actuarial valuation. The pension charge for the year, calculated according to the provisions of SSAP 24, was equivalent to 10.0% (10.0%) of total pay and amounted to £69.0m (£65.4m), including notional interest of £nil (£nil) on the pension charge accrued in the consolidated balance sheet. The next actuarial valuation of the fund will take place as at 31 March 2004.

As explained in note 10, there is also a senior pension scheme which provides additional benefits to certain members of senior management. The actuaries have recommended a funding rate of 14.8% or 28.7% of pay, depending on the level of benefits provided. The charge for the year was £1.4m (£1.3m). Provision has also been made for unfunded benefits, amounting to £1.0m (£0.8m). Both of these amounts are included in the total pension cost of £71.4m (£67.5m).

The disclosures required by FRS 17, Retirement Benefits, have been based on the most recent actuarial valuations, as at 31 March 2001, and have been updated by the actuaries to assess the value of the assets and liabilities of the schemes as at 31 January 2004.

Notes to the accounts

continued

31 Pension commitments (continued)

Scheme assets are stated at market values at 31 January 2004. The following financial assumptions have been used:

	2004	2003	2002
Future price inflation	**2.60%**	2.25%	2.25%
Discount rate	**5.60%**	5.75%	5.75%
Increases in earnings	**4.10%**	3.75%	3.75%
Increases in pensions	**2.60%**	2.25%	2.25%

The assets in the schemes and the expected rates of return were:

	31 January 2004		25 January 2003		26 January 2002	
	Long term expected rate of return	**Value £m**	Long term expected rate of return	Value £m	Long term expected rate of return	Value £m
Assets						
Equities	**8.25%**	**747.0**	8.50%	577.0	7.75%	780.0
Properties	**6.90%**	**141.0**	6.80%	131.0	6.50%	114.0
Bonds	**5.60%**	**183.0**	5.75%	138.0	5.25%	99.0
Other assets	**3.60%**	**30.0**	3.80%	5.0	4.50%	10.0
Total market value of assets		**1,101.0**		851.0		1,003.0
Present value of scheme liabilities		**(1,507.0)**		(1,282.0)		(1,189.0)
Deficit in schemes		**(406.0)**		(431.0)		(186.0)
Related deferred tax asset		**121.8**		129.3		55.8
Net pension liability		**(284.2)**		(301.7)		(130.2)

If the above amounts had been recognised in the financial statements, the group's net assets and profit and loss reserve would be as follows:

	2004 £m	**2003 £m**
Net assets		
Net assets as reported	**1,543.0**	1,481.5
Add back SSAP 24 pension liability, net of deferred taxation	**10.1**	10.4
Less FRS 17 pension liability	**(284.2)**	(301.7)
Net assets including FRS 17 pension liability	**1,268.9**	1,190.2
Reserves		
Profit and loss reserve as reported	**1,295.8**	1,231.3
Add back SSAP 24 pension liability, net of deferred taxation	**10.1**	10.4
Less FRS 17 pension liability	**(284.2)**	(301.7)
Profit and loss reserve including FRS 17 pension liability	**1,021.7**	940.0

31 Pension commitments (continued)

The following amounts would have been recognised in the performance statements under the requirements of FRS 17:

	Year ended 31 January 2004 £m	Year ended 25 January 2003 £m
Operating profit		
Current service cost	**79.3**	71.0
Past service cost	**16.9**	–
Charge to operating profit	**96.2**	71.0
Other finance income		
Expected return on assets	**(69.4)**	(74.4)
Interest on pension liabilities	**72.4**	67.2
Charge/(credit) to financing cost	**3.0**	(7.2)
Charge to profit and loss account	**99.2**	63.8
Statement of total recognised gains and losses		
Actual return less expected return on assets	**(158.4)**	248.1
Experience gains arising on liabilities	**(28.3)**	(1.7)
Changes in assumptions underlying the present value of liabilities	**135.0**	–
Total actuarial (gain)/loss recognised	**(51.7)**	246.4

The past service cost relates to benefit enhancements which vested in February 2003.

The movement in the FRS 17 deficit during the year is made up as follows:

	2004 £m	2003 £m
Deficit at beginning of year	**(431.0)**	(186.0)
Current service cost	**(79.3)**	(71.0)
Contributions	**72.5**	65.2
Past service costs	**(16.9)**	–
Other finance (charges)/income	**(3.0)**	7.2
Actuarial gain/(loss)	**51.7**	(246.4)
Deficit at end of year	**(406.0)**	(431.0)

Notes to the accounts

continued

31 Pension commitments (continued)

Contributions will be as follows until the next actuarial valuations due as at 31 March 2004 have been finalised:

The John Lewis Partnership Trust for Pensions – 10% of pay.

The John Lewis Partnership Senior Pension Scheme – 14.8% or 28.7% of pay, depending on the level of benefits provided.

Experience gains and losses were as follows:

	Year ended 31 January 2004	Year ended 25 January 2003
Difference between the expected and actual return on assets:		
Gain/(loss) (£m)	**158.4**	(248.1)
Percentage of assets	**14%**	29%
Experience gains and losses on liabilities:		
Gain/(loss) (£m)	**28.3**	1.7
Percentage of the present value of liabilities	**2%**	0.1%
Total amount recognised in the statement of total recognised gains and losses:		
Gain/(loss) (£m)	**51.7**	(246.4)
Percentage of the present value of liabilities	**3%**	19%

32 Related party transactions

During the year the Partnership entered into transactions with its associate company, Ocado Limited, for the supply of goods at cost totalling £18.9m (£8.3m) and provision of IT and other services totalling £0.1m (£1.2m). Included within debtors is a balance of £2.9m (£1.3m) due from Ocado Limited in respect of these transactions.

33 Subsidiary and associated undertakings

Subsidiary companies as at 31 January 2004 were as follows:

John Lewis plc *(Department Store retailing)*
Ordinary shares – 100%
5% First Cumulative Preference Stock – 83.3%
7% Cumulative Preference Stock – 75.6%

Subsidiaries of John Lewis plc:
Findlater Mackie Todd & Co. Limited *(Mail order and wholesale including export; subsidiary of Waitrose Limited)*
Herbert Parkinson Limited *(Weaving and making up)*
J.H.Birtwistle & Company, Limited *(Textile weaving)*
JLP Holdings BV *(Investment holding company; incorporated and operating in Holland; subsidiary of JLP Victoria Limited)*
JLP Insurance Limited *(Insurance; incorporated and operating in Guernsey)*
JLP Victoria Limited *(Investment holding company)*
John Lewis Building Limited *(Building)*
John Lewis Car Finance Limited *(Car finance)*
John Lewis Card Services Limited *(Credit card handling)*
John Lewis Properties plc *(Property holding company)*
John Lewis Transport Limited *(Vehicle leasing)*
Stead, McAlpin & Company, Limited *(Textile printing)*
Waitrose Limited *(Food retailing)*
Waitrose Card Services Limited *(Credit card handling; subsidiary of Waitrose Limited)*

Associate of John Lewis plc:
Ocado Limited *(e-commerce grocery; year end 30 November)*

The whole of the ordinary share capital of the subsidiaries of John Lewis plc is held within the group. The list excludes non-trading companies which have no material effect on the accounts of the group. Except as noted above, all of these subsidiaries operate wholly or mainly in the United Kingdom and are registered in England.

Directors' responsibilities for financial statements

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing the financial statements suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made. Relevant accounting standards have been followed. The directors are responsible for maintaining adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group, and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking steps for preventing and detecting fraud and other irregularities.

Report of the auditors to the members of John Lewis Partnership plc

We have audited the financial statements of John Lewis Partnership plc which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out in note 1.

Respective responsibilities of directors and auditors
The directors responsibilities for preparing the Report & Accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Report & Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report and the Chairman's statement.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 January 2004 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors PricewaterhouseCoopers LLP

1 Embankment Place
London WC2N 6RH
22 April 2004

PRICEWATERHOUSECOOPERS

Retail branches

Department Stores

London	Southern England	Midlands, East Anglia, Northern England and Scotland
John Lewis, Oxford Street	Caleys, Windsor	John Lewis, Aberdeen
John Lewis, Brent Cross	John Lewis, Bluewater	John Lewis, Cheadle
Peter Jones, Sloane Square	John Lewis, Cribbs Causeway	John Lewis, Edinburgh
	John Lewis, High Wycombe	John Lewis, Glasgow
	John Lewis, Kingston	John Lewis, Liverpool
	John Lewis, Milton Keynes	John Lewis, Newcastle
	John Lewis, Reading	John Lewis, Norwich
	John Lewis, Southampton	John Lewis, Nottingham
	John Lewis, Watford	John Lewis, Peterborough
	John Lewis, Welwyn	John Lewis, Sheffield
	Knight & Lee, Southsea	John Lewis, Solihull
		Robert Sayle, Cambridge

Waitrose Supermarkets

London

Barnet	Chelsea	Gloucester Road	Marylebone	South Harrow	Wandsworth
Belgravia	East Sheen	Harrow Weald	Mill Hill	Swiss Cottage	West Ealing
Brent Cross	Enfield	Holloway Road	Putney	Temple Fortune	Whetstone
Canary Wharf	Finchley				

Southern England

Abingdon	Caversham	Godalming	Marlborough	St Albans	Twyford
Allington Park	Chandlers Ford	Goldsworth Park	Marlow	Sevenoaks	Wallingford
Andover	Cheltenham	Gosport	Milton Keynes	Sidmouth	Wantage
Banstead	Chesham	Green Street Green	New Malden	South Woodford	Waterlooville
Bath	Chichester	Hailsham	Northwood	Southampton	Welwyn Garden City
Beaconsfield	Cirencester	Harpenden	Okehampton	Southend	Westbourne
Beckenham	Cobham	Havant	Paddock Wood	Southsea	Westbury Park
Berkhamsted	Coulsdon	Henley	Petersfield	Staines	West Byfleet
Billericay	Crowborough	Hertford	Portishead	Stevenage	Weybridge
Birch Hill	Dibden	Horley	Ramsgate	Stroud	Windsor
Bishop's Stortford	Dorchester	Horsham	Reading	Sunningdale	Winton
Brighton	Dorking	Hythe	Richmond	Surbiton	Witney
Bromley	Epsom	Kingston	Ringwood	Tenterden	Wokingham
Bromley South	Esher	Leighton Buzzard	Romsey	Thame	Woodley
Buckhurst Hill	Fleet	Longfield	Ruislip	Thatcham	Worcester Park
Burgess Hill	Frimley	Lymington	Salisbury	Tonbridge	Yateley
Caterham	Gillingham	Maidenhead	Saltash	Twickenham	

Midlands, East Anglia and Wales

Blaby	Ely	Hall Green	Monmouth	Peterborough	Sudbury
Bury St Edmunds	Evington	Huntingdon	Newark	St Ives	Stourbridge
Cambridge	Four Oaks	Kidderminster	Newmarket	St Neots	Wymondham
Daventry	Great Malvern	Kingsthorpe	Norwich	Saffron Walden	

In addition to the shops listed above, the Partnership operates the following businesses
John Lewis Direct *Internet retail*
Waitrose Direct (including Findlater Mackie Todd) *Internet retail, mail order and wholesale including export*
Stead McAlpin, Carlisle *Textile Printing*
J. H. Birtwistle, Haslingden *Textile weaving*
Herbert Parkinson, Darwen *Weaving and making up*
Leckford Estate, Stockbridge *Farming*

Notice of AGM

Notice is hereby given that the seventy-fifth annual general meeting of the company will be held at 12.20 pm on 23 June 2004 at 171 Victoria Street, London SW1E 5NN:

- To receive the directors' report and accounts for the year 2003/04.
- To consider the re-appointment of the auditors.
- To consider the remuneration of the auditors.
- To consider the following, which will be proposed as an Ordinary Resolution.

  That pursuant to the Company's Articles of Association;

  (a) The Company be and is hereby authorised to purchase by way of market purchase on a recognised stock exchange;

  (i) up to £3,696,995 in nominal amount of 5 per cent Cumulative Preference Stock ("the 5 per cent Stock") in the Company at a minimum price of 60p and a maximum price of 95p per £1 nominal of the 5 per cent Stock

  and

  (ii) up to £500,000 in nominal amount of 7½ per cent Cumulative Preference Stock ("the 7½ per cent Stock") in the Company at a minimum price of 80p and a maximum price of 125p per £1 nominal of the 7½ per cent Stock

  and

  (b) this authority shall expire at the close of the annual general meeting of the Company held in 2005 or 23 September 2005, whichever is earlier.

By Order of the Board
Terence Neville
Secretary
171 Victoria Street, London SW1E 5NN
5 May 2004

The report and accounts are sent to all members, but only the members holding Deferred Ordinary Shares are entitled to attend and vote at this meeting.

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.

This report is printed on Revive Silk. The paper consists of 75% de-inked post consumer waste and 25% virgin fibre. It is fully recyclable and biodegradable. Recycled pulps used are a combination of Totally Chlorine Free (TCF) and Elemental Chlorine Free (ECF). The mill is certified to environmental management standard ISO 14001.