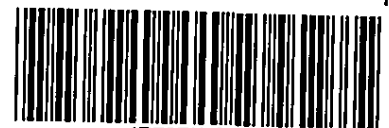


233462

John Lewis
annual report and accounts
2009

FRIDAY



PC4 *P76RWCLM* 753
21/08/2009
COMPANIES HOUSE

Contents

1	The John Lewis Partnership
2	Chairman's statement
4	Business review
28	Directors and advisers
29	Directors' report
36	Consolidated income statement
37	Statement of recognised income and expense
38	Consolidated balance sheet
39	Balance sheet of the company
40	Consolidated cash flow statement
41	Cash flow of the company
42	Notes to the accounts
90	Directors' responsibilities for the financial statements
91	Independent auditors' report
93	Retail branches
94	Notice of annual general meeting

John Lewis Partnership,
Partnership House,
Carlisle Place,
London SW1P 1BX
www.johnlewispartnership.co.uk

The John Lewis Partnership

The John Lewis Partnership is one of the UK's top ten retail businesses with 27 John Lewis department stores and 201 Waitrose supermarkets.

It is also the country's largest employee co-operative, with 69,000 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.

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

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

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 a 13% bonus for 2008/09 as their share of profits at a total cost of £125m.

The Business Review and Directors' Report provide information, including financial information, and details in respect of the John Lewis Partnership. The Directors believe this is appropriate, as John Lewis plc, which is the only immediate subsidiary of John Lewis Partnership plc, has the same strategy and objectives as the Partnership, conducts all of the Partnership's trading operations and is subject to the same governance.

Chairman's statement

As the economic downturn gained momentum, the focus of the Partnership has been to achieve the right balance between continuing to meet the needs and expectations of our customers and Partners while making sufficient profit to support our growth plans, by controlling our costs tightly and managing our cash efficiently. The Partnership's full-year results reflect a sound performance, given the continuing and unexpected deterioration in the economic and trading environment over the year, which impacted both sales and profit.

Gross sales were just under £7.0bn for the 53-week year, an increase of £204.7m, or 3.0%, on last year (52 weeks' trading).

Charlie Mayfield,
Chairman

Before the exceptional gain on the transfer of the Partnership's interest in Ocado to our pension scheme, profit before Partnership bonus and tax was £279.0m, a decrease of £100.7m, or 26.5%, on last year. Including the £127.4m gain on the disposal of our shareholding in Ocado, which is one-off and exceptional in nature, profit before Partnership Bonus and tax was £406.4m, an increase of £26.7m, or 7.0%, on last year.

Our Partners worked very hard to produce these results and, as co-owners of the Partnership, every Partner, regardless of their role or seniority, received the same percentage of annual pay as a cash bonus. Partners shared £125.4m in cash, which is 13% of pay or the equivalent of almost 7 weeks' pay. Partnership bonus flexes from year to year, reflecting the actual annual performance of our business.

Our response to worsening trading conditions was to play to our strengths and to improve our price competitiveness appropriately, which allowed us to continue to trade with confidence. We maintained our commitment to quality and the distinctiveness of our customer offer both in Waitrose and John Lewis, while simultaneously responding to greater price competition. We managed costs tightly, and we saw our customers' reacting more and more positively to our initiatives through the year. Customers rated Waitrose and John Lewis as their most preferred retailers in independent surveys by Which?, Verdict and BBC Watchdog.

We saw the benefit in our profits from the improved trading performance as the year drew to a close. This, together with maintaining our strong balance sheet, has allowed us to continue to invest in areas we see as important for the future. In particular, we have developed and trialled new shop formats to reach more customers, strengthened our multi-channel offer and modernised our distribution operations.

2009/10 outlook

After eleven weeks, Partnership sales are 1% lower than last year. Waitrose sales increased by 2% and John Lewis sales are 7% lower than last year.

We expect trading conditions for 2009 to continue to be very tough, with ongoing pressures on consumer spend and low consumer confidence. As a result, we anticipate that price competition will be as intense as last year and we are well prepared to meet these challenges.

We will maintain the momentum in our plans and the Partnership has started the year by setting an ambitious pace of change. We have recently announced a three-year programme in John Lewis to reorganise our branch structures and the launch of a new 'essential Waitrose' range, which will offer over 1,400 everyday quality products at very competitive prices.

We remain committed to offering outstanding service and competitive pricing, and will continue to invest in existing and new shops and formats, develop our multi-channel offer and improve the efficiency of our business.

Our unique ownership structure means that we have highly motivated and experienced Partners who are determined to serve our customers well, drive sales growth and rebuild our profitability for the long term, providing the confidence we have that the Partnership will remain resilient through the recession and emerge even stronger as markets improve.

Charlie Mayfield
Chairman
20 April 2009

*Business
review*

Business review

Review of performance

Financial highlights

- Gross sales for the group from continuing operations up £204.7m, 3.0%, to just under £7.0bn
- Operating profit (excluding property profits of £4.6m (2008: £9.1m)) down £68.2m, 17.7%, to £316.8m; including property, operating profit down £72.7m, 18.4%, to £321.4m
- Exceptional profit of £127.4m on disposal of our shareholding in Ocado
- Profit before Partnership bonus and tax up £26.7m, 7.0%, to £406.4m
- Profit margin before tax and Partnership bonus up 22 basis points against last year to 5.8%; excluding the exceptional profit on the disposal of Ocado profit margin is 4.0%
- Partnership bonus payment of £125.4m; down £55.7m (decrease of 30.8%); 13% of salary (equal to almost 7 weeks' pay)
- Return on invested capital of 6.8%, down from 8.5%

John Lewis

- Gross sales from continuing operations down £1.6m, 0.1%, to £2.8bn
- Operating profit (excluding property profits of £1.6m (2008: £0.5m)) down £54.6m, 27.4%, to £144.4m; including property, operating profit down £53.5m, 26.8%, to £146.0m
- Like-for-like sales down 3.4%
- John Lewis Direct sales up £64.9m, 24.2%, to £332.9m
- Operating margin down 195 basis points to 5.1% (excluding property profits)

Waitrose

- Gross sales up £206.3m, 5.2%, to £4.2bn
- Operating profit (excluding property profits of £3.0m (2008: £8.6m)) down £7.4m, 3.4%, to £211.6m; including property, operating profit down £13.0m, 5.7%, to £214.6m
- Like-for-like sales growth of 0.4% (excluding petrol)
- Operating margin down 45 basis points to 5.1% (excluding property profits)

Five year record – years ended January

	2009*	2008	2007	2006	2005
	£m	Restated £m	Restated £m	Restated £m	Restated £m
Gross sales (including sale or return sales and VAT)	6,967.5	6,762.8	6,362.3	5,764.4	5,333.6
Revenue					
John Lewis	2,327.1	2,315.0	2,188.9	1,990.4	1,960.8
Waitrose	3,940.1	3,737.2	3,497.3	3,158.9	2,796.7
Revenue	6,267.2	6,052.2	5,686.2	5,149.3	4,757.5
Operating profit ⁽¹⁾⁽³⁾					
John Lewis	146.0	199.5	168.5	109.1	123.4
Waitrose	214.6	227.6	170.1	168.9	150.6
Group costs ⁽²⁾	(39.2)	(33.0)	–	–	–
Operating profit	321.4	394.1	338.6	278.0	274.0
Net finance costs ⁽³⁾	(42.4)	(14.4)	(18.4)	(31.3)	(30.6)
Share of post tax losses of associate (Ocado)	–	(8.0)	(18.0)	(5.6)	(14.1)
Exceptional gain in respect of associate	127.4	8.0	18.0	10.8	–
Profit before Partnership bonus and tax	406.4	379.7	320.2	251.9	229.3
Taxation	(47.7)	(59.4)	(56.9)	(42.5)	(34.3)
Net profit available for profit sharing and retention in the business	358.7	320.3	263.3	209.4	195.0
Partnership bonus	(125.4)	(181.1)	(154.1)	(120.3)	(105.8)
As a percentage of pay	13%	20%	18%	15%	14%
Discontinued operations	–	(9.1)	(0.7)	–	–
Retained in the business	233.3	130.1	108.5	89.1	89.2
Net assets	1,722.5	1,683.9	1,650.1	1,512.6	1,420.8
Pay	908.0	864.8	817.6	755.0	713.8
Average number of employees	68,700	68,200	66,800	63,700	61,100
including part-time employees	35,900	36,700	35,900	33,600	31,100
Average number of FTEs	45,100	44,600	43,900	42,200	41,000

*53 week year.

⁽¹⁾ Divisional operating profit is after charging relevant corporate costs based on the business segments' usage of corporate facilities and services. The basis of allocation has been revised and operating profit for 2008 has been amended accordingly. Earlier years have not been restated.

⁽²⁾ Group costs include corporate overheads, finance transformation costs and Greenbee investment.

⁽³⁾ Operating profit and finance costs have been restated in respect of the financing element of pension costs, as explained in note 1 of the notes to the accounts.

Business review

Review of performance (continued)

Key performance indicators (KPIs)

	John Lewis 2009	Waitrose 2009	Group 2009	Group 2008
Trading performance:				
Gross sales growth – total continuing operations	(0.1)%	5.2%	3.0%	6.3%
Gross sales growth – like for like ⁽¹⁾	(3.4)%	0.4%	(1.2)%	4.3%
Operating margin ⁽²⁾	5.1%	5.1%	4.5%	5.7%
Gross sales per selling FTE (£000s)	157.6	211.5		
Operating profit per FTE (£000s) ⁽²⁾	6.9	9.4	7.2	9.2
Number of stores ⁽³⁾	27	198		
Average selling space (m sq ft) ⁽⁴⁾	3.9	4.0	7.8	7.3
Gross sales per selling sq ft	723	1,051	889	921
Operating profit per selling sq ft ⁽²⁾	38	54	41	54
Cash flow and liquidity:				
Operating cash flow before Partnership bonus (£m)			591.2	546.3
Capital expenditure (£m) ⁽⁵⁾	140.1	233.9	404.2	363.3
Interest cover ⁽⁶⁾			5.8	6.7
Balance sheet:				
Net assets (£m)			1,722.5	1,683.9
Net debt (£m) ⁽⁷⁾			402.3	368.5
Gearing ⁽⁷⁾			23.4%	21.9%
Return on invested capital ⁽⁸⁾			6.8%	8.5%

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

⁽²⁾ Operating profit has been restated in respect of the change in allocation of the financing element of pension costs, and excludes profits from the disposal of surplus property.

⁽³⁾ The number of stores trading as at the year end date, rather than as at the date of this report which is 201 for Waitrose.

⁽⁴⁾ Average selling space includes all customer facing areas of our shops, and excludes offices, warehouse space and staff facilities.

⁽⁵⁾ Capital expenditure for the group includes £30.2m (2008: £12.8m) 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, net gain in respect of associate and tax, after partnership bonus, divided by net finance costs excluding net pension finance costs and fair value adjustments.

⁽⁷⁾ Gearing is net debt divided by net assets. The measurement of net debt has been revised to include derivative financial assets and finance lease payables, as detailed in note 32 to the accounts.

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

Group performance

The Partnership's full-year results reflect a sound performance. Gross sales were just under £7.0bn for the 53-week year, an increase of £204.7m, or 3.0% on last year (52 weeks' trading). Waitrose gross sales were £4.2bn, up 5.2%, while John Lewis gross sales were £2.8bn, a slight decrease of 0.1%.

*Marisa Cassoni,
Finance Director*

Profit before Partnership bonus and tax, including the £127.4m gain on the disposal of our shareholding in Ocado, which is one-off and exceptional in nature and was therefore excluded from determining Partnership bonus, was £406.4m, an increase of £26.7m, or 7.0%, on last year. Operating profit margin decreased from 5.8% to 4.6%. Profit as a percentage of gross sales increased from 5.6% to 5.8%; excluding the exceptional profit on disposal of our shareholding in Ocado, profit as a percentage of gross sales was 4.0%.

Partnership bonus totals £125.4m, which equates to 13% of pay or the equivalent of almost 7 weeks' pay.

*John Lewis
Leicester Partners
celebrating the
bonus, which every
Partner will receive
as a percentage of
their annual pay*

Business review

Review of performance (continued)

Pensions

The pension accounting charge of £98.2m for the year to 31 January 2009 was slightly (£1.2m) down on last year. Actual pension cash contributions in respect of the year were £93.2m, compared to £85.0m for last year, reflecting contribution rates agreed following the recent actuarial valuation, together with increased membership of the scheme. The fund's investment assets have decreased by £237m (12.7%) to just over £1.6bn, which includes the £127.4m Ocado shareholding. Excluding this, the reduction in the value of the fund's investments was £364m (19.6%). The fund's deficit stood at £730m at the year end, up £176m (32%) on last year. During the year, 11,000 Partners joined our defined benefit pension scheme as a result of our decision to reduce the waiting period to three years (from five). A defined contribution scheme was also introduced to provide benefits during the waiting period. The most recent actuarial valuation of the fund took place as at 31 March 2007, and is used to determine current and future contributions to the scheme, including deficit contributions of £8.1m per year, in order to pay down the deficit over a ten year period.

Net finance costs

Net finance costs increased by £28.0m, from £14.4m to £42.4m, mainly because we have changed the presentation of the financing elements of pension costs (as explained in note 1) to bring us into line with common practice. The financing element of pension costs is the difference between the return on the scheme assets and the interest cost, which are market driven. Depending on the external markets, these can change materially from one year to the next. They have increased by £21.6m, from a credit of £16.2m last year to a charge of £5.4m this year. This explains most of the increase in net finance costs compared with last year. Excluding pensions, net finance costs increased by £6.4m, 20.9%, from £30.6m to £37.0m, reflecting an increase in average borrowings which led to a higher interest charge (up £1.7m) and an increase in the year end fair value measurement and other adjustments (£3.3m charge compared with a £1.4m credit last year).

Ocado

The Partnership's shareholding in Ocado was transferred to the Pension fund in November 2008. In accordance with IFRS accounting practice, the Partnership's £68.1m investment in Ocado was written down in previous years to a nil carrying value. However, the value of the shareholding in Ocado was independently assessed at £127.7m and, net of disposal costs, this resulted in a profit of £127.4m.

Tax

The tax charge decreased compared with last year reflecting lower profits and a lower effective tax rate of 17.0%, compared to last year's rate of 29.9%; mainly because of the non-taxable gain on the sale of the investment in Ocado.

Capital expenditure

Capital spending in 2008/09 increased by £41m to £404m, compared with £363m last year. Waitrose invested £234m, mainly on 11 new stores acquired or built during the year. John Lewis invested £140m, mostly on the new stores in Liverpool and Leicester, and Magna Park, the division's new distribution centre in Milton Keynes. In addition, £30m of expenditure was incurred centrally, mainly on efficiency projects, including the new Oracle finance system which has recently been successfully implemented in Waitrose and our head office, and investment in maintaining and modernising our Information Technology platforms and the purchase of our new holiday centre at Bala Lake.

The new branch in Leicester was one of the projects in which John Lewis invested during the year

Cash flow and net debt

We generated £598.7m in operating cash flow (before Partnership bonus) up 7.0% on the prior year. However, in 2008 there was a £72.0m prepayment in respect of 2009 pension contributions and, adjusting for this, operating cash flows were £526.7m for 2009, compared to £631.4m for 2008, a reduction of £104.7m (16.6%). Our gearing ratio increased to 23.4% with year-end net debt increasing by £33.8m to £402.3m.

Business review

Review of performance (continued)

Return on invested capital

Return on invested capital (note 8, page 6) was 6.8%, 1.7% lower than last year's 8.5%, reflecting reduced profits.

Retained earnings

Retained earnings for the year, including the £127.4m gain on the disposal of our shareholding in Ocado, were £233.3m, up by £103.2m (79.3%) from £130.1m last year.

Net assets

Net assets increased by £38.6m (2.3%) to £1,722.5m. This is mainly due to significant investments in new stores, extensions and refurbishments, distribution and new information technology systems, an increase in deferred tax receivables, partly offset by the £176m increase in the pension fund deficit and a £33.8m increase in net debt.

John Lewis

Overall sales have held up well against an uncertain market, especially in fashion and electrical and home technology (EHT). However, sales in home-related categories were down significantly as a result of the collapse in the housing market. Total sales were slightly down, by 0.1%, at £2.8bn. Like-for-like sales were down 3.4%.

*Andy Street, Managing
Director, John Lewis*

We saw total sales growth of 4.7% in Fashion and 2.9% in EHT, offset by a decline of 6.7% in Home. In Fashion and EHT we increased market share. Fashion sales were boosted by a combination of continued success in attracting new brands, and much improved design and value in JL branded clothing and accessories. Success in EHT reflected great availability and an unstinting commitment to 'Never Knowingly Undersold.'

Sales per square foot fell by 9.2% to £723, from £796 last year, but sales per selling FTE grew by £4,000 (2.3%) to £158,000.

Our new shop in Leicester is building a firm foundation in this new location, and sales of our shop in Liverpool, following its relocation, exceeded expectations. John Lewis Cambridge celebrated a successful first year in its new location. Our shop in Oxford Street traded well in the face of increasing competition from the new Westfield shopping centre.

*Success in
electronics reflected
our commitment to
'Never Knowingly
Undersold'*

Business review

Review of performance (continued)

John Lewis (continued)

John Lewis Direct continues to grow strongly, with sales up 24.2% (£64.8m) to £332.9m. Our multi-channel strategy continued to be a major advantage, helped by an increase in the number of lines available and a range of new services including 'Click and Collect' and Express delivery.

Profits from the disposal of surplus properties amounted to £1.6m compared with £0.5m last year.

*John Lewis Direct
continues to grow
as part of our
multi-channel
strategy*

Operating profit was down by 27.4% to £144.4m, excluding property profits, and operating profit margin (excluding property profits) deteriorated by 195 basis points. Including profits from the disposal of surplus properties, operating profit decreased by 26.8% to £146.0m.

Operating profit per square foot decreased by £18 (33.5%) to £38 and operating profit per FTE fell to £6,900.

Waitrose

In a challenging market Waitrose grew sales by 5.2% to over £4bn for the first time. Like-for-like sales grew 0.4%, excluding petrol.

Sales density rose by 1.3% to £1,051 per square foot. Our sales productivity per selling FTE increased to £211,000, up by £8,000 (4.0%) on last year.

We invested in product quality and innovation with £9m spent on product development, and we re-introduced 'Forgotten Cuts' – a range of lesser known, economical cuts of meat such as ox cheeks, beef skirt and lamb shoulder shanks. Waitrose stocks only 100% British fresh pork and last year we maintained our long-term support for UK agriculture by becoming the first major retailer to source 100% of our bacon from Britain. The customer response was encouraging with an increase in primary shoppers.

*Mark Price, Managing
Director, Waitrose*

*Waitrose is
constantly
investing in
product quality
and innovation*

Business review

Review of performance (continued)

Waitrose (continued)

We continued to grow strongly with 11 new stores in the UK, including two new market town shops and our first new convenience shop format. We also converted an existing branch to become a third market town shop. We opened two Waitrose shops in Dubai under a licensing agreement with Finefare Food Market. Our online service Waitrose Deliver is now available in 100 branches. This is growing in parallel with Ocado, with whom Waitrose has a supply relationship. Our buying alliance with Booths, announced in September 2008, will allow us to build economies of scale and boost profitability in the long term.

Profits from the disposal of surplus properties amounted to £3.0m, primarily in respect of the disposal of the former Birch Hill branch and flats at Maidenhead, which compares with £8.6m achieved last year.

Operating profit, excluding profits from the disposal of surplus properties, fell by 3.4% to £211.6m. Including property disposals, operating profit decreased by 5.7% to £214.6m. Operating profit per square foot was down by £6, 9.2%, to £54 and operating profit per FTE decreased by £800 to £9,400.

*Waitrose Deliver is
now available in
100 branches*

Business review

Business and strategy

*The Partnership's
commercial success
contributes to the
happiness of
Partners*

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, secure 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.

The Partnership owns two of the strongest retail brands in the UK and a new direct services business, Greenbee. None of our businesses 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 policies, 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. Our business model is based on employee ownership, and the superior product and service which flows from Partners' involvement in their own business. These principles create a shared purpose and dedication to success in our Partners, enable close and honest relationships with our suppliers and communities, and create a commitment to satisfy our customers' needs.

It is now clear that we will be pursuing our plans against a worse economic outlook for the UK than we had anticipated last year. Slower growth has intensified competition, creating margin pressure as retailers compete more aggressively on price to prop up volumes. Our priority remains to provide a distinctive offer and experience to our customers and to nurture '*an enterprising Partnership*' that delivers innovative customer solutions. 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.

Over the last year, against the backdrop of a deteriorating market, we developed our strategy further. We continued to pursue profitable growth and also identified opportunities to improve our competitiveness and to enhance the appeal and reach of our customer offer in these recessionary times.

- **John Lewis** aims to expand through a combination of new department stores, enhanced assortment – particularly in fashion – and exploitation of our competitive on-line offer. Stores in Cambridge and Leicester were opened in the year and Liverpool was successfully relocated. John Lewis remains committed to opening full range department stores in suitable locations in the future. We are also investigating the possibility of opening smaller department stores. John Lewis' on-line offer has been further strengthened with a 35% increase in the number of lines available on our website and with the launch of the 'Click & Collect' service, the first step of a wider ambition to become truly multichannel. Recently, John Lewis announced 'Branch of the Future' a programme aiming at improving both customer service and efficiency through a re-balancing of the ratio of customer service and back office Partners in store. This initiative, together with the opening of our new distribution centre in Milton Keynes, Magna Park, illustrates our strategy to become more responsive and competitive without adversely impacting our customer offer.
- **Waitrose** aims to increase sales by continuing to extend its store presence while improving its core customer offer and addressing price perception. Waitrose opened 11 additional shops in 2008, and plan a further 22 openings in 2009. It remains committed to new store formats and channels to connect with customers currently out of reach. Market town and convenience stores were successfully trialled during the year. Waitrose enhanced its customer offer with a £51m investment in price, promotions, product development and new space in 2008. The 'essential Waitrose' range was launched recently, offering 1,400 everyday products 'with the Waitrose quality you'd expect, at prices you wouldn't'.
- **Greenbee**, our direct services business, builds on our reputation for providing selected services to our customers and their homes. These services are underpinned by our authority in customer service and take the Partnership into new markets. We provide a range of financial, leisure and home services, which are proving successful with customers as demonstrated by the high renewal rates experienced. We launched car insurance this year.

Business review

Resources and relationships

Partners

Recruitment, retention and training

We aim to attract and retain the best people who share our values. Alongside honesty, respect and recognition we emphasise enterprise, working together and achievement. This approach to business relationships fosters lasting commercial success as well as a uniquely satisfying work environment.

Our vision is to be an 'employer of distinction'. Part of that vision is to create and nurture a culture that values the differences of those who are engaged in the Partnership, whether as Partners, customers, suppliers or as part of the wider community. Embracing diversity helps us to attract, retain and develop Partners while developing a creative and innovative culture and appealing to a wide range of customers.

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.

Our intention is that every Partner fulfils their individual potential and that we offer each customer a high-quality experience every time they visit one of our department stores, food shops, or other retail channels, because our Partners are equipped to do so through their attitude, behaviour and skills, supported by first-class training and development.

Benefits

Our aim is to have a reward policy which is market leading. This comprises competitive rates of pay which reflect market and individual performance and a range of benefits which are truly distinctive and include a non contributory defined benefit pension scheme to Partners who stay with us for three years, and leisure benefits that enable Partners to balance their working and home lives, and thus remain highly committed to the Partnership.

Corporate Social Responsibility (CSR)

Treating our Partners as individuals, with respect, honesty and fairness, sharing the rewards and responsibilities of ownership and conducting our business with integrity and courtesy are key aspects of the way we work. This drives our environmental policies, our involvement with local communities and our approach to responsible sourcing and trading.

The Partnership has made a commitment to annually benchmark our CSR performance with other leading UK businesses. The Partnership achieved platinum level status in the most recent Business in the Community (BITC) Corporate Responsibility Index. Platinum ranking is awarded to those companies reaching a score equal to or above 95%.

In 2008, our CSR performance was independently recognised at the BITC Awards for Excellence, where we received six 'Big Tick' awards for the following programmes: Waitrose Education; Waitrose Local and Regional Sourcing; Waitrose Responsible Sourcing and the Waitrose Foundation; the Golden Jubilee Trust (all reaccreditations); the John Lewis Newcastle vocational placement scheme; and John Lewis Glasgow school mentoring programme. These awards are made to companies demonstrating excellence in the way that they organise and integrate their responsible business practices and can show a positive impact both on society and business.

Suppliers and product

Provenance, traceability and trust

Full traceability of our products and ingredients is critical to our success and to consumer confidence, so our rigorous ethical sourcing policies supported by inspections and farm assurance schemes are used to ensure the highest standards of production, animal welfare and trading throughout our supply chain. We also work hard to inform our customers about sourcing issues, through Partner training, accessible information in-store and online, and on own-brand labelling

Our intention is that every Partner fulfils their individual potential and that we offer each customer a high-quality experience

which contains nutritional information, country of origin and certifications to relevant independently verified ethical standards such as the Marine Stewardship Council (MSC) and Forest Stewardship Council (FSC).

In John Lewis and Waitrose, dedicated technical departments, in conjunction with our buying teams, are responsible for ensuring that every product sold is safe to use and fit for purpose, and that all our own-label and exclusive products comply with all relevant consumer legislation and safety standards. Within Waitrose, our technologists also ensure the provenance and traceability of all our own-label foods.

Animal welfare

Waitrose is committed to providing the best conditions for animals at all stages of the supply chain and to combating cruel practices. Waitrose gained a 'Good Egg' Award from Compassion in World Farming in 2008 following our conversion to 100% free range eggs, as an ingredient in all own label products.

In addition to the national animal welfare standard Farm Assured, the Waitrose Farm Standards set the benchmark for quality and animal welfare across our meat, fish, poultry, milk and cream products. An example is our Waitrose British chickens which benefit from low stocking densities and live in environments with natural daylight, straw bales and the space to enjoy healthy, active lives. Waitrose has also not sold eggs laid by caged birds since 2001.

Waitrose is committed to providing the best conditions for animals and to combating cruel practices

Waitrose has been working on sustainable and responsible sourcing of all its fish for well over 10 years. We have a rigorous policy covering the management of the fishery, the species, method of capture and full traceability, with a clear mission to sell only responsibly caught fish. This policy extends to all our farmed fish which are reared with high regard for the quality and welfare of the fish, and impact on the environment.

Responsible sourcing

All our own-label suppliers must commit to meeting the requirements of our Partnership wide Responsible Sourcing Code of Practice and must register on the Supplier Ethical Data Exchange (Sedex) – the largest global database on labour standards. Supplier labour standards and working practices are then thoroughly assessed and all sites are subject to an independent ethical audit, where we have reason to suspect that standards may fail to meet our high standards. Should non-compliances be identified, we work directly with our suppliers and auditors to establish action programmes to help raise labour standards.

The Partnership actively collaborates with other businesses and organisations to drive best practice in the supply chain.

British and local sourcing

We nurture long-term relationships with our British suppliers, pay them a fair price and help them to reinvest in their businesses. All our beef, venison, duck, goose, milk, cream and eggs are British, while all our turkey comes from Britain or Ireland. Our lamb comes from Britain when it is in season. We also now only use tender British chicken in our own-label Waitrose food and buy only British bacon. Our own Leckford estate supplies Waitrose shops with milk, poultry, mushrooms, apples, pears, cider apple juice, eggs and honey. John Lewis also supports British manufacturers and suppliers where it can, from Scottish wool to Sheffield steel.

Waitrose offers local and regional products, covering more than 465 producers supplying more than 1,400 lines

Waitrose 'Local and Regional Sourcing' is one of the most established local sourcing initiatives in its sector. All Waitrose shops have a local and regional offering, which covers in excess of 465 producers supplying over 1,400 product lines. To communicate our support for UK suppliers, and in response to customer feedback, we have developed new shelf-edge ticketing highlighting the County, exact origin and unique qualities of each product, and celebrating its values.

Business review

Resources and relationships (continued)

Suppliers and product (continued)

British and local sourcing (continued)

Waitrose initiatives like 'Meet the Buyer' and 'Meet the Farmer' events, which introduce local producers to customers and our co-sponsorship with *Country Living* magazine of the Made in Britain Awards, help to champion small producers and promote local food. Our 'Best of British' campaigns highlight seasonal British food and the people who grow, rear or produce it, and we now have dedicated display areas for regional fruit and vegetables in 155 shops in nine regions. In 2008, Waitrose launched market town format shops which have an even stronger local and regional presence, with plans to extend this further still.

Sustainable timber

John Lewis is equally committed to ensuring the integrity of the products it sells. We never source from areas where we believe forest management is poor. Where necessary, timber is sourced from regions where certified products are not yet available. Where this is the case we support the suppliers, encouraging them to work towards forestry certification. This helps to raise forestry standards, increase the availability of certified timber and phase out timber from illegal unsustainable sources. Our target is to ensure all garden furniture is independently certified to the Forest Stewardship Council (FSC) standard by the end of 2009. Currently, as a result of our progress approximately 79% of the garden furniture we sold in 2008 was FSC certified. In 2008, we also expanded our timber policy to cover all wood-based products.

Fairtrade

In addition to working to ensure our own-label products are traded fairly, we support established schemes such as Fairtrade, which contribute to the sustainable development of the communities where farmers and workers live. The scheme guarantees a minimum price to cover production costs plus a 'Fairtrade premium' to be reinvested in farmers' businesses or the workers' local community. Waitrose Fairtrade products range from sugar to cereal bars and ice cream to bananas, as well as Fairtrade tea, coffee and sugar in Waitrose cafes. John Lewis products include flowers, wine and clothing available in our shops and coffee in our Place to Eat restaurants.

Waitrose Foundation

Set up four years ago, the 'Waitrose Foundation' is a partnership with our South African fruit supply chain. Instead of funding through a price premium, Waitrose, in conjunction with growers, importers and exporters, pass a percentage of profits into a trust to pay for educational, social and healthcare projects. In 2008, the Foundation raised over £700,000 and has over 90 projects involving 20,000 people, providing adult literacy programmes, crèches, sports facilities, health care and skills training. Education bursaries have been set up for the farm workers children and our first two students have completed their first year at college.

In line with the South African Government's aspirations for black economic empowerment, the programme will ultimately offer grants for buying land, to be held in trust on the workers' behalf. In 2009, the Foundation will be extended beyond South Africa – to Ghana (for all Waitrose prepared fruit) and to Kenya (encompassing flowers and vegetables). The range offered in Waitrose supermarkets will also increase to over 100 products including a new marmalade and two new wines.

Health and nutrition

Waitrose was the first retailer to implement the 'traffic light' labelling system proposed by the Food Standards Agency (FSA). Over 1,000 products now carry this labelling and all recipe cards and publications carry key nutritional information per serving. To make it easier for our customers to identify and understand nutrition messaging, all messages will be in a standard format by the end of 2009. Through our online Nutrition Advice Service customers and health professionals can also get help and advice on a wide range of food issues. On other Government initiatives such as salt reduction, we have already met many of the targets proposed by the FSA ahead of their 2010 timeline. We continue to work closely with suppliers to drive nutritional quality through appropriate ingredient selection.

As a leading drinks retailer we promote responsible drinking and prevent under age sales through a combination of labelling, signage and other communications with customers. In December 2008, we began introducing calorie and units of alcohol labelling, as well as the Department of Health's recommended limits on our own label products.

In November 2008 politicians attended the opening of a five-day Waitrose Foundation exhibition in the House of Commons

As a leading drinks retailer we promote responsible drinking

Community

Town centre regeneration

The development of our shops often forms a critical part of larger retail-led mixed use projects to create vibrant places with wider opportunities, better shopping and easier urban living. We believe our retail offering can play an essential role in the regeneration and long-term prosperity of town centres. As an employer and neighbour, we invest in creating positive experiences for shoppers, which will enhance an area's economic vitality and provide sustainable employment for local people.

When considering a new development, we fully explore all aspects and impacts of that development, from transport networks to architecture to public safety. If a development is given the go-ahead we welcome the opportunity to contribute towards its long-term prosperity, contributing to the consultation process with recommendations that consider both the needs of the local community, as well as our own.

An example of this is the Partnership's £50 million investment in the Stratford City retail and leisure development adjacent to the Olympic site in East London, which will provide a welcome boost to the local economy. We will establish about 800 jobs and help to regenerate the area for the local community, providing a lasting legacy long after 2012.

Community investment

Our Constitution states our aim 'to contribute to the wellbeing of the communities where we operate'. This involves developing strong, long-lasting partnerships at a local level, and devoting time and energy to building healthier communities.

The Partnership uses the community investment model of the London Benchmarking Group to provide us with a more complete picture of our overall community investment. As a result of applying this model we know that we annually invest the equivalent of around 1.5% of our pre-tax profits in our local communities.

Waitrose launched Community Matters in 2008, which allows customers to nominate local charities to support

In 2008, Waitrose rolled out a new community initiative – Waitrose Community Matters. The scheme enables customers and Partners at each shop to nominate local charities and community groups for company support, of which three are selected each month by Partners. Customers get a token at the checkout, which enables them to vote for one of the causes at the shop exit, and the number of votes determines each charity's share of a monthly donation of £1,000. Following its initial success, the scheme has been rolled out to our farm shop and nursery customers at Leckford, while Partners at our Aylesford Distribution Centre and Bracknell Head Office will vote on charities and local community groups.

In 2008, John Lewis Partners were again fundraising for their Charity of the Year, the Wallace and Gromit Children's Foundation, which helps to improve the quality of life for children in hospitals and hospices across the UK. During a special charities week, Partners in every shop got involved in activities, raising £194,500.

Golden Jubilee Trust

The Golden Jubilee Trust (GJT), our employee volunteering scheme, has so far supported 382 Partners who have given over 160,000 hours to 379 UK charities. The GJT, established in 2000 as part of our Golden Jubilee celebrations, enables any Partner, regardless of age, seniority or length of service, to apply full or part-time for a volunteering secondment with a registered charity for up to six months. The placements have helped to create strong links with the community and provide charities with the resource and skills to meet their own objectives in serving the needs of the wider community. In 2008, the Golden Jubilee Trust was reaccredited with a Business in the Community 'Big Tick' Award for Excellence.

The Golden Jubilee Trust enables any Partner to apply for a volunteering secondment with a charity

Business review

Resources and relationships (continued)

Community (continued)

Food education

As a leading food retailer, we recognise we have an important role to play in educating children about healthy eating. Through Waitrose Education we invested approximately £400,000 last year in initiatives designed to encourage children and young adult's interest in food health, nutrition and provenance. These include:

- a series of nutritional tips and meal plans for children aged under 10;
- the Food for Thought Activity Pack (developed with Farming and Countryside Education) to help children understand the impacts of food production, packaging and transport;
- food demonstrations at three Waitrose Food Studios;
- a mobile food pod which tours key events and shops; and
- support of the Specialised Chef's Scholarship, sponsored by renowned hotels and restaurants, where 30 students each year (220 to date) are trained under some of the industry's top chefs.

*The Partnership
supports the
Specialised Chef's
Scholarships through
Waitrose Education*

—Over 2000 secondary schools – 52% of all English secondary schools – have requested the Food for Thought pack since its launch in November 2005 and last year our Food Studio and Food Pod provided free educational workshops to 600 schools involving more than 21,000 children. The Waitrose Education programme was recredited with a Business in the Community 'Big Tick' in 2008. In 2009, Waitrose, will be the main sponsor for the Royal Horticultural Society's Campaign for School Gardening, which aims to encourage and support schools to develop and actively use a school garden.

Environment

Carbon reduction

We are committed to reducing the carbon intensity of our operations, products and services and have set public targets to reduce our business CO₂ emissions by 60% by 2050, relative to our 2001 trade. As a growing business, our absolute carbon emissions are increasing, but as a result of our strict carbon management programme we remain on track to meet our 2020 interim target of a 20% reduction. We are currently reviewing interim and longer term targets for greenhouse gas emissions reduction. As part of this process we are refining our approach to calculating and reporting our carbon footprint for our business operations. This will be fully reported as part of Corporate Social Responsibility communications later this year.

We continue to source 100% of our electricity from green sources through an agreement with EDF Energy, who in turn have long term agreements with a range of suppliers, ensuring enough green energy is fed into the National Grid to meet our electricity needs. The energy purchased is derived from sources such as hydroelectric generation, wind farms, energy from waste and certified levy exempt combined heat and power operations. We continue to consider longer term opportunities for renewable energy investment including self generation and renewable energy options for our shops and offices.

With more shops and longer trading hours our absolute energy use continues to rise, although overall energy efficiency has improved. Our aim is to further improve the energy efficiency of all our shops by 20% by 2010 (based on 2003-04 baseline).

Transport

Owning a commercial fleet allows us to specify the types of vehicles we use and the technology they then use to reduce resistance and fuel consumption, as well as the advanced cooling systems needed for our refrigerated lorries. All our vehicles meet the Euro 3 engine requirements of London's Low Emission Zones. We introduced Euro 4 engines ahead of legislation and now only equip our fleet with the latest Euro 5 engines where they are available. We have also investigated many alternative lower carbon fuels. In our latest trial seven vehicles are now operating on pure plant oil (PPO), reducing their CO₂ emissions by 50%.

*Technological
innovations will
reduce the impact of
road haulage on the
environment*

Our goal is to reduce energy-related transport CO₂ emissions from store deliveries by 15% by 2013 (compared with 2005 levels). As a result of changes to our distribution arrangements and the mix of vehicles in our commercial fleet, including increased load weights to improve vehicle utilisation, commercial miles driven per £million of sales reduced by 1% in 2008/09 on the previous year but vehicle fuel efficiency reduced to 11.89 miles per gallon (previously 12.16).

In the future, we believe that CO₂ emissions will provide the best measure of our distribution impacts. Initial estimates suggest that we have delivered a 6% improvement in 2008/09 on the previous year in terms of tonnes of CO₂ per £million sales.

Magna Park, the new Distribution Centre near Milton Keynes, has been built with sustainability in mind

Magna Park, our new John Lewis Distribution Centre near Milton Keynes will open on 29 May 2009 and will play a significant role in supporting our ambitious expansion plans. Handling an estimated 87,000 lines of stock, quickly, efficiently and accurately, seven days a week, the fully automated site will play a key role in avoiding unnecessary mileage and reducing journey times.

Building and operating sustainable shops

With ambitious retail development plans, new acquisitions and planned refurbishments for existing shops, we are committed to ensuring our shops are designed to suit their surroundings, built responsibly and operated sustainably. Our sustainable construction framework, containing sustainability objectives for each stage of the construction life cycle is being adopted in the planning, design, construction and operation of all new builds and refurbishments. In 2008, this policy was extended to identify ways to improve the sustainability impacts of the design and construction of interior fixtures and fittings for all shops across the Partnership.

Our Magna Park Distribution Centre exemplifies our sustainable approach to construction, with 15% of the roof made from roof lights to capture natural light, all wood used in construction coming from Forest Stewardship Council-certified sources, movement-activated lighting in the offices, solar thermal energy used to heat water and collected rainwater used in the low-flush toilets.

Waste

John Lewis diverted 4,814 tonnes from landfill last year, equivalent to 43% of its waste. Waitrose diverted 23,257 tonnes – 50% of its waste. The ultimate goal across both trading divisions is to divert 95% of our waste away from landfill by 2013.

The Partnership has recycled components of its waste for many years. More recently, to further maximise recycling opportunities, John Lewis and Waitrose have teamed up to backhaul cardboard and polythene from selected Waitrose shops to John Lewis Distribution Centres. As part of our efforts to tackle food waste from our operations, an increasing number of Waitrose shops now send their food waste to an anaerobic plant in Bedford to create 'green' electricity and high nutrient fertiliser, last year this accounted for 307 tonnes of waste. This process will be further trialled in John Lewis Oxford Street and Peter Jones in the first half of 2009. In 2008, John Lewis introduced a recycling scheme for mattresses and divan sets and has recently begun trials at Cribbs Causeway and Milton Keynes to recycle carpet waste.

John Lewis and Waitrose have teamed up to increase the amount of recycled materials

We also remain committed to recycling more of our building waste and increasing the use of recycled materials in new builds to 25%. Great progress was made in 2008, with over 90% of the fit-out waste being recycled during the building of our new John Lewis Leicester and Liverpool department stores.

Packaging

Both Waitrose and John Lewis continue to eliminate unnecessary packaging and balance reductions in packaging with ensuring our products remain protected both in transit and on the shelf. For example, Waitrose now transports fresh fish in vacuum packs rather than polystyrene and all John Lewis paper and card packaging now uses either recycled or Forest Stewardship Council-certified material. Waitrose, along with other Courtauld Commitment signatories, also helped to achieve the first collective Courtauld target of delivering zero packaging growth, despite an increase in sales.

Business review

Resources and relationships (continued)

Environment (continued)

Packaging (continued)

To help our customers to recycle more we have worked with the Waste Resources and Action Programme (WRAP), the British Retail Consortium and other retailers to agree a standard recycling labelling scheme for packaging. The voluntary initiative replaces the current array of recycling symbols and messages with a single RecycleNow logo and icon to indicate the recyclability of the packaging. John Lewis and Waitrose are introducing the new labelling for all own-brand products.

Carrier Bags

Through promoting our Bag for Life and other reusable bags, training in store Partners and introducing prominent communications prompting our customers to reuse their existing bags, last year Waitrose showed a 37.5% reduction in carrier bag usage against a 2006 baseline (a reduction of in excess of 80 million bags). Waitrose has also committed to supporting customers' actions in order to achieve a 50% reduction in the number of single-use carriers taken by spring 2009.

John Lewis has made great progress too in reducing carrier bag usage by providing a variety of reusable bags and introducing a reusable Bag for Life in all shops in March 2008, as well as standard plastic bags made from 95% recycled material.

Water

We are not big users of water, but we recognise the need to use less of this increasingly scarce resource. Our target is to reduce water consumption per full time equivalent by 10% by 2010 (against 2006 baseline). Our total water consumption in absolute terms has reduced by 12% and relative water consumption has improved by 19% since 2006 and is now 29 cubic metres per full time equivalent Partner. Accurately monitoring water consumption remains a challenge, although improvements have been made. The reduction in consumption can be largely attributable to the sale of our manufacturing unit in John Lewis in late 2007 which used a large volume of mains and abstracted water. Work to review our water data reporting is to be completed in 2009.

Sustainable agriculture

As farmers ourselves, we understand the challenges of maintaining high standards. We work with and support our suppliers, in Britain and overseas, to maintain best practice standards of agriculture and environmental sustainability, supported by our own inspections and farm assurance schemes.

Waitrose has been selling organic products grown under sustainable production methods for over 20 years. In the last four weeks of 2008, our share of the organic market was 19.4% through sales of more than 1600 products ranging from pet food to preserves and tea to toiletries.

Waitrose is the only UK retailer to insist that all our British fruit and vegetable and flower growers adopt the LEAF (Linking Environment and Farming) Marque certification standard. LEAF, an independent charitable organisation, helps farmers to improve standards of environmental stewardship through the use of crop rotations for good soil management, protecting and enhancing the countryside for wildlife and biodiversity, and minimising pesticide usage. The LEAF Marque has appeared on our UK fresh and frozen produce for 3 years and all our major British and Kenyan flower growers will also adopt these high environmental standards and achieve LEAF Marque. We are also working in partnership with LEAF and our suppliers to achieve this standard globally. Our own estate in Leckford, Hampshire is a LEAF demonstration farm, hosting visits and supporting Open Farm Sunday, when the public gets to see exactly how the food they buy is produced.

The Waitrose Milk scheme requires our dairy farmers to ensure that at least 10% of a farm's area is designated as 'wildlife habitat', encouraging greater diversity of animal and plant species to flourish. Through the scheme, each farm has been supplied with a purpose-built owl nesting box to help farmers to encourage barn owls to thrive.

The Waitrose Organic milk scheme also goes beyond the basic requirements. All of the Organic milk farms are managed as part of a conservation plan actively promoting natural habitats and therefore encouraging wildlife to flourish.

All of Waitrose's organic milk farms actively promote natural habitats

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.

Economic

As a business based 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 John Lewis and Waitrose businesses, alongside our multi-channel strategy and developing Greenbee business, form an effective means of managing economic risk in a 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.

Regulatory and political

The Partnership remains sensitive to the regulatory environment in which it trades in order to ensure our ongoing compliance with key regulatory requirements around planning, trading, tax and competition. In addition to this, the Partnership works actively with governmental and non-governmental organisations, to develop public policy, and seeks to represent the views of our customers and Partners in the areas in which we trade. In this way we try to anticipate and contribute towards significant debates to improve the environment in which we operate.

Financial and treasury risk

The principal financial risk which we face is the ability to generate 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 identified in our business planning process. Other financial risks and mitigations are covered in more detail below and in note 25 to the accounts:

- **Funding and liquidity**
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. Details of the group's borrowings, together with their interest rates and maturity profiles, are also provided in note 28 to the accounts.
- **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 treasury policy. Exposures to interest rate fluctuations are managed using interest rate swaps. Details of the group's borrowings and interest rate exposures are provided in note 28 to the accounts.
- **Foreign currency risk**
The group uses derivatives to manage exposures to movements in exchange rates arising from transactions with foreign suppliers. Forward exchange contracts are entered into for all major exposures.
- **Credit risk**
The group 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 group's objective is to maintain a capital structure which is consistent with an investment grade credit rating.
- **Energy risk**
The group operates risk management processes for the procurement of energy associated with its activities.
- **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.

We continually focus on maintaining our pre-eminent product quality, customer service and supplier relationships

Business review

Risks and uncertainties (continued)

Pensions

The maintenance of our open non-contributory final salary pension schemes remains a key financial risk for our business.

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 in increasing longevity, the effect of age discrimination legislation, and continuing volatility in investment markets.

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 the amount of assets that need to be set aside to meet the pension promises, and to determine the future level of funding that the Partnership should put into the schemes. For the primary pension scheme, the last formal valuation was carried out as at 31 March 2007. The market value of the assets of the fund as at 31 March 2007 was £1,843m. The actuarial valuation of these assets showed that they were sufficient to cover 97% of the benefits which had accrued to members.

There is also a senior scheme. The last valuation of this scheme was carried out as at 31 March 2007. The market value of the assets of the scheme as at 31 March 2007 was £22.0m. The actuarial valuation of these assets showed that they were sufficient to cover 73% of the benefits which had accrued to members.

The next formal actuarial valuation of both pension schemes is expected to take place as at 31 March 2010.

Accounting valuation under IAS 19

IAS 19 requires the financial position of the group'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, the purpose of which is to assess the funding requirements of the pension schemes.

Pension commitments have been calculated based on the most recent actuarial valuations, which have been updated by the actuaries to assess the assets and liabilities of the schemes as at 31 January 2009.

The assets of the pension schemes as at 31 January 2009 were £1,622m (2008: £1,859m). The accounting liabilities of the pension funds (under IAS 19) were calculated to be £2,352m (2008: £2,413m). Taking the fund assets and accounting liabilities together, this resulted in an IAS 19 pension fund deficit of £730m (2008: £554m).

Fraud and compliance

As with any business, there is a risk of fraudulent behaviour from our employees. Although we believe that the Partnership structure, where every Partner is a co-owner of the business, reduces this risk considerably and clearly defines our internal code of ethics, we do not underestimate the potential for financial crime at any level of the business. Extensive steps are taken to reduce this risk, including clear accounting processes and auditing and review by our Internal Audit department. In addition, the Head of Business Protection and Continuity has a specific brief to monitor the risk and incidence of fraud in the business and to review our existing practices to ensure that they are appropriate to meet business needs going forward.

Operational

Operational efficiency is of paramount importance in a business dedicated to delivering best value in quality and service. Our risk management approach encourages a proportionate response to each area of operational risk, with a combination of generic standards and local ownership. Supply chain resilience and product quality management are regarded as two key operational risks.

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 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 are revisiting, 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. During 2009 we will further enhance our systems and measures which will 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, e-crime, or an event which impacts upon our mainframe systems or key support functions, could severely compromise our ability to trade. We are continuing to refine our Business Continuity capability for all significant business areas.

The Partnership is committed, through its extensive occupational health service, to the wellbeing of its workforce

Business review

Risks and uncertainties (continued)

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 WSP Group plc and GFI Group Inc.

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

**Company Secretary and Director
of Legal Services**

Margaret Casely-Hayford

Auditors

PricewaterhouseCoopers LLP

Solicitors

Lovells

Bankers

Royal Bank of Scotland PLC

Director of Financial Control

Ros Haigh

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

Principal activity and business review

The principal activity of the group is retailing. The company controls the businesses listed in note 37, comprising 27 John Lewis department stores, 201 Waitrose supermarkets, and ancillary manufacturing activities. A review of the business and likely future developments is included separately in the Business Review on pages 4 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 arrangements of the Partnership. These are described below.

Role of the John Lewis Partnership Board

The Partnership Board comprises thirteen members – the Chairman, the non-executive Deputy Chairman, a further non-executive director, five other members nominated by the Chairman and five elected members nominated by the Partnership Council, the representative body of all the members of the Partnership (which is elected through a democratic election process). The elected directors are required to stand for re-election every two years. The two non-executive directors bring external experience and independence to the Board's deliberations.

The Partnership Board has responsibility for the overall management and performance of the Partnership and the approval of its long-term objectives and strategy. In particular, it agrees the Partnership strategy, business plan and annual budgets, including those of the Divisional Management Boards, and monitors performance, including that of the two operating divisions, against business plans, budgets and forecasts. The Partnership Board delegates management of the business to the Chairman, assisted by the Group Executive comprising himself, the Finance Director, the Personnel Director, the two Divisional Managing Directors and the Partners' Counsellor. The Group Executive meets frequently as an informal committee to develop strategy, business plans and budgets and review major operational and management issues, financial results and forecasts and proposals for capital expenditure. There is a formal schedule of matters reserved for the Board by means of which it oversees the Partnership's affairs. The Board is assisted in carrying out its supervisory and assurance responsibilities by the Board committees. The responsibilities and terms of reference of the principal committees of the Board are described below. The Board may also delegate authority to ad hoc committees to facilitate finalising matters within agreed parameters.

Senior executives attend Board meetings as appropriate to support proposals on policy setting, investments and the results and strategies of their business units. Board members are given appropriate and timely documentation in advance of each Board and committee meeting. In addition to formal Board meetings, the Chairman maintains regular contact with all directors through meetings of the Group Executive Committee and informal meetings with the elected, non-executive and executive Board members.

The Board has approved a procedure for directors to take independent professional advice, if necessary, at the Partnership's expense. No such advice was sought by any director of either John Lewis Partnership plc or John Lewis plc during the year.

Corporate governance

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

Margaret Casby-Hayford,
Director of Legal Services

Directors' report

continued

Corporate governance (continued)

The co-ownership character of the Partnership is reflected in the respective roles and responsibilities of its three governing authorities, as established by the constitution: the Board of John Lewis Partnership plc (the Partnership Board), the elected Partnership Council and the Chairman.

Employees

The constitution of the John Lewis Partnership provides for the involvement of employees, known as Partners. As 'co-owners' of the business they are provided with full information on all aspects of its operations and 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 share in 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.

Internal Control

The directors have ultimate responsibility for the Partnership's systems of internal control, and also for reviewing its effectiveness. In recognition of that responsibility, the directors set policies and seek regular assurance that the system of internal control is operating effectively. Strategic, commercial, operational, financial and health and safety risk areas are all included within the scope of these activities.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss. The directors have reviewed the effectiveness of the Partnership's systems of internal control for the accounting period covered by this report.

Directors

Directors of the company at the date of this report are listed on page 28. All directors served throughout the period under review.

External directorships of Executive Directors

The Remuneration Committee has approved a policy relating to the holding of external directorships. The Board considers that executive directors can gain valuable experience and knowledge through such appointments. For the year under review, the Chairman was a director of London First and the UK Commission for Employment and Skills, and the Finance Director held positions at GFI Group Inc, WSP Group plc, the Peabody Trust and the Accounting Standards Board.

Directors' responsibilities

The Statement of directors' responsibilities in relation to the financial statements is set out on page 90.

Directors' interests

Under the constitution of the Partnership, the directors, apart from the two non-executive 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.

Board committees

The principal committees of the Partnership Board are the Audit and Risk Committee and the Remuneration Committee. Each committee has written terms of reference agreed by the Partnership Board. The Audit Committee and the Risk Committee were combined during the year to reflect the revised structure for managing risk within the business. There are no standing committees of the John Lewis plc Board.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Jeff Hewitt, an independent external committee member with relevant financial experience. In addition to the chairman, the members are two of the five elected directors chosen by that group, currently Johnny Aisher and Martin Whitell, together with David Barclay and Jane Tozer, both non-executive directors. The external auditors attend its meetings as does the Finance Director, the Director of Financial Control, the Group Financial Controller, the Head of Internal Audit and Risk Management and the Director of Legal Services and Company Secretary. Other executives are invited to attend as appropriate and the Committee meets at least annually with the external auditors and the Head of Internal Audit and Risk Management without any executives being present.

The Committee meets four times a year. Its principal roles are: assisting the Partnership Board in the discharge of its responsibilities in respect of statutory and financial reporting and reviewing and monitoring the effectiveness of the group's internal controls and risk management systems; monitoring the effectiveness of the group's internal audit function; making recommendations to the Board on the appointment and dismissal of the external auditors; approving the remuneration and terms of engagement of the external auditors and monitoring and reviewing the external auditors' independence, objectivity and effectiveness, taking into account professional and regulatory requirements. The Committee keeps under review the nature and extent of non-audit services provided to the Partnership by the external auditors, and receives confirmation from them, at least annually, that in their professional judgement they are independent with respect to the audit. The Head of Internal Audit and Risk Management reports to the Committee and the Committee approves the Internal Audit work programme for each year and considers the results of internal audit work.

The Directors have ultimate responsibility for internal control and the management of risk throughout the business, and also for reviewing its effectiveness, and delegate to the Audit and Risk Committee the monitoring thereof. Executive management is responsible for identifying and evaluating the risks of business operations and for implementing and maintaining systems for managing those risks in an efficient and effective manner through the business planning process. The Committee monitors the development of policies and systems for identifying, evaluating and managing significant risk throughout the Group. It also monitors management's actions to manage those risks and reports annually to the Board. The operating divisions, John Lewis and Waitrose, and all corporate departments, include risk assessments as part of their business plans and quarterly reporting. A procedure is in place by which Partners may, in confidence, raise concerns about possible improprieties in matters of financial reporting or otherwise.

Directors' report

continued

Non-Audit Services and Auditor Independence

The Board recognises that the independence of the external auditor is a fundamental safeguard for the interests of the Partnership's shareholders. The Board has agreed a policy setting out the categories of non-audit services that may be undertaken by the external auditor and at least once a year the Audit and Risk Committee reviews the cost and nature of all non-audit work performed by the external auditor and the assurance provided by them regarding their independence and objectivity.

Remuneration Committee

The Remuneration Committee is chaired by David Barclay, a non-executive director and the Partnership's Deputy Chairman. In addition to the chairman, the members are Jane Tozer, a non-executive director, and two of the five directors elected by the Partnership Council, chosen by that group, currently David Jones and Anne Buckley. The Committee is supported by the Director of Personnel, assisted by the Head of Reward, and an independent external remuneration consultant, Towers Perrin, a representative of which attends its meetings in an advisory capacity. The Committee makes a recommendation each year to the Partnership Board on the Chairman's pay and determines the pay of the Partnership Board's appointed directors on the basis of appropriate market data and the recommendation of the Chairman. The Chairman made a recommendation to the Partnership Board on the fees of the non-executive directors taking into account advice from Towers Perrin, the independent consultancy. Members of the Committee take no part in its deliberations with regard to their own remuneration. The Committee also makes a recommendation to the Partnership Board on the broad policy for the remuneration of senior Partners, on the advice of the Director of Personnel, assisted by the Head of Reward.

The salaries of elected members of the Partnership Board are determined by their managers and do not include any element in recognition of their Partnership Board duties. With the exception of the non-executive directors, Partnership Board directors do not receive fees as they are all paid a salary for their respective roles within the business, in accordance with the Partnership's pay policy. There are no annual incentive bonuses or long-term bonus schemes related to individual performance. Details of directors' emoluments are set out in note 10.

Group Secretary

The Director of Legal Services and Company Secretary, supported by the Deputy Company Secretary, is responsible for advising the Board on all corporate governance matters, ensuring that Board procedures are followed, ensuring good information flow, facilitating induction programmes for directors and assisting with directors' continuing professional development. All directors have access to the advice and services of the Director of Legal Services and Company Secretary and her deputy.

Treasury policy and financial risk management

The Board approves the group's treasury and financial risk management policies, which are delegated to the Partnership's Finance Director 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 25 to the financial statements.

Payments to suppliers

The Partnership's policy on the payment of its suppliers is to agree terms of payment in advance and, provided a supplier fulfils the agreement, to pay promptly in accordance with those terms. The Partnership's trade creditors at 31 January 2009 were equivalent to 21 days of average purchases (2008: 24 days).

Corporate Social Responsibility

The terms of the Partnership's Constitution clearly define the behaviour expected towards customers, suppliers, the environment, the wider community and its Partners. Corporate Social Responsibility (CSR) programmes and governance structures have been developed from these provisions and the principal responsibility for managing and co-ordinating social, ethical and environmental issues resides with the Partnership's Director of Personnel. In addition, the Partnership has recently constituted a Responsible Business Group, a management committee which will be chaired by the Chairman and comprise several members of senior management. Its purpose is to co-ordinate the Partnership's CSR policy and strategy and to monitor and review performance. More detailed information on the Partnership's CSR policies and procedures are set out in the Business Review, and copies of its published CSR reports can be found on the Partnership website, www.johnlewispartnership.co.uk.

Charitable and political donations

The Partnership donated £2,893,000 (2008: £2,285,000) for charitable purposes during the year, comprising £2,404,000 (2008: £1,798,000) for welfare causes and £489,000 (2008: £487,000) for music and arts, learning and the environment. In addition, we provided substantial financial and practical support to causes in the communities where we trade. The Partnership made no political donations.

Investments

In November 2008, the Partnership disposed of its shareholding in Ocado to the Partnership's pension scheme.

Acquisition of stores

In November 2008, the group entered into a contract with the Co-operative Group Limited and Somerfield Limited to acquire 13 stores. Title to the stores will pass to the group on a phased basis from April 2009 to June 2009. The total costs of these stores, including conversion costs, taxes and fees to be paid by the Partnership, is expected to be £145m, of which a deposit of £10.5m was paid in November 2008.

Bond issue

In March 2009, John Lewis plc issued a £275m Sterling bond at a coupon of 8.375%, repayable in 2019. The proceeds were received on 8 April 2009, on which date the £250m bridge facility was cancelled in accordance with its terms. The group's total committed sources of funds at the date of signing the accounts are £1,275m, as explained in note 25 to the accounts.

Dividends

Dividends on Preference Shares for 2009 were £125,000 (2008: £125,000) and a dividend of £125,000 (2008: £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, are set out in the Business Review and in the notes to the accounts. The group has, at the date of this report, sufficient financing available for its estimated requirements for the foreseeable future and, accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Directors' report

continued

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 and 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

20 April 2009

Consolidated income statement

for the year ended 31 January 2009

		Year to 31 January 2009	Year to 27 January 2008 Restated
		£m	£m
Notes	Continuing operations		
2	Gross sales	6,967.5	6,762.8
2	Revenue	6,267.2	6,052.2
	Cost of sales	(4,195.4)	(4,007.6)
	Gross profit	2,071.8	2,044.6
	Other operating income	45.9	41.6
3	Operating expenses	(1,796.3)	(1,692.1)
2	Operating profit	321.4	394.1
4	Finance costs	(53.5)	(39.2)
4	Finance income	11.1	24.8
14	Share of post tax losses of associate	–	(8.0)
14	Exceptional gain in respect of associate	127.4	8.0
	Net gain in respect of associate	127.4	–
	Profit before Partnership bonus and tax	406.4	379.7
	Partnership bonus	(125.4)	(181.1)
5	Profit before tax	281.0	198.6
6	Taxation	(47.7)	(59.4)
	Profit after tax from continuing operations	233.3	139.2
8	Loss from discontinued operations	–	(9.1)
	Profit for the year	233.3	130.1

The notes on pages 42 to 89 form part of these financial statements.

Operating profit and net finance costs for the prior year have been restated in respect of the financing element of pension costs, as explained in note 1.

Statement of recognised income and expense

for the year ended 31 January 2009

	Year to 31 January 2009 £m	Year to 26 January 2008 £m
Consolidated		
Actuarial loss on defined benefit pension schemes	(280.1)	(123.4)
Movement of deferred tax on pension schemes	78.5	26.3
Net gain on cash flow hedges	7.0	0.9
Net (loss)/gain not recognised in the income statement	(194.6)	(96.2)
Profit for the period	233.3	130.1
Total recognised income and expense for the year	38.7	33.9
	Year to 31 January 2009 £m	Year to 26 January 2008 £m
Company		
Actuarial loss on defined benefit pension schemes	(280.1)	(123.4)
Movement on deferred tax on pension schemes	78.5	26.3
Net gain on cash flow hedges	7.0	0.9
Net (loss)/gain not recognised in the income statement	(194.6)	(96.2)
Profit for the period	127.4	24.9
Total recognised income and expense for the year	(67.2)	(71.3)

Consolidated balance sheet

as at 31 January 2009

Notes	2009 £m	2008 £m
Non-current assets		
12 Intangible assets	85.1	66.9
13 Property, plant and equipment	3,176.8	3,021.8
17 Trade and other receivables	44.4	31.3
24 Deferred tax asset	21.7	–
	3,328.0	3,120.0
Current assets		
16 Inventories	352.3	344.9
17 Trade and other receivables	138.9	211.5
Current tax receivables	–	10.1
26 Derivative financial instruments	23.4	3.7
18 Cash and cash equivalents	197.6	121.6
	712.2	691.8
Total assets	4,040.2	3,811.8
Current liabilities		
20 Borrowings and overdrafts	(75.8)	(58.4)
21 Trade and other payables	(733.9)	(842.9)
Current tax payable	(17.9)	–
22 Finance lease liabilities	(0.6)	(0.7)
23 Provisions	(70.7)	(54.3)
	(898.9)	(956.3)
Non-current liabilities		
20 Borrowings	(517.7)	(404.6)
21 Trade and other payables	(48.1)	(40.1)
22 Finance lease liabilities	(29.2)	(30.1)
23 Provisions	(93.8)	(97.7)
24 Deferred tax liabilities	–	(45.1)
27 Retirement benefit obligations	(730.0)	(554.0)
	(1,418.8)	(1,171.6)
Total liabilities	(2,317.7)	(2,127.9)
Net assets	1,722.5	1,683.9
Equity		
29 Share capital	6.7	6.7
30 Share premium	0.3	0.3
30 Other reserves	9.1	2.1
30 Retained earnings	1,706.4	1,674.8
Total equity	1,722.5	1,683.9

Approved by the Board on 20 April 2009

Charlie Mayfield

Marisa Cassoni

Directors

Handwritten signatures of Charlie Mayfield and Marisa Cassoni

Balance sheet of the company

as at 31 January 2009

Notes	2009 £m	2008 £m
Non-current assets		
12 Intangible assets	79.4	63.4
13 Property, plant and equipment	799.1	767.4
17 Trade and other receivables	44.4	31.3
15 Investments	954.3	915.8
24 Deferred tax asset	165.8	96.0
	2,043.0	1,873.9
Current assets		
16 Inventories	199.3	205.0
17 Trade and other receivables	47.8	129.3
Current tax receivable	30.4	44.5
26 Derivative financial instruments	23.4	3.7
18 Cash and cash equivalents	123.4	47.0
	424.3	429.5
Total assets	2,467.3	2,303.4
Current liabilities		
20 Borrowings and overdrafts	(75.7)	(58.3)
21 Trade and other payables	(739.3)	(834.4)
22 Finance lease liabilities	(0.2)	(0.1)
23 Provisions	(61.3)	(45.8)
	(876.5)	(938.6)
Non-current liabilities		
20 Borrowings	(517.7)	(404.6)
21 Trade and other payables	(46.1)	(37.6)
22 Finance lease liabilities	(15.0)	(15.2)
23 Provisions	(79.6)	(83.7)
27 Retirement benefit obligations	(730.0)	(554.0)
	(1,388.4)	(1,095.1)
Total liabilities	(2,264.9)	(2,033.7)
Net assets	202.4	269.7
Equity		
29 Share capital	6.7	6.7
30 Share premium	0.3	0.3
30 Other reserves	7.7	0.7
30 Retained earnings	187.7	262.0
Total equity	202.4	269.7

Approved by the Board on 20 April 2009

Charlie Mayfield

Marisa Cassoni

Directors




Consolidated cash flow statement

for the year ended 31 January 2009

Notes	Year to 31 January 2009 £m	Year to 26 January 2008 £m
31 Cash generated from operations	598.7	559.4
Net taxation paid	(8.1)	(58.3)
Partnership bonus paid	(181.7)	(153.8)
Finance costs paid	(19.2)	(9.7)
Net cash outflow from discontinued operations	–	(0.4)
Net cash generated from operating activities	389.7	337.2
Cash flows from investing activities		
Purchase of property, plant and equipment	(363.7)	(341.1)
Purchase of intangible assets	(39.2)	(23.4)
Proceeds from sale of property, plant and equipment	9.0	16.8
Net proceeds from sale of subsidiaries, net of cash disposed	–	0.8
Finance income received	12.6	7.4
Net cash flows from investing activities – discontinued operations	–	0.1
Net cash used in investing activities	(381.3)	(339.4)
Cash flows from financing activities		
Finance costs in respect of bonds	(48.7)	(29.6)
Payment of capital element of finance leases	(1.0)	(0.8)
Premium paid on options	–	(0.2)
Payments to preference shareholders	(0.1)	(0.1)
Cash inflow/(outflow) from borrowings	100.0	(100.0)
Net cash used in financing activities	50.2	(130.7)
Increase/(decrease) in net cash and cash equivalents	58.6	(132.9)
Net cash and cash equivalents at beginning of period	63.2	196.1
Net cash and cash equivalents at end of period	121.8	63.2
18 Net cash and cash equivalents comprise:		
Cash	66.6	71.9
Short term deposits	131.0	49.7
Bank overdrafts	(75.8)	(58.4)
	121.8	63.2

Cash flow of the company

for the year ended 31 January 2009

Notes	Year to 31 January 2009 £m	Year to 26 January 2008 £m
31 Cash generated from operations	275.4	181.1
Net taxation received/(paid)	25.1	(24.0)
Partnership bonus paid	(119.0)	(63.6)
Finance costs paid	(18.0)	(8.6)
Net cash generated from operating activities	163.5	84.9
Cash flows from investing activities		
Purchase of property, plant and equipment	(121.9)	(155.7)
Purchase of intangible assets	(35.2)	(21.8)
Proceeds from sale of property, plant and equipment	3.1	0.9
Net proceeds from sale of subsidiaries, net of cash disposed	–	0.8
Dividends received	1.7	2.1
Loans (advanced to)/repaid by group companies	(15.7)	82.4
Finance income received	12.5	7.4
Net cash used in investing activities	(155.5)	(83.9)
Cash flows from financing activities		
Finance costs in respect of bonds	(48.8)	(29.6)
Payment of capital element of finance leases	(0.1)	(0.1)
Payments to preference shareholders	(0.1)	(0.1)
Cash inflow/(outflow) from borrowings	100.0	(100.0)
Net cash used in financing activities	51.0	(129.8)
Increase/(decrease) in net cash and cash equivalents	59.0	(128.8)
Net cash and cash equivalents at beginning of period	(11.3)	117.5
Net cash and cash equivalents at end of period	47.7	(11.3)
18 Net cash and cash equivalents comprise:		
Cash	22.1	25.4
Short term deposits	101.3	21.6
Bank overdraft	(75.7)	(58.3)
	47.7	(11.3)

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 instruments not designated as hedging instruments which are carried at fair value, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated income statement and balance sheet include the accounts of the company and all its subsidiary undertakings. The group's share of the profit or loss of associated undertakings is included in the consolidated income statement, and the share of net assets is included in the consolidated balance sheet, using the equity accounting method. The results included are based on the latest audited accounts, or management accounts where their accounting date is not co-terminous with the group's year end.

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 generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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 27 January 2008:

- IFRIC 12 Service Concession Arrangements.
- IFRIC 14 – IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction.

The adoption of these standards, amendments and interpretations has not had a significant impact on the group's profit for the period, equity or disclosures.

There are a number of new accounting standards and amendments to existing standards that have been published and are mandatory for the group's accounting periods beginning on or after 1 February 2009 or later periods, but which the group has not adopted early.

These are as follows:

- IFRS 8 Operating Segments.
- IFRIC 13 Customer Loyalty Programmes.
- Revision to IFRS 3 Business Combinations.
- Amendment to IAS 5 Non-current Assets held for Sale and Discontinued Operations.
- Amendment to IAS 1 Presentation of Financial Statements.
- Amendment to IFRS 7 Financial Instruments: Disclosures.
- Amendment to IAS 23 Borrowing Costs.
- Amendment to IAS 16 Property, Plant and Equipment.
- Amendment to IAS 19 Employee Benefits.
- Amendment to IAS 27 Consolidated and Separate Financial Statements.
- Amendment to IAS 28 Investments in Associates.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement.

These are not expected to have a material impact on the group's profit for the period or equity, 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 either computed on the basis of selling price less the appropriate trading margin or as 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. The current service cost and gains and losses on settlements and curtailments are included in pension costs 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 were previously recognised in operating expenses. However, for the year ended 31 January 2009, the group has changed its accounting policy in respect of these financing elements of the pensions charge to include them in finance costs. This treatment of the financing elements of pension costs will provide more meaningful information in respect of business performance. The change in accounting policy has decreased operating expenses and increased finance costs by £5.4m for the year ended 31 January 2009. The prior year has been restated, resulting in increased operating expenses and increased finance income of £16.2m. Net assets and equity are unaffected by this change in accounting policy.

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 in the statement of recognised income and expenses 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 is 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. The cost of providing the benefits under the scheme is determined actuarially, and included in operating 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. These values have been incorporated as deemed cost, subject to the requirement to test for impairment, in accordance with IAS 36. The group has decided not to adopt a policy of revaluation for the future.

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.

Lease premiums and inducements are recognised in current and non-current assets accordingly, and amortised 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 have been enacted or substantively enacted by the balance sheet date.

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

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

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 vanilla currency options. 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 expires, 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/losses. Amounts accumulated in equity are recycled in 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 and currency options.

Borrowings

Borrowings are measured at amortised cost. Where there is an effective related fair value hedge, the movement in its fair value 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.

Notes to the accounts

continued

1 Accounting policies (continued)

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.

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. The measurement of net debt was revised during the year to include derivative assets and finance lease payables, as detailed in note 32.

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 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 27.

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.

Provisions recognised at the balance sheet date are detailed in note 23 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 a 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

The group is organised in two business segments, John Lewis and Waitrose. The operating profit of each is after charging certain corporate costs based on the business segments' usage of corporate facilities and services. The basis of allocation has been revised and prior year figures have been amended accordingly. Unallocated group costs include other corporate overheads, finance transformation costs and Greenbee investment.

Segment assets and liabilities consist of operating balances for property, fixtures and fittings, inventory, receivables, trade payables and accruals. They exclude cash balances, taxation, borrowings and other non operating balances including Partnership bonus, as these are managed on a group basis. Inter-segment sales are transacted at market prices.

The business is carried on in the United Kingdom and gross sales derive almost entirely from that source. Accordingly, the group has presented no secondary segmental analysis. Gross sales and operating profit are reported in respect of continuing operations. Discontinued operations are explained in note 8.

Notes to the accounts

continued

2 Segmental reporting (continued)

31 January 2009	John Lewis £m	Waitrose £m	Unallocated £m	Group £m
Gross sales	2,811.1	4,156.4	–	6,967.5
Adjustment for sale or return sales	(109.0)	–	–	(109.0)
Value added tax	(375.0)	(216.3)	–	(591.3)
Revenue	2,327.1	3,940.1	–	6,267.2
Divisional operating profit	146.0	214.6	–	360.6
Group costs	–	–	(39.2)	(39.2)
Operating profit	146.0	214.6	(39.2)	321.4
Finance costs	–	–	(53.5)	(53.5)
Finance income	–	–	11.1	11.1
Exceptional gain in respect of associate	–	–	127.4	127.4
Partnership bonus	–	–	(125.4)	(125.4)
Profit before tax	146.0	214.6	(79.6)	281.0
Taxation	–	–	(47.7)	(47.7)
Profit after tax from continuing operations	146.0	214.6	(127.3)	233.3
Segment assets	1,593.8	2,200.6	–	3,794.4
Unallocated assets				
– group cash	–	–	197.6	197.6
– deferred tax assets	–	–	21.7	21.7
– other	–	–	26.5	26.5
Total assets	1,593.8	2,200.6	245.8	4,040.2
Segment liabilities	(388.2)	(361.5)	(244.5)	(994.2)
Unallocated liabilities				
– group borrowings	–	–	(593.5)	(593.5)
– retirement benefit obligations	–	–	(730.0)	(730.0)
Total liabilities	(388.2)	(361.5)	(1,568.0)	(2,317.7)
Net assets	1,205.6	1,839.1	(1,322.2)	1,722.5
Other segment items:				
– Depreciation	67.3	104.5	9.3	181.1
– Amortisation of intangible assets	7.2	8.9	4.9	21.0
– Capital expenditure – property, plant and equipment	128.2	223.4	13.4	365.0
– Capital expenditure – intangible assets	11.9	10.5	16.8	39.2
– Movement in provisions	(12.4)	1.4	(1.5)	(12.5)

2 Segmental reporting (continued)

	John Lewis Restated £m	Waitrose Restated £m	Unallocated Restated £m	Group Restated £m
26 January 2008				
Gross sales	2,812.7	3,950.1	–	6,762.8
Adjustment for sale or return sales	(103.0)	–	–	(103.0)
Value added tax	(394.7)	(212.9)	–	(607.6)
Revenue	2,315.0	3,737.2	–	6,052.2
Divisional operating profit	199.5	227.6	–	427.1
Group costs	–	–	(33.0)	(33.0)
Operating profit	199.5	227.6	(33.0)	394.1
Finance costs	–	–	(39.2)	(39.2)
Finance income	–	–	24.8	24.8
Share of post tax losses of associate	–	–	(8.0)	(8.0)
Exceptional gain in respect of associate	–	–	8.0	8.0
Partnership bonus	–	–	(181.1)	(181.1)
Profit before tax	199.5	227.6	(228.5)	198.6
Taxation	–	–	(59.4)	(59.4)
Profit after tax from continuing operations	199.5	227.6	(287.9)	139.2
Segment assets	1,542.5	2,058.1	–	3,600.6
Unallocated assets				
– group cash	–	–	121.6	121.6
– other	–	–	89.6	89.6
Total assets	1,542.5	2,058.1	211.2	3,811.8
Segment liabilities	(405.1)	(375.2)	(285.5)	(1,065.8)
Unallocated liabilities				
– group borrowings	–	–	(463.0)	(463.0)
– deferred tax liabilities	–	–	(45.1)	(45.1)
– retirement benefit obligations	–	–	(554.0)	(554.0)
Total liabilities	(405.1)	(375.2)	(1,347.6)	(2,127.9)
Net assets	1,137.4	1,682.9	(1,136.4)	1,683.9
Other segment items*:				
– Depreciation	61.6	98.6	9.0	169.2
– Amortisation of intangible assets	6.1	7.1	4.5	17.7
– Capital expenditure – property, plant and equipment	173.8	157.4	8.6	339.8
– Capital expenditure – intangible assets	11.0	8.2	4.2	23.4
– Movement in provisions	9.4	2.7	(3.1)	9.0

* Continuing operations only

Operating profit and net finance costs for the prior year have been restated in respect of the financing element of pension costs, as explained in note 1.

Notes to the accounts

continued

3 Operating expenses

	2009 £m	2008 Restated £m
Branch operating expenses	1,365.7	1,222.8
Administrative expenses	332.4	369.9
Pension costs	98.2	99.4
	1,796.3	1,692.1

Pension costs for the prior year have been restated to exclude the financing element of pension costs, as explained in note 1.

4 Net finance costs

	2009 £m	2008 Restated £m
Finance costs		
Interest payable on:		
Bank loans and overdrafts	12.9	7.5
Other loans repayable within 5 years	19.4	19.1
Loans repayable in more than 5 years	10.6	10.5
Finance lease interest payable	1.5	1.5
Amortisation of issue costs of bonds	0.3	0.3
Preference dividends	0.1	0.1
Total finance costs in respect of borrowings	44.8	39.0
Net finance costs arising on defined benefit retirement schemes (note 27)	5.4	–
Fair value measurements and other	3.3	0.2
Total finance costs	53.5	39.2
Finance income		
Interest receivable	(11.1)	(7.0)
Total finance income in respect of investments	(11.1)	(7.0)
Net finance income arising on defined benefit retirement schemes (note 27)	–	(16.2)
Fair value measurements and other	–	(1.6)
Total finance income	(11.1)	(24.8)
Net finance costs	42.4	14.4

	2009 £m	2008 Restated £m
Total finance costs in respect of borrowings	44.8	39.0
Total finance income in respect of investments	(11.1)	(7.0)
Net finance costs in respect of borrowings and investments	33.7	32.0
Fair value measurements and other	3.3	(1.4)
Net finance costs/(income) arising on defined benefit retirement schemes	5.4	(16.2)
Net finance costs	42.4	14.4

Net finance costs for the prior year have been restated in respect of the financing element of pension costs, as explained in note 1.

5 Profit on ordinary activities before taxation

	Continuing operations		Discontinued operations		Total	
	2009	2008 Restated	2009	2008	2009	2008 Restated
	£m	£m	£m	£m	£m	£m
Profit on ordinary activities before taxation is stated after charging/(crediting) the following:						
Staff costs (note 11)	1,208.8	1,208.8	–	5.8	1,208.8	1,214.6
Depreciation –						
owned assets	180.5	168.6	–	0.1	180.5	168.7
Depreciation – assets						
held under finance leases	0.6	0.6	–	–	0.6	0.6
Amortisation of intangible						
assets	21.0	17.7	–	–	21.0	17.7
Profit on sale of property	(4.6)	(9.1)	–	(0.5)	(4.6)	(9.6)
Loss on sale of tangible and						
intangible fixed assets	5.2	8.9	–	0.3	5.2	9.2
Inventory – cost of inventory						
recognised as an expense	4,195.4	4,007.6	–	5.9	4,195.4	4,013.5
Restructuring costs	4.1	9.1	–	–	4.1	9.1
Operating lease rentals						
– land and buildings	85.2	78.8	–	–	85.2	78.8
– plant and machinery	0.5	0.9	–	–	0.5	0.9
Sub lease income						
– land and buildings	(4.5)	(4.3)	–	–	(4.5)	(4.3)
Fees payable to the group's						
auditors for audit services						
pursuant to legislation:						
– parent company and						
group audit	0.3	0.3	–	–	0.3	0.3
– subsidiary audits	0.4	0.4	–	–	0.4	0.4
Fees payable to the group's						
auditors and its associates for						
other services:						
– taxation services	0.1	0.1	–	–	0.1	0.1
– other non audit services	0.4	0.1	–	–	0.4	0.1

Staff costs for the prior year have been restated in respect of the financing element of pension costs, as explained in note 1.

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 £48,600 (2008: £35,000).

Contingency rents expensed during the year were £8.0m (2008: £8.5m). Contingency rents are determined based on store revenues.

Notes to the accounts

continued

6 Tax on profit on ordinary activities

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Analysis of tax charge						
Corporation tax – current year	48.1	33.6	–	(0.4)	48.1	33.2
Corporation tax – prior years	(12.1)	(3.8)	–	–	(12.1)	(3.8)
Total current tax charge	36.0	29.8	–	(0.4)	36.0	29.4
Deferred tax – current year	6.5	29.6	–	0.1	6.5	29.7
Deferred tax – prior years	5.2	–	–	–	5.2	–
	47.7	59.4	–	(0.3)	47.7	59.1

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Tax credited to equity						
Deferred tax on pension liability	(78.5)	(26.3)	–	–	(78.5)	(26.3)

The tax charge for the period is lower (2008: lower) than the standing corporation tax rate of 28.33% (2008: 30%). The differences are explained below:

	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
	£m	£m	£m	£m	£m	£m
Profit before tax	281.0	198.6	–	(9.4)	281.0	189.2
Profit before tax multiplied by standard rate of corporation tax in the UK of 28.33% (2008: 30%)	79.6	59.6	–	(2.8)	79.6	56.8
Effects of:						
Adjustment to current tax in respect of prior years	(12.1)	(3.8)	–	–	(12.1)	(3.8)
Restatement of brought forward deferred tax balance for reduction in the corporation tax rate to 28%	–	(10.9)	–	–	–	(10.9)
Depreciation on assets not qualifying for tax relief	10.9	12.1	–	–	10.9	12.1
Difference between accounting and tax base for land and buildings	(1.9)	0.5	–	–	(1.9)	0.5
Non-allowable costs of disposal of manufacturing companies	–	–	–	2.5	–	2.5
Non-taxable gain on sale of associate	(36.1)	–	–	–	(36.1)	–
Adjustment to deferred tax in respect of prior years	5.2	–	–	–	5.2	–
Sundry disallowables	2.1	1.9	–	–	2.1	1.9
Total tax charge	47.7	59.4	–	(0.3)	47.7	59.1

7 Profit for the financial year

As permitted by Section 230 of the Companies Act 1985, John Lewis plc has not presented its own profit and loss account. The result dealt with in the accounts of the company amounted to £127.4m profit (2008: £24.9m profit).

8 Discontinued operations

On 14 September 2007 the Partnership disposed of the entire share capital of JH Birtwistle & Company Limited and Stead, McAlpin & Company Limited.

The loss after tax for the period from the discontinued operations is analysed below:

	Year to 31 January 2009 £m	Year to 26 January 2008 £m
Gross sales	–	7.9
Revenue	–	7.4
Cost of sales	–	(5.9)
Gross profit	–	1.5
Operating expenses	–	(1.7)
Operating loss	–	(0.2)
Finance income	–	–
Loss before Partnership bonus and tax	–	(0.2)
Partnership bonus	–	–
Loss before tax	–	(0.2)
Taxation	–	–
Loss after tax	–	(0.2)

Net cash flows from discontinued operations are as follows:

	Year to 31 January 2009 £m	Year to 26 January 2008 £m
Net cash outflow from operating activities	–	(0.4)
Net cash inflow from investing activities	–	0.1

Notes to the accounts

continued

8 Discontinued operations (continued)

The net assets of the discontinued operations at the date of disposal were as follows:

	14 September 2007 £m
Property, plant and equipment	1.5
Inventories	2.8
Trade and other receivables	2.8
Trade and other payables	(0.9)
Net assets disposed of	6.2

The loss on disposal of the discontinued operations is as follows:

	14 September 2007 £m
Total consideration, net of costs	0.8
Net assets disposed of	(6.2)
Provision for other disposal commitments	(3.8)
Loss on disposal before taxation	(9.2)
Income tax credit	0.3
Loss on disposal	(8.9)

Total loss from discontinued operations is as follows:

	Year to 31 January 2009 £m	Year to 26 January 2008 £m
Loss for the period from discontinued operations	–	(0.2)
Loss on disposal of discontinued operations	–	(8.9)
Loss from discontinued operations	–	(9.1)

9 Dividends

	2009 £m	2008 £m
Equity interests		
Ordinary shares (20 pence per share, 2008, 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.

10 Directors' emoluments

	2009 £000	2008 £000
Directors' remuneration including Partnership bonus of 13% (2008: 20%)	2,880	2,907

The emoluments of the Chairman, who was also the highest paid director for that year, were £830,000 (2008: £772,000), including Partnership bonus of £94,000 (2008: £126,000). The Chairman's aggregate pension entitlement from the age of 60 accrued at the end of the year was £168,000 per annum (2008: £117,000 per annum). The transfer value of the increase in accrued entitlement during the year was £340,000.

Excluding pension fund contributions 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:

	2009	2008		2009	2008
£150,001 - £200,000	–	1	£450,001 - £500,000	–	1
£250,001 - £300,000	–	1	£500,001 - £550,000	1	2
£350,001 - £400,000	1	–	£550,001 - £600,000	2	–

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 Partnership.

Four directors belong to the group's non-contributory pension scheme. Four directors also belong to a senior pension scheme which provides additional benefits intended to produce a total pension worth two-thirds of pensionable pay on retirement at age 60, after at least 20 or 30 years' service, depending on the level of benefit. Following changes to pension legislation in April 2006, four directors have opted to have part of their pension benefit provided on an unfunded basis, and the group has given an undertaking that these directors will have their pensions made up to the same level as that provided by the senior pension scheme. The obligation is unfunded but provision has been made for this liability.

Notes to the accounts

continued

10 Directors' emoluments (continued)

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:

	2009	2008		2009	2008
£100,001 - £150,000	1	1	£200,001 - £250,000	1	-
£150,001 - £200,000	1	2			

One director does not participate in the group's non-contributory pension scheme, but has an unfunded defined contribution arrangement under which the group accrued contributions of £332,000 (2008: £279,000) in the year.

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 £499,000 per annum (2008: £405,000 per annum). The increase in accrued pension reflects the combined effect of a further year's service and an increase in pay during the year. In addition, all directors are entitled to temporary pensions payable from the 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 £19,000 per annum (2008: £19,000 per annum). The transfer value of the aggregate increase in accrued entitlement, including temporary pensions, during the year was £723,000.

11 Employees

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

Consolidated	Continuing operations		Discontinued operations		Total	
	2009	2008	2009	2008	2009	2008
John Lewis	27,200	27,700	-	230	27,200	27,930
Waitrose	39,900	39,000	-	-	39,900	39,000
Other	1,600	1,500	-	-	1,600	1,500
	68,700	68,200	-	230	68,700	68,430

11 Employees (continued)

Employment and related costs were as follows:

	Continuing operations		Discontinued operations		Total	
	2009	2008 Restated	2009	2008	2009	2008 Restated
Consolidated	£m	£m	£m	£m	£m	£m
Staff costs:						
Wages and salaries	908.0	859.7	-	5.1	908.0	864.8
Social security costs	73.7	68.0	-	0.3	73.7	68.3
Partnership bonus	112.2	162.3	-	-	112.2	162.3
Employers' national insurance on Partnership bonus	13.2	18.8	-	-	13.2	18.8
Pension costs	98.2	99.4	-	0.4	98.2	99.8
Partner discounts	24.0	21.8	-	0.1	24.0	21.9
Long leave cost	3.5	0.6	-	-	3.5	0.6
Included above are the following amounts in respect of key management compensation:						
Salaries and short-term benefits	9.4	10.4	-	0.1	9.4	10.5
Pension benefits	4.0	3.9	-	-	4.0	3.9
Termination benefits	-	0.8	-	0.1	-	0.9

Pension costs for the prior year have been restated to exclude the financing element of pension costs, as explained in note 1.

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 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	2009	2008
John Lewis	27,200	27,700
Other	1,600	1,500
	28,800	29,200

Notes to the accounts

continued

11 Employees (continued)

Employment and related costs were as follows:

Company	2009 £m	2008 £m
Staff costs:		
Wages and salaries	452.5	440.2
Social security costs	39.9	36.8
Partnership bonus	56.3	82.3
Employers national insurance on Partnership bonus	6.6	9.6
Pension costs	54.5	45.2
Partner discounts (deducted from revenue)	14.9	13.8
Long leave cost	2.0	0.4
Included above are the following amounts in respect of key management compensation:		
Salaries and short term benefits	6.1	6.9
Pension benefits	2.8	2.6

12 Intangible assets

Consolidated	Computer software		Work in progress £m	Total £m
	Purchased £m	Internally developed £m		
Cost				
At 27 January 2007	23.6	72.5	15.6	111.7
Additions	0.1	-	23.3	23.4
Transfers	5.3	24.8	(30.1)	-
Disposals	(2.4)	(0.1)	-	(2.5)
At 26 January 2008	26.6	97.2	8.8	132.6
Additions	1.0	-	38.2	39.2
Transfers	6.0	11.8	(17.8)	-
Disposals	(2.7)	(2.8)	-	(5.5)
At 31 January 2009	30.9	106.2	29.2	166.3
Aggregate amortisation				
At 27 January 2007	15.3	35.1	-	50.4
Charge for the year	4.0	13.7	-	17.7
Disposals	(2.3)	(0.1)	-	(2.4)
At 26 January 2008	17.0	48.7	-	65.7
Charge for the year	5.0	16.0	-	21.0
Disposals	(2.7)	(2.8)	-	(5.5)
At 31 January 2009	19.3	61.9	-	81.2
Net book value at 26 January 2008	9.6	48.5	8.8	66.9
Net book value at 31 January 2009	11.6	44.3	29.2	85.1

12 Intangible assets (continued)

For the year to January 2009 computer systems totalling £17.8m (2008: £30.1m) 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.

Company	Computer software		Work in progress £m	Total £m
	Purchased £m	Internally developed £m		
Cost				
At 27 January 2007	17.4	70.0	15.6	103.0
Additions	0.1	–	21.7	21.8
Transfers	3.7	24.8	(28.5)	–
Disposals	(2.3)	(0.1)	–	(2.4)
At 26 January 2008	18.9	94.7	8.8	122.4
Additions	1.0	–	34.1	35.1
Transfers	1.9	11.8	(13.7)	–
Disposals	(2.7)	(2.8)	–	(5.5)
At 31 January 2009	19.1	103.7	29.2	152.0
Aggregate amortisation				
At 27 January 2007	11.6	33.3	–	44.9
Charge for the year	2.7	13.7	–	16.4
Disposals	(2.2)	(0.1)	–	(2.3)
At 26 January 2008	12.1	46.9	–	59.0
Charge for the year	3.1	16.0	–	19.1
Disposals	(2.7)	(2.8)	–	(5.5)
At 31 January 2009	12.5	60.1	–	72.6
Net book value at 26 January 2008	6.8	47.8	8.8	63.4
Net book value at 31 January 2009	6.6	43.6	29.2	79.4

Notes to the accounts

continued

13 Property, plant and equipment

Consolidated	Land and buildings £m	Fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost				
At 27 January 2007	2,590.1	1,190.8	145.9	3,926.8
Additions	0.4	4.5	335.0	339.9
Transfers	170.1	169.5	(339.6)	–
Disposals – discontinued operations	(4.3)	(29.1)	–	(33.4)
Disposals – others	(15.1)	(77.2)	–	(92.3)
At 26 January 2008	2,741.2	1,258.5	141.3	4,141.0
Additions	–	3.5	361.5	365.0
Transfers	194.2	165.9	(360.1)	–
Disposals	(30.9)	(69.5)	–	(100.4)
At 31 January 2009	2,904.5	1,358.4	142.7	4,405.6
Accumulated depreciation				
At 27 January 2007	345.5	712.1	–	1,057.6
Charges for the year	59.4	109.9	–	169.3
Disposals – discontinued operations	(3.1)	(28.8)	–	(31.9)
Disposals – others	(5.2)	(70.6)	–	(75.8)
At 26 January 2008	396.6	722.6	–	1,119.2
Charges for the year	58.0	123.1	–	181.1
Disposals	(8.3)	(63.2)	–	(71.5)
At 31 January 2009	446.3	782.5	–	1,228.8
Net book values at 26 January 2008	2,344.6	535.9	141.3	3,021.8
Net book values at 31 January 2009	2,458.2	575.9	142.7	3,176.8

Included above are land and buildings assets held under finance leases with a net book value of £20.8m (2008: £21.4m).

13 Property, plant and equipment (continued)

Company	Land and buildings £m	Fixtures and fittings £m	Assets in course of construction £m	Total £m
Cost				
At 27 January 2007	492.1	549.4	48.7	1,090.2
Additions	0.3	3.8	154.8	158.9
Transfers	26.7	86.6	(113.3)	–
Disposals	(2.9)	(31.7)	–	(34.6)
At 26 January 2008	516.2	608.1	90.2	1,214.5
Additions	–	2.7	120.5	123.2
Transfers	57.7	99.0	(156.7)	–
Disposals	(18.9)	(46.0)	–	(64.9)
At 31 January 2009	555.0	663.8	54.0	1,272.8
Accumulated depreciation				
At 27 January 2007	66.9	347.2	–	414.1
Charges for the year	10.4	53.3	–	63.7
Disposals	(2.8)	(27.9)	–	(30.7)
At 26 January 2008	74.5	372.6	–	447.1
Charges for the year	12.2	58.3	–	70.5
Disposals	(3.8)	(40.1)	–	(43.9)
At 31 January 2009	82.9	390.8	–	473.7
Net book values at 26 January 2008	441.7	235.5	90.2	767.4
Net book values at 31 January 2009	472.1	273.0	54.0	799.1

Included above are land and buildings assets held under finance leases with a net book value of £13.7m (2008: £14.0m).

Notes to the accounts

continued

14 Investment in associate

	Share of net assets £m	Loans £m	Goodwill £m	Total £m
Cost				
At 27 January 2007	(9.6)	20.3	15.1	25.8
Share of post tax losses*	(8.0)	–	–	(8.0)
Dilution of interest	8.0	–	–	8.0
At 26 January 2008	(9.6)	20.3	15.1	25.8
Disposal of associate	9.6	(20.3)	(15.1)	(25.8)
At 31 January 2009	–	–	–	–
Amounts written off				
At 26 January 2008	–	(10.7)	(15.1)	(25.8)
Disposal of associate	–	10.7	15.1	25.8
At 31 January 2009	–	–	–	–
Net book value				
At 26 January 2008	(9.6)	9.6	–	–
At 31 January 2009	–	–	–	–

The group's share of the assets, liabilities and results of Ocado was as follows:

	2009 £m	2008 £m
Current assets	–	6.1
Long-term assets	–	20.4
Current liabilities	–	(7.6)
Long-term liabilities	–	(30.4)
Losses not consolidated	–	1.9
Share of net assets of associate	–	(9.6)
Revenue	61.9	73.4
Expenses	(69.6)	(82.4)
Losses not consolidated	7.7	1.9
Share of operating loss of associate	–	(7.1)

On 5 November 2008, the group has disposed of its investment in Ocado to the pension fund at its fair value of £127.7m, resulting in a profit on disposal of £127.4m after deduction of costs associated with the disposal of £0.3m. The disposal proceeds have been treated as a contribution to the pension fund, as explained in note 27.

Ocado's results are included in the group's accounts based on their statutory accounts to 2 December 2007, and management accounts from that date to the date of disposal.

15 Investments

Company	Shares in group companies £m	Loans to group companies £m	Shares in associate company £m	Loan to associate company £m	Total £m
At 26 January 2008	79.1	781.3	45.8	9.6	915.8
Movements	–	93.9	(45.8)	(9.6)	38.5
At 31 January 2009	79.1	875.2	–	–	954.3

A list of subsidiary undertakings is provided in note 37.

16 Inventories

	2009 £m	2008 £m
Consolidated		
Raw materials	5.0	5.0
Work in progress	0.7	0.7
Finished goods and goods for resale	346.6	339.2
	352.3	344.9
Company		
Raw materials	3.5	3.6
Finished goods and goods for resale	195.8	201.4
	199.3	205.0

The cost of inventory recognised as an expense by the group in the period was £4,195.4m (2008: £4,007.6m). Provisions against inventories of £3.1m were charged (2008: £0.9m credited) in operating expenses.

Notes to the accounts

continued

17 Trade and other receivables

Consolidated	2009 £m	2008 £m
Current:		
Trade receivables	45.8	40.5
Other receivables	43.2	33.0
Due from associated undertaking	–	3.6
Prepayments	49.9	134.4
	138.9	211.5
Non-current:		
Prepayments	44.4	31.3
Company		
Current:		
Trade receivables	2.0	4.1
Other receivables	18.0	18.6
Prepayments	27.8	106.6
	47.8	129.3
Non-current:		
Prepayments	44.4	31.3

Trade receivables are non interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in sterling.

As of 31 January 2009, group trade and other receivables of £1.0m (2008: £0.7m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

Consolidated	2009 £m	2008 £m
At start of period	(0.7)	(0.2)
Charged to income statement	(0.4)	(0.5)
Utilised	–	–
Released	0.1	–
At end of period	(1.0)	(0.7)

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

As of 31 January 2009 the company had no impaired trade and other receivables (2008: nil).

17 Trade and other receivables (continued)

As of 31 January 2009, group trade and other receivables of £8.5m (2008: £11.3m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

Consolidated	2009 £m	2008 £m
Up to 3 months past due	7.3	9.2
3 to 12 months past due	0.9	1.8
Over 12 months past due	0.3	0.3
	8.5	11.3

As of 31 January 2009, company trade and other receivables of £2.5m (2008: £3.9m) were past due but not impaired. The ageing analysis of past due amounts is as follows:

Company	2009 £m	2008 £m
Up to 3 months past due	1.9	3.1
3 to 12 months past due	0.3	0.5
Over 12 months past due	0.3	0.3
	2.5	3.9

18 Cash and cash equivalents

Consolidated	2009 £m	2008 £m
Cash at bank and in hand	66.6	71.9
Short-term bank deposits	131.0	49.7
	197.6	121.6
Company		
Cash at bank and in hand	22.1	25.4
Short-term bank deposits	101.3	21.6
	123.4	47.0

For the year ended 31 January 2009, the effective interest rate on short-term investments was 3.8% (2008: 5.8%) and these deposits had an average maturity of 1 days (2008: 2 days).

Notes to the accounts

continued

18 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:

	2009 £m	2008 £m
Consolidated		
Cash and cash equivalents, as above	197.6	121.6
Less bank overdrafts	(75.8)	(58.4)
Net cash and cash equivalents	121.8	63.2
Company		
Cash and cash equivalents, as above	123.4	47.0
Less bank overdrafts	(75.7)	(58.3)
Net cash and cash equivalents	47.7	(11.3)

19 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.

	Effective interest rate %	Floating rate £m	Non interest bearing £m	Total £m
Consolidated				
Sterling	3.8%	187.3	52.5	239.8
Euro	2.4%	0.1	–	0.1
Other	1.4%	0.1	–	0.1
At 31 January 2009		187.5	52.5	240.0
Sterling	5.8%	105.3	49.4	154.7
Euro	2.8%	2.8	–	2.8
Other	4.2%	3.7	–	3.7
At 26 January 2008		111.8	49.4	161.2
Company				
Sterling	3.8%	120.4	45.2	165.6
Euro	2.4%	0.1	–	0.1
Other	1.4%	0.1	–	0.1
At 31 January 2009		120.6	45.2	165.8
Sterling	5.8%	38.1	42.1	80.2
Euro	2.8%	2.8	–	2.8
Other	4.2%	3.7	–	3.7
At 26 January 2008		44.6	42.1	86.7

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

20 Borrowings and overdrafts

	2009 £m	2008 £m
Consolidated		
Current:		
Bank overdraft	75.8	58.4
	75.8	58.4
Non-current:		
Medium-term borrowing, 2011	100.0	-
6¼% Bonds, 2012	300.0	300.0
Fair value adjustment for hedged risk on bonds	15.4	2.3
10¼% Bonds, 2014	100.0	100.0
5% First Cumulative Preference Stock	1.5	1.5
7% Cumulative Preference Stock	0.8	0.8
	517.7	404.6
Company		
Current:		
Bank overdraft	75.7	58.3
	75.7	58.3
Non-current:		
Medium-term borrowing, 2011	100.0	-
6¼% Bonds, 2012	300.0	300.0
Fair value adjustment for hedged risk on above	15.4	2.3
10¼% Bonds, 2014	100.0	100.0
5% First Cumulative Preference Stock	1.5	1.5
7% Cumulative Preference Stock	0.8	0.8
	517.7	404.6

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.

Notes to the accounts

continued

21 Trade and other payables

Consolidated	2009 £m	2008 £m
Current:		
Trade payables	318.9	342.5
Amounts owed to parent undertaking	31.9	16.3
Amounts owed to associated undertaking	–	4.6
Other payables	88.1	97.3
Other taxation and social security	86.3	120.4
Accruals	87.1	93.4
Deferred income	8.7	4.9
Partnership bonus	112.9	163.5
	733.9	842.9
Non-current:		
Accruals	1.5	1.8
Deferred income	46.6	38.3
	48.1	40.1
Company		
Current:		
Trade payables	112.6	131.6
Amounts owed to parent undertaking	31.9	16.3
Amounts owed to group companies	289.9	282.7
Other payables	63.1	79.4
Other taxation and social security	72.5	94.9
Accruals	52.6	62.5
Deferred income	4.3	4.3
Partnership bonus	112.4	162.7
	739.3	834.4
Non-current:		
Accruals	1.5	1.8
Deferred income	44.6	35.8
	46.1	37.6

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

22 Finance lease liabilities

Consolidated	2009 £m	2008 £m
The minimum lease payments under finance leases fall due as follows:		
Not later than one year	2.2	2.2
Later than one year but not more than five	8.4	8.6
More than five years	52.8	54.9
	63.4	65.7
Future finance charge on finance leases	(33.6)	(34.9)
Present value of finance lease liabilities	29.8	30.8
Of which:		
Current	0.6	0.7
Non-current	29.2	30.1
Company		
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	26.4	26.9
	28.9	29.4
Future finance charge on finance leases	(13.7)	(14.1)
Present value of finance lease liabilities	15.2	15.3
Of which:		
Current	0.2	0.1
Non-current	15.0	15.2

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

23 Provisions

Consolidated	Long leave £m	Service guarantee costs £m	Insurance £m	Other £m	Total £m
At 26 January 2008	67.5	38.7	15.0	30.8	152.0
Charged to income statement	3.5	18.2	5.3	12.8	39.8
Utilised	(5.1)	(11.6)	(2.9)	(7.7)	(27.3)
At 31 January 2009	65.9	45.3	17.4	35.9	164.5
Of which:					
Current	23.7	14.3	4.0	28.7	70.7
Non-current	42.2	31.0	13.4	7.2	93.8

Company	Long leave £m	Service guarantee costs £m	Other £m	Total £m
At 26 January 2008	67.5	38.7	23.3	129.5
Charged to income statement	3.5	18.2	10.8	32.5
Utilised	(5.1)	(11.6)	(4.4)	(21.1)
At 31 January 2009	65.9	45.3	29.7	140.9
Of which:				
Current	23.7	14.3	23.3	61.3
Non-current	42.2	31.0	6.4	79.6

The Partnership has a Long Leave scheme, open to all employees, that provides up to 6 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 27) 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 28.

24 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008: 28%).

The movement on the deferred tax account is shown below:

Consolidated	2009 £m	2008 £m
Opening liability	45.1	41.7
Charged to income statement	11.7	29.7
Credited to equity	(78.5)	(26.3)
Closing (asset)/liability	(21.7)	45.1

Company	2009 £m	2008 £m
Opening asset	(96.0)	(81.5)
Charged to income statement	8.7	11.8
Credited to equity	(78.5)	(26.3)
Closing asset	(165.8)	(96.0)

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.

	Capital gains tax on land and buildings	Accelerated tax depreciation	Revaluation of land and buildings	Rollover gains	Other	Total
Deferred tax liabilities – consolidated	£m	£m	£m	£m	£m	£m
At 27 January 2007	–	164.0	23.3	24.2	1.3	212.8
Charged/(credited) to income statement	–	2.7	(1.5)	(0.3)	0.1	1.0
At 26 January 2008	–	166.7	21.8	23.9	1.4	213.8
Charged/(credited) to income statement	0.2	2.6	(15.5)	0.2	(0.2)	(12.7)
At 31 January 2009	0.2	169.3	6.3	24.1	1.2	201.1

Notes to the accounts

continued

24 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 27 January 2007	(15.1)	(154.7)	(1.3)	(171.1)
Charged to income statement	0.9	26.7	1.1	28.7
Credited to equity	–	(26.3)	–	(26.3)
At 26 January 2008	(14.2)	(154.3)	(0.2)	(168.7)
Charged to income statement	14.2	10.0	0.2	24.4
Credited to equity	–	(78.5)	–	(78.5)
At 31 January 2009	–	(222.8)	–	(222.8)

Deferred tax liabilities – company	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
At 27 January 2007	73.5	1.6	9.4	1.3	85.8
Charged/(credited) to income statement	(1.4)	(0.1)	(0.6)	0.1	(2.0)
At 26 January 2008	72.1	1.5	8.8	1.4	83.8
Charged/(credited) to income statement	1.1	(1.0)	0.1	(0.2)	–
At 31 January 2009	73.2	0.5	8.9	1.2	83.8

Deferred tax assets – company	Capital gains tax on land and buildings £m	Pensions and provisions £m	Total £m
At 27 January 2007	(15.6)	(151.7)	(167.3)
Charged to income statement	0.8	13.0	13.8
Credited to equity	–	(26.3)	(26.3)
At 26 January 2008	(14.8)	(165.0)	(179.8)
Charged to income statement	2.2	6.5	8.7
Credited to equity	–	(78.5)	(78.5)
At 31 January 2009	(12.6)	(237.0)	(249.6)

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 31 January 2009 (2008: £23.7m).

All of the deferred tax liabilities were available for offset against deferred tax assets and hence the net deferred tax asset at 31 January 2009 was £21.7m (2008: liability of £45.1m) for the group, and £165.8m (2008: asset of £96.0m) for the company. The net deferred tax asset, for the group and the company, is recoverable after more than one year.

The deferred income tax (credited)/charged to equity during the year is as follows:

	2009 £m	2008 £m
Consolidated and company		
Deferred tax credited on pension fund provision	(78.5)	(26.3)

25 Management of financial risks

The principal financial risks to which the group is exposed are liquidity risk, interest rate risk, currency risk, credit risk and capital 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 £750m (2008: £430m), £230m of which is available to February 2010 and £270m to September 2013. Up to a further £250m was available under a bridge facility that was entered into during the year to finance the acquisition of 13 Somerfield supermarkets. In addition to these facilities, the group has bonds totalling £400m, £300m of which mature in 2012 and £100m in 2014 and a term loan of £100m maturing 14 March 2011. The bonds are not subject to repricing, and their interest rates and maturity profiles are set out in note 28.

In March 2009, John Lewis plc issued a £275m Sterling bond with a coupon of 8.375%, repayable in 2019. The proceeds were received on 8 April 2009, on which date the £250m bridge facility in place at 31 January 2009 was cancelled, in accordance with its terms. The group's total committed sources of funds at the date of signing these accounts are £1,275m.

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 to rent adjusted total net interest costs shall not be less than 2.5. Throughout the year the group maintained comfortable headroom against these covenants and is expected to do so into the foreseeable future.

Notes to the accounts

continued

25 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:

	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Consolidated			
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	-	-	(500.0)
Interest payments on borrowings	(31.6)	(32.4)	(50.8)
Finance lease liabilities	(2.2)	(2.2)	(59.0)
Trade and other payables	(725.2)	(1.5)	-
Derivative financial liabilities			
Derivative contracts – receipts	56.7	9.6	9.6
Derivative contracts – payments	(44.8)	(4.2)	(5.2)
At 31 January 2009	(747.1)	(30.7)	(605.4)
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	-	-	(400.0)
Interest payments on borrowings	(29.6)	(29.6)	(80.3)
Finance lease liabilities	(2.2)	(2.2)	(61.3)
Trade and other payables	(838.0)	(1.8)	-
Derivative financial liabilities			
Derivative contracts – receipts	19.2	3.2	6.4
Derivative contracts – payments	(18.5)	(2.9)	(5.8)
At 26 January 2008	(869.1)	(33.3)	(541.0)

25 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	-	-	(500.0)
Interest payments on borrowings	(31.6)	(32.4)	(50.8)
Finance lease liabilities	(0.5)	(0.5)	(27.9)
Trade and other payables	(735.0)	(1.5)	-
Derivative financial liabilities			
Derivative contracts – receipts	56.7	9.6	9.6
Derivative contracts – payments	(44.8)	(4.2)	(5.2)
At 31 January 2009	(755.2)	(29.0)	(574.3)
Non-derivative financial liabilities			
Borrowings, excluding finance lease liabilities	-	-	(400.0)
Interest payments on borrowings	(29.6)	(29.6)	(80.3)
Finance lease liabilities	(0.5)	(0.5)	(28.4)
Trade and other payables	(830.1)	(1.8)	-
Derivative financial liabilities			
Derivative contracts – receipts	19.2	3.2	6.4
Derivative contracts – payments	(18.5)	(2.9)	(5.8)
At 26 January 2008	(859.5)	(31.6)	(508.1)

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 the spot rate 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 28. Exposures to interest rate fluctuations are managed using interest rate swaps. Interest rate swaps have been used to convert £150m (2008: £50.0m) 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 is £13.8m and the movement in the fair value of the underlying hedged item attributable to the hedged risk is £13.8m.

Notes to the accounts

continued

25 Management of financial risks (continued)

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 foreign exchange contracts of £41.3m (2008: £12.7m) and currency options of £4.7m (2008: £7.5m) have been entered into to hedge purchases in foreign currencies. At the year end £7.3m (2008: £7.2m) of a total of £7.9m (2008: £7.4m) of liabilities denominated in foreign currency were covered in this way.

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	2009 £m	2008 £m
Trade and other receivables	89.0	77.1
Cash and cash equivalents	197.6	121.6
	286.6	198.7
<hr/>		
Company	2009 £m	2008 £m
Trade and other receivables	20.0	22.7
Cash and cash equivalents	123.4	47.0
	143.4	69.7

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 the 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.

25 Management of financial risks (continued)**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;
- 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.

	2009		2008	
	Income statement +/- £m	Equity +/- £m	Income statement +/- £m	Equity +/- £m
UK interest rates +/- 5%	11.0	-	5.2	-
US dollar exchange rate +/- 15%	-	2.3	0.3	-
Euro exchange rate +/- 10%	-	2.3	0.2	0.8
Hong Kong dollar exchange rate +/- 15%	-	0.2	-	-

26 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 25, are shown below.

The fair values of derivative financial instruments are as follows:

	2009 Assets £m	2009 Liabilities £m	2008 Assets £m	2008 Liabilities £m
Consolidated and Company				
Interest rate swap – fair value hedge	15.4	-	2.3	-
Currency derivatives	8.0	-	1.4	-
	23.4	-	3.7	-

Notes to the accounts

continued

26 Financial instruments

Fair value gains/(losses) on derivative financial instruments are as follows:

	2009 £m	2008 £m
Consolidated and Company		
Gain/(loss) recorded in income statement	(0.6)	1.4

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.

	2009 £m	2008 £m
Consolidated and Company		
Bonds	409.4	428.0
Preference stock	1.8	2.3

27 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 2007 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are the mortality assumption and the relative rate of return on the investments of the fund compared with increases in pay and pensions. In respect of mortality, the assumptions reflected the results of a study of mortality of scheme members, which led to the adoption of the "00" series standard tables, together with medium cohort improvement factors with a year of use in 2007, adjusted by half a year. The resultant life expectancies are an average of 26.0 years for a 60 year old man, and 28.4 years for a 60 year old woman. In respect of investment returns, it was assumed that, on average, the annual return on investments would exceed increases in pay and pensions by 2.5% and 3.5% respectively. The market value of the assets of the fund as at 31 March 2007 was £1,843m. The actuarial valuation of these assets showed that they were sufficient to cover 97% of the benefits which had accrued to members.

The actuaries have recommended a normal future annual contribution rate of 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. The next triennial actuarial valuation of the fund will take place as at 31 March 2010.

As explained in note 10, there is also a senior pension scheme which provides additional benefits to certain members of senior management. The actuaries have recommended a contribution of £1.4m for the year to 31 January 2010.

The contributions expected to be paid to the pension schemes during the year to 30 January 2010 amount to £91m.

Pension commitments have been calculated based on the most recent actuarial valuations, as at 31 March 2007, which have been updated by the actuaries to assess the assets and liabilities of the schemes as at 31 January 2009.

27 Retirement benefit obligations (continued)

Scheme assets are stated at market values at 31 January 2009. The following financial assumptions have been used:

	2009	2008
Future price inflation	3.50%	3.45%
Discount rate	6.90%	6.30%
Expected return on assets	8.20%	7.60%
Increases in earnings	4.50%	4.45%
Increases in pensions	3.50%	3.45%

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 1% above inflation, with increases in pensions being in line with 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 price inflation. A movement in the real discount rate of 0.10% would have the effect on increasing or decreasing the IAS 19 defined benefit obligation by circa £40m, and would increase or decrease the current service cost by circa £2m.

The post-retirement mortality assumptions used in valuing the pensions liabilities were based on the "00" series standard tables for all retirements, together with medium cohort improvement factors with a year of use of 2007, adjusted by half a year to reflect the outcome of a mortality study. It is assumed that younger members will live longer in retirement than older members. This reflects the expectation that mortality rates will continue to fall over time.

The average life expectancies assumed were as follows:

	2009		2008	
	Men	Women	Men	Women
Average life expectancy (in years) for a 60-year-old	26.0	28.4	26.0	28.4
Average life expectancy (in years) at age 60, for a 40-year-old	27.3	29.5	27.3	29.5

Amounts recognised in the balance sheet	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Defined benefit obligation for funded arrangements	(2,334.0)	(2,397.0)	(2,237.0)	(2,096.0)	(1,757.0)
Defined benefit obligation for unfunded arrangements	(18.0)	(16.0)	(14.0)	(13.0)	(9.0)
Total defined benefit obligation	(2,352.0)	(2,413.0)	(2,251.0)	(2,109.0)	(1,766.0)
Total value of assets	1,622.0	1,859.0	1,810.0	1,630.0	1,281.0
Defined benefit liability at end of year	(730.0)	(554.0)	(441.0)	(479.0)	(485.0)

Notes to the accounts

continued

27 Retirement benefit obligations (continued)

	Year ended 31 January 2009 £m	Year ended 26 January 2008 £m
Amounts recognised in the income statement		
Current service cost	96.1	98.2
Contribution expense	0.3	–
Administrative costs	1.8	1.6
Operating cost	98.2	99.8
Interest cost on liabilities	149.9	117.5
Expected return on assets	(144.5)	(133.7)
Finance charges/(income)	5.4	(16.2)
Total pension charge	103.6	83.6
Amounts recognised in equity		
Actuarial loss on assets	514.5	110.3
Actuarial (gain)/loss on defined benefit obligation	(234.4)	13.1
Total loss recognised in equity	280.1	123.4
Cumulative (gain)/loss recognised in equity	409.1	129.0
Reconciliation of defined benefit liability		
	2009 £m	2008 £m
Defined benefit liability at beginning of year	(554.0)	(441.0)
Pension expense	(101.5)	(82.0)
Contributions	205.6	92.4
Total loss recognised in equity	(280.1)	(123.4)
Defined benefit liability at end of year	(730.0)	(554.0)
Reconciliation of defined benefit obligation		
	2009 £m	2008 £m
Defined benefit obligation at the beginning of year	2,413.0	2,251.0
Current service cost	96.1	98.2
Interest on pension liabilities	149.9	117.5
Actuarial (gains)/losses	(234.4)	13.1
Benefits paid	(72.6)	(66.8)
Defined benefit obligation at the end of year	2,352.0	2,413.0

27 Retirement benefit obligations (continued)

	2009 £m	2008 £m
Reconciliation of value of assets		
Value of assets at the beginning of year	1,859.0	1,810.0
Expected return on assets	144.5	133.7
Actuarial losses	(514.5)	(110.3)
Benefits paid	(72.6)	(66.8)
Contributions*	205.6	92.4
Value of assets at the end of year	1,622.0	1,859.0

*£127.7m of contributions were received in respect of the group's disposal to the pension fund of its investment in Ocado, as explained in note 14.

	2009 %	2009 £m	2008 %	2008 £m
Analysis of assets				
Equities*	73	1,173.9	64	1,201.0
Bonds	15	250.9	20	372.0
Properties	11	172.9	13	234.0
Other	1	24.3	3	52.0
		1,622.0		1,859.0

*Equities include the investment held in Ocado.

	2009 £m	2008 £m
Actual return on assets		
Expected return on assets	144.5	133.7
Actuarial gains/(losses)	(514.5)	(110.3)
Actual return/(loss) on assets	(370.0)	23.4

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
History of experience of gains and losses					
Loss/(gain) on assets	514.5	110.3	(43.7)	(233.8)	(915)
% of assets at the end of the period	32%	6%	(2%)	(14%)	7%
Experience (gain)/loss on defined benefit obligation	(17.4)	60.6	1.5	10.0	72.0
% of defined benefit obligation at the end of the period	(1%)	3%	0%	0%	4%

Contributions will be as follows until the next actuarial valuations expected to be as at 31 March 2010:

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.

The John Lewis Partnership Senior Pension Scheme – £1.3m, 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, plus an additional amount of £0.1m in respect of the past-service deficit.

Notes to the accounts

continued

28 Analysis of financial liabilities

The currency and interest rate exposure of the group's and company's financial liabilities, after taking account of £150m (2008: £50m) of swaps from fixed rate to floating rate, is as set out below. Short term payables are excluded from this analysis.

Consolidated	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m
Interest rate and currency analysis				
All sterling				
At 31 January 2009	252.3	371.0	164.5	787.8
At 26 January 2008	352.3	141.5	152.0	645.8

Consolidated	2009 Effective interest rate	2009 £m	2008 Effective interest rate	2008 £m
Maturity of financial liabilities				
Repayable in one year				
Bank overdrafts and other borrowing	3.8%	75.8	5.8%	58.4
Provisions		70.7		54.3
Property finance leases	7.6%	0.6	7.6%	0.7
		147.1		113.4
Repayable between one and two years				
Provisions		23.4		26.1
Property finance leases	7.6%	1.2	7.6%	1.1
		24.6		27.2
Repayable between two and five years				
Provisions		42.1		33.1
Property finance leases	7.6%	2.7	7.6%	2.0
Bonds	6.4%	300.0	6.4%	300.0
Loans	5.2%	100.0		-
		444.8		335.1
Repayable in more than five years				
Provisions		28.3		38.5
Property finance leases	7.6%	25.3	7.6%	27.0
Bonds	10.5%	100.0	10.5%	100.0
Fair value adjustment for hedged risk on bonds		15.4		2.3
Preference stock	5.6%	2.3	5.6%	2.3
		171.3		170.1
		787.8		645.8

28 Analysis of financial liabilities (continued)

Company	Fixed rate £m	Floating rate £m	Non interest bearing £m	Total £m
Interest rate and currency analysis				
All sterling				
At 31 January 2009	252.3	356.3	140.9	749.5
At 26 January 2008	352.3	125.9	129.5	607.7
Maturity of financial liabilities				
Company	2009 Effective interest rate	2009 £m	2008 Effective interest rate	2008 £m
Repayable within one year				
Bank overdrafts and other borrowing	3.8%	75.7	5.8%	58.3
Provisions		61.3		45.8
Property finance leases	7.6%	0.2	7.6%	0.1
		137.2		104.2
Repayable between one and two years				
Provisions		19.4		21.6
Property finance leases	7.6%	0.2	7.6%	0.1
		19.6		21.7
Repayable between two and five years				
Provisions		34.1		26.0
Property finance leases	7.6%	0.5	7.6%	0.6
Bonds	6.4%	300.0	6.4%	300.0
Loans	5.2%	100.0		–
		434.6		326.6
Repayable in more than five years				
Provisions		26.1		36.1
Property finance leases	7.6%	14.3	7.6%	14.5
Bonds	10.5%	100.0	10.5%	100.0
Fair value adjustment for hedged risk on bonds		15.4		2.3
Preference stock	5.6%	2.3	5.6%	2.3
		158.1		155.2
		749.5		607.7

Notes to the accounts

continued

29 Share capital

	2009 £m	2008 £m
Authorised, issued and fully paid:		
Equity		
Ordinary shares		
6,750,000 of £1 each	6.7	6.7
	6.7	6.7

30 Reconciliation of changes in equity

Consolidated	Share capital £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 27 January 2007	6.7	-0.6	1.4	(0.2)	1,641.6	1,650.1
Profit for the year	-	-	-	-	130.1	130.1
Transfers	-	(0.3)	-	-	0.3	-
Actuarial loss on defined benefit pension schemes	-	-	-	-	(123.4)	(123.4)
Tax on above items recognised in equity	-	-	-	-	26.3	26.3
Net gain on cash flow hedges	-	-	-	1.1	-	1.1
- Transfers to property, plant and equipment	-	-	-	(0.2)	-	(0.2)
Dividends	-	-	-	-	(0.1)	(0.1)
Balance at 26 January 2008	6.7	0.3	1.4	0.7	1,674.8	1,683.9
Profit for the year	-	-	-	-	233.3	233.3
Actuarial loss on defined benefit pension schemes	-	-	-	-	(280.1)	(280.1)
Tax on above items recognised in equity	-	-	-	-	78.5	78.5
Fair value gains on cash flow hedges	-	-	-	11.6	-	11.6
- Transfers to property, plant and equipment	-	-	-	(0.7)	-	(0.7)
- Transfers to inventories	-	-	-	(3.9)	-	(3.9)
Dividends	-	-	-	-	(0.1)	(0.1)
Balance at 31 January 2009	6.7	0.3	1.4	7.7	1,706.4	1,722.5

Retained earnings comprise £1,279.8m (2008: £1,241.1m) of distributable and £426.6m (2008: £433.7m) of non distributable reserves.

30 Reconciliation of changes in equity (continued)

Company	Share capital £m	Share premium £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 27 January 2007	6.7	0.6	(0.2)	334.0	341.1
Profit for the year	-	-	-	24.9	24.9
Transfers	-	(0.3)	-	0.3	-
Actuarial loss on defined benefit pension schemes	-	-	-	(123.4)	(123.4)
Tax on above items recognised in equity	-	-	-	26.3	26.3
Net gain on cash flow hedges	-	-	1.1	-	1.1
- Transfers to property, plant and equipment	-	-	(0.2)	-	(0.2)
Dividends	-	-	-	(0.1)	(0.1)
Balance at 26 January 2008	6.7	0.3	0.7	262.0	269.7
Profit for the year	-	-	-	127.4	127.4
Actuarial loss on defined benefit pension schemes	-	-	-	(280.1)	(280.1)
Tax on above items recognised in equity	-	-	-	78.5	78.5
Fair value gains on cash flow hedges	-	-	11.6	-	11.6
- Transfers to property, plant and equipment	-	-	(0.7)	-	(0.7)
- Transfers to inventories	-	-	(3.9)	-	(3.9)
Dividends	-	-	-	(0.1)	(0.1)
Balance at 31 January 2009	6.7	0.3	7.7	187.7	202.4

31 Reconciliation of profit before tax to cash generated from operations

Consolidated	Year to 31 January 2009 £m	Year to 26 January 2008 Restated £m
Profit before tax	281.0	198.6
Amortisation of intangible assets	21.0	17.7
Depreciation	181.1	169.2
Net finance costs	42.4	14.4
Partnership bonus provision	125.4	181.1
Profit on disposal of associate	(127.4)	-
Loss/(profit) on disposal of property, plant and equipment	0.6	(0.2)
(Increase)/decrease in inventories	(7.4)	1.3
(Increase)/decrease in receivables	75.7	(91.7)
Increase/(decrease) in payables	(25.9)	58.0
Increase/(decrease) in retirement benefit obligations	18.2	5.8
Increase/(decrease) in provisions	14.0	5.2
Cash generated from operations	598.7	559.4

Notes to the accounts

continued

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

Company	Year to 31 January 2009 £m	Year to 26 January 2008 Restated £m
Profit/(loss) before tax	123.2	33.8
Amortisation of intangible assets	19.1	16.4
Depreciation	70.5	63.7
Net finance costs	41.3	13.3
Partnership bonus provision	63.0	91.9
Profit on disposal of associate	(127.4)	–
(Profit)/loss on disposal of property, plant and equipment	4.5	3.1
(Increase)/decrease in inventories	5.7	10.7
(Increase)/decrease in receivables	80.3	(90.8)
Increase/(decrease) in payables	(34.4)	27.1
Increase/(decrease) in retirement benefit obligations	18.2	5.8
Increase/(decrease) in provisions	11.4	6.1
Cash generated from operations	275.4	181.1

Prior year figures have been restated in respect of the financing element of pension costs, as explained in note 1.

32 Analysis of net debt

Consolidated	26 January 2008 £m	Adjustment ¹ £m	26 January 2008 Restated £m	Cash flow £m	Other non-cash movements £m	31 January 2009 £m
Current assets						
Cash and cash equivalents	121.6	–	121.6	76.0	–	197.6
Derivative financial instruments	–	3.7	3.7	–	19.7	23.4
	121.6	3.7	125.3	76.0	19.7	221.0
Current liabilities						
Bank overdrafts	(58.4)	–	(58.4)	(17.4)	–	(75.8)
Finance leases	–	(0.7)	(0.7)	0.1	–	(0.6)
	(58.4)	(0.7)	(59.1)	(17.3)	–	(76.4)
Non-current liabilities						
Borrowings	(402.3)	–	(402.3)	(100.0)	–	(502.3)
Fair value adjustment for hedged risk on bonds	(2.3)	–	(2.3)	–	(13.1)	(15.4)
Finance leases	–	(30.1)	(30.1)	0.9	–	(29.2)
	(404.6)	(30.1)	(434.7)	(99.1)	(13.1)	(546.9)
Total net debt	(341.4)	(27.1)	(368.5)	(40.4)	6.6	(402.3)

¹The measurement of net debt has been revised to include derivative financial instruments assets and finance lease payables.

32 Analysis of net debt (continued)**Reconciliation of net cash flow to net debt**

	Year to 29 January 2009 £m	Year to 26 January 2008 Restated £m
Consolidated		
Increase/(decrease) in cash in the year	58.6	(132.9)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	(99.0)	100.8
Movement in debt for the year	(40.4)	(32.1)
Opening net debt	(368.5)	(307.7)
Adjustment for derivative financial instruments asset and finance lease payments ¹	–	(31.2)
Adjusted opening net debt	(368.5)	(338.9)
Non-cash movements	6.6	2.5
Closing net debt	(402.3)	(368.5)

¹The measurement of net debt has been revised to include derivative financial instruments assets and finance lease payables.

33 Commitments and contingent liabilities

At 31 January 2009 contracts had been entered into for future capital expenditure of £49.6m (2008: £28.0m) for the group, and £33.7m (2008: £24.0m) 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 (2008: £6.8m).

34 Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases, payable:	2009 Land and buildings £m	2009 Plant and machinery £m	2008 Land and buildings £m	2008 Plant and machinery £m
Consolidated:				
Within one year	75.5	0.5	70.7	0.5
Later than one year and less than five years	289.6	0.4	262.5	0.5
After five years	1,462.9	–	1,401.5	–
Company:				
Within one year	22.4	0.5	24.5	0.5
Later than one year and less than five years	84.6	0.4	83.6	0.5
After five years	734.0	–	741.9	–

Notes to the accounts

continued

34 Operating lease commitments (continued)

Future aggregate minimum lease payments under non-cancellable operating leases, payable after five years comprise the following:	2009 Land and buildings £m	2008 Land and buildings £m
Consolidated:		
Later than five years and less than ten years	301.9	276.9
Later than ten years and less than twenty years	406.2	379.2
Later than twenty years and less than forty years	221.5	225.5
Later than forty years and less than eighty years	224.2	214.7
After eighty years	309.1	305.2
	1,462.9	1,401.5
Company:		
Later than five years and less than ten years	85.1	81.9
Later than ten years and less than twenty years	141.5	138.7
Later than twenty years and less than forty years	124.6	135.0
Later than forty years and less than eighty years	112.7	113.3
After eighty years	270.1	273.0
	734.0	741.9

Total future sub-lease payments receivable relating to the above operating leases amounted to £18.8m (2008: £20.4m) for the group, and £5.2m (2008: £5.9m) for the company.

35 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 £25.2m (2008: £24.7m), purchase of goods for resale totalling £25.2m (2008: £27.6m), the supply of IT and related services totalling £35.2m (2008: £24.0m), and the hire of vehicles totalling £9.5m (2008: £8.0m).

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.

On 5 November 2008 the group disposed of its interest in its associate company, Ocado. During the period until that date the group entered into transactions with Ocado for the supply of goods at cost totalling £37.1m (2008: £42.3m) and provision of distribution and other services totalling £1.0m (2008: £1.3m). At 26 January 2008, included within trade and other receivables is a balance of £3.6m due from Ocado in respect of the transactions for that year and included within trade and other payables is a balance of £4.6m due to Ocado in connection with the supply of goods.

Key management compensation has been disclosed in note 11.

36 Post balance sheet event

Acquisition of stores

In November 2008, the group entered into a contract with the Co-operative Group Limited and Somerfield Limited to acquire 13 supermarkets. Title to the stores will pass to the group on a phased basis from April 2009 to June 2009. The total cost of these stores, including conversion costs, taxes and fees to be paid by the partnership, is expected to be £145m, of which a deposit of £10.5m was paid in November 2008.

Bond issue

In March 2009, John Lewis plc issued a £275m Sterling bond at a coupon of 8.375%, repayable in 2019. The proceeds were received on 8 April 2009, on which date the £250m bridge facility in place at 31 January 2009 was cancelled, in accordance with its terms. The group's total committed sources of funds at the date of signing these accounts are £1,275m, as explained in note 25 to the accounts.

37 Subsidiary and associated undertakings

Principal subsidiary companies as at 31 January 2009 were as follows:—

Findlater Mackie Todd & Co. Limited (*Wholesale including export;*

subsidiary of Waitrose Limited)

Herbert Parkinson Limited (*Weaving and making up*)

JLP Holdings BV (*Investment holding company; incorporated in Holland; subsidiary of JLP Victoria Limited*)

JLP Insurance Limited (*Insurance; incorporated and operating in Guernsey*)

JLP Victoria Limited (*Investment holding company*)

John Lewis Car Finance Limited (*Car finance*)

John Lewis Properties plc (*Property holding company*)

John Lewis Transport Limited (*Vehicle leasing*)

Waitrose Limited (*Food retailing*)

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

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

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

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

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. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state that the financial statements comply with IFRSs as adopted by the European Union.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985 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 and 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, confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, 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.

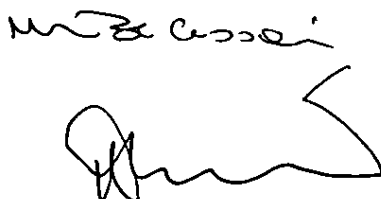
By order of the Board

Charlie Mayfield

Marisa Cassoni

Directors

20 April 2009

The block contains two handwritten signatures. The top signature is in cursive and appears to read 'Marisa Cassoni'. The bottom signature is also in cursive and appears to read 'Charlie Mayfield'.

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 31 January 2009 which comprise the consolidated income statement, the consolidated and company statements of recognised income and expense, the consolidated and company balance sheets, the consolidated and company cash flow statements, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985, and, as regards the group financial statements, Article 4 of the IAS regulation. We also report to you whether, in our opinion, the directors' report is consistent with the financial statements. The information given in the directors' report includes that specific information presented in the business review that is cross referred from the principal activity and business review section of the directors' report.

In addition we report to you if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the chairman's statement, the business review and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 January 2009 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 January 2009 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants
and Registered Auditors

1 Embankment Place
London WC2N 6RH
20 April 2009

Retail branches

Department Stores

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

Waitrose Supermarkets

London					
Balham	Bromley	Enfield	Kingson	South Harrow	Wandsworth
Barbican	Bromley South	Finchley	Marylebone	South Woodford	West Ealing
Barnet	Canary Wharf	Fulham	Mill Hill	Staines	Westfield
Bayswater	Chelsea	Gloucester Road	New Malden	St Katharine Docks	Worcester Park
Beckenham	Chiswick	Green Street Green	Puiney	Surbiton	Whetstone
Belgravia	Clapham	Harrow Weald	Richmond	Swiss Cottage	
Bloomsbury	East Sheen	Holloway Road	Ruislip	Temple Fortune	
Brent Cross	Edgware Road	Kensington	Sanderstead	Twickenham	
Southern England					
Abingdon	Cheltenham	Fleet	Longfield	Saltash	Wantage
Allington Park	Chesham	Frimley	Lymington	Sandhurst	Waterlooville
Ampthill	Chichester	Gillingham	Maidenhead	Sevenoaks	Welwyn Garden City
Andover	Christchurch	Godalming	Marlborough	Sidmouth	Westbury Park
Bath	Cirencester	Goldsworth Park	Marlow	Southampton	West Byfleet
Beaconsfield	Cobham	Gosport	Milton Keynes	Southend	Weybridge
Berkhamsted	Coulsdon	Hailsham	Newbury	Southsea	Windsor
Biggin Hill	Crewkerne	Harpenden	Northwood	St Albans	Winton
Billerica	Crowborough	Havant	Okehampton	Stevenage	Witney
Bishop's Stortford	Dartford	Henley	Paddock Wood	Stroud	Wokingham
Brackley	Dibden	Hersham	Petersfield	Sunningdale	Woodley
Brighton	Dorchester	Hertford	Portsmouth	Tenterden	Worthing
Buckhurst Hill	Dorking	Hitchin	Ramsgate	Thame	Yateley
Buckingham	Eastbourne	Horley	Reading	Thatcham	
Burgess Hill	East Grinstead	Horsham	Rickmansworth	Tonbridge	
Caterham	Epsom	Hythe	Ringwood	Towcester	
Caversham	Esher	Leighton Buzzard	Romsey	Twyford	
Chandlers Ford	Farnham	Lewes	Salisbury	Wallingford	
Midlands, East Anglia, Wales, Northern England and Scotland					
Abergavenny	Droitwich	Hexham	Newark	Rushden	Willerby
Barry	Ely	Huntingdon	Newmarket	Saffron Walden	Wilmslow
Blaby	Evington	Kenilworth	Newport	Sandbach	Wolverhampton
Bury St Edmunds	Formby	Kingsthorpe	Norwich	Sheffield	Wymondham
Buxton	Four Oaks	Lichfield	Nottingham	St Ives	
Cambridge	Great Malvern	Lincoln	Otley	St Neots	
Cheadle Hulme	Hall Green	Monmouth	Parkstone	Stourbridge	
Comely Bank	Harborne	Morningside	Peterborough	Sudbury	
Daventry	Harrogate	Newcastle	Pontprenau	Swaffham	

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

John Lewis Direct *Internet retail*

Waitrose Direct (including Findlater Mackie Todd) *Internet retail, mail order and wholesale including export*

Herbert Parkinson, Darwen *Weaving and making up*

Leckford Estate, Stockbridge *Farming*

Notice of AGM

Notice is hereby given that the eighty-first annual general meeting of the company will be held at 12.20 pm on 16 July 2009 at 171 Victoria Street, London SW1E 5NN:

- To receive the directors' report and accounts for the year 2008/09.
- To consider the final dividend.
- To consider the re-election of retiring directors.
- To consider the re-appointment of the auditors.
- To consider the remuneration of the auditors.

By Order of the Board
Margaret Casely-Hayford
Secretary
171 Victoria Street, London SW1E 5NN
29 April 2009

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.