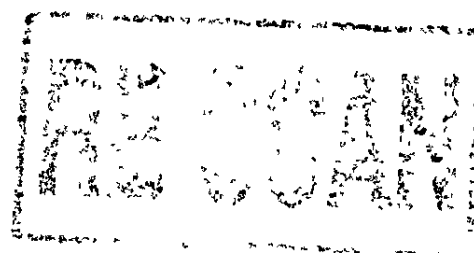
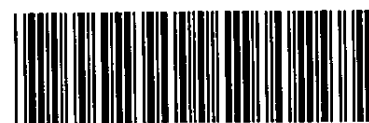


Company No 233462

JOHN LEWIS PLC
Financial Statements for the 53 weeks ended 31 January 2015



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JOHN LEWIS PLC

Financial Statements for the 53 weeks ended 31 January 2015

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JOHN LEWIS PLC

Company information

Directors	Sir Charlie Mayfield (Chairman) Tracey Killen Rachel Osborne Mark Price Andy Street Loraine Woodhouse
Company Secretary	Keith Hubber
Registered Office	171 Victoria Street, London, SW1E 5NN
Company Number	233462
Independent Auditor	PricewaterhouseCoopers LLP

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015

John Lewis plc ('the Group' or 'the Company') present their audited consolidated financial statements for the 53 weeks ended 31 January 2015

The Company is the principal trading subsidiary of John Lewis Partnership plc ('the Partnership'), and owns Waitrose Limited. The Group includes John Lewis and Waitrose and has 93,800 employees – or Partners – for whom the Partnership is owned in trust.

Review of Performance

Key performance indicators

	2015*	2014
Gross sales per average FTE (£000)	181.6	182.0
Partnership profit per average FTE (£)	5,500	6,700
Number of Partners	93,800	91,000
Number of stores	380	345
Selling space (m sq ft)	10.5	10.0
Gross sales per selling sq ft (£)	1,045	1,024
Gross sales growth (%)	7.6	6.6
Operating margin (%)	4.6	4.7
Profit before Partnership Bonus, tax and exceptional item (£m)	341.6	375.9
Partnership profit margin (%)	3.5	4.2
Cash flow from operations (£m)	892	784
Capital expenditure (£m)	659	533
Return on invested capital (ROIC) %	7.6	8.5

* = calculated on a 53 week basis

Performance summary

John Lewis plc achieved a strong sales performance with increased market share in both Waitrose and John Lewis, and customer numbers up by 6% and 4% respectively. Profit before Partnership Bonus, tax and exceptional items is down 9.0% (down 10.5% on a 52 week basis), with increased profits in John Lewis offset by a decline in Waitrose.

In its 150th year, John Lewis increased gross sales by 9.2% to £4.43bn (7.5% on a 52 week basis) and operating profit grew by 10.8% to £250.5m (10.4% on a 52 week basis). The investments made over a number of years in systems, logistics and IT infrastructure, combined to enable John Lewis to make more deliveries via Click & Collect than to customers' homes for the first time. John Lewis was able to fulfil over 6.4m orders over the year with 98.7% of parcels in store the following day.

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

Waitrose grew sales by 6.5% to £6.51bn (4.6% on a 52 week basis) with like for like sales up 1.4%. Operating profit fell by 23.4% to £237.4m (down 24.4% on a 52 week basis), held back by three factors: the impact of trading in a highly competitive and deflationary market, a significantly higher level of investment in the year, and the impact of one-off items, including property impairments and onerous leases.

Our 93,800 Partners received a Bonus of 11%, equivalent to nearly 6 weeks' pay for Partners with us for the whole year. And for the first time in 15 years, thanks to the new legislation that puts Employee Ownership on a similar footing to other forms of ownership, no Partner will pay tax on their Bonus up to £3,600.

Outlook 2015/16

There is an expectation that the returns for the grocery sector will be materially lower for a period of time. Waitrose's value perception has improved significantly over the last few years and we will continue to defend that hard won position during this period of change in the grocery sector.

For John Lewis, the outlook is more robust. Their focus remains on positioning their brand to outperform and investment in supply chain and systems, which has been growing for some years, will exceed that in new shops and refurbishment for the first time this year.

Financial results

In 2014/15 the Partnership delivered good sales growth. Both Waitrose and John Lewis grew sales well ahead of their respective markets, increasing market share. Partnership gross sales (inc VAT) were £10.94bn, an increase of £771.1m, or 7.6%, on last year (5.7% on a 52 week basis). Revenue, which is adjusted for sale or return sales and excludes VAT, was £9.70bn, up by £673.2m or 7.5% (5.6% on a 52 week basis).

John Lewis plc operating profit before exceptional items was £439.8m, down by £28.7m or 6.1% on last year (down 7.5% on a 52 week basis). Last year, following a review of the Partnership's holiday pay policy, an exceptional cost of £47.3m was recorded. This year, following a reassessment of the total costs that were recognised, we have released remaining liabilities as exceptional income of £7.9m. Partnership operating profit, including exceptional items, was £447.7m, up £26.5m, or 6.3% on last year (4.7% on a 52 week basis).

Profit before Partnership Bonus, tax and exceptional items was £341.6m, down by £34.3m or 9.1% on last year (down 10.6% on a 52 week basis). After including the exceptional items, it was £349.5m, up by £20.9m, or 6.4% on last year (4.7% on a 52 week basis).

Our Partners, as co-owners, each receive the same percentage of pay as Partnership Bonus, which flexes from year to year reflecting the performance of our business. Partners will share £156.2m in profit, which represents 11% of pay or the equivalent of nearly 6 weeks' pay.

Partners also continue to benefit from a number of other benefits. In total we have invested £773m in benefits to our Partners, including Partnership Bonus, pensions, Partner discount, catering subsidy, long service leave, leisure spending and the running of our five holiday centres.

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

Waitrose

Gross sales for the year grew by 6.5% to £6.51bn (4.6% on a 52 week basis), with like-for-like sales up 1.4%. Waitrose had, on average, 400,000 more customer transactions a week compared to last year and their market share grew to 5.4%.

Operating profit was down by 23.4% to £237.4m (down 24.4% on a 52 week basis), held back by a significantly higher level of investment in the year in new branches and IT resilience, and the impact of one-off items. The year-on-year impact on Waitrose profits from these factors were approximately £30m and £27m respectively. The remaining profit decline of £26m, after excluding property profits, is primarily the impact of trading in a highly competitive and deflationary market. One-off items include property impairments and onerous lease costs (£16m), and costs associated with the planned closure of our Acton.com fulfilment centre (£4m).

Against the backdrop of a tough market where prices are falling and customer shopping patterns are changing, their strategy of investing to create the modern Waitrose has supported them in increasing sales, growing customer transactions and gaining market share.

As part of a co-owned business, Waitrose is able to take the long-term view and so it has invested in new and existing space, improving IT capability and strengthening supply chain. In addition they continued to build their online business, convenience offer, hospitality and services in our branches and – through the myWaitrose card – their understanding of our customers.

In the year they opened 13 new core branches (including eight acquired from the Co-operative) and another 20 convenience shops. The launch costs associated with this opening programme and the expected lower returns from new space in the early months impacted profit this year.

John Lewis

John Lewis continued to outperform the market with gross sales up 9.2% to £4.43bn (7.5% on a 52 week basis), beating the BRC by 4.9%, combined with growth in operating profit, up 10.8% to £250.5m (10.4% on a 52 week basis).

Every channel and category grew during the year. On a 52 week basis, shop sales were up 2.2% with LFL shop sales growth at 0.6%, while johnlewis.com saw an increase of 21.6% to £1.4bn.

John Lewis saw the significance of new ways to shop and changing customer expectations in two key shifts in consumer behaviour. First, Click & Collect overtook home deliveries this year, now accounting for 54% of online orders, and secondly, a new shape of peak trade was firmly established with Black Friday marking its busiest single day. Distribution and online operations stood up well to the challenges and allowed John Lewis to deliver on a 'logistics Christmas'.

All three categories (Fashion, Home and EHT) saw increases in sales and in market share. On a 52 week basis:

- Fashion had a particularly strong performance, up 8.3%, with growth from nursery at 16.3%, childrenswear at 8.2%, women's accessories at 8.5% and our own-brand Kin range at 46.6%.
- Home was up 7.2% with furniture the highlight at 12.8%, floor covering up 6.1% and our House range continuing to grow at 24.2%. They also signed up to WWF's Forest Campaign, joining other retailers in a collaborative effort to support responsible forest trade.
- EHT was up 7.9%, performing well across the year, despite a challenging market, with large electrical at 12.5% and audio at 23.4%.

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

In John Lewis' physical estate, two convenience-driven shop formats opened at London's St Pancras station and Heathrow Terminal 2, and the new flexible format shop in York has seen trade exceed expectations. In existing shops, there was further enhancement of the in-store customer experience by opening Opticians and expanding third party catering offerings, and completed a major refurbishment of their Southampton shop, which now includes a Little Waitrose within the branch.

While omnichannel capability and innovation remain at the heart of their success, logistics came to the forefront in driving differentiation and delivering to changing customer expectations. 2014 saw investment of £92.5m in IT and systems, which set the foundations of a fully joined-up customer experience across the customer journey. Work continued on the second distribution centre in Magna Park, which means over 1.3 million sq ft of space when combined with the existing Magna Park site. They have also announced the opening of a third distribution centre in Milton Keynes in 2016.

In John Lewis' 150th anniversary year, they took time to mark the history of their business at a one-off celebratory event for Partners from across the UK, as well as creating a range of innovative products through brand and designer collaborations. The 150th anniversary year saw over £0.6m raised through their charity partnership with Barnardo's.

The pace of change looks set to continue in 2015, with the strongest retailers combining bricks and clicks to create the customer service levels and convenience that customers want. In 2015 John Lewis will open a regional flagship shop in Birmingham, setting a new benchmark in bricks and mortar retailing.

Partnership Services and Group

Partnership Services and Group includes the operating costs for Group offices and shared services, as well as the costs for transformation programmes and certain pension operating costs. Partnership Services and Group net operating costs decreased by £19.6m to £48.1m reflecting an increase in the share of pension and shared service costs charged to Waitrose and John Lewis.

Investment in the future

Capital investment in 2014/15 was £670.9m, an increase of £175.9m (35.5%) on the previous year. This includes £143.2m invested in freehold properties, an increase of £87.4m on the previous year, and includes six freehold branches purchased from the Co-operative.

The majority of our spend continues to be invested in our store base, either on new stores or the refurbishment of existing ones. However, to enhance the agility and robustness of our systems and infrastructure and invest in our future capability given the changing dynamics within retail, we have also significantly increased our capital investment in distribution and IT in the year.

Investment in Waitrose was £388.5m, up £100.8m (35.0%) on the previous year, and in John Lewis investment was £231.9m, up £67.1m (40.7%).

Pensions

The pension operating cost before exceptional items was £194.5m, an increase of £26.8m or 16.0% on the prior year costs. The increase reflects changes to financial assumptions, growth in scheme membership and a one-off cost in the year of £6.5m for an increase in future pension liabilities following our decision to take all paid overtime into account when calculating holiday pay for Partners, for holiday taken from 1 November 2014. Pension finance costs were £37.6m, an increase of £2.3m or 6.5% on the prior year, reflecting a higher accounting pension deficit at the beginning of the year.

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

than at the beginning of the previous year. As a result, total pension costs before exceptional items were £232.1m, an increase of £29.1m or 14.3%.

Following the conclusion of the triennial actuarial valuation of our defined benefit pension scheme as at 31 March 2013, we agreed to increase the ongoing contribution rate to 16.4% of members' gross taxable pay and put in place a plan to eliminate the deficit over a 10 year period through a one-off contribution and annual deficit reduction contributions. However, to secure long term debt at low interest rates, we issued a £300m bond in December 2014 and used the net proceeds of the issue to prepay almost 7 years of the previously-agreed deficit reduction contributions to the pension scheme. In the year, total contributions to the pension scheme therefore totalled £492.8m, an increase of £229.9m or 87.4% on the prior year.

The total accounting pension deficit at 31 January 2015 was £1,249.3m, an increase of £245.9m (24.5%) since 25 January 2014. Net of deferred tax, the deficit was £1,018.4m. The accounting valuation of pension fund liabilities increased by £1,082.8m (25.7%) to £5,301.0m mainly reflecting market volatility in the financial assumptions as the real discount rate used to value the liabilities decreased substantially from 1.10% at the beginning of the year to 0.35% at the end of the year. Pension fund assets increased by £836.9m (26.0%) to £4,051.7m, including the £294m one-off contribution made by the Partnership in December 2014.

The pension continues to be one of the most important benefits offered to Partners, but it also accounts for the greatest single investment made each year by the Partnership. We undertook a review of the pension scheme to ensure that it remains fair to Partners and affordable from a business perspective. This review has taken two years and encapsulated significant communication, discussion and debate across the Partnership. The final proposal, which was unanimously approved by Partnership Council, moves to a hybrid scheme combining defined benefit and defined contribution pensions, where future pension risk is shared between Partners and the Partnership.

Financing

In December 2014, we issued a £300m 4.25% bond due in 2034 and used the net proceeds of £294.1m to prepay previously-agreed deficit reduction contributions to the pension scheme. As a consequence, at 31 January 2015, net debt was £673.7m, an increase of £287.4m (74.4%).

Net finance costs on borrowings and investments decreased by £5.5m (9.7%) to £51.4m. The year-on-year decrease reflects the repayment of a £100m bond at the end of the previous year. After including the financing elements of pensions and long service leave and non-cash fair value adjustments, net finance costs increased by £5.6m (6.0%) to £98.2m.

Sustainability

This year we concluded our CSR materiality assessment, prioritising the issues which are of the greatest importance to our stakeholders, our Partners and to the commercial health of the business. This assessment will underpin future decisions on sustainability and community investment and will help with our move to publishing an integrated Annual Report and Accounts.

Existing initiatives have continued to deliver tangible benefits to our business, the environment and the wider community. For example, our new John Lewis store in York was awarded BREEAM Outstanding status, the only department store in the world to achieve this benchmark for environmental construction. Waitrose was placed at the top of Compassion in World Farming's Business Benchmark on Animal Welfare. Finally, more than 3.5% of our pre-tax profits were invested in our communities through partnerships, donations, fundraising and volunteering.

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

Principal risks and uncertainties

John Lewis plc's principal risks and uncertainties are in line with John Lewis Partnership plc. Details of the Partnership's principal risks and uncertainties are included within pages 44 to 45 of the Partnership's Annual Report and Accounts.

Inclusive ownership

Diversity & Inclusion (D&I) for us means doing business in a way that uniquely values everyone. We understand that recognising and valuing difference helps us to make better decisions, spark innovation, and develop talent. Our Constitution requires that in our employment conditions we take no account of age, sex, marital status, sexual orientation, ethnic origin, social position or religious or political views. We refreshed our D&I policy in 2013 and we report annually to the Partnership Board on our progress. Our approach is focused on:

- Resourcing inclusively to ensure we recruit, retain and progress a diverse population of Partners
- Creating the right conditions to support inclusive working by ensuring we have the right policies and processes in place
- Ensuring awareness and the right behaviours, so that working better together and inclusively becomes instinctive
- Measuring and reporting the progress, effectiveness and impact of our activities. We are keen to ensure that our Partner population is reflective of the rapidly changing demographics of the employment markets we operate in.

In 2014/15, 87% of our Partners told us that they believe that the Partnership values individual differences, placing us among the top 10% of organisations who include this question in their employee survey. 40% of our Partnership Board and 45% of our senior management population (Levels 1-5) are female. 15% of our Partners are from an ethnic minority.

Gender diversity of the Partnership

	2015		2014	
	Male	Female	Male	Female
Partnership Board	60%	40%	60%	40%
Directors and Management Board numbers*	66%	34%	67%	33%
Senior managers**	55%	45%	57%	43%
All other Partners	42%	58%	43%	57%
All Partners	43%	57%	43%	57%

* Other than Partnership Board members

** Other than Partnership Board members. Directors and Management Board Members

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

In late 2014, we centralised and improved our reporting to help us understand how representative our recruitment process is at each stage. We launched a new mandatory e-learning programme to build Partner confidence, engagement and knowledge, and understanding of our policy and their personal responsibilities. We also began to roll out 'unconscious bias' training for managers.

As well as our growing Pride in the Partnership (PiPs) Partner network group for LGBT Partners, we now also have Partner groups for gender, faith and belief and ethnic minority Partners.

In 2014 we also introduced diversity policy statement for the Partnership Board. We have set a goal for improving the proportion of ethnic minority managers in our management population. This goal is to increase the current proportion by 50% over the next five years so that ethnic minority managers make up at least 10% of all managers.

Ethnicity of senior manager population

	2015	2014
White	91.3%	91.6%
Asian or Asian British	1.8%	2.0%
Black or Black British	0.2%	0.3%
Chinese or other ethnic group	0.5%	0.4%
Mixed origin	0.8%	0.8%
Not given	5.4%	4.9%

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

Factors affecting future performance

Rapid technological change is influencing the way we live, work and shop. As a business that serves customers using technology, we are in the midst of reshaping our operations. This will require constant agility and will mean some difficult decisions over the coming years.

	What's the challenge?	How will this affect the Partnership?
We need to invest more wisely	Our business needs to continue investing money. This is to support growth, to refurbish and to upgrade existing shops but more significantly to develop new systems and our distribution capabilities. Over recent years these have taken a greater share of our capital investment as we adopt new technology and invest to reshape our operations and serve new customer needs, such as online and home delivery.	Our competitors are online retailers as much as traditional high street names. We need to make some tough decisions about where we prioritise investment, including in growth.
We need to become more efficient	Deflation and the focus on price and value, especially in grocery, are creating pressure on depreciation charges that are associated margins. So too are the different operating requirements of an omnichannel business, where every item sold online carries a cost of picking, purchasing and delivery. You also have the higher with greater investment in the supply chain and systems.	In view of our increasing investment levels and market pressures, there will be more emphasis on efficiency and less on growth to achieve 'sufficient profit'.
We need to become more productive	Efficiency comes in many forms. In some cases it means roles change, some are lost, others are created. But it also comes in the form of productivity, where, as a result of personal development, job design and technology, a Partner can contribute more value than before. This is not about 'working harder'. It is important to our ability to offer worthwhile and satisfying jobs and it's also the only sustainable route to enable Partners' pay levels to grow.	Productivity and continuous improvement are at the heart of an employee-owned business' purpose. Partners can play a vital role in growing our profitability through personal contributions. Productivity can be the engine room to grow our pay and financial returns through bonus.

JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

Our Partnership aims

Our aims are ambitious

The aims are ambitious. They reflect and build on our strengths, but they also require the Partnership to do some new and different things. They identify how we will compete, what behaviours are required and how we will judge success.

When we achieve them they will represent big steps in three important areas. We will have successfully enabled Partners to add more value to our business than employees do in our competitors, and therefore earn more as a result. We will have successfully targeted the most valuable customers, who shop across our brands, and gained a greater share of their spend. And, through improved processes and clearer responsibilities, we'll be funding our growth through efficiency and better operating margins.

Divisional performance is tracked against the Aims to ensure our overall objective to achieve Principle 1 is being met.

Divisional strategies

Waitrose

Partnership Aim	What this means	Strategic priorities
Increase advantage of Partners	Define and enable the worthwhile and satisfying employment of Partners	<ul style="list-style-type: none">→ Invest in Partner development and progression→ Support productivity
Realise market potential	Be Britain's leading omnichannel retailer	<ul style="list-style-type: none">→ Create Modern Waitrose, build online presence, broaden convenience offer, develop compelling reasons to visit shops→ Investment in product innovation and value→ Deepen customer relationships through myWaitrose
Grow efficiently	Generate sustainable returns for the Partnership and appropriate return for Partners' ownership	<ul style="list-style-type: none">→ Open appropriate new retail space→ Invest in IT and distribution to support growth


JOHN LEWIS PLC

Strategic report for the 53 weeks ended 31 January 2015 continued

John Lewis

Partnership Aim	What this means	Strategic priorities
Increase advantage of Partners	Define and enable the worthwhile and satisfying employment of Partners	→ Partners owning success
Realise market potential	Be Britain's leading omni channel retailer	→ Outperform in current markets → Diversify into new markets
Grow efficiently	Generate sustainable returns for the Partnership and appropriate return for Partners' ownership	→ Expand physical space → Build online business → Grow efficiently to exploit scale

Approved by the Directors and signed on behalf of the Board



Sir Charlie Mayfield

Director, John Lewis plc

16 April 2015

JOHN LEWIS PLC

Directors' report for the 53 weeks ended 31 January 2015

The Directors present their report and the audited consolidated financial statements for the year ended 31 January 2015

Principal activities

John Lewis plc is incorporated and registered in England and Wales. The principal activity of John Lewis plc is retailing, with the main trading operations being the Waitrose and John Lewis businesses. The Company controls the entities listed in note 54, comprising the John Lewis department stores, John Lewis at home stores, johnlewis.com, a John Lewis liaison office in Gurgaon, India, Waitrose supermarkets, Waitrose convenience stores, waitrose.com, business to business contracts in the UK and abroad and ancillary manufacturing activities.

Future developments of John Lewis plc are discussed in the Strategic report.

Directors and Company Secretary

The Directors of the Company at the date of this report are shown on page 2. During the year under review, Helen Weir resigned as a Director with effect from 1 December 2014 and Loraine Woodhouse was appointed as a Director with effect from 1 December 2014.

Margaret Casely-Hayford resigned as Company Secretary and Alan Buchanan was appointed as Company Secretary with effect from 31 July 2014. Subsequently, Alan Buchanan resigned as Company Secretary with effect from 31 January 2015 and Keith Hubber was appointed Company Secretary with effect from 1 February 2015.

The Directors had appointed alternates to represent them in certain circumstances. These arrangements were revoked on 27 January 2015. Accordingly from that date, there are no appointed alternate directors.

Corporate governance

John Lewis plc, as the principal trading subsidiary of John Lewis Partnership plc, falls within the governance auspices of the Partnership. To comply with the Disclosure and Transparency Rules applicable to John Lewis plc, its corporate governance arrangements are provided by the Partnership Board and its Committees. These arrangements are explained in the Governance section on pages 82 to 119 of the Annual Report and Accounts of John Lewis Partnership plc.

The principal risks and uncertainties and mitigations for those risks for the John Lewis plc group are explained on pages 44 to 47 of the Strategic Report. These risks are reviewed and monitored by the Partnership's Audit and Risk Committee. The work undertaken by the Partnership's Audit and Risk Committee during the year to review these risks are detailed in the Committee's Report on pages 104 to 109 of the Annual Report and Accounts of John Lewis Partnership plc.

The management functions for preparing consolidated financial statements for John Lewis plc and its internal audit and risk management functions are provided by the Partnership. The Partnership's Audit and Risk Committee is responsible for monitoring the financial reporting process, including the process for preparing consolidated financial statements, and the effectiveness of internal controls, internal audit and risk management systems for John Lewis plc. The Committee's activities in these areas are detailed in the Partnership's Audit and Risk Committee Report on pages 104 to 109 of the Annual Report and Accounts of John Lewis Partnership plc.

JOHN LEWIS PLC

Directors' report for the 53 weeks ended 31 January 2015 continued

Employees

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

The aim is to ensure that the co-owners are given the information they need to be able to decide whether the Chairman, the Partnership Board and management are being effective. The Partnership's democratically elected bodies, including the Partnership Council and other elected councils and forum, provide regular opportunities at all levels of the business for management to report to Partners and for Partners to question management. Additionally, there is an open system of journalism, including the weekly Gazette, which provides a means of sharing information extensively with all Partners and contributes to effective accountability.

Partners receive an annual Partnership Bonus from the profits of the business. This is a shared bonus for shared effort.

Employment

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

The Group seeks to embrace diversity and this is reflected in all we do. The Board is therefore committed to providing equal opportunities for all in employment at all levels of the organisation, regardless of individual differences such as gender and ethnic origin.

Human rights

The Group recognises its responsibility to respect human rights, in particular those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

All own-brand suppliers are required to comply with the Partnership Responsible Sourcing Code of Practice ("the Code"), as set out in our Terms and Conditions of Purchase. The code is based on the Ethical Trading Initiative Base Code and on the conventions of the International Labour Organisation. The Group expects its suppliers to have policies and procedures in place to ensure compliance with the code and as such potential and existing supplier sites are monitored regularly through independent ethical audits. Where non-compliance is found, remedial action is undertaken to mitigate this. The Group also undertakes capacity-building and training programmes with its suppliers to ensure long term improvements to working conditions in its supply chain.

Conflicts of interest

The Partnership Board maintains procedures that allow for the regular review of potential conflicts of interest. All Directors are required to declare pertinent interests and absent themselves from any discussion that might give rise to a conflict of interest. A register of interests is maintained by the General Counsel and Company Secretary.

JOHN LEWIS PLC

Directors' report for the 53 weeks ended 31 January 2015 continued

At no time during the year did any Director hold a material interest in any contract of significance with the Partnership or any of its subsidiary undertakings, other than a third party indemnity between each Director and the Company, as granted by the Company's Articles of Association and service contracts between each Executive Director and the Company

Greenhouse Gas Emissions

Global GHG emissions data for the period 26 January 2014 to 31 January 2015

	Tonnes of CO ₂ e
Emissions from	
Scope 1 Combustion of fuels & operation of facilities	205,278
Scope 2 Electricity purchased for own use	316,343
Scope 3 Water supply and treatment, business travel by rail or air, waste to landfill	62,294
Total	583,915
<i>Intensity measurement</i>	
<i>Emissions reported above normalised to per £million sales</i>	53.4

Methodology

The Partnership has reported on all of the emission sources as required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013

The reporting followed the 2013 UK Government environmental reporting guidance (Chapter 2) and used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and, where available, emission factors from UK Government's GHG Conversion Factors for Company Reporting

2014 and 2015 data has been calculated using Defra-DECC 2014 emissions factors, with the exception of certain refrigerants, and some emissions sources associated with our Leckford farm which are taken from industrial and academic sources

Excluded from this scope are emissions from sites operated by stores under licence, franchisees (both overseas and Welcome Break franchises)

The Partnership has commissioned DNV GL again to undertake independent assurance of Greenhouse Gas emissions data in the 2015 Annual Report and Accounts and online environmental reporting. DNV GL performed its work using international assurance standards, including the International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements Other Than Audits and Reviews of Historical Financial Information' and ISO19011. For a full description of the work they performed, please see their assurance statement on www.johnlewispartnership.co.uk. Their opinion is included within the 2015 John Lewis Partnership plc Annual Report and Accounts

Corporate Social Responsibility

We encourage our Partners to actively forge links and become involved in the local communities in which they live and work. We work with organisations like Business in the Community (BITC) to continually improve the impact we have as a business on society.

JOHN LEWIS PLC

Directors' report for the 53 weeks ended 31 January 2015 continued

Health and safety

The Company adopts the John Lewis Partnership plc's arrangements in respect of health and safety. The Partnership is committed to going about its business in a way that avoids, so far as is reasonably practicable, causing harm to people or property, and to promoting, through its extensive occupational health service, the wellbeing of its workforce. The Partnership cannot expect to eliminate health and safety risk totally from the workplace but our current priority is to ensure that management at all levels know and understand the risks within their areas of responsibility.

Directors' responsibilities

The statement of Directors' responsibilities in relation to the Strategic Report, Directors' Report and financial statements is set out on page 86.

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 Group companies. No Director has or had a material interest in any contract or arrangement to which the Company is or was a party.

Capital structure

At 31 January 2015, the Company has in issue 1,457,500 5% First Cumulative Preference Stock of which 83.3% was held by John Lewis Partnership plc and 750,000 7% Cumulative Preference Stock of which 75.6% is held by John Lewis Partnership plc and bonds and 6,750,000 ordinary shares of £1 each. The rights attaching to the Cumulative Preference Stock are set out in note 17 of these accounts.

Each ordinary share carries the right to one vote at a general meeting of the Company. The ordinary shares are wholly owned by John Lewis Partnership plc.

Listing on the London Stock Exchange (LSE)

Both the Partnership and its immediate subsidiary, John Lewis plc, have Standard Listings on the LSE. Many years ago, both companies issued Cumulative Preference Stocks. This is a form of share with a right to receive fixed rate of dividend payment per annum, which cumulates if not paid annually. It has to be paid before any dividend to ordinary shareholders. The Cumulative Preference Stocks issued by John Lewis Partnership plc carry no rights of ownership of the Partnership and nor do they carry any voting rights, unless the preference dividend is six months in arrears or unless a resolution is proposed which directly affects the interest of these shares as a class. The Cumulative Preference Stocks are treated in the balance sheet as a long-term liability of the business and not as equity share capital.

John Lewis plc has also issued Bonds which are listed on the LSE.

JOHN LEWIS PLC

Directors' report for the 53 weeks ended 31 January 2015 continued

CREST Settlement

During the year under review the Articles of Association of the Company were amended to facilitate the mechanics of holding and trading in the Cumulative Preference Stocks (Preference Shares) in order to comply with the Company's legal obligations under EU Regulation 909/2014 on Central Securities Depositories (CSD) and additionally to make provision for the use of electronic communications with Shareholders. This means the Preference Shares can be held on an uncertificated basis and are capable of transfer in de-materialised form through CREST subject to the provisions of the CSD Regulation.

The Partnership Board believes that adopting the measures necessary to accommodate settlement and holding of the Preference Shares in de-materialised form may be of assistance in establishing a matching facility to facilitate liquidity of the Preference Shares in future. Should steps be taken to establish such a facility, an announcement will be made at that time.

Dividends

Dividends on Cumulative Preference Stocks for the year ended 31 January 2015 were £125,000 (2014 £125,000).

The Directors do not recommend the payment of a dividend on the Ordinary shares (2014 nil).

Going concern

After reviewing the Group's operating budgets, business plans, investment plans, financing arrangements and material risks, the Directors consider that the Group has adequate financial resources to continue in operation for the foreseeable future.

The Group has, at the date of this report, sufficient financing available for its estimated requirements for the foreseeable future and, accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and are not aware of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of this report.

Political donations

The Group made no political donations.

Annual General Meeting

The Annual General Meeting will be held at 2.15pm on Thursday 4 June 2015 at Longstock House, Leckford, Stockbridge, Hampshire SO20 6JF.

Events after the balance sheet date

Since 31 January 2015, the asset classified as held for sale has been sold for an amount in excess of carrying value. See note 14.

JOHN LEWIS PLC

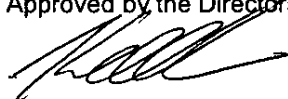
Directors' report for the 53 weeks ended 31 January 2015 continued

Disclosure of information to auditors

Each of the persons who are Directors at the date of approval of this report confirms that

- 1 So far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- 2 The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish the Group's auditors are aware of that information

Approved by the Directors and signed on behalf of the Board



Keith Hubber
Company Secretary
16 April 2015

JOHN LEWIS PLC

Consolidated income statement

For the year ended 31 January 2015

Notes	2015*	2014
	£m	£m
2, 4	Gross sales	10,942 6
4	Revenue	9,701 0
	Cost of sales	(6,426 9)
	Gross profit	3,274 1
	Other operating income	86 1
5	Operating expenses before exceptional item	(2,920 4)
4	Operating profit before exceptional item	439 8
3	Exceptional item	7 9
4	Operating profit	447 7
6	Finance costs	(101 0)
6	Finance income	2 8
	Profit before Partnership Bonus and tax	349 5
	Partnership Bonus	(156 2)
7	Profit before tax	193 3
8	Taxation	(50 2)
	Profit for the year	143 1
4	Profit before Partnership Bonus, tax and exceptional item	341 6

* 53 week year

Consolidated statement of comprehensive expense

for the year ended 31 January 2015

Notes	2015*	2014
	£m	£m
	Profit for the year	143 1
	Other comprehensive income/(expense)	
	Items that will not be reclassified to profit or loss	
23	Remeasurement of defined benefit pension schemes	(523 5)
8	Movement in deferred tax on pension schemes	38 3
8	Movement in current tax on pension schemes	70 8
	Items that may be reclassified subsequently to profit or loss	
	Net gain/(loss) on cash flow hedges	8 8
8	Movement in deferred tax on cash flow hedges	(0 6)
	Other comprehensive expense for the year	(406 2)
	Total comprehensive expense for the year	(263 1)

* 53 week year

JOHN LEWIS PLC

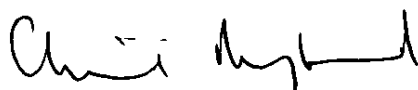
Consolidated balance sheet

as at 31 January 2015

<i>Notes</i>		2015 £m	2014 £m
Non-current assets			
10	Intangible assets	335 5	266 9
11	Property, plant and equipment	4,160 1	3,987 2
13	Trade and other receivables	62 7	61 3
8	Deferred tax asset	123 8	69 1
		4,682 1	4,384 5
Current assets			
12	Inventories	580 7	554 0
13	Trade and other receivables	208 3	225 7
	Current tax receivable	19 2	–
22	Derivative financial instruments	9 6	0 7
14	Assets held for sale	15 7	–
15	Cash and cash equivalents	339 8	358 9
		1,173 3	1,139 3
Total assets		5,855 4	5,523 8
Current liabilities			
17	Borrowings and overdrafts	(61 4)	(75 6)
18	Trade and other payables	(1,620 8)	(1,599 3)
	Current tax payable	–	(0 1)
19	Finance lease liabilities	(3 1)	(3 3)
20	Provisions	(110 1)	(120 9)
22	Derivative financial instruments	(6 6)	(5 9)
		(1,802 0)	(1,805 1)
Non-current liabilities			
17	Borrowings	(923 7)	(628 7)
18	Trade and other payables	(175 9)	(135 5)
19	Finance lease liabilities	(28 3)	(32 4)
20	Provisions	(158 0)	(137 2)
23	Retirement benefit obligations	(1,249 3)	(1,003 4)
		(2,535 2)	(1,937 2)
Total liabilities		(4,337 2)	(3,742 3)
Net assets		1,518 2	1,781 5
Equity			
25	Share capital	6 7	6 7
	Share premium	0 3	0 3
	Other reserves	3 8	(4 2)
	Retained earnings	1,507 4	1,778 7
Total equity		1,518 2	1,781 5

The financial statements on pages 19 to 63 were approved by the Board of Directors on 16 April 2015 and signed on its behalf by

Sir Charlie Mayfield and Loraine Woodhouse
Directors, John Lewis plc

JOHN LEWIS PLC

Consolidated statement of changes in equity

for the year ended 31 January 2015

	Share capital	Share premium	Capital reserve	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total Equity
Notes	£m	£m	£m	£m	£m	£m	£m
Balance at 26 January 2013	6.7	0.3	1.4	3.9	–	1,888.9	1,901.2
Profit for the year	–	–	–	–	–	101.7	101.7
23 Remeasurement of defined benefit pension scheme	–	–	–	–	–	(245.2)	(245.2)
8 Tax on above item recognised in equity	–	–	–	–	–	33.3	33.3
Fair value losses on cash flow hedges	–	–	–	(6.6)	–	–	(6.6)
– transfers to inventories	–	–	–	(3.1)	–	–	(3.1)
Gain on currency translations	–	–	–	–	0.2	–	0.2
Balance at 25 January 2014	6.7	0.3	1.4	(5.8)	0.2	1,778.7	1,781.5
Profit for the year	–	–	–	–	–	143.1	143.1
23 Remeasurement of defined benefit pension scheme	–	–	–	–	–	(523.5)	(523.5)
Fair value gains on cash flow hedges	–	–	–	0.4	–	–	0.4
– transfers to inventories	–	–	–	9.1	–	–	9.1
– transfers to property, plant and equipment	–	–	–	(0.7)	–	–	(0.7)
8 Tax on above items recognised in equity	–	–	–	(0.6)	–	109.1	108.5
Gain on currency translations	–	–	–	–	(0.2)	–	(0.2)
Balance at 31 January 2015*	6.7	0.3	1.4	2.4	–	1,507.4	1,518.2

* 53 week year

Retained earnings comprise £1,114.8m (2014 £1,374.2m) of distributable and £392.2m (2014 £404.5m) of non-distributable reserves, arising on the revaluation of freehold and long leasehold properties prior to 31 January 2004

JOHN LEWIS PLC

Consolidated statement of cash flows

for the year ended 31 January 2015

		2015*	2014
<i>Notes</i>		£m	£m
26	Cash generated from operations	891 5	783 8
	Net taxation paid	(16 1)	(32 1)
	Partnership Bonus paid	(202 8)	(210 6)
23	Additional contribution to the Pension Scheme	(294 1)	(85 0)
	Finance costs paid	(3 0)	(2 6)
	Net cash generated from operating activities	375 5	453 5
	Cash flows from investing activities		
	Purchase of property, plant and equipment	(526 2)	(387 1)
	Purchase of intangible assets	(144 7)	(107 9)
	Proceeds from sale of property, plant and equipment and intangible assets	44 7	2 9
	Finance income received	0 5	1 5
	Net cash used in investing activities	(625 7)	(490 6)
	Cash flows from financing activities		
	Finance costs paid in respect of bonds	(44 0)	(54 5)
	Payment of capital element of finance leases	(4 4)	(3 1)
	Payments to preference shareholders	(0 1)	(0 1)
	Cash inflow from borrowings	293 8	-
	Cash outflow on borrowings	-	(100 0)
	Net cash generated from/(used in) financing activities	245 3	(157 7)
	Decrease in net cash and cash equivalents	(4 9)	(194 8)
	Net cash and cash equivalents at beginning of the year	283 3	478 1
	Net cash and cash equivalents at end of the year	278 4	283 3
15	Net cash and cash equivalents comprise		
	Cash at bank and in hand	99 7	117 7
	Short-term investments	240 1	241 2
	Bank overdrafts	(61 4)	(75 6)
		278 4	283 3

* 53 week year

JOHN LEWIS PLC

Notes to the consolidated financial statements

1 Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their deemed cost amounts and financial assets and financial liabilities (including derivative instruments) valued at fair value through profit or loss, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting estimates and judgements made by management are disclosed and discussed in section 1.6

The financial period is the 53 weeks ended 31 January 2015 (prior period: 52 weeks ended 25 January 2014)

Going concern

The Directors, after reviewing the Group's operating budgets, investments plans and financing arrangements, consider that the Company and Group have, at the date of this report, sufficient financing available for the estimated requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts.

1.2 Basis of consolidation

The consolidated Group financial statements incorporate the results for the Company and all its subsidiary undertakings made up to the year end date.

1.3 Subsidiaries

Subsidiary undertakings are all entities over which the Group has control. Control exists when the Group has the power to direct the activities of an entity so as to affect the return on investment.

All intercompany balances, transactions and unrealised gains are eliminated upon consolidation.

1.4 Amendments to accounting standards

The following policies have been consistently applied to all the years presented unless otherwise stated.

The following standards, amendments and interpretations were adopted by the Group for the year ended 31 January 2015 and have not had a significant impact on the Group's profit for the year, equity or disclosures.

- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities',
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities',
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets',
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting',
- IFRIC 21 'Leases'

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

The following are new accounting standards and amendments to existing standards that may have been published and applicable for the Group's accounting periods beginning on 1 February 2015, which the Group has not adopted early

- Amendments to IAS 19 'Defined Benefit Plans Employee contributions'
- Annual improvements to IFRSs 2010-2012 Cycle – various standards
- Annual improvements to IFRSs 2011-2013 Cycle – various standards

These are not expected to have a material impact on profit or equity for future years, but may affect disclosures

The Group is currently assessing the impact of the following standards, which have been issued but not yet been endorsed by the EU

- IFRS 15 'Revenue from Contracts with Customers' (applicable for the year ending 27 January 2018)
- IFRS 9 'Financial Instruments' (applicable for the year ending 26 January 2019)

1.5 Significant accounting policies

Revenue

Sales of goods and services are recognised as revenue when the goods have been delivered or the services rendered. Revenue in respect of 'sale or return sales' which represents concession income is stated at the value of the margin that the Group receives on the transaction. Revenue is also net of Partner discounts and VAT. Revenue is recognised in respect of sales under bill and hold arrangements when the goods are segregated for the customer's benefit at their request, and made available for delivery.

Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction. Certain companies within the Group sell products with a right of return, and experience is used to estimate and provide for the value of such returns at the time of sale.

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

Inventory valuation

Inventory is stated at the lower of cost, which is computed on the basis of average unit cost, and net realisable value. Inventory excludes merchandise purchased by the Group on a sale or return basis, where the Group does not have the risks and rewards of ownership. Slow moving and obsolete inventory is assessed for impairment at each reporting period based on past experience and appropriate provision made.

Employee benefits

The Group's principal retirement benefit scheme is a defined benefit pension fund with assets held separately from the Group. The cost of providing benefits under the scheme is determined using the projected unit credit actuarial valuation method, which measures the liability based on service completed and allowing for projected future salary increases.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

The current service cost, which is the increase in the present value of the retirement benefit obligation resulting from employee service in the current year, and gains and losses on settlements and curtailments, which arise on transactions that eliminate part or all of the benefits provided or when there are amendments to terms such that a significant element of future service will no longer qualify for benefits or will qualify only for reduced benefits, are included within operating profit in the consolidated income statement. Past service costs are recognised immediately in the consolidated income statement.

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

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

The Group also operates a defined contribution scheme. Contributions are charged in the income statement as they fall due. The Group has no further obligations once the contributions have been made.

The Group has a scheme to provide up to six months paid leave after 25 years' service (long leave). The cost of providing the benefits under the scheme is determined actuarially. The current service cost is included within operating profit in the consolidated income statement. The financing elements of long leave are included in finance costs in the consolidated income statement.

Property, plant and equipment

The cost of property, plant and equipment includes the purchase price and directly attributable costs of bringing the asset to its working condition for its intended use.

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

Other assets are held at cost.

Depreciation

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

- Freehold and long leasehold buildings – 2% to 4%,
- Other leaseholds – over the shorter of the useful economic life and the remaining period of the lease,
- Building fixtures – 2.5% to 10%,
- Fixtures and fittings (including vehicles and information technology equipment) – 10% to 33%.

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

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

Leased assets

Assets used by the Group which have been funded through finance leases on terms that transfer to the Group substantially all the risks and rewards of ownership are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest element of finance lease rentals is charged to the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the Group does not retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease rental payments, other than contingent rentals, are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the income statement when incurred.

Lease premia and inducements are recognised in current and non-current assets or liabilities as appropriate, and amortised or released on a straight-line basis over the lease term.

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

Segmental reporting

The Group's reporting segments are determined based on business activities for which operating results are reviewed by the chief operating decision maker ('CODM'). The Group's CODM is the Partnership Board and the reporting segments reflect the management structure of the Group. The Group's reporting segments are John Lewis, Waitrose and Partnership Services and Group.

Supplier income

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

- **Volume rebates** Volume rebates are earned based on sales or purchase triggers set over specific periods, such as the number of units sold to customers or purchased from the supplier. Volume rebates are recognised over the period set out in the supplier agreement.
- **Marketing rebates** Marketing rebates include promotions, mark downs or marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific periods and products.

Rebate income is recognised when the Partnership has contractual entitlement to the income, it can be estimated reliably and it is probable that it will be received. Rebate income recognised is recorded against cost of sales and inventory, which is adjusted to reflect the lower purchase cost for the goods on which a rebate has been earned. Depending on the agreement with suppliers, rebates invoiced are either received in cash from the supplier or netted off against payments made to suppliers.

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

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

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

Taxation

The charge for corporation tax is based on the results for the year 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

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

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 to other comprehensive expense, in which case the deferred tax is also dealt with in other comprehensive expense.

Intangible assets

Intangible assets, comprising both purchased and internally developed computer software, are carried at cost less accumulated amortisation and impairments. The cost of internally developed software, including all directly attributable costs necessary to create, produce and prepare the software for use, is capitalised where the development meets the criteria for capitalisation required by IAS 38. Internally developed software assets that are not yet in use are reviewed at each reporting date to ensure that the development still meets the criteria for capitalisation, and is not expected to become impaired or abortive. Once available for use, the purchased or internally developed software is amortised on a straight line basis over its useful economic life, which is deemed to be between 3 and 10 years.

Borrowings

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

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

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in financial markets, including foreign exchange rates and interest rates. Derivative financial instruments used by the Group include forward currency contracts. Hedge accounting has been adopted for derivative financial instruments where possible. Such derivative financial instruments are measured at fair value.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

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

In order to qualify for hedge accounting, the relationship between the item being hedged and the hedging instrument is documented in advance of entering into the hedge, and assessed to show that the hedge will be highly effective on an ongoing basis. This effectiveness testing is also then performed at each period end to ensure that the hedge remains highly effective.

Hedge accounting is discontinued when the hedging instrument matures, is terminated or exercised, the designation is revoked or it no longer qualifies for hedge accounting. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

A cash flow hedge is a hedge of the exposure to variability of cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective portion of changes in the intrinsic fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. All other changes in fair value are recognised immediately in the income statement within other gains or losses. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. Derivative financial instruments qualifying for cash flow hedge accounting are principally forward currency contracts.

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

	<i>Note</i>	Classification	Measurement
Financial assets			
Cash and cash equivalents	15	Loans and receivables	Amortised cost
Trade receivables	13	Loans and receivables	Amortised cost
Other receivables	13	Loans and receivables	Amortised cost
Financial liabilities			
Finance leases	19	Financial liabilities	Amortised cost
Borrowings and overdrafts	17	Financial liabilities	Amortised cost
Trade payables	18	Financial liabilities	Amortised cost
Other payables	18	Financial liabilities	Amortised cost
Accruals	18	Financial liabilities	Amortised cost
Partnership Bonus	18	Financial liabilities	Amortised cost
Derivative financial instruments	22	Financial assets or liabilities at fair value through profit or loss*	Fair value*

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

Impairment

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment testing is on cash generating units which are branches, being the lowest level of separately identifiable cash flows. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate which reflects the asset specific risks and the time value of money.

Provisions

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

Partnership Bonus

The Partnership Bonus is announced and paid to Partners each March, it is determined in relation to the performance for the previous financial year. No liability is recorded for Partnership Bonus at the half year as the majority of the Group's profit and cash flows are earned in the second half year. Consequently, it is not possible to make a reliable estimate of the liability until the annual profit is known.

A liability for this Partnership Bonus is included in the year end accounts, with the amount confirmed by the Partnership Board shortly after the year end.

It is recorded in the year it relates to rather than the year it was declared because there is a constructive obligation to pay a Partnership Bonus and it can be reliably estimated, once the results for the year are known and prior to the sign off of the Group's financial statements.

Offsetting

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

Foreign currencies

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

Cash and cash equivalents

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

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

1 Accounting policies (continued)

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less allowances for situations where recovery is doubtful. Such allowances are based on an individual assessment of each receivable.

Trade payables

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

1.6 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, be likely to differ from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Retirement benefits

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, mortality and inflation rates. Details of assumptions are given in note 23.

ii. Provisions and liabilities

Provisions and liabilities recognised at the balance sheet date are detailed in notes 18 and 20 and include amounts for long leave, unredeemed gift vouchers and gift cards, service guarantee costs, customer refunds, insurance claims, reorganisation costs, accrued holiday pay and property related costs.

Although provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

iii. Impairment

The Group is required to test whether assets in use in operations have suffered any impairment. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell and value in use. The calculation of value in use requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the selection of a suitable discount rate in order to calculate the present value. Given the degree of subjectivity involved, actual outcomes could vary significantly from these estimates. Details of assumptions are given in note 11.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

2 Non-GAAP measures

2.1 Gross sales

Gross sales represents the amounts receivable by the Group for goods and services supplied to customers, net of discounts but including sale or return sales and VAT. This measure shows the underlying sales trend.

2.2 Exceptional items

Items which are both material and non-recurring are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

2.3 Profit before Partnership Bonus and Tax

Profit before Partnership Bonus and Tax is presented as a separate financial statement caption within the consolidated income statement. This measure provides further information on the Group's underlying profitability.

2.4 Net debt

Net debt incorporates the Group's consolidated borrowings, bank overdrafts, fair value of derivative financial instruments and obligations under finance leases, less cash and cash equivalents and unamortised bond transaction costs. This measure indicates the overall debt position.

3 Exceptional item

In the prior year, the Group made an announcement regarding holiday pay payments. Following a review of the Group's holiday pay policy, it became clear that Partners who receive certain additions to pay, such as premiums for working on Sunday or bank holidays, had not been paid correctly under the Working Time Regulations legislation. The Partnership Board therefore decided to make one-off additional payments to those affected.

An exceptional operating expense was recorded in the year to 25 January 2014 totalling £47.3m. This reflected estimated costs of £39.3m for payments to Partners and associated expenses for holiday pay dating back to 2006 which had not been calculated correctly. Future pension liabilities were also increased by £8.0m as a result.

In the year ending 31 January 2015, exceptional operating income has been recognised of £7.9m. This comprises a release of £3.4m from the pension liability and £4.5m released from other provisions which reflects that the estimated costs for correcting the underlying systems for holiday pay were lower than originally expected.

A tax charge of £1.7m was recognised on the exceptional item (2014 credit of £10.9m).

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

4 Segmental reporting

The Group has three reporting segments which are Waitrose, John Lewis and Partnership Services and Group Partnership Services and Group includes operating costs for our Group offices, Partnership Services, transformation programmes and certain pension operating costs. The operating profit of each reporting segment is reported after charging relevant Partnership Services and Group costs based on the business segments' usage of these facilities and services, and before the exceptional item.

	Waitrose	John Lewis	Partnership Services and Group	Total
2015	£m	£m	£m	£m
Gross sales	6,508.9	4,433.7	-	10,942.6
Adjustment for sale or return sales	-	(173.1)	-	(173.1)
Value added tax	(373.6)	(694.9)	-	(1,068.5)
Revenue	6,135.3	3,565.7	-	9,701.0
Operating profit before exceptional item and profit on sale of property	226.9	247.7	(49.0)	425.6
Profit on sale of property	10.5	2.8	0.9	14.2
Operating profit before exceptional item	237.4	250.5	(48.1)	439.8
Exceptional item	-	-	7.9	7.9
Operating profit	237.4	250.5	(40.2)	447.7
Finance costs	-	-	(101.0)	(101.0)
Finance income	-	-	2.8	2.8
Partnership Bonus	-	-	(156.2)	(156.2)
Profit before tax	237.4	250.5	(294.6)	193.3
Taxation	-	-	(50.2)	(50.2)
Profit for the year	237.4	250.5	(344.8)	143.1
Reconciliation of Profit before Partnership Bonus, tax and exceptional item to Profit before tax				
Profit before Partnership Bonus, tax and exceptional item	237.4	250.5	(146.3)	341.6
Partnership Bonus	-	-	(156.2)	(156.2)
Exceptional item	-	-	7.9	7.9
Profit before tax	237.4	250.5	(294.6)	193.3
Segment assets	2,947.7	2,002.7	905.0	5,855.4
Segment liabilities	(675.1)	(771.0)	(2,891.1)	(4,337.2)
Net assets	2,272.6	1,231.7	(1,986.1)	1,518.2
Other segment items				
- Depreciation	(172.3)	(93.5)	(15.9)	(281.7)
- Amortisation	(33.2)	(26.0)	(16.9)	(76.1)
- Capital expenditure – property, plant and equipment	334.6	151.9	27.6	514.1
- Capital expenditure – intangible assets	39.5	80.9	24.3	144.7
- Movement in provisions – increase/(decrease)	6.4	3.0	0.6	10.0

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

4 Segmental reporting (continued)

	Waitrose	John Lewis	Partnership Services and Group	Total
2014	£m	£m	£m	£m
Gross sales	6,111 9	4,059 6	–	10,171 5
Adjustment for sale or return sales	–	(148 9)	–	(148 9)
Value added tax	(358 2)	(636 6)	–	(994 8)
Revenue	5,753 7	3,274 1	–	9,027 8
Operating profit before exceptional item and profit on sale of property	310 1	226 1	(67 7)	468 5
Profit on sale of property	–	–	–	–
Operating profit before exceptional item	310 1	226 1	(67 7)	468 5
Exceptional item	–	–	(47 3)	(47 3)
Operating profit	310 1	226 1	(115 0)	421 2
Finance costs	–	–	(95 6)	(95 6)
Finance income	–	–	3 0	3 0
Partnership Bonus	–	–	(202 5)	(202 5)
Profit before tax	310 1	226 1	(410 1)	126 1
Taxation	–	–	(24 4)	(24 4)
Profit for the year	310 1	226 1	(434 5)	101 7
Reconciliation of Profit before Partnership Bonus, tax and exceptional item to Profit before tax				
Profit before Partnership Bonus, tax and exceptional item	310 1	226 1	(160 3)	375 9
Partnership Bonus	–	–	(202 5)	(202 5)
Exceptional item	–	–	(47 3)	(47 3)
Profit before tax	310 1	226 1	(410 1)	126 1
Segment assets	2,844 4	1,868 9	810 5	5,523 8
Segment liabilities	(610 2)	(730 1)	(2,402 0)	(3,742 3)
Net assets	2,234 2	1,138 8	(1,591 5)	1,781 5
Other segment items				
– Depreciation	(141 6)	(95 7)	(17 3)	(254 6)
– Amortisation	(24 3)	(19 2)	(11 0)	(54 5)
– Capital expenditure – property, plant and equipment	(283 8)	(126 3)	(15 1)	(425 2)
– Capital expenditure – intangible assets	(32 8)	(48 5)	(26 6)	(107 9)
– Movement in provisions – increase/(decrease)	(6 5)	14 4	4 0	11 9

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

5 Operating expenses before exceptional item

	2015 £m	2014 £m
Branch operating expenses	(2,228 0)	(2,013 4)
Administrative expenses	(692 4)	(611 2)
	(2,920 4)	(2,624 6)

6 Net finance costs

	2015 £m	2014 £m
Finance costs		
Interest payable on		
Bank loans and overdrafts	(1 9)	(1 1)
Other loans repayable within five years	(26 6)	(13 4)
Other loans repayable in more than five years	(20 7)	(41 3)
Finance lease interest payable	(1 4)	(1 6)
Amortisation of issue costs of bonds and loan facilities	(1 3)	(1 0)
Preference dividends	(0 1)	(0 1)
Finance costs in respect of borrowings	(52 0)	(58 5)
Fair value measurements and other	(1 5)	–
Net finance costs arising on defined benefit and other employee benefit schemes	(47 5)	(37 1)
Total finance costs	(101 0)	(95 6)
Finance income		
Finance income in respect of cash and short-term investments	0 6	1 6
Fair value measurements and other	2 2	1 4
Total finance income	2 8	3 0
Net finance costs	(98 2)	(92 6)
	2015 £m	2014 £m
Total finance costs in respect of borrowings	(52 0)	(58 5)
Total finance income in respect of cash and short-term investments	0 6	1 6
Net finance costs in respect of borrowings and short-term investments	(51 4)	(56 9)
Fair value measurements and other	0 7	1 4
Net finance costs arising on defined benefit retirement schemes	(37 6)	(35 3)
Net finance costs arising on other employee benefit schemes	(9 9)	(1 8)
Net finance costs	(98 2)	(92 6)

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

7 Profit before tax

	2015 £m	2014 £m
Staff costs (note 9)	(1,814 8)	(1,753 9)
Depreciation – owned assets	(278 8)	(251 9)
Depreciation – assets held under finance leases	(2 9)	(2 7)
Amortisation of intangible assets	(76 1)	(54 5)
Profit/(loss) on sale of property	14 2	(1 8)
(Loss)/profit on disposal of other plant and equipment and intangible assets	(1 9)	0 2
Inventory – cost of inventory recognised as an expense	(6,426 9)	(6,008 9)
Reorganisation costs	(6 9)	(14 7)
Operating lease rentals		
– land and buildings	(158 2)	(139 6)
– plant and machinery	(0 4)	(0 3)
Sub lease income		
– land and buildings	8 1	7 7

Contingency rents expensed during the year were £3 1m (2014 £2 7m) Contingency rents are determined based on store revenues

Total auditors' remuneration is included within administrative expenses, and is payable to our auditors, PricewaterhouseCoopers LLP, as analysed below

	2015 £m	2014 £m
Audit and audit-related services		
– Audit of the parent company and consolidated financial statements	(0 3)	(0 3)
– Audit of the Company's subsidiaries	(0 5)	(0 5)
	(0 8)	(0 8)
Non-audit services		
– Other assurance services	(0 1)	(0 2)
– Other non-audit services	(0 2)	–
	(0 3)	(0 2)
Total fees	(1 1)	(1 0)

In addition to the above, the Group's auditors also acted as auditors to the Group's pension scheme The aggregate fee for audit services to the pension scheme during the year was £51,300 (2014 £49,500)

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

8 Taxation

8.1 Analysis of tax charge for the year

	2015	2014
	£m	£m
Analysis of tax charge		
Corporation tax – current year	(70.0)	(61.1)
Corporation tax – adjustment in respect of prior years	2.8	(0.9)
Total current tax charge	(67.2)	(62.0)
Deferred tax – current year	17.1	35.0
Deferred tax – adjustment in respect of prior years	(0.1)	2.6
	(50.2)	(24.4)

	2015	2014
	£m	£m
Tax credited to other comprehensive income		
Movement in current tax on pension schemes	70.8	27.4
Movement in deferred tax on pension schemes	38.3	5.9
Movement in deferred tax on cash flow hedges	(0.6)	-
	108.5	33.3

8.2 Factors affecting tax charge in the year

The tax charge for the year is higher (2014 lower) than the standard corporation tax rate of 21.33% (2014 23.17%). The differences are explained below

	2015	2014
	£m	£m
Profit before tax	193.3	126.1
Profit before tax multiplied by standard rate of corporation tax in the UK of 21.33% (2014 23.17%)	(41.2)	(29.2)
Effects of		
Changes in tax rate	(1.1)	14.6
Adjustment to current tax in respect of prior years	2.8	(0.9)
Adjustment to deferred tax in respect of prior years	(0.1)	2.6
Depreciation on assets not qualifying for tax relief	(13.9)	(12.5)
Difference between accounting and tax base for land and buildings	1.5	1.4
Differences in overseas tax rates	2.0	2.2
Sundry disallowables	(2.2)	(2.6)
Other permanent differences on sale of property	2.0	-
Total tax charge	(50.2)	(24.4)
Effective tax rate (%)	26.0	19.3

8.3 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 21% (2014 21%) for deferred tax assets or liabilities expected to reverse before April 2015 and 20% for those assets or liabilities expected to reverse after April 2015 (2014 20%)

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

8 Taxation (continued)

The movement on the deferred tax account is shown below

	2015 £m	2014 £m
Opening asset	69 1	25 6
Credited to income statement	17 0	37 6
Credited to other comprehensive income	37 7	5 9
Closing asset	123 8	69 1

The movements in deferred tax assets and liabilities during the year (prior to the offsetting of balances within the same jurisdiction, as permitted by IAS 12) are shown below

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

	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
Deferred tax liabilities					
At 26 January 2013	(147 2)	(4 7)	(19 9)	(2 2)	(174 0)
Credited to income statement	21 9	0 9	2 7	2 2	27 7
At 25 January 2014	(125 3)	(3 8)	(17 2)	–	(146 3)
Credited to income statement	2 9	1 0	1 0	–	4 9
At 31 January 2015	(122 4)	(2 8)	(16 2)	–	(141 4)

	Capital gains tax on land and buildings £m	Pensions and provisions £m	Other £m	Total £m
Deferred tax assets				
At 26 January 2013	7 3	192 3	–	199 6
Credited to income statement	(0 1)	10 0	–	9 9
Credited to other comprehensive income	–	5 9	–	5 9
At 25 January 2014	7 2	208 2	–	215 4
Credited/(charged) to income statement	(0 4)	11 1	1 4	12 1
Credited/(charged) to other comprehensive income	–	38 3	(0 6)	37 7
At 31 January 2015	6 8	257 6	0 8	265 2

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable. There were no unrecognised deferred tax assets in respect of losses for the year ended 31 January 2015 (2014: £nil).

The deferred tax balance associated with the pension deficit has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010 following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 23).

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

8 Taxation (continued)

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 31 January 2015 was £123.8m (2014 £69.1m asset). The net deferred tax asset is recoverable after more than one year.

8.4 Factors affecting tax charges in current and future years

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 21% from 1 April 2014. Further reductions to reduce the main rate of corporation tax to 20% from 1 April 2015 have also been enacted.

The effect of the 3% rate change in the prior year was to decrease the deferred tax asset by £6.5m with a £21.1m charge being taken to other comprehensive income and a £14.6m tax credit to the income statement.

9 Partners

9.1 Partner numbers

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

	2015	2014
John Lewis	29,900	29,800
Waitrose	60,300	55,000
Partnership Services and Group	1,900	1,800
	92,100	86,600

9.2 Partner benefits

Employment and related costs were as follows:

	2015 £m	2014 £m
Staff costs		
Wages and salaries	(1,359.5)	(1,271.1)
Social security costs	(102.2)	(97.1)
Partnership Bonus	(139.0)	(180.2)
Employers' national insurance on Partnership Bonus	(17.2)	(22.3)
Other pension costs (note 23)	(191.1)	(175.7)
Long leave cost	(5.8)	(7.5)
Total before Partner discounts	(1,814.8)	(1,753.9)
Partner discounts (excluded from revenue)	(72.3)	(63.3)
	(1,887.1)	(1,817.2)
Included above are the following amounts in respect of key management compensation		
Salaries and short-term benefits	(15.2)	(14.1)
Post-employment benefits*	(5.0)	(4.8)
Compensation for loss of office	(1.0)	-
	(21.2)	(18.9)

* Includes pension supplements in lieu of future pension accrual

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

9 Partners (continued)

Key management include the Directors of the Partnership and the Company, members of the Divisional Management Boards and other officers of the Company. Key management compensation includes salaries, national insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable.

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

9.3 Directors' emoluments

An Executive Director with an external appointment may not retain any earnings from such appointment unless it dates from before he or she joined the Group.

Highest paid director

The total emoluments for the year ended 31 January 2015 and 25 January 2014 of the Chairman, who was also the highest paid Director, were £1,529,000 (2014 £1,520,000), comprising pay of £941,000 (2014 £904,000), Partnership Bonus of £104,000 (2014 £136,000), pension supplement in lieu of further defined pension accrual of £470,000 (2014 £466,000) and benefits with a cash value of £14,000 (2014 £14,000).

Aggregate emoluments

	2015	2014
	£m	£m
Aggregate emoluments	(6.2)	(6.1)

Pension arrangements

All Directors, except one, have ceased to accrue further pension benefits in the Partnership's defined benefit pension scheme. Their accrued pensions increase in line with either price inflation or future pay increases, depending on their individual arrangements. Where there are any accrued defined benefit pensions remaining on an unfunded basis, the Partnership has made provision for the associated liability.

One Executive Director joined the John Lewis plc Board in 2014 and remains in the waiting period for joining the Partnership's pension scheme. The Executive Director is a member of the defined contribution scheme and receives a pension cash supplement.

The Chairman's aggregate defined benefit pension entitlement from the age of 60 accrued at the end of the year was £255,000 per annum (2014 £245,000 per annum). There was no increase in the accrued income entitlement above the consumer price inflation during the year.

Contracts of employment for the Directors provide for a notice period of between six months and one year. No contract contains a provision regarding early termination compensation.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

10 Intangible assets

	Computer software			Total £m
	Purchased £m	Internally developed £m	Work in progress £m	
Cost				
At 26 January 2013	78 0	195 7	110 0	383 7
Additions	–	0 2	107 7	107 9
Transfers	53 6	76 0	(129 6)	–
Disposals	(8 2)	(8 0)	–	(16 2)
At 25 January 2014	123 4	263 9	88 1	475 4
Additions	–	–	144 7	144 7
Transfers	49 0	83 9	(132 9)	–
Disposals	(4 2)	(16 3)	–	(20 5)
At 31 January 2015	168 2	331 5	99 9	599 6
Accumulated amortisation				
At 26 January 2013	(41 1)	(128 9)	–	(170 0)
Charge for the year	(19 5)	(35 0)	–	(54 5)
Disposals	8 2	7 8	–	16 0
At 25 January 2014	(52 4)	(156 1)	–	(208 5)
Charge for the year	(30 6)	(45 5)	–	(76 1)
Disposals	4 2	16 3	–	20 5
At 31 January 2015	(78 8)	(185 3)	–	(264 1)
Net book value at January 2013	36 9	66 8	110 0	213 7
Net book value at January 2014	71 0	107 8	88 1	266 9
Net book value at January 2015	89 4	146 2	99 9	335 5

For the year to 31 January 2015, computer systems valued at £132 9m (2014 £129 6m) were brought into use. This covered a range of selling, support, supply chain, administration and information technology infrastructure applications, with asset lives ranging from three to ten years.

Amortisation of intangible assets is charged within operating expenses.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

11 Property, plant and equipment

	Land and building	Fixtures, fittings and equipment	Assets in course of construction	Total
	£m	£m	£m	£m
Cost				
At 26 January 2013	3,891 2	1,627 8	112 1	5,631 1
Additions	0 1	2 1	423 0	425 2
Transfers	154 8	187 6	(342 4)	–
Disposals	(11 5)	(79 5)	–	(91 0)
At 25 January 2014	4,034 6	1,738 0	192 7	5,965 3
Additions	–	1 4	512 7	514 1
Transfers	331 0	210 8	(541 8)	–
Disposals	(64 6)	(135 3)	–	(199 9)
Transfers to assets held for sale	(13 3)	–	(6 2)	(19 5)
At 31 January 2015	4,287 7	1,814 9	157 4	6,260 0
Accumulated depreciation				
At 26 January 2013	(740 4)	(1,069 8)	–	(1,810 2)
Charge for the year	(100 4)	(154 2)	–	(254 6)
Disposals	7 4	79 3	–	86 7
At 25 January 2014	(833 4)	(1,144 7)	–	(1,978 1)
Charge for the year*	(116 6)	(165 1)	–	(281 7)
Disposals	21 5	134 6	–	156 1
Transfers to assets held for sale	3 8	–	–	3 8
At 31 January 2015	(924 7)	(1,175 2)	–	(2,099 9)
Net book value at January 2013	3,150 8	558 0	112 1	3,820 9
Net book value at January 2014	3,201 2	593 3	192 7	3,987 2
Net book value at January 2015	3,363 0	639 7	157 4	4,160 1

* Charge for the year ending 31 January 2015 includes an impairment charge of £10 3m to land and buildings

Included above are land and buildings assets held under finance leases with a net book value of £24 4m (2014 £28 1m)

In accordance with IAS 36 'Impairment of Assets', the Group tests its property, plant and equipment for impairment, whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. For the purpose of impairment testing, each branch is a cash-generating unit ('CGU')

The impairment test compares the recoverable amount for each CGU to the carrying value on the balance sheet. The key assumptions used in the calculations are the discount rate, long term growth rate and expected sales performance and branch costs

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

11 Property, plant and equipment (continued)

The value in use calculation is based on five year cash flow projections using the latest budget and forecast data. Any changes in sales performance and branch costs are based on past experience and

expectations of future changes in the market. The forecasts are then extrapolated beyond the five year period using a long term growth rate of 2.0% (2014: 3.2%). The discount rate is based on the Group's pre-tax weighted average cost of capital of between 9 to 10% (2014: 9 to 10%).

Having applied the above methodology and assumptions, the Group recognised an impairment charge of £10.3m to land and buildings in the Waitrose division. The impairment charge reflects the revision of the long term forecast cashflows as a result of trading in a highly competitive and deflationary market.

A reduction of 0.5% in the long term growth rate would result in an additional impairment charge of £9.9m. An increase in the discount rate by 0.5% would result in an additional impairment charge of £22.4m.

12 Inventories

	2015 £m	2014 £m
Raw materials	4.4	4.0
Work in progress	1.0	0.9
Finished goods and goods for resale	575.3	549.1
	580.7	554.0

The cost of inventory recognised as an expense by the Group in the year was £6,426.9m (2014: £6,008.9m). Provisions against inventories of £5.1m were charged (2014: £7.9m charged) in branch operating expenses.

13 Trade and other receivables

	2015 £m	2014 £m
Current		
Trade receivables	57.3	55.1
Other receivables	57.9	48.1
Prepayments and accrued income	93.1	122.5
	208.3	225.7
Non-current		
Other receivables	16.1	13.1
Prepayments and accrued income	46.6	48.2
	62.7	61.3

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in sterling. Within trade receivables is accrued rebate income of £6.5m (2014: £9.1m). Supplier income that has been invoiced but not paid.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

13 Trade and other receivables (continued)

is included in trade receivables and supplier income that has been invoiced but not yet settled against future trade creditor balances is included in trade creditors

As of 31 January 2015, trade and other receivables of £1.6m (2014 £2.2m) were fully impaired. Movements in the allowance for impaired receivables were as follows

	2015 £m	2014 £m
At start of year	(2.2)	(2.3)
Charged to income statement	(0.1)	(0.6)
Utilised	0.6	0.5
Released to income statement	0.1	0.2
At end of year	(1.6)	(2.2)

The creation and release of the allowance for impaired receivables have been included in branch operating expenses in the income statement

As of 31 January 2015, trade and other receivables of £18.3m (2014 £24.4m) were past due but not impaired. The ageing analysis of the past due amounts is as follows

	2015 £m	2014 £m
Up to 3 months past due	16.5	19.5
3 to 12 months past due	0.9	2.9
Over 12 months past due	0.9	2.0
	18.3	24.4

14 Assets held for sale

At 31 January 2015, one property was recorded as held for sale totalling £15.7m (25 January 2014 nil). It is held within the John Lewis Division. Since 31 January 2015, the asset classified as held for sale has been sold for an amount in excess of carrying value.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

15 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	99.7	117.7
Short-term investments	240.1	241.2
	339.8	358.9

For the year ended 31 January 2015, the effective interest rate on short-term investments was 0.5% (2014 0.4%) and these deposits had an average maturity of 1 day (2014 1 day)

At 31 January 2015, £38.3m (2014 £39.1m) of the Group's cash balance and £0.1m (2014 £0.3m) of the Group's accrued interest balance was pledged as collateral. This is part of the Group's insurance arrangements and the release of these funds is subject to approval from third parties.

In the consolidated statement of cash flows, net cash and cash equivalents are shown after deducting bank overdrafts, as follows

	2015 £m	2014 £m
Cash and cash equivalents, as above	339.8	358.9
Less bank overdrafts	(61.4)	(75.6)
Net cash and cash equivalents	278.4	283.3

16 Analysis of financial assets

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

	Floating rate £m	Non-interest bearing £m	Total £m
Currency analysis			
Sterling	322.4	17.1	339.5
Other	0.3	–	0.3
At 31 January 2015	322.7	17.1	339.8
Sterling	343.6	15.2	358.8
Other	0.1	–	0.1
At 25 January 2014	343.7	15.2	358.9

Floating rate assets are bank balances and short-term deposits at market rates or the base rate of the relevant currency. Non-interest bearing balances include cash floats, primarily held in the stores.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

17 Borrowings and overdrafts

	2015 £m	2014 £m
Current		
Bank overdraft	(61 4)	(75 6)
	(61 4)	(75 6)
Non-current		
Partnership Bond, 2016*	(57 1)	(56 6)
8 ³ / ₈ % Bonds, 2019	(275 0)	(275 0)
6 ¹ / ₈ % Bonds, 2025	(300 0)	(300 0)
4 ¹ / ₄ % Bonds, 2034	(300 0)	–
Unamortised bond transaction costs	10 7	5 2
5% First Cumulative Preference Stock	(1 5)	(1 5)
7% Cumulative Preference Stock	(0 8)	(0 8)
	(923 7)	(628 7)

* The Partnership Bond is a five year investment product offering a fixed annual return of 4.5% in cash and a further 2% in John Lewis Partnership gift vouchers

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

In December 2014, the Group issued a £300m bond with an interest rate of 4.25%. The bond is due to be repaid in 2034.

If the preference dividends are in arrears on in the event of winding up the 5% First Cumulative Preference Stock and the 7% Cumulative Preference Stock have one vote per share. Otherwise, the holders of preference stock have one vote for every ten shares, whereas the holders of Ordinary Shares have one vote for every ordinary share held. The amounts receivable in a winding up would be limited to the amounts paid up, the 5% First Cumulative Preference Stock taking priority over the 7% Cumulative Preference Stock.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

18 Trade and other payables

	2015 £m	2014 £m
Current		
Trade payables	(832 7)	(788 1)
Amounts owed to parent undertaking	(108 5)	(101 4)
Other payables	(136 9)	(122 8)
Other taxation and social security	(161 1)	(167 6)
Accruals	(187 7)	(189 6)
Deferred income	(52 5)	(46 7)
Partnership Bonus	(141 4)	(183 1)
	(1,620 8)	(1,599 3)
Non-current		
Other payables	(0 5)	(0 6)
Deferred income	(175 4)	(134 9)
	(175 9)	(135 5)

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

19 Finance lease liabilities

	2015 £m	2014 £m
The minimum lease payments under finance leases fall due as follows		
Not later than one year	(4 3)	(4 8)
Later than one year but not more than five	(10 5)	(12 9)
More than five years	(38 8)	(44 8)
	(53 6)	(62 5)
Future finance charge on finance leases	22 2	26 8
Present value of finance lease liabilities	(31 4)	(35 7)
Of which		
Not later than one year	(3 1)	(3 3)
Later than one year but not more than five	(6 9)	(8 6)
More than five years	(21 4)	(23 8)

The Group's finance lease liabilities relate to buildings and plant, property and equipment that have been classified as finance leases in accordance with IAS 17 Leases

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

20 Provisions

	Long leave £m	Service guarantee £m	Customer refunds £m	Insurance claims £m	Other £m	Total £m
At 25 January 2014	(112.8)	(57.4)	(26.2)	(25.7)	(36.0)	(258.1)
Charged to income statement	(16.8)	(33.3)	(29.6)	(12.8)	(20.0)	(112.5)
Released to income statement	1.3	8.7	-	-	9.0	19.0
Utilised	8.6	20.5	26.2	11.5	16.7	83.5
At 31 January 2015	(119.7)	(61.5)	(29.6)	(27.0)	(30.3)	(268.1)
Of which						
Current	(38.8)	(20.6)	(29.6)	(5.0)	(16.1)	(110.1)
Non-current	(80.9)	(40.9)	-	(22.0)	(14.2)	(158.0)

The Group has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, and using economic assumptions consistent with those used for the Group's retirement benefit obligations (note 23), with the exception of the discount rate, where a rate appropriate to the shorter duration of the long leave liability is used, so as to accrue the cost over Partners' service periods.

Provisions for service guarantee costs reflect the Group's expected liability for future repair costs based on estimated failure rates and unit repair costs for the classes of goods sold.

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

Provisions for insurance claims are in respect of the Group's employer's, public and vehicle third party liability insurances and extended warranty products.

Provisions for insurance claims are based on reserves held in the Group's captive insurance company, JLP Insurance Limited. These reserves are established using independent actuarial assessments wherever possible, or the reasonable assessment based on past claims experience.

Other provisions include reorganisation costs, accrued holiday pay and property related costs.

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 above.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

21 Management of financial risks

21.1 Capital and long-term funding risk

The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard its ability to continue as a going concern, provide returns for its Partners and to maintain a prudent level of debt funding. The Group is a long-term business, held in trust for the benefit of its Partners. The co-ownership model means that it is not able to raise equity externally.

The Group manages capital to ensure an appropriate balance between investing in Partner, customer and profit. The policy is to maintain a prudent capital structure, consistent with the financial risk profile of an investment grade credit rating. Although the Group does not have an external credit rating, it routinely monitors its capital and liquidity requirements using leverage and performance ratios commonly used by rating agencies to assess risk, whilst maintaining an appropriate level of committed debt headroom and a smooth debt maturity profile to reduce refinancing risk and ensure continuity of funding. The Group borrows centrally to meet the requirements of its divisions using a mix of funding including capital market issues and bank facilities. The Group further diversified its funding sources through the issue of a Partnership bond to its Partners and customers in April 2011. Other forms of borrowing include assets acquired via finance leases, assets obtained for use via operating leases and a small amount of cumulative preference stock.

21.2 Liquidity risk

Liquidity requirements are managed in line with short and long-term cash flow forecasts and reviewed against the Group's debt portfolio and maturity profile. Surplus cash is invested in interest bearing current accounts, term deposits and money market funds with sufficient, prudent, liquidity determined by the above mentioned cash flow forecasts. The Group actively reviews and manages its sources of debt and committed credit facilities. In January 2014, the Group entered into an 18 month £150m bilateral borrowing facility. At the year end the Group had undrawn committed revolving borrowings facilities of £475m (2014 £475m). In addition to these facilities, the Group has listed bonds totalling £875m (2014 £575m) of which £275m mature in 2019, £300m in 2025 and £300m in 2034. The Group has a retail bond, the 'Partnership bond', issued in April 2011 and maturing in 2016, which raised gross proceeds of £58m. The bonds are not subject to repricing, and their interest rates and maturity profiles are set out in note 24.

The Group's bank borrowing facilities contain financial covenants. Throughout the year the Group maintained comfortable headroom against its covenants and is expected to do so into the foreseeable future.

The Group's total committed sources of available funds at the date of signing these accounts are £1,408m (2014 £1,108m).

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

21 Management of financial risks (continued)

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

	Due within 1 year	Due between 1 and 2 years	Due 2 years and beyond
	£m	£m	£m
Non-derivative financial liabilities			
Borrowings and overdrafts	(61 4)	(57 8)	(877 3)
Interest payments on borrowings*	(56 8)	(56 8)	(432 8)
Finance lease liabilities	(4 3)	(4 9)	(44 4)
Trade and other payables	(1,298 7)	(0 5)	-
Derivative financial liabilities			
Derivative contracts – receipts	208 9	22 8	-
Derivative contracts – payments	(206 1)	(22 9)	-
At 31 January 2015	(1,418 4)	(120 1)	(1,354 5)

	Due within 1 year	Due between 1 and 2 years	Due 2 years and beyond
	£m	£m	£m
Non-derivative financial liabilities			
Borrowings and overdrafts	(75 6)	-	(635 1)
Interest payments on borrowings*	(44 0)	(44 0)	(260 1)
Finance lease liabilities	(4 8)	(4 4)	(53 3)
Trade and other payables	(1,385 0)	(0 6)	-
Derivative financial liabilities			
Derivative contracts – receipts	185 0	28 7	-
Derivative contracts – payments	(190 8)	(29 1)	-
At 25 January 2014	(1,515 2)	(49 4)	(948 5)

* Excludes annual interest of £0.1m on cumulative preference stock which have no fixed redemption date

Interest on borrowings is calculated based on the borrowing position throughout the financial year, without taking account of future issues

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

21.3 Interest rate risk

In order to manage the risk of interest rate fluctuations on the Group's financial debt and cash, the Group targets a ratio of fixed and floating rate debt in line with the Partnership Board approved treasury policy. An analysis of the Group's financial liabilities is detailed in note 24. Exposures to interest rate fluctuations are managed using interest rate derivatives.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

21 Management of financial risks (continued)

21.4 Foreign currency risk

The Group uses derivative financial instruments to manage exposures to movements in exchange rates arising from transactions with overseas based suppliers and retailers. Foreign exchange management committees exist for each of the John Lewis and Waitrose Divisions and they met regularly to oversee the foreign exchange purchasing activities for each division. Foreign currency exposures are hedged primarily using forward foreign exchange contracts covering up to 100% of forecast exposures on a rolling basis. Forward foreign exchange contracts used to hedge forecast currency requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow hedges during the year were effective. At the balance sheet date, the notional value of open forward foreign currency contracts of £231.7m (2014: £213.7m) had been entered into to hedge purchases in foreign currencies which will mature over the next 18 months.

21.5 Credit risk

The Group has no significant exposure to an individual customer's credit risk due to transactions being principally of a high volume, low value and short maturity. Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. These risks are managed by restricting such transactions to an approved list of counterparties, who have a credit rating not less than a Standard & Poor's equivalent 'A' rating for investments and 'BBB' for the provision of operational cash management services. Appropriate credit limits are designated to each counterparty.

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

	2015 £m	2014 £m
Trade and other receivables	131.3	116.3
Cash and cash equivalents	339.8	358.9
Derivative financial instruments	9.6	0.7
	480.7	475.9

21.6 Energy risk

The Group operates risk management processes for the Group's energy costs associated with its activities. The Group's energy policy is reviewed by an energy committee which meets regularly to review pricing exposure to electricity and gas consumption and determines strategy for forward purchasing and hedging of energy costs using flexible purchase contracts.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

21 Management of financial risks (continued)

21.7 Sensitivity analysis

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

The analysis excludes the impact of movements in market variables on the carrying value of pension and other post-retirement obligations and provisions.

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

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

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

		2015		2014
	Income Statement	Equity	Income Statement	Equity
	+/- £m	+/- £m	+/- £m	+/- £m
UK interest rates +/- 1% (2014 +/- 1%)	2.4	–	2.7	–
US dollar exchange rate +/- 10% (2014 +/- 10%)	0.4	10.7	0.4	9.3
Euro exchange rate +/- 10% (2014 +/- 10%)	1.3	8.8	0.1	9.6

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

22 Derivative financial instruments and financial liabilities

22.1 Basis of fair value

Fair value estimation

The different levels per the IFRS 13 fair value hierarchy have been defined as follows

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

During the year ended 31 January 2015, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets

22.2 Fair value of derivative financial instruments

The fair value of derivative financial instruments is as follows

	2015		2014	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of derivative financial instruments				
Currency derivatives – cash flow hedge	9.6	(6.6)	0.7	(5.9)

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

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

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

22.3 Fair value of financial assets and liabilities held at amortised cost

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

	2015 £m		2014 £m	
	CV	FV	CV	FV
Financial liabilities				
Listed bonds	(864.5)	(1,031.2)	(569.8)	(695.4)
Preference stock	(2.3)	(2.1)	(2.3)	(2.0)

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

For other financial assets and liabilities, there are no material differences between carrying value and fair value

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

23 Retirement benefit obligations

The principal pension scheme operated by the Group is the John Lewis Partnership Trust for Pensions. The scheme is a funded final salary defined benefit pension scheme, providing pensions and death benefits to members, and is open to new members. All contributions to the scheme are funded by the Group.

The scheme is governed by a Trustee which is independent of the Group. The Trustee is responsible for the operation and governance of the scheme, including making decisions regarding the scheme's investment strategy.

In January 2015, Partnership Council voted in favour of changes to the level and form of future provision of pension benefits to Partners. The changes will take place in two stages. From 1 April 2015 the waiting period to join the Defined Benefit section of the scheme will increase from 3 to 5 years. Then from 1 April 2016, the principal changes are to reduce the defined benefit accrual rate from 1/60th to 1/120th of final salary, and to provide an enhanced level of Defined Contribution pension for those Partners who have completed the waiting period. Other changes, applying only to any pension built up after 1 April 2016, include linking the Group normal retirement age to the State Pension Age, and a change in the rate of pension increases in payment.

The scheme is subject to a full actuarial valuation every three years on assumptions agreed between the Trustee and the Group. The most recent valuation was carried out by an independent professionally qualified actuary as at 31 March 2013 and resulted in a funding deficit of £840.0m. The market value of the assets of the scheme as at 31 March 2013 was £3,169.0m. The actuarial valuation showed that these assets were sufficient to cover 79% of the benefits which had accrued to members.

Following this valuation, the Group and the Trustee agreed to increase the normal future annual contribution rate to 16.4% of gross taxable pay of members and put in place a plan to eliminate the deficit over a 10 year period through deficit reduction contributions of £44.3m per year, increasing on 31 March each year by 3%, in addition to a one-off contribution of £85.0m made in January 2014. In December 2014, the Group agreed to prepay the outstanding deficit reduction contributions up to July 2021 by making a payment of £294.1m.

The balance of the deficit is expected to be met by investment returns on the scheme assets. Total contributions to the scheme in 2016 under this agreement are expected to be £167.7m.

The next triennial actuarial valuation of the scheme will take place as at 31 March 2016.

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

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

23 Retirement benefit obligations (continued)

Specific risks include:

- Changes in future expectations of price inflation The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities Hence, an increase in inflation will increase the deficit
- Changes in the discount rate used to value pension liabilities A lower discount rate will lead to a higher present value being placed on future pension payments Hence a reduction in discount rate will increase the deficit
- The return on assets being lower than assumed If the rate of growth in assets falls below the discount rate used to value the liabilities then the pension deficit will increase
- Falls in asset values not being matched by similar falls in the value of liabilities As the majority of assets held by the scheme are not matched to the liabilities of the scheme, a fall in plan assets will lead to an increase in the deficit
- Unanticipated increase in life expectancy leading to an increase in the scheme's liabilities An increase in life expectancy would mean pensions are expected to be paid for a longer period, so increasing the liability and the scheme's deficit This is offset by the scheme applying a Life Expectancy Adjustment Factor, whereby future pensions coming into payment are adjusted in part to allow for increases in life expectancy

Pension commitments recognised in these accounts have been calculated based on the most recent actuarial valuation, as at 31 March 2013, which has been updated by actuaries to reflect the assets and liabilities of the scheme as at 31 January 2015, calculated on assumptions that are appropriate for accounting under IAS 19, 'Employee Benefits'

23.1 Financial assumptions

Scheme assets are stated at market values at 31 January 2015 The following financial assumptions have been used

	2015	2014
Discount rate	3.15%	4.40%
Future retail price inflation (RPI)	2.80%	3.30%
Future consumer price inflation (CPI)	1.80%	2.30%
Increase in earnings	3.30%	3.80%
Increase in pensions – in payment	2.70%	3.00%
Increase in pensions – deferred	1.80%	2.30%

Increases in earnings are projected at 0.5% (2014: 0.5%) above retail price inflation, with increases in pensions in payment being 0.1% (2014: 0.3%) below retail price inflation, reflecting the impact of a cap on the level of pension increases, and increases in deferred pensions are projected to be in line with consumer price inflation

The post-retirement mortality assumptions used in valuing the pensions liabilities were based on the "S1 Light" series standard tables Based on scheme experience, the probability of death at each age was multiplied by 127% for males and 114% for females Future improvements in life expectancy have been allowed for in line with the standard CMI model projections subject to a long term trend of 1.25%

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

23 Retirement benefit obligations (continued)

23.2 Demographic assumptions

The average life expectancies assumed were as follows

	2015		2014	
	Men	Women	Men	Women
Average life expectancy for a 60 year old (in years)	26.9	29.0	26.8	28.9
Average life expectancy at age 60, for a 40 year old (in years)	28.8	31.0	28.7	30.9

23.3 Amounts recognised in the financial statements

	2015 £m	2014 £m
Amounts recognised in the balance sheet		
Defined benefit obligation for funded arrangements	(5,280.0)	(4,201.2)
Defined benefit obligation for unfunded arrangements	(21.0)	(17.0)
Total defined benefit obligation	(5,301.0)	(4,218.2)
Total value of assets	4,051.7	3,214.8
Defined benefit liability at year end	(1,249.3)	(1,003.4)

	2015 £m	2014 £m
Amounts recognised in the income statement		
Current service cost	(170.1)	(151.2)
Past service cost	(3.1)	(8.0)
Contribution expense*	(11.1)	(9.4)
Administrative expenses - pension scheme	(4.4)	(4.5)
Administrative expenses - other	(2.4)	(2.6)
Total operating expenses	(191.1)	(175.7)
Net interest on net defined benefit liability	(37.6)	(35.3)
Total pension charge	(228.7)	(211.0)

* Includes Group contributions to the defined contribution scheme, together with cash supplements in respect of certain Partners in lieu of future pension accrual

The past service cost of £3.1m relates to additional pension liabilities of £6.5m arising from a legislative change in the calculation of holiday pay, offset by a release of £3.4m following the finalisation of the review of the Group's holiday pay policy, which is described in note 3

In 2014, the past service cost of £8.0m relates to additional pension liabilities arising from the correction of pensionable pay for certain members arising from the review of the Group's holiday pay policy, which is described in note 3

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Notes to the consolidated financial statements continued

23 Retirement benefit obligations (continued)

23.4 Amounts recognised in equity

	2015 £m	2014 £m
Amounts recognised in equity		
Return on plan assets greater/(less) than the discount rate	312.8	(49.7)
Remeasurements		
– loss from changes in financial assumptions	(844.2)	(234.9)
– experience gains	7.9	39.4
Total losses recognised in equity	(523.5)	(245.2)
Cumulative loss recognised in equity	(1,514.3)	(990.8)

23.5 Retirement benefit obligations

	2015 £m	2014 £m
Reconciliation of net defined benefit liability		
Net defined benefit liability at beginning of year	(1,003.4)	(822.1)
Pension expense	(215.2)	(199.0)
Contributions	492.8	262.9
Total losses recognised in equity	(523.5)	(245.2)
Net defined benefit liability at end of year	(1,249.3)	(1,003.4)

	2015 £m	2014 £m
Reconciliation of defined benefit obligation		
Defined benefit obligation at beginning of year	(4,218.2)	(3,796.0)
Service cost	(173.2)	(159.2)
Interest on pension liabilities	(183.1)	(172.5)
Remeasurements		
– loss from changes in financial assumptions	(844.2)	(234.9)
– experience gains	7.9	39.4
Benefits paid	109.8	105.0
Defined benefit obligation at end of year	(5,301.0)	(4,218.2)

The scheme liabilities are 51% in respect of active scheme participants, 16% in respect of deferred scheme participants and 33% in respect of retirees

The weighted average duration of the scheme liabilities at the end of the period is 21 years

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

23 Retirement benefit obligations (continued)

23.6 Scheme assets

	2015	2014
	£m	£m
Reconciliation of value of assets		
Value of assets at the beginning of year	3,214.8	2,973.9
Interest income on assets	145.5	137.2
Return on plan assets greater/(less) than discount rate	312.8	(49.7)
Benefits paid	(109.8)	(105.0)
Administrative expenses paid	(4.4)	(4.5)
Contributions	492.8	262.9
Value of assets at the end of year	4,051.7	3,214.8

23.7 Analysis of assets

	2015		2014	
	£m	%	£m	%
Analysis of assets				
Listed Equities	1,288.2	32%	1,249.9	39%
Private Equities	256.6	6%	235.3	7%
Properties	373.1	9%	206.4	6%
Government Bonds*	609.5	15%	219.5	7%
Credit**	344.2	9%	304.7	10%
Infrastructure	127.4	3%	115.0	4%
Investment Funds	914.1	23%	397.7	12%
Cash and Other***	138.6	3%	486.3	15%
	4,051.7		3,214.8	

* Government bond holdings at 31 January 2015 consisted of a portfolio of long dated index linked government bonds

** Credit holdings consist of short dated listed corporate bond holdings (£143.3m at 31 January 2015) and unlisted credit (£200.9m at 31 January 2015)

*** Cash holdings at 31 January 2015 include £100.0m which was invested in long dated index linked government bonds following the year end

The Trustee's investment strategy as set out in their statement of Investment Principles dated 11 March 2014 is to hold 15% of assets in a liability matching portfolio mainly consisting of index linked government bonds of an appropriate duration. The remaining 85% is invested in a return seeking portfolio that aims to reduce concentrations of risk by diversifying across a range of asset classes and geographies.

	2015	2014
	£m	£m
Actual return on assets		
Interest income on assets	145.5	137.2
Return on plan assets greater/(less) than discount rate	312.8	(49.7)
Actual return on assets	458.3	87.5

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

23 Retirement benefit obligations (continued)

23.8 Sensitivity analysis

The net defined benefit obligation is inherently volatile to the financial assumptions used. Illustrated below is the sensitivity of the balance sheet position to changes in key assumptions. The sensitivities have been derived using approximate methods which are consistent with the rest of the disclosure.

	£m	% change
Liability as at 31 January 2015	(1,249.3)	
Sensitivity of 0.1% increase to		
– Discount rate	108.0	8.6%
– Retail price inflation	(99.0)	(7.9%)
– Consumer price inflation	(15.0)	(1.2%)
– Salary increases	(25.0)	(2.0%)
Sensitivity of one year increase in life expectancy	(165.0)	(13.1%)

23.9 Other arrangements

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

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

Together with another Group company, JLP Scottish Limited Partnership provided sufficient capital to JLP Scottish Partnership to enable it to procure property assets with a market value of £150.9m from other Group companies. The Group retains control over these properties, including the flexibility to substitute alternative properties. The Properties held in JLP Scottish Partnership have been leased back to John Lewis plc and Waitrose Limited. In January 2015 the Group withdrew a property with a market value of £9.0m.

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

Under IAS 19, the investment held by the pension scheme in JLP Scottish Limited Partnership, a consolidated entity, does not represent a plan asset for the purpose of the Group's consolidated financial statements. Accordingly, the pension deficit position presented in these consolidated accounts does not reflect the £83.9m (2014: £87.9m) investment in JLP Scottish Limited Partnership held by the pension scheme. The distribution of JLP Scottish Limited Partnership profits to the pension scheme is reflected as pension contributions in these consolidated financial statements on a cash basis.

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

24 Analysis of financial liabilities

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

	Fixed rate	Floating rate	Total
	£m	£m	£m
Currency analysis			
All sterling			
At 31 January 2015	(955 1)	(61 4)	(1,016 5)
At 25 January 2014	(664 4)	(75 6)	(740 0)
		2015	2014
		£m	£m
Maturity of financial liabilities			
Repayable within one year			
Bank overdrafts		(61 4)	(75 6)
Property finance leases		(3 1)	(3 3)
		(64 5)	(78 9)
Repayable between one and two years			
Property finance leases		(3 8)	(3 1)
Bonds		(57 1)	–
Unamortised bond transaction costs		0 2	–
		(60 7)	(3 1)
Repayable between two and five years			
Property finance leases		(3 1)	(5 5)
Bonds		(275 0)	(56 6)
Unamortised bond transaction costs		1 2	0 3
		(276 9)	(61 8)
Repayable in more than five years			
Property finance leases		(21 4)	(23 8)
Bonds		(600 0)	(575 0)
Unamortised bond transaction costs		9 3	4 9
Cumulative Preference Stock		(2 3)	(2 3)
		(614 4)	(596 2)
		(1,016 5)	(740 0)

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

25 Share capital

	2015		2014	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£m	£m	£m	£m
Equity				
Ordinary Shares				
6,750,000 of £1 each	6.7	6.7	6.7	6.7

26 Reconciliation of profit before tax to cash generated from operations

	2015	2014
	£m	£m
Profit before tax	193.3	126.1
Amortisation of intangible assets	76.1	54.5
Depreciation	281.7	254.6
Net finance costs	98.2	92.6
Partnership Bonus	156.2	202.5
(Profit)/loss on disposal of property, plant and equipment and intangible assets	(12.3)	1.6
Increase in inventories	(26.7)	(40.0)
Decrease/(increase) in receivables	19.3	(39.3)
Increase in payables	126.8	135.3
Decrease in retirement benefit obligations	(21.2)	(14.2)
Increase in provisions	0.1	10.1
Cash generated from operations	891.5	783.8

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

27 Analysis of net debt

	2014	Cash flow	Other non-cash movements	2015
	£m	£m	£m	£m
Current assets				
Cash and cash equivalents	358.9	(19.1)	-	339.8
Derivative financial instruments	0.7	-	8.9	9.6
	359.6	(19.1)	8.9	349.4
Current liabilities				
Borrowings and overdrafts	(75.6)	14.2	-	(61.4)
Finance leases	(3.3)	4.4	(4.2)	(3.1)
Derivative financial instruments	(5.9)	-	(0.7)	(6.6)
	(84.8)	18.6	(4.9)	(71.1)
Non-current liabilities				
Borrowings	(633.9)	(299.9)	(0.6)	(934.4)
Unamortised bond transaction costs	5.2	6.1	(0.6)	10.7
Finance leases	(32.4)	-	4.1	(28.3)
	(661.1)	(293.8)	2.9	(952.0)
Total net debt	(386.3)	(294.3)	6.9	(673.7)

Reconciliation of net cash flow to net debt

	2015 £m	2014 £m
Decrease in net cash and cash equivalents in the year	(4.9)	(194.8)
Cash (inflow)/outflow from movement in debt and lease financing	(289.4)	103.1
Movement in debt for the year	(294.3)	(91.7)
Opening net debt	(386.3)	(284.9)
Non-cash movements	6.9	(9.7)
Closing net debt	(673.7)	(386.3)

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

28 Commitments and contingencies

28.1 Capital commitments

At 31 January 2015 contracts had been entered into for future capital expenditure of £39.4m (2014 £106.8m) of which £36.0m (2014 £106.2m) relates to property, plant and equipment and £3.4m (2014 £0.6m) relates to intangible assets

28.2 Lease guarantees

John Lewis plc continues to provide lease guarantees in favour of the Group's former associate company, Ocado Limited, of £6.8m (2014 £6.8m)

28.3 Commitments under operating leases

	2015 Land and buildings £m	2014 Land and buildings £m
Future aggregate minimum lease payments Under non-cancellable operating leases, payable		
Within one year	170.3	148.5
Later than one year and less than five years	587.8	535.3
After five years	2,661.8	2,397.8

	2015 Land and buildings £m	2014 Land and buildings £m
Future aggregate minimum lease payments under non-cancellable operating leases, payable after five years comprise the following		
Later than five years and less than 10 years	745.3	577.4
Later than 10 years and less than 20 years	932.3	711.8
Later than 20 years and less than 40 years	465.1	329.6
Later than 40 years and less than 80 years	238.2	297.9
After 80 years	280.9	481.1
	2,661.8	2,397.8

Total future sub-lease payments receivable relating to the above operating leases amounted to £6.8m (2014 £9.2m)

JOHN LEWIS PLC

Notes to the consolidated financial statements continued

29 Related party transactions

29.1 Subsidiaries

All transactions between the Group and its subsidiaries are eliminated upon consolidation, and therefore do not need to be disclosed separately. A list of subsidiaries within the Group are included within note 54.

29.2 Arrangements with Pension Scheme Trustee

The Group entered into an arrangement with the Pension Scheme Trustee on 30 January 2010 to address an element of the scheme deficit that existed at that time. Details of this arrangement and changes made in September 2011 are set out in note 23.

In December 2011 the Group sold a property to the main pension scheme for £10.6m and entered into an operating lease in respect of the property. These transactions were at market values. In the year to 31 January 2015, £1.1m was paid in respect of the operating lease (2014: £0.9m).

29.3 Arrangements with the John Lewis Partnership Trust Limited

The John Lewis Partnership Trust Limited is a related party and holds the Deferred Ordinary Shares in the Group on behalf of the Partners. The John Lewis Partnership Trust Limited facilitates the approval and payment of the Partnership Bonus and BonusSave. At the year end, the Share Incentive Plan shares issued to the John Lewis Partnership Trust Limited as part of the BonusSave scheme are recorded in the Company's balance sheet within borrowings of £104.2m (2014: £97.2m).

29.4 Other transactions

Key management compensation has been disclosed in note 9.

JOHN LEWIS PLC

Company balance sheet

As at 31 January 2015

Notes	2015 £m	2014 £m
Non-current assets		
33 Intangible assets	234 4	173 6
34 Property, plant and equipment	1,005 8	920 0
35 Investment in subsidiaries	1,389 3	1,402 4
37 Trade and other receivables	49 3	50 1
44 Deferred tax asset	233 1	187 1
	2,911 9	2,733 2
Current assets		
36 Inventories	352 2	313 5
37 Trade and other receivables	105 7	109 5
Current tax receivable	63 7	33 8
46 Derivative financial instruments	9 6	0 7
38 Cash and cash equivalents	232 1	232 5
	763 3	690 0
Total assets	3,675 2	3,423 2
Current liabilities		
40 Borrowings and overdrafts	(59 8)	(71 6)
41 Trade and other payables	(1,326 4)	(1,260 0)
42 Finance lease liabilities	(0 5)	(0 6)
43 Provisions	(97 6)	(112 3)
46 Derivative financial instruments	(6 6)	(5 9)
	(1,490 9)	(1,450 4)
Non-current liabilities		
40 Borrowings	(923 7)	(628 7)
41 Trade and other payables	(127 8)	(116 7)
42 Finance lease liabilities	(14 9)	(15 4)
43 Provisions	(134 1)	(116 9)
50 Retirement benefit obligations	(1,165 4)	(915 5)
	(2,365 9)	(1,793 2)
Total liabilities	(3,856 8)	(3,243 6)
Net (liabilities)/assets	(181 6)	179 6
Equity		
51 Share capital	6 7	6 7
Share premium	0 3	0 3
Other reserves	2 4	(5 8)
Retained earnings	(191 0)	178 4
Total equity	(181 6)	179 6

The financial statements on pages 64 to 85 were approved by the Board of Directors on 16 April 2015 and signed on its behalf by

Sir Charlie Mayfield and Loraine Woodhouse
Directors, John Lewis plc




JOHN LEWIS PLC

Company statement of changes in equity

for the year ended 31 January 2015

		Share capital	Share premium	Hedging reserve	Retained earnings	Total Equity
<i>Notes</i>		£m	£m	£m	£m	£m
	Balance at 26 January 2013	6 7	0 3	3 9	(54 8)	(43 9)
31	Profit for the year	–	–	–	466 4	466 4
	Remeasurement of defined benefit pension schemes	–	–	–	(258 5)	(258 5)
	Tax on above item recognised in equity	–	–	–	25 3	25 3
	Fair value losses on cash flow hedges	–	–	(6 6)	–	(6 6)
	– transfers to inventories	–	–	(3 1)	–	(3 1)
	Balance at 25 January 2014	6 7	0 3	(5 8)	178 4	179 6
31	Profit for the year	–	–	–	43 8	43 8
	Remeasurement of defined benefit pension schemes	–	–	–	(522 0)	(522 0)
	Fair value gains on cash flow hedges	–	–	0 4	–	0 4
	– transfers to inventories	–	–	9 1	–	9 1
	– transfers to property, plant and equipment	–	–	(0 7)	–	(0 7)
	Tax on above items recognised in equity	–	–	(0 6)	108 8	108 2
	Balance at 31 January 2015*	6 7	0 3	2 4	(191 0)	(181 6)

* 53 week year

JOHN LEWIS PLC

Company statement of cash flows

for the year ended 31 January 2015

Notes	2015*	2014
	£m	£m
48	Cash generated from operations	364 9
	Net taxation received	5 2
	Partnership Bonus paid	(113 7)
23	Additional contribution to the Pension Scheme	(294 1)
	Finance costs paid	(2 1)
	Net cash (used in)/generated from operating activities	(39 8)
	Cash flows from investing activities	
	Purchase of property, plant and equipment	(223 6)
	Purchase of intangible assets	(103 5)
	Proceeds from sale of property, plant and equipment and intangible assets	26 8
	Loans from/(advanced to) Group companies	101 9
	Finance income received	0 5
	Net cash used in investing activities	(197 9)
	Cash flows from financing activities	
	Finance costs paid in respect of bonds	(44 0)
	Movement in finance leases	(0 6)
	Payments to preference shareholders	(0 1)
	Cash inflow from borrowings	293 8
	Cash outflow on borrowings	--
	Net cash generated from/(used in) financing activities	249 1
	Increase/(decrease) in net cash and cash equivalents	11 4
	Net cash and cash equivalents at beginning of the year	160 9
	Net cash and cash equivalents at end of the year	172 3
38	Net cash and cash equivalents comprise	
	Cash at bank and in hand	30 3
	Short-term investments	201 8
	Bank overdrafts	(59 8)
		172 3

* 53 week year

JOHN LEWIS PLC

Notes to the Company financial statements

30 Accounting policies

The separate financial statements of the Company are drawn up in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and with the Companies Act 2006

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

Investment in subsidiary undertakings

The Company has a number of investments in subsidiary companies. Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually.

31 Profit and loss of the Company for the year

As permitted by section 408 of the Companies Act 2006, John Lewis plc has not presented its own income statement or statement of comprehensive expense.

The result dealt with in the accounts of the Company amounted to £43.8m profit (2014: £466.4m profit). During the year no intra-group dividend was received (2014: £500.0m).

Details of auditors' remuneration are provided in note 7 to the consolidated financial statements of John Lewis plc.

32 Partners

32.1 Partner numbers

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

	2015	2014
John Lewis	29,900	29,800
Other	1,900	1,800
	31,800	31,600

JOHN LEWIS PLC

Notes to the Company financial statements continued

32 Partners (continued)

32.2 Partner benefits

Employment and related costs were as follows

	2015 £m	2014 £m
Staff costs		
Wages and salaries	(578 5)	(559 1)
Social security costs	(49 0)	(48 3)
Partnership Bonus	(60 1)	(80 5)
Employers' national insurance on Partnership Bonus	(7 4)	(9 9)
Other pension costs	(94 4)	(87 0)
Long leave cost	(3 6)	(4 3)
Total before Partner discounts	(793 0)	(789 1)
Partner discounts (excluded from revenue)	(40 6)	(35 3)
	(833 6)	(824 4)
Included above are the following amounts in respect of key management compensation		
Salaries and short-term benefits	(10 5)	(9 2)
Post-employment benefits*	(3 2)	(3 2)
Compensation for loss of office	(1 0)	–
	(14 7)	(12 4)

* Includes pension supplements in lieu of future pension accrual

Key management include Directors of the Partnership and the Company, members of the John Lewis and Partnership Services Management Boards and other officers of the Company. Key management compensation includes salaries, national insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable.

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

32.3 Directors' emoluments

Directors' emoluments are disclosed in note 9.

JOHN LEWIS PLC

Notes to the Company financial statements continued

33 Intangible assets

	Computer software			Total £m
	Purchased £m	Internally developed £m	Work in progress £m	
Cost				
At 26 January 2013	40.4	103.2	80.2	223.8
Additions	–	0.2	74.9	75.1
Transfers	36.3	54.2	(90.5)	–
Disposals	(4.9)	(6.7)	–	(11.6)
At 25 January 2014	71.8	150.9	64.6	287.3
Additions	–	–	103.5	103.5
Transfers	36.4	46.6	(83.0)	–
Disposals	(1.2)	(5.7)	–	(6.9)
At 31 January 2015	107.0	191.8	85.1	383.9
Accumulated amortisation				
At 26 January 2013	(23.2)	(71.9)	–	(95.1)
Charge for the year	(9.2)	(21.0)	–	(30.2)
Disposals	4.9	6.7	–	11.6
At 25 January 2014	(27.5)	(86.2)	–	(113.7)
Charge for the year	(18.5)	(24.2)	–	(42.7)
Disposals	1.2	5.7	–	6.9
At 31 January 2015	(44.8)	(104.7)	–	(149.5)
Net book value at January 2013	17.2	31.3	80.2	128.7
Net book value at January 2014	44.3	64.7	64.6	173.6
Net book value at January 2015	62.2	87.1	85.1	234.4

For the year to 31 January 2015 computer systems valued at £83.0m (2014 £90.5m) were brought into use. This covered a range of selling, support, supply chain, administration and information technology infrastructure applications, with asset lives ranging from three to ten years.

Amortisation of intangible assets is charged within operating expenses.

JOHN LEWIS PLC

Notes to the Company financial statements continued

34. Property, plant and equipment

	Land and building	Fixtures, fittings and equipment	Assets in course of construction	Total
	£m	£m	£m	£m
Cost				
At 26 January 2013	723 5	754 8	34 3	1,512 6
Additions	0 1	1 2	144 1	145 4
Transfers	41 4	78 4	(119 8)	–
Disposals	(0 5)	(45 6)	–	(46 1)
At 25 January 2014	764 5	788 8	58 6	1,611 9
Additions	45 2	0 7	178 5	224 4
Transfers	52 2	87 8	(140 0)	–
Disposals	(34 5)	(43 8)	–	(78 3)
At 31 January 2015	827 4	833 5	97 1	1,758 0
Accumulated depreciation				
At 26 January 2013	(148 7)	(486 9)	–	(635 6)
Charge for the year	(26 0)	(76 4)	–	(102 4)
Disposals	0 5	45 6	–	46 1
At 25 January 2014	(174 2)	(517 7)	–	(691 9)
Charge for the year*	(40 7)	(75 9)	–	(116 6)
Disposals	13 0	43 3	–	56 3
At 31 January 2015	(201 9)	(550 3)	–	(752 2)
Net book value at January 2013	574 8	267 9	34 3	877 0
Net book value at January 2014	590 3	271 1	58 6	920 0
Net book value at January 2015	625 5	283 2	97 1	1,005 8

Included above are land and buildings assets held under finance leases with a net book value of £12 3m (2014 £12 5m)

In accordance with IAS 36 'Impairment of Assets', the Group tests its property, plant and equipment for impairment, whenever events or circumstances indicate that the value on the balance sheet may not be recoverable. For the purpose of impairment testing, each branch is a cash-generating unit ('CGU')

JOHN LEWIS PLC

Notes to the Company financial statements continued

35. Investments

The Company has the following investments in subsidiaries at 31 January 2015

	Shares in group companies £m	Loan to group companies £m	Total £m
At 25 January 2014	41 7	1,360 7	1,402 4
Movements	-	(13 1)	(13 1)
At 31 January 2015	41 7	1,347 6	1,389 3

A list of subsidiary undertakings is provided in note 53

36 Inventories

	2015 £m	2014 £m
Finished goods and goods for resale	352 2	313 5
	352 2	313 5

The cost of inventory recognised as an expense by the Company in the year was £2,113 5m (2014 £1,952 9m) Provisions against inventories of £4 9m were charged (2014 £7 7m charged) in branch operating expenses

37 Trade and other receivables

	2015 £m	2014 £m
Current		
Trade receivables	20 2	15 0
Other receivables	39 3	34 2
Prepayments and accrued income	46 2	60 3
	105 7	109 5
Non-current		
Other receivables	4 8	4 0
Prepayments and accrued income	44 5	46 1
	49 3	50 1

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days Concentrations of credit risk are considered to be very limited The carrying amount of trade and other receivables approximates to fair value and is denominated in sterling Within trade receivables is accrued rebate income of £3 3m (2014 £5 2m) Supplier income that has been invoiced but not paid is included in trade receivables and supplier income that has been invoiced but not yet settled against future trade creditor balances is included in trade creditors

JOHN LEWIS PLC

Notes to the Company financial statements continued

37 Trade and other receivables continued

As of 31 January 2015, trade and other receivables of £1 3m (2014 £1 9m) were fully impaired
Movements in the allowance for impaired receivables were as follows

	2015 £m	2014 £m
At start of year	(1 9)	(1 8)
Charged to income statement	(0 1)	(0 6)
Utilised	0 6	0 5
Released to income statement	0 1	-
At end of year	(1 3)	(1 9)

The creation and release of the allowance for impaired receivables have been included in branch operating expenses in the income statement

As of 31 January 2015, trade and other receivables of £14 9m (2014 £16 8m) were past due but not impaired The ageing analysis of the past due amounts is as follows

	2015 £m	2014 £m
Up to 3 months past due	13 6	12 3
3 to 12 months past due	0 9	2 6
Over 12 months past due	0 4	1 9
	14 9	16 8

JOHN LEWIS PLC

Notes to the Company financial statements continued

38 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	30.3	29.6
Short-term investments	201.8	202.9
	232.1	232.5

For the year ended 31 January 2015, the effective interest rate on short-term investments was 0.5% (2014 0.4%) and these deposits had an average maturity of 1 day (2014 1 day)

In the Company statement of cash flows, net cash and cash equivalents are shown after deducting bank overdrafts, as follows

	2015 £m	2014 £m
Cash and cash equivalents, as above	232.1	232.5
Less bank overdrafts	(59.8)	(71.6)
Net cash and cash equivalents	172.3	160.9

39 Analysis of financial assets

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

	Floating rate £m	Non-interest bearing £m	Total £m
Interest rate and currency analysis			
Sterling	228.2	3.6	231.8
Other	0.3	–	0.3
At 31 January 2015	228.5	3.6	232.1
Sterling	229.0	3.4	232.4
Other	0.1	–	0.1
At 25 January 2014	229.1	3.4	232.5

Floating rate assets are bank balances and short-term deposits at market rates or the base rate of the relevant currency. Non-interest bearing balances include cash floats, primarily held in the stores.

JOHN LEWIS PLC

Notes to the Company financial statements continued

40 Borrowings and overdrafts

	2015 £m	2014 £m
Current		
Bank overdraft	(59 8)	(71 6)
	(59 8)	(71 6)
Non-current		
Partnership Bond, 2016*	(57 1)	(56 6)
8 ³ / ₈ % Bonds, 2019	(275 0)	(275 0)
6 ¹ / ₈ % Bonds, 2025	(300 0)	(300 0)
4 ¹ / ₄ % Bonds, 2034	(300 0)	–
Unamortised bond transaction costs	10 7	5 2
5% First Cumulative Preference Stock	(1 5)	(1 5)
7% Cumulative Preference Stock	(0 8)	(0 8)
	(923 7)	(628 7)

- * The Partnership Bond is a five year investment product offering a fixed annual return of 4.5% in cash and a further 2% in John Lewis Partnership gift vouchers

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

In December 2014, the Group issued a £300m bond with an interest rate of 4.25%. The bond is due to be repaid in 2034

If the preference dividends are in arrears on in the event of winding up the 5% First Cumulative Preference Stock and the 7% Cumulative Preference Stock have one vote per share. Otherwise, the holders of preference stock have one vote for every ten shares, whereas the holders of ordinary shares have one vote for every ordinary share held. The amounts receivable in a winding up would be limited to the amounts paid up, the 5% First Cumulative Preference Stock taking priority over the 7% Cumulative Preference Stock

JOHN LEWIS PLC

Notes to the Company financial statements continued

41 Trade and other payables

	2015 £m	2014 £m
Current		
Trade payables	(345 3)	(354 0)
Amounts owed to parent company	(109 8)	(102 2)
Amounts owed to Group companies	(320 1)	(242 4)
Other payables	(115 5)	(108 3)
Other taxation and social security	(131 0)	(133 6)
Accruals	(115 4)	(97 8)
Deferred income	(49 4)	(43 5)
Partnership Bonus	(139 9)	(178 2)
	(1,326 4)	(1,260 0)
Non-current		
Deferred income	(127 8)	(116 7)
	(127 8)	(116 7)

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

42 Finance lease liabilities

	2015 £m	2014 £m
The minimum lease payments under finance leases fall due as follows		
Not later than one year	(0 9)	(0 9)
Later than one year but not more than five	(2 8)	(3 2)
More than five years	(23 6)	(24 1)
	(27 3)	(28 2)
Future finance charge on finance leases	11 9	12 2
Present value of finance lease liabilities	(15 4)	(16 0)
Of which		
Not later than one year	(0 5)	(0 6)
Later than one year but not more than five	(1 6)	(1 9)
More than five years	(13 3)	(13 5)

The Company's finance lease liabilities relate to buildings and plant, property and equipment that have been classified as finance leases in accordance with IAS 17 Leases

JOHN LEWIS PLC

Notes to the Company financial statements continued

43 Provisions

	Long leave £m	Service guarantee £m	Customer refunds £m	Other £m	Total £m
At 25 January 2014	(112.8)	(57.4)	(26.2)	(32.8)	(229.2)
Charged to income statement	(16.8)	(33.3)	(29.6)	(7.9)	(87.6)
Released to income statement	1.3	8.7	–	7.4	17.4
Utilised	8.6	20.5	26.2	12.4	67.7
At 31 January 2015	(119.7)	(61.5)	(29.6)	(20.9)	(231.7)
Of which					
Current	(38.8)	(20.6)	(29.6)	(8.6)	(97.6)
Non-current	(80.9)	(40.9)	–	(12.3)	(134.1)

The Company has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, and using economic assumptions consistent with those used for the Group's retirement benefit obligations (note 23), with the exception of the discount rate, where a rate appropriate to the shorter duration of the long leave liability is used, so as to accrue the cost over Partners' service periods.

Provisions for service guarantee costs reflect the Group's expected liability for future repair costs based on estimated failure rates and unit repair costs for the classes of goods sold.

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

Other provisions include reorganisation costs, accrued holiday pay and property related costs.

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 above.

JOHN LEWIS PLC

Notes to the Company financial statements continued

44 Deferred tax

44.1 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 21% (2014 21%) for deferred tax assets or liabilities expected to reverse before April 2015 and 20% for those assets or liabilities expected to reverse after April 2015 (2014 20%)

The movement on the deferred tax account is shown below

	2015 £m	2014 £m
Opening asset	187.1	177.9
Credited to income statement	8.3	62.3
Credited to other comprehensive income	37.7	(53.1)
Closing asset	233.1	187.1

The movements in deferred tax assets and liabilities during the year (prior to the offsetting of balances within the same jurisdiction, as permitted by IAS 12) are shown below

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

	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
Deferred tax liabilities					
At 26 January 2013	(60.4)	(0.1)	(7.3)	(1.3)	(69.1)
Credited to income statement	10.2	–	1.0	1.3	12.5
At 25 January 2014	(50.2)	(0.1)	(6.3)	–	(56.6)
Credited to income statement	1.0	–	–	0.2	1.2
Charged to other comprehensive income	–	–	–	(0.6)	(0.6)
At 31 January 2015	(49.2)	(0.1)	(6.3)	(0.4)	(56.0)

	Capital gains tax on land and buildings £m	Pensions and provisions £m	Total £m
Deferred tax assets			
At 26 January 2013	11.4	235.6	247.0
Credited to income statement	(1.4)	51.2	49.8
Charged to other comprehensive income	–	(53.1)	(53.1)
At 25 January 2014	10.0	233.7	243.7
Credited to income statement	0.1	7.0	7.1
Credited to other comprehensive income	–	38.3	38.3
At 31 January 2015	10.1	279.0	289.1

JOHN LEWIS PLC

Notes to the Company financial statements continued

44 Deferred tax continued

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future profits is probable. There were no unrecognised deferred tax assets in respect of losses for the year ended 31 January 2015 (2014: £nil).

The deferred tax balance associated with the pension deficit has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010 following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 23).

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax asset at 31 January 2015 was £233.1m (2014: £187.1m asset). The net deferred tax asset is recoverable after more than one year.

44.2 Factors affecting tax charges in current and future years

The Finance Act 2013 reduced the main rate of corporation tax from 23% to 21% from 1 April 2014. Further reductions to reduce the main rate of corporation tax to 20% from 1 April 2015 have also been enacted.

The effect of the 3% rate change in the prior year was to increase the deferred tax asset by £34.5m with a £30.7m charge being taken directly to reserves and a £3.8m tax charge to the income statement.

45 Management of financial risks

45.1 Capital and long-term funding risk

The approach to capital and long term funding risks has been discussed in note 21.

45.2 Liquidity risk

The approach to liquidity risks has been discussed in note 21.

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

	Due within 1 year	Due between 1 and 2 years	Due 2 years and beyond
	£m	£m	£m
Non-derivative financial liabilities			
Borrowings and overdrafts	(59.8)	(57.8)	(877.3)
Interest payments on borrowings*	(56.8)	(56.8)	(432.8)
Finance lease liabilities	(0.9)	(0.9)	(25.5)
Trade and other payables	(1,146.0)	–	–
Derivative financial liabilities			
Derivative contracts – receipts	208.9	22.8	–
Derivative contracts – payments	(206.1)	(22.9)	–
At 31 January 2015	(1,260.7)	(115.6)	(1,335.6)

* Excludes annual interest of £0.1m on cumulative preference stock which have no fixed redemption date.

JOHN LEWIS PLC

Notes to the Company financial statements continued

45 Management of financial risks continued

	Due within 1 year	Due between 1 and 2 years	Due 2 years and beyond
	£m	£m	£m
Non-derivative financial liabilities			
Borrowings and overdrafts	(71 6)	–	(635 1)
Interest payments on borrowings*	(44 0)	(44 0)	(260 1)
Finance lease liabilities	(0 9)	(0 9)	(26 4)
Trade and other payables	(1,082 9)	–	–
Derivative financial liabilities			
Derivative contracts – receipts	185 0	28 7	–
Derivative contracts – payments	(190 8)	(29 1)	–
At 25 January 2014	(1,205 2)	(45 3)	(921 6)

* Excludes annual interest of £0.1m on cumulative preference stock which have no fixed redemption date

Interest on borrowings is calculated based on the borrowing position throughout the financial year, without taking account of future issues

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

45.3 Interest rate risk

The approach to interest rate risks has been discussed in note 21

45.4 Foreign currency risk

The approach to foreign currency risks has been discussed in note 21

45.5 Credit risk

The Company has no significant exposure to an individual customer's credit risk due to transactions being principally of a high volume, low value and short maturity. Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. These risks are managed by restricting such transactions to an approved list of counterparties, who have a credit rating not less than a Standard & Poor's equivalent 'A' rating for investments and 'BBB' for the provision of operational cash management services. Appropriate credit limits are designated to each counterparty.

The Company considers its maximum exposure to credit risk is as follows

	2015 £m	2014 £m
Trade and other receivables	64 3	49 2
Cash and cash equivalents	232 1	232 5
Derivative financial instruments	9 6	0 7
	306 0	282 4

45.6 Energy risk

The approach to energy risks has been discussed in note 21

45.7 Sensitivity analysis

A sensitivity analysis has been performed in note 21

JOHN LEWIS PLC

Notes to the Company financial statements continued

46 Derivative financial instruments and financial liabilities

46.1 Basis of fair value

Fair value estimation

The different levels per the IFRS 13 fair value hierarchy have been defined as follows

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

During the year ended 31 January 2015, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets

46.2 Fair value of derivative financial instruments

The fair value of derivative financial instruments is as follows

	2015		2014	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Fair value of derivative financial instruments				
Currency derivatives – cash flow hedge	9.6	(6.6)	0.7	(5.9)

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

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

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

46.3 Fair value of financial assets and liabilities held at amortised cost

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

	2015		2014	
	CV	FV	CV	FV
Financial liabilities				
Listed bonds	(864.5)	(1,031.2)	(569.8)	(695.4)
Preference stock	(2.3)	(2.1)	(2.3)	(2.0)

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

For other financial assets and liabilities, there are no material differences between carrying value and fair value

JOHN LEWIS PLC

Notes to the Company financial statements continued

47 Analysis of financial liabilities

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

	Fixed rate	Floating rate	Total
	£m	£m	£m
Interest rate and currency analysis			
All sterling			
At 31 January 2015	(939 1)	(59 8)	(998 9)
At 25 January 2014	(644 7)	(71 6)	(716 3)
Maturity of financial liabilities			
		2015	2014
		£m	£m
Repayable within one year			
Bank overdrafts		(59 8)	(71 6)
Property finance leases		(0 5)	(0 6)
		(60 3)	(72 2)
Repayable between one and two years			
Property finance leases		(0 6)	(0 5)
Bonds		(57 1)	–
Unamortised bond transaction costs		0 2	–
		(57 5)	(0 5)
Repayable between two and five years			
Property finance leases		(1 0)	(1 4)
Bonds		(275 0)	(56 6)
Unamortised bond transaction costs		1 2	0 3
		(274 8)	(57 7)
Repayable in more than five years			
Property finance leases		(13 3)	(13 5)
Bonds		(600 0)	(575 0)
Unamortised bond transaction costs		9 3	4 9
Cumulative Preference Stock		(2 3)	(2 3)
		(606 3)	(585 9)
		(998 9)	(716 3)

JOHN LEWIS PLC

Notes to the Company financial statements continued

48 Reconciliation of profit before tax to cash generated from operations

	2015 £m	2014 £m
Profit before tax	70 6	478 7
Dividend income	–	(500 0)
Amortisation of intangible assets	42 7	30 2
Depreciation	116 6	102 4
Net finance costs	97 5	91 4
Partnership Bonus	67 5	89 7
Profit on disposal of property, plant and equipment and intangible assets	(2 9)	(0 6)
Increase in inventories	(38 7)	(19 6)
Decrease/(increase) in receivables	4 5	(26 9)
Increase in payables	30 3	85 0
Decrease in retirement benefit obligations	(15 7)	(4 9)
(Decrease)/increase in provisions	(7 5)	12 4
Cash generated from operations	364 9	337 8

49 Commitments and contingencies

49.1 Capital commitments

At 31 January 2015 contracts had been entered into for future capital expenditure of £27 2m (2014 £31 7m) of which £23 8m (2014 £31 1m) relates to property, plant and equipment and £3 4m (2014 £0 6m) relates to intangible assets

49.2 Lease guarantees

John Lewis plc continues to provide lease guarantees in favour of the Partnership's former associate company, Ocado Limited, of £6 8m (2014 £6 8m)

JOHN LEWIS PLC

Notes to the Company financial statements continued

49 Commitments and contingencies continued

49.3 Commitments under operating leases

	2015 Land and buildings £m	2014 Land and buildings £m
Future aggregate minimum lease payments Under non-cancellable operating leases, payable		
Within one year	53 4	49 3
Later than one year and less than five years	168 5	160 1
After five years	1,059 5	1,049 3

	2015 Land and buildings £m	2014 Land and buildings £m
Future aggregate minimum lease payments under non-cancellable operating leases, payable after five years comprise the following		
Later than five years and less than 10 years	217 8	171 2
Later than 10 years and less than 20 years	289 1	242 9
Later than 20 years and less than 40 years	182 8	142 8
Later than 40 years and less than 80 years	132 1	158 0
After 80 years	237 7	334 4
	1,059 5	1,049 3

Total future sub-lease payments receivable relating to the above operating leases amounted to £1 5m (2014 £2 6m)

50 Retirement benefit obligations

As disclosed in note 23 to the Group financial statements, the Company's investment in the pension scheme in JLP Scottish Limited Partnership of £83 9m (2014 £87 9m), represents a plan asset for the Company accounts which is offset against the Group's obligation of £1,249 3m (2014 £1,003 4m). The retirement benefit obligation of the Company as at 31 January 2015 was £1,165 4m (2014 £915 5m). Note 23 of the Group financial statements details the financial assumptions used.

51 Share capital

	2015		2014	
	Authorised £m	Issued and fully paid £m	Authorised £m	Issued and fully paid £m
Equity				
Deferred Ordinary Shares				
6,750,000 of £1 each	6 7	6 7	6 7	6 7

JOHN LEWIS PLC

Notes to the Company financial statements continued

52 Related party transactions

52.1 Loan from John Lewis Partnership plc

The loan from John Lewis Partnership plc has been disclosed in note 42. The loan is non-interest bearing with no specific repayment terms.

52.2 Transactions with other group companies

During the year John Lewis plc entered into transactions with other group companies in respect of supply of goods for resale and associated services totalling £14.3m (2014: £14.6m), purchase of goods for resale totalling £56.6m (2014: £57.5m), the supply of administrative and other shared services totalling £69.4m (2014: £57.2m) and the hire of vehicles totalling £24.9m (2014: £18.8m).

In addition, John Lewis plc settled other transactions on behalf of group companies for administrative convenience, such as payroll and supplier settlement. All such transactions were charged at cost to the relevant group company. It is not practical to quantify these recharges.

53 Subsidiary undertakings

Principal subsidiary undertakings as at 31 January 2015 were as follows:

Name	Principal activity	Country of Incorporation	Percentage shareholdings
Herbert Parkinson Limited	Weaving and making up	England & Wales	100%
JLP Insurance Limited	Insurance	Guernsey	100%
JLP Scottish Limited Partnership	Investment holding undertaking	Scotland	100%
JLP Scottish Partnership	Investment holding undertaking	Scotland	100%
John Lewis Car Finance Limited	Car finance	England & Wales	100%
John Lewis Delivery Limited	International delivery	England & Wales	100%
John Lewis Properties plc	Property holding company	England & Wales	100%
Waitrose (Jersey) Limited	Food retailing	Jersey	100%
Waitrose (Guernsey) Limited	Food retailing	Guernsey	100%
Waitrose Limited	Food retailing	England & Wales	100%

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

As permitted by s410 of the Companies Act 2006, only principal subsidiary undertakings are shown above. A complete list of subsidiary undertakings will be filed with the Company's annual return.

John Lewis Partnership plc is the Company's immediate and ultimate parent company and prepares consolidated accounts which include the accounts of the Company.

Ultimate control rests with the John Lewis Partnership Trust Limited, which holds the equity of John Lewis Partnership plc in trust for the benefit of the employees. Both of these companies are registered in England and Wales.

JOHN LEWIS PLC

Notes to the Company financial statements continued

Copies of these accounts may be obtained from the Company Secretary, John Lewis Partnership plc, 171 Victoria Street, London, SW1E 5NN

The Group has taken advantage of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 and has therefore not appended the accounts of JLP Scottish Partnership and JLP Scottish Limited Partnership to these accounts. Separate accounts for these partnerships are not required to be filed with the Registrar of Companies.

Statement of directors' responsibilities for the annual report and accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Partnership and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and the Company and of the profit or loss of the Partnership for that period. In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent, and
- State whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Partnership financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

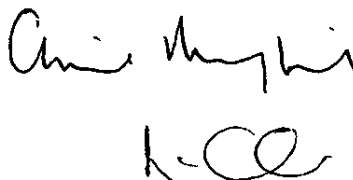
Each of the Directors, whose names and functions are listed on page 2, confirm that, to the best of their knowledge

- The Partnership financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Partnership, and
- The strategic report includes a fair review of the development and performance of the business and the position of the Partnership, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board

Sir Charlie Mayfield and Loraine Woodhouse
Directors, John Lewis plc

16 April 2015



Independent auditors' report to the members of John Lewis plc

Report on the financial statements

Our opinion

- John Lewis plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union,
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

What we have audited

John Lewis plc's Group and Company financial statements comprise

- the consolidated balance sheet and the balance sheet of the Company as at 31 January 2015,
- the consolidated income statement and consolidated statement of comprehensive expense for the year then ended,
- the consolidated and Company statement of changes in equity for the year then ended,
- the consolidated and Company statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

Independent auditors' report to the members of John Lewis plc

continued

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

What an audit of financial statements involves

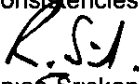
We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report


Ranjan Briskandan
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
16 April 2015

Notice of AGM

Notice is hereby given that the eighty-seventh Annual General Meeting of the Company will be held at 2 15pm on 4 June 2015 at Longstock House, Leckford, Stockbridge, Hampshire SO20 6JF

- To receive the Company's Annual Report and Accounts, together with the Strategic Report, the Directors' Report, and the Auditor's Report on those Accounts for the year ended 31 January 2015
- To re-elect, as separate resolutions, Tracey Killen, Rachel Osborne, Mark Price, Andy Street and Loraine Woodhouse
- To re-appoint PricewaterhouseCoopers LLP as Auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next meeting of the Company at which accounts are laid
- To authorise the Directors to determine the remuneration of the Auditor

By Order of the Board



Keith Hubber

Company Secretary

171 Victoria Street, London SW1E 5NN
16 April 2015

The Annual Report and Accounts are sent to all members

A proxy need not be a member of the company, but a proxy who is not a member has only the rights conferred by section 329 of the Companies Act 2006. To be effective, a proxy form must reach the company's registered office not later than forty-eight hours before the time for holding the meeting. For the convenience of members a form of proxy is enclosed

JLP Scottish Limited Partnership

Financial Statements

31 January 2015

THESE PARTNERSHIP
ACCOUNTS FORM
PART OF THE ACCOUNTS
OF COMPANY
No. 233462

THURSDAY

A08

11/06/2015
COMPANIES HOUSE

#294

JLP Scottish Limited Partnership

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JLP Scottish Limited Partnership

Partnership information

Partners	JLP Scotland Limited John Lewis Partnership Pensions Trust John Lewis plc
Independent Auditors	PricewaterhouseCoopers LLP
Bankers	Royal Bank of Scotland PLC
Registered office	John Lewis, 69 St James Centre, Edinburgh, EH1 3SP
Registered in Scotland No	7561

JLP Scottish Limited Partnership

Strategic report for 53 weeks ended 31 January 2015

Review of performance

Key performance indicators

	2015* £'000	2014 £'000
Profit for the year	5,545.5	6,798.7
Investment in JLP Scottish Partnership	99,925.1	99,950.1
Net assets/partners' interests	100,000.2	100,000.2

*53 weeks

The statement of comprehensive income on page 6 shows a profit for the 53 weeks ended 31 January 2015 of £5,545,500 (2014 £6,798,700) principally as a result of the distribution received from JLP Scottish Partnership

The balance sheet on page 6 shows the JLP Scottish Limited Partnership's financial position at the year end. The partners' funds as at 31 January 2015 were £100,000,200 (2014 £100,000,200)

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

Principal risks and uncertainties

JLP Scottish Limited Partnership's financial and operation issues are managed on a Partnership wide basis by John Lewis Partnership plc ('the Partnership') and so, where it is relevant, the Strategic report and General partner's report provides information in respect of the Partnership. Details of principal risks and uncertainties are included within pages 44 to 45 of the Partnership's Annual Report and Accounts

JLP Scottish Limited Partnership's principal risks and uncertainties are in line with those of the Partnership. However, the risks that are most relevant to the JLP Scottish Limited Partnership are economic environment and property valuation

Details of key mitigations to these principal risks and uncertainties are presented in pages 46 and 47 of the Partnership's Annual Report and Accounts

For and on behalf of the general partner



Director
John Lewis plc
16 April 2015

JLP Scottish Limited Partnership

General partner's report for 53 weeks ended 31 January 2015

The general partner presents its report and the audited financial statements of JLP Scottish Limited Partnership for the 53 weeks to 31 January 2015

Principal activity

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

The JLP Scottish Limited Partnership was registered (number 7561) in Scotland as a limited partnership by the Registrar of Companies in Scotland on 17 December 2009 and is a partnership between John Lewis plc, JLP Scotland Limited and John Lewis Partnership Pensions Trust as trustee of the John Lewis Partnership Trust for Pensions. The JLP Scottish Limited Partnership allocates and distributes income to its partners in accordance with an Amended and Restated Limited Partnership Agreement dated 26 January 2010, which has been further revised on 27 January 2012, following agreement of the partners.

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

General partner and manager

John Lewis plc
171 Victoria Street
London
SW1E 5NN

Going concern

The JLP Scottish Limited Partnership is currently in a net assets position. The Directors of the general partner are of the opinion that the JLP Scottish Limited Partnership has adequate resources to continue in operational existence for the foreseeable future. The Directors of the general partner are satisfied with the JLP Scottish Limited Partnership's results and its financial position and will continue to pursue suitable business opportunities.

Disclosure of information to the independent auditors

Each of the persons who are a Director of the general partner at the date of approval of this report confirms that

- 1 so far as the Director is aware, there is no relevant audit information of which the JLP Scottish Limited Partnership's auditors are unaware, and
- 2 the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish the JLP Scottish Limited Partnership's auditors are aware of that information.

General partner's responsibility statement

The Directors of the general partner are responsible for preparing the Strategic report, General partner's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors of the general partner to prepare financial statements for each financial year. Under that law the Directors of the general partner have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

JLP Scottish Limited Partnership

Under company law the Directors of the general partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the JLP Scottish Limited Partnership and of the profit or loss of the JLP Scottish Limited Partnership for that year. In preparing these financial statements, the Directors of the general partner are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the JLP Scottish Limited Partnership will continue in business

The Directors of the general partner are responsible for keeping adequate accounting records that are sufficient to show and explain the JLP Scottish Limited Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the JLP Scottish Limited Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applicable to qualifying partnerships. They are also responsible for safeguarding the assets of the JLP Scottish Limited Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the general partner



Director
John Lewis plc
16 April 2015

JLP Scottish Limited Partnership

Statement of comprehensive income for the 53 weeks ended 31 January 2015

<i>Note</i>		2015*	2014
		£'000	£'000
	Distribution received	5,548.5	6,801.9
2	Administrative expenses	(3.0)	(3.2)
	Profit and total comprehensive income for the year	5,545.5	6,798.7

* 53 week year

Balance sheet as at 31 January 2015

<i>Notes</i>		2015 £'000	2014 £'000
	Non current assets		
3	Investment in JLP Scottish Partnership	99,925.1	99,950.1
	Current assets		
	Cash and cash equivalents	91.6	63.6
		91.6	63.6
	Total assets	100,016.7	100,013.7
	Current liabilities		
	Amounts due to John Lewis plc	(13.5)	(10.3)
4	Other payables	(3.0)	(3.2)
	Total liabilities	(16.5)	(13.5)
	Net assets attributable to partners	100,000.2	100,000.2
	Represented by:		
	Partners' interests		
5	Partners' capital and other interests	100,000.2	100,000.2

These financial statements were approved by the general partner on 16 April 2015, and signed on its behalf by



Director
John Lewis plc
16 April 2015

Registered number 7561

Notes to the financial statements

1 Accounting convention and basis of accounting

The financial statements are prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006 as applicable to qualifying partnerships

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union. The JLP Scottish Limited Partnership is a qualifying entity for the purposes of FRS 101.

The disclosure exemptions adopted by the JLP Scottish Limited Partnership in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present on cash flow statements
- The requirements of paragraph 17 of IAS 24, Related Party Transactions, and the requirements of IAS 24 to disclose related party transactions between two or more members of a group for wholly owned subsidiaries
- The requirements of paragraphs 30 and 31 of IAS 8 to disclose information assessing the possible impact of new issued standards but which are not yet effective

The following standards, amendments and interpretations were adopted by the JLP Scottish Limited Partnership for the 53 weeks ended 31 January 2015 and have not had a significant impact on the JLP Scottish Limited Partnership's profit for the year, equity or disclosures:

- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities',
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities',
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets',
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting',
- Amendments to IFRIC 21 'Leases'

The JLP Scottish Limited Partnership is an intermediate parent entity and is exempt from preparing consolidated financial statements as noted in section 400 of the Companies Act 2006.

Operating costs

Operating costs are charged to the statement of comprehensive income on an accruals basis.

Distributions

Distributions are credited to the statement of comprehensive income when received.

Investments

Investments are carried at cost and consist of an interest in JLP Scottish Partnership.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank.

Taxation

No tax is recorded in the financial statements of the JLP Scottish Limited Partnership, as all tax liabilities are liabilities of the partners and not the JLP Scottish Limited Partnership.

2 Administrative expenses

Administrative expenses comprise auditor remuneration of £3,000 (2014: £3,200).

The JLP Scottish Limited Partnership had no employees during the current year (2014: nil).

JLP Scottish Limited Partnership

3 Investment in JLP Scottish Partnership

	£'000
Cost	
As at 26 January 2013	99,975.1
As at 25 January 2014	99,950.1
Decrease in investment	(25.0)
As at 31 January 2015	99,925.1

JLP Scottish Limited Partnership has a 69% (2014 65%) investment in JLP Scottish Partnership, a property holding partnership, as set out in the General partner's report on page 4. The percentage investment in JLP Scottish Partnership increased during the year following the return of capital from JLP Scottish Partnership to John Lewis Properties plc, the other partner of JLP Scottish Partnership.

JLP Scottish Limited Partnership's investment in JLP Scottish Partnership has a carrying value of £102,092,100 at 31 January 2015 (2014 £103,373,200) including capital (£99,925,100) and other interests (£2,167,000). The value of the investment in JLP Scottish Partnership decreased during the year following the return of capital from JLP Scottish Partnership and the share of profits and income distributions in accordance with the terms of the Amended and Restated Limited Partnership Agreement.

4 Other Payables

	2015 £'000	2014 £'000
Accruals	3.0	3.2

5 Partners' interests

	Total interests at 25 January 2014 £'000	Share of income profit £'000	Distribution £'000	Total interests at 31 January 2015 £'000
Limited Partners:				
JLP Scotland Limited	0.1	-	-	0.1
John Lewis Partnership	95,000.0	5,517.7	(5,517.7)	95,000.0
Pensions Trust				
General Partner:				
John Lewis plc	5,000.1	27.8	(27.8)	5,000.1
Total partners' interests	100,000.2	5,545.5	(5,545.5)	100,000.2

JLP Scottish Limited Partnership

	Total interests at 26 January 2013 £'000	Share of income profit £'000	Distribution £'000	Total interests at 25 January 2014 £'000
Limited Partners:				
JLP Scotland Limited	0 1	-	-	0 1
John Lewis Partnership Pensions Trust	95,000 0	6,764 7	(6,764 7)	95,000 0
General Partner:				
John Lewis plc	5,000 1	34 0	(34 0)	5,000 1
Total partners' interests	100,000 2	6,798 7	(6,798 7)	100,000 2

6 Ultimate controlling party

John Lewis plc is the parent company of the smallest group to consolidate the financial statements of JLP Scottish Limited Partnership. John Lewis Partnership plc, the JLP Scottish Limited Partnership's ultimate parent company, is the parent company of the largest group to consolidate these financial statements. Ultimate control rests with John Lewis Partnership Trust Limited, which holds the equity of John Lewis Partnership plc in trust for the benefit of the employees. These companies are registered in England and Wales. JLP Scottish Limited Partnership is registered in Scotland.

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

JLP Scottish Limited Partnership

Independent auditors' report to the partners of JLP Scottish Limited Partnership

Report on the financial statements

Our opinion

In our opinion, JLP Scottish Limited Partnership's financial statements (the "financial statements")

- give a true and fair view of the state of the qualifying partnership's affairs as at 31 January 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008

What we have audited

JLP Scottish Limited Partnership's financial statements comprise

- the balance sheet as at 31 January 2015,
- the statement of comprehensive income for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

In applying the financial reporting framework, the general partner has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

General partner's remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of general partner's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the general partner

As explained more fully in the General partner's responsibilities statement set out on page 4, the general partner is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinion, has been prepared for and only for the members of the qualifying partnership as a body in accordance with the Companies Act 2006 as applied to qualifying partnerships by the Partnerships (Accounts) Regulations 2008 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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the general partner, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the general partner's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report



Ranjan Sriskandan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 April 2015