John Lewis

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annual report and accounts

2011

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Contents

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The John Lewis Partnership

The John Lewis Partnership is one of the UK's top ten retail businesses with 28 John Lewis full line department stores, 4 John Lewis at home stores, 235 Waitrose supermarkets, 15 Waitrose convenience stores, waitrose com and business to business contracts in the UK and abroad

It is also the country's largest employee co-owned business, with 76,500 employees The Partnership aims to ensure that everyone who works for it enjoys the experience of ownership, by sharing in the profits, by having access to information and by sharing in decision making through influencing and making recommendations to the Chairman on any subject

The Partnership believes that the commitment of Partners to the business is a unique source of competitive advantage which has underpinned over 80 years of growth and a reputation amongst customers and suppliers unparalleled in the UK retail industry

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

John Lewis Partnership plc and its subsidiary John Lewis plc have small issues of preference stock which have first claim on the profits The whole of the remaining profit is available to be used for the benefit of the business and the Partners The share of profits allocated to Partners, the Partnership bonus, is fixed each year by the Partnership Board and is distributed as the same percentage of gross annual pay for all Partners All Partners received an 18% bonus for 2010/11 as their share of profits at a total cost of £194 5m

Chairman's statement

This was a year in which the Partnership achieved market-beating sales growth and delivered a healthy increase in profits despite the difficult economic backdrop This strong performance is the result of our 76,500 Partners' determination to give customers the best possible shopping experience We have renewed our commitment in both Waitrose and John Lewis to improving the value we offer to customers, and broader ranges and innovative marketing have attracted more customers and boosted our market share

The Partnership has clearly established itself as a leader in multi-channel retailing Our investment over many years in johnlewis com and our growing presence in Waitrose Deliver, together with our supply relationship with Ocado, have brought our offer to more people in more parts of the country and these initiatives have been at the forefront of our growth and innovation Waitrose has concentrated on attracting more new customers through investing in value, innovative top-tier ranges, new space and new formats such as the convenience trial stores We have made great progress this year in combining the John Lewis online operations with its shops to offer customers greater choice and flexibility which has been complemented by an innovative product offer and improved accessibility through the "John Lewis at home" trial format

Charlie Mayfield
Chairman

The Partnership is a long-term business, held in trust for the benefit of our Partners This has given us, we believe, significant competitive advantage We've been able to accelerate our investment during the recession creating around 7,500 new jobs Where we have made significant changes to the structure of our business, we have done so by engaging Partners And, most important of all, our Partners have shown their commitment to continually improving what we do every day In return we reward our Partners for their efforts – we continue to offer a non-contributory final salary pension to Partners with more than 3 years service and our main pension fund has moved into surplus on a funding basis

The profits we make go to Partners and to improving the business for the future and I am delighted that Partners received a bonus of 18%, an average of more than 9 weeks' pay

2011/12 Outlook
After 9 weeks, Partnership gross sales are 4 4% higher than last year Waitrose gross sales have increased by 6 2% (2 3% like for like) and John Lewis gross sales are 1 1% higher than last year (0 6% lower like for like)

We expect trading conditions to be more difficult in 2011, as the VAT increase, rising unemployment, and public sector spending cuts begin to have an impact on consumer spending We are, however, encouraged that some parts of the British economy are improving slightly We are seeing some early signs that property developers are willing to invest in new projects and developments and we expect further progress this year on our store expansion pipeline

Our co-ownership model allows us to take a longer-term view, which enabled us to continue to invest through the recession and the benefit of that has been clearly seen in our results Despite the more challenging conditions we expect in 2011, we are confident in the plans we have in place We will continue to strengthen the Partnership, investing approximately £0 6bn in the current year creating around 4,300 new jobs and we will continue to give our customers the value and service they demand

Charlie Mayfield
Chairman
7 April 2011

Business review

Business review

Review of performance

John Lewis Partnership

- Gross sales up £784 8m, 10 6%, to £8 21bn
- Group operating profit up £41 3m, 10 6%, to £429 3m
- Profit before Partnership bonus and tax up £61 4m, 20 0%, to £367 6m
- Partnership bonus of £194 5m, 18% of salary (equal to more than 9 weeks' pay)

Waitrose

- Gross sales up £442 3m, 9 8%, to £4 97bn
- Like-for-like gross sales up 4 0% (food only, excludes petrol)
- Operating profit up £8 1m, 3 0%, to £274 9m

John Lewis

- Gross sales up £342 5m, 11 9%, to £3 23bn
- Like-for-like gross sales up 10 0%, johnlewis com sales up £147 9m, 37 9%, to £538 2m
- Operating profit up £36 5m, 22 2%, to £201 2m

Five year record – years ended January

	2011 £m	2010 £m	2009* £m	2008 £m	2007 £m
Gross sales (including sale or return sales and VAT)	**8,206 3**	7,421 5	6,967 5	6,762 8	6,362 3
Revenue					
Waitrose	**4,699 9**	4,317 2	3,940 1	3,737 2	3,497 3
John Lewis	**2,661 9**	2,417 4	2,327 1	2,315 0	2,188 9
Revenue	**7,361.8**	6,734 6	6,267 2	6,052 2	5,686 2
Operating profit[1]					
Waitrose	**274 9**	266 8	214 5	226 2	170 6
John Lewis	**201.2**	164 7	145 9	197 5	169 3
Corporate and other[2]	**(46 8)**	(43 5)	(39 2)	(33 2)	-
Operating profit	**429 3**	388 0	321 2	390 5	339 9
Net finance costs	**(61 7)**	(81 8)	(42 2)	(10 8)	(19 7)
Share of post tax losses of associate (Ocado)	–	–	–	(8 0)	(18 0)
Exceptional gain in respect of associate (Ocado)	–	–	127 4	8 0	18 0
Profit before Partnership bonus and tax	**367 6**	306 2	406 4	379 7	320 2
Taxation	**(45 6)**	(48 3)	(47 7)	(59 4)	(56 9)
Net profit available for profit sharing and retention in the business	**322 0**	257 9	358 7	320 3	263 3
Partnership bonus	**(194 5)**	(151 3)	(125 4)	(181 1)	(154 1)
As a percentage of pay	***18%***	*15%*	*13%*	*20%*	*18%*
Discontinued operations	–	–	–	(9 1)	(0 7)
Profit for the year retained in the business	**127 5**	106 6	233 3	130 1	108 5
Net assets	**2,072 5**	1,704 2	1,722 5	1,683 9	1,650 1
Pay	**1,021 7**	940 4	908 0	864 8	817 6
Average number of employees	**74,800**	70,000	68,700	68,200	66,800
including part-time employees	**40,800**	37,300	35,900	36,700	35,900
Average number of FTEs	**48,500**	45,900	45,100	44,900	43,900

*53 week year

[1] Divisional operating profit is after charging relevant corporate costs based on the business segments' usage of corporate facilities and services 2007 has not been restated to reflect corporate cost allocations

[2] Corporate and other costs are principally corporate and shared service overheads, transformation costs and the new Partnership Services division set up costs

Business review

Review of performance (continued)

Key performance indicators (KPIs)
Across the group we focus on a number of KPIs in order to identify trends in the trading performance of both Waitrose and John Lewis These KPIs are designed to help us understand how we are using our assets and where we are achieving efficiencies with the group

	Waitrose 2011	John Lewis 2011	Group 2011	Waitrose 2010	John Lewis 2010	Group 2010
Trading performance						
Gross sales growth – total continuing operations	**9 8%**	**11.9%**	**10 6%**	9 0%	2 8%	6 5%
Gross sales growth – like-for-like[1]	**4 0%**	**10 0%**	**6 4%**	3 6%	2 3%	3 1%
Operating margin[2]	**5 5%**	**6 2%**	**5 3%**	5 9%	5 7%	5 3%
Gross sales per selling FTE (£000s)	**226 6**	**185 9**		222 5	163 1	
Operating profit per FTE (£000s)[2]	**10 8**	**9.1**	**8 9**	11 4	7 8	8 5
Number of stores[3]	**243**	**32**		223	29	
Average selling space (m sq ft)[4]	**4 6**	**4.0**	**8 6**	4 2	3 9	8 1
Gross sales per selling sq ft (£)	**1,093**	**808**	**960**	1,066	740	910
Operating profit per selling sq ft (£)[2]	**60**	**50**	**50**	63	42	48
Cash flow and liquidity						
Operating cash flow before Partnership bonus (£m)			**757.4**			657 3
Capital expenditure (£m)[5]	**354 0**	**119 5**	**492 7**	303 5	111 8	445 1
Interest cover[6]			**3 9**			5 5
Balance sheet.						
Net assets (£m)			**2,072 5**			1,704 2
Net debt (£m)[7]			**493.0**			360 8
Gearing[7]			**23.8%**			21 2%
Return on invested capital[8]			**7.9%**			7 7%

(1) Like-for-like sales exclude the impact of branch openings and closures

(2) Operating profit excludes profits from the disposal of surplus property Margin is expressed as a % of gross sales

(3) The number of stores trading as at the year end date

(4) Average selling space (of all stores and branches) includes all customer facing areas and excludes offices, warehouse space and staff facilities

(5) Capital expenditure for the group includes £19 2m (2010 £29 8m) of spending on group-wide information technology systems, vehicles, offices and other assets, not allocated to the operating businesses

(6) Interest cover is profit before net finance costs and tax, after Partnership bonus, divided by net finance costs excluding the financing element of pensions and long service leave, and fair value adjustments

(7) Gearing is net debt divided by net assets

(8) Return on invested capital is post tax profit, adjusted for non-operating items, as a proportion of average operating net assets, adjusted to reflect a deemed capital value for property lease rentals

Partners at Bluewater celebrating the 18% bonus that was awarded in 2011

Group performance

2010/11 saw the group reap the benefit of decisions taken to invest during the recession, resulting in strong sales growth in both Waitrose and John Lewis Throughout the year both Waitrose and John Lewis traded ahead of their respective markets They increased market share, developed their online offers, opened new stores and new formats while continuing to improve and innovate their shops across the country

The Group's gross sales were £8 21bn, up £784 8m, or 10 6% on last year Waitrose gross sales were £4 97bn, up 9 8%, while John Lewis gross sales were £3 23bn, up 11 9%

Operating profit was £429 3m, up £41 3m, 10 6%, on last year

Profit before Partnership bonus and tax was £367 6m, up £61 4m, or 20 0%, on last year Operating profit margin as a percentage of gross sales remained at 5 23% Profit before Partnership bonus and tax as a percentage of gross sales increased from 4 1% to 4 5%

Partnership bonus was £194 5m, which equates to 18% of pay or the equivalent of 9 4 weeks' pay, compared to £151 3m or 15% of pay, the equivalent of 7 8 weeks' pay last year

Business review

Review of performance (continued)

Net finance costs

Net finance costs, which reflect the cost of our debt plus the interest element of our pension and long service leave, decreased by £20 1m, from £81 8m to £61 7m Changes to the financing element of pension costs, which is the difference between the return on the scheme assets and the interest cost on the scheme liabilities, and the financing element of long service leave are driven by changes in the external investment market including rates for corporate bonds, which means these costs can change materially from one year to the next driven by market volatility They have decreased by £38 0m, from £40 2m last year to £2 2m this year Excluding pensions and long service leave, net finance costs increased by £17 9m, 43 0%, from £41 6m to £59 5m, mainly due to the premium of £9 2m paid on the partial buyback of £158m of the nominal value of the 2012 Bond, interest payable on the £300m Bond issued in July 2010 of £9 7m and a full year's interest payable on the £275m Bond issued in April 2009 of £23 0m being an increase of £4 2m These are partly offset by a decrease in interest payable of £5 3m on the 2012 Bond, following the partial buyback and in floating interest payable of £1 4m on interest rate swaps and medium term loans.

Pension charge

We continue to maintain an open non-contributory final salary defined benefit pension scheme We now have about 45,000 active members, 24,000 pensioners and dependants and 30,000 deferred pensioners in the Scheme

Day-to-day management of the funds is delegated to a number of investment managers under the guidance of the Trustees The assets of the schemes are held in separate funds administered by the Trustees The Partnership takes a long term view of its pensions liabilities but recognises that there are significant risks from increasing longevity, the effect of age discrimination legislation, and from volatility and uncertainty in the investment markets

The pension accounting charge included within operating profit of £122 9m for the year to 29 January 2011, was up 24 3% or £24 0m on last year, due mainly to adverse movements in corporate bond yields Actual pension cash contributions in respect of the year were £267 0m, compared to £107 1m for last year, reflecting ongoing contributions of £94 4m, agreed deficit reduction contributions of £22 6m and a £150 0m one-off special cash contribution made in March 2010

A defined contribution scheme is also available in the three year period for Partners waiting to enter the defined benefit scheme, to provide pension benefits during the waiting period The Partnership matches contributions made by Partners, up to 6% of pensionable pay

During the year Partners contributed £1 4m to the defined contribution scheme and the Partnership provided contributions of £1 1m Partners are also able to top up their pension provision with Additional Voluntary Contributions (AVCs) During the year 18,300 Partners contributed £20 6m in AVCs At the year end the combined defined contribution and AVC funds stood at £210 6m

Actuarial valuation of the pension funds

A formal actuarial valuation is carried out at least once every three years by an independent professionally qualified actuary, in order to assess, on a prudent basis, the amount of assets to be set aside to meet the pension promises made to the valuation date, taking into account future expected investment returns, as well as to determine the future level of funding, estimated on prudent assumptions that the Partnership needs to put into the schemes For the main pension scheme, the last formal valuation was carried out as at 31 March 2010 This resulted in a funding surplus of £83m The market value of the assets of the fund as at 31 March 2010 was £2,341m The actuarial valuation of these assets showed that they were sufficient to cover 104% of the benefits which had accrued to members As at 29 January 2011 the funding surplus is estimated to have increased to £105m or 105%

In addition to the main scheme there is also a senior pension top up scheme The last formal valuation of this Scheme was carried out as at 31 March 2010 and resulted in a funding deficit of £6m Deficit reduction contributions totalling £6m were made in January and February 2011 to discharge this deficit.

The next formal actuarial valuation of both pension schemes will take place as at 31 March 2013

Accounting valuation under IAS 19

IAS 19 requires the financial position of the Partnership's pension funds to be reassessed at each balance sheet reporting date following a prescribed methodology This produces results that are different from, and more volatile than, the actuarial valuation, as members' liabilities at the balance sheet date are valued using market rates of corporate bonds and do not reflect expected future returns on the assets the fund owns Other key assumptions for the IAS 19 accounting valuation have been based on those used for the most recent actuarial valuation, adjusted to represent a best estimate rather than a prudent view, where appropriate These have been updated to assess the assets and liabilities of the schemes as at 29 January 2011

The assets of the pension funds as at 29 January 2011 were £2,466m (2010 £1,948m) The accounting liabilities of the pension funds were calculated to be £2,880m (2010 £2,853m) Together, this resulted in an IAS 19 pension fund deficit of £414m (2010 £905m), a reduction of £491m (54%)

Business review

Review of performance (continued)

The increase in the pension asset values since last year reflects recovery in the equity markets and steps taken to mitigate the pension deficit, including a £150m one-off special cash contribution made into the Pension Fund in March 2010 In addition, during the year the Pension Fund took the opportunity to reduce its stake in the Ocado business at the time of its Initial Public Offering in July 2010, realising £100m, and since year end has sold the remaining shares in this business, realising a further £150m The Partnership transferred its shareholding in Ocado to the Pension Fund in November 2008 at a value of £127 7m In total £250m has been realised from the disposal of the Shareholding that cost the Partnership £80m

The main differences between the estimated funding valuation surplus at 29 January 2011 of £105m and the IAS 19 pension fund deficit of £414m relate to different rates used to reflect the current value of the scheme's future liabilities (the discount rate) of £440m, the exclusion of the fund's investment in JLP Scottish Limited Partnership for IAS 19 purposes of £98m, offset by other favourable differences of £19m

Tax

The tax charge decreased compared with last year despite increased profits, mainly because of the impact of the corporation tax rate change from 28% to 27% on brought forward deferred tax balances This resulted in an effective tax rate of 26 3% compared to last year's rate of 31 2%

Capital expenditure

John Lewis invested in Magna Park, the new distribution centre near Milton Keynes

Capital spending in 2010/11 increased by £48m to £493m, compared with £445m last year Waitrose invested £354m, mainly on 20 new stores acquired or built during the year, three relocations and the acquisition of five Channel Island stores John Lewis invested £120m, opening three at home stores, rolling out the new Womenswear concept to nine department stores, and investing in a new full line department store at Stratford, which will open in September 2011 In addition, £19m of expenditure was invested centrally, mainly in maintaining and modernising our Information Technology platforms, head office buildings and refurbishment of our holiday centres

Cash flow and net debt

We generated £757 4m in operating cash flow (before Partnership bonus) up 15 2% on the prior year Our gearing ratio increased from 21 2% to 23 8% with year-end net debt increasing by £132 2m to £493 0m This increase is due to additional net cash borrowings which were invested in the business and used to pay the special contribution to the pension scheme

Return on invested capital
Return on invested capital (note 8, page 6) was 7 9% an improvement of 0 2% on last year's 7 7% and reflects increased returns from investment decisions and efficiency initiatives made across the Partnership

Profit for the year
Profit for the year was £127 5m, up by £20 9m (19 6%) on last year

Net assets
Net assets increased by £368 3m, 21 6%, to £2,072 5m This is mainly due to significant investments in new stores, extensions and refurbishments, distribution and new information technology systems of £492 7m and a decrease in the pension fund deficit of £350 8m, net of £139 8m deferred tax, offset by an increase in net debt of 132 2m and depreciation and amortisation of £239 5m

Business review

Review of performance (continued)

Waitrose

Waitrose traded strongly through the year, achieving among the best margins of the sector

Waitrose concentrated on attracting more new customers through investing in value, innovative top-tier ranges, new space and new formats These investments succeeded in attracting on average around 300,000 new weekly customers

As a result, gross sales grew by 9 8% to £4 97bn Food only like-for-like sales grew 4 0%, excluding petrol

Sales density rose by 2 5% to £1,093 per square foot and sales productivity per selling FTE increased to £226,600, up by £4,100 (1 8%) on last year

On value, Waitrose boosted its position with the launch in September of Brand Price Match, a long-term commitment to price match Tesco on 1,000 branded products, which sits alongside the essential Waitrose range This combination means customers know they can get their weekly shop at Waitrose without sacrificing either value or quality

Waitrose's credentials for good food, fine quality ingredients and cooking were further strengthened with the arrival of Delia Smith and Heston Blumenthal as brand ambassadors in March 2010 The successful marketing campaign – across advertising, online and publications – is attracting new customers and generating substantial incremental sales of around £50m

Waitrose has an unmatchable top-tier of product ranges and innovation continued throughout 2010 with the launch of Menu From Waitrose, Duchy Originals From Waitrose and Heston From Waitrose Another significant development that underlines the Waitrose commitment to quality cooking was the launch of the UK's first supermarket cookery school based in London in November 2010

The contract to develop the Duchy Originals brand was one of the innovations that gained customers for Waitrose

The online business went from strength to strength and is poised for further growth following the move onto a new technology platform launched in March 2011, and expansion within the M25 without restriction from July 2011

Twenty new branches were opened during the year plus three relocations, which represents an additional 253,000 sq ft, 5 7%, of selling space Nine of these new shops are in the convenience format, including three in the new small convenience format Five shops were acquired in the Channel Islands with the first branch in Jersey opening in February 2011 and the first branch in Guernsey opening in March 2011

Waitrose further extended the reach of the brand by entering into a partnership with Welcome Break service stations

Two key strategic partnerships have taken Waitrose to many more customers in a range of settings Welcome Break service station outlets are performing ahead of expectations and the trial with Boots continues to show encouraging results at this early stage

Waitrose's investment was not only in new and refurbished shops, but also in infrastructure, where it invested £64 3m during the year In July 2010 a new 100,000 sq ft chilled warehouse was opened in Bracknell and the "end-to-end" focus on operational efficiency in its supply chain generated substantial savings These investments are critical to driving efficiencies, creating further capacity for growth and delivering profit margins

Operating profit grew by 3 0% to £274 9m Operating margin was down slightly from 5 89% to 5 53%, operating profit per square foot was marginally down 3 8% to £60 as was operating profit per FTE which decreased by 4 0% to £10,800, reflecting investment in the business that has yet to reach maturity

Business review

Review of performance (continued)

John Lewis

John Lewis performed well ahead of expectations, consistently beating competitors in both shops and online Gross sales grew by 11 9%, to £3 23bn Like-for-like sales grew by 10 0%

Sales per square foot rose by 9 2% to £808, from £740 last year, and sales per selling FTE grew by £22,800, 14 0% to £185,900

All areas of the business have traded well, and continue to gain market share, demonstrating the appeal and relevance of the offer Each category achieved strong sales growth Fashion was up by 14 7%, Home up by 12 3% and Electricals & Home Technology (EHT) up by 8 4%

John Lewis' multichannel and online operations were critical to this success johnlewis com achieved sales of £538 2m, up £147 9m, or 37 9%, and well ahead of expectations This was achieved by increasing the number of products sold online, investing further in the development of the Magna Park distribution facility and extending services such as Click & Collect which gives customers greater flexibility in their shopping Customers can now click and collect from all John Lewis branches and 24 Waitrose branches

A key driver of online sales growth was the fashion category which continues to strengthen with new brands such as Ghost, Armani and Mint Velvet These online initiatives have been recognised by Which? awarding johnlewis com "online retailer of the year"

The Never Knowingly Undersold (NKU) pricing commitment was strengthened through its extension to the online price of "bricks and clicks" competitors

In 2011 the johnlewis com delivery catchment will be extended to cover international locations, initially within mainland Europe, the Nordic countries and Ireland

John Lewis has transformed the look of its fashion floors which reflects a determination to have an unbeatable range and presentation in fashion Customer appeal remains broad with a choice of products from value to premium, with an emphasis on innovation throughout the offer

The accessibility of John Lewis continues to improve with three further at home shops opening in Croydon, Swindon and Tunbridge Wells in addition to the first in Poole Customers have responded well to the new format with three further openings planned in 2011

John Lewis continues the growth of its estate with an exciting new department store on the Olympic site at Stratford, opening in September 2011, and it will continue to work with property developers to explore potential new locations in key city centres in the United Kingdom such as the recently announced Birmingham shop The importance of the existing estate is reflected in an ongoing refurbishment programme which is improving infrastructure and introducing innovative new retail concepts

Our shop on the Olympic site at Stratford is set to open in September 2011

John Lewis will be the Official Department Store Provider to the London 2012 Olympic Games and Paralympic Games and recognises the important part it will play in the future of Stratford as a vibrant retail centre

During the year it relaunched its insurance business under the John Lewis brand with encouraging results

John Lewis' reputation for outstanding quality, value and service was recognised by Verdict, awarding it "Britain's favourite retailer" in 2011 for the 8th time in the award's 12 years

Operating profit grew by 22 2% to £201 2m and has returned to pre-recession levels Operating profit margin on gross sales increased by 53 basis points

Operating profit per square foot grew by £8, 19 2%, to £50 and operating profit per FTE improved by 17 8% to £9,100

Business review

Business and strategy

John Lewis plc is the trading company of the John Lewis Partnership and consequently its business and strategy are consistent with the strategy of the John Lewis Partnership ('The Partnership') set out below

Purpose of the Partnership
The Partnership's reputation is founded on the uniqueness of our ownership structure and our commercial success Our purpose is the happiness of all our members, through their worthwhile and satisfying employment in a successful business, with success measured by our ability to sustain and to enhance our position both as an outstanding retailer and a thriving example of employee ownership We believe our model, where commercial success is a driving force but where the needs of Customers, Partners, and long-term financial ambitions are balanced, represents a sustainable, compassionate and fairer form of capitalism and a better way to do business

Strategic development – background
The Partnership owns two of the strongest retail brands in the UK. Waitrose is renowned for the freshness, quality, safety and provenance of its food combined with the expertise and service of a specialist shop while John Lewis' reputation is built on a strong product range and excellent service Neither Waitrose nor John Lewis depends on dominant market share but on distinctive positioning which secures an exceptional degree of loyalty from customers That loyalty has been built on customers' trust and confidence in our sourcing, pricing and quality standards and by selling our products impartially with consistently exceptional service More recently it has been reinforced by recognition of our long-held desire to act responsibly and to minimise our environmental impact The Partnership is uniquely placed to do this because our social, ethical and environmental values are ingrained in our culture, and we consistently demonstrate this through our commitment to the communities we serve

2010 continued to offer a difficult economic backdrop, with pressure exerted on consumers through a mixture of inflationary pressure, rising unemployment, subdued wage rises and public spending cuts We expect 2011 to be difficult with a continuation of the negative factors impacting consumers and exerting pressure on household spending However, the Partnership retains a long term outlook and we remain committed to providing a distinctive offer and experience to our customers and to nurture *'an enterprising Partnership'* that delivers innovative customer solutions

Strategic initiatives
Our strategy is founded on three key building blocks – Partner, Customer and Profit, and we ensure that the Partnership develops in a way which improves each of these in a positive manner, while maintaining a balance between the three

The Partnership owns two of the strongest retail brands in the UK

Both our brands traded well through 2010, outperforming their respective markets, and this confidence has been supported by a strong media presence The investments we made in value have been especially important. In Waitrose, the success of the essential range, our Brand Price Match Initiative and promotional pricing, such as for the Delia and Heston campaigns, generated growth Likewise, John Lewis has placed great emphasis on value with new ranges, powerful advertising and the launch of Never Knowingly Undersold online to match bricks and clicks competitors We are also managing substantial reorganisations in parts of our business to ensure that the Partnership remains competitive and that our Partners remain at the heart of our service offering

We continue to pursue profitable growth within the UK and seek new opportunities to develop our brands We have taken both Waitrose and John Lewis to new customers through the opening of standard stores and exciting new smaller formats We have experienced strong growth from our online operations as customers increasingly embrace a multi-channel approach to retail, and we will continue to invest in improving the ease with which our customers can interact with us In Waitrose we have begun to develop strategic partnerships to broaden our appeal to reach new customers Within John Lewis we have introduced a mobile-optimised website which recognises our customers' desire for a seamless shopping experience, an area we will build on in the coming year

During the year we relaunched our Greenbee direct services business as John Lewis Insurance and refocused it on purely financial service protection products We believe that this provides a closer linkage between these trust based products and our existing brand We continue to examine ways to further leverage the Partnership's brands going forward

Business review

Resources and relationships

Partners

Our culture

The Partnership's ultimate purpose is "the happiness of Partners through worthwhile and satisfying employment in a successful business". To achieve this, we aim to create an environment where all Partners have a consistent, rewarding and motivating experience. This experience is based on the Partnership and Partners delivering three commitments:

- Take responsibility for our business success: we take responsibility to deliver the right experience for all our customers and generate profits for us all to share;
- Build relationships powered by our principles: we build relationships based on honesty, respect and encouragement. We expect these behaviours of each other and demonstrate them at all times;
- Create real influence over our working lives: we take opportunities to develop ourselves, balance work and life priorities and offer personal support.

We aim to create a rewarding, motivating working environment

We aim to recruit and retain Partners who can deliver commercial success and also demonstrate, through their behaviours, that they embrace our distinct culture.

The John Lewis Partnership operates without discrimination and embraces diversity, this is reflected in all that we do. The Partnership is committed to providing equal opportunities for all in employment, regardless of individual differences such as gender, ethnic origin, disability, sexual orientation, age, social background, religion and beliefs. Discrimination of any kind will not be tolerated and will be dealt with in line with the Partnership's 'Fair Treatment' policy.

Talent development

Our intention is that every Partner fulfils their individual potential and can develop their career within the Partnership. We aim to provide exemplary leadership that empowers Partners to deliver first class customer service in each one of our department stores, food shops, or other retail channels. Our Partners are equipped to do so through their attitude, behaviour and skills, supported by first-class training and development.

Benefits

Our reward strategy aims to provide a Total Reward Package that offers competitive pay and distinctive market leading benefits, such as our non-contributory defined benefit final salary pension scheme for those Partners who stay with us for more than three years, and for those in their first three years, a defined contribution scheme where we will match Partner contributions up to 6%. We aim to provide opportunities for Partners to have a choice in benefits and leisure activities, recognising the growing diversity of Partners. Our reward policies are developed to encourage a sense of belonging to a community and to offer opportunities Partners cannot easily obtain themselves.

Corporate Social Responsibility (CSR)

The Partnership has always believed that commercial success is directly linked to being a good corporate citizen. Our commitment to act responsibly is strengthened by the social, ethical and environmental values ingrained in our culture: respect, honesty and fairness, sharing the rewards and responsibilities of ownership, and conducting our business with integrity and courtesy.

Over the last year, we have made strong progress in embedding CSR further into the business and raising Partner awareness. This has resulted in strengthened product sourcing policies, improved waste recycling rates and increased charitable and community contributions. Our efforts have also been recognised externally in leading benchmarks of CSR performance – we retained our platinum level status in the Business in the Community (BITC) Corporate Responsibility Index.

Our CSR policy has led to increased charitable contributions

A key focus for us now is achieving an absolute reduction in our operational carbon emissions by 2020/21, which will undoubtedly be challenging as we are looking to more than double the size of our business by then.

Business review

Resources and relationships (continued)

Corporate Social Responsibility (CSR) (continued)

We remain committed to openly communicating our CSR activity, achievements and challenges Detailed information is included within our CSR reports which can be found on the Partnership website, *www.johnlewispartnership co uk*.

Governance and risk

Effective governance and risk management are essential for ensuring that we are able to meet our stakeholders' needs in the long term Our Responsible Business Group, supported by steering groups for the four areas of our CSR strategy *environment, marketplace (customers, products and suppliers issues), workplace, and community,* drive our CSR programmes forward so that we continue to embed CSR into our everyday business practices

We have a formal risk assessment which helps to decide where to focus our efforts and a materiality process which follows the recommendations of the external Global Reporting Initiative (GRI)

We engage with a wide range of stakeholders to increase our responsiveness to their concerns, find new ways to reduce our impacts, balance business efficiency with economic success and, ultimately, continue to make the Partnership more competitive, profitable and sustainable

Customers, products and suppliers

The Partnership is committed to selling responsibly sourced products, dealing fairly with its suppliers, and providing excellent value and unrivalled customer service

Customers and customer service

The Partnership believes in creating a long-term sustainable and successful business by engaging with customers and acting in their interests Both Waitrose and John Lewis maintain an ongoing dialogue with their customers through customer research and feedback, surveys, focus groups, and regular mystery shopping

We are delighted that our Partners are recognised for their service levels in many customer satisfaction surveys and awards In 2010 Waitrose came top for food and grocery in Verdict's survey of over 6,000 shoppers and John Lewis was voted Britain's favourite retailer for the third year running

The Partnership believes in engaging with customers through regular feedback and mystery shopping

Product provenance, safety and integrity

The traceability and safety of our products and ingredients is integral to customers' trust in us Our rigorous sourcing policies, inspections and farm assurance schemes ensure the highest standards of quality, safety, and environmental and animal welfare across our supply chain

Dedicated technical departments work with our buying teams to make sure that every product we sell is safe to use and that all our own-brand products comply with relevant consumer legislation and safety standards

Sourcing

The Partnership works with over 5,000 suppliers to sell quality products, supported by ethical and environmental standards and policies, paying them a fair price and helping them to reinvest in their businesses

In Waitrose, British sourcing and maintaining the highest standards of agricultural and environmental management are key focus areas The Waitrose Local and Regional Sourcing programme is one of the most established in the food retail sector – covering nearly 2,500 locally and regionally sourced products from over 450 producers At the Partnership's Leckford Estate in Hampshire, we actively practise our principles concerning sustainable agriculture and animal welfare, and supply Waitrose shops with milk, poultry, mushrooms, apples, pears, cider, apple juice, eggs and honey In sourcing its products, Waitrose utilises a growing number of certification, verification and assurance schemes For example, Waitrose is committed to ensuring that palm oil used in own-brand products is from certified sustainable sources by 2012

The Waitrose farm maintains the highest standards of agricultural and environmental management

Waitrose works with suppliers to offer healthier everyday products and to drive nutritional quality through appropriate ingredient selection, and supports educational initiatives such as the Royal Horticultural Society's Campaign for School Gardening

John Lewis is also committed to ensuring the integrity of its products Its "Bringing quality to life" vision focuses on the raw materials, manufacturing processes and durability of its products, as well as responsible product disposal options and increasing its range of sustainable products such as energy-efficient electrical appliances John Lewis produces its own-brand duvets, pillows, furnishing fabrics alongside ready-made and made-to-measure curtains at its Herbert Parkinson UK factory in Darwen

Herbert Parkinson is the Partnership's own textiles production unit

We require all our own-brand suppliers to commit to the terms of our Responsible Sourcing Code of Practice, which addresses standards on workers' rights All our own-brand suppliers are required to register on Sedex – a web based database that enables the management of ethical and responsible practices within global supply chains In Waitrose, 70% of supplier sites are registered In John Lewis, 90% of suppliers and 79% of supplier sites are registered

Trading fairly

We trade fairly with our suppliers and support established schemes such as Fairtrade and Traidcraft, which contribute to the sustainable development of the communities where farmers and workers live

Since its establishment in 2005, the Waitrose Foundation has raised more than £3million for over 200 projects in three countries Initially focused in South Africa, the Foundation was extended in 2009 to Kenya and Ghana

The John Lewis Foundation supports community projects in India

We launched the John Lewis Foundation to suppliers in early 2010, and we are currently identifying opportunities for suitable educational or employment-based community projects that will support and service the communities where John Lewis products are sourced

Community

Being a force for good has always been a part of the Partnership's vision, and we are committed to making a positive difference to the communities where we do business This involves developing strong, long-lasting partnerships at a local level, and devoting time and energy to building healthier communities

Charitable and community investment

In 2010/11, our Partnership-wide charitable and community contributions totalled £8 8m, which is equivalent to 2 4% of our profits before Partnership bonus and tax, as measured using the London Benchmarking Group (LBG) model

The Waitrose Community Matters initiative donated over £2 7m in 2010/11 to a wide range of charities and community groups and John Lewis raised over £350,000 for its charity of the year, Beating Bowel Cancer, in 2010 John Lewis will be supporting 'help the homeless' charities in 2011 and local branches will choose appropriate charities to support for their local area

The Partnership has an established Give As You Earn scheme with Sharing the Caring, the fundraising arm of the Charities Aid Foundation (CAF), to enable Partners to make tax-free charitable donations directly from their pay

The Waitrose Community Matters initiative contributes to a wide range of local charities and community groups

Partner volunteering

Partners make a genuine difference to the community and local people's lives by offering their time and they themselves often develop new skills, grow in confidence and become more motivated employees

The Golden Jubilee Trust (GJT) is the Partnership's flagship employee volunteering scheme where any Partner can apply for a full- or part-time volunteering secondment with a UK registered charity for up to six months To celebrate the GJT's 10th anniversary in 2010, the Partnership funded 10 additional secondments

Business review

Resources and relationships (continued)

Community (continued)

Town centre investment

The Partnership believes it can play a vital role in creating vibrant and sustainable town centres and aims to create comfortable, attractive environments for customers, build stronger relationships with our neighbours and attract, train and recruit local people The Waitrose Effect and John Lewis Effect documents (available on the Partnership website) provide further detail on this approach and this year we piloted a stakeholder engagement event in Manchester to build local partnerships

We intend to play a key role in the East London regeneration programme, by developing flagship low carbon Waitrose and John Lewis shops adjacent to the Olympic site Together they will create a strong attraction for customers and generate around 800 jobs In addition, we are committed to offering free employment training and at least 250 job opportunities to the long-term unemployed

Partners volunteer their time to charities

Community Performance Indicators

	2008-09	2009-10	2010-11
Total value of all charitable and community investment contributions (£)[1]	7,517,988	7,942,881	8,819,056
Community investment as a % of profits before Partnership bonus and tax (%)	1 85%	2 59%	2 40%

[1] *Includes, cash, in-kind, time and management costs as defined by the London Benchmarking Group model*

Environment

One of the foundations of our business is making the right decisions for the long term The Partnership has programmes, processes and targets in place to ensure we continue to reduce our impact on the environment

Carbon reduction

The Partnership is committed to reducing the carbon intensity of its operations, products and services and to developing policies to support the UK Government's long-term target to reduce greenhouse gas emissions by 80% by 2050

In 2010, we have developed a carbon footprint reduction programme which includes a target to reduce our operational CO_2 equivalent emissions by 15% by the end of 2020/21 against a 2010/11 baseline This programme reflects the actual reductions we think are achievable in the next 10 years and includes some ambitious plans, such as developing renewable energy generation centres at our stores It also highlights the need for all our Partners to get involved and for Government and businesses to work together The programme will be reviewed on an annual basis We anticipate our emissions will rise for a couple of years before they decrease in response to the implementation of a range of emissions saving projects Our aspiration is to align our emissions reductions with long term government targets

Waitrose's Methane Eco Vans contribute to the Partnership's carbon footprint reduction programme

Sales grew by 10 6% in 2010/11, but our total emissions only increased by 4 6% to 541,956 tonnes in the same period A large proportion of this increase is attributable to including new sources of emissions this year such as water supply, water treatment and additional fuels used in our buildings

Energy
We continue to fit the latest technology into our new shops and existing estate and engage our Partners in helping deliver reductions locally We have improved the energy efficiency of our new shops, new space opened in 2009 was on average 7% more efficient than our existing trading estate The prolonged cold weather this winter impacted shop energy efficiency through increased heating usage As a result, shop energy use per square foot of trading floor area increased by 2% in Waitrose and 1 5% in John Lewis

Transport
In many ways, our fleet is already industry-leading in carbon reduction, but we continuously look for improvements and we have several projects underway We are committed to working with vehicle manufacturers, legislators and planning authorities, to be at the forefront of developments in technologies and robust carbon reporting in transport

Against our target to reduce transport CO_2 equivalent emissions by 15% relative to turnover by 2013, we have made an improvement of 5 9% since our 2005/06 baseline Progress against this target has been impacted by growth in our store estate and an increase in customer deliveries plus additional backhauling (which reduces overall distribution mileage, but shifts the mileage from supplier vehicles to our own) We remain committed to reducing the environmental impact of our operations

Renewable energy and alternative fuels
We continue to consider all forms of renewable energy for our shops and head offices We have been granted planning permission for a pilot energy centre on the Isle of Wight where a biomass combined cooling, heating and power plant will provide energy to Waitrose East Cowes Residual heat will also be used in an adjacent medical centre and 50 zero-carbon homes

Our aim is to devise a cohesive, long-term transport fuel policy using a range of technologies with the potential to become cost-effective alternatives to fossil fuels In the short term, we will be using PPO (Pure Plant Oil) and biomethane and in time, we expect to use hybrid vehicles for home deliveries

Refrigeration
Waitrose became the first major UK food retailer to stop using hydrofluorocarbons (HFCs) for refrigeration in all new and refitted shops from 2010 and this will be rolled out to all shops by 2020, reducing our carbon footprint considerably Twenty six shops were using our new low carbon refrigeration system at the end of 2010 We have reduced our direct refrigeration and cooling CO_2 equivalent emissions by 18% since last year and 20% since our 2008/09 baseline Our target is to achieve a 50% reduction by 2012/13

Waitrose has stopped using HFCs for refrigeration in all new and refitted shops

Responsible development
Our Responsible Development Framework includes targets and guidance for the development and refurbishment of our shops, offices and warehouses In setting out a framework we aim to raise awareness, increase transparency, improve environmental performance and capture performance data We are committed to continuing to review and develop our approach and in 2011, we will set new ambitious targets

New construction sites continue to be registered and regularly assessed under the Considerate Constructors Scheme All new shops also continue to be assessed by BREEAM, and we continue to achieve BREEAM 'Excellent' on the majority of our projects and we are working towards achieving 'Outstanding' on a number of projects

Business review

Resources and relationships (continued)

Environment (continued)

Waste

We actively support waste reduction and recycling within our business, by our customers and throughout our supply chain The Partnership diverted 81% of its operational waste from landfill last year

We intend to divert 95% of its waste from landfill by 2013

Waitrose endeavours to minimise food waste through accurate ordering and shelf life improvement, and its work with FareShare and Company Shop, which make use of waste food Some food waste inevitably occurs and anaerobic digestion has proven to be a sustainable solution to avoid sending it to landfill, reduce our impact on the environment and create renewable energy along the way In 2010, Waitrose was named 'Best retail or commercial food waste recycler' at the Association for Organics Recycling (AFOR) Awards, recognising our pioneering work with anaerobic digestion

Packaging

Packaging is consistently identified as a key issue for our customers and other stakeholders Under the terms of the Packaging Waste Regulations, we are obliged to recover and recycle up to 80% of our product packaging, depending on the material We support this legislation, and contribute over £1 million a year towards a recycling compliance scheme that enables investment in domestic collections and public recycling centres

Both Waitrose and John Lewis also remain committed to reducing the number of single-use carrier bags given out to customers through promoting reusable bags and communications encouraging customers to reuse their existing bags

Waitrose is a signatory to the Courtauld Commitment

In March 2010, Waitrose was one of 28 signatories for the second phase of the Courtauld Commitment aiming to reduce the carbon impact of grocery packaging, household food, and waste and product and packaging waste in the supply chain

Water

Operationally, the Partnership does not use a lot of water, but we recognise the need to manage our consumption In 2010, we installed additional water meters in all existing and new shops, allowing remote, accurate, real-time water usage to be reported and used to inform our programme of water-reduction measures We have set a target to reduce shop water consumption per square foot of trading floor area by 20% by 2013/14.

Environment (continued)
Environment Performance Indicators

	2008-09	2009-10	2010-11
Total GHG emissions (CO_2e)	508,287	517,805	541,956
Proportion of generated waste diverted from landfill (%)	49	52	81
Waitrose shop energy efficiency (kWh per sq ft trading floor area)	116 9	112 8	115 1
John Lewis shop energy efficiency (kWh per sq ft trading floor area)	50 9	47 7	48 4
Transport related CO_2e emissions (tonnes/ £m sales)	9 06	8 85	8 88
Waitrose refrigeration and cooling direct emissions (CO_2e tonnes)	80,798	78,715	64,398

Looking Ahead
We aim to more accurately measure the value and impacts of our community activity and are considering creating new Partnership-wide employee volunteering opportunities to enable large-scale Partner involvement in the communities where we do business

We will implement our programme to deliver absolute reductions in operational CO_2 emissions by 2020/21 and will look to progress the sourcing of certified sustainable palm oil, soy and cotton We also recognise that we can play an important part in helping our Partners and customers live more sustainably and we intend to act on this

Business review

Risks and uncertainties

Our risk management strategy reinforces the value of actively managing risk, rather than eliminating it, and thereby ensures a disciplined approach to balancing risk and reward The following provides an overview of the principal risks and uncertainties facing the Partnership along with mitigating actions in place

Economic

As a business based almost solely in the UK, the Partnership is particularly exposed to any economic downturn which could affect consumer spending, most notably in the Department Store business

However, the strength and diversity of the Waitrose and John Lewis businesses, alongside our growing multi-channel strategy together with developing services businesses, form an effective means of managing economic risk in the current retail environment Our range and diversity of products and services bring us into competition with a wide range of UK and international retailers in largely mature market segments with low underlying growth For this reason we continually focus on maintaining our pre-eminent product quality, customer service and supplier relationships, whilst retaining our competitive pricing, enabling us to maintain our appeal

The Partnership's multi-channel platform is part of its strategy to manage economic risk

Financial risk

The principal financial risk which we face is the ability to generate and access sufficient funds to satisfy our business needs, to meet our Partners' expectations for Partnership bonus and to mitigate against any adverse financial impact resulting from risks including those identified in our business planning process crystallising Other financial risks and mitigations are covered in more detail below and in note 23 to the accounts

- **Funding and liquidity**
  Liquidity requirements are managed in line with short and long term cash flow forecasts linked to our trading patterns, business plans and budgets, and reviewed against the Partnership's debt portfolio and maturity profile Details of the Partnership's borrowings, together with their interest rates and maturity profiles, are also provided in note 26 to the accounts
- **Interest rate risk**
  In order to manage the risk of interest rate fluctuations the Partnership targets a ratio of fixed and floating rate debt in line with its treasury policy Exposures to interest rate fluctuations are managed using interest rate swaps Details of the Partnership's borrowings and interest rate exposures are provided in note 26 to the accounts
- **Foreign currency risk**
  The Partnership uses derivatives to manage exposures to movements in exchange rates arising from transactions with foreign suppliers Foreign currency exposures are hedged primarily using forward foreign exchange contracts Details are provided in note 23 to the accounts
- **Credit risk**
  The Partnership has no significant customer credit risk Cash deposits and other financial instruments give rise to credit risk on the amounts due from bank counterparties These risks are managed by restricting such transactions to counterparties with a credit rating not less than a Standard & Poor's equivalent 'A' rating
- **Capital risk**
  The Partnership maintains a capital structure which is consistent with an investment grade credit rating
- **Energy risk**
  The Partnership operates risk management processes for the procurement of energy associated with its activities

- **Insurable risk**
  The Partnership's captive insurance company, JLP Insurance Limited based in Guernsey, provides reinsurance of the Partnership's employer's, public and vehicle third party liability insurances and of the Partnership's healthcare insurance cover It also insures ServicePlan Limited and reinsures Landmark Insurance Company Limited, third party providers of extended warranty products to customers of John Lewis

Pensions risk
Our pension obligation effectively represents our longest term risk and is of critical importance The Pension Fund assets are held in separate funds administered by the Trustees, who delegate day-to-day management of these funds to a number of investment managers Our pension arrangements and funding position are explained in note 24 We have executed a deficit mitigation strategy over the past six years which means our Pension Fund on an actuarial basis is now in surplus We actively monitor the outlook of asset and liabilities performance against the assumptions set both on an accounting and actuarial basis and will develop a formal framework for managing the Financial and Investment Risk of the Pension Fund over the course of the coming year The liquidity risk is managed by ensuring the annual contribution to the Fund more than covers the outgoings

Input cost inflation
Input cost price inflation is a risk to our businesses and as a result we closely monitor the environment to ensure that we are obtaining the best value, at a fair price, for products and raw materials that we source We also continue to focus on delivering operational efficiencies, which will help offset these increases, through a number of efficiency programmes and initiatives as well as through our financial hedging strategy for foreign exchange and energy

Human resources
The successful delivery of key strategic projects, such as the implementation of new systems, the reengineering of business processes or major infrastructure development, is of paramount importance to the Partnership as they improve the efficiency and resilience of our operations whilst providing a strong platform for future growth The successful delivery of these projects depends on the resources and skills sets available to the Partnership Our Personnel strategy aims to ensure that the Partnership possesses the appropriate skills and resources required to deliver these projects Resources are continually reviewed and aligned with the business critical priorities Skills gaps are addressed through first-class training and development of Partners When the required skills are not available due to resources constraints or their highly specialised nature they are bought in by the Partnership

Our Personnel strategy aims to ensure that any skill gaps are addressed through first-class training and development of Partners

Customer offer
Broadening our multi-channel offer and extending our customer base are key to the Partnership's growth ambitions We also recognise that the pre-eminent quality of our products and customer service is critical to the Partnership's success, and a deterioration of these would impact our business The Partnership has a clear multi-channel strategy to extend its reach whilst leveraging our online position with our established footprint In addition, we regularly review our customer and service strategies that include ongoing category and range reviews, whilst continuing to invest in our store environments and our multi-channel offer

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 This commitment underpins our approach to health and safety, with Board level responsibility being carried by the Director of Personnel, supported by specialist technical advisers in safety and

Business review

Risks and uncertainties (continued)

occupational health employed within the two divisions We have set ourselves the on-going target of reducing the causes of incidents through continuous improvements to our risk management process We 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 We have revisited, across the business, the quality and effectiveness of our risk assessment and incident investigation processes and the completeness of our health and safety management systems We have enhanced our systems and measures which support a more proactive approach to meeting our commitments to the safety and well being of our Partners, suppliers and customers

Business continuity and disaster recovery
Any significant incident, such as a terrorist attack, pandemic flu outbreak, information loss, e-crime, or an event which impacts upon our mainframe systems or key support functions, could severely compromise our ability to trade We keep our Business Continuity capability under review and continue to refine it for all significant business areas

Other significant risks and uncertainties
Regulatory, political, fraud, compliance and operational risks are other significant risks and uncertainties that face the Partnership for which mitigating actions are in place

Compliance statement

This review has been prepared in accordance with section 417 of the Companies Act 2006 The review's intent is to provide information to Partners, shareholders and the Partnership's other stakeholders It should not be relied upon by any other party or for any other purpose

Where this review contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report These statements should be treated with caution due to the inherent uncertainties underlying any such forward-looking information

Other information

Additional financial and non-financial information, including press releases and year end presentations, can be accessed on our website, *www johnlewispartnership co uk*

Directors and advisers

DIRECTORS

Charlie Mayfield

Executive Chairman since March 2007
Member of the Board since 2001
Joined the Partnership 2000

Marisa Cassoni

Finance Director since 2006 when she joined the Board and the Partnership
Also holds non-executive directorships with GFI Group Inc and The Peabody Trust and is a member of the Accounting Standards Board

Tracey Killen

Director of Personnel since April 2007, when she joined the Board
Joined the Partnership 1982

Mark Price

Managing Director, Waitrose since April 2007 Joined the Board 2005
Joined the Partnership 1982

Andy Street

Managing Director, John Lewis since February 2007 Member of the Board since 2002 Joined the Partnership 1985

OFFICERS AND ADVISERS

Director of Legal Services and Company Secretary

Margaret Casely-Hayford

Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells

Bankers

Royal Bank of Scotland PLC

Registered Office

171 Victoria Street, London SW1E 5NN,
Registered in England No 233462

Transfer Office

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

Directors' report

Margaret Casely-Hayford,
Director of Legal Services

Principal activity and business review
The principal activity of the group is retailing The company controls the businesses listed in note 34, comprising 28 John Lewis department stores, 4 John Lewis at home stores, johnlewis com, 235 Waitrose supermarkets, 15 Waitrose convenience stores, waitrose com and business to business contracts in the UK and abroad and ancillary manufacturing activities A review of the business and likely future developments is included separately in the Chairman's Statement and Business Review on pages 2 to 26, which forms part of this Directors' report

Governance of John Lewis plc within the John Lewis Partnership
John Lewis plc, as the principal trading subsidiary of John Lewis Partnership plc, falls within the governance auspices of the Partnership, details of which can be found on pages 29 to 35 of the annual report and accounts of John Lewis Partnership plc

Employees
The constitution of the John Lewis Partnership provides for the democratic involvement of employees, known as Partners, as 'co-owners' of the business They are therefore provided with full information on all aspects of the business operations and are encouraged to have an active interest in promoting its commercial success Elected councils and forums at all levels of the business provide regular opportunities for management to report to Partners This provides opportunities to question management on any subject, while an open system of journalism both contributes to effective accountability and provides a means of sharing information extensively with all Partners Partners also receive an annual distribution of the profits of the business through Partnership bonus

All employees can benefit from the Partnership's training and development policies The Partnership 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

Directors
Directors of the company at the date of this report are listed on page 28

Directors' responsibilities
The Statement of directors' responsibilities in relation to the financial statements is set out on page 85

Directors' interests
Under the constitution of the Partnership, the directors, as employees of John Lewis plc, are necessarily interested in the 612,000 Deferred Ordinary Shares in John Lewis Partnership plc which are held in trust for the benefit of employees of John Lewis plc and of certain other companies

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

Treasury and tax policy and financial risk management
The Partnership Board approves the group's treasury, tax and financial risk management policies, which are delegated to the Partnership's Finance Director and Tax and Treasury team to implement and control Further details of the group's financial risk management arrangements are provided in the Business Review and note 23 to the financial statements

Payments to suppliers
The group's policy on the payment of its suppliers is to agree terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with those terms The group's trade creditors at 29 January 2011 were equivalent to 24 days of average purchases (2010 22 days)

Directors' report

continued

Charitable and political donations
The Partnership donated £4,695,000 (2010: £3,943,000) for charitable purposes during the year, comprising £4,170,000 (2010: £3,343,000) for welfare causes and £525,000 (2010: £600,000) for music and arts, learning and the environment. In addition, we provided substantial financial and practical support to causes in the communities where we trade, as detailed on pages 19 and 20 of the Business Review. The Partnership made no political donations.

Retail bond issue
On 7 March 2011 the group launched a retail bond, 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. The retail bond issue closed on 18 March 2011 after reaching its investment target of £50m, and was issued on 6 April 2011.

Dividends
Dividends on Preference Shares for 2011 were £125,000 (2010: £125,000) and a dividend of £125,000 (2010: £125,000) was paid on ordinary shares.

Going concern
The Directors, after reviewing the group's operating budgets, investment plans and financing arrangements, consider that the company and the group have adequate resources to continue in operation for the foreseeable future. A full description of the group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Business Review and in the notes to the accounts. The company and group have, at the date of this report, sufficient financing available for their 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.

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

The directors of the group have taken all the steps that they ought to have taken as directors in order to make themselves aware of any information needed by the group's auditors in connection with preparing their report and to establish that the auditors are aware of that information. So far as the directors are aware there is no such information of which the group's auditors are unaware.

For and by Order of the Board
Margaret Casely-Hayford
Secretary
7 April 2011

Consolidated income statement

for the year ended 29 January 2011

Notes	Continuing operations	Year to 29 January 2011 £m	Year to 30 January 2010 £m
2	**Gross sales**	**8,206 3**	7,421 5
2	**Revenue**	**7,361 8**	6,734 6
	Cost of sales	**(4,878.7)**	(4,460 4)
	Gross profit	**2,483 1**	2,274 2
	Other operating income	**53 7**	51 1
3	Operating expenses	**(2,107 5)**	(1,937 3)
2	**Operating profit**	**429.3**	388 0
4	Finance costs	**(67 8)**	(87 6)
4	Finance income	**6 1**	5 8
	Profit before Partnership bonus and tax	**367 6**	306 2
	Partnership bonus	**(194 5)**	(151 3)
5	**Profit before tax**	**173 1**	154 9
6	Taxation	**(45 6)**	(48 3)
	Profit for the year	**127 5**	106 6

The notes on pages 40 to 84 form part of these financial statements

Consolidated statement of comprehensive income/(expense)

for the year ended 29 January 2011

Notes	Consolidated	Year to 29 January 2011 £m	Year to 30 January 2010 £m
	Profit for the year	**127 5**	106 6
	Other comprehensive income/(expense)		
25	Actuarial gain/(loss) on defined benefit pension schemes	**338.7**	(160 4)
6	Movement of deferred tax on pension schemes	**(141 4)**	22 3
6	Movement of current tax on pension schemes	**42 0**	22 6
	Net gain/(loss) on cash flow hedges	**1 6**	(9 3)
	Total comprehensive income/(expense) for the year	**368 4**	(18 2)

Consolidated balance sheet

as at 29 January 2011

Notes		2011 £m	2010 £m
	Non-current assets		
11	Intangible assets	**111 4**	92 5
12	Property, plant and equipment	**3,622 6**	3,391 0
15	Trade and other receivables	**41 4**	42 5
22	Deferred tax asset	**–**	41 9
		3,775 4	3,567 9
	Current assets		
14	Inventories	**422 0**	399 0
15	Trade and other receivables	**210 7**	167 4
	Current tax receivable	**17 1**	–
24	Derivative financial instruments	**8 6**	13 6
16	Cash and cash equivalents	**512.7**	560 0
		1,171.1	1,140 0
	Total assets	**4,946 5**	4,707 9
	Current liabilities		
18	Borrowings and overdrafts	**(165 3)**	(115 6)
19	Trade and other payables	**(1,087 5)**	(928 5)
	Current tax payable	**–**	(1 6)
20	Finance lease liabilities	**(0 8)**	(0 7)
21	Provisions	**(85 0)**	(68 5)
24	Derivative financial instruments	**(1 0)**	(2 4)
		(1,339 6)	(1,117 3)
	Non-current liabilities		
18	Borrowings	**(819 2)**	(787 2)
19	Trade and other payables	**(65 6)**	(49 8)
20	Finance lease liabilities	**(28 0)**	(28 5)
21	Provisions	**(112 9)**	(116 3)
	Deferred tax liabilities	**(94.7)**	–
25	Retirement benefit obligations	**(414 0)**	(904 6)
		(1,534 4)	(1,886 4)
	Total liabilities	**(2,874 0)**	(3,003 7)
	Net assets	**2,072 5**	1,704 2
	Equity		
27	Share capital	**6 7**	6 7
	Share premium	**0 3**	0 3
	Other reserves	**1 4**	(0 2)
	Retained earnings	**2,064 1**	1,697 4
	Total equity	**2,072 5**	1,704 2

Approved by the Board on 7 April 2011
Charlie Mayfield
Marisa Cassoni
Directors

John Lewis plc

Registered number 00233462

Balance sheet of the company

as at 29 January 2011

Notes		2011 £m	2010 £m
	Non-current assets		
11	Intangible assets	**102 2**	87 4
12	Property, plant and equipment	**851 0**	833 1
15	Trade and other receivables	**41 4**	42 4
13	Investments	**1,053 9**	985 6
22	Deferred tax asset	**77 8**	199 1
		2,126 3	2,147 6
	Current assets		
14	Inventories	**245 5**	233 5
15	Trade and other receivables	**87.7**	66 0
	Current tax receivable	**36 8**	32 9
24	Derivative financial instruments	**8 6**	13 6
16	Cash and cash equivalents	**424 6**	476 8
		803 2	822 8
	Total assets	**2,929 5**	2,970 4
	Current liabilities		
18	Borrowings and overdrafts	**(164 1)**	(115 0)
19	Trade and other payables	**(1,081.5)**	(977 4)
20	Finance lease liabilities	**(0 2)**	(0 2)
21	Provisions	**(77 3)**	(59 8)
24	Derivative financial instruments	**(1 0)**	(2 4)
		(1,324 1)	(1,154 8)
	Non-current liabilities		
18	Borrowings	**(819 2)**	(787 2)
19	Trade and other payables	**(60 0)**	(47 5)
20	Finance lease liabilities	**(14 7)**	(14 8)
21	Provisions	**(98 2)**	(101 6)
25	Retirement benefit obligations	**(316 0)**	(809 6)
		(1,308 1)	(1,760 7)
	Total liabilities	**(2,632 2)**	(2,915 5)
	Net assets	**297 3**	54 9
	Equity		
27	Share capital	**6 7**	6 7
	Share premium	**0 3**	0 3
	Other reserves	**–**	(1 6)
	Retained earnings	**290 3**	49 5
	Total equity	**297 3**	54 9

Approved by the Board on 7 April 2011
Charlie Mayfield
Marisa Cassoni
Directors

Consolidated statement of changes in equity

for the year ended 29 January 2011

Consolidated	Share capital £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 31 January 2009	6 7	0 3	1 4	7 7	1,706 4	1,722 5
Profit for the year	–	–	–	–	106 6	106 6
Actuarial loss on defined benefit pension schemes	–	–	–	–	(160 4)	(160 4)
Tax on above items recognised in equity	–	–	–	–	44 9	44 9
Fair value losses on cash flow hedges	–	–	–	(8 1)	–	(8 1)
– transfers to property, plant and equipment	–	–	–	(1 3)	–	(1 3)
– transfers to inventories	–	–	–	0 1	–	0 1
Dividends	–	–	–	–	(0 1)	(0 1)
Balance at 30 January 2010	6 7	0 3	1 4	(1 6)	1,697 4	1,704 2
Profit for the year	–	–	–	–	127 5	127 5
Actuarial gain on defined benefit pension schemes	–	–	–	–	338 7	338 7
Tax on above items recognised in equity	–	–	–	–	(99 4)	(99 4)
Fair value losses on cash flow hedges	–	–	–	(1 1)	–	(1 1)
– transfers to property, plant and equipment	–	–	–	–	–	–
– transfers to inventories	–	–	–	2 7	–	2 7
Dividends	–	–	–	–	(0 1)	(0 1)
Balance at 29 January 2011	**6 7**	**0 3**	**1 4**	**–**	**2,064 1**	**2,072 5**

Retained earnings comprise £1,648 7m (2010 £1,272 4m) of distributable and £415 5m (2010 £425 0m) of non distributable reserves

Company statement of changes in equity

for the year ended 29 January 2011

Company	Share capital £m	Share premium £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 31 January 2009	6 7	0 3	7 7	187 7	202 4
Loss for the year	–	–	–	(22 6)	(22 6)
Actuarial loss on defined benefit pension schemes	–	–	–	(160 4)	(160 4)
Tax on above items recognised in equity	–	–	–	44 9	44 9
Fair value losses on cash flow hedges	–	–	(8 1)	–	(8 1)
– Transferred to property, plant and equipment	–	–	(1 3)	–	(1 3)
– Transfers to inventories	–	–	0 1	–	0 1
Dividends	–	–	–	(0 1)	(0 1)
Balance at 30 January 2010	6 7	0 3	(1 6)	49 5	54 9
Loss for the year	–	–	–	(3 8)	(3 8)
Actuarial gain on defined benefit pension schemes	–	–	–	344 9	344 9
Tax on above items recognised in equity	–	–	–	(100 2)	(100 2)
Fair value losses on cash flow hedges	–	–	(1 1)	–	(1 1)
– Transferred to property, plant and equipment	–	–	–	–	–
– Transfers to inventories	–	–	2 7	–	2 7
Dividends	–	–	–	(0 1)	(0 1)
Balance at 29 January 2011	**6 7**	**0 3**	**–**	**290 3**	**297 3**

Statement of consolidated cash flows

for the year ended 29 January 2011

Notes		Year to 29 January 2011 £m	Year to 30 January 2010 £m
28	**Cash generated from operations**	**757.4**	657 3
	Net taxation paid	**(27.1)**	(39 8)
	Partnership bonus paid	**(151.2)**	(124 3)
	Special contribution to the Pension Scheme	**(150 0)**	–
	Finance costs paid	**(2.0)**	(1 1)
	Net cash generated from operating activities	**427 1**	492 1
	Cash flows from investing activities		
	Purchase of property, plant and equipment	**(447.9)**	(410 3)
	Purchase of intangible assets	**(43 5)**	(33 2)
	Proceeds from sale of property, plant and equipment	**3.7**	7 1
	Finance income received	**3 0**	5 4
	Net cash used in investing activities	**(484 7)**	(431 0)
	Cash flows from financing activities		
	Finance costs paid in respect of bonds	**(76 7)**	(10 5)
	Payment of capital element of finance leases	**(0 4)**	(0 6)
	Payments to preference shareholders	**(0 1)**	(0 1)
	Cash inflow from borrowings	**137 8**	272 7
	Net cash generated from financing activities	**60 6**	261 5
	Increase in net cash and cash equivalents	**3 0**	322 6
	Net cash and cash equivalents at beginning of period	**444 4**	121 8
	Net cash and cash equivalents at end of period	**447 4**	444 4
16	**Net cash and cash equivalents comprise**		
	Cash	**84 2**	84 1
	Short term deposits	**428.5**	475 9
	Bank overdrafts	**(65 3)**	(115 6)
		447 4	444 4

Statement of company cash flows

for the year ended 29 January 2011

Notes		Year to 29 January 2011 £m	Year to 30 January 2010 £m
28	**Cash generated from operations**	**307 6**	182 8
	Net taxation received	**23 3**	16 1
	Partnership bonus paid	**(74 5)**	(47 6)
	Special contribution to the Pension Scheme	**(150 0)**	–
	Finance costs paid	**(1 0)**	–
	Net cash generated from operating activities	**105 4**	151 3
	Cash flows from investing activities		
	Purchase of property, plant and equipment	**(111 2)**	(137 8)
	Purchase of intangible assets	**(37.8)**	(31 2)
	Proceeds from sale of property, plant and equipment	**0 7**	18 6
	Dividends received	**2 0**	3 0
	Loans (advanced to)/repaid by group companies	**(24 3)**	43 2
	Finance income received	**3 0**	5 0
	Net cash used in investing activities	**(167.6)**	(99 2)
	Cash flows from financing activities		
	Finance costs paid in respect of bonds	**(76.7)**	(10 5)
	Payment of capital element of finance leases	**(0 1)**	(0 1)
	Payments to preference shareholders	**(0 1)**	(0 1)
	Cash inflow from borrowings	**137 8**	272 7
	Net cash generated from financing activities	**60 9**	262 0
	Increase in net cash and cash equivalents	**(1 3)**	314 1
	Net cash and cash equivalents at beginning of period	**361.8**	47 7
	Net cash and cash equivalents at end of period	**360 5**	361 8
16	**Net cash and cash equivalents comprise·**		
	Cash	**28 0**	32 9
	Short term deposits	**396 6**	443 9
	Bank overdraft	**(64 1)**	(115 0)
		360 5	361 8

Notes to the accounts

1 Accounting policies

Accounting convention and basis of consolidation
The accounts are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their revalued amounts and financial assets and financial liabilities (including derivative instruments) valued at fair value through profit and loss, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The consolidated income statement and balance sheet include the accounts of the company and all its subsidiary undertakings

Business components that represent major lines of business or geographical areas of operations are recognised as discontinued if the operations have been disposed of, are being abandoned or meet the criteria to be classified as held for sale

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards 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 reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

These policies have been consistently applied to all the years presented unless otherwise stated

The following standards, amendments and interpretations were adopted by the group from 31 January 2010 and have not had a significant impact on the group's profit for the year, equity or disclosures

- IFRS 3 (revised) 'Business combinations'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- Annual improvements 2009
- Amendments to IAS 39 'Financial instruments Recognition and measurement' on eligible hedged items

There are a number of new accounting standards and amendments to existing standards that have been published and are applicable for the group's accounting periods beginning on or after 30 January 2011 or later periods, but which the group has not adopted early These are as follows

- IFRS 9 'Financial Instruments'
- IAS 24 (revised) 'Related party disclosures'
- Amendment to IFRS 7 'Financial instruments Disclosures' on derecognition
- Amendment to IAS 12 'Income taxes' on deferred tax
- Amendment to IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions'

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

Gross sales and revenue
Gross sales are the amounts receivable by the group for goods and services supplied to customers, net of discounts but including sale or return sales and VAT

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 Staff discounts are deducted from revenue 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 are treated as future liabilities, and revenue is recognised when the gift vouchers 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

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

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 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 in operating expenses in the consolidated income statement Past service costs are similarly included where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period

The expected return on assets of funded defined benefit pension plans and the imputed interest on pension plan liabilities are included in finance costs

Differences between the actual and expected return on assets, changes in the retirement benefit obligation due to experience and changes in actuarial assumptions are included as actuarial gains or losses in the consolidated statement of comprehensive expense and income in full 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 income statement There are no assets supporting these arrangements

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

Property valuation
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 This valuation was as at transition to IFRS 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

Notes to the accounts

continued

1 Accounting policies (continued)

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

Freehold and long leasehold buildings – 2% to 4%
Other leaseholds – over the remaining period of the lease
Buildings fixtures – 2 5% to 10%
Fixtures and fittings (including vehicles and IT 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 at least at each balance sheet date

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 premiums and inducements are recognised in current and non-current assets or liabilities accordingly, and amortised or released on a straight-line basis over the lease term

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

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

Deferred income tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax arising from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to shareholder's equity, in which case the deferred tax is also dealt with in shareholder's equity

Goodwill
Goodwill represents the excess of the cost of a business combination over the group's share of the fair value of identifiable net assets of the business acquired at the date of acquisition Prior to February 1998 goodwill arising on the acquisition of subsidiaries was written off to reserves at the time of acquisition The group has taken the IFRS 1 exemption in respect of the treatment of goodwill and, accordingly, goodwill on previous acquisitions has not been restated

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 produce and prepare the system 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 over its useful economic life, which is deemed to be between 3 and 7 years

Financial instruments
The group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates Derivative financial instruments used by the group include interest rate swaps, forward currency contracts and foreign currency swaps Hedge accounting has been adopted for derivative financial instruments where possible Such derivative financial instruments are measured at fair value The fair value of a derivative financial instrument represents the difference between the value of the outstanding contracts at their contracted rates and a valuation calculated using the forward rates of exchange and interest rates prevailing at the balance sheet date

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 reperformed at each period end to ensure that the hedge remains highly effective

Hedge accounting is discontinued when the hedging instrument matures, is sold, 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 fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability Derivative financial instruments qualifying for fair value hedge accounting are principally interest rate swaps

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 with 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

Borrowings
Borrowings are 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

Loan arrangement costs 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

Insurance
The group's captive insurance company, JLP Insurance Limited, provides reinsurance of the group's employer's, public and vehicle third party liability insurances, and of the group's healthcare insurance cover It also insures ServicePlan Limited, and reinsures Landmark Insurance Company Limited, third party providers of extended warranty products to customers of John Lewis For the liability insurances, the results of each underwriting year are estimated at the year end using independent actuarial assessments, when any profits or losses arising are recognised Other classes are also accounted for on an annual basis, with unearned premiums attributed to unexpired periods of insurance at the year end

Notes to the accounts

continued

1 Accounting policies (continued)

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 An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to sell 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

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 Events which may give rise to the classification of items as exceptional include gains or losses on the disposal of properties or investments, individually significant restructuring costs and asset impairments

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
Partnership bonus, determined in relation to the results for the previous financial year, is paid to Partners each March No provision is made for Partnership bonus at the half year as the majority of the group's profit is earned in the second half year and, until the annual profit is known, it is not possible to make an estimate of the liability A provision for this bonus is included in the year end accounts, with the amount confirmed by the Board shortly after the year end

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 currency assets and liabilities held at the year end are translated into sterling at the rate of exchange ruling at the balance sheet date

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

Net debt
Net debt incorporates the group's borrowings, bank overdrafts, fair value of derivatives and obligations under finance leases, less cash and cash equivalents

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

Investments
Investments are valued at cost, less allowances for impairment

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

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, inflation rates and expected long-term rates of return on assets Details of assumptions are given in note 25

Provisions

Provisions recognised at the balance sheet date are detailed in note 21 and include amounts for long leave, insurance claims, service guarantee costs, reorganisation costs, accrued holiday pay and property related costs

Although provisions 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

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

2 Segmental reporting

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ('CODM') and for which discrete information is available The group's CODM is the Partnership Board

The group's operating segments have been identified as John Lewis, Waitrose and Corporate and other Corporate and other principally includes corporate and shared service overheads, transformation costs and the new Partnership Services division set up costs The operating profit of each segment is reported after charging relevant corporate and shared service costs based on the business segments' usage of corporate facilities and services

Notes to the accounts

continued

2 Segmental reporting (continued)

29 January 2011	Waitrose £m	John Lewis £m	Corporate and other £m	Group £m
Gross sales	4,974 6	3,231 7	–	8,206 3
Adjustment for sale or return sales	–	(116 0)	–	(116.0)
Value added tax	(274.7)	(453 8)	–	(728 5)
Revenue	4,699 9	2,661 9	–	7,361.8
Operating profit excluding property profits	273 0	201.2	(46 8)	427 4
Property profits	1.9	–	–	1 9
Operating profit	274 9	201.2	(46 8)	429 3
Finance costs	–	–	(67.8)	(67 8)
Finance income	–	–	6 1	6.1
Partnership bonus	–	–	(194.5)	(194 5)
Profit before tax	274.9	201 2	(303 0)	173 1
Taxation	–	–	(45 6)	(45 6)
Profit after tax from continuing operations	274 9	201 2	(348 6)	127.5
Segment assets	2,520 2	1,597.9	828 4	4,946 5
Segment liabilities	(490 8)	(467.7)	(1,915 5)	(2,874 0)
Net assets	2,029 4	1,130.2	(1,087 1)	2,072 5
Other segment items				
– Depreciation	122 1	81.2	12.2	215 5
– Amortisation of intangible assets	8 4	8 6	7 0	24 0
– Capital expenditure – property, plant and equipment	333 8	97 5	17 9	449 2
– Capital expenditure – intangible assets	20 2	22 0	1.3	43 5
– Movement in provisions	(2.0)	9 4	5 7	13.1

2 Segmental reporting (continued)

30 January 2010	Waitrose £m	John Lewis £m	Corporate and other £m	Group £m
Gross sales	4,532 3	2,889 2	–	7,421 5
Adjustment for sale or return sales	–	(116 5)	–	(116 5)
Value added tax	(215 1)	(355 3)	–	(570 4)
Revenue	4,317 2	2,417 4	–	6,734 6
Operating profit excluding property profits	266 6	164 7	(43 5)	387 8
Property profits	0 2	–	–	0 2
Operating profit	266 8	164 7	(43 5)	388 0
Finance costs	–	–	(87 6)	(87 6)
Finance income	–	–	5 8	5 8
Partnership bonus	–	–	(151 3)	(151 3)
Profit before tax	266 8	164 7	(276 6)	154 9
Taxation	–	–	(48 3)	(48 3)
Profit after tax from continuing operations	266 8	164 7	(324 9)	106 6
Segment assets	2,271 7	1,552 3	883 9	4,707 9
Segment liabilities	(454 2)	(406 9)	(2,142 6)	(3,003 7)
Net assets	1,817 5	1,145 4	(1,258 7)	1,704 2
Other segment items				
– Depreciation	105 7	72 5	11 7	189 9
– Amortisation of intangible assets	8 7	8 9	6 8	24 4
– Capital expenditure – property, plant and equipment	292 7	100 7	18 5	411 9
– Capital expenditure – intangible assets	10 8	11 1	11 3	33 2
– Movement in provisions	(0 3)	4 4	16 2	20 3

The comparatives have been re-presented to allocate certain shared service overheads on a consistent basis to the current year

Notes to the accounts

continued

3 Operating expenses

	2011 £m	2010 £m
Branch operating expenses	**1,551.8**	1,501 8
Administrative expenses	**432 8**	336 6
Pension costs	**122 9**	98 9
	2,107 5	1,937 3

4 Net finance costs

	2011 £m	2010 £m
Finance costs		
Interest payable on		
Bank loans and overdrafts	**2 0**	2 3
Other loans repayable within 5 years	**16 7**	23 2
Loans repayable in more than 5 years	**32 6**	18 8
Finance lease interest payable	**1.3**	1 4
Amortisation of issue costs of bonds	**1 1**	1 1
Preference dividends	**0 1**	0 1
Finance costs in respect of borrowings	**53 8**	46 9
Premium paid on bond redemption	**9 2**	–
Total finance costs in respect of borrowings	**63 0**	46 9
Fair value measurements and other	**0 1**	0 5
Net finance costs arising on defined benefit retirement schemes (note 25)	**–**	24 6
Net finance costs arising on other employee benefit schemes	**4 7**	15 6
Total finance costs	**67 8**	87 6
Finance income		
Interest receivable	**(2 7)**	(3 7)
Finance income in respect of investments	**(2 7)**	(3 7)
Fair value measurements and other	**(0 9)**	(2 1)
Net finance income arising on defined benefit retirement schemes (note 25)	**(2 5)**	-
Total finance income	**(6.1)**	(5 8)
Net finance costs	**61.7**	81 8

4 Net finance costs (continued)

	2011 £m	2010 £m
Finance costs in respect of borrowings	**53 8**	46 9
Premium paid on bond redemption	**9 2**	-
Finance income in respect of investments	**(2 7)**	(3 7)
Net finance costs in respect of borrowings and investments	**60 3**	43 2
Fair value measurements and other	**(0 8)**	(1 6)
Net finance (income)/costs arising on defined benefit retirement schemes	**(2 5)**	24 6
Net finance costs arising on other employee benefit schemes	**4 7**	15 6
Net finance costs	**61 7**	81 8

5 Profit on ordinary activities before taxation

	Total 2011 £m	Total 2010 £m
Profit on ordinary activities before taxation is stated after charging/(crediting) the following		
Staff costs (note 10)	**1,425.8**	1,269 0
Depreciation – owned assets	**214 9**	189 3
Depreciation – assets held under finance leases	**0 6**	0 6
Amortisation of intangible assets	**24 0**	24 4
Profit on sale of property	**(1.9)**	(0 2)
Loss on disposal of tangible and intangible fixed assets	**0 9**	2 3
Inventory – cost of inventory recognised as an expense	**4,878 7**	4,460 4
Restructuring costs	**9 0**	17 0
Operating lease rentals		
– land and buildings	**106 7**	97 1
– plant and machinery	**0 3**	0 5
Sub lease income		
– land and buildings	**(4 7)**	(4 6)
Fees payable to the group's auditors for audit services pursuant to legislation		
– parent company and group audit	**0 3**	0 3
– subsidiary audits	**0 4**	0 4
Fees payable to the group's auditors and its associates for other services		
– taxation services	**0 1**	-
– other non audit services	**0 3**	0 3

In addition to the above, the group's auditors also acted as auditors to the group's pension schemes The aggregate fee for audit services to the pension schemes during the year was £50,600 (2010 £47,600)

Contingency rents expensed during the year were £6 1m (2010 £5 9m) Contingency rents are determined based on store revenues

Notes to the accounts

continued

6 Tax on profit on ordinary activities

Analysis of tax charge	2011 £m	2010 £m
Corporation tax – current year	**62.1**	56 5
Corporation tax – prior years	**(11.7)**	(10 3)
Total current tax charge	**50 4**	46 2
Deferred tax – current year	**(10.7)**	(2 1)
Deferred tax – prior years	**5.9**	4 2
	45.6	48 3

Tax credited to equity	2011 £m	2010 £m
Deferred tax on pension liability	**141 4**	(22 3)
Current tax on pension liability	**(42 0)**	(22 6)
	99 4	(44 9)

The tax charge for the period is lower (2010 higher) than the standing corporation tax rate of 28 0% (2010 28 0%) The differences are explained below

	2011 £m	2010 £m
Profit before tax	**173 1**	154 9
Profit before tax multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	**48 5**	43 4
Effects of		
Adjustment to current tax in respect of prior years	**(11 7)**	(10 3)
Restatement of deferred tax balances for reduction in the corporation tax rate to 27%	**(7 2)**	–
Depreciation on assets not qualifying for tax relief	**12 3**	12 7
Difference between accounting and tax base for land and buildings	**(2 8)**	(2 6)
Adjustment to deferred tax in respect of prior years	**5 9**	4 2
Sundry disallowables	**0 6**	0 9
Total tax charge	**45 6**	48 3

The Finance (No 2) Act 2010 reduced the main rate of corporation tax from 28% to 27% from 1 April 2011 In his budget dated 23 March 2011 the Chancellor announced a further 1% reduction to the main rate of corporation tax from 27% to 26% effective 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 The further 1% reduction announced on 23 March 2011 and the remaining rate changes had not been substantively enacted at the end of the reporting period and, therefore, are not reflected in the consolidated accounts

The effect of the rate change on the current year was to reduce the deferred tax liability by £3 5m with a £3 7m charge being taken directly to reserves and a £7 2m tax credit to the income statement The impact of the rate change will be higher in the year ending 28 January 2012 due to the accelerated rate change announced in the budget dated 23 March 2011, reflecting a 2% reduction in that year, assuming the 1% per annum

6 Tax on profit on ordinary activities (continued)

reductions are substantively enacted annually and a comparable level of deferred tax Adjustments in future years are expected to be of a similar amount to the year ended 29 January 2011, assuming the 1% per annum reductions are substantively enacted annually and a comparable level of deferred tax

7 Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, John Lewis plc has not presented its own profit and loss account The result dealt with in the accounts of the company amounted to £3 8m loss (2010 £22 6m loss)

8 Dividends

	2011 £m	2010 £m
Equity interests		
Ordinary shares		
(20 pence per share, 2010, 20 pence per share)	**0 1**	0 1

The ordinary shares are all held by the parent company John Lewis Partnership plc which is registered in England and Wales

9 Directors' emoluments

	2011 £000	2010 £000
Directors' remuneration including Partnership bonus of 18% (2010 15%)	**3,440**	3,048

The emoluments of the Chairman, who was also the highest paid director for that year, were £950,000 (2010 £868,000), including Partnership bonus of £142,000 (2010 £111,000) The Chairman's aggregate pension entitlement from the age of 60 accrued at the end of the year was £214,000 per annum (2010 £197,000 per annum) The transfer value of the increase in accrued entitlement during the year was £143,000

Excluding pension fund contributions and pension supplements in lieu of future pension accrual, but including Partnership bonus, the emoluments of the other individual directors, excluding the Chairman, who served on the Board during any part of the year, were as follows

	2011	2010		**2011**	2010
£400,001 - £450,000	–	1	£600,001 - £650,000	**1**	1
£450,001 - £500,000	**1**	–	£650,001 - £700,000	**1**	–
£550,001 - £600,000	–	2	£700,001 - £750,000	**1**	–

Contracts of employment for all members of the Board provide for a notice period of one year

All members of the Board qualify for the annual distribution of profit in Partnership bonus, paid at the same percentage of pay as for any Partner in employment on 31 January They are also entitled to the use of a company car, or its cash equivalent, and private medical insurance paid by the group

There have been changes to the pensions arrangements for all members of the Board during the year ended 29 January 2011, as explained below

Four directors belong to the group's non-contributory pension scheme and also to the senior pension scheme, which provides additional benefits intended to produce a total

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9 Directors' emoluments (continued)

pension worth two-thirds of pensionable pay on retirement at age 60, after at least 20 or 30 years' service, depending on the level of benefit From April 2010, these four directors became deferred members of both schemes and therefore accrue no further pension benefit in those schemes One other director did not participate in the group's non-contributory pension scheme, but had an unfunded defined contribution arrangement under which the group accrued contributions The contributions for the period to 31 March 2010 were £88,000 and for the year ended 30 January 2010 were £337,000

Following changes to pension legislation in April 2006, four directors opted to have part of their pension benefit provided on an unfunded basis, and the Partnership gave undertakings that these directors would have their pension made up to the same level as that provided by the senior pension scheme In April 2010, the unfunded pension accrued for two directors was settled through a cash settlement One director retained their unfunded pension accrued as at that date and provision has been made for this liability During the year the unfunded pension accrued as at April 2010 in respect of the remaining two directors was contributed by the Partnership to a separate plan managed by a third party

From April 2010, five directors no longer accrue pension benefits within the Partnership's pension funds and instead either receive a pension supplement, being a percentage of salary, or contributions are made by the Partnership to the separate plan explained above During the year ended 29 January 2011, the total pension supplement in lieu of future pension accrual and contributions made by the Partnership for all directors was £1,457,000, which includes £400,000 in respect of the Chairman

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

	2011	2010		2011	2010
£100,001 - £150,000	**1**	–	£200,001 - £250,000	**–**	1
£150,001 - £200,000	**2**	2			

The aggregate pension entitlement accrued at the end of the year for all directors, excluding the Chairman, who served on the Board during any part of the year, and the prior year amount for the same individuals, was £493,000 per annum (2010 £574,000 per annum) The net decrease in accrued pension reflects the combined effect of the changes to pension arrangements described above In addition, all directors are entitled to temporary pensions payable from age 60 until their State pension starts The amounts of these temporary pensions are all less than the State pensions they expect to receive The aggregate entitlement to temporary pensions was £21,000 per annum (2010 £12,000 per annum) For those directors where there was an increase, the transfer value of the aggregate increase in accrued entitlement, including temporary pensions, during the year was £nil

10 Employees

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

Consolidated	2011	2010
John Lewis	**28,100**	27,200
Waitrose	**44,800**	41,100
Other	**1,900**	1,700
	74,800	70,000

10 Employees (continued)

Employment and related costs were as follows

Consolidated	2011 £m	2010 £m
Staff costs		
Wages and salaries	**1,021 7**	940 4
Social security costs	**82 0**	75 2
Partnership bonus	**174.2**	135 7
Employers' national insurance on Partnership bonus	**20 3**	15 6
Pension costs	**122 9**	98 9
Long service leave cost	**4.7**	3 2
Total before partner discounts	**1,425 8**	1,269 0
Partner discounts	**44 6**	30 0
	1,470 4	1,299 0
Included above are the following amounts in respect of key management compensation		
Salaries and short-term benefits	**10 6**	9 9
Pension benefits	**4 3**	4 5
Termination benefits	**0 7**	0 3

Key management include directors of group companies, members of the group's management boards and officers of the group 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

Key management participate in the group's long service leave scheme, which is open to all employees and provides up to 6 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 above

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

Company	2011	2010
John Lewis	**28,100**	27,200
Other	**1,900**	1,700
	30,000	28,900

Notes to the accounts

continued

10 Employees (continued)

Employment and related costs were as follows

Company	2011 £m	2010 £m
Staff costs		
Wages and salaries	**485 4**	459 5
Social security costs	**43.9**	40 8
Partnership bonus	**83.1**	66 8
Employers national insurance on Partnership bonus	**9.7**	7 6
Pension costs	**65 5**	53 8
Long service leave cost	**2.5**	1 8
Total before partner discounts	**690 1**	630 3
Partner discounts	**25 7**	18 3
	715 8	648 6
Included above are the following amounts in respect of key management compensation		
Salaries and short term benefits	**6.8**	6 5
Pension benefits	**2 9**	3 0
Termination benefits	**0.3**	0 3

11 Intangible assets

Consolidated	Computer software Purchased £m	Internally developed £m	Work in progress £m	Total £m
Cost				
At 31 January 2009	30 9	106 2	29 2	166 3
Additions	2 4	5 4	25 4	33 2
Transfers	2 6	26 5	(29 1)	–
Disposals	–	(3 6)	–	(3 6)
At 30 January 2010	35 9	134 5	25 5	195 9
Additions	–	–	43 5	43 5
Transfers	8 6	15 2	(23 8)	–
Disposals	(0 2)	(0 5)	–	(0 7)
At 29 January 2011	**44 3**	**149 2**	**45 2**	**238 7**
Aggregate amortisation				
At 31 January 2009	19 3	61 9	–	81 2
Charge for the year	8 1	16 3	–	24 4
Disposals	–	(2 2)	–	(2 2)
At 30 January 2010	27 4	76 0	–	103 4
Charge for the year	4 6	19 4	–	24 0
Disposals	(0 1)	–	–	(0 1)
At 29 January 2011	**31 9**	**95.4**	**–**	**127 3**
Net book value at 30 January 2010	8 5	58 5	25 5	92 5
Net book value at 29 January 2011	**12 4**	**53 8**	**45 2**	**111.4**

Notes to the accounts

continued

11 Intangible assets (continued)

For the year to 29 January 2011 computer systems totalling £23 8m (2010 £29 1m) were brought into use This covered a range of selling, support, administration and IT infrastructure applications, with asset lives ranging from three to seven years

Amortisation of intangible assets is charged within operating expenses

	Computer software			
Company	**Purchased £m**	**Internally developed £m**	**Work in progress £m**	**Total £m**
Cost				
At 31 January 2009	19 1	103 7	29 2	152 0
Additions	1 9	5 4	23 9	31 2
Transfers	0 3	28 7	(29 0)	–
Disposals	–	(3 6)	–	(3 6)
At 30 January 2010	21 3	134 2	24 1	179 6
Additions	–	–	37 8	37 8
Transfers	3 4	15 2	(18 6)	–
Disposals	(0 1)	(0 5)	–	(0 6)
At 29 January 2011	**24.6**	**148 9**	**43 3**	**216 8**
Aggregate amortisation				
At 31 January 2009	12 5	60 1	–	72 6
Charge for the year	3 9	17 9	–	21 8
Disposals	–	(2 2)	–	(2 2)
At 30 January 2010	16 4	75 8	–	92 2
Charge for the year	3 1	19 4	–	22 5
Disposals	(0 1)	–	–	(0 1)
At 29 January 2011	**19 4**	**95.2**	**–**	**114 6**
Net book value at 30 January 2010	4 9	58 4	24 1	87 4
Net book value at 29 January 2011	**5 2**	**53.7**	**43 3**	**102 2**

12 Property, plant and equipment

Consolidated	Land and buildings £m	Fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost				
At 31 January 2009	2,904 5	1,358 4	142 7	4,405 6
Additions	–	7 5	404 4	411 9
Transfers	297 7	159 9	(457 6)	–
Disposals	(6 0)	(36 7)	–	(42 7)
At 30 January 2010	3,196 2	1,489 1	89 5	4,774 8
Additions	–	0 6	448 6	449 2
Transfers	203 7	103 5	(307 2)	–
Disposals	(8 9)	(18 2)	–	(27 1)
At 29 January 2011	**3,391 0**	**1,575 0**	**230 9**	**5,196.9**
Accumulated depreciation				
At 31 January 2009	446 3	782 5	–	1,228 8
Charges for the year	71 3	118 6	–	189 9
Disposals	–	(34 9)	–	(34 9)
At 30 January 2010	517 6	866 2	–	1,383 8
Charges for the year	72 3	143 2	–	215 5
Disposals	(7 7)	(17 3)	–	(25 0)
At 29 January 2011	**582 2**	**992 1**	**–**	**1,574 3**
Net book values at 30 January 2010	2,678 6	622 9	89 5	3,391 0
Net book values at 29 January 2011	**2,808 8**	**582 9**	**230 9**	**3,622 6**

Included above are land and buildings assets held under finance leases with a net book value of £19 6m (2010 £20 2m)

Notes to the accounts

continued

12 Property, plant and equipment (continued)

Company	Land and buildings £m	Fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost				
At 31 January 2009	555 0	663 8	54 0	1,272 8
Additions	–	6 9	132 5	139 4
Transfers	64 1	107 0	(171 1)	–
Disposals	(30 3)	(23 0)	–	(53 3)
At 30 January 2010	588 8	754 7	15 4	1,358 9
Additions	–	0 1	105 4	105 5
Transfers	53 9	42 1	(96 0)	–
Disposals	–	(4 4)	–	(4 4)
At 29 January 2011	**642 7**	**792.5**	**24.8**	**1,460 0**
Accumulated depreciation				
At 31 January 2009	82 9	390 8	–	473 7
Charges for the year	19 6	57 6	–	77 2
Disposals	(3 9)	(21 2)	–	(25 1)
At 30 January 2010	98 6	427 2	–	525 8
Charges for the year	15 4	71 5	–	86 9
Disposals	–	(3 7)	–	(3 7)
At 29 January 2011	**114 0**	**495 0**	**–**	**609.0**
Net book values at 30 January 2010	490 2	327 5	15 4	833 1
Net book values at 29 January 2011	**528 7**	**297 5**	**24 8**	**851.0**

Included above are land and buildings assets held under finance leases with a net book value of £13 2m (2010 £13 5m)

13 Investments

Company	Shares in group companies £m	Loans to group companies £m	Total £m
At 30 January 2010	84 1	901 5	985 6
Movements	(0 7)	69 0	69 3
At 29 January 2011	**83 4**	**970.5**	**1,053 9**

A list of subsidiary undertakings is provided in note 34

14 Inventories

Consolidated	2011 £m	2010 £m
Raw materials	**5 1**	4 9
Work in progress	**0 8**	0 8
Finished goods and goods for resale	**416 1**	393 3
	422.0	399 0
Company		
Raw materials	**2.7**	2 6
Finished goods and goods for resale	**242 8**	230 9
	245.5	233 5

The cost of inventory recognised as an expense by the group in the period was £4,878 7m (2010 £4,460 4m) Provisions against inventories of £1 0m were charged (2010 £0 2m credited) in operating expenses

Notes to the accounts

continued

15 Trade and other receivables

Consolidated	2011 £m	2010 £m
Current		
Trade receivables	**78 6**	65 6
Other receivables	**54 1**	44 5
Prepayments	**78 0**	57 3
	210 7	167 4
Non-current		
Prepayments	**41 4**	42 5

Company		
Current		
Trade receivables	**14 2**	4 0
Other receivables	**27 9**	25 7
Prepayments	**45 6**	36 3
	87 7	66 0
Non-current		
Prepayments	**41.4**	42 4

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

As of 29 January 2011, group trade receivables of £1 0m (2010 £0 8m) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

Consolidated	2011 £m	2010 £m
At start of period	**(0 8)**	(1 0)
Charged to income statement	**(0 4)**	(0 1)
Released	**0 2**	0 3
At end of period	**(1 0)**	(0 8)

As at 29 January 2011, company trade receivables of £0 5m (2010 £0 3m) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

Company	2011 £m	2010 £m
At start of period	**(0 3)**	(0 3)
Charged to income statement	**(0 2)**	–
Released	–	–
At end of period	**(0 5)**	(0 3)

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

15 Trade and other receivables (continued)

As of 29 January 2011, group trade and other receivables of £18 1m (2010 £15 1m) were past due but not impaired The ageing analysis of the past due amounts is as follows

Consolidated	2011 £m	2010 £m
Up to 3 months past due	**16 6**	9 0
3 to 12 months past due	**1 1**	5 5
Over 12 months past due	**0 4**	0 6
	18 1	15 1

As of 29 January 2011, company trade and other receivables of £13 8m (2010 £8 1m) were past due but not impaired The ageing analysis of past due amounts is as follows

Company	2011 £m	2010 £m
Up to 3 months past due	**13 1**	3 4
3 to 12 months past due	**0 4**	4 2
Over 12 months past due	**0 3**	0 5
	13 8	8 1

16 Cash and cash equivalents

Consolidated	2011 £m	2010 £m
Cash at bank and in hand	**84 2**	84 1
Short-term bank deposits	**428.5**	475 9
	512 7	560 0

Company		
Cash at bank and in hand	**28 0**	32 9
Short-term bank deposits	**396 6**	443 9
	424 6	476 8

For the year ended 29 January 2011, the effective interest rate on short-term investments was 0 7% (2010 0 8%) and these deposits had an average maturity of 3 days (2010 2 days)

Notes to the accounts

continued

16 Cash and cash equivalents (continued)

In the group and company cash flow statements, net cash and cash equivalents are shown after deducting bank overdrafts, as follows

Consolidated	2011 £m	2010 £m
Cash and cash equivalents, as above	**512 7**	560 0
Less bank overdrafts	**(65 3)**	(115 6)
Net cash and cash equivalents	**447 4**	444 4
Company		
Cash and cash equivalents, as above	**424 6**	476 8
Less bank overdrafts	**(64 1)**	(115 0)
Net cash and cash equivalents	**360 5**	361 8

17 Analysis of financial assets

The currency and interest rate exposures of the group's and company's financial assets are as set out below Short-term debtors and investments in subsidiary companies are excluded from this analysis, on the basis that they are all non interest bearing and denominated in sterling

Consolidated	Effective interest rate	Floating rate £m	Non interest bearing £m	Total £m
Sterling	0 7%	500 1	53 7	553 8
Euro	0 0%	–	–	–
Other	0 1%	0 3	–	0 3
At 29 January 2011		**500.4**	**53 7**	**554 1**
Sterling	0 8%	542 6	53 9	596 5
Euro	0 0%	5 2	–	5 2
Other	0 0%	0 9	–	0 9
At 30 January 2010		548 7	53 9	602 6

Company	Effective interest rate %	Floating rate £m	Non interest bearing £m	Total £m
Sterling	0 7%	421 2	44 6	465 8
Euro	0 0%	–	–	–
Other	0 1%	0 3	–	0 3
At 29 January 2011		**421.5**	**44 6**	**466 1**
Sterling	0 8%	467 7	45 4	513 1
Euro	0 0%	5 2	–	5 2
Other	0 0%	0 9	–	0 9
At 30 January 2010		473 8	45 4	519 2

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

18 Borrowings and overdrafts

Consolidated	2011 £m	2010 £m
Current		
Bank overdraft	**65 3**	115 6
Loans, 2011	**100 0**	-
	165.3	115 6
Non-current		
Loans, 2011	–	100 0
6⅜% Bonds, 2012	**142 0**	300 0
Fair value adjustment for hedged risk on bonds	**6 2**	12 7
10½% Bonds, 2014	**100.0**	100 0
8⅜% Bonds, 2019	**275 0**	275 0
6⅛% Bonds, 2025	**300 0**	–
Unamortised bond transaction costs	**(6 3)**	(2 8)
5% First Cumulative Preference Stock	**1 5**	1 5
7% Cumulative Preference Stock	**0 8**	0 8
	819.2	787 2

Company	2011 £m	2010 £m
Current		
Bank overdraft	**64 1**	115 0
Loans, 2011	**100.0**	–
	164 1	115 0
Non-current		
Loans, 2011	–	100 0
6⅜% Bonds, 2012	**142 0**	300 0
Fair value adjustment for hedged risk on above	**6 2**	12 7
10½% Bonds, 2014	**100 0**	100 0
8⅜% Bonds, 2019	**275 0**	275 0
6⅛% Bonds, 2025	**300.0**	–
Unamortised bond transaction costs	**(6 3)**	(2 8)
5% First Cumulative Preference Stock	**1 5**	1 5
7% Cumulative Preference Stock	**0 8**	0 8
	819.2	787 2

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

If the preference dividends are in arrears or 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

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19 Trade and other payables

Consolidated	2011 £m	2010 £m
Current		
Trade payables	**424 5**	358 2
Amounts owed to parent undertaking	**57 1**	43 1
Other payables	**95 2**	78 9
Other taxation and social security	**141 4**	117 2
Accruals	**167 5**	165 2
Deferred income	**25 7**	28 3
Partnership bonus	**176 1**	137 6
	1,087 5	928 5
Non-current		
Accruals	**1.1**	1 3
Deferred income	**64 5**	48 5
	65 6	49 8
Company		
Current		
Trade payables	**162 2**	137 4
Amounts owed to parent undertaking	**57.1**	43 1
Amounts owed to group companies	**358.2**	353 2
Other payables	**69 1**	57 1
Other taxation and social security	**118 9**	99 2
Accruals	**115 4**	123 0
Deferred income	**25.3**	27 4
Partnership bonus	**175 3**	137 0
	1,081 5	977 4
Non-current		
Accruals	**1 1**	1 3
Deferred income	**58 9**	46 2
	60 0	47 5

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

20 Finance lease liabilities

Consolidated	2011 £m	2010 £m
The minimum lease payments under finance leases fall due as follows		
Not later than one year	**2 0**	2 1
Later than one year but not more than five	**7 4**	8 3
More than five years	**48 3**	50 9
	57.7	61 3
Future finance charge on finance leases	**(28 9)**	(32 1)
Present value of finance lease liabilities	**28 8**	29 2
Of which		
Current	**0 8**	0 7
Non-current	**28 0**	28 5

Company	2011 £m	2010 £m
The minimum lease payments under finance leases fall due as follows		
Not later than one year	**0 5**	0 5
Later than one year but not more than five	**2.0**	2 0
More than five years	**25 4**	25 9
	27.9	28 4
Future finance charge on finance leases	**(13 0)**	(13 4)
Present value of finance lease liabilities	**14 9**	15 0
Of which		
Current	**0.2**	0 2
Non-current	**14.7**	14 8

The group's finance lease liabilities relate to buildings that have been classified as finance leases in accordance with IAS 17 Leases

Notes to the accounts

continued

21 Provisions

Consolidated	Long service leave £m	Service guarantee costs £m	Insurance £m	Other £m	Total £m
At 30 January 2010	80 1	48 2	17 5	39 0	184 8
Charged to income statement	9 4	20 5	7 9	34 9	70 6
Released to income statement	–	–	–	(5 9)	(5 9)
Utilised	(4 1)	(16 1)	(7 0)	(26 5)	(51 6)
At 29 January 2011	**85 4**	**52 6**	**18 4**	**41.5**	**197 9**
Of which					
Current	27 7	17 4	4 3	35 6	85 0
Non-current	57 7	35 2	14 1	5 9	112 9

Company	Long service leave £m	Service guarantee costs £m	Other £m	Total £m
At 30 January 2010	80 1	48 2	33 1	161 4
Charged to income statement	9 4	20 5	33 4	63 3
Released to income statement	–	–	(5 3)	(5 3)
Utilised	(4 1)	(16 1)	(23 7)	(43 9)
At 29 January 2011	**85.4**	**52.6**	**37 5**	**175 5**
Of which				
Current	27 7	17 4	32 2	77 3
Non-current	57 7	35 1	5 4	98 2

The Partnership has a long service leave scheme, open to all employees, that 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 employees' expected service profiles, and using economic assumptions consistent with those used for the group's retirement benefit obligations (note 25) with the exception of the discount rate, where a rate appropriate to shorter duration of the long leave liability is used, so as to accrue the cost over employees' service periods

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

Provisions for insurance claims are in respect of the group's employer's, public and vehicle third party liability insurances and extended warranty products Liabilities have been assessed on an actuarial basis

Other provisions include reorganisation costs, accrued holiday pay, customer refunds 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, and in note 26

22 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 27% (2010 28%)

The movement on the deferred tax account is shown below

Consolidated	2011 £m	2010 £m
Opening asset	**(41 9)**	(21 7)
(Credited)/charged to income statement	**(4 8)**	2 1
Charged/(credited) to equity	**141.4**	(22 3)
Closing liability/(asset)	**94 7**	(41 9)

Company	2011 £m	2010 £m
Opening asset	**(199 1)**	(165 8)
(Credited)/charged to income statement	**(20 9)**	(11 0)
Credited to equity	**142 2**	(22 3)
Closing asset	**(77 8)**	(199 1)

The movements in deferred tax assets and liabilities during the period (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

Deferred tax liabilities – consolidated	Capital gains tax on land and buildings £m	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
At 31 January 2009	0 2	169 3	6 3	24 1	1 2	201 1
(Credited)/charged to income statement	(0 2)	11 4	0 4	(0 7)	1 0	11 9
At 30 January 2010	–	180 7	6 7	23 4	2 2	213 0
Credited to income statement	–	(1 7)	(1 8)	(1 6)	(0 4)	(5 5)
At 29 January 2011	–	**179 0**	**4 9**	**21 8**	**1 8**	**207 5**

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22 Deferred tax (continued)

Deferred tax assets – consolidated	Capital gains tax on land and buildings £m	Pensions and provisions £m	Capital losses £m	Total £m
At 31 January 2009	–	(222 8)	–	(222 8)
Credited to income statement	(2 0)	(7 7)	(0 1)	(9 8)
Credited to equity	–	(22 3)	–	(22 3)
At 30 January 2010	(2 0)	(252 8)	(0 1)	(254 9)
(Credited)/charged to income statement	(0 3)	0 9	0 1	0 7
Charged to equity	–	141 4	–	141 4
At 29 January 2011	**(2 3)**	**(110 5)**	**–**	**(112 8)**

Deferred tax liabilities – company	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
At 31 January 2009	73 2	0 5	8 9	1 2	83 8
Charged/(credited) to income statement	4 2	(0 4)	(0 1)	0 8	4 5
At 30 January 2010	77 4	0 1	8 8	2 0	88 3
Credited to income statement	(0 9)	–	(0 6)	(0 5)	(2 0)
At 29 January 2011	**76 5**	**0 1**	**8 2**	**1 5**	**86 3**

Deferred tax assets – company	Capital gains tax on land and buildings £m	Pensions and provisions £m	Total £m
At 31 January 2009	(12 6)	(237 0)	(249 6)
Charged/(credited) to income statement	0 5	(16 0)	(15 5)
Credited to equity	-	(22 3)	(22 3)
At 30 January 2010	(12 1)	(275 3)	(287 4)
Credited to income statement	(0 1)	(18 8)	(18 9)
Charged to equity	-	142 2	142 2
At 29 January 2011	**(12 2)**	**(151 9)**	**(164.1)**

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 group or the company, for the year ended 29 January 2011 (2010 nil)

22 Deferred tax (continued)

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 25)

All of the deferred tax assets for the group were available for offset against deferred tax liabilities and hence the net deferred tax liability at 29 January 2011 was £94 7m (2010 asset of £41 9m) The net deferred tax liability for the group is due after more than one year

All of the deferred tax liabilities for the company were available for offset against deferred tax assets and hence the net deferred tax asset at 29 January 2011 was £77 8m (2010 asset of £199 1m) The net deferred tax asset for the company is recoverable after more than one year

23 Management of financial risks

The principal financial risks to which the group is exposed are liquidity risk, interest rate risk, foreign currency risk, credit risk, capital risk and energy risk These risks are managed as follows

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 At the year end the group had committed revolving borrowings facilities of £310m (2010 £490m), £30m of which was available to August 2012, £40m to October 2012 and £270m to September 2013 In addition to these facilities, the group has bonds totalling £817m, £142m of which mature in 2012, £100m in 2014, £275m in 2019 and £300m in 2025, together with a term loan of £100m maturing in March 2011 The bonds are not subject to repricing, and their interest rates and maturity profiles are set out in note 26

In July 2010 the group issued a £300m bond repayable in 2025 and bought back £158m of the bond due in 2012, reducing the average cost of borrowing, extending the borrowing maturity and reducing the refinancing risk

The group's bank borrowing facilities each contain one financial covenant, based on either the level of tangible net worth or fixed charge cover The minimum covenants that apply are that tangible net worth shall be at least equal to financial indebtedness and that consolidated EBITDAR shall not be less than 2 5 times rent adjusted total net interest costs Throughout the year the group maintained comfortable headroom against these covenants and is expected to do so into the foreseeable future

In March 2011, the term loan of £100m was extended to December 2012 and following this agreement, the financial covenants on the group's bank borrowing facilities are only based on fixed charge cover

The group's total committed sources of funds at the date of signing these accounts are £1,227m

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23 Management of financial risks (continued)

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

Consolidated	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	(100 0)	(142 0)	(675 0)
Interest payments on borrowings	(61 1)	(51 9)	(392 2)
Finance lease liabilities	(1 9)	(1 9)	(53 3)
Trade and other payables	(920 3)	(1 1)	–
Derivative financial liabilities			
Derivative contracts – receipts	112 3	–	–
Derivative contracts – payments	(106 0)	–	–
At 29 January 2011	**(1,077 0)**	**(196 9)**	**(1,120 5)**
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	–	(100 0)	(675 0)
Interest payments on borrowings	(53 5)	(52 8)	(205 3)
Finance lease liabilities	(2 1)	(2 1)	(57 1)
Trade and other payables	(783 0)	(1 3)	–
Derivative financial liabilities			
Derivative contracts – receipts	113 7	9 6	–
Derivative contracts – payments	(107 6)	(1 9)	–
At 30 January 2010	(832 5)	(148 5)	(937 4)

23 Management of financial risks (continued)

Company	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	(100 0)	(142 0)	(675 0)
Interest payments on borrowings	(61 1)	(51 9)	(392 2)
Finance lease liabilities	(0 5)	(0 5)	(26 9)
Trade and other payables	(944 0)	(1 1)	–
Derivative financial liabilities			
Derivative contracts – receipts	112 3	–	–
Derivative contracts – payments	(106 0)	–	–
At 29 January 2011	**(1,099.3)**	**(195.5)**	**(1,094.1)**
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	–	(100 0)	(675 0)
Interest payments on borrowings	(53 5)	(52 8)	(205 3)
Finance lease liabilities	(0 5)	(0 5)	(27 4)
Trade and other payables	(850 8)	(1 3)	–
Derivative financial liabilities			
Derivative contracts – receipts	113 7	9 6	–
Derivative contracts – payments	(107 6)	(1 9)	–
At 30 January 2010	(898 7)	(146 9)	(907 7)

Interest on borrowings is calculated based on the borrowing position at the financial year end without taking account of future issues Future floating rate interest liabilities are estimated using the forward interest rate curve as at the relevant year end date

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

Interest rate risk
In order to manage the risk of interest rate fluctuations the group targets a ratio of fixed and floating rate debt in line with the Board approved treasury policy An analysis of the group's financial liabilities is detailed in note 26 Exposures to interest rate fluctuations are managed using interest rate swaps Interest rate swaps have been used to convert £142 0m (2010 £150m) of fixed rate bond debt to floating rate These swaps have a maturity and payment profile which matches the underlying 6 375% 2012 bond and have been accounted for as fair value hedges under IAS 39 The movement in the fair value of the swaps and of the underlying hedged item attributable to the hedged risk is £5 7m

Foreign currency risk
The group uses derivatives to manage exposures to movements in exchange rates arising from transactions with foreign suppliers 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 Derivatives that were designated as cash flow hedges during the year were fully effective At the balance sheet date, forward currency contracts of £103 1m (2010 £105 7m) have been entered into to hedge purchases in foreign currencies which will mature over the next 12 months At the year end £9 0m (2010 £8 0m) of a total of £9 1m (2010 £8 2m) of liabilities denominated in foreign currency were covered in this way

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23 Management of financial risks (continued)

Credit risk
The group has no significant exposure to customer credit risk 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 counterparties with a credit rating not less than a Standard & Poor's equivalent 'A' rating

The group and company consider their maximum exposure to credit risk is as follows

Consolidated	2011 £m	2010 £m
Trade and other receivables	**132 6**	110 1
Cash and cash equivalents	**512 7**	560 0
	645 3	670 1

Company	2011 £m	2010 £m
Trade and other receivables	**42.1**	29 7
Cash and cash equivalents	**424 6**	476 8
	466 7	506 5

Capital risk
The group's objective is to maintain a capital structure which is consistent with an investment grade credit rating Although the group does not have a credit rating, it monitors capital risk using a number of capital ratios commonly used by rating agencies to assess risk These ratios help the Board to establish levels of debt that the group should not exceed, other than for relatively short periods of time

Energy risk
The group operates risk management processes for the group's energy costs associated with its activities The group's energy policy is set out and 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

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, euro and Hong Kong dollar to sterling exchange rates

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 average balances and rates during the year As a consequence, this sensitivity analysis is not representative of the financial years in total

The following assumptions have been made in calculating the sensitivity analysis

- the sensitivity of interest costs to movements in interest rates is calculated on average floating rate debt and investment balances prevailing during the financial year,

23 Management of financial risks (continued)

- changes in the carrying value of derivatives designated as fair value hedges arising from movements in interest rates are assumed to have no effect on net assets,
- changes in the carrying value of derivative financial instruments not in hedging relationships are assumed only to affect the income statement, and
- all derivative instruments designated as hedges are assumed to be fully effective

	2011 Income statement +/- £m	2011 Equity +/- £m	2010 Income statement +/- £m	2010 Equity +/- £m
UK interest rates +/- 5%	**1 9**	**–**	3 8	–
US dollar exchange rate +/- 15%	**1 2**	**4 4**	3 6	4 2
Euro exchange rate +/- 10%	**0 5**	**5 4**	0 4	5 4
Hong Kong dollar exchange rate +/- 15%	**0 2**	**0 2**	0 3	0 6

24 Financial instruments

All financial assets and liabilities are held at amortised cost with the exception of financial derivatives which are held at fair value

Details of the group's financial instruments, used to manage the financial risks as identified in note 23, are shown below

The fair values of derivative financial instruments are as follows

Consolidated and Company	2011 Assets £m	2011 Liabilities £m	2010 Assets £m	2010 Liabilities £m
Interest rate swap – fair value hedge	**7 0**	–	12 7	–
Currency derivatives – cash flow hedge	**1 6**	1 0	0 9	2 4
	8 6	1 0	13 6	2 4

The fair value of the financial instruments held by the group are classified as level 2 under the IFRS 7 fair value hierarchy as all significant inputs to the valuation model used are based on observable market data

The fair values of the group's bonds and preference stock, which have been determined by reference to market price quotations, are shown below For cash and other financial liabilities, book values approximate to fair value

Consolidated and Company	2011 £m	2010 £m
Bonds	**895.7**	771 3
Preference stock	**1.8**	1 8

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25 Retirement benefit obligations

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

The fund was last valued by an independent professionally qualified actuary as at 31 March 2010 using the projected unit method, which resulted in a funding surplus of £83m The market value of the assets of the fund as at 31 March 2010 was £2,341m The actuarial valuation of these assets showed that they were sufficient to cover 104% of the benefits which had accrued to members

The annual contribution rate applicable for the year to 31 March 2011 is 12 8% of gross taxable pay of members, together with an additional £8 1m per year in respect of the past-service deficit arising from the actuarial valuation at 31 March 2007 The actuaries have recommended a normal future annual contribution rate of 12 2% of gross taxable pay of members from 1 April 2011 onwards The next triennial actuarial valuation of the fund will take place as at 31 March 2013

As explained in note 9, there is also a senior pension scheme which provides additional benefits to certain members of senior management The actuaries have recommended an annual contribution rate of £1 6m In addition, deficit reduction contributions totalling £6m were made in January and February 2011 to discharge the deficit in full

The contributions expected to be paid to the pension schemes during the year to 28 January 2012 amount to £104m

Pension commitments have been calculated based on the most recent actuarial valuations, as at 31 March 2010, which have been updated by the actuaries to assess the assets and liabilities of the schemes as at 29 January 2011

Scheme assets are stated at market values at 29 January 2011 The following financial assumptions have been used

	2011	2010
Future retail price inflation	**3.35%**	3 25%
Future consumer price inflation	**2.65%**	n/a
Discount rate	**5.65%**	5 70%
Expected return on assets	**7.70%**	7 80%
Increases in earnings	**3.85%**	3 75%
Increases in pensions – in payment	**3.15%**	3 25%
Increases in pensions – deferred	**2.65%**	3 25%

The expected return on assets is a weighted average of the individual asset categories and their expected rates of return, which are determined by consideration of historical experience and current market factors Increases in earnings are projected at 0 5% above retail price inflation, with increases in pensions in payment being 0 2% below retail price inflation, reflecting the impact of a cap on the level of pension increases, and increase in deferred pensions being in line with consumer price inflation

The financial assumption which has the most significant effect on the valuation of scheme liabilities and the current service cost is the real discount rate, i e the discount rate less the rate of future retail price inflation A movement in the real discount rate of 0 10% would have the effect of increasing or decreasing the IAS 19 defined benefit obligation by circa £50m, and would increase or decrease the current service cost by circa £2 9m

The post-retirement mortality assumptions used in valuing the pensions liabilities were based on the "S1 Light" series standard tables for all retirements, together with medium cohort improvement factors, and reflecting anticipated future improvements in mortality rates

25 Retirement benefit obligations (continued)

The average life expectancies assumed were as follows

	2011 Men	2011 Women	2010 Men	2010 Women
Average life expectancy (in years) for a 60-year-old	**26.1**	**28 2**	26 0	28 4
Average life expectancy (in years) at age 60, for a 40-year-old	**27 3**	**29 7**	27 3	29 5

Amounts recognised in the balance sheet	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Defined benefit obligation for funded arrangements	**(2,869 0)**	(2,824 0)	(2,334 0)	(2,397 0)	(2,237 0)
Defined benefit obligation for unfunded arrangements	**(11.0)**	(29 0)	(18 0)	(16 0)	(14 0)
Total defined benefit obligation	**(2,880.0)**	(2,853 0)	(2,352 0)	(2,413 0)	(2,251 0)
Total value of assets	**2,466 0**	1,948 4	1,622 0	1,859 0	1,810 0
Defined benefit liability at end of year	**(414 0)**	(904 6)	(730 0)	(554 0)	(441 0)

Amounts recognised in the income statement	Year ended 29 January 2011 £m	Year ended 30 January 2010 £m
Current service cost	**120 0**	96 7
Curtailment gain	**(2 4)**	–
Contribution expense*	**3.5**	0 9
Administrative costs	**1 8**	1 3
Operating cost	**122 9**	98 9
Interest cost on liabilities	**159 6**	159 6
Expected return on assets	**(162 1)**	(135 0)
Finance (income)/charge	**(2 5)**	24 6
Total pension charge	**120 4**	123 5

* Includes Partnership contributions to the defined contribution scheme as well as contributions to a separate plan managed by a third party and pension supplements to certain Partners in lieu of future pension accrual

Amounts recognised in equity	Year ended 29 January 2011 £m	Year ended 30 January 2010 £m
Actuarial (gains)/losses on assets	**(179.2)**	(164 7)
Actuarial (gains)/losses on defined benefit obligation	**(159.5)**	325 1
Total (gains)/losses recognised in equity	**(338.7)**	160 4
Cumulative loss recognised in equity	**230.8**	569 5

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25 Retirement benefit obligations (continued)

Reconciliation of defined benefit liability	2011 £m	2010 £m
Defined benefit liability at beginning of year	(904 6)	(730 0)
Pension expense	(115.1)	(121 3)
Contributions	267.0	107 1
Total gains/(losses) recognised in equity	338.7	(160 4)
Defined benefit liability at end of year	(414 0)	(904 6)

Reconciliation of defined benefit obligation	2011 £m	2010 £m
Defined benefit obligation at the beginning of year	2,853 0	2,352 0
Current service cost	120 0	96 7
Curtailment gain	(2.4)	-
Interest on pension liabilities	159 6	159 6
Actuarial (gains)/losses	(159.5)	325 1
Benefits paid	(90 7)	(80 4)
Defined benefit obligation at the end of year	2,880 0	2,853 0

Reconciliation of value of assets	2011 £m	2010 £m
Value of assets at the beginning of year	1,948 4	1,622 0
Expected return on assets	162.1	135 0
Actuarial gains	179.2	164 7
Benefits paid	(90.7)	(80 4)
Contributions	267.0	107 1
Value of assets at the end of year	2,466 0	1,948 4

Analysis of assets	2011 %	2011 £m	2010 %	2010 £m
Equities	74	1,818.1	71	1,392 3
Bonds	13	324.9	14	263 9
Properties	8	193.8	8	149 5
Other	5	129.2	7	142 7
		2,466.0		1,948 4

Actual return on assets	2011 £m	2010 £m
Expected return on assets	162 1	135 0
Actuarial gains	179 2	164 7
Actual return on assets	341 3	299 7

25 Retirement benefit obligations (continued)

History of experience of gains and losses	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
(Gains)/losses on assets	**(179 2)**	(164 7)	514 5	110 3	(43 7)
% of assets at the end of the year	**7%**	8%	32%	6%	2%
Experience (gains)/losses on defined benefit obligation	**(106 5)**	(28 0)	(17 4)	60 6	1 5
% of defined benefit obligation at the end of the period	**4%**	1%	1%	3%	0%

Contributions will be as follows until the next actuarial valuation due as at 31 March 2013

The John Lewis Partnership Trust for Pensions – 12 8% of scheme members' gross taxable pay (excluding Partnership bonus), together with £8 1m per year in respect of the past-service deficit, until 31 March 2011 From 1 April 2011 the contribution rate will be 12 2% of scheme members' gross taxable pay (excluding Partnership bonus) and no deficit reduction contributions are required as the scheme is in surplus on a funding basis

For the John Lewis Partnership Senior Pension Scheme – £1 6m, or such other amount as certified by the scheme actuary based upon an analysis of the membership data at the start of the scheme year

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

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 accounts Accordingly, the pension deficit position presented in these consolidated accounts does not reflect the £98m (2010 £95m) 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 accounts on a cash basis

The investment does represent a plan asset for the purpose of the company accounts The retirement benefit obligation for the company as at 29 January 2011 was £316 0m (2010 £809 6m)

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26 Analysis of financial liabilities

The currency and interest rate exposure of the group's and company's financial liabilities, after taking account of £142m (2010 £150m) of swaps from fixed rate to floating rate, is as set out below Short term payables are excluded from this analysis

Consolidated **Interest rate and currency analysis**	**Fixed rate £m**	**Floating rate £m**	**Non interest bearing £m**	**Total £m**
All sterling				
At 29 January 2011	**706 0**	**307.3**	**197.9**	**1,211 2**
At 30 January 2010	566 4	365 6	184 8	1,116 8

Consolidated **Maturity of financial liabilities**	**2011 Effective interest rate**	**2011 £m**	2010 Effective interest rate	2010 £m
Repayable in one year				
Bank overdrafts and other borrowing	**1 7%**	**65 3**	1 7%	115 6
Provisions		**85 0**		68 5
Property finance leases	**7 6%**	**0 8**	7 6%	0 7
Loans	**0.9%**	**100 0**	–	–
		251.1		184 8
Repayable between one and two years				
Provisions		**28 6**		37 9
Property finance leases	**7 6%**	**0 8**	7 6%	0 8
Loans		**–**	1 2%	100 0
Bonds	**6 4%**	**142 0**	–	–
Unamortised bond transaction costs		**(0 2)**		–
Fair value adjustment for hedged risk on bonds		**6 2**		–
		177.4		138 7
Repayable between two and five years				
Provisions		**35 7**		42 1
Property finance leases	**7 6%**	**2.5**	7 6%	2 4
Bonds	**10 5%**	**100.0**	7 4%	400 0
Unamortised bond transaction costs		**–**		(0 6)
Fair value adjustment for hedged risk on bonds		**–**		12 7
		138.2		456 6
Repayable in more than five years				
Provisions		**48.6**		36 3
Property finance leases	**7 6%**	**24.7**	7 6%	25 3
Bonds	**7 2%**	**575.0**	8 4%	275 0
Unamortised bond transaction costs		**(6.1)**		(2 2)
Preference stock	**5 6%**	**2.3**	5 6%	2 3
		644.5		336 7
		1,211.2		1,116 8

26 Analysis of financial liabilities (continued)

Company Interest rate and currency analysis	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m
All sterling				
At 29 January 2011	**692 1**	**306 1**	**175.5**	**1,173 7**
At 30 January 2010	552 2	365 0	161 4	1,078 6

Company Maturity of financial liabilities	2011 Effective interest rate	2011 £m	2010 Effective interest rate	2010 £m
Repayable within one year				
Bank overdrafts and other borrowing	**1.7%**	**64.1**	1 7%	115 0
Provisions		**77 3**		59 8
Property finance leases	**7 6%**	**0 2**	7 6%	0 2
Loans	**0.9%**	**100.0**	–	–
		241.6		175 0
Repayable between one and two years				
Provisions		**23 8**		33 3
Property finance leases	**7.6%**	**0 2**	7 6%	0 2
Loans	**–**	**–**	1 2%	100 0
Bonds	**6.4%**	**142.0**	–	–
Unamortised bond transaction costs		**(0.2)**		–
Fair value adjustment for hedged risk on bonds		**6.2**		–
		172.0		133 5
Repayable between two and five years				
Provisions		**27.7**		34 3
Property finance leases	**7 6%**	**0 6**	7 6%	0 5
Bonds	**10 5%**	**100 0**	7 4%	400 0
Unamortised bond transaction costs		**–**		(0 6)
Fair value adjustment for hedged risk on bonds		**–**		12 7
		128.3		446 9
Repayable in more than five years				
Provisions		**46.7**		34 0
Property finance leases	**7.6%**	**13.9**	7 6%	14 1
Bonds	**7 2%**	**575.0**	8 4%	275 0
Unamortised bond transaction costs		**(6.1)**		(2 2)
Preference stock	**5 6%**	**2.3**	5 6%	2 3
		631.8		323 2
		1,173 7		1,078 6

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27 Share capital

	2011 £m	2010 £m
Authorised, issued and fully paid		
Equity		
Ordinary shares		
6,750,000 of £1 each	**6 7**	6 7
	6.7	6 7

28 Reconciliation of profit before tax to cash generated from operations

Consolidated	Year to 29 January 2011 £m	Year to 30 January 2010 £m
Profit before tax	**173 1**	154 9
Amortisation of intangible assets	**24.0**	24 4
Depreciation	**215 5**	189 9
Net finance costs	**61 7**	81 8
Partnership bonus provision	**194 5**	151 3
(Profit)/loss on disposal of tangible and intangible assets	**(1 0)**	2 1
Increase in inventories	**(23 0)**	(46 7)
(Increase)/decrease in receivables	**(42 5)**	(24 2)
Increase/(decrease) in payables	**146.1**	129 5
(Decrease)/increase in retirement benefit obligations	**0 6**	(10 4)
Increase in provisions	**8 4**	4 7
Cash generated from operations	**757 4**	657 3

28 Reconciliation of profit before tax to cash generated from operations (continued)

Company	Year to 29 January 2011 £m	Year to 30 January 2010 £m
(Loss)/profit before tax	**(12 1)**	(32 7)
Amortisation of intangible assets	**22 5**	21 8
Depreciation	**86 9**	77 2
Net finance costs	**60 8**	80 8
Partnership bonus provision	**92 7**	74 4
Loss on disposal of tangible and intangible assets	**0 5**	11 0
Increase in inventories	**(12 0)**	(34 1)
Increase in receivables	**(21 0)**	(13 3)
Increase in payables	**76 0**	98 2
Increase/(decrease) in retirement benefit obligations	**3 8**	(105 4)
Increase in provisions	**9 5**	4 9
Cash generated from operations	**307 6**	182 8

29 Analysis of net debt

Consolidated	30 January 2010 £m	Cash flow £m	Other non-cash movements £m	29 January 2011 £m
Current assets				
Cash and cash equivalents	560 0	(47 3)	–	**512 7**
Derivative financial instruments	13 6	–	(5 0)	**8 6**
	573 6	(47 3)	(5 0)	**521 3**
Current liabilities				
Bank overdrafts	(115 6)	50 3	(100 0)	**(165 3)**
Finance leases	(0 7)	0 4	(0 5)	**(0 8)**
Derivative financial instruments	(2 4)	–	1 4	**(1 0)**
	(118 7)	50 7	(99 1)	**(167 1)**
Non-current liabilities				
Borrowings	(777 3)	(142 0)	100 0	**(819 3)**
Unamortised bond transaction costs	2 8	4 2	(0 7)	**6 3**
Fair value adjustment for hedged risk on bonds	(12 7)	–	6 5	**(6 2)**
Finance leases	(28 5)	–	0 5	**(28 0)**
	(815 7)	(137 8)	106 3	**(847.2)**
Total net debt	(360 8)	(134 4)	2 2	**(493 0)**

Notes to the accounts

continued

29 Analysis of net debt (continued)

Reconciliation of net cash flow to net debt

Consolidated	Year to 29 January 2011 £m	Year to 30 January 2010 £m
Increase in cash in the year	**3.0**	322 6
Cash inflow from increase in debt and lease financing	**(137 4)**	(272 1)
Movement in debt for the year	**(134 4)**	50 5
Opening net debt	**(360 8)**	(402 3)
Non-cash movements	**2.2**	(9 0)
Closing net debt	**(493.0)**	(360 8)

30 Commitments and contingent liabilities

At 29 January 2011 contracts had been entered into for future capital expenditure of £53 6m (2010 £32 8m) for the group, and £27 6m (2010 £8 5m) for the company

John Lewis plc continues to provide lease guarantees in favour of the group's former associate company, Ocado Limited, of £6 8m (2010 £6 8m)

31 Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases, payable	2011 Land and buildings £m	2011 Plant and machinery £m	2010 Land and buildings £m	2010 Plant and machinery £m
Consolidated				
Within one year	**104 7**	–	89 3	0 1
Later than one year and less than five years	**394 0**	–	344 2	–
After five years	**1,686 5**	–	1,572 3	–
Company				
Within one year	**36 7**	–	28 0	0 1
Later than one year and less than five years	**135 8**	–	105 6	–
After five years	**824 6**	–	757 8	–

31 Operating lease commitments (continued)

Future aggregate minimum lease payments under non-cancellable operating leases, payable after five years comprise the following	2011 Land and buildings £m	2010 Land and buildings £m
Consolidated		
Later than five years and less than ten years	**408 2**	352 2
Later than ten years and less than twenty years	**527 6**	479 8
Later than twenty years and less than forty years	**232 4**	219 9
Later than forty years and less than eighty years	**229 2**	220 0
After eighty years	**289 1**	300 4
	1,686.5	1572 3
Company		
Later than five years and less than ten years	**134 6**	100 8
Later than ten years and less than twenty years	**207.3**	169 5
Later than twenty years and less than forty years	**119 4**	117 0
Later than forty years and less than eighty years	**114.1**	108 1
After eighty years	**249 2**	262 4
	824 6	757 8

Total future sub-lease payments receivable relating to the above operating leases amounted to £16 0m (2010 £17 1m) for the group, and £3 9m (2010 £4 8m) for the company

32 Related party transactions

During the year John Lewis plc entered into transactions with other group companies in respect of the supply of goods for resale and associated services totalling £28 8m (2010 £24 7m), purchase of goods for resale totalling £56 9m (2010 £45 8m), the supply of IT and related services totalling £39 2m (2010 £35 8m), and the hire of vehicles totalling £11 9m (2010 £10 4m)

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

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 are set out in note 25

Key management compensation has been disclosed in note 9

31 Operating lease commitments (continued)

Future aggregate minimum lease payments under non-cancellable operating leases, payable after five years comprise the following	2011 Land and buildings £m	2010 Land and buildings £m
Consolidated		
Later than five years and less than ten years	**408 2**	352 2
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Statement of directors' responsibilities for the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements 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 group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 group and the company and of the profit or loss of the group 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 IFRSs 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 group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the company and the group 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

Each of the directors, whose names and functions are listed in the directors and advisers section of the annual report confirm that, to the best of their knowledge

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

By order of the Board

Charlie Mayfield
Marisa Cassoni

Directors

7 April 2011

Independent auditors' report to the members of John Lewis plc

We have audited the group and parent company financial statements (the "financial statements") of John Lewis plc for the year ended 29 January 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income/(expense), the consolidated balance sheet, the balance sheet of the company, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 85, 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) 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

Scope of the audit of the financial statements
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 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

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 29 January 2011 and of the group's profit and group's and parent company's cash flows for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent 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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Rosemary Shapland
Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 April 2011

Retail branches

John Lewis Stores

London	Southern England	Midlands, East Anglia, Northern England, Wales and Scotland	
John Lewis, Oxford Street	John Lewis, Bluewater	John Lewis, Aberdeen	John Lewis, Newcastle
John Lewis, Brent Cross	John Lewis, Cribbs Causeway	John Lewis, Cambridge	John Lewis, Norwich
Peter Jones, Sloane Square	John Lewis, High Wycombe	John Lewis, Cardiff	John Lewis, Nottingham
John Lewis, Kingston	John Lewis, Milton Keynes	John Lewis, Cheadle	John Lewis, Peterborough
John Lewis at home, Croydon	John Lewis, Reading	John Lewis, Edinburgh	John Lewis, Sheffield
	John Lewis, Southampton	John Lewis, Glasgow	John Lewis, Solihull
	John Lewis, Watford	John Lewis, Leicester	John Lewis, Trafford
	John Lewis, Welwyn	John Lewis, Liverpool	
	Knight & Lee, Southsea		
	John Lewis at home, Poole		
	John Lewis at home, Swindon		
	John Lewis at home, Tunbridge Wells		

Waitrose Supermarkets and Stores

London

Balham	Bromley	East Sheen	Hornchurch	Putney	Surbiton
Banstead	Bromley South	Edgware Road	Islington	Raynes Park	Swiss Cottage
Barbican	Canary Wharf	Enfield	Kensington	Richmond	Temple Fortune
Barnet	Cheam	Finchley	Kingston	Ruislip	Twickenham
Bayswater	Chelsea	Fulham	Marylebone	Sanderstead	Wandsworth
Beckenham	Chiswick	Gloucester Road	Mill Hill	South Harrow	West Ealing
Belgravia	Clapham	Green Street Green	New Malden	South Woodford	Westfield
Bloomsbury	Clerkenwell	Harrow Weald	Old Brompton	Staines	Whetstone
Brent Cross	Crouch End	Holloway Road	Palmers Green	St Katharine Docks	Worcester Park

Southern England

Abingdon	Cheltenham	Fleet	Lewes	Romsey	Upminster
Allington Park	Chesham	Frimley	Longfield	Salisbury	Wallingford
Amersham	Chichester	Gillingham	Lymington	Saltash	Walton on Thames
Ampthill	Christchurch	Godalming	Maidenhead	Sandhurst	Wantage
Andover	Cirencester	Goldsworth Park	Marlborough	Sevenoaks	Waterlooville
Ashford	Cobham	Gosport	Marlow	Sidmouth	Wellington
Bath	Coulsdon	Hailsham	Melksham	Southampton	Welwyn Garden City
Beaconsfield	Crewkerne	Harpenden	Milton Keynes	Southend	Westbury Park
Berkhamsted	Crowborough	Haslemere	Nailsea	Southsea	West Byfleet
Biggin Hill	Croydon	Havant	Newbury	St Albans	Weybridge
Billericay	Dartford	Headington	Northwood	Stevenage	Wimborne
Bishop s Stortford	Dibden	Henley	Okehampton	Storrington	Winchester
Brackley	Dorchester	Hersham	Oxted	Stroud	Windsor
Bridport	Dorking	Hertford	Paddock Wood	Sunningdale	Winton
Brighton	Eastbourne	Hitchin	Parkstone	Tenterden	Witney
Buckhurst Hill	East Cowes	Holsworthy	Petersfield	Thame	Wokingham
Buckingham	East Grinstead	Horley	Portishead	Thatcham	Woodley
Burgess Hill	Enfield Chase	Horsham	Ramsgate	Tonbridge	Worthing
Caterham	Epsom	Hythe	Reading	Torquay	Yateley
Caversham	Esher	Leigh on Sea	Rickmansworth	Towcester	
Chandlers Ford	Farnham	Leighton Buzzard	Ringwood	Twyford	

Midlands, East Anglia, Wales, Northern England and Scotland

Abergavenny	Clifton	Harrogate	Morningside	Poynton	Sutton Coldfield
Alcester	Colchester	Hexham	Newcastle	Rushden	Swaffham
Altrincham	Comely Bank	Huntingdon	Newark	Saffron Walden	Weston Super Mare
Ashbourne	Daventry	Kenilworth	Newmarket	Sandbach	Willerby
Barry	Droitwich	Kingsthorpe	Newport	Saxmundham	Wilmslow
Blaby	Ely	Leeds, The Core	Norwich	Sheffield	Wolverhampton
Bury St Edmunds	Fitzroy Street	Lichfield	Nottingham	Spinningfields	Wymondham
Buxton	Formby	Lincoln	Oadby	Stamford	York
Byres Road	Four Oaks	Lutterworth	Otley	St Ives	
Caldicot	Great Malvern	Meanwood	Peterborough	St Neots	
Cambridge	Hall Green	Menai Bridge	Ponteland	Stourbridge	
Cheadle Hulme	Harborne	Monmouth	Pontprennau	Sudbury	

Channel Islands

Admiral Park	Rohais	St Helier	St Saviour

In addition to the shops listed above, the Partnership operates the following businesses

John Lewis Direct *Internet retail*

Waitrose Direct *Internet retail, mail order and wholesale including export*

Herbert Parkinson, Darwen *Weaving and making up*

Leckford Estate, Stockbridge *Farming*

Notice of AGM

Notice is hereby given that the eighty-third annual general meeting of the company will be held at 12 30pm on 27 May 2011 at Partnership House, Carlisle Place, London SW1P 1BX

- To receive the directors' report and accounts for the year 2010/11
- To consider the final dividend
- To consider the re-election of directors
- To consider the re-appointment of the auditors
- To consider the remuneration of the auditors

By Order of the Board
Margaret Casely-Hayford
Company Secretary
171 Victoria Street, London SW1E 5NN
7 April 2011

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote instead of him

A proxy need not be a member 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

This report is printed on Revive 75 Silk The paper consists of 50% de-inked post consumer waste, 25% pre-consumer waste and 25% virgin wood fibre The pulp used is a combination of Elemental Chlorine Free (ECF) and Totally Chlorine Free (TCF) The mill is certified to environmental management standard ISO 14001 This product has been awarded the NAPM 75% Recycled Mark

SO

JLP Scottish Partnership

Financial Statements

29 January 2011

COMPANIES HOUSE

Partnership information

Partners	JLP Scottish Limited Partnership John Lewis Properties plc
Company Secretary	Margaret Casely-Hayford
Auditors	PricewaterhouseCoopers LLP
Solicitors	Lovells
Bankers	Royal Bank of Scotland plc

Partners' report

The partners present their report and the audited financial statements of JLP Scottish Partnership for the period from 17 December 2009 to 29 January 2011

Principal activity

The principal activity of JLP Scottish Partnership is a property holding partnership

The partnership was formed on 17 December 2009 between JLP Scottish Limited Partnership and John Lewis Properties plc The partnership acquired freehold properties at their market value of £150,900,000 on 30 January 2010, that were owned by the John Lewis Partnership plc group, which was funded by the capital it received from its partners These freehold properties, which are held as investment properties, are leased to John Lewis plc or Waitrose Limited, and the partnership receives rental income In addition, the partnership fair values the investment properties on an annual basis and allocates and distributes income and capital to the partners in accordance with an Amended and Restated Limited Partnership Agreement dated 26 January 2010 between JLP Scottish Limited Partnership and John Lewis Properties plc

Business review

The statement of comprehensive income on page 5 shows a profit for the period ended 29 January 2011 of £19,626,800 principally as a result of the fair value gains on revaluing the investment properties together with rental income received in the period

The balance sheet on page 6 shows the partnership's financial position at the period end The partnership has increased its partners' funds from £150,900,200 to £167,165,200, reflecting the result for the period

The partnership is currently in a net asset position The partners are of the opinion that the partnership has adequate resources to continue in operational existence for the foreseeable future The partners are satisfied with the partnership's results and its financial position and will continue to pursue suitable business opportunities

Financial risk management

JLP Scottish Partnership's financial risks are managed within the framework of the John Lewis Partnership plc group's arrangements The principal financial risk the John Lewis Partnership plc faces is the ability to generate sufficient funds to satisfy the John Lewis Partnership plc's business needs, to meet its Partners' expectations for Partnership bonus and to mitigate against any adverse financial impact resulting from risks identified in the John Lewis Partnership plc's business planning process crystallising Details of the John Lewis Partnership plc's financial risk management policies are included in note 22 of the annual report and accounts of John Lewis Partnership plc

Partners

John Lewis Properties plc
171 Victoria Street
London
SW1E 5NN

JLP Scottish Limited Partnership
John Lewis
69 St James Centre
Edinburgh
EH1 3SP

Disclosure of information to the auditors

Each of the partners at the date of approval of this report confirm that

1 so far as the partners are aware, there is no relevant audit information of which the partnership's auditors are unaware, and

2 the partners have taken all the steps that they ought to have taken as partners in order to make themselves aware of any relevant audit information and to establish the partnership's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

For and on behalf of the partners

Director
John Lewis Properties plc

28 April 2011

Director
John Lewis plc (as General Partner of JLP Scottish Limited Partnership)
28 April 2011

Partners' responsibility statement

The partners are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the partners to prepare financial statements for each financial year Under that law the partners have elected to prepare the financial statements for the partnership in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the partners 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 of the profit or loss of the partnership for that period In preparing those financial statements, the partners are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

The partners are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the 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 partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report to the partners of JLP Scottish Partnership

We have audited the financial statements of JLP Scottish Partnership for the period ended 29 January 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of the partners and auditors

As explained more fully in the Partners' responsibilities statement set out on page 3, the partners 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) 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 partners as a body in accordance with the Partnership Agreement 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

Scope of the audit of the financial statements

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 partnership's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the partners, and
- the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the partnership's affairs as at 29 January 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with the provisions of the Partnership Agreement

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
PricewaterhouseCoopers LLP
Chartered Accountants
London
28 April 2011

Statement of comprehensive income
For the period ended 29 January 2011

	Note	2011 £
Rental income		6,703,700
Administrative expenses	2	(12,700)
Fair value gains on revaluation of investment properties	3	12,900,000
Operating profit		19,591,000
Finance income		35,800
Profit and total comprehensive income for the period		19,626,800

The notes on pages 8 to 10 form part of these financial statements

Balance sheet
As at 29 January 2011

	Note	2011 £
Non-current assets		
Investment property	3	163,800,000
Current assets		
Cash and cash equivalents		200
Loan to John Lewis plc		4,668,400
		4,668,600
Total assets		168,468,600
Current liabilities		
Trade and other payables	4	(1,303,400)
Total liabilities		(1,303,400)
Net assets attributable to partners		167,165,200
Represented by:		
Partners' interests		
Partners' capital	5	150,900,200
Partners' other interests	5	16,265,000
		167,165,200

These financial statements were approved by the partners on 28 April 2011, and signed on its behalf by

Director
John Lewis Properties plc

28 April 2011

Director
John Lewis plc (as General Partner of JLP Scottish Limited Partnership)
28 April 2011

Statement of cash flows
As at 29 January 2011

	Note	2011 £
Cash generated from operations	6	7,994,400
Cash flows from investing activities		
Purchase of investment properties		(150,900,000)
Finance income received		35,800
Cash outflow from loan to John Lewis plc		(4,668,400)
Net cash used in investing activities		(155,532,600)
Cash flows from financing activities		
Cash inflow from partners		150,900,200
Income distribution to partners		(3,361,800)
Net cash generated from financing activities		147,538,400
Net cash generated for the period		200
Net cash at the end of the period comprises:		
Cash		200

Notes to the accounts

1. Accounting convention and basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The particular accounting policies adopted are described below and have been applied consistently throughout the period

The financial statements are prepared under the historical cost convention, with the exception of the revaluation of investment properties These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to qualifying partnerships

The partnership is an intermediate parent entity and is exempt from preparing consolidated financial statements as noted in section 400 of the Companies Act 2006

The following amendment was adopted by the partnership from 17 December 2009 and has not had a significant impact on the partnership's profits for the period or disclosures

- Annual improvements 2009

There is a new accounting standard that has been published and is applicable for the partnership's accounting period beginning on or after 30 January 2011 or later periods, but which the partnership has not adopted early This is as follows

- IAS 24 (revised) 'Related Party Disclosures'

This is not expected to have a material impact on the partnership's profit for the period, but may affect disclosures

Rental income

Rental income is credited to the statement of comprehensive income on an accruals basis

Operating costs

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

Finance income

Finance income is credited to the statement of comprehensive income on an accruals basis

Investment property

Property that is held for long term rental yields, for capital appreciation or both, and that is not occupied by the partnership is classified as investment property Investment property comprises freehold land and buildings Investment properties are revalued on an annual basis to fair value after consultation with external independent valuers

Fair value gains or losses arising on revaluation of investment properties are credited or debited to the statement of comprehensive income

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 partnership, as all tax liabilities are liabilities of the partners and not the partnership

2. Administrative expenses

Administrative expenses comprise auditors remuneration of £12,700

The partnership had no employees during the current period

3. Investment Property

	2011 £
Carrying amount at 17 December 2009	-
Additions	150,900,000
Fair value gain on revaluation	12,900,000
Carrying amount at 29 January 2011	163,800,000

The partnership's investment properties were valued by the partners after consultation with CB Richard Ellis and BNP Paribas Real Estate UK, Chartered Surveyors, as at 29 January 2011

4. Trade and other payables

	2011 £
Other tax	293,300
Deferred income	1,010,100
	1,303,400

5. Partners' interests

	Partners' capital £	Share of income profit £	Share of capital profit £	Income distributions £	Total interests at 29 January 2011 £
JLP Scottish Limited Partnership	100,000,100	6,600,100	12,900	(3,300,100)	103,313,000
John Lewis Properties plc	50,900,100	126,700	12,887,100	(61,700)	63,852,200
Total partners' interests at 29 January 2011	150,900,200	6,726,800	12,900,000	(3,361,800)	167,165,200

6. Reconciliation of profit to cash generated from operations

	2011 £
Profit for the period	19,626,800
Fair value gains on revaluation of investment properties	(12,900,000)
Finance income	(35,800)
Increase in payables	1,303,400
Cash generated from operations	7,994,400

7. Operating leases

	2011 £
The future minimum lease payments receivable under non cancellable operating leases are as follows	
Within one year	7,024,000
Later than one year and less than five years	28,096,000
After five years	105,350,000
	140,470,000

The partnership's operating leases are for a further twenty years

8. Related party transactions

During the period JLP Scottish Partnership received rental income of £6,703,700 and finance income of £35,800 from other group companies within the John Lewis Partnership plc group

Included in current assets is a balance of £4,668,400 owed by John Lewis plc, a fellow group undertaking

9. Ultimate controlling party

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

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

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JLP Scottish Limited Partnership

Financial Statements

29 January 2011

JLP Scottish Limited Partnership

JLP Scottish Limited Partnership

Partnership information

Partners	JLP Scotland Limited John Lewis Partnership Pensions Trust John Lewis plc
Company Secretary	Margaret Casely-Hayford
Auditors	PricewaterhouseCoopers LLP
Solicitors	Lovells
Bankers	Royal Bank of Scotland plc
Registered office	John Lewis, 69 St James Centre, Edinburgh, EH1 3SP
Registered in Scotland No	7561

General partner's report

The general partner presents its report and the audited financial statements of JLP Scottish Limited Partnership for the period from 17 December 2009 to 29 January 2011

Principal activity

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

The 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 partnership allocates and distributes income to its partners in accordance with an Amended and Restated Limited Partnership Agreement dated 26 January 2010

The 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

Business review

The statement of comprehensive income on page 5 shows a profit for the period ended 29 January 2011 of £3,295,800 principally as a result of the distribution received from JLP Scottish Partnership

The balance sheet on page 6 shows the partnership's financial position at the period end The partners' funds as at 29 January 2011 were £100,000,200

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

Financial risk management

JLP Scottish Limited Partnership's financial risks are managed within the framework of the John Lewis Partnership plc group's arrangements The principal financial risk the John Lewis Partnership plc faces is the ability to generate sufficient funds to satisfy the John Lewis Partnership plc's business needs, to meet its Partners' expectations for Partnership bonus and to mitigate against any adverse financial impact resulting from risks identified in the John Lewis Partnership plc's business planning process crystallising Details of the John Lewis Partnership plc's financial risk management policies are included in note 22 of the annual report and accounts of John Lewis Partnership plc

JLP Scottish Limited Partnership

General partner and manager

John Lewis plc
171 Victoria Street
London
SW1E 5NN

Disclosure of information to the auditors

Each of the persons who is 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 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 partnership's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

For and on behalf of the general partner

Director
John Lewis plc
28 April 2011

General partner's responsibility statement

The directors of the general partner are responsible for preparing 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 elected to prepare the financial statements for the partnership in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 partnership and of the profit or loss of the partnership for that period In preparing those financial statements, the directors of the general partner are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 partnership's transactions and disclose with reasonable accuracy at any time the financial position of the 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 partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

We have audited the financial statements of JLP Scottish Limited Partnership for the period ended 29 January 2011 which comprise the statement of comprehensive income, the balance sheet, the statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of the general partner and auditors

As explained more fully in the General partner's responsibilities statement set out on page 3, 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) 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 partners as a body in accordance with the Partnership Agreement 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

Scope of the audit of the financial statements

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 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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the partnership's affairs as at 29 January 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been properly prepared in accordance with the provisions of the Partnership Agreement

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
PricewaterhouseCoopers LLP
Chartered Accountants
London
28 April 2011

Statement of comprehensive income
For the period ended 29 January 2011

	Note	2011 £
Distribution received		3,300,100
Administrative expenses	2	(4,300)
Profit and total comprehensive income for the period		3,295,800

The notes on pages 8 to 10 form part of these financial statements

JLP Scottish Limited Partnership

Balance sheet
As at 29 January 2011

	Note	2011 £
Non-current assets		
Investment in partnership	3	100,000,100
Current assets		
Cash and cash equivalents		4,400
Total assets		100,004,500
Current liabilities		
Other payables	4	(4,300)
Total liabilities		(4,300)
Net assets attributable to partners		100,000,200
Represented by:		
Partners' interests		
Partners' capital and other interests	5	100,000,200

These financial statements were approved by the general partner on 28 April 2011, and signed on its behalf by

Director
John Lewis plc
28 April 2011

Registered number 7561

Statement of cash flows
As at 29 January 2011

	Note	2011 £
Cash generated from operations	6	3,300,100
Cash flows from investing activities		
Investment in partnership		(100,000,100)
Net cash used in investing activities		(100,000,100)
Cash flows from financing activities		
Cash inflow from partners		100,000,200
Distribution to partners		(3,295,800)
Net cash generated from financing activities		96,704,400
Net cash generated for the period		4,400
Net cash at the end of the period comprises:		
Cash		4,400

Notes to the accounts

1. Accounting convention and basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The particular accounting policies adopted are described below and have been applied consistently throughout the period

The financial statements are prepared under the historical cost convention These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to qualifying partnerships

The partnership is an intermediate parent entity and is exempt from preparing consolidated financial statements as noted in section 400 of the Companies Act 2006

The following amendment was adopted by the partnership from 17 December 2009 and has not had a significant impact on the partnership's profits for the period or disclosures

- Annual improvements 2009

There is a new accounting standard that has been published and is applicable for the partnership's accounting period beginning on or after 30 January 2011 or later periods, but which the partnership has not adopted early This is as follows

- IAS 24 (revised) 'Related Party Disclosures'

This is not expected to have a material impact on the partnership's profit for the period, but may affect disclosures

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 partnership, as all tax liabilities are liabilities of the partners and not the partnership

2. Administrative expenses

Administrative expenses comprises auditors remuneration of £4,300

The partnership had no employees during the current period

3. Investment in partnership

	2011 £
Cost	
Carrying amount at 17 December 2009	-
Investment in partnership	100,000,100
Carrying amount at 29 January 2011	100,000,100

JLP Scottish Limited Partnership has a 66% investment in JLP Scottish Partnership, a property holding partnership, as set out in the General partner's report on page 1 The investment in JLP Scottish Partnership has a carrying value of £103,313,000 at 29 January 2011

4. Other payables

	2011 £
Audit fees	4,300

5. Partners' interests

	Partners' capital £	Share of income profit £	Distributions £	Total interests at 29 January 2011 £
Limited Partners:				
JLP Scotland Limited	100	-	-	100
John Lewis Partnership Pensions Trust	95,000,000	3,279,300	(3,279,300)	95,000,000
General Partner:				
John Lewis plc	5,000,100	16,500	(16,500)	5,000,100
Total partners' interests at 29 January 2011	100,000,200	3,295,800	(3,295,800)	100,000,200

6. Reconciliation of profit to cash generated from operations

	2011 £
Profit for the period	3,295,800
Increase in payables	4,300
Cash generated from operations	3,300,100

7. Related party transactions

During the period JLP Scottish Limited Partnership received a distribution £3,300,100 from JLP Scottish Partnership and paid a distribution to its partners as set out in note 5, all of which are undertakings within the John Lewis Partnership plc group

8. Ultimate controlling party

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

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