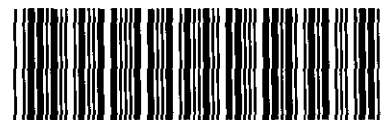


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JOHN LEWIS CAR FINANCE LIMITED

Company Number: 4328890
Directors: Tina Reade
Secretary: Margaret Casely-Hayford
Registered Office: 171 Victoria Street, London SW1E 5NN
Auditors: PricewaterhouseCoopers LLP

DIRECTORS REPORT FOR THE YEAR ENDED 28 JANUARY 2006

The directors submit their Report together with the Accounts for the year ended 28 January 2006.

Directors

A list of the directors in office at the date of this report is shown above. Ian Alexander died unexpectedly on 27 November 2005. Tina Reade served throughout the period under review.

Principal activity

The business of the company is the sale of vehicles and provision of associated services to employees of John Lewis plc and its subsidiary companies under credit sale agreements.

Review of the business

The company is a wholly owned subsidiary within the John Lewis Partnership plc group; a review of the group's activities for the year ended 28 January 2006 is given in the statement by the Chairman of John Lewis Partnership plc, which is included within that company's report and accounts.

Payments to suppliers

The company's policy for the payment of its suppliers is to agree the terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with those terms.

Dividends

The share capital of the company is wholly owned by John Lewis plc. The directors do not recommend the payment of a dividend (2005: £nil).

Directors' interests

The Register of Directors' Interests showed that at 30 January 2005 and 28 January 2006 all directors, as employees of John Lewis plc, were interested in 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 had any interest in the shares of the company.

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

JOHN LEWIS CAR FINANCE LIMITED


Elective resolution

The company has passed an Elective Resolution pursuant to section 366A of the Companies Act 1985 to dispense with the holding of Annual General Meetings, thus negating the need to re-appoint auditors annually.

Going concern

The directors, having made enquiries, consider that the company has 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.

For and by order of the Board



Margaret Casely-Hayford, Secretary

6 November 2006

JOHN LEWIS CAR FINANCE LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 28 JANUARY 2006

Notes	2006 £	2005 £
2 Revenue	4,940,159	5,093,642
Cost of sales	(4,733,415)	(4,809,220)
Gross profit	206,744	284,422
Administrative expenses	(303,201)	(280,641)
3 (Loss)/Profit before tax	(96,457)	3,781
4 Taxation	32,260	911
(Loss)/Profit for the period	(64,197)	4,692

JOHN LEWIS CAR FINANCE LIMITED

BALANCE SHEET AS AT 28 JANUARY 2006

Notes	2006	2005
	£	£
Current assets		
5 Inventories	257,985	255,803
6 Trade and other receivables	6,311,671	5,861,124
Cash & cash equivalents	841,394	3,201,611
Total assets	7,411,050	9,318,538
Current liabilities		
7 Trade and other payables	(1,380,144)	(3,223,435)
Total liabilities	(1,380,144)	(3,223,435)
Net assets	6,030,906	6,095,103
Equity		
8 Share capital	6,000,000	6,000,000
Retained earnings	30,906	95,103
Total equity	6,030,906	6,095,103

Approved by the Board on 6 November 2006

Director



JOHN LEWIS CAR FINANCE LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 28 JANUARY 2006

	Share capital £	Retained earnings £	Total equity £
At 31 January 2004	6,000,000	90,411	6,090,411
Profit for the financial year	-	4,692	4,692
At 29 January 2005	6,000,000	95,103	6,095,103
Loss for the financial year	-	(64,197)	(64,197)
<u>At 28 January 2006</u>	<u>6,000,000</u>	<u>30,906</u>	<u>6,030,906</u>

JOHN LEWIS CAR FINANCE LIMITED

CASH FLOW FOR THE YEAR ENDED 28 JANUARY 2006

Notes	2006	2005
	£	£
9 Cash (used in)/generated from operations	(2,360,217)	1,507,619
Net (decrease)/increase in cash and cash equivalents	(2,360,217)	1,507,619
Net cash and cash equivalents at beginning of period	3,201,611	1,693,992
Net cash and cash equivalents at end of period	841,394	3,201,611
Net cash and cash equivalents comprise:		
Cash	841,394	3,201,611

NOTES TO THE ACCOUNTS

1. **Accounting policies**

Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Prior to 30 January 2005 John Lewis Car Finance Limited prepared its financial statements under UK Generally Accepted Accounting Principles (UK GAAP). From 30 January 2005 the company has elected to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and implemented in the UK.

The rules for first time adoption of IFRS are set out in IFRS1, "First-time Adoption of International Financial Reporting Standards". IFRS1 requires the use of the same accounting policies in the IFRS transition balance sheet and for all periods presented thereafter. The accounting policies must comply with all IFRS effective at the reporting date for the first financial reporting under IFRS, which is 28 January 2006. The transition date to IFRS for the company was 1 February 2004. There were no adjustments to income or net assets that were required on transition to IFRS.

There are a number of new accounting standards and amendments to existing standards that have been published and are mandatory for the company's accounting periods beginning on or after 29 January 2006 or later periods, but which the company has not early adopted. These are not expected to have a material impact on the company's financial statements.

Revenue and trading profit

Revenue is the amount receivable by the company for goods and services supplied to customers *net of discounts, VAT and finance income on credit sale agreements*. Revenue is gross sales net of adjustments for VAT. The business is carried on in the United Kingdom and revenue derives almost entirely from that source. Revenue and trading profit derive from continuing operations, there having been no discontinued operation or material acquisitions in the year.

Sales of goods and services are recognised as revenue when the goods have been delivered or the services rendered.

Finance income on credit sale agreements is credited to the income statement over the life of each contract to give a constant periodic rate of return using the actuarial method.

Inventory valuation

Inventories are stated at the lower of cost or net realisable value.

NOTES TO THE ACCOUNTS

Residual values

The company sells vehicles and provides associated services to employees of John Lewis plc and its subsidiary companies under credit sale agreements, on deferred purchase terms. At the end of the agreement, at the option of the employee, the car may be returned by the employee. Cars reacquired are sold in the external market.

Residual values are estimated to equate to the vehicle's net realisable value at the end of the credit sale agreement. Residual value estimates are increased and decreased in line with market expectations throughout the term of each agreement, and any anticipated losses are charged to the profit and loss account.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or are disallowed. It is calculated using tax rates in legislation that has been enacted or substantively enacted by the balance sheet date.

Deferred income 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 expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to shareholders' equity, in which case the deferred tax is also dealt with in shareholders' equity.

Offsetting (after 29 January 2005 only)

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.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with maturities of less than 90 days. In the cash flow statement, net cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

Trade and other receivables

Trade and other receivables are stated at amortised cost less allowances for situations where recovery is doubtful. Such allowances are based on an individual assessment of each receivable.

Directors' and employees

The directors are all full time executives of John Lewis plc and no part of their remuneration relates to services to this company.

There were no employees during the year (2005: nil).

NOTES TO THE ACCOUNTS2. **Revenue**

	2006	2005
	£	£
Sale of vehicles	4,574,429	4,771,023
Finance income	365,730	322,619
	4,940,159	5,093,642

3. **(Loss)/profit before tax**

	2006	2005
	£	£
(Loss)/profit on ordinary activities before taxation is stated after charging the following:		
Gain on sales of motor vehicles	17,814	134,469
Auditors' remuneration	14,000	13,300

4. **Taxation**

	2006	2005
	£	£
Analysis of tax credit:		
Group relief - this year	(28,937)	1,134
Corporation tax - previous years	719	3,531
Group relief - previous year	(4,042)	(5,576)
	(32,260)	(911)

The tax charge for the period is lower (2005: lower) than the standard corporation tax rate of 30% (2005: 30%). The differences are explained below:

	2006	2005
	£	£
(Loss)/profit on ordinary activities before tax	(96,457)	3,781
(Loss)/profit on ordinary activities at standard rate of corporation tax in the UK of 30%	(28,937)	1,134
Effects of:		
Adjustment for prior periods	(3,323)	(2,045)
Current tax credit for the year	(32,260)	(911)

5. **Inventories**

	2006	2005
	£	£
Motor vehicles held for resale:	257,985	255,803

NOTES TO THE ACCOUNTS6. **Trade and other receivables**

	2006	2005
	£	£
Current:		
Trade receivables	2,973,165	2,150,747
Value added tax	-	250,020
Other	-	102,643
	2,973,165	2,503,410
Non-current:		
Trade receivables	3,338,506	3,357,714
	6,311,671	5,861,124

7. **Trade and other payables**

	2006	2005
	£	£
Current:		
Amounts owed to group companies	526,083	2,902,754
Trade payables	22,100	38,535
Value added tax	10,709	-
Accruals and deferred income	821,252	282,146
	1,380,144	3,223,435

8. **Share capital**

	2006	2005
	£	£
Equity:		
Authorised:		
25,000,000 ordinary shares of £1 each	25,000,000	25,000,000
Issued and fully paid:		
6,000,000 ordinary shares of £1 each	6,000,000	6,000,000

9. **Reconciliation of (loss)/profit before tax to cash (used in)/generated from operations**

	2006	2005
	£	£
(Loss)/profit before tax	(96,457)	3,781
(Increase)/decrease in inventories	(2,182)	(120,094)
(Increase)/decrease in receivables	(450,547)	(912,649)
Increase/(decrease) in payables	533,380	(110,524)
Increase/(decrease) in amounts owed to fellow group undertakings	(2,344,411)	2,647,105
Cash (used in)/generated from operations	(2,360,217)	1,507,619

NOTES TO THE ACCOUNTS10. **Non cash movements**

The following non cash movements are included within increase/(decrease) in amounts owed to fellow group undertakings:

	2006	2005
	£	£
Operating activities		
Taxation	32,260	911
	32,260	911

11. **Related party transactions**

During the year transactions were settled on behalf of John Lewis Car Finance Limited by other group companies for administrative convenience, such as payroll and supplier settlement. All such transactions were charged to John Lewis Car Finance Limited at cost. It is not practical to quantify these non trading charges.

12. **Reconciliation of net assets and profit from UK GAAP to IFRS**

Prior to 30 January 2005 John Lewis Car Finance Limited prepared its financial statements under UK Generally Accepted Accounting Principles (UK GAAP). From 30 January 2005 the company has elected to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and implemented in the UK. The company's date of transition to IFRS is 1 February 2004. There were no adjustments to income or net assets that were required on transition to IFRS.

13. **Parent company**

John Lewis plc is the parent company of the smallest group to consolidate the accounts of the company. John Lewis Partnership plc, the company's ultimate parent company, is the parent company of the largest group to consolidate these accounts. Ultimate control rests with John Lewis Partnership Trust Limited, which holds the equity of John Lewis Partnership plc in trust for the benefit of the employees. All of these companies are registered in England.

Copies of these accounts may be obtained from the Company Secretary, John Lewis Partnership, Partnership House, Carlisle Place, London SW1P 1BX.

DIRECTORS RESPONSIBILITIES FOR THE 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 its state of affairs of the company as at the end of the financial year and of its profit or loss 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 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 company and hence for taking steps for preventing and detecting fraud and other irregularities.

JOHN LEWIS CAR FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHN LEWIS CAR FINANCE LIMITED

We have audited the financial statements of John Lewis Car Finance Limited for the year ended 28 January 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 whether the financial statements have been 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 the presentation of information in the financial statements.

JOHN LEWIS CAR FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHN LEWIS
CAR FINANCE LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 28 January 2006 and of its loss and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

5 November 2006

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH*