

Company No. 00233462

JOHN LEWIS PLC

Financial Statements for the year ended 29 January 2022



JOHN LEWIS PLC

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Company information

Directors:	Sharon White (Chairman) Bérangère Michel
Company Secretary:	Jane Cheong Tung Sing
Registered office:	171 Victoria Street, London, SW1E 5NN
Company number:	00233462
Independent auditor:	KPMG LLP 15 Canada Square London E14 5GL

JOHN LEWIS PLC

Strategic report for the year ended 29 January 2022

John Lewis PLC ('the Group' or 'the Company') present their audited consolidated financial statements for the year ended 29 January 2022.

The Company is the principal trading subsidiary of John Lewis Partnership plc ('the Partnership'). It owns Waitrose Limited and other Partnership companies (see note 29). The Group trades as the Waitrose and John Lewis brands and has over 78,000 employees – or Partners – for whom the Partnership is owned in Trust.

Review of performance

Key performance indicators

	2022	2021
Financial performance		
Revenue (£bn)	10.8	10.8
Loss before tax (£m)	(27.2)	(518.4)
Profit before PB, tax and exceptional items	180.0	129.6
Liquidity ¹ (£bn)	1.9	2.0
Borrowings (£m)	791.6	870.4
Financial KPIs		
Debt ratio ²	2.3 times	3.4 times

The financial year is the 52 weeks ended 29 January 2022 (prior year: 53 weeks ended 30 January 2021).

¹ Liquidity is the cash, short-term investments and undrawn committed credit facilities we have available to us, which we can use to settle liabilities as they fall due.

² The Debt ratio is a comparison of our Total net debts to Adjusted cash flow. This measure is important as it provides an indication of our ability to repay our debts. Total net debt is the Group's borrowings and overdrafts, lease liabilities, derivative financial instruments and any IAS 19 pension deficit (net of deferred tax), less any liquid cash, short-term deposits and investments. Adjusted cash flow is the Group's Operating profit/(loss) before Partnership Bonus, exceptional items, depreciation and amortisation, but after lease adjusted interest and tax.

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Performance summary

As we head into the second year of the Partnership Plan, our five year strategy to transform the business, we're gaining momentum in an increasingly competitive retail landscape. Our focus on quality, value, sustainability and exceptional service is serving us well.

The Group's principal internal measure of trading performance is Profit before Partnership Bonus, tax and exceptional items (PBTBE). This comprises Trading operating profit for our brands, combined with other operating costs managed centrally (such as head office costs, net finance costs, property costs, depreciation and investment expenses). PBTBE was £180.0m, which was £50.4m up on the previous year, principally driven by:

- An improvement in Trading operating profit of £78.3m with John Lewis Trading operating profit increasing by £203.3m and Waitrose Trading operating profit decreasing by £125.0m. John Lewis achieved record sales and improved profit due to lower markdowns on sales and the mix of sales. We saw a higher proportion of Fashion and Home sales in 2021/22 than previous year (which carry higher margins than Technology sales which were exceptionally strong in 2020/21). Waitrose Trading operating profit margins have been significantly diluted by inflationary pressures within supply chains, higher level of absence due to Covid-19 and higher fulfilment costs as a result of the increased levels of online trade. Cost savings helped mitigate some of these pressures, with £73.6m in Waitrose and £34.5m in John Lewis achieved in the year;
- £62m of savings from other operating costs was delivered compared to 2020/21, bringing the total cost savings delivered in 2021/22 to £170m;
- Government support was £132m lower as we received less in business rates relief and we made no claims under the Coronavirus Job Retention Scheme this year;
- Incremental costs associated with the Covid-19 pandemic were also lower this year as the demands on social distancing, cleaning and PPE eased relative to last year.

Given the positive performance, and the extraordinary contribution of Partners, a Partnership Bonus of 3% was awarded to Partners, equivalent to 1.5 weeks' pay.

During the year, we took difficult decisions to protect the long term viability of the Partnership to transform and grow the business. We closed eight John Lewis stores, a customer delivery hub and announced a head office property exit in 2024, as well as recording additional impairments of John Lewis stores. The number of head office roles has been reduced, as has the number of managers in John Lewis and Waitrose. These have totalled a net exceptional charge of £160.8m. This, combined with our Bonus payment of £46.4m, resulted in the Group recording a loss before tax of £27.2m, compared to a loss before tax of £518.4m in the previous year. This loss before tax result was £491.2m better than last year owing to a substantial write down in the value of John Lewis shops in 2020/21.

Looking ahead, we see continued uncertainty from global events, affecting the economic environment, our customers, Partners and society. The pressure on living costs is increasing and being compounded by a combination of factors including the economic impact of the pandemic, rising inflation and energy prices. While this creates uncertainties as we look ahead, we remain focused on investing in our Partnership Plan, and making necessary cost savings, to transform and grow our business. In 2022/23, this will involve:

- Investing £119m in our John Lewis shops, digital services and our distribution capabilities;
- On top of these investments, we're committing £500m to give John Lewis customers everyday quality and value, and an improved MyJohnLewis loyalty proposition is coming later this year;
- £55m investment to complete a further 23 major refurbishments of Waitrose stores and £72m investment in digital services and distribution;

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- Working with our Waitrose suppliers to keep prices as low as possible and offering savings on products that customers buy the most through the revamped MyWaitrose loyalty scheme;
- Accelerating growth in John Lewis Financial Services with a £53m investment;
- Continuing to develop and progress our property rental proposition;
- Targeting further sustainable cost savings by year end as we become more efficient.

Given the challenging macroeconomic and geopolitical backdrop, it is difficult to predict the shape of future trading with certainty, but our progress is encouraging and we are confident that by continuing to invest in our strategy we will deliver for our customers, Partners, suppliers and communities. We have come through so much already and our solidarity will continue to carry us through.

We have made a good start to our Partnership Plan but are only one year through our five year transformation which outlines our ambition for John Lewis and Waitrose as the UK's go-to destinations for customers seeking quality, value and sustainability; as well as the development of inspirational new services. Here are some of our highlights from the past year:

- Waitrose sales grew 1% on a like-for-like basis (down 1% as reported) and up 11% like-for-like compared to two years ago (9% as reported). Waitrose had a strong Christmas period and outperformed the grocery market by 1% for the year, driven by online;
- John Lewis sales grew by 8% like-for-like on last year (4% as reported) and up 10% like-for-like compared to two year ago (2% as reported). This represented record sales for the year, despite having 16 fewer stores and the disruption of the pandemic - with John Lewis stores closed for ten weeks of the year;
- Waitrose online sales now stand at 17%, up from 14% a year ago and 5% in 2019/20. We now have capacity for up to 280,000 waitrose.com orders per week, up nearly 20% on last year, boosted by a new distribution centre in Greenford;
- Our partnership with Deliveroo is available in over 150 Waitrose stores, frequently generating weekly sales of £1m. Now trialling Deliveroo Hop which offers delivery in as little as 10 minutes;
- We launched the John Lewis ANYDAY range, offering value and quality, which has attracted existing customers and over 500,000 new or reactivated customers. Over two million customers in total shopped ANYDAY, recording sales of over £120m, and 93% of customers have bought John Lewis products in other price ranges;
- We introduced 230 new brands into John Lewis, giving customers even more choice. We grew market share across Home and Nursery categories and had a record year for Christmas seasonal products (up 6% on last year);
- Waitrose picked up a string of awards for the quality and provenance of its food and wine. We were named winner of the Grocer 33 Award on 17 occasions, equalling our best ever record in 2020;
- John Lewis Click & Collect expanded to meet demand and is now available in over 1,000 locations;
- As part of our convenience offer, 13 new Waitrose shops opened at Shell locations, giving us 69 sites in total, and in 2022/23 we have started rolling out electric vehicle charging points at Waitrose stores under this partnership;
- John Lewis Financial Services launched a new home insurance product and we have seen good growth in the number of customers investing in our ISA products. Our point of sale credit product has helped to generate more than £100m retail sales since being established across John Lewis shopping channels. In the last quarter we have also trialled 'easier payment' solutions to further help customers across all channels.

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Pensions

Our net accounting position reflects the gap between the market value of pension assets held by our closed defined benefit scheme and our pension liabilities. At the year end, we had a net accounting pension surplus before deferred tax of £473.5m (£331.4m post deferred tax), compared to a deficit of £646.9m in January 2021 (£542.0m post deferred tax).

The improvement of £1.1bn pre tax is due to a combination of a reduction in the present value of pension liabilities combined with higher scheme asset values. The valuation of liabilities has decreased as a result of higher discount rates being used to assess present values of future payments, in line with market projections increasing expectations of interest rate rises. While inflation projections have also increased, this is more than offset by the increased discount rate. Our scheme asset values have increased off the back of strong returns on investments this year.

Our pension valuation is derived from a number of assumptions, any of which can change the overall valuation substantially given the large size of the scheme. The valuation is at a point in time, and changes in market conditions can substantially affect this position in the future.

Cash and liquidity

We continue to manage cash prudently given the uncertain environment. It also ensures that there is adequate funding available to withstand material volatility in trading, particularly important to the Group as we do not have access to equity markets owing to our model. Our total liquidity at the year end remains strong at £1.9bn, including £1.5bn cash and short-term investments, and undrawn bank facilities of £420m. This is required to deliver the Partnership Plan and meet our obligations. We carry £1.4bn of Total net debts including leases and any pension deficit, with £500m of financial borrowings due to be repaid in the next three years (£200m of bank term loans maturing between November 2022 and December 2023 and a £300m bond maturing in January 2025).

During the year, we repaid a £75m bank term loan and secured a new £420m revolving credit facility, linked to our environmental targets. The financing replaces previous facilities of £500m, which were due to expire at the end of 2022. Under the terms of the new agreement, the interest rate we pay on the facility will vary depending on whether we achieve three environmental targets over five years related to reducing carbon emissions, reducing food waste and moving away from fossil fuels in our transport fleet. Progress against these three targets is included within our Ethics and Sustainability Report 2021/22 and will be reported annually.

Our Debt ratio at the end of the year was 2.3x, improving from the previous year's position of 3.4x. This reflects a significant improvement in our pension deficit, our strong cash performance during the year and repayments of debt without the need for refinancing. For 2021/22, we are reporting a net pension accounting surplus but are not including this benefit in the calculation of Total net debts or Debt ratio, where instead we assume the pension scheme is breakeven. The pension deficit we reported in both 2020/21 and 2019/20 is included in our comparatives for Total net debt and Debt ratio.

Ethics and sustainability

Our Ethics and Sustainability Strategy is in service of our Purpose, and takes a holistic approach to being a more ethical and sustainable business. It is broken down into six focus areas. Each area is critical if we are to protect the planet and respect and support the interests of all those touched by our business. Building strong trusted relationships inside and outside of our business is key to delivering our vision for ethics and sustainability and long-term business success.

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The Partnership Purpose Working in Partnership for a Happier World		
Our Ethics and Sustainability Strategy		
PEOPLE IN SUPPLY CHAINS Protecting the rights of workers in our supply chains and championing worker voice	CLIMATE ACTION AND BIODIVERSITY Reducing greenhouse gas emissions in our operations and supply chains, and protecting and enhancing nature through biodiversity	SOCIAL IMPACT Connecting and giving back to communities and charitable causes
AGRICULTURE, AQUACULTURE, FISHERIES AND RAW MATERIAL SOURCING Guaranteeing a fair deal for producers, and supporting them to farm with nature	CIRCULARITY AND WASTE Designing with circularity in mind and eradicating waste	HEALTH, NUTRITION AND WELLBEING Enabling customers, Partners and communities to lead healthy and happy lives

Our ethics and sustainability highlights from the past year include the following:

- Our Chairman, Sharon White, was invited as a guest of His Royal Highness The Prince of Wales to host a business-leader roundtable event in Glasgow during COP26 to discuss how businesses can help customers make more sustainable choices;
- Alongside COP 26, Waitrose launched its biggest-ever food waste awareness campaign, which is estimated to have reached over 10 million people, providing customers with inspiration to help reduce food waste;
- We achieved 22.2% greenhouse gas emissions reduction compared to our 2018 baseline, against our target of net zero carbon across our operations by 2035. In addition we committed to setting science-based targets for our operations and supply chain;
- We made progress towards ending the use of fossil fuels across the Group's transport fleet and 252 of our 581 heavy trucks now run on biomethane. We will end the use of fossil fuels across the Group's transport fleet by 2030;
- Waitrose maintained its top tier position in the global Business Benchmark on Farm Animal Welfare for the eighth year in a row;
- Our Group was rated top in the UK and second globally in WWF's Palm Oil Buyers Scorecard reflecting our work to source more sustainable palm oil used in our own-brand products;
- Over 550,000 hard-to-recycle beauty product empties were diverted from landfill through the John Lewis BeautyCycle scheme in;
- We raised £6.5m supporting causes ranging from food poverty to international disaster relief.

You can find more on our Ethics and Sustainability Strategy, ambition and performance in our Ethics and Sustainability Report 2021/22 or at www.johnlewispartnership.co.uk/csr. The John Lewis Partnership plc Annual Report and Accounts 2022 (pages 17 to 19) includes our operational energy consumption, carbon footprint and energy efficiency initiatives from January 2021 to December 2021 in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) regulation, and our disclosure against the Task Force on Climate-related Financial Disclosure framework

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Section 172(1) Statement and Statements on engagement with employees, suppliers, customers and others

This section acts as the Company's section 172(1) statement. In accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), this section also constitutes the Company's statements on engagement with, and having due regard to the interest of our Partners (employees) and other key stakeholders.

The Company's parent company is John Lewis Partnership plc ('the Partnership'), which is owned in Trust for the benefit of its members, the Partners in the Partnership. Whilst being Directors of John Lewis PLC, and having acted in a way they consider is most likely to promote the success of the Company, the Directors on the Board are also members of the Partnership's Executive Team which manages the Partnership's business as part of the Partnership's governance structure. In carrying out their duties, the Directors have had in mind the Purpose of the Partnership, which was refreshed in the year, set out in the Partnership's Constitution (available online at www.johnlewispartnership.co.uk). The opening sections are: "Our Partnership is an ongoing experiment to find happier, more trusted ways of doing business, for the benefit of us all. We work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities".

The Purpose is consistent with the requirements of section 172(1) in that it says that the Partnership - including the Company - should find more trusted ways of doing business; and work together to create a successful business and a fairer, more sustainable future for Partners, customers, suppliers and communities. Further information on decision-making and engagement with stakeholders in the Partnership can be found in the Partnership's Annual Report and Accounts available at www.johnlewispartnership.co.uk.

Decision-making at the Board

All matters which under the Company's governance arrangements are reserved for decision by the Directors, are presented at Board meetings. Directors are briefed on the background and reasons for any proposal and the associated costs, benefits and risks, as well as any potential impacts and risks for our customers, Partners and other stakeholders including our suppliers, the community and environment and how they are to be managed. The Directors take these factors into account before making a final decision which together they believe is in the best interests of the Company and its members - our Partners.

Long term sustainability

The second Principle of the Constitution includes the objective of making "sufficient profit to retain our financial independence, invest in our Partners and pursue our Purpose". The shared aim of the Chairman, Partnership Council and Partnership Board, our three governing authorities, is to safeguard the Partnership's future, enhance its profitability and ensure its integrity.

Stakeholders

Our key stakeholders first and foremost are our Partners. Partners work in service of our customers and they are at the heart of our Purpose. Information on the engagement methods in the Partnership, which are used by the Company's Directors, are in the John Lewis Partnership plc's Annual Report and Accounts. We are also focused on responding to the needs of, and building long-term relationships with, our customers. We work closely with our producers and suppliers from whom we purchase goods and services, and the communities and environments in which we operate. We have financial stakeholders, including relationship banks and holders of John Lewis PLC financial bonds. With a continued focus on ethics and sustainability, engagement with campaign groups and non-governmental organisations is key.

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Partners

Our Partners are central in the differentiation of our business. Our Purpose is not just sharing profit, but also sharing knowledge and sharing power. The Constitution empowers all Partners to shape the future of the Group. Hearing Partner opinion and ensuring this is taken into account in decision-making is intrinsic to our employee ownership model and our long-term sustainability and success. Properly incorporating Partner views into Board decision-making is recognised as essential to the future of the Group as a modern, sustainable, Purpose-led business. For example, 2021 was the first full year of PartnerVoice liberation, designed to bring the principles of democracy to life at the most local level in Partners' day-to-day roles.

Partners receive updates about the Partnership from regular dialogue with management, email updates, podcasts, vlogs, the Partnership's intranet and through the weekly independent *Gazette* publication. Further information on the engagement methods in the Group, which are used by the Company's Directors, and on the democratic structures used to channel Partner views are on pages 47 to 49 and 78 to 82 respectively of the Partnership's Annual Report and Accounts, available at www.johnlewispartnership.co.uk.

Customers

We believe in providing exceptional service from an ethical brand that our customers can trust. Our Partners support this by providing specialist expertise and personalised advice. Our customer research teams are the voice of the customer, understanding how customers and potential customers think and feel. We gather their experiences and expectations through surveys, face-to-face research, customer feedback to Partners and contact centres and external data sources. Regular customer reports are produced for management and Directors for Partnership Board meetings, tracking and reviewing emerging trends and why they are occurring as well as measuring the business response and feeding in data to support both strategic and tactical initiatives and decision-making.

In 2021, extensive, cross functional work has been conducted to understand how to evolve the John Lewis brand for the modern world, positioning us as a Partner in the key moments in our customers' lives. Ahead of the relaunch of myWaitrose, we spoke to customers to help inform the rewards we offer as well as testing which helped define our approach.

Producers and suppliers

A strong, trusted and transparent supply chain is integral to our success as a retailer. Our aim is to take a long-term view, working closely with producers and suppliers across our supply chains, forming mutually beneficial partnerships and ensuring workers are treated fairly. We work closely with producers and our supply chain and have subsidiary companies in India and Hong Kong to allow us to work more closely with many of our producers, and directly receive feedback from them. The Partnership's Audit and Risk Committee monitors the Company's compliance with the Groceries Supply Code of Practice. The Company has taken measures to prevent modern slavery and human trafficking in its business and supply chains. Further information is available at www.johnlewispartnership.co.uk/csr.

The Partnership also engages with suppliers through our dedicated online supplier portals and supplier forums, such as the Waitrose Farming Partnership (which encompasses the Livestock Steering Group, the Fish Forum and Agronomy Group), and a number of programmes and advocacy work including the John Lewis Better Jobs Programme, and the Waitrose & Partners Foundation.

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Lenders

Through our website, we share details on our performance, and our Treasury team provides further detail as needed. We invite them to join our financial updates and announcements, which gives them an opportunity to hear and engage with the Chairman, Executive Director, Finance and senior management. Our banks and bondholders were invited to a virtual results call and presentation at half year and year end, hosted by the Executive Team. We also held an in person meeting with our banks in March as part of the revolving credit facility (RCF) refinancing, which included an update from the Director, Ethics & Sustainability on E&S strategy, and our progress towards science based targets for greenhouse gas emissions.

Community and environment

Our Founder established the Partnership to be a force for good in society. We are driven to make a difference to people's lives and create positive social impact, using the skills and resources within the Partnership to support where help is needed. The Partnership engages on matters impacting communities via a number of channels including our national charity partnerships. We select national charity partners that support our ambition to improve the lives of those most vulnerable in the community and with a geographical presence matching our estate where possible, giving our Partners the opportunity to make a difference locally.

Through our Community Matters programme, this year the Group has donated over £3m to the Partnership's charitable partners FareShare and Home-Start and thousands of other local charities. We launched the second phase of our Farm to Family programme working with FareShare which has seen over three million portions of fruit distributed to over 3,000 local organisations supporting those in need. The John Lewis & Partners Foundation, a charity independent to the Group, funded eight new UK based employability projects to the value of £156,868, whilst also continuing to fund seven ongoing projects, including projects with Fine Cell Work and Save the Children. During 2021, the John Lewis Partnership Golden Jubilee Trust awarded both virtual and in-person secondments to a total of 31 charities across the country. This equates to 2,392 Partner days' work donated, an increase on last year's figure of 1,931 days.

The Partnership engages on environmental issues via a number of stakeholders including our Partners, third parties and as signatories of a number of industry sustainability initiatives. This engagement ensures we have visibility of emerging risks as well as opportunities, are able to communicate and advocate collaboratively with the wider retail sector and develop our own initiatives to reduce our environmental footprint.

We announced we would set science based targets in line with limiting global temperature rise for our operations and supply chain.

Business conduct

The Partnership's reputation for its standard of business conduct is a key driver of customer perception of our brands. All Partners are expected to contribute to the maintenance of high standards, and the Constitution provides our framework for all Partners to do this. It includes specific Rules for Partners relating to maintaining honesty, fairness, courtesy and promptness in their business conduct.

Acting fairly as between the Company's members (Partners)

The first Principle of the Constitution states that we treat people with fairness, courtesy and respect. All Partners benefit from an interest in the ownership of the Partnership.

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Principal risks and uncertainties

John Lewis PLC's principal risks and uncertainties are in line with those of the Partnership which can be found on pages 34 to 39 of the Partnership's Annual Report and Accounts available at www.johnlewispartnership.co.uk.

I. External environment (no movement)		
Risk External environment changes impact delivery of business-as-usual (BAU) operations or strategic objectives. Key causes and consequences Reduced margins in traditional retail, Covid-19, Brexit, government policy changes, regulatory changes, climate change, social movements and a weakened economy could result in erosion of operating profit, operational disruption and an inability to meet customers' changing needs.	Current controls and improvements in the year - Partnership Plan communicated, refreshed annually and progress monitored quarterly by the Executive Team and Partnership Board - Investment portfolio reprioritisation - Financial strategy agreed with the Executive Team - Horizon scanning for indicators of change - Monitoring of business and market performance by the leadership and Executive Team - Regular review of the potential impacts of Covid-19 to course correct supported by the crisis management response team - Continuity and crisis management framework in place - Proactive management of disruption to operations and supply chain as a result of Covid-19, labour shortages and cost inflation	Further actions planned - Embedding our refreshed Purpose - Ongoing delivery of the Partnership Plan - Evolving the business/operating model, to deliver the agreed strategy, including establishing a Partnership-wide objective framework and embedding new governance structures - Engaging Partners in the Partnership Plan and their critical role in delivery - Embed climate-related risks and opportunities scenario analysis insight into our risk management and strategic planning

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2. Proposition (no movement)		
Risk Failure to deliver profitable, market-leading propositions to inspire our customers and maintain competitive advantage. Key causes and consequences Poor customer insight, range, quality, pricing strategy, lack of investment and/or availability of products or competitor disruption could negatively impact the customer proposition and its competitiveness, leading to loss of customers, erosion of profit margins, reputational damage and failure to deliver growth plans.	Current controls and improvements in the year • Regular strategic risk review and monitoring by leadership and the Executive Team • Regular strategy implementation, customer and performance metrics evaluation • Ongoing product quality checks and monitoring of supply chain contingency plans • Continued development of high quality, innovative propositions, tested with customers for relevance and consideration • Launch of ANYDAY, additional beauty brands and Christmas 2021 including new emporiums • Competitive supply chain reward package	Further actions planned • Continued differentiation on products for example ANYDAY, Waitrose No.1, beauty, new and exclusive brands and products, as well as further broadening John Lewis Financial Services product range into investments and insurance • Store development programme • Development of online propositions including new routes to market • Systems advancements to improve stock availability and ranging • Significant investment in price and value • Ongoing range and category reviews • Continued delivery of Better together - unlocking further value between our brands • Driver apprentice scheme
3. Insufficient profit to achieve our Purpose (new)		
Risk Risk that we won't make sufficient profit to achieve our Purpose; the impact of which would be a combination of reduced competitiveness and ultimately commercial failure, loss of Partner faith and democratic vitality due to lack of suitable Partner rewards endangering our partnership model, and inability to maintain our distinctive character. Key causes and consequences An inability to diversify fast enough, trade profitably, take out costs and/or allocate capital effectively in a challenging retail environment, combined with increasing inflation, could mean that we fail to deliver the Purpose, Plan and Partnership Profit.	Current controls and improvements in the year • Partnership Plan refreshed in autumn 2021 to account for the impacts of the currently hostile macro economic environment • Budget targets for leaders have been communicated and reflected in the Partnership Plan Objectives with quarterly progress updates • Business case approval processes • Regular reporting and review	Further actions planned • Development of a roadmap for achieving the required cost savings in the Partnership Plan • Deliver the cost savings budgeted for 2022 • Produce a refreshed Financial Strategy • Improve the financial understanding of the Partnership and drive a 'cost-conscious' mindset • Enhance financial reporting to provide greater visibility of profitability

4. Change delivery (increased)		
Risk Change activity does not realise the desired benefits and drives unforeseen costs and consequences. Key causes and consequences Business, operating model and change complexity combined with the volume and pace of the change required and capacity to receive change, could result, in increased costs, disruption to trade, missed growth opportunities and a poor customer and Partner experience.	Current controls and improvements in the year • Roles and responsibilities defined and visibility of change and portfolio ownership communicated to the Executive Team and Partnership Board • New change and transformation organisational model announced • Ongoing monitoring of 'on time, in full and to budget' delivery of change activities • Change management toolkit: Planview rollout completed and relevant projects onboarded, reporting established and governance in place • Outcome delivery accountability	Further actions planned • Design, implement and embed a standardised change methodology • Review and improve the end-to-end change operating model • Review trade-offs for business as usual and portfolio activity • Implement and embed the new Transformation and Operations Delivery Group (TxODG) set up to help manage change contention and activity trade-offs in-year
5. Information security (no movement)		
Risk Loss of key customer, Partner and/or commercially sensitive data leading to financial, regulatory, legal, operational and reputational issues. Key causes and consequences External and internal threats, behaviour which fails to protect the integrity of data in both Partnership and third party systems could result in loss of key customer, Partner or business data, causing internal and/or external reputational damage, interruption of IT service and trading, fines, unforeseen costs and regulatory consequences.	Current controls and improvements in the year • Updated Information Security and Data Protection Strategy, Policy, Standards, controls and monitoring effectiveness • Partner training • Robust network security monitoring and regular testing to assess network or system vulnerabilities • Security impact assessments undertaken for projects to ensure compliance with security standards • Delivery of IT Security related projects • Security monitoring	Further actions planned • Continue to deliver further IT Security related projects • Mature control framework reporting and ongoing delivery of improvements per new information security strategy • Ongoing monitoring, training and controls improvement

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6. Partner differentiation (reduced impact; increased likelihood)		
Risk The responsibilities and benefits of membership are not sufficiently felt and experienced by Partners and/or do not drive a distinctive and better business in service of our Purpose. Key causes and consequences Lack of clarity, understanding and knowledge of responsibilities and rewards of being a Partner, as well as not delivering against the expectations of membership could lead to Partners not feeling a differentiated experience.	Current controls and improvements in the year • Partnership Values • Refreshed Purpose • Earning membership • Partner handbook • The Constitution • Democracy structure and channels, including Council and Forum, with support from a remodelled Democratic Vitality function • Leadership engagement and communications through specific change programmes via democracy channels • Raising the lowest rates of pay to voluntary Real Living Wage as at March 2022 • Sharing financial and wider business performance more transparently and frequently with Partners • Operating Model changes embedded and new ways of working established • Leadership behaviours have been socialised with the Leadership Group, highlighting what is distinctive and different about leading in the Partnership	Further actions planned • Communicate, activate and engage Partners with the Partner deal (previously referred to as the new Partner Strategy) • Delivery of a reimagined approach to performance focussed on recognition, wellbeing, contribution and development through delivery of the Total Review of Reward • Communication of the updated Principles of the Constitution to all Partners • Improved performance management • Continued progression of the Total Review of Reward

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7. Customer experience (no movement)

Risk Customers do not receive differentiated, excellent customer service across touchpoints. Key causes and consequences Systems, data, process, and the store environment impact service quality and convenience in store and online, resulting in declining customer experience and loyalty, and a gap between customer expectation and reality.	Current controls and improvements in the year • Service principles and standards including the ABC123 programme in Waitrose • Branch Operational Procedures • Partner training • Regular 'Customer Voice' meetings • Customer insight data and KPIs, including Have Your Say (HYS), Customer Satisfaction (CSAT) and Net Promoter Scores (NPS) • Weekly performance report reviewed, including metrics for product availability • Purpose-built learning facility launched in The School of Service to develop Partners' skills, knowledge and confidence to sell through service • John Lewis customer pain points improvement projects focussed on contact and website experience, technology after sales and support, returns and refunds, and delivery and installations • Customer segmentation, NPS and target customer analysis to inform development of strategy • Prioritisation of safety and service of customers through Covid-19 with social distancing measures	Further actions planned • John Lewis customer experience diagnostics, strategy development and roadmap • Refreshed customer experience principles and service standards • Embed Customer Voice Group and Customer Experience Steering Group • Continue School of Service training to develop Partners skills, knowledge and confidence to sell with high quality service • Investment in store environment • Allocation of business plan funding specifically to projects which will enhance customer experience
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8. Partner wellbeing (no movement)		
Risk Partners' sense of wellbeing is threatened by societal and organisational uncertainty and change. Key causes and consequences Pressure on Partners relating to the pandemic (in respect of both physical and mental health and broader measures such as social restriction and shielding) and/or significant organisational change and job insecurity could lead to deterioration in Partner wellbeing, increased absence, loss of talent and failure to deliver the Partnership Plan.	Current controls and improvements in the year - Wellbeing support services such as Partner Support, Partnership Health Services and Personnel Policy and Advice are in place to provide Partners with mental and physical health, emotional, financial and bereavement support - Mental health awareness training for People Managers - Monitoring of Partner Happiness in line with our renewed Purpose - Monitoring of the Partner Choice membership (non financial rewards and benefits) - Regular Partner surveys providing a quantifiable view of Partner Wellbeing	Further actions planned - Maintain routine measurement of Partner Wellbeing with rolling Partner surveys and benchmarking against the UK population. - Ongoing encouragement for Partners to engage with new positive habits and self-manage/build ability to cope and thrive - Continued promotion of the Five Ways to Wellbeing model (as evidenced by increasing Partner Choice membership numbers referenced in the current controls and improvements column)
9. Regulatory non-compliance (increased)		
Risk Failure to comply with key regulatory requirements. Key causes and consequences Lack of awareness, understanding or control of key regulatory requirements could have legal, reputational and/or financial damage which, depending on scale, could cause major trading disruption.	Current controls and improvements in the year - Policies and standards - Partner training and monitoring of completion - Clear Executive accountability for all key regulatory areas - Horizon scanning of new/changing regulations and the potential Partnership impact and response - Implemented a programme of independent high risk regulatory assurance reviews - Improvements in data protection supplier and people assurance processes - More mature oversight and monitoring - People focused Internal Controls framework developed with a maturing database of risks, controls and assurance mechanisms	Further actions planned - Data owners continue to work with Information Security teams to mature data protection priorities - Continue to embed and strengthen new supplier assurance processes and systems - Continue to implement improvement activity arising from regulatory assurance reviews

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	• All legacy People systems decommissioned • Equal Parenthood leave and parental bereavement leave including pregnancy loss policies have been launched and necessary changes made to systems, standards and operating procedures to ensure compliance with policy	
10. Ethics and sustainability (no movement)		
Risk Failure to live up to our ethics and sustainability ambition. Key causes and consequences Central to the Partnership Plan and our Purpose, rising stakeholder expectations, broad and complex supply chains and the need to invest in systems, processes, data and people. Falling short could cause reputational damage through loss of trust, with knock-on effects on trading performance.	Current controls and improvements in the year • Ethics and Sustainability Committee implemented, chaired by the Chairman • Responsible Sourcing Code of Practice • Factory audits programme • Product certification standards and targets • Traceability systems • External targets and reporting e.g. E&S report and Modern Slavery Report • Dedicated agricultural supply chains in key product categories • See also Our Performance - Ethics and Sustainability page 7	Further actions planned • Partnership Ethics and Sustainability Strategy embedded in the Partnership Plan • Improving the sustainability credentials of own-label products and services and continuing to strengthen animal welfare credentials • Deliver operational climate and carbon commitments including 2035 operations net zero pathway, science based targets and further TCFD climate scenario analysis • Continue to improve visibility, monitoring and ethical compliance of the supply chain • Embed improved governance and ways of working • Improve communication and engagement with ethics and sustainability activity

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Looking ahead

Our principal risk portfolio will continue to be monitored through our governance into year two of the Partnership Plan. Further maturing of our risk management framework across leadership to support decision making in pursuit of the Partnership Plan is paramount. Alongside we are providing risk related behavioural coaching to ensure we continuously improve the effectiveness of our risk management framework and our culture.

Covid-19

The impact of Covid-19 continued to be felt during the year with John Lewis stores closed in the first quarter whilst Waitrose stores remained open with operational restrictions in place. Our crisis response team remained in place throughout the year, working to a 'safety first' position at all times. Extra precautionary measures first implemented in 2020 were maintained in our stores, including dedicated marshals to monitor social distancing, screens at checkouts, protective equipment, cashless payments and wearing appropriate face coverings. Social distancing measures and protective equipment were also in place across our supply chain and offices with work from home guidance followed by Partners as applicable to their roles and workplace testing facilities available across all Group locations. As national restrictions gradually relaxed, the Group continued to follow national public health bodies' guidance with a view to protecting our customers, Partners and community groups' safety and wellbeing as a top priority.

The Group has experienced significant supply chain disruption as a result of numerous global lockdowns and labour shortages, largely driven by sickness absence and 'pingdemic' isolation requirements, alongside the additional Brexit impact. We continued to support our suppliers, add resilience to our technology and distribution network and prioritise the most important goods to serve our customers, while not compromising on our sourcing principles.

Brexit

Our planning and preparedness leading up to the UK leaving the European Union proved critical. As border checks increased incrementally over the year the Group adjusted accordingly, working with couriers and suppliers with no significant impacts experienced on our supply over and above those felt due to Covid-19. Secondary impacts on labour availability within the supply chain were acute, contributing to a shortage of HGV drivers and warehouse operatives. A combination of pay incentives, leveraging the Group's reputation as a good place to work and targeted 'Helping Hands' (Head-office Partners volunteering to support the supply chain), helped to mitigate peak trading resourcing challenges. More structured approaches, including the development of a Driver Academy, have been explored for the year ahead.

Russian invasion of Ukraine

The Russian invasion of Ukraine in February 2022 and the resulting sanctions imposed have already impacted the global economy. This is expected to worsen during the 2022/23 financial year, increasing our risk position. Therefore whilst any direct affect on the Group is relatively modest in terms of impact at present, we recognise that the geopolitical change to come may impact the sourcing of goods and resources and our global supply chain in the longer term, with nations seeking to become more self-sufficient to mitigate the impact of rising energy, food and product prices and disruption. Within the Group we are continuously monitoring the position, with relevant teams preparing mitigation plans for those risks which may worsen over the coming weeks and months. Within both brands, the decision has been made to no longer sell products made in Russia. More broadly, as a member of the Disaster Relief Alliance we proudly support the British Red Cross in their efforts to help communities impacted by this humanitarian crisis, and have provided mechanisms for customers to do so as well.

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Viability statement

The UK Corporate Governance Code (the Code) requires Directors of all Companies with a Premium Listing to make a statement on the viability of their business within their annual reports. Although the Group is not required to adhere to the requirements of the Code, in the case of the Viability Statement we believe that the Code provides the best framework for the Directors to communicate how they have assessed the Group's ability to remain commercially viable in line with best practice, and to show how they continue to uphold their constitutional obligation to protect the long-term health of the Group. This takes into account the Group's current position (pages 28 to 105); current strategy (pages 4 to 10); and risks and uncertainties (pages 11 to 17).

Assessment period

The Partnership Plan is designed to develop our business over the long term and is underpinned by work in recent years to strengthen the Group's balance sheet and financial sustainability, with £1.5bn in total liquidity available, at the date of approval of these financial statements. As shown below, a wide variety of time horizons are relevant to the management of the Group:

	1	2	3	4	5	8	10+
Strategy	Years 2-5 of the five year Partnership Plan						
Forecasting and budgeting	Detailed budget	Currency and commodity hedging forecasts					
Financial strategy and funding	Annual funding and liquidity plan		Funding the Partnership Plan		Long-term financial strategy		
Asset lives	Majority of lease payments subject to market review every five years						
	Useful economic lives for intangible assets						
	Useful economic lives for larger tangible assets						
Employee benefit liabilities*						Long leave	Pensions

*Weighted average duration

The Directors have assessed the Group's viability over a three-year period to January 2025. Reflecting the speed of change in the retail environment, a three-year period of assessment is deemed an appropriate timeframe as it captures the period over which detailed budgeting and forecasting is provided for planning purposes.

Current climate

Given the pace of change in the retail sector, the recent economic uncertainty due to Covid-19 and the war in Ukraine, along with risks resulting from the volatility in the external environment linked to inflation, energy price rises and labour shortages, we expect to see continued volatility over the short-term. We are continuing on our journey to implement the five year Partnership Plan in order to transform our business into a thriving Partnership, loved by Partners and customers.

Severe downside modelling

In assessing the viability of the Group, the Directors considered the Group's revenue, profit, net assets and cash position under the budget and the Partnership Plan approved by the Partnership Board. In the context of a challenged UK economy, these took account of factors such as increased levels of inflation and sustained cost pressures. A severe but plausible downside scenario was applied to incorporate additional sensitivities overlaid

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on the budget and five year Partnership Plan. These were based on the potential financial impact of the Group's principal risks which are the most relevant risks when assessing the Partnership's viability, and scored highest on the combined scale of impact and likelihood.

The severe downside scenario and the principal risks (pages 11 to 17) underpinning it have been assumed to occur over the three-year period of assessment, in order to test the Group's ability to withstand multiple simultaneous challenges. The scenario also assumes that all Group borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The potential impact of one-off 'black-swan' events that cannot reasonably be anticipated are not included within the severe downside scenario.

The severe downside scenario assumes that the rising levels of inflation continue for the rest of 2022/23. This is followed by a UK economic recession throughout the assessment period resulting in a reduction in sales, as well as a further reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, a decrease in pension scheme assets and project under-delivery. The downside modelled has a significant adverse impact on sales, margin, costs and cash flow.

The severe downside detailed above, is deemed by the Directors to provide a severe, but plausible, stress test on our underlying viability. This includes a significant reduction in year 1 performance as a result of the impact of increased inflation and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to Plan in excess of £1.9bn over the three years. The impacts of the severe downside adjustments have been reviewed against the Partnership's projected cash position and financial covenants over the three-year viability period. Should these occur, mitigating actions would be required to ensure that the Partnership remains liquid and financially viable.

Mitigating actions

In response, the Directors have identified £2.7bn of mitigations (£1.9bn available within the first two years up to January 2024, and a further £0.8bn available in the third year 2024/25), all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom, the majority of which would only be triggered in the event of the severe downside scenario materialising. These actions were identified as part of the Group's contingency planning which considered both feasibility and time frames to execute. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend. These mitigations are all within the control of the Group and exclude those mitigations which place some reliance on the external market (such as asset sales).

Internal mitigations alone would be sufficient to absorb the effects of the severe downside scenario. Additional liquidity could be sourced from the external market assuming sufficient appetite existed, e.g. asset disposal or sale and leaseback of property. Continuous monitoring of the Group's liquidity position enables management to proactively apply these mitigations as required.

Viability assessment

This assessment is based on the Directors' best view of the severe but plausible downside scenario that the Group might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example accessing the value of our asset base to support liquidity.

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Having reviewed current performance, forecasts and risks, the Directors have a reasonable expectation that the Group:

- Has adequate resources to continue in operation;
- Can meet its liabilities as they fall due;
- Can retain sufficient available cash across all three years of the assessment period;
- Will not breach any financial covenants attached to its financial debt (bonds, term loans and bank facilities).

The Directors therefore have a reasonable expectation that the Group will remain commercially viable over the three-year period of assessment. An overview of the process undertaken to reach this conclusion was provided to, and reviewed by, the Audit and Risk Committee (see page 57 of the Partnership's Annual Report and Accounts).

Variable	Downside scenario			Partnership principal risks									
	22/23 Yr 1	23/24 Yr 2	24/25 Yr 3	1	2	3	4	5	6	7	8	9	10
Sales underperformance	(2.4)% vs budget	*(2.4)% vs Plan	*(2.4)% vs Plan	x	x	x	x		x	x	x		x
Gross margin rate including inflation	(218)bps vs budget	*(213)bps vs Plan	*(208)bps vs Plan	x	x	x	x		x	x	x		x
Cost of shift in JL channel mix	£(9)m	-	-	x		x							
Inflationary impact on operating costs	£(31)m	-	-	x		x							
Missed project delivery	£(114)m	-	-		x	x	x		x	x	x		
Cost savings under delivery	£(82)m	-	-			x	x		x		x		
GNFR under delivery	£(25)m	-	-			x	x		x		x		
One-off IT data breach	£(50)m	-	-					x					
One-off regulatory non-compliance risk	£(25)m	£(25)m	-									x	x
Decrease in pension scheme assets	£(225)m	-	-			x							
Additional impairment	£(50)m	-	-	x									

*cumulative based on Partnership Plan

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Becoming a more inclusive business

We are committed to creating a feeling of belonging in a Partnership where we can all be ourselves without fear or judgement, no matter our background, identity or circumstances.

Further information on diversity and inclusion in the Partnership can be found on pages 68 to 69 in the Partnership's Annual Report and Accounts and in the Partnership's Inclusion Report, both of which are available at www.johnlewispartnership.co.uk.



Sharon White
Director, John Lewis PLC
27 April 2022

JOHN LEWIS PLC

Directors' report for the year ended 29 January 2022

The Directors present their report and the audited consolidated financial statements for the year ended 29 January 2022.

The Company has chosen, as permitted under section 414C(11) of the Companies Act 2006, to include certain matters in its Strategic report that would otherwise be required to be disclosed in the Directors' report as the Board considers them to be of strategic importance. Specifically, these are:

- Risk management - pages 11 to 17;
- Future business developments - page 18;
- Becoming a more inclusive business - page 22.

Section 172(1)

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statements on engagement with, and having due regard to, the interests of employees and key stakeholders are contained within the Section 172(1) report in the Strategic report (pages 8 to 10).

Principal activities

John Lewis PLC is incorporated and registered in England and Wales. The principal activity of John Lewis PLC is retailing, with the main trading operations being the Waitrose and John Lewis brands: John Lewis operates in a number of different formats including 34 John Lewis stores, online (johnlewis.com), financial services, in-home services, and sourcing offices in Gurgaon, India and Kwun Tong, Hong Kong; Waitrose operates 332 supermarkets and convenience shops, including shops which operate under licence in the Middle East, online (waitrose.com and specialist sites for wine, pet supplies, plants and flowers), cookery schools and the Leckford Estate (the Waitrose Farm). There are also business to business contracts in the UK and abroad and ancillary manufacturing activities. The Company's subsidiaries and related undertakings are listed in note 29.

Directors and Company Secretary

The Directors and Company Secretary of the Company, who held office during the year, and up to the date of signing the financial statements unless otherwise stated, were as follows:

Sharon White

Bérangère Michel

Peter Simpson (Company Secretary - resigned 7 June 2021)

Simon Blackburn (Company Secretary - appointed 7 June 2021, resigned 1 November 2021)

Jane Cheong Tung Sing (Company Secretary - appointed 1 November 2021)

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Corporate governance statement

John Lewis PLC, as the principal trading subsidiary of John Lewis Partnership plc, falls within the governance auspices of the Partnership. The Directors of John Lewis PLC are members of the Partnership's Executive Team and are the Executive Directors on the Partnership Board. The Company Secretary of John Lewis Partnership plc is the Company Secretary of John Lewis PLC.

John Lewis PLC's corporate governance arrangements are provided by the Partnership Board and its Committees. These arrangements are explained in the Governance section on pages 45 to 85 of the Partnership's Annual Report and Accounts. As stated in the Partnership's Annual Report and Accounts, the Group does not report against any formal corporate governance code, because it is governed by its own Constitution. The Constitution and the governance structures are broadly consistent with the Wates Principles. The Constitution sets out the Partnership's Purpose and values, and the Governance section of the Partnership's Annual Report and Accounts sets out how the Group's governing authorities are structured and monitor alignment of policy and behaviour with the Company's Purpose.

The management functions are responsible for preparing the consolidated financial statements for John Lewis PLC and its Internal Audit and Risk management functions are provided by the Partnership. The John Lewis Partnership plc Audit and Risk Committee, (the Committee), which has at least one independent member and at least one member has competence in accounting, assists the Partnership Board in fulfilling its responsibility by reviewing and monitoring (i) the integrity of the Partnership's financial and narrative statements, other formal announcements relating to the Partnership's financial performance, and reviewing significant financial reporting judgements contained in them (ii) the effectiveness of the Partnership's system of internal controls and risk management; (iii) the effectiveness of the Partnership's auditor and the internal and external audit process; and (iv) the effectiveness of the Partnership's processes for compliance with laws and regulations, including systems and controls for the detection of fraud. Its composition and the Committee's activities in these areas are detailed in the Partnership's Audit and Risk Committee report on pages 53 to 63 of the Partnership's Annual Report and Accounts.

KPMG LLP was the Group's external auditor for 2021/22. They provided the Committee with relevant reports, reviews, information and advice throughout the year, as set out in their engagement letter. The Committee is responsible for making a recommendation to the Partnership Board relating to the appointment, re-appointment or removal of the external auditor.

The Group has a risk management framework, including a process for how we identify, evaluate, manage and monitor the principal risks faced by the Group, supported by tools, dedicated Partners and a risk governance structure with defined accountability. The principal risks and uncertainties and mitigations for those risks for John Lewis PLC are explained on pages 11 to 17 of the Strategic report. These risks are reviewed and monitored by the Partnership's Audit and Risk Committee. The work undertaken by the Partnership's Audit and Risk Committee during the year to review these risks is detailed in the Committee's Report on pages 53 to 63 of the Partnership's Annual Report and Accounts.

The Partnership Board receives updates through the Chair of the Committee and copies of its minutes on the operation of the systems of internal control for risk management. Reporting during the year was through presentations from senior management and financial control as well as the work of Internal Audit, which provides objective assurance on the effectiveness of controls through the delivery of a risk-based work plan. The Director of Internal Audit and Risk reports functionally to the Chair of the Committee and operationally to the Executive Director, Finance.

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Employees

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

The Partnership has in place a structure for sharing power amongst the Partnership Council (which reflects Partner opinion), the Partnership Board and the Chairman. The Council's democratic network of elected councils, committees and forums enables Partners of all levels and experience to participate in decision making, challenge management on performance and have a say in how the business is run. There are further formal ways in which democratic vitality is encouraged: through Councillors and Forum representatives; open journalism through the Gazette; through the work of the Democratic Vitality Team itself which seeks to gather and promote the communication of Partner opinion; and through the Independent Directors. Partners may receive an annual Partnership Bonus from the profits of the business if approved by the Partnership Board in any given year. This is a shared bonus for shared effort.

The Group is committed to promoting equal opportunities in employment for existing Partners and for prospective Partners throughout the recruitment process. All Partners and job applicants will receive equal treatment regardless of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. These are known as 'Protected Characteristics'.

The Group has a Diversity and Inclusion Plan, and the Inclusion Report sets out the steps to create inclusion.

The Group recruits people with disabilities to suitable vacancies on merit. We offer tailored support through the recruitment process for applicants who declare their disability. We know adjustments are of the utmost importance for our Partners with disabilities, be they physical or cognitive, and arrange reasonable adjustments required at an individual level to ensure our disabled applicants and Partners are supported.

The Group is aiming to be the UK's most inclusive business. For further information, see the John Lewis Partnership plc Annual Report at pages 14 to 15 and the Partnership's Inclusion Report which can be viewed at www.johnlewispartnership.co.uk.

Conflicts of interest

The John Lewis PLC Board maintains procedures that allow for the review of potential conflicts of interest. All Directors are required to declare pertinent interests and absent themselves from any discussion that might give rise to a conflict of interest. A register of interests is maintained by the Company Secretary and reconfirmed every six months.

During the year no Director declared a material interest in any contract of significance with the Group or any of its subsidiary undertakings, other than any third party indemnity between each Director and the Company.

Directors' and Officers' liability insurance and indemnities

The Directors and key managers (Officers) of the Company are beneficiaries of Directors' and Officers' liability insurance providing cover for claims made, subject to certain limitations and exclusions, which is purchased and maintained throughout the year by the Group. The Group also provides an indemnity for the benefit of the Trustees of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee.

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Directors' responsibilities

The statement of Directors' responsibilities in relation to the Strategic report, Directors' report and financial statements is set out on page 106.

Directors' interests

Under the Constitution of the Partnership all the Directors, as employees of John Lewis PLC, are interested in the 612,000 deferred ordinary shares in John Lewis Partnership plc, which are held in trust for the benefit of employees of John Lewis PLC and of certain other Group companies. No Director has or had a material interest in any contract or arrangement to which the Company is or was a party.

Capital structure

At 29 January 2022, the Company had in issue 6.75m ordinary shares of £1 each. Each ordinary share carries the right to one vote at a general meeting of the Company. The ordinary shares are wholly owned by John Lewis Partnership plc.

Listing on the London Stock Exchange (LSE)

John Lewis PLC is a Standard Listed company in respect of two corporate bonds listed on the LSE. The Company has no securities carrying voting rights admitted to trading on a regulated market.

Dividends

The Directors do not recommend the payment of a dividend on the ordinary shares (2021: £nil).

Use of financial instruments

The notes to the financial statements, including note 7 from pages 81 to 86, include further information on our use of financial instruments.

Going concern

The Directors, after reviewing the Group's operating budgets, investment plans and financing arrangements, consider that the Company and Group have sufficient financing available at the date of approval of this report. Accordingly, the Directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements. Refer to pages 33 and 34 for further detail.

A full description of the Group's business activities, financial position, cash flows, liquidity position, committed facilities and borrowing position, together with the factors likely to affect its future development and performance, is set out in the Strategic report on pages 3 to 22.

Political donations

It is not the Group's policy to make donations to political groups. No political donations were made in respect of the year under review (2021: £nil).

Ethics and sustainability

More information on the progress we are making on our ethics and sustainability aims is available in the John Lewis Partnership 2021/22 Ethics and Sustainability Progress Report. To read this and to read our latest Modern Slavery Statement, please visit www.johnlewispartnership.co.uk/csr.

Annual General Meeting

The Annual General Meeting will be held and conducted in accordance with the Companies Act and the Company's Articles of Association on Wednesday 15 June at 9.55am at the Waitrose Conference Centre, Willoughby Road, Bracknell, RG12 8FD.

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Events after the balance sheet date

Since 29 January 2022, there have been two subsequent events which require disclosure in the financial statements. See note 8.3 for further information.

Auditor and disclosure of information to auditor

The auditor, KPMG LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed to the Annual General Meeting, together with a resolution to authorise the Directors to determine the auditor's remuneration.

The Directors have taken all reasonable steps to make themselves aware of any information needed by the Group's auditor in connection with preparing their report and to establish that the auditor is aware of that information. As far as the Directors are aware, there is no such information of which the Group's auditor is unaware.

Approved by the Directors and signed on behalf of the Board.



Jane Cheong Tung Sing

Company Secretary
27 April 2022

CONSOLIDATED INCOME STATEMENT for the year ended 29 January 2022*Our revenue minus our incurred expenses showing the Group's overall profit for the year*

Notes		2022	2021 ¹
		£m	£m
2.1, 2.2	Revenue	10,837.5	10,771.8
	Cost of sales	(7,359.4)	(7,408.6)
	Gross profit	3,478.1	3,363.2
2.3	Other operating income	108.1	102.4
	Operating and administrative expenses	(3,469.5)	(3,827.6)
	of which:		
2.5	Exceptional items (net)	(160.8)	(648.0)
	Partnership Bonus	(46.4)	-
3.3	Share of profit of joint venture (net of tax)	1.0	0.9
2.1	Operating profit/(loss)	117.7	(361.1)
5.1	Finance costs	(155.2)	(168.6)
5.1	Finance income	10.3	11.3
2.6	Loss before tax	(27.2)	(518.4)
2.9	Taxation	(41.1)	65.4
	Loss for the year	(68.3)	(453.0)
2.1	Profit before Partnership Bonus, tax and exceptional items	180.0	129.6

¹ 53-week year

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 29 January 2022

Profit as shown in the income statement plus other income and expenses not yet realised, giving total comprehensive income for the year

Notes	2022 £m	2021 £m
Loss for the year	(68.3)	(453.0)
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
6.1 Remeasurement of defined benefit pension scheme	1,116.9	(237.4)
2.9 Movement in deferred tax on pension scheme	(241.2)	53.6
2.9 Movement in current tax on pension scheme	1.9	1.6
Items that may be reclassified subsequently to profit or loss:		
Fair value loss on cash flow hedges	(2.1)	(5.6)
Cash flow hedge gain reclassified and reported in the consolidated income statement	(1.0)	
2.9 Movement in deferred tax on cash flow hedges	(3.5)	0.3
Other comprehensive income/(expense) for the year	871.0	(187.5)
Total comprehensive income/(expense) for the year	802.7	(640.5)

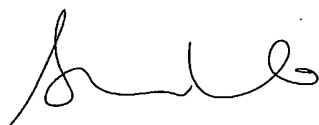
The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET as at 29 January 2022*A financial snapshot of the Group, showing our assets and how they are financed*

Notes		2022 £m	2021 £m
	Non-current assets		
3.1	Intangible assets	446.0	467.9
3.2	Property, plant and equipment	2,927.4	2,983.5
3.2	Right-of-use assets	1,473.3	1,540.2
4.2	Trade and other receivables	15.8	18.0
7.2	Derivative financial instruments	1.7	0.1
3.3	Investment in and loans to joint venture	4.4	3.4
2.9	Deferred tax asset	0.5	103.4
6.1	Retirement benefit surplus	492.8	-
		5,361.9	5,116.5
	Current assets		
4.1	Inventories	655.7	643.9
4.2	Trade and other receivables	331.7	250.8
	Current tax receivable	-	9.0
7.2	Derivative financial instruments	6.0	7.2
3.4	Assets held for sale	-	10.6
5.3	Short-term investments	95.3	0.3
5.4	Cash and cash equivalents	1,415.4	1,518.2
		2,504.1	2,440.0
	Total assets	7,866.0	7,556.5
	Current liabilities		
5.5	Borrowings and overdrafts	(150.0)	(75.0)
4.3	Trade and other payables	(1,806.9)	(1,654.7)
	Current tax payable	(0.5)	-
5.2, 5.6	Lease liabilities	(156.6)	(127.3)
4.4	Provisions	(140.8)	(193.6)
7.2	Derivative financial instruments	(8.4)	(20.9)
		(2,263.2)	(2,071.5)
	Non-current liabilities		
5.5	Borrowings	(641.6)	(795.4)
4.3	Trade and other payables	(30.0)	(45.0)
5.2, 5.6	Lease liabilities	(1,831.7)	(1,910.0)
4.4	Provisions	(161.2)	(162.4)
7.2	Derivative financial instruments	(0.8)	(2.7)
6.1	Retirement benefit obligations	(19.3)	(646.9)
2.9	Deferred tax liability	(177.5)	(5.2)
		(2,862.1)	(3,567.6)
	Total liabilities	(5,125.3)	(5,639.1)
	Net assets	2,740.7	1,917.4
	Equity		
8.1	Share capital	6.7	6.7
	Share premium	0.3	0.3
	Other reserves	1.3	(12.7)
	Retained earnings	2,732.4	1,923.1
	Total equity	2,740.7	1,917.4

The accompanying notes are an integral part of the financial statements.

The financial statements on pages 28 to 88 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis PLC.




Registered number 00233462
Sharon White and Bérangère Michel
Directors, John Lewis PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 29 January 2022

A reconciliation between the beginning and the end of the year which discloses profit or loss, items of comprehensive income/(expense) and any changes in ownership interests

Notes	Share capital £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total equity £m
Balance at 25 January 2020	6.7	0.3	1.4	(14.6)	0.4	2,558.3	2,552.5
Loss for the year						(453.0)	(453.0)
6.1 Remeasurement of defined benefit pension scheme						(237.4)	(237.4)
Fair value loss on cash flow hedges				(5.6)			(5.6)
2.9 Tax on above items recognised in equity				0.3		55.2	55.5
Total comprehensive expense for the year	-	-	-	(5.3)	-	(635.2)	(640.5)
Hedging losses transferred to cost of inventory				5.4			5.4
Balance at 30 January 2021	6.7	0.3	1.4	(14.5)	0.4	1,923.1	1,917.4
Loss for the year	-	-	-	-	-	(68.3)	(68.3)
6.1 Remeasurement of defined benefit pension scheme	-	-	-	-	-	1,116.9	1,116.9
Fair value loss on cash flow hedges	-	-	-	(2.1)	-	-	(2.1)
Cash flow hedge gain reclassified and reported in the consolidated income statement	-	-	-	(1.0)	-	-	(1.0)
2.9 Tax on above items recognised in equity	-	-	-	(3.5)	-	(239.3)	(242.8)
Total comprehensive expense for the year	-	-	-	(6.6)	-	809.3	802.7
Hedging losses transferred to cost of inventory	-	-	-	20.6	-	-	20.6
Balance at 29 January 2022	6.7	0.3	1.4	(0.5)	0.4	2,732.4	2,740.7

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 29 January 2022

The Group's cash inflows and outflows analysed by various key activities

Notes	2022 £m	2021 ¹ £m
2.7 Cash generated from operations before Partnership Bonus	668.7	820.0
Net taxation received/(paid)	2.1	(16.0)
Pension deficit reduction payments	(10.0)	(7.5)
Finance costs paid	(105.5)	(114.7)
Net cash generated from operating activities before Partnership Bonus	555.3	681.8
Partnership Bonus paid	-	(31.4)
Net cash generated from operating activities after Partnership Bonus	555.3	650.4
Cash flows from investing activities		
Purchase of property, plant and equipment	(205.7)	(122.5)
Purchase of intangible assets	(109.1)	(99.1)
Proceeds from sale of property, plant and equipment and intangible assets	11.0	142.2
Finance income received	0.9	4.0
5.2 Cash (outflow)/inflow from short-term investments	(95.0)	316.1
Net cash (used in)/generated from investing activities	(397.9)	240.7
Cash flows from financing activities		
Finance costs paid in respect of bonds	(31.1)	(31.1)
Finance costs paid in respect of financial instruments	1.0	-
Payment of capital element of leases	(155.1)	(90.1)
Cash (outflow)/inflow from borrowings	(75.0)	150.0
Net cash (used in)/generated from financing activities	(260.2)	28.8
(Decrease)/increase in net cash and cash equivalents	(102.8)	919.9
5.2 Net cash and cash equivalents at beginning of the year	1,518.2	598.3
Net cash and cash equivalents at end of the year	1,415.4	1,518.2
5.4 Net cash and cash equivalents comprise:		
Cash at bank and in hand	162.5	178.2
Short-term deposits	1,252.9	1,340.0
	1,415.4	1,518.2

¹ 53-week year

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

I ACCOUNTING INFORMATION

I.1 ACCOUNTING PRINCIPLES AND POLICIES

PURPOSE

We prepare our financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006, and in compliance with UK-adopted international accounting standards (UK-adopted IFRS). We have set out our significant accounting policies in these notes. These have been applied in the current reporting period and apply to the financial statements as a whole. All of the Group's accounting policies are set in line with the requirements of IFRS. Changes to significant accounting policies are described in note 1.1.4.

1.1.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention, with the exception of certain land and buildings which are included at their deemed cost amounts, and financial assets and financial liabilities (including derivative financial instruments) which are valued at fair value through profit or loss. These consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IFRS).

The preparation of consolidated financial statements in conformity with UK-adopted IFRS requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The critical accounting estimates and key judgements made by management are disclosed in section 1.1.6.

The financial year is the 52 weeks ended 29 January 2022 (prior year: 53 weeks ended 30 January 2021).

Going concern

In determining the appropriate basis of preparation of the financial statements for the period ended 29 January 2022, the Directors are required to consider whether the Group can continue in operational existence for a period of at least 12 months from the approval of these financial statements. The Board has concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the trading position of the Group, for the reasons set out below.

2021/22 has seen the Group make a good start to the five year Partnership plan launched in October 2020 which is self-financed and targets profits of c£400m a year by year five of the plan. The Group is ahead of expectations for year one of the plan as demonstrated by the decision taken to pay a Partnership bonus and the voluntary Real Living Wage a year earlier than was originally planned. As at 29 January 2022, the Group had total assets less current liabilities of £5.6bn and net assets of £2.7bn. Liquidity as at that date remains strong at £1.9bn, made up of cash and cash equivalents, short-term investments and undrawn committed credit facilities of £0.4bn.

The Directors have modelled a severe downside scenario to cover the going concern assessment period, being for the 12 month period ending April 2023. In addition, the Directors have modelled a further period to January 2024 in order to ensure that the entire trading year is considered as this aligns with our bond and loan covenants. For the purposes of the going concern assessment, it is assumed that all Group borrowings are repaid at their maturity date and that no further refinancing or funding is undertaken. The severe downside case represents an increasingly severe but plausible scenario. It assumes that the inflationary pressures currently seen in the economy continue to grow but assumes no further lockdown due to Covid-19.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.1 BASIS OF PREPARATION (CONTINUED)

In this severe downside scenario, Waitrose and John Lewis remain operational both in store and online, albeit with sales and margin pulled back from current trading levels due to a UK economic recession throughout the assessment period resulting in a reduction in sales, as well as a reduction in margin across both brands and a number of one-off events, e.g. a regulatory and data security breach, higher impairment charge, a decrease in pension scheme assets and under-delivery of key activities of the Partnership Plan. The impact of the severe downside adjustments has been reviewed against the Partnership's projected cash position and financial covenants. Should these occur, mitigating actions would be required to ensure that the Partnership remains liquid and financially viable.

The severe downside model has a significant adverse impact on sales, margin, costs and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Partnership's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the severe downside scenario materialising. Mitigating actions include, but are not limited to, reducing capital and investment expenditure through postponing or pausing projects and change activity; deferring or cancelling discretionary spend (including discretionary Partner benefits); and reducing marketing spend.

The Group has a syndicated credit facility of £420m in total maturing in 2026. It replaces a previous syndicated credit facility of £450m and also a previous bilateral credit facility of £50m, both of which have been terminated by the Group. The credit facility is at present undrawn. The Group's committed facility contains one financial performance covenant, which is a profit based covenant ('Fixed Charge Cover'). The severe downside scenario modelled indicates that without mitigating actions a number of the Partnership's covenants relating to the bonds, term loans and undrawn committed credit facilities would breach at the next balance sheet date due to the reduction in profits and net assets modelled. However, whilst the scenario indicates breaches, the same scenario indicates that post mitigating actions, the cash low point under such a scenario would be £817m, under which our covenants would not breach, the bonds would not be required to be repaid early and the committed credit facilities would remain undrawn. The Group would prefer to retain the option to utilise its facilities, therefore, covenant compliance will continue to be monitored closely and, if deemed necessary, the Group will seek a covenant relaxation from its bank group, or take other actions to replace the level of liquidity support provided by these facilities.

The severe downside detailed above is deemed by the Directors to provide a severe but plausible stress test on our ability to adopt the going concern basis. This includes a significant reduction in 2022/23 performance and reduced trading performance across both brands, resulting in a pre-mitigation cash reduction to forecast. We have made our assessment based on our best view of the severe but plausible downside scenario that we might face. If outcomes are unexpectedly significantly worse, the Directors would need to consider what additional mitigating actions were needed, for example, accessing the value of our asset base to support liquidity.

Consequently, the Directors have concluded that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Annual Report and Accounts and therefore have prepared the financial statements on a going concern basis.

1.1.2 BASIS OF CONSOLIDATION

The Group's consolidated financial statements incorporate the results for the Company and all entities controlled by the Company including its subsidiaries and the Group's share of its interest in joint ventures made up to the year end date.

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS

Subsidiary undertakings are all entities over which the Group has control. Control exists when the Group has the power to direct the relevant activities of an entity so as to affect the return on investment. Joint ventures are investments for which the Group shares joint control with a third party. All intercompany balances, transactions and unrealised gains are eliminated upon consolidation.

Notes to the consolidated financial statements (continued)

1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)

1.1.3 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 29 January 2022. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London, SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

Company name	Company number
Herbert Parkinson Limited	00318082
JLP Scotland Limited ¹	SC370158
John Lewis Car Finance Limited	04328890
John Lewis International Limited	07501166
John Lewis Partnership Pensions Trust	00372106
John Lewis PT Holdings Limited	07106855

¹ Registered office is John Lewis & Partners Edinburgh, 60 Leith Street, Edinburgh EH1 3SP

The following UK subsidiaries will take advantage of the exemption from preparing and filing individual accounts as set out within section 394A(1) and 448A of the Companies Act 2006 for the year ended 29 January 2022. Unless otherwise stated, the undertakings listed below are registered at 171 Victoria Street, London, SW1E 5NN, United Kingdom, and all have a single class of ordinary share with a nominal value of £1.

Company name	Company number
Buy.Com Limited	03709785
Jonelle Jewellery Limited	00223203
Jonelle Limited ¹	00240604
Peter Jones Limited	00285318
The Odney Estate Limited	02828420

¹ Jonelle Limited has three classes of shares, each with a nominal value of £1.

As required, John Lewis PLC, the principal trading subsidiary of the Group, guarantees all outstanding liabilities to which the subsidiary companies listed in the tables above are subject at the end of the financial year, until they are satisfied in full. This is in accordance with Section 479C of the Companies Act 2006. The guarantee is enforceable against John Lewis PLC as the parent undertaking, by any person to whom the subsidiary companies listed above are liable in respect of those liabilities.

1.1.4 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the period beginning 31 January 2021. They were adopted by the Group for the year ended 29 January 2022 and have not had a significant impact on the Group's consolidated results, financial position or disclosures:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (applicable for the period beginning 31 January 2021).

The Group is assessing the impact of the following new and amended standards, which have been issued and are awaiting endorsement by the UK Endorsement Board:

- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (applicable for the period beginning 30 January 2022);
- Amendments to IFRS 3: Business Combinations (applicable for the period beginning 30 January 2022);
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (applicable for the period beginning 30 January 2022);
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current and the disclosure of accounting policies (applicable for the period beginning 29 January 2023);
- IFRS 17 Insurance Contracts (applicable for the period beginning 29 January 2023);
- Amendments to IFRS 17 Insurance Contracts (applicable for the period beginning 29 January 2023).

Notes to the consolidated financial statements (continued)
1.1 ACCOUNTING PRINCIPLES AND POLICIES (CONTINUED)
1.1.5 SIGNIFICANT ACCOUNTING POLICIES

Where significant accounting policies are specific to a particular note, they are described within that note. Other significant accounting policies are included below.

Financial instruments

The Group uses derivative financial instruments to manage its exposure to fluctuations in financial markets, including foreign exchange rates, interest rates and certain commodity prices. Derivative financial instruments used by the Group include forward currency and commodity forward contracts and interest rate swaps.

Derivative financial instruments are initially 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. Subsequent to initial recognition, unless designated as hedging instruments, derivatives are measured at fair value and any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting has been adopted for derivative financial instruments where possible. At the inception of designated hedging relationships, the risk management objective and strategy for undertaking the hedge is documented. Additionally, the Group documents the economic relationship between the item being hedged and the hedging instrument, and a qualitative and forward-looking approach is taken to assess whether the hedge will be effective on an ongoing basis. At the end of each financial reporting period, for each derivative financial instrument, prospective testing is performed to ensure that the economic relationship remains; the impact of credit risk on changes in values is reviewed; and the hedging ratio is reassessed.

Hedge accounting is discontinued when the hedging instrument matures, is terminated or exercised, the designation is revoked or it no longer qualifies for hedge accounting.

A cash flow hedge is a hedge of the exposure to variability of cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction. The effective portion of changes in the intrinsic fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. All other changes in fair value are recognised immediately in the income statement within other gains or losses. When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. For all other hedged forecast transactions, amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. Derivative financial instruments qualifying for cash flow hedge accounting are principally forward currency contracts.

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset or liability. Derivative financial instruments qualifying for fair value hedge accounting are principally interest rate swaps.

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

	Note	Measurement
Financial assets:		
Trade receivables	4.2	Amortised cost
Other receivables	4.2	Amortised cost
Derivative financial instruments	7.2	Fair value through profit and loss or OCI ¹
Short-term investments	5.3	Amortised cost
Cash and cash equivalents	5.4	Amortised cost

Financial liabilities:		
Borrowings and overdrafts	5.5	Amortised cost
Trade payables	4.3	Amortised cost
Other payables	4.3	Amortised cost
Accruals	4.3	Amortised cost
Partnership Bonus	4.3	Amortised cost
Lease liabilities	5.2, 5.6	Amortised cost
Derivative financial instruments	7.2	Fair value through profit and loss or OCI ¹

¹ Cash flow hedges designated as being in a hedged relationship upon initial recognition are measured at fair value with the effective portion of any changes in the intrinsic value recognised in equity.

Offsetting

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

Foreign currencies

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

Government grants

The Group accounts for government grants on an accruals basis and has elected to present receipts relating to government grants as a deduction in reporting the related expense. During the year ended 29 January 2022, the Group has recognised no grant income receipts from the UK Government's Coronavirus Job Retention Scheme (2021: £54.8m).

1.1.6 KEY JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other relevant factors, including management's reasonable expectations of future events.

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

Areas of key risk	Note	Critical accounting estimates and key judgements
Exceptional items	2.5	Key judgements
Impairment	3.1, 3.2	Critical accounting estimates
Provisions and liabilities	4.3, 4.4	Critical accounting estimates
Retirement benefits	6.1	Critical accounting estimates

Notes to the consolidated financial statements (continued)

1.2 NON-GAAP MEASURES

PURPOSE

Our financial statements disclose financial measures which are required under UK-adopted IFRS. We also report additional financial measures that we believe enhance the relevance and usefulness of the financial statements. These are important for understanding underlying business performance, and they are described as non-GAAP measures. In this note, we have explained what the primary non-GAAP financial measures are and why we use them. For definitions, and where applicable, reconciliations, of other non-GAAP measures, please see the glossary on pages 179 to 185 of the Partnership's Annual Report and Accounts.

1.2.1 TOTAL TRADING SALES

Total trading sales represents the full customer sales value including VAT as reported weekly to the Group's Executive Team, before adjustments for sale or return sales and other accounting adjustments. This measure shows the headline sales trend.

1.2.2 TRADING OPERATING PROFIT

Trading operating profit (TOP) is based on operating profit, but excludes centrally managed costs. These centrally managed costs are outside of the direct influence and control of the brands and are reviewed and managed by the Executive Team at a Group level in aggregate. TOP is used to assess the performance of the John Lewis and Waitrose brands and determine the allocation of resources to those segments.

1.2.3 CENTRALLY MANAGED COSTS

Centrally managed costs include all Group fixed property costs, head office costs, change-related costs, revenue expenditure and one-off adjusting items. One-off adjusting items are those that do not meet the Group's definition of 'exceptional items', because they are considered to be relevant to the principal activities of the business. However, these are removed from the trading operating profit of each brand, as they are non-recurring in a business-as-usual scenario. This allows management to better assess the underlying performance.

1.2.4 EXCEPTIONAL ITEMS

The separate reporting of exceptional items helps to provide an indication of the Group's underlying business performance. Exceptional items relate to certain costs or incomes that individually or collectively, are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, each of the following:

- Whether the item is outside of the principal activities of the business;
- The specific circumstances which have led to the item arising;
- The likelihood of recurrence.

1.2.5 PROFIT BEFORE PARTNERSHIP BONUS, TAX AND EXCEPTIONAL ITEMS (PBTBE)

Profit before Partnership Bonus, tax and exceptional items is presented at the foot of the consolidated income statement. This measure is important as it allows for a comparison of the Group's underlying profitability, and is a core measure of performance for Partners.

1.2.6 NET DEBT

Net debt incorporates the Group's consolidated borrowings, bank overdrafts, fair value of derivative financial instruments and lease liabilities, less cash and cash equivalents, short-term investments and unamortised bond transaction costs. This measure indicates the Group's debt position, excluding any pension deficit/surplus.

Notes to the consolidated financial statements (continued)

2 GROUP PERFORMANCE

2.1 SEGMENTAL REPORTING

PURPOSE

During the year we analysed our performance between our two reporting segments, Waitrose and John Lewis. This analysis is consistent with how our Executive Team reviewed performance throughout the year.

ACCOUNTING POLICIES

Segmental reporting: The Group's reporting segments are determined based on business activities for which operating results are reviewed by the chief operating decision-maker (CODM). The Group's CODM is the Executive Team and the reporting segments reflect the management structure of the Group.

Partnership Bonus: The Partnership Bonus is announced and paid to Partners each March and is determined in relation to the performance for the previous financial year. The Partnership Bonus is recorded in the year it relates to rather than the year it was declared because there is a constructive obligation to pay a Partnership Bonus and the amount can be reliably estimated once the results for the year are known.

IFRS 8 Operating Segments requires operating segments to be identified based on the way in which the Group's internal financial reporting is organised and regularly reviewed by the CODM to allocate resources and to assess the performance of the different operating segments. The Group's reporting segments are determined based on the business activities of its brands (John Lewis and Waitrose) for which operating results are reviewed by the CODM which is the Executive Team.

The Executive Team reviews the operating performance for each brand (John Lewis and Waitrose) in the Group, including non-GAAP measures known as Total trading sales and Trading operating profit (TOP) (see note 1.2).

	John Lewis £m	Waitrose £m	Total £m
2022			
Total trading sales	4,925.6	7,535.9	12,461.5
Value added tax	(797.5)	(439.6)	(1,237.1)
Sale or return and other accounting adjustments	(274.2)	(112.7)	(386.9)
Revenue	3,853.9	6,983.6	10,837.5
Trading operating profit¹	757.7	1,019.6	1,777.3
Other operating and administrative expenses			(1,659.6)
of which:			
Exceptional items (net)			(160.8)
Partnership Bonus			(46.4)
Operating profit²			117.7
Finance costs			(155.2)
Finance income			10.3
Loss before tax			(27.2)
Taxation			(41.1)
Loss for the year			(68.3)
Profit before Partnership Bonus, tax and exceptional items			180.0

¹ Included in trading operating profit is other operating income of which £101.2m (split between operating segments: £30.8m Waitrose and £70.4m John Lewis) represents further income from external customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

² Included within operating profit is a £1.0m share of profit of a joint venture in John Lewis. See note 3.3.

Notes to the consolidated financial statements (continued)
2.1 SEGMENTAL REPORTING (CONTINUED)

2021	John Lewis £m	Waitrose £m	Total £m
Total trading sales	4,721.9	7,595.2	12,317.1
Value added tax	(766.9)	(438.9)	(1,205.8)
Sale or return and other accounting adjustments	(227.1)	(112.4)	(339.5)
Revenue	3,727.9	7,043.9	10,771.8
Trading operating profit¹	554.4	1,144.6	1,699.0
Other operating and administrative expenses			(2,060.1)
of which:			
Exceptional items (net)			(648.0)
Partnership Bonus			-
Operating profit²			(361.1)
Finance costs			(168.6)
Finance income			11.3
Loss before tax			(518.4)
Taxation			65.4
Loss for the year			(453.0)
Profit before Partnership Bonus, tax and exceptional items			129.6

¹ Included in trading operating profit is other operating income of which £95.6m (split between operating segments: £45.6m Waitrose and £50.0m John Lewis) represents further income from external customers (see note 2.3). This is reported to the CODM separately as part of other income and expenses.

² Included within operating profit is a £0.9m share of profit of a joint venture in John Lewis. See note 3.3.

Notes to the consolidated financial statements (continued)

2.2 REVENUE

PURPOSE

Revenue is generated solely from contracts with customers.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

ACCOUNTING POLICIES

Revenue: We evaluate our revenue with customers based on the five-step model under IFRS 15: Revenue from Contracts with Customers: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied. We generate the majority of our revenue from the sale of goods or from providing services to our customers.

Revenue from the sale of goods and services is recognised when the Group has satisfied its performance obligations by transferring a promised good or service to the customer. The good or service is considered to be transferred when the customer obtains control of that good, or the service is complete. Revenue in respect of 'sale or return sales' which represents concession income is stated at the value of the margin that the Group receives on the transaction. Revenue is also net of Partner discounts and VAT, adjustments for the sale of free warranties and adjustments for expected customer returns. Revenue is recognised in respect of sales under bill and hold arrangements when the buyer takes control of the asset, even if it has not physically been transferred to the customer. Revenue under bill and hold arrangements is not recognised when there is simply an intention to acquire.

Sales of gift vouchers and gift cards are treated as liabilities, and revenue is recognised when the gift vouchers or cards are redeemed against a later transaction. Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry. Certain entities 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. This is further discussed under inventory note 4.1.

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

2.2.1 DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

We analyse our revenue between goods and services. Goods are split into four major product lines: Grocery, Home, Fashion and Technology. Services currently comprise free warranties on selected goods. This presentation is consistent with how our Board and Executive Team review performance throughout the year.

	2022 £m	2021 £m
Major product lines:		
Goods		
– Grocery	6,899.7	7,040.4
– Home	1,119.8	995.5
– Fashion	1,127.9	946.6
– Technology	1,577.2	1,695.5
Services		
– Free warranty	4.7	25.9
Other revenue	108.2	67.9
	10,837.5	10,771.8

Notes to the consolidated financial statements (continued)

2.2 REVENUE (CONTINUED)

2.2.2 REVENUE RECOGNITION POLICIES

The following table provides information about the nature of the major product and service lines generating revenue.

Type of product/service	Nature and timing of satisfaction of performance obligations	Revenue recognition
Grocery	Grocery products are principally sold by Waitrose and include food, drink, household and other items. Additionally, fuel sales and food halls are shown here. Customers obtain control of grocery products when the goods are received by the customer. Customers pay at the point of sale in Waitrose shops. Where a grocery product is ordered online, it is fulfilled by a Waitrose shop and customers are charged on the day of delivery. For business to business (B2B) customers, invoices are raised and are usually payable within 30 days. Waitrose accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer and control obtained. Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.
Home	Home products are principally sold by John Lewis and include items intended for use in the home environment. Customers obtain control of home products when the goods are received by the customer. Customers pay at the point of sale in John Lewis shops. Where a home product is ordered online, it is generally fulfilled from a centralised location. For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days. John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer and control obtained. Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.
Fashion	Fashion products are principally sold by John Lewis and include clothing, jewellery and other items. This also includes 'sale or return' sales. Customers obtain control of fashion products when the goods are received by the customer. Customers pay at the point of sale in John Lewis shops. Where a fashion product is ordered online, it is generally fulfilled from a centralised location. For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days. John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	Revenue is recognised when the goods have been received by the customer and control obtained. Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.
Technology	Technology products are principally sold by John Lewis and include televisions, computers, tablets and other electrical items. Customers obtain control of Technology products when the goods are received by the customer. Customers pay at the point of sale in John Lewis shops. Where a Technology product is ordered online, it is generally fulfilled from a centralised location. For B2B customers, invoices are raised and are payable on a variety of payment terms up to 30 days. John Lewis accepts returns in accordance with a customer's statutory rights under consumer laws in the United Kingdom and has a discretionary goodwill policy. Under the	Revenue is recognised when the goods have been received by the customer. When Technology products are sold with a free warranty an element of the sales price is allocated to the performance of that service (see below). Adjustments are recorded for returns where material, based on historic trends and recent sales patterns. The right to return goods is included under inventory, note 4.1.

	goodwill policy, customers can return products within 35 days after receipt, if not entirely satisfied.	
Free warranties	The free service guarantee is provided with certain Technology products which are sold by John Lewis. Customers receive a free warranty of between two and five years on the purchase of specified Technology products. No separate payment is made for this free service guarantee. An element of the sales price of the Technology product is allocated to the free service guarantee on a cost plus margin basis. This amount is deducted from revenue and deferred on the balance sheet.	Revenue is deferred on the balance sheet and then released to the income statement over the period of the guarantee on a straight-line basis. Deferred income is shown under trade and other payables. See note 4.3.
Other revenue	Other revenue products/services are principally sold by John Lewis and includes catering, customer delivery and workrooms. Other revenue also includes non-redemption revenue relating to gift vouchers and gift cards that are never redeemed or expire unredeemed. Customers obtain control of other revenue products/services when the products/services have been rendered and the performance obligations have been met. Customers pay at the point of sale in John Lewis shops. Where other revenue products/services are ordered online, it is generally fulfilled from a centralised location.	Revenue is recognised when the products/services have been received by the customer and the performance obligations have been met. Non-redemption revenue is recognised in proportion to the pattern of rights exercised by the customer based on assumptions regarding redemption rates and time to expiry.

2.3 OTHER OPERATING INCOME

PURPOSE

Other operating income is income that does not satisfy the definition of revenue in that it does not relate to the main trading operations of the Group.

ACCOUNTING POLICIES

Other operating income includes:

Commissions, backhauling, car park income and licence fees: *Income is recognised when the Group has satisfied its performance obligation by delivering a promised service to the customer in accordance with the transaction price agreed.*

Rental income: *Rental income is recognised on a straight-line basis based on the length of the contract and when the performance obligation of the contract is satisfied.*

Other income: *Other income is recognised when the services have been rendered to the customer and performance obligations have been met.*

	2022 £m	2021 £m
Other operating income		
Commissions	77.2	70.1
Rental income	6.9	8.0
Backhauling income	7.0	6.8
Car park income	5.0	4.4
Licence fees	3.5	3.7
Other income	8.5	9.4
	108.1	102.4

Other income mainly relates to concession income and data provision for industry research. It is made up of items that individually are not material and no other material groups were considered to be shown.

Notes to the consolidated financial statements (continued)

2.4 OPERATING AND ADMINISTRATIVE EXPENSES

PURPOSE

We analyse operating expenses into shop operating expenses and administrative expenses, as well as exceptional items and Partnership Bonus. Shop operating expenses are directly associated with the sale of goods and services. Administrative expenses are those which are not directly related to the sale of goods and services.

	2022 £m	2021 £m
Operating and administrative expenses		
Shop operating expenses	(2,225.9)	(2,141.1)
Administrative expenses	(1,036.4)	(1,038.5)
Exceptional items (net)	(160.8)	(648.0)
Partnership Bonus	(46.4)	-
	(3,469.5)	(3,827.6)

In addition to the items disclosed in note 2.6, within operating and administrative expenses, we include charges such as marketing expenses, general rates and customer delivery.

2.5 EXCEPTIONAL ITEMS

PURPOSE

Exceptional items are items of income/expense that are significant by virtue of their size and nature (see note 1.2.4). We believe these exceptional items are relevant for a better understanding of our underlying business performance, and exceptional items are therefore highlighted separately on the face of the income statement. This note provides detail of the exceptional items reported in both the current and prior year.

KEY JUDGEMENTS

Exceptional items: Exceptional items are those where, in management's opinion, their separate reporting provides a better understanding of the Group's underlying business performance; and which are significant by virtue of their size and nature. In considering the nature of an item, management's assessment includes, both individually and collectively, whether the item is outside the principal activities of the business; the specific circumstances which have led to the item arising; the likelihood of recurrence; and if the item is likely to recur, whether it is unusual by virtue of its size.

No single criterion alone classifies an item as exceptional, and therefore management must exercise judgement when determining whether, on balance, presenting an item as exceptional will help users of the financial statements understand the Group's underlying business performance.

	2022 Operating (expense)/ income £m	2022 Taxation credit/ (charge) £m	2021 Operating (expense)/ income £m	2021 Taxation credit/ (charge) £m
Exceptional items				
Strategic restructuring and redundancy programmes:				
Head office reviews	11.7	(2.2)	(96.1)	18.3
Physical estate	(108.0)	2.5	(93.7)	15.6
Shop operations	(41.4)	7.9	0.6	(0.1)
	(137.7)	8.2	(189.2)	33.8
Shop impairments (Waitrose)	-	-	9.6	(1.3)
Shop impairments (John Lewis)	(23.1)	3.0	(468.1)	72.2
Pay provision	-	-	(0.3)	0.1
	(160.8)	11.2	(648.0)	104.8

Notes to the consolidated financial statements (continued)

2.5 EXCEPTIONAL ITEMS (CONTINUED)

Strategic restructuring and redundancy programmes

The Partnership Plan is a five-year plan that envisages a significant level of transformation to ensure the Group is thriving for both Partners and customers. Some of this transformation is in the form of restructuring.

The costs incurred over the life of the change programmes outlined are significant in value and, given the level of change, they are significant in nature, therefore the Group considers them exceptional items to provide a more meaningful view of the Group's underlying business performance.

Since January 2021, the Group has continued its strategic review of physical estate with the closure of a further eight John Lewis stores, a customer delivery hub and a reduction in the lease term for our Victoria head office. The Partnership also announced a major reorganisation of management structures in John Lewis and Waitrose stores, and progressed with the restructure of head office functions.

These programmes present significant deviations from normal operations for the Group, in terms of their size and nature, and are therefore presented as exceptional items. The financial impacts of these programmes are detailed below.

Head office: The transformation of head office operations has continued this year. This is part of the wider review of a number of pan Partnership functions which began at the end of 2017. Given the scale of the change, the delivery of these reviews was expected to take four years, and are now well progressed with the Head Office Transformation (HOT) programme nearing completion. This programme was announced as part of the Partnership Plan in November 2020 and builds on previous reviews to make the head office leaner and more efficient. Last financial year £(96.1)m of exceptional costs were recognised for head office reviews, £(72.6)m of which were based on management's best estimates of expected costs for redundancy and voluntary severance related to the HOT programme. The redundancy consultation period was completed in the first half of this year and the programme is now nearing completion. Redundancy and other related project costs have been lower than early estimates, resulting in a release of provisions and a net credit of £11.7m this year principally attributable to the HOT programme. The credit related to the release of these provisions has been classified as exceptional as the original charge was treated as such last financial year.

The net credit of £11.7m for Head office reviews also includes a charge of £(1.2)m driven by expenses incurred for consultancy fees and redundancies for the Tech & Change restructure, offset by releases of the provisions held for prior year redundancy programmes.

Included within operating expenses, and not separately reported as exceptional, are £(4.6)m (January 2021: £(4.0)m) of restructuring and redundancy costs which are considered by the Group to be separate from our strategic programmes and part of the underlying business performance.

Physical estate: Since 2017, we have been working on our programme of rebalancing our existing estate; this includes ensuring that the size and shape of our physical estate is delivering on both our customer proposition, and financial returns. With the launch of the Partnership Plan, and the acceleration of change we have seen in customer shopping behaviour, we have refocused on the need to ensure our stores reflect how our customers want to shop - 'right space, right place' - and as a result we anticipate these changes may now be extended to 2025/26.

We announced the closure of eight John Lewis stores in 2020. This year, we confirmed a further eight stores would be closed along with a customer distribution hub, and we negotiated a head office property exit. Accordingly, we have recognised a net exceptional charge of £(108.0)m (January 2021: £(93.7)m) in relation to our physical estate programme. The net charge includes the impairment of assets (reflecting the shortening of the useful economic life), accelerated depreciation of buildings and fixtures and fittings, and management's best estimate of closure costs including onerous leases, dilapidations, project costs and, where closure has been approved and announced, redundancy costs. The impairment charge of the recently announced store closures are included in this category.

Notes to the consolidated financial statements (continued)
2.5 EXCEPTIONAL ITEMS (CONTINUED)

Shop operations: Alongside the assessment of our physical estate, we also identified that the way in which we run and manage our shops would require adjustment. In order to improve the customer experience and efficiencies in our stores, we have made a number of changes in our shop operating models in order to deliver a more flexible, multi-skilled and productive model.

The next stage of this review was announced in July 2021, with the proposal to redesign management structures in Waitrose and John Lewis shops to be simpler and more flexible. Approximately 3,000 Partners entered into a period of consultation in July with a proposed overall reduction of around 1,000 management roles. As such, £(39.8)m of expected redundancy-related costs, as well as £(1.6)m of project costs, have been recognised as of January 2022, based on management's best estimate of future expenses. In the year to January 2021, a credit of £0.6m was recognised in exceptional items under 'shop operations' due to the release of redundancy provisions relating to the prior year.

Store impairments (Waitrose)

In 2022, there was no charge to exceptional items (2021: £9.6m credit).

Store impairments (John Lewis)

In 2022, a net impairment charge of £(23.1)m (2021: £(468.1)m charge) has been recognised. The cash flow forecasts across the John Lewis store estate at January 2022 have been updated for the latest view of future trading, allocation of online sales and the impact of the John Lewis property strategy concluded during the period.

The updated cash flow forecasts have led to a reversal of impairment charges of £63.1m and new impairment charges of £(86.2)m. The existing provisions were previously charged as exceptional. By virtue of the size of the charge, and that the circumstances which have led to the charge arising are unique and unusual, the charge has been recognised as exceptional. See note 3.2 for further detail.

2.6 LOSS BEFORE TAX

PURPOSE

Detailed below are items (charged)/credited to arrive at our loss before tax as defined by UK-adopted IFRS and required to be reported under UK-adopted IFRS.

	2022 £m	2021 £m
Staff costs (note 2.8.2)	(1,843.2)	(1,806.1)
Depreciation ¹	(387.9)	(906.1)
Amortisation of intangible assets	(129.4)	(129.7)
Net (loss)/profit on sale of property (including exceptional items)	(39.2)	11.9
Net loss on disposal of other plant and equipment and intangible assets	(2.6)	(1.9)
Net (loss)/profit on lease exit ²	(9.8)	11.1
Inventory – cost of inventory recognised as an expense	(7,359.4)	(7,408.6)
Sub-lease income:		
– land and buildings	6.0	5.2

¹ Included within depreciation is an impairment charge of £35.6m (2021: £525.7m) of which £1.9m (2021: £6.9m) is in Waitrose, £33.7m (2021: £508.6m) is in John Lewis and £nil against Group central assets (2021: £10.2m).

² Includes gain from the early termination of lease liabilities, less cost of the corresponding right-of-use asset and any termination payments or receipts.

Notes to the consolidated financial statements (continued)

2.6 LOSS BEFORE TAX (CONTINUED)

Total auditor's remuneration is included within administrative expenses, and is payable to our auditor, KPMG LLP, as analysed below:

	2022 £m	2021 £m
Auditor's remuneration		
Audit and audit-related services:		
– Audit of the parent Company and consolidated financial statements	(0.6)	(0.4)
– Audit of the Company's subsidiaries	(1.2)	(1.0)
	(1.8)	(1.4)
Non-audit services:		
– Other assurance services	(0.1)	(0.2)
	(0.1)	(0.2)
Total fees	(1.9)	(1.6)

2.7 RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS BEFORE PARTNERSHIP BONUS

PURPOSE

We have analysed how our loss before tax reconciles to the cash generated from our operating activities before Partnership Bonus. Items added back to, or deducted from, loss before tax are non-cash items that are adjusted to arrive at cash generated from operations before Partnership Bonus which is shown in the consolidated statement of cash flows.

	2022 £m	2021 £m
Loss before tax	(27.2)	(518.4)
Amortisation and write-offs of intangible assets	129.4	135.6
Depreciation ¹	387.9	906.1
Share of profit of joint venture (net of tax)	(1.0)	(0.9)
Net finance costs	144.9	157.3
Partnership Bonus	46.4	-
Fair value gains on derivative financial instruments	(1.2)	(0.3)
Loss/(profit) on disposal of property, plant and equipment and intangible assets	51.6	(21.0)
Increase in inventories	(12.9)	(30.2)
(Increase)/decrease in receivables	(70.5)	80.0
Increase in payables	77.3	41.6
Decrease in retirement benefit obligations	(3.4)	(8.2)
(Decrease)/increase in provisions	(52.6)	78.4
Cash generated from operations before Partnership Bonus	668.7	820.0

¹ Includes net impairment charges. See note 3.2.

Notes to the consolidated financial statements (continued)

2.8 PARTNERS

PURPOSE

The average number of Partners employed during the year, together with details of the area of the Group in which they work, and total employment-related costs are shown in the tables below. At the end of the year, our total number of Partners was 78,600 (2021: 80,900). This note also covers Partner benefits, including pay for senior Partners and the Board.

2.8.1 PARTNER NUMBERS

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

	2022	2021
John Lewis	21,200	23,900
Waitrose	55,800	54,300
Other	2,500	2,700
	79,500	80,900

2.8.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2022 £m	2021 £m
Staff costs:		
Wages and salaries	(1,540.2)	(1,538.3)
Social security costs	(112.6)	(114.4)
Partnership Bonus	(41.4)	-
Employers' National Insurance on Partnership Bonus	(5.0)	-
Other pension (charge)/credit (note 6.1.2)	(134.0)	(143.3)
Long leave cost	(10.0)	(10.1)
Total before Partner discounts	(1,843.2)	(1,806.1)
Partner discounts (excluded from revenue)	(105.0)	(104.1)
	(1,948.2)	(1,910.2)

2.8.3 KEY MANAGEMENT COMPENSATION

	2022 £m	2021 £m
Salaries and short-term benefits	(6.0)	(5.5)
Post-employment benefits ¹	(0.5)	(0.7)
Termination payments ²	-	(1.8)
	(6.5)	(8.0)

¹ Includes cash supplements in lieu of future pension accrual.

² Includes contractual payments and compensation for loss of office.

Key management includes the Directors of the Company and other officers of the Group. Key management compensation includes salaries, Partnership Bonus, National Insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable. Costs of key management compensation are included within operating expenses and exceptional items as applicable.

Notes to the consolidated financial statements (continued)

2.8.3 KEY MANAGEMENT COMPENSATION

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

2.8.4 DIRECTORS' EMOLUMENTS

Directors' emoluments have been summarised below. Further details of the remuneration of Directors, including of the highest paid Director, and of payments to a former Director are given on pages 70 to 75 of the Remuneration Committee Report of John Lewis Partnership plc's Annual Report and Accounts, which can be viewed at www.johnlewispartnership.co.uk

	2022 £m	2021 £m
Aggregate emoluments	(1.8)	(2.8)

2.9 TAXATION

PURPOSE

Our tax charge for the year is shown below. This includes an explanation of how each item is calculated, a reconciliation of our effective tax rate to the UK standard tax rate, and an update on any tax rate changes. We have placed further explanatory boxes within the note to explain each table.

Our Tax Strategy aligns to the Principles of our Constitution and, as a responsible leading retailer, we recognise that paying taxes arising from our activities is an important part of how our business contributes to the societies in which we operate. The Tax Strategy adopted by the Partnership Board is available on the Partnership's website. In addition, our total tax contributions are shown on page 44 of the Partnership's Annual Report and Accounts.

ACCOUNTING POLICIES

Taxation: *Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income/(expense), in which case it is recognised directly in other comprehensive income/(expense).*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred 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 enacted or substantively enacted at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled.

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.1 ANALYSIS OF TAX CHARGE FOR THE YEAR

PURPOSE

The components of our tax charge are below. The tax charge is made up of current and deferred tax. Current tax is the amount payable on the taxable income for the year, and any adjustments to tax payable in previous years. Current tax is charged through the consolidated income statement and consolidated statement of comprehensive income/(expense). Deferred tax is explained in note 2.9.3.

	2022 £m	2021 £m
Tax credited/(charged) to the income statement		
Current tax – current year	(11.1)	(5.2)
Current tax – adjustment in respect of prior years	0.5	6.1
Total current tax (charge)/credit	(10.6)	0.9
Deferred tax – current year	(14.6)	80.3
Deferred tax – rate change	(15.4)	(10.9)
Deferred tax – adjustment in respect of prior years	(0.5)	(4.9)
Total deferred tax (charge)/credit	(30.5)	64.5
	(41.1)	65.4
	2022 £m	2021 £m
Tax credited to other comprehensive income		
Current tax on pension scheme ¹	1.9	1.6
Total current tax credit	1.9	1.6
Deferred tax on pension scheme	(241.2)	53.6
Deferred tax on cash flow hedges	(3.5)	0.3
Total deferred tax credit	(244.7)	53.9
	(242.8)	55.5

¹ An additional deficit funding contribution of £10.0m has been paid by the Group during the year (2021: £7.5m) in relation to the defined benefit pension scheme, resulting in a tax credit of £1.9m (2021: £1.6m) to the statement of other comprehensive income/(expense) and a corresponding reduction in our current tax liability.

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.2 FACTORS AFFECTING TAX CHARGE FOR THE YEAR

PURPOSE

Taxable profit differs from profits as reported in the income statement because some items of income or expense may never be taxable or deductible.

The table below shows the reconciliation between the tax charge on profits at the standard UK tax rate and the actual tax charge recorded in the income statement ignoring the effects of temporary differences. The effective tax rate is the tax charge as a percentage of Partnership profit before tax.

The tax charge for the year is higher (2021: lower) than the standard corporation tax rate of 19.0% (2021: 19.0%). The differences are explained below:

	2022 £m	2021 £m
Loss before tax	(27.2)	(518.4)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	5.2	98.5
Effects of:		
Changes in tax rate	(15.4)	(10.9)
Adjustment in respect of prior years	-	1.2
Depreciation on assets not qualifying for tax relief	(12.4)	(49.0)
Difference between accounting and tax base for land and buildings	(2.4)	29.1
Differences in overseas tax rates	(0.1)	-
Sundry disallowables	(20.5)	(3.5)
Other	4.5	-
Total tax credit/(charge)	(41.1)	65.4
Effective tax rate (%)	(151.1)	12.6

2.9.3 DEFERRED TAX

PURPOSE

Deferred tax is the tax expected to be payable or recoverable in the future due to temporary differences that arise when the carrying value of assets and liabilities differ between accounting and tax treatments. Deferred tax assets represent the amounts of income taxes recoverable in the future in respect of these differences, while deferred tax liabilities represent the amounts of income taxes payable in the future in respect of these differences. Here we show the movements in deferred tax assets and liabilities during the year.

Deferred tax is calculated on temporary differences using a tax rate of 25% reflecting that the rate of Corporation Tax will increase from April 2023 to 25% for companies with profits over £250,000. The movement on the deferred tax account is shown below:

	2022 £m	2021 £m
Deferred tax		
Opening net asset/(liability)	98.2	(20.2)
(Charged)/credited to income statement	(30.5)	64.5
(Charged)/credited to other comprehensive income/(expense)	(244.7)	53.9
Closing net (liability)/asset	(177.0)	98.2

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.3 DEFERRED TAX (CONTINUED)

The movements in deferred tax assets and liabilities during the year are shown below.

Deferred tax assets/(liabilities)	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
At 25 January 2020	(79.6)	(10.7)	(37.1)	(1.0)	(128.4)
Credited/(charged) to income statement	20.4	4.1	(0.3)	-	24.2
At 30 January 2021	(59.2)	(6.6)	(37.4)	(1.0)	(104.2)
Charged to income statement	(25.8)	(4.1)	(10.8)	-	(40.7)
At 29 January 2022	(85.0)	(10.7)	(48.2)	(1.0)	(144.9)

Deferred tax assets/(liabilities)	Tax losses £m	Capital gains tax on land and buildings £m	Pensions and provisions £m	Other £m	Total £m
At 25 January 2020	-	10.7	82.6	14.9	108.2
Credited/(charged) to income statement	23.7	18.3	(2.4)	0.7	40.3
Credited to other comprehensive income/(expense)	-	-	53.6	0.3	53.9
At 30 January 2021	23.7	29.0	133.8	15.9	202.4
Credited/(charged) to income statement	(7.5)	10.2	2.9	4.6	10.2
Charged to other comprehensive income/(expense)	-	-	(241.2)	(3.5)	(244.7)
At 29 January 2022	16.2	39.2	(104.5)	17.0	(32.1)

The deferred tax liability in relation to the defined benefit pension scheme is £142.1m (2021: £104.9m asset).

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. Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset):

Deferred tax	2022 £m	2021 £m
Deferred tax assets	0.5	103.4
Deferred tax liabilities	(177.5)	(5.2)
Deferred tax net	(177.0)	98.2

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

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 are unrecognised deferred tax assets in respect of losses for the year ended 29 January 2022 relating to losses in John Lewis Hong Kong Limited of £0.6m (2021: £0.9m).

Notes to the consolidated financial statements (continued)

2.9 TAXATION (CONTINUED)

2.9.3 DEFERRED TAX (CONTINUED)

The deferred tax balance associated with the pension surplus has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 6.1). The deferred tax assets and liabilities are recoverable after more than one year.

As a result of exemptions on dividends from subsidiaries and capital gains on disposal there are no significant taxable temporary differences associated with investments in subsidiaries and interests in joint arrangements.

2.9.4 FACTORS AFFECTING TAX CHARGES IN CURRENT AND FUTURE YEARS

PURPOSE

Here we explain any changes to the current or future tax rates that have been announced or substantively enacted.

The Government announced in March 2021 that the rate of Corporation Tax will increase from April 2023 to 25% for companies with profits over £250,000. This has increased the tax rate applied on deferred tax balances since last year and will increase the tax rate applied on taxable profits and losses from the 2023/24 financial year.

3 OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS

PURPOSE

Our balance sheet contains non-physical assets in relation to computer software which are used to support our business and the generation of our profits. This note shows the cost of the assets, which is the amount we initially paid for them, and details any additions and disposals during the year. Additionally, the note shows amortisation, which is an expense in the income statement to reflect the usage of these assets. Amortisation is calculated by estimating how many years we expect to use the assets, which is also known as the useful economic life (UEL). The amortisation charge reduces the initial value of the assets over time spread evenly over their useful economic lives. The value after deducting accumulated amortisation is known as the net book value.

Each year we review the value of our assets to ensure that their expected future value in use (VIU) in the business has not fallen below their net book value. This might occur where there has been a system replacement in the year. If an asset's expected value in use falls below its net book value, this is reflected through an additional impairment expense, which reduces profit.

ACCOUNTING POLICIES

Intangible assets: *Intangible assets, comprising both purchased and internally developed computer software, are carried at cost less accumulated amortisation and impairments. The cost of internally developed software, including all directly attributable costs necessary to create, produce and prepare the software for use, is capitalised where the development meets the criteria for capitalisation required by IAS 38: Intangible Assets. This may include capitalised borrowing costs. 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.*

Amortisation: *Once available for use, the purchased or internally developed software is amortised on a straight-line basis over its useful economic life, which is deemed to be between three and ten years. The assets' useful economic lives are reviewed and adjusted if appropriate at each balance sheet date.*

Impairment: *Assets are reviewed for impairment at least annually or whenever events or circumstances indicate that the net book value may not be recoverable. An impairment loss is recognised for the amount by which the asset's amortised cost exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. The reversal of an impairment loss is recognised immediately as a credit to the income statement.*

Notes to the consolidated financial statements (continued)
3.1 INTANGIBLE ASSETS (CONTINUED)

Intangible assets	Computer software			Total
	Purchased	Internally developed	Work in progress	
	£m	£m	£m	£m
Cost				
At 25 January 2020	245.4	773.4	121.0	1,139.8
Additions ¹	-	-	108.8	108.8
Transfers to assets held for sale	-	(0.1)	-	(0.1)
Transfers	20.3	96.1	(116.4)	-
Disposals and write-offs	(43.0)	(54.1)	(5.9)	(103.0)
At 30 January 2021	222.7	815.3	107.5	1,145.5
Additions ¹	-	-	109.9	109.9
Transfers to assets held for sale	-	-	-	-
Transfers	42.9	102.5	(145.4)	-
Disposals and write-offs	(30.3)	(74.4)	(2.3)	(107.0)
At 29 January 2022	235.3	843.4	69.7	1,148.4
Accumulated amortisation				
At 25 January 2020	(194.3)	(450.0)	-	(644.3)
Charge for the year	(32.6)	(97.1)	-	(129.7)
Transfers to assets held for sale	-	0.1	-	0.1
Disposals and write-offs	44.4	51.9	-	96.3
At 30 January 2021	(182.5)	(495.1)	-	(677.6)
Charge for the year	(26.2)	(103.2)	-	(129.4)
Transfers to assets held for sale	-	-	-	-
Disposals and write-offs	30.3	74.3	-	104.6
At 29 January 2022	(178.4)	(524.0)	-	(702.4)
Net book value at 25 January 2020	51.1	323.4	121.0	495.5
Net book value at 30 January 2021	40.2	320.2	107.5	467.9
Net book value at 29 January 2022	56.9	319.4	69.7	446.0

¹ For the year ended 29 January 2022, additions for the year include the non-cash capital expenditure accrual on intangible assets of £2.6m (2021: £1.1m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years.

There are five individually significant assets (2021: four) within the total carrying amount of intangible assets as at 29 January 2022: three are customer projects (£150.2m, 2021: two projects, £141.3m) and two relate to distribution projects (£118.0m, 2021: £130.2m). These assets have remaining useful economic lives ranging from three to ten years.

During the year to 29 January 2022, computer systems valued at £145.4m (2021: £116.4m) were brought into use. This covered a range of selling, support, administration and information technology infrastructure applications, with useful economic lives ranging from five to ten years.

Amortisation of intangible assets is charged within operating expenses.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

PURPOSE

Our balance sheet contains significant property, plant and equipment, and right-of-use assets, primarily comprising assets relating to stores, distribution centres, offices and vehicles.

This note shows the cost of the assets, which is the amount we initially paid for them, or deemed cost if the assets were purchased before 31 January 2004 when the Group transitioned to report under UK-adopted IFRS. For right-of-use assets, the cost is equivalent to the present value of the future lease payments relating to the leased assets. This note also details any additions and disposals during the year, and shows depreciation, which is an expense in the income statement to reflect the usage of these assets. Depreciation is calculated by estimating how many years we expect to use the asset; this is also known as the useful economic life (UEL). The depreciation charge reduces the initial value of the assets over time and spread evenly over their useful economic lives (UELs). The value after deducting accumulated depreciation is known as the net book value.

Each year we review the recoverable amounts of our assets to ensure that the value in use or fair value less cost to dispose has not fallen below their net book value. This might occur where there is a decline in forecast performance. If an asset value falls below its net book value, this is reflected through an impairment expense, which reduces profit.

ACCOUNTING POLICIES

Property, plant and equipment: The cost of property, plant and equipment includes the purchase price and directly attributable costs of bringing the asset into working condition ready for its intended use. This may include capitalised borrowing costs.

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

Right-of-use assets: Right-of-use assets are initially measured at cost, which is an amount equal to the corresponding lease liabilities (present value of future lease payments) adjusted for any lease payments made at or before the commencement date, less any lease incentives received. See note 5.6 for the lease liabilities accounting policy.

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

Freehold and long leasehold buildings – 25-50 years

Other leaseholds – over the shorter of the UEL or the remaining period of the lease

Building fixtures – 10-40 years

Fixtures, fittings and equipment (including vehicles and information technology equipment) – 3-10 years

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 UEL. The assets' residual values and UELs are reviewed and adjusted if appropriate at each balance sheet date.

For right-of-use assets depreciation is calculated on a straight-line basis over the expected UEL of the lease. Judgement is applied to estimate the lease UEL. This is done on an individual lease basis and considers the lease terms and the enforceable period of the lease.

Impairment: Assets are reviewed for impairment at least annually or whenever events or circumstances indicate that the net book value may not be recoverable. Impairment testing is performed on cash generating units (CGUs) which are individual stores (including an allocation of online), this being the lowest level of separately identifiable cash flows. An impairment loss is recognised for the amount by which the asset's net book value exceeds its recoverable amount, the latter being the higher of the asset's fair value less costs to dispose and value in use. Value in use calculations are performed using cash flow projections, discounted at a pre-tax rate, which reflects the asset specific risks and the time value of money.

When an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of the recoverable amount, but ensuring the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised for the CGU in prior years. A reversal of an impairment loss is recognised as a credit to the income statement when recovery of performance is considered reasonably certain.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

KEY JUDGEMENTS

Application of residual values: The application of residual values to shell assets on freehold and long leasehold properties is a key accounting judgement that impacts the depreciation charge recognised in respect of these assets. Management has assessed that it is appropriate to apply residual values to these assets as the buildings will retain significant value both during and at the end of their UELs. This residual value could be realised through a sale of the property or a subletting arrangement. Management has therefore concluded that the application of residual values is consistent with the definition set out in IAS 16.

CRITICAL ACCOUNTING ESTIMATES

Depreciation: Depreciation is recorded to write down property, plant and equipment and right-of-use assets to their residual values over their UELs. Management must therefore estimate the appropriate UELs to apply to each class of asset as set out in the accounting policy above. Changes in the estimated UELs would alter the amount of depreciation charged each year, which could materially impact the carrying value of the assets in question over the long term. UELs are therefore reviewed on an annual basis to ensure that they are in line with policy and that those policies remain appropriate.

Impairment: In line with the Partnership's accounting policy, management must assess the value in use of each CGU when testing for impairment. This requires estimation of the present value of future cash flows expected to arise from the continuing operation of the CGU. These estimates require assumptions over future sales performance, future costs and long-term growth rates, as well as the application of an appropriate discount rate. As an omnichannel retailer, the presence of a physical store plays an important role in generating and facilitating online sales. Judgement is required in relation to the proportion of online sales and costs allocated to the future cash flows of John Lewis stores to reflect the role that the stores play. The allocation of online sales and costs to the respective stores is based on customer sales data (which identifies omnichannel customers) and physical touchpoints with a store, including Click & Collect. Were there to be significant changes in these estimations, the amount charged as impairment during the year could be materially impacted, or impairment charges recognised in previous years may be reversed.

	Land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Total
	£m	£m	£m	£m
Property, plant and equipment				
Cost				
At 25 January 2020	4,566.9	1,958.5	81.6	6,607.0
Additions ¹	16.3	-	119.7	136.0
Transfers	49.2	57.8	(107.0)	-
Disposals and write-offs	(188.6)	(119.5)	(0.2)	(308.3)
Transfers to assets held for sale	(20.2)	(6.1)	-	(26.3)
At 30 January 2021	4,423.6	1,890.7	94.1	6,408.4
Additions ¹	-	-	215.9	215.9
Transfers	89.2	112.2	(201.4)	-
Disposals and write-offs	(112.6)	(163.2)	-	(275.8)
At 29 January 2022	4,400.2	1,839.7	108.6	6,348.5
Accumulated depreciation				
At 25 January 2020	(1,565.6)	(1,506.0)	-	(3,071.6)
Charge for the year ²	(405.2)	(154.1)	-	(559.3)
Disposals and write-offs	74.8	117.9	-	192.7
Transfers to assets held for sale	7.6	5.7	-	13.3
At 30 January 2021	(1,888.4)	(1,536.5)	-	(3,424.9)
Charge for the year ²	(132.3)	(99.9)	-	(232.2)
Disposals and write-offs	76.0	160.0	-	236.0
At 29 January 2022	(1,944.7)	(1,476.4)	-	(3,421.1)
Net book value at 25 January 2020	3,001.3	452.5	81.6	3,535.4
Net book value at 30 January 2021	2,535.2	354.2	94.1	2,983.5
Net book value at 29 January 2022	2,455.5	363.3	108.6	2,927.4

¹ For the year ended 29 January 2022, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £34.1m (2021: £24.4m).

² For the year ended 29 January 2022 this includes an impairment charge of £21.5m to land and buildings (2021: £274.0m) and a credit of £1.8m in fixtures and fittings (2021: £41.8m charge).

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

	Land and buildings	Fixtures, fittings and equipment	Total
	£m	£m	£m
Right-of-use assets			
Cost			
At 25 January 2020	2,001.4	4.9	2,006.3
Additions	91.1	43.5	134.6
Disposals and write-offs	(118.5)	(0.2)	(118.7)
At 30 January 2021	1,974.0	48.2	2,022.2
Additions	133.0	6.3	139.3
Disposals and write-offs	(89.5)	-	(89.5)
At 29 January 2022	2,017.5	54.5	2,072.0
Accumulated depreciation			
At 25 January 2020	(150.4)	(1.0)	(151.4)
Charge for the year ¹	(343.8)	(3.0)	(346.8)
Disposals and write-offs	16.1	0.1	16.2
At 30 January 2021	(478.1)	(3.9)	(482.0)
Charge for the year ¹	(147.5)	(8.2)	(155.7)
Disposals and write-offs	39.0	-	39.0
At 29 January 2022	(586.6)	(12.1)	(598.7)
Net book value at 25 January 2020	1,851.0	3.9	1,854.9
Net book value at 30 January 2021	1,495.9	44.3	1,540.2
Net book value at 29 January 2022	1,430.9	42.4	1,473.3

¹ For the year ended 29 January 2022 this includes an impairment charge of £15.9m (2021: £209.9m).

In accordance with IAS 36, the Group reviews its property, plant and equipment for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet; this includes right-of-use assets. It considers the value in use (VIU) of a CGU compared to the carrying value in the first instance, and subsequently the fair value less cost to dispose if the VIU is lower than the carrying value. The VIU calculation is based on five year cash flow projections using the latest forecast data. For John Lewis, different growth expectations are applied to online and store sales. The forecasts are then extrapolated beyond the five year period using a long-term growth rate of 2% for both Waitrose and John Lewis. The recoverable amounts of all impaired Waitrose CGUs are based on the VIU. For John Lewis, there are two CGUs for which the recoverable amounts are the fair value less cost to dispose. The recoverable amounts of all other impaired John Lewis CGUs are based on the VIU.

The key assumptions used in the impairment review are the expected sales and margin performance, cost inflation, the allocation of online sales and associated costs to stores in the determination of the John Lewis store CGU, the market valuations considered in fair value less costs of disposal calculations and the discount rate.

Following the impairment review, the Group recognised a net impairment charge of £23.1m for John Lewis as an exceptional item. Additionally, £10.6m was recognised in relation to our Physical Estate programme and represents the impairment of assets in our JL store closure programme. A further £1.9m impairment charge relating to Waitrose was recognised in operating expenses. The total impairment charge for the year is £35.6m.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

John Lewis store impairment

The impact of the JL impairment review is a net charge of £23.1m to exceptional items. During the first half of the year, the Partnership Board has approved an updated property strategy which amended the store trading assumptions and allocation of online sales and associated costs to the CGUs. The cash flow forecasts across the John Lewis store estate have been updated for the latest view of future trading which is based on John Lewis starting to find a "new normal" after the disruption of the lockdowns and social restrictions as a result of the Covid-19 pandemic. The updated cash flow forecasts have led to a reversal of impairment charges of £63.1m and new impairment charges of £86.2m.

Cash forecasts

The calculations use a post-tax cash flow based on a five year plan approved by the Partnership Board. The plan has been prepared following the lifting of lockdown restrictions associated with the pandemic and including the impact of the updated property strategy. The key assumptions in this plan are the recovery of JL store sales from the impact of Covid-19 restrictions, year-on-year sales, margin rates and cost inflation. The plan differentiates between online and store sales, which is relevant to our store CGUs that continue to include an allocation of online sales and associated costs.

For the JL business, there is significant ongoing market uncertainty and changing customer behaviours. The JL impairment estimation is most sensitive to changes in sales and margin forecasts, as well as the allocation of online sales and costs, and therefore sensitivity analysis has focused on these aspects of the impairment evaluation. Management's review of historical forecasts shows an average variance for the sales growth of 2.7%. Reducing just sales growth by this percentage would increase the net JL impairment by £15.0m.

Online allocation

Judgement is required as to whether online sales and associated costs should be attributed to JL stores for the purposes of impairment evaluation. Our allocation of a proportion of online sales, made by customers who shop both online and in store (omnichannel), is supported by the omnichannel approach embedded in our strategy, management and operation of our stores. It reflects the role our stores play in providing customers with an opportunity to browse, touch and feel our product range before purchasing online. The merchandising of the product offer in our physical estate provides inspiration for our customers who may then choose to purchase online (in particular for larger items and more considered purchases in our Home offer).

For these reasons, online sales are allocated to stores based on Click & Collect online sales, and also a further proportion of online sales to reflect the role the store plays in facilitating online purchases. This further allocation is based on evidence of a physical touchpoint with the store through previous purchasing behaviour. The allocations of the sales and weighting of the drivers (ie Click & Collect versus further allocation to reflect the role the store plays in facilitating online sales) varies by store.

Given the pace of change in customer behaviour and the transition to online purchasing, as well as the sensitivity of the JL impairment to the online allocation, management continue to consider how further changes could impact impairment. If the online allocation assumptions were reduced such that only online sales serviced through instore Click & Collect were allocated to CGUs, this would further increase the impairment provision by £123.1m. If no online sales were attributed to the CGUs, the impairment provision would increase by £173.2m.

Market valuations

External market valuations are regularly obtained by the Group and used within the consideration of fair value less cost to dispose. This is an annual exercise completed ahead of each year end that considers the available market for department store properties. It factors in the impact of the Covid-19 pandemic.

Discount rate

The pre-tax discount rate of 12% (2021: 10%) used in the calculation of cash flows is derived from the JL Weighted Average Cost of Capital (WACC). This has increased since last year end, reflecting both the higher cost of equity in an inflationary environment and the lower market leverage, as the retail market has recovered somewhat from Covid-19. An increase in the discount rate of 100 bps would increase the JL impairment charge by £7.1m.

Notes to the consolidated financial statements (continued)

3.2 PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (CONTINUED)

Waitrose store impairment

The impact of the Waitrose impairment review is a net charge of £1.9m within operating expenses. It includes the release of previous impairment charges of £9.5m due to improved store performance which has been judged to be sustainable. These reversals have been partly offset by new impairment charges of £11.4m relating to performance deterioration on a small number of stores.

The impairment calculations for Waitrose stores use a post-tax cash flow based on a five year plan approved by the Board. The key assumptions in this plan are the stabilisation of sales following the pandemic disruption, year-on-year sales growth, margin rates and cost inflation. Waitrose online sales are allocated directly to the store that the online order is picked and fulfilled from. Online sales are therefore included in the Waitrose CGUs as the sales are directly attributable to store activity; this is not considered a key judgement.

The Waitrose Customer Fulfilment Centres (CFCs) have been included in the impairment review alongside the store CGUs in a way that reflects the commercial reality that the CFCs are designed to serve specific regional postcodes of the UK alongside the stores.

The Waitrose impairment estimation is most sensitive to changes in the sales and margin forecasts. Based on realistic and reasonable variations to the forecast currently used by the business, reducing the sales growth by 0.7% and the margin assumption by 114 bps would together increase the impairment by £15.3m. Management's review of historical forecasts shows an average variance for the sales growth of 0.6%. Reducing the sales growth by this percentage would increase the Waitrose impairment by £0.9m.

The pre-tax discount rate of 10% (2021: 7%) used in the calculation of cash flows is derived from the Waitrose Weighted Average Cost of Capital (WACC) which has increased from last year end, reflecting both the higher cost of equity in an inflationary environment and the lower market leverage, as the retail market has recovered somewhat from Covid-19. An increase in the discount rate of 100 bps would increase the Waitrose impairment charge by £2.5m.

Notes to the consolidated financial statements (continued)

3.3 INVESTMENT IN AND LOANS TO JOINT VENTURE

PURPOSE

Our balance sheet includes an investment in a joint venture, Clicklink Logistics Limited, which is used to support our business and the generation of our profits.

This note shows the cost of the investment in, and loans made to, the joint venture. It also includes details of the share of profit/loss and any dividends received from the joint venture during the year.

ACCOUNTING POLICIES

Joint arrangements: The Group applies IFRS 11 Joint Arrangements to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated balance sheet.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

John Lewis PLC and Clipper Logistics PLC are both investors in Clicklink Logistics Limited. Each party owns 50.0% of the equity of Clicklink Logistics Limited and decisions regarding Clicklink Logistics Limited require the unanimous consent of both parties.

Joint venture	Investment £m	Loan £m	Total £m
Cost			
At 25 January 2020	2.1	2.0	4.1
At 30 January 2021	2.1	2.0	4.1
At 29 January 2022	2.1	2.0	4.1
Share of profit/(loss)			
At 25 January 2020	(1.6)	-	(1.6)
Share of profit	0.9	-	0.9
At 30 January 2021	(0.7)	-	(0.7)
Share of profit	1.0	-	1.0
At 29 January 2022	0.3	-	0.3
At 25 January 2020	0.5	2.0	2.5
At 30 January 2021	1.4	2.0	3.4
At 29 January 2022	2.4	2.0	4.4

3.4 ASSETS HELD FOR SALE

PURPOSE

Assets held for sale are assets previously classified as non-current which are expected to be sold rather than held for continuing use in the Group. These have principally arisen as part of the Group's review of its physical estate. Assets held for sale have not been sold at the balance sheet date but are being actively marketed for sale, with a high probability of completion within 12 months and are therefore classified as current assets.

At 29 January 2022, there are no assets held for sale. At 30 January 2021, one property asset in Waitrose was recorded as held for sale with a total carrying value of £10.6m, and was sold after the year end.

Notes to the consolidated financial statements (continued)

3.5 COMMITMENTS AND CONTINGENCIES

PURPOSE

A commitment represents a contractual obligation to make a payment in the future. We have commitments for capital expenditure. Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be measured reliably.

In line with accounting standards, commitments and contingencies are not included within the balance sheet, but are detailed in the note below. The amounts below represent the maximum amounts that we are obliged to pay.

At 29 January 2022, contracts had been entered into for future capital expenditure of £23.3m (2021: £35.5m) of which £20.8m (2021: £30.5m) relates to property, plant and equipment and £2.5m (2021: £5.0m) relates to intangible assets.

4 WORKING CAPITAL AND PROVISIONS

4.1 INVENTORIES

PURPOSE

Our inventory is the stock available for sale or for manufacturing our products. This note sets out the make-up of our inventories between raw materials, work in progress and finished goods and goods for resale. Our raw materials and work in progress are primarily related to Herbert Parkinson and Leckford Farm. Slow-moving and obsolete inventory is assessed each reporting period and an appropriate provision is made against the inventory balance. The value of inventory is shown net of provisions. Once the inventory is sold, it is charged to cost of sales in the consolidated income statement.

ACCOUNTING POLICIES

Inventory valuation: Inventory is stated at the lower of cost, which is computed on the basis of average unit cost, and net realisable value. Inventory excludes merchandise purchased by the Group on a sale or return basis, where the Group does not have the risks and rewards of ownership. Slow-moving and obsolete inventory is assessed for impairment at each reporting period based on past experience and an appropriate provision is made. Inventory also includes a 'right to return goods' asset, which represents the value of inventory expected to be returned as a result of customers exercising their rights under the Group's returns policy. The expected level of returns is based on past experience.

	2022	2021
Inventory	£m	£m
Raw materials	3.9	3.2
Work in progress	0.1	0.2
Finished goods and goods for resale	651.7	640.5
	655.7	643.9

Provisions against inventories of £30.6m were charged (2021: £34.2m charged) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £12.5m (2021: £19.0m). This relates to the Group's expected returns inventory based on previous rates of return.

Notes to the consolidated financial statements (continued)

4.2 TRADE AND OTHER RECEIVABLES

PURPOSE

Our receivables are amounts owed to the Group. This note provides a split of receivables into trade receivables, other receivables and prepayments and accrued income.

Trade receivables are amounts owed to us from customers and from suppliers if we are owed rebates. Other receivables include interest receivable from third parties and amounts due from our Partners in respect of the Group's car finance scheme. Prepayments are payments made in advance of the delivery of goods or rendering of services. Accrued income is income earned by the Group for providing a product or service which has not yet been invoiced.

Other receivables and prepayments are split into current and non-current to show those amounts due within one year and those which will be recovered over a longer period. Trade receivables are shown net of an allowance for debts which we do not consider to be recoverable.

ACCOUNTING POLICIES

Trade receivables: *Trade receivables are initially recognised at fair value and subsequently measured at amortised cost less allowances for expected credit losses, using the simplified approach under IFRS 9: Financial Instruments. Such allowances are based on an individual assessment of each receivable, which is informed by past experience, and are recognised at amounts equal to the losses expected to result from all possible default events over the expected life of the financial asset. The Group also performs analysis on a case-by-case basis for particular trade receivables with irregular payment patterns or history.*

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

Volume rebates: *Volume rebates are earned based on sales or purchase triggers set over specific periods, such as the number of units sold to customers or purchased from the supplier. Volume rebates are recognised over the period set out in the supplier agreement.*

Marketing rebates: *Marketing rebates include promotions, mark downs or marketing support provided by suppliers. Marketing rebates are agreed with suppliers for specific periods and products.*

Rebate income (shown as part of trade receivables) is recognised when the Group has contractual entitlement to the income, it can be estimated reliably and it is probable that it will be received.

Rebate income is recorded against cost of sales and inventory, which is adjusted to reflect the lower purchase cost for the goods on which a rebate has been earned. Depending on the agreement with suppliers, rebates invoiced are either received in cash from the supplier or netted off against payments made to suppliers.

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

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

Notes to the consolidated financial statements (continued)
4.2 TRADE AND OTHER RECEIVABLES (CONTINUED)

	2022 £m	2021 £m
Trade and other receivables		
Current:		
Trade receivables	86.4	48.2
Other receivables	122.2	111.1
Prepayments	94.3	54.3
Accrued income	28.8	37.2
	331.7	250.8
Non-current:		
Other receivables	11.3	15.1
Prepayments	4.5	2.9
	15.8	18.0

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. Within trade receivables is supplier income which has been invoiced where there is no legal right to offset. Included in trade payables are invoices for supplier income where there is a right to offset and the Group intends to offset against amounts owed to suppliers (see note 4.3).

Within accrued income, there is £11.9m (2021: £14.7m) in relation to supplier income which has not yet been invoiced. Additionally, accrued income includes £9.8m (2021: £12.1m) in relation to other operating income items (see note 2.3) which has not been billed at the reporting date. The unbilled amounts of other operating income is made up of items that are not individually material for further disclosures and had no significant changes during the period.

The Group recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 29 January 2022, trade and other receivables of £1.5m (2021: £2.1m) were partially or fully impaired. As at 29 January 2022, trade and other receivables of £29.2m (2021: £38.9m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2022 £m	2021 £m
Ageing analysis		
Up to 3 months past due	28.0	37.1
3 to 12 months past due	0.8	1.5
Over 12 months past due	0.4	0.3
	29.2	38.9

Notes to the consolidated financial statements (continued)

4.3 TRADE AND OTHER PAYABLES

PURPOSE

Trade and other payables include amounts owed by the Group. We owe payments to suppliers for goods or services that have been invoiced or accrued, and to HMRC in the form of taxes and social security. Amounts are payable to our Partners through salaries and our annual profit share, the Partnership Bonus. Deferred income includes amounts owed to customers through goods or services to be delivered, including in respect of free warranties. Non-current trade and other payables and non-current deferred income balances are not expected to be settled within the next financial year.

ACCOUNTING POLICIES

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

Deferred income: Deferred income is recognised when the Group has received cash in advance of providing a good or service. It includes revenue in respect of free warranties for Technology products. The Group allocates a portion of the consideration received for the Technology product to the free warranty on a cost plus margin basis. The amount allocated to the free warranty is deferred and recognised as revenue over the period of the guarantee on a straight-line basis.

CRITICAL ACCOUNTING ESTIMATES

Liabilities: Liabilities recognised in this note at the reporting date include amounts for unredeemed gift vouchers and gift cards. In order to estimate these liabilities, management must make assumptions around likely redemption rates. Management must therefore exercise a degree of estimation when predicting redemption patterns based on actual experience.

Deferred income: In relation to free warranties, deferred income is based on the expected future repair or replacement costs for all goods sold with a free warranty, plus a margin. The expected future costs are based on historical evidence of claims and costs to repair or replace. Management exercise a degree of estimation regarding the margin percentage.

	2022 £m	2021 £m
Trade and other payables		
Current:		
Trade payables	(1,061.9)	(997.3)
Amounts owing to parent undertakings ¹	(112.0)	(111.7)
Other payables	(159.4)	(146.8)
Other taxation and social security	(155.4)	(133.7)
Accruals	(183.7)	(162.1)
Deferred income	(88.1)	(103.1)
Partnership Bonus	(46.4)	-
	(1,806.9)	(1,654.7)
Non-current:		
Other payables	(0.1)	(0.1)
Deferred income	(29.9)	(44.9)
	(30.0)	(45.0)

¹The Group operates the BonusSave scheme (the scheme), a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Group (see note 8.2.3). Included within amounts owed to parent company is a balance of £104.2m in relation to the SIP shares in issue, of which £80.8m relates to SIP shares in issue but not allocated to Partners. There is an offsetting equivalent balance in relation to these shares included within other receivables. The remaining £23.4m relates to SIP shares held directly by Partners.

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

Included in deferred income are contract liabilities for free warranties of £27.6m (2021: £35.6m) and payments from customers for goods and services sold but not delivered of £67.5m (2021: £71.5m). During the year an amount of £12.4m (2021: £25.9m) was released to the income statement in relation to free warranties matching to the period over which the free warranties are utilised. The deferral for the year was £9.3m (2021: £19.0m). All of the contract liabilities for goods and services sold but not delivered at 30 January 2021 have been recognised as revenue in the year ended 29 January 2022.

Notes to the consolidated financial statements (continued)

4.4 PROVISIONS

PURPOSE

We incur liabilities which have some uncertainty regarding the timing or the future cost required to settle them. These are termed provisions and have been estimated and provided for at the year end. Our provisions primarily relate to the expected cost of long leave, expected customer refunds, insurance claims, reorganisation costs and property-related costs.

ACCOUNTING POLICIES

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.

Employee benefits: The Group has a scheme to provide up to six months' paid leave after 25 years' service (long leave). The cost of providing the benefits under the scheme is determined using the projected unit credit actuarial valuation method. The current service cost is included within operating profit in the consolidated income statement. The financing elements of long leave are included in finance costs in the consolidated income statement. Actuarial gains or losses are taken directly to the consolidated income statement.

CRITICAL ACCOUNTING ESTIMATES

Provisions: As the provision for liabilities under the long leave scheme is assessed on an actuarial basis, estimates are required for the appropriate discount rate, staff turnover, salary increases and inflation. Significant movements in these assumptions could cause a material adjustment to the carrying amount of the provision.

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
Provisions						
At 30 January 2021	(150.7)	(37.2)	(26.7)	(90.4)	(51.0)	(356.0)
Charged to income statement	(11.9)	(52.4)	(7.0)	(117.2)	(39.9)	(228.4)
Released to income statement	11.6	-	1.0	39.2	23.7	75.5
Utilised	6.6	64.8	8.4	118.8	8.3	206.9
At 29 January 2022	(144.4)	(24.8)	(24.3)	(49.6)	(58.9)	(302.0)
Of which:						
Current	(33.6)	(24.8)	(11.4)	(49.5)	(21.5)	(140.8)
Non-current	(110.8)	-	(12.9)	(0.1)	(37.4)	(161.2)

The Group has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Group's retirement benefits (note 6.1) as it reflects a rate appropriate to the shorter duration of the long leave liability, so as to accrue the cost over Partners' service periods. Illustrated below is the sensitivity of the long leave provision to changes in key assumptions. The sensitivities have been derived using approximate methods which are consistent with the rest of the disclosure:

	£m	% change
Long leave provision as at 29 January 2022	144.4	
Sensitivity of 0.1% increase to:		
- Discount rate	(1.3)	(0.9%)
- Salary growth	1.4	1.0%

Notes to the consolidated financial statements (continued)

4.4 PROVISIONS (CONTINUED)

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

Provisions for insurance claims are in respect of the Group's employer's, public and vehicle third-party liability insurances. The provisions are based on reserves held in the Group's captive insurance company, JLP Insurance Limited. These reserves are established using independent actuarial assessments wherever possible, or a reasonable assessment based on past claims experience.

Provisions for reorganisation reflect restructuring and redundancy costs, principally in relation to head office reviews, shop closures and the review of shop management structures (note 2.5).

Other provisions primarily include property-related costs.

5 FINANCING

5.1 NET FINANCE COSTS

PURPOSE

Net finance costs include our costs in respect of interest payable on borrowings, our defined benefit pension and other employee benefit schemes. Finance income includes interest received from short-term deposits, short-term investments and fair value movements.

	2022 £m	2021 £m
Finance costs		
Net interest payable on:		
Commitment fees and bank overdrafts	(2.2)	(2.0)
Other loans repayable within five years ¹	(28.9)	(28.1)
Other loans repayable in more than five years	(12.8)	(12.9)
Interest payable in relation to lease liabilities	(97.3)	(104.2)
Amortisation of issue costs of bonds and credit facilities	(2.5)	(2.6)
Finance costs in respect of borrowings	(143.7)	(149.8)
Fair value measurements and other	(2.8)	(2.5)
Net finance costs arising on defined benefit retirement scheme	(8.7)	(7.8)
Net finance costs arising on other employee benefit schemes	-	(8.5)
Total finance costs	(155.2)	(168.6)
Finance income		
Finance income in respect of cash and short-term investments ²	7.2	8.8
Fair value measurements and other	3.1	2.5
Total finance income	10.3	11.3
Net finance costs	(144.9)	(157.3)

¹ Other loans repayable within five years includes interest payable on interest rate swaps of £5.0m (2021: £5.3m).

² Finance income in respect of cash and short-term investments includes interest receivable on interest rate swaps of £6.1m (2021: £6.1m).

Capitalised borrowing costs totalled £0.6m (2021: £2.2m) of which £nil (2021: £2.1m) were capitalised within intangible assets and £0.6m (2021: £0.1m) were capitalised within property, plant and equipment.

Notes to the consolidated financial statements (continued)

5.2 ANALYSIS OF NET DEBT

PURPOSE

Net debt summarises our debt position as at the year end, excluding any pension deficit. Net debt incorporates the Group's borrowings, bank overdrafts, fair value of derivative financial instruments and obligations under leases. These liabilities are offset by cash and cash equivalents, short-term investments and a portion of bond transaction costs that relate to the remaining duration of the bond. This note shows how our net debt position has moved from the prior year end, split out between cash movements and non-cash movements.

	2021	Cash movements	Other non-cash movements	2022
	£m	£m	£m	£m
Non-current assets				
Derivative financial instruments	0.1	-	1.6	1.7
	0.1	-	1.6	1.7
Current assets				
Cash and cash equivalents	1,518.2	(102.8)	-	1,415.4
Short-term investments	0.3	95.0	-	95.3
Derivative financial instruments	7.2	1.9	(3.1)	6.0
	1,525.7	(5.9)	(3.1)	1,516.7
Current liabilities				
Borrowings and overdrafts	(75.0)	75.0	(150.0)	(150.0)
Lease liabilities	(127.3)	252.4	(281.7)	(156.6)
Derivative financial instruments	(20.9)	19.8	(7.3)	(8.4)
	(223.2)	347.2	(439.0)	(315.0)
Non-current liabilities				
Borrowings	(800.0)	-	150.0	(650.0)
Unamortised bond transaction costs	8.8	-	(1.4)	7.4
Fair value adjustment for hedged element on bonds	(4.2)	-	5.2	1.0
Lease liabilities	(1,910.0)	-	78.3	(1,831.7)
Derivative financial instruments	(2.7)	-	1.9	(0.8)
	(2,708.1)	-	234.0	(2,474.1)
Total net debt	(1,405.5)	341.3	(206.5)	(1,270.7)

Notes to the consolidated financial statements (continued)
5.2 ANALYSIS OF NET DEBT (CONTINUED)

	2022 £m	2021 £m
Reconciliation of net cash flow to net debt		
(Decrease)/increase in net cash and cash equivalents in the year	(102.8)	919.9
Cash outflow from borrowings	75.0	-
Cash outflow/(inflow) from movement in short-term investments	95.0	(316.1)
Cash outflow from movement in other net debt items	274.1	49.7
Cash movement in net debt for the year	341.3	653.5
Opening net debt	(1,405.5)	(1,915.6)
Non-cash movement in net debt for the year	(206.5)	(143.4)
Closing net debt	(1,270.7)	(1,405.5)

Our total borrowings and lease liabilities are summarised below.

	Borrowings £m	Lease liabilities £m	Total £m
At 25 January 2020	(725.1)	(2,094.9)	(2,820.0)
Movements arising from financing cash flows	(150.0)	194.3	44.3
Other non-cash movements	0.1	(136.7)	(136.6)
At 30 January 2021	(875.0)	(2,037.3)	(2,912.3)
Movements arising from financing cash flows	75.0	252.4	327.4
Other non-cash movements	0.0	(203.4)	(203.4)
At 29 January 2022	(800.0)	(1,988.3)	(2,788.3)

Borrowings exclude unamortised bond transaction costs of £7.4m (2021: £8.8m) and the fair value adjustment for hedged element on bonds of £1.0m gain (2021: £(4.2)m loss).

25.3 SHORT-TERM INVESTMENTS

PURPOSE

Our short-term investments represent amounts on short-term deposits. They are deposited for a period of greater than 90 days but less than one year with financial institutions.

ACCOUNTING POLICIES

Short-term investments: *Short-term investments comprise tradable securities and deposits with original maturities of greater than 90 days but less than one year. Maturity periods are not the sole factor. Investments in Variable Net Asset Values (VNAV) with a weighted average maturity of less than 90 days, are included within short-term investments due to the fact they do not bear an insignificant risk of changes in value.*

	2022 £m	2021 £m
Short-term investments		
Short-term investments	95.3	0.3

For the year ended 29 January 2022, the effective interest rate on short-term investments was 0.3% (2021: 0.7%) and these investments had an average maturity of 102 days (2021: 75 days).

Notes to the consolidated financial statements (continued)

5.4 CASH AND CASH EQUIVALENTS

PURPOSE

Our cash and cash equivalents include cash in hand and cash placed on short-term deposits of less than 90 days with financial institutions and money market funds.

ACCOUNTING POLICIES

Cash and cash equivalents: Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short-term deposits with original maturities of less than 90 days which are subject to an insignificant risk of changes in value. In the consolidated statement of cash flows, net cash and cash equivalents comprise cash and cash equivalents, as defined above, net of bank overdrafts.

	2022	2021
	£m	£m
Cash and cash equivalents		
Cash at bank and in hand	162.5	178.2
Short-term deposits	1,252.9	1,340.0
	1,415.4	1,518.2

For the year ended 29 January 2022, the effective interest rate on short-term deposits was 0.0% (2021: 0.2%) and these deposits had an average maturity of two days (2021: two days).

At 29 January 2022, £13.4m (2021: £11.8m) of the Group's cash balance and £nil (2021: £nil) of the Group's accrued interest balance was pledged as collateral. This is part of the Group's insurance arrangements and the release of these funds is subject to approval from third parties.

5.5 BORROWINGS AND OVERDRAFTS

PURPOSE

Our borrowings comprise bonds, bank loans, bank overdrafts and Share Incentive Plan shares, which are held in trust for the benefit of Partners.

ACCOUNTING POLICIES

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

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

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised. Qualifying assets are those that take a substantial period of time to get ready for their intended use. Capitalisation commences when both expenditure on the asset and borrowing costs are being incurred. Capitalisation ceases when the asset is ready for its intended use. The capitalisation rate used to determine the borrowing costs eligible for capitalisation is 3.1% (2021: 3.1%).

Notes to the consolidated financial statements (continued)
5.5 BORROWINGS AND OVERDRAFTS (CONTINUED)

	2022	2021
	£m	£m
Borrowings and overdrafts		
Current:		
Bank loans ¹	(150.0)	(75.0)
	(150.0)	(75.0)
Non-current:		
Bank loans ¹	(50.0)	(200.0)
6¼% Bonds, 2025	(300.0)	(300.0)
4¼% Bonds, 2034	(300.0)	(300.0)
Unamortised bond and loan transaction costs	7.4	8.8
Fair value adjustment for hedged element on bonds	1.0	(4.2)
	(641.6)	(795.4)

¹ £75m of term loans were repaid during 2021/22. See section 7.1.2.

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

5.6 LEASE LIABILITIES

PURPOSE

The Group enters into leases for property, plant and equipment. The Group's lease portfolio is principally comprises property leases of land and buildings in relation to Waitrose and John Lewis shops, distribution centres and head offices. The leases typically run for terms between 5 and 100 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Group's lease payments are subject to market review, usually every five years, and some lease agreements include rental payments contingent on turnover or economic indices. These contingent lease payments are excluded from the calculation of lease liabilities under IFRS 16: Leases.

ACCOUNTING POLICIES

Lease liabilities: *The Group assesses whether a contract is or contains a lease based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities at the lease commencement date. The lease liabilities are initially measured at the present value of the lease payments that are not yet paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate and this rate is determined on a portfolio basis, in relation to asset type and location.

Lease liabilities are subsequently measured at amortised cost and are increased by the interest charge and decreased by the lease payments made. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a renewal or purchase option is reasonably certain to be exercised or a break clause is reasonably certain not to be exercised.

The Group has elected to apply the exemption for recognising right-of-use assets and lease liabilities on the balance sheet where the underlying asset is of low value. Lease expenses relating to low value assets will be recognised in the income statement on a straight-line basis.

In relation specifically to vehicle leases, the Group has also elected to apply the exemption for short-term leases and therefore will not recognise right-of-use assets and lease liabilities on the balance sheet for vehicle leases of less than 12 months in duration.

Notes to the consolidated financial statements (continued)

5.6 LEASE LIABILITIES (CONTINUED)

Contingent rentals are recognised as an expense in the income statement when incurred.

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

Sale and leaseback: *A sale and leaseback transaction is where the Group sells an asset and immediately leases back the same asset from the buyer. On sale, the property, plant and equipment asset is derecognised from the balance sheet and the Group measures a right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the rights of use retained by the Group. The Group also recognises a lease liability at the date of the transaction. Any gain or loss that relates to the rights of the buyer is recognised in the income statement.*

The following amounts are included in the Group's consolidated financial statements in respect of its leases:

	2022 £m	2021 £m
Depreciation charge for right of use assets (excluding impairment) (see note 3.2)	(139.8)	(136.9)
Interest expense on lease liabilities	(97.2)	(104.2)
Expense relating to short-term leases	(1.7)	(0.8)
Expense relating to leases of low-value assets that are not shown above as short-term leases	(1.8)	(1.8)
Expense relating to variable lease payments not included in lease liabilities	(3.3)	(3.2)
Total cash outflow for leases comprising interest and capital payments (see note 5.2)	(252.4)	(194.3)
Additions to right-of-use assets (see note 3.2)	139.3	134.6
Carrying amount of right-of-use assets (see note 3.2)	1,473.3	1,540.2
Gains arising from sale and leaseback transactions ¹	-	12.7
Income from sub-leasing right-of-use assets	6.0	5.2

¹ The Group did not complete any sale and leaseback transactions during the year (2021: 11 shops and cash proceeds of £136.2m).

We currently do not disclose potential future undiscounted lease payments not included in lease liabilities as these are subject to a high level of judgement regarding expected lease extension terms and future end dates. Additionally, the value of rental payments are subject to future market rates applicable as at the date of extension which are parameters not yet publicly known. As a result, we do not consider the potential future undiscounted lease payments to be able to be reliably estimated. There were no leases not yet commenced to which the Group is committed that are not included in lease liabilities as at the year end.

Notes to the consolidated financial statements (continued)

6 PENSIONS

6.1 RETIREMENT BENEFITS

PURPOSE

The Group's pension scheme is made up of two parts: the defined benefit section and the defined contribution section. The defined benefit section provides a non-contributory pension in retirement based on Partners' pensionable pay and pensionable service. The defined contribution section is where contributions made by Partners and the Group are invested in a choice of funds and then the contributions and investment returns are used to buy benefits on retirement.

The consolidated balance sheet includes a retirement benefit asset or liability, which is the expected future cash flows to be paid out by the defined benefit section of the pension scheme, offset by assets held by the scheme to meet these liabilities. The expected liabilities are calculated by an actuary using a number of financial and demographic assumptions whilst the assets are held at fair value. The defined benefit section of the scheme closed to future accrual on 1 April 2020.

The defined contribution section of the scheme is available to all Partners and pays fixed contributions into individual investment funds on Partners' behalf. There is therefore no liability on the Group balance sheet relating to the defined contribution section of the pension scheme, other than any accrual for the previous period's monthly defined contribution payments.

This note details the financial and demographic assumptions made in estimating the defined benefit obligation, together with an analysis of the components of the pension liability. It also explains where these amounts have been recorded in the consolidated balance sheet and the consolidated income statement.

ACCOUNTING POLICIES

Employee benefits: *The defined benefit scheme assets are held separately from the Group. The cost of providing benefits under the defined benefit section of the scheme is determined using the projected unit credit actuarial valuation method, which measures the liability based on service completed and allows for projected future increases.*

The current service cost is the increase in the present value of the retirement benefit obligation resulting from employees' service. Following the closure of the defined benefit section of the pension scheme, no future current service costs have been recognised beyond 1 April 2020. The current service cost is included within operating profit in the consolidated income statement.

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

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

Contributions to the Group's defined contribution section are charged to the income statement as they are incurred. The Group has no further obligation once the contributions have been made.

The Group also has a scheme to provide up to six months' paid leave after 25 years' service (long leave). The liability relating to long leave is included within provisions in note 4.4.

CRITICAL ACCOUNTING ESTIMATES

Retirement benefits: *This section details the assumptions used to calculate the total defined benefit pension obligation. This is the estimate of the current cost of meeting future benefits to be paid out by the pension scheme. The calculation requires the application of a discount rate to estimate the present day fair value of the pension payments, as well as assumptions on mortality rates, salary increases and inflation. Given the size of the Group's defined benefit obligation, relatively small movements in these assumptions could cause a material adjustment to the carrying amount of the obligation. Sensitivity analysis on the discount rate and other key assumptions is provided in note 6.1.5.*

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

Retirement benefits

The pension scheme operated by the Group is the John Lewis Partnership Trust for Pensions. The scheme is governed by a corporate Trustee which is independent of the Group. The Trustee is responsible for the operation and governance of the scheme, including making decisions regarding the scheme's investment strategy.

The scheme includes a funded final salary defined benefit section, providing pensions and death benefits to members. This scheme closed to new members and future accrual on 1 April 2020 and all active members of the scheme moved to become deferred members.

All contributions to the defined benefit section of the pension scheme to meet the obligations are funded by the Group.

The scheme also includes a defined contribution section. Contributions to the defined contribution section of the scheme are made by both Partners and the Group.

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

Funding valuation

The pension scheme is subject to a full actuarial valuation every three years using assumptions agreed between the Trustee and the Group. The purpose of this valuation is to design a funding plan to ensure that the pension scheme has sufficient funds available to meet future benefit payments.

The most recent valuation has been carried out by an independent professionally qualified actuary as at 31 March 2019. As part of the triennial actuarial valuation of the scheme, underlying membership data was updated as at 31 March 2019. Pension commitments recognised in these financial statements have been calculated based on that updated membership data rolled forward for known movements.

The valuation at 31 March 2019 resulted in a funding deficit of £58.0m (31 March 2016: £479.0m). The market value of the assets of the scheme as at 31 March 2019 was £6,012.0m (31 March 2016: £4,377.0m). The actuarial valuation showed that these assets were sufficient to cover 99% (31 March 2016: 90%) of the benefits which had accrued to members.

The valuation calculated under the funding valuation basis of £58.0m is different from the accounting valuation which is presented on the balance sheet in the Group's financial statements. Differences arise between the funding valuation and accounting valuation, mainly due to the use of different assumptions to value the liabilities and changes in market conditions between the two valuation dates, of 31 March 2019 and 29 January 2022.

For funding valuation purposes the liabilities are determined based on assumptions set by the Trustee following consultation with the Group and Scheme Actuary. The discount rate used for the funding valuation as at 31 March 2019 is based on index linked gilt yields plus 2.2% and 0.8% for pre and post retirement respectively.

In the financial statements the liabilities are determined in accordance with IAS 19: Employee Benefits. The discount rate used for the accounting valuation is based on high quality (AA) corporate bond yields of an appropriate term.

As a result of the funding valuation, the Group and the Trustee agreed to put in place a plan to eliminate the deficit of £58.0m over a six-year period. As part of this plan, it was agreed that deficit reducing contributions would be paid in equal monthly instalments from 1 April 2020 to 31 March 2026 totalling £10m per annum.

During 2020/21 the Group and the Trustee, implemented a long term derisking framework, see section 6.1.4 for more details. The next triennial actuarial valuation of the scheme will take place as at 31 March 2022.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

Recognition of a retirement benefit surplus

The Group has recognised a retirement benefit surplus position at the balance sheet date. The recognition of a surplus is determined by IAS 19 and applying IFRIC 14 which is an interpretation providing further guidance about when a surplus can be recognised. The Group considers that under the Pension scheme rules, the Group has an unconditional right to a refund of surplus after all pension payments have been made. As such the surplus has been recognised as the amount that the Group has a right to receive as a refund.

Pension commitments recognised in these accounts have been calculated based on the most recent actuarial valuation, as at 31 March 2019, which has been updated by actuaries to reflect the assets and liabilities of the scheme as at 29 January 2022, calculated on assumptions that are appropriate for accounting under IAS 19.

Risk management

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

Specific risks include:

- Changes in future expectations of price inflation: The majority of the scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. Changes in the liabilities due to changes in inflation expectations are broadly offset by the Trustees' liability matching scheme as detailed in 6.1.4;
- Changes in the discount rate used to value pension liabilities: A lower discount rate will lead to higher liabilities. However, as with inflation expectations, changes in the liabilities due to changes in the discount rate are broadly offset by the Trustees' liability matching scheme as detailed in 6.1.4;
- The return on assets being lower than assumed: If the rate of growth in assets falls below the discount rate used to value the liabilities then the pension surplus will reduce. This is offset in part by the Trustee's investment strategy of holding a highly diversified portfolio of return seeking assets as detailed in 6.1.4;
- Falls in asset values not being matched by similar falls in the value of liabilities: As the majority of assets held by the scheme are not matched to the liabilities of the scheme, a fall in plan assets will lead to a reduction in the surplus. This is offset in part by the Trustee's investment strategy of holding a highly diversified portfolio of return seeking assets as detailed in 6.1.4;
- Unanticipated increase in life expectancy leading to an increase in the scheme's liabilities: An increase in life expectancy would mean pensions are expected to be paid for a longer period, increasing the obligations and decreasing the scheme's surplus. This is offset in part by the scheme applying a Life Expectancy Adjustment Factor, whereby future pensions coming into payment are adjusted to allow for increases in life expectancy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.1 ASSUMPTIONS

PURPOSE

This section details the assumptions used to calculate the total defined benefit pension obligation. This is the estimate of the current cost of meeting future benefits to be paid out by the pension scheme. The calculation includes applying a discount rate to estimate the present day fair value of the pension payments, allowing for future expected increases in earnings and pension payments and the life expectancy of the members of the pension scheme.

Financial assumptions

Scheme assets are stated at market values at 29 January 2022. The following financial assumptions have been used to value the obligation:

	2022	2021
Discount rate	2.30%	1.55%
Future RPI inflation	3.30%	2.75%
Future CPI inflation	2.85%	2.30%
Increase in pensions – in payment		
Pre-April 1997	1.95%	1.75%
April 1997–April 2016	3.05%	2.65%
Post-April 2016	1.95%	1.75%
Increase in pensions – deferred	2.85%	2.30%

Nominal discount rate: IAS 19 requires that the nominal discount rate is set by reference to market yields on high quality corporate bonds of a suitable term consistent with the scheme cash flows. The Group's pension scheme has cash flows spanning out over 50 years and an average duration of 22 years. The model adopted by the Group is a yield curve approach, based on corporate bonds within the iBoxx AA corporate bond index. Where there are no high quality corporate bonds of appropriate duration to reference, an extrapolation from other bond yields is required. Following actuarial advice, the criteria used to determine which bonds are included in the model has been updated during the year, to ensure the discount rate remains robust to changes in bond yields. This has increased the discount rate by 0.1% at 29 January 2022.

Future RPI and CPI inflation: The inflation assumptions used to calculate the Group's defined benefit pension obligations are based on a cash flow weighted Bank of England RPI, which is then adjusted for inflation risk. The Group has reflected the impact of RPI reform to align RPI with CPIH (a variant of the Consumer Price Index that includes an estimate of housing costs) expected from 2030 onwards. An inflation risk premium of 0.2% has been applied until 2030, increasing to 0.5% beyond this date (an average margin of 0.35%). A long-term gap of 1.0% between RPI and CPI has been applied until 2030, reducing to 0.1% beyond this date (an average long-term gap of 0.45%).

Demographic assumptions

The post-retirement mortality assumptions used in valuing the pension liabilities were based on the S2 Light (2021: S2 Light) series standard tables. Based on scheme experience, the probability of death at each age was multiplied by 127% for males and 106% for females who were non pensioners and 130% for males and 109% for females who were pensioners (2021: 127% for males and 106% for females). This reflects evidence of lower life expectancy due to delayed medical intervention as a result of the Covid-19 pandemic. Future improvements in life expectancy have been allowed for in line with the CMI 2020 improvements model with a smoothing parameter of 7.0 (2021: CMI 2018, smoothing parameter of 7.0) subject to a long-term trend of 1.25%.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.1 ASSUMPTIONS (CONTINUED)

The average life expectancies assumed were as follows:

	2022		2021	
	Male	Female	Male	Female
Average life expectancy for a 65 year old (in years)	21.0	23.4	21.1	23.4
Average life expectancy at age 65, for a 50 year old (in years)	22.0	24.7	22.0	24.5

6.1.2 AMOUNTS RECOGNISED IN THE FINANCIAL STATEMENTS

PURPOSE

This section details the amounts recognised in our consolidated financial statements in relation to the defined benefit section of our pension scheme. This consists of the net pension asset and liability, recognised on our balance sheet, the cost of providing the pension benefit over the year, recognised in the income statement, and actuarial gains and losses (being changes in assumptions, or assumptions not being borne out in practice) which are recognised in the statement of comprehensive income/(expense). The movements are broken down into the key components that impact the defined benefit section of the pension scheme.

	2022 £m	2021 £m
Amounts recognised in the balance sheet		
Defined benefit obligation for funded arrangements	(6,732.7)	(7,422.8)
Total value of scheme assets	7,225.5	6,796.6
Total funded defined benefit asset/(liability) at end of year	492.8	(626.2)
Defined benefit obligation for unfunded arrangements	(19.3)	(20.7)
Defined benefit asset/(liability) at end of year (net)	473.5	(646.9)

PURPOSE

The cost of providing the pension scheme over the year, recognised in the consolidated income statement, is broken down as follows:

Service cost is the cost to the Group of future benefits earned by members which is attributable to members' service in the current period. Following the closure of the defined benefit section of the pension scheme on 1 April 2020, no further service costs will be recognised.

Contribution expense is in respect of the Group's contributions to the defined contribution section of the pension scheme and cash supplements in respect of certain Partners in lieu of future pension accrual.

Administrative expenses are in relation to the pension scheme. Net interest on the net defined benefit liability is made up of the interest cost on pension liabilities and interest income on pension assets.

	2022 £m	2021 £m
Amounts recognised in the income statement		
Current service cost	-	(18.9)
Contribution expense ¹	(115.3)	(107.9)
Administrative expenses – funded by the pension scheme	(7.6)	(7.7)
Administrative expenses – funded by the employer	(11.1)	(8.8)
Total operating expense	(134.0)	(143.3)
Net interest on net defined benefit liability	(9.9)	(7.8)
Total pension charge	(143.9)	(151.1)

¹ Includes Group contributions to the defined contribution section of the pension scheme of £113.9m (2021: £105.7m), together with cash supplements in respect of certain Partners in lieu of future pension accrual of £1.4m (2021: £2.2m). Of the total contribution expense, £nil (2021: £0.3m) was recognised as an exceptional expense, see note 2.5 for details.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.3 RECONCILIATION OF RETIREMENT BENEFITS

	2022 £m	2021 £m
Amounts recognised in equity		
Return on plan assets greater than interest income	505.6	412.6
Remeasurements:		
– gain/(loss) from changes in financial assumptions	500.9	(618.1)
– gain/(loss) from changes in demographic assumptions	5.3	(64.4)
– experience gains	105.1	32.5
Total gain/(loss) recognised in equity	1,116.9	(237.4)

PURPOSE

The net defined benefit pension asset/(liability) is the difference between the total pension liability (being the expected cost of making future defined benefit pension payments) and scheme assets. The table below details movements in the net defined benefit pension asset/(liability) during the year. Movements in scheme assets are explained further in 6.1.4.

Movements in the net defined benefit asset/(liability) are as follows:

Pension expense, which is the cost associated with providing defined benefit pension benefits over the year. This is equal to the pension operating expense set out above in 6.1.2, but excluding contribution expense and administrative expenses met directly by the employer.

Contributions paid into the scheme will increase the value of the net pension asset.

Gains or losses recognised in equity relating to returns on plan assets being different to the interest income and remeasurements (explained further below).

	2022 £m	2021 £m
Reconciliation of net defined benefit asset/(liability)		
Net defined benefit liability at beginning of year	(646.9)	(417.4)
Pension charge	(17.5)	(34.4)
Contributions	21.0	42.3
Total gains/(losses) recognised in equity	1,116.9	(237.4)
Net defined benefit asset/(liability) at end of year	473.5	(646.9)

PURPOSE

The total pension liability (or defined benefit obligation) represents the current cost of meeting the future benefits to be paid out by the scheme. The movements in the defined benefit obligation are broken down into key areas that impact the obligation as follows:

Service cost is the cost to the Group of future benefits earned by members which are attributable to members' service in the current period. The service cost is charged to the income statement, along with any gains or losses on settlement. Following the closure of the defined benefit section of the pension scheme, there have been no further current service costs recognised from 1 April 2020.

Future pension obligations are stated at present value. A discount rate is used to calculate the current value of the future liability.

The interest on pensions liabilities is the unwinding of this discount rate and is charged to the income statement within net finance costs.

Remeasurements arise from the uncertainty in making assumptions about future events when calculating the liability. These may arise from changes in assumptions, for example movements in the discount rate, or experience adjustments which result from differences between the assumptions made and what actually occurred over the period. Remeasurements are recognised in equity and shown in the statement of comprehensive income/(expense).

Any cash benefits paid out by the scheme will reduce the defined benefit obligation.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.3 RECONCILIATION OF RETIREMENT BENEFITS (CONTINUED)

	2022 £m	2021 £m
Reconciliation of defined benefit obligation		
Defined benefit obligation at beginning of year	(7,443.5)	(6,821.0)
Current service cost	-	(18.9)
Interest on pension liabilities	(114.0)	(128.1)
Remeasurements:		
– gain/(loss) from changes in financial assumptions	500.9	(618.1)
– gain/(loss) from changes in demographic assumptions	5.3	(64.4)
– experience gains	105.1	32.5
Benefits paid	194.2	174.5
Defined benefit obligation at end of year	(6,752.0)	(7,443.5)

The scheme liabilities are 71.9% (2021: 71.2%) in respect of deferred scheme participants and 28.1% (2021: 28.8%) in respect of retirees.

The weighted average duration of the scheme liabilities at the end of the year is 22 years (2021: 23 years).

PURPOSE

The pension scheme holds a number of investments to meet future pension payments, referred to as the assets of the scheme. This note details movements in the value of pension assets during the year. The movements are broken down into key areas that impact the pension assets as follows:

Interest income on assets represents the expected return on investments if it is in line with the discount rate. It is calculated as the discount rate at the beginning of the year multiplied by the value of the assets at the beginning of the year. This is recognised within net finance costs in the income statement.

Return on plan assets greater/(less) than interest income represents how much greater or less the actual return is than the interest income. This is recognised in equity and shown in the statement of comprehensive income/(expense).

Any cash benefits paid out or expenses paid by the scheme will reduce the value of the scheme's assets.

Contributions paid into the scheme will increase the value of the scheme's assets.

6.1.3 RECONCILIATION OF RETIREMENT BENEFITS

	2022 £m	2021 £m
Reconciliation of value of assets		
Value of assets at the beginning of year	6,796.6	6,403.6
Interest income on assets	104.1	120.3
Return on plan assets greater than interest income	505.6	412.6
Benefits paid	(194.2)	(174.5)
Administrative expenses paid	(7.6)	(7.7)
Contributions	21.0	42.3
Value of assets at the end of year	7,225.5	6,796.6

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.4 ANALYSIS OF ASSETS

	2022				2021			
	Quoted £m	Unquoted £m	Total £m	Total	Quoted £m	Unquoted £m	Total £m	Total
Equities								
UK	10.5	10.8	21.3	0.3%	37.4	24.6	62.0	0.9%
Rest of the world	368.1	520.7	888.8	12.3%	769.9	1,163.7	1,933.6	28.4%
Bonds								
Government – Rest of the world	197.0	10.6	207.6	2.9%	203.5	2.1	205.6	3.0%
Corporates – UK	23.8	0.5	24.3	0.3%	11.9	0.9	12.8	0.2%
Corporates – Rest of the world	380.8	247.9	628.7	8.7%	221.6	217.2	438.8	6.5%
Property								
UK	-	554.1	554.1	7.7%	-	496.9	496.9	7.3%
Rest of the world	-	-	-	0.0%	-	0.1	0.1	<0.1%
Alternative assets								
Liability driven investments	-	3,020.6	3,020.6	41.8%	-	1,709.2	1,709.2	25.1%
Hedge funds	-	374.4	374.4	5.2%	-	588.1	588.1	8.7%
Private equity	-	519.3	519.3	7.2%	-	418.4	418.4	6.2%
Other alternative assets	-	810.7	810.7	11.2%	-	687.4	687.4	10.1%
Cash and other	175.7	-	175.7	2.4%	243.7	-	243.7	3.6%
Total market value of assets	1,155.9	6,069.6	7,225.5	100.0%	1,488.0	5,308.6	6,796.6	100.0%

The Trustee's investment strategy is consulted upon with the Group and contained in their Statement of Investment Principles dated 25 September 2020. That investment strategy is to target full funding on a low dependency basis by 2044. The Trustee will pursue an investment strategy that generates investment returns in excess of government bonds but with a risk level that is commensurate with the strength of the covenant. In 2020 the Trustee and the Group agreed a derisking framework to help determine the appropriate allocation to the Return-Seeking portfolio based on improvements in the Trust's funding level at a given point in time, with the overall aim of reducing risk and reducing the Scheme's future reliance on the Group. As part of this framework, during the year £1,184.9m of the Scheme's investment in equities and £77.6m of the Scheme's investment in hedge funds have been moved into assets which match the Scheme's liabilities.

The interest rate hedging at the year end was 100% of assets and the inflation coverage was 100% of assets.

Equities, bonds and certain alternative assets which are traded on active markets are included at the quoted price, which is normally the bid price. Properties are valued by independent valuers who are RICS registered Chartered Surveyors and have recent experience of the locations and type of properties held. The valuers' opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms, and reflects the rental income from current tenants, the remaining term of current leases, and market rents for the locations in which the properties were based. Equities and alternative assets that are neither quoted nor traded on an active market are stated at fair value estimates provided by the manager of the investment or fund. Financial instruments including derivatives are valued in accordance with note 1.1.5.

Liability driven investments include UK Government bond and cash equivalent assets valued at £4,272.6m (2021: £3,693.8m) and associated repurchase agreements and swaps valued at £(1,252.0)m (2021: £(1,984.6)m). This is part of the Trustee's interest rate and inflation hedging strategy.

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.4 ANALYSIS OF ASSETS (CONTINUED)

Other alternative assets include investments in infrastructure funds of £345.3m (2021: £308.4m), insurance linked funds £76.8m (2021: £79.7m) and private debt £388.6m (2021: £299.3m).

Cash and other includes cash deposits of £187.4m (2021: £235.8m), forward foreign exchange contracts valued at £(9.7)m (2021: £8.7m) and other items valued at £(2.0)m (2021: £(0.8)m).

	2022	2021
	£m	£m
Actual return on assets		
Interest income on assets	104.1	120.3
Return on plan assets greater than interest income	505.6	412.6
Actual return on assets	609.7	532.9

6.1.5 SENSITIVITY ANALYSIS

PURPOSE

The defined benefit obligation is volatile given that it is based on a number of long-term assumptions, which are likely to change over time. Illustrated below is the sensitivity of the defined benefit obligation to changes in key assumptions.

The sensitivities have been derived using approximate methods which are consistent with the rest of the disclosure and calculated by changing the relevant assumption while holding all other assumptions constant, except where this directly impacts other assumptions such as pension increase assumptions which are dependent on inflation assumptions:

	£m	% change
Defined benefit obligation as at 29 January 2022	6,752.0	
Sensitivity of 0.1% increase to:		
– Discount rate ¹	(138.7)	(2.1%)
– Retail price inflation	37.2	0.6%
– Consumer price inflation	62.2	0.9%
Sensitivity of one-year increase in life expectancy	239.5	3.5%

¹The discount rate and inflation sensitivities do not allow for the impact of the Trustee's investment strategy. As set out in note 6.1.4 this is designed to offset movements in the discount rate and their impact on the liabilities.

6.1.6 OTHER ARRANGEMENTS

JLP Scottish Limited Partnership

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

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

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

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

Notes to the consolidated financial statements (continued)

6.1 RETIREMENT BENEFITS (CONTINUED)

6.1.6 OTHER ARRANGEMENTS (CONTINUED)

Under IAS 19, the investment held by the pension scheme in JLP Scottish Limited Partnership, a consolidated entity, does not represent a plan asset for the purpose of the Group's consolidated financial statements. Accordingly, the pension surplus position presented in these consolidated accounts does not reflect the £65.3m (2021: £76.6m) investment in JLP Scottish Limited Partnership held by the pension scheme. The distribution of JLP Scottish Limited Partnership profits to the pension scheme is reflected as pension contributions in these consolidated financial statements on a cash basis.

John Lewis Properties PLC guarantee

As part of agreeing the funding valuation in 2017, John Lewis Properties PLC provided a corporate guarantee to the pension scheme. This guarantee means that if John Lewis PLC fails to make any payments due to the scheme, then the pension scheme can claim against John Lewis Properties PLC for those payments. As part of the guarantee, John Lewis Properties PLC is required to maintain at least £760.0m of net assets.

Waitrose Limited guarantee

As part of agreeing the funding valuation in 2020, Waitrose Limited provided a corporate guarantee to the pension scheme. This guarantee means that if John Lewis PLC fails to make any payments due to the scheme, then the pension scheme can claim against Waitrose Limited for those payments. There is no requirement for Waitrose Limited to maintain a minimum net asset position.

The guarantees have improved the recovery to the pension scheme in the event of insolvency of the Group.

7 FINANCIAL RISK MANAGEMENT

7.1 MANAGEMENT OF FINANCIAL RISKS

PURPOSE

The principal financial risks that we are exposed to relate to the capital structure and long-term funding of the Group and also to the markets and counterparties we are exposed to in our operations. These risks can be summarised as: capital and long-term funding risk, liquidity risk, interest rate risk, foreign currency risk, credit risk and energy risk. This note details how each of these risks is managed.

7.1.1 CAPITAL AND LONG-TERM FUNDING RISK

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

The Group's capital management strategy is to maintain a prudent capital structure, with the aim of maintaining a financial risk profile consistent with an investment grade credit rating to ensure the long-term financial sustainability of the Group. Although the Group does not have an external credit rating, it routinely monitors its capital and liquidity requirements, whilst maintaining an appropriate level of liquidity (cash plus undrawn committed credit facilities) and a managed debt maturity profile to reduce refinancing risk and ensure continuity of funding. Forms of borrowing include bond issues, bank debt, assets acquired via leases, any pension deficit and Share Incentive Plan shares as part of the BonusSave scheme.

7.1.2 LIQUIDITY RISK

In line with the Partnership Board approved Treasury Standard, the Group is required to hold a minimum amount of liquidity, made up of a mixture of cash and undrawn committed credit facilities. Liquidity requirements are managed in line with short and long-term cash flow forecasts and reviewed against the Group's debt portfolio and maturity profile. Surplus cash is invested in accounts, short-term deposits and other short-term investments with sufficient, prudent liquidity determined by the above mentioned cash flow forecasts. The Partnership actively reviews and manages its cash holdings, sources of debt and committed credit facilities. Greater emphasis has been placed on cash balances providing a material portion of the Group's overall liquidity, with undrawn committed credit facilities complementing these balances.

Notes to the consolidated financial statements (continued)
7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)
7.1.2 LIQUIDITY RISK (CONTINUED)

At the year end, the Group had undrawn committed credit facilities of £420m (2021: £500.0m). This facility was renewed during the year and now matures in October 2026. In addition to these facilities, the Group had listed bonds at the year end totalling £600.0m (2021: £600.0m), with £300.0m due to mature in 2025 and the remaining £300.0m due to mature in 2034. The bonds have fixed coupons. The Group has bank loans totalling £200m, with £150.0m due to mature in Q4 2022 and £50.0m in Q4 2023. A bank loan of £75.0m was repaid in July 2021, three months in advance of its maturity. The loans have variable interest payments. The maturity profiles of financial debt are set out below.

The Group's listed bonds, bank loans and committed credit facilities contain financial covenants. Throughout the year the Group maintained comfortable headroom against its covenants.

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

	Carrying amount £m	Total contractual cash flows £m	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities					
Borrowings and overdrafts	(791.6)	(800.0)	(150.0)	(50.0)	(600.0)
Interest payments on borrowings	-	(225.2)	(35.1)	(31.7)	(158.4)
Lease liabilities ¹	(1,988.3)	(3,089.4)	(221.3)	(220.6)	(2,647.5)
Trade and other payables	(1,451.5)	(1,451.5)	(1,451.4)	(0.1)	-
Derivative financial liabilities					
Derivative contracts – receipts	-	513.8	391.3	116.4	6.1
Derivative contracts – payments	-	(513.1)	(392.7)	(115.3)	(5.1)
At 29 January 2022	(4,231.4)	(5,565.4)	(1,859.2)	(301.3)	(3,404.9)

¹ The lease liabilities due 2 years and beyond can be further broken down as £(602.2)m 2-5 years, £(668.7)m 5-10 years, £(684.4)m 10-15 years and £(692.2)m 15 years and beyond.

	Carrying amount £m	Total contractual cash flows £m	Due within 1 year £m	Due between 1 and 2 years £m	Due 2 years and beyond £m
Non-derivative financial liabilities					
Borrowings and overdrafts	(870.4)	(875.0)	(75.0)	(150.0)	(650.0)
Interest payments on borrowings	-	(262.0)	(37.0)	(35.0)	(190.0)
Lease liabilities	(2,037.3)	(3,254.8)	(211.3)	(211.7)	(2,831.8)
Trade and other payables	(1,306.3)	(1,306.3)	(1,306.2)	(0.1)	-
Derivative financial liabilities					
Derivative contracts – receipts	-	448.4	356.0	80.2	12.2
Derivative contracts – payments	-	(464.1)	(372.4)	(81.7)	(10.0)
At 30 January 2021	(4,214.0)	(5,713.8)	(1,645.9)	(398.3)	(3,669.6)

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

7.1.3 INTEREST RATE RISK

In order to manage the risk of interest rate fluctuations on the Group's financial debt and cash, the Group maintains a mix of fixed and floating rate debt in line with the Partnership Board approved Treasury Standard. An analysis of the Group's financial liabilities is detailed below. Exposures to interest rate fluctuations are managed, when required, using interest rate derivatives. The Group has converted £100.0m of fixed rate debt to floating rate debt using interest rate swap contracts.

Notes to the consolidated financial statements (continued)
7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)
7.1.3 INTEREST RATE RISK (CONTINUED)

The interest rate swap contracts are designated as fair value hedges and fair value movements are recognised within the income statement. Derivative financial instruments recognised as fair value hedges during the year were effective.

IBOR reform

A fundamental reform of major interest rate benchmarks was undertaken globally, including the replacement of GBP LIBOR with alternative risk free rates, and the Financial Conduct Authority (FCA) confirmed all GBP LIBOR settings will cease after 31 December 2021. The Partnership had some exposure to GBP LIBOR.

During the year, the Group transitioned its exposures from GBP LIBOR to risk-free rate indices. These included interest rate swaps, term loans and floating intercompany loans which were transitioned to Sterling Overnight Index Average (SONIA) based indices. To transition existing contracts and agreements, adjustments for term difference and credit differences were negotiated.

The Group has applied the following reliefs that were introduced by the amendments made to IFRS 9 in September 2019:

- When considering the 'highly probable' requirement, the Group has assumed that the adjustments for term differences will mean that the interest rate used after the reform will be the same as if still referenced to GBP LIBOR;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that adjustments for term differences will mean that the interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based, is not altered; and
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

7.1.4 FOREIGN CURRENCY RISK

The Group uses derivative financial instruments to manage exposures to movements in exchange rates arising from transactions with overseas-based suppliers and other organisations. Foreign exchange management committees exist for each of Waitrose and John Lewis, and they meet regularly to oversee the foreign exchange purchasing activities for each brand. Foreign currency exposures are hedged primarily using forward foreign exchange contracts covering up to 100% of forecast direct exposures on a rolling basis. Forward foreign exchange contracts used to hedge forecast currency requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow hedges during the year were effective. At the balance sheet date, the notional value of open forward foreign currency contracts of £497.6m (2021: £425.2m) had been entered into, to hedge purchases in foreign currencies which will mature over the next 24 months.

7.1.5 CREDIT RISK

The Group has no significant exposure to an individual customer's credit risk due to transactions being principally of a high volume, low value and short maturity. Cash deposits and other financial instruments give rise to credit risk on the amounts due from counterparties. These risks are managed by restricting such transactions to an approved list of counterparties, who have an investment grade credit rating by at least two of the three primary rating agencies. Appropriate credit limits are designated to each counterparty. The Group considers its maximum exposure to credit risk is as follows:

	2022 £m	2021 £m
Trade and other receivables	219.9	174.4
Short-term investments	95.3	0.3
Cash and cash equivalents	1,415.4	1,518.2
Derivative financial instruments	7.7	7.3
	1,738.3	1,700.2

Notes to the consolidated financial statements (continued)

7.1 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

7.1.6 ENERGY RISK

The Group actively manages the energy cost risk associated with the Group's activities. The Group regularly reviews its pricing exposure to diesel, electricity and gas consumption and determines strategies for forward purchasing and hedging of energy costs using flexible purchase contracts and by entering into over-the-counter diesel swap contracts.

Diesel cost exposures are hedged primarily using over-the-counter diesel swaps covering up to 100% of forecast direct exposures on a rolling basis. Diesel swaps used to hedge forecast diesel requirements are designated as cash flow hedges with fair value movements recognised in equity. Derivative financial instruments that were designated as cash flow value hedges during the year were effective. At the balance sheet date, the notional value of open diesel swaps of £6.2m (2021: £1.3m) had been entered into, to hedge future purchases of diesel.

7.1.7 SENSITIVITY ANALYSIS

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

The analysis excludes the impact of movements in market variables on the carrying value of pension and other provisions, which is addressed in notes 4.4 and 6.1.5.

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

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

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

	Income statement	2022 Equity	Income statement	2021 Equity
	+/- £m	+/- £m	+/- £m	+/- £m
UK interest rates +/- 1% (2021: +/- 1%)	10.9	-	9.7	-
US Dollar exchange rate (GBP/USD) +/- 10% (2021: +/- 10%)	-	26.0	-	20.0
Euro exchange rate (GBP/EUR) +/- 10% (2021: +/- 10%)	-	19.2	-	17.1

Notes to the consolidated financial statements (continued)

7.2 DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL LIABILITIES

PURPOSE

We use cash flow hedges to manage the risk of adverse currency movements.

This note details the fair value of these financial instruments and financial liabilities, together with the valuation techniques and key assumptions made in determining the fair value, as required by UK-adopted IFRS. The fair value represents the amount that would be received from the sale of an asset or the amount that would be paid to pass on a liability.

7.2.1 BASIS OF FAIR VALUE

Fair value estimation

The different levels per the IFRS 13: Fair Value Measurement fair value hierarchy have been defined as follows:

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

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

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

During the year ended 29 January 2022, there have been no transfers between any levels of the IFRS 13 fair value hierarchy and there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets.

7.2.2 FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments is as follows:

	2022				2021			
	Assets	Liabilities	Recognised in other comprehensive income	Recognised in income statement	Assets	Liabilities	Recognised in other comprehensive income	Recognised in income statement
Fair value of derivative financial instruments	£m	£m	£m	£m	£m	£m	£m	£m
Non-current								
Currency and commodity derivatives - cash flow hedge	1.7	(0.8)	0.9	-	0.1	(2.2)	(2.1)	-
Other derivatives	-	-	-	-	-	(0.5)	-	(0.5)
	1.7	(0.8)	0.9	-	0.1	(2.7)	(2.1)	(0.5)
Current								
Currency and commodity derivatives - cash flow hedge	5.8	(7.5)	(1.7)	-	3.0	(19.7)	(16.7)	-
Other derivatives	0.2	(0.9)	-	(0.7)	4.2	(1.2)	-	3.0
	6.0	(8.4)	(1.7)	(0.7)	7.2	(20.9)	(16.7)	3.0

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

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

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

Notes to the consolidated financial statements (continued)

7.2.3 FAIRVALUE OF FINANCIAL ASSETS AND LIABILITIES HELD AT AMORTISED COST

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

	2022 £m		2021 £m	
	CV	FV	CV	FV
Financial liabilities				
Listed bonds	(592.6)	(619.5)	(591.2)	(641.5)

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

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

7.3 ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

PURPOSE

This note sets out the currency exposure of our financial assets and liabilities. The currency analysis details the amount of financial assets, primarily cash and cash equivalents, and financial liabilities, held in Sterling or other currencies, together with the amounts at floating or fixed interest rates. The maturity analysis provides an indication of repayment phasing for the financial liabilities.

7.3.1 ANALYSIS OF FINANCIAL ASSETS

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

	Floating rate £m	Non-interest bearing £m	Total £m
Currency analysis			
Sterling financial assets	1,418.1	92.4	1,510.5
Other financial assets	0.2	-	0.2
At 29 January 2022	1,418.3	92.4	1,510.7
Sterling financial assets	1,410.0	108.2	1,518.2
Other financial assets	0.3	-	0.3
At 30 January 2021	1,410.3	108.2	1,518.5

Floating rate assets are short-term deposits and investments at market rates or the base rate of the relevant currency. Non-interest bearing balances include cash in shops and cash in transit, primarily made up of credit and debit card transactions not yet settled.

7.3.2 ANALYSIS OF FINANCIAL LIABILITIES

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

	Fixed rate £m	Floating rate £m	Total £m
Currency analysis			
All Sterling			
At 29 January 2022	(2,485.1)	(295.8)	(2,780.9)
At 30 January 2021	(2,529.4)	(374.1)	(2,903.5)

Notes to the consolidated financial statements (continued)

8 OTHER NOTES

8.1 SHARE CAPITAL

PURPOSE

Share capital consists of ordinary shares. It is measured as the number of shares issued and fully paid, multiplied by their nominal value.

	2022	2021
	Issued and fully paid	Issued and fully paid
	£m	£m
Share capital		
Equity		
Deferred ordinary shares		
6,750,000 of £1 each	6.7	6.7

8.2 RELATED PARTY TRANSACTIONS

PURPOSE

Two or more parties are considered to be related if one party has direct or indirect control or significant influence over financial or operating policies of the other party. We have a number of related parties with whom we transact, including the Pension Scheme Trustee, key management personnel and certain related charities. We are required by UK-IFRS to detail the transactions made in the year with related parties to draw attention to the possibility that our financial position and results may have been affected by them. This disclosure allows us to demonstrate that we are transacting fairly with all our related parties.

8.2.1 SUBSIDIARIES AND RELATED UNDERTAKINGS

All transactions between the Group and its subsidiaries and related undertakings are eliminated upon consolidation, and therefore do not need to be disclosed separately. A list of subsidiaries and related undertakings within the Group is included within note 29. Loans to joint ventures are disclosed in note 3.3.

8.2.2 ARRANGEMENTS WITH PENSION SCHEME TRUSTEE

The Group entered into an arrangement with the Pension Scheme Trustee on 30 January 2010 to address an element of the scheme deficit that existed at that time.

8.2.3 ARRANGEMENTS WITH JOHN LEWIS PARTNERSHIP TRUST LIMITED

John Lewis Partnership Trust Limited is a related party and holds the deferred ordinary shares in the Group on behalf of the Partners. John Lewis Partnership Trust Limited facilitates the approval and payment of the Partnership Bonus and BonusSave. The BonusSave scheme is operated by John Lewis Partnership Trust Limited which purchases SIP shares on behalf of Partners who have chosen to invest a portion of their bonus for this purpose. At 29 January 2022, the value of SIP shares purchased by John Lewis Partnership Trust Limited on behalf of Partners was £23.4m (2021: £33.1m), £80.8m lower than the value of SIP shares issued of £104.2m (2021: £104.2m). The £80.8m (2021: £71.1m) is payable by John Lewis Partnership Trust Limited to John Lewis plc

8.2.4 OTHER TRANSACTIONS

Key management compensation has been disclosed in note 2.8.3.

During the year the Group provided administrative support services to charities related to the Group. The estimated value of these support services is £161,000 (2021: £86,000). The Group also made donations totalling £0.8m (2021: £0.4m) to the John Lewis & Partners Foundation.

Notes to the consolidated financial statements (continued)

8.3 SUBSEQUENT EVENTS

PURPOSE

Events that take place after the balance sheet date of 29 January 2022 and before the date the financial statements are signed are recorded in this note. In order to be disclosed, these events must be sufficiently material to warrant disclosure.

On 23 March 2022, the Group repaid £150m of bank term loans, up to nine months ahead of the original maturity date. These were repaid from free cash flow.

Additionally on 23 March 2022, we confirmed that we have reached an agreement with Welcome Break which will see up to 264 Partner roles transfer to Welcome Break under Transfer of Undertakings Protection of Employment (TUPE).

COMPANY BALANCE SHEET as at 29 January 2022

Notes	2022 £m	2021 £m
Non-current assets		
12 Intangible assets	288.6	299.7
13 Property, plant and equipment	554.0	568.4
13 Right-of-use-assets	732.2	755.0
17 Trade and other receivables	6.6	5.9
Derivative financial instruments	1.7	0.1
14 Investments in subsidiaries	809.2	975.1
15 Investments in and loans to joint venture	4.4	3.4
24 Deferred tax asset	-	186.5
26 Retirement benefit surplus	558.1	-
	2,954.8	2,794.1
Current assets		
16 Inventories	411.0	407.7
17 Trade and other receivables	239.1	199.2
Current tax receivable	7.9	18.4
Derivative financial instruments	6.0	7.2
18 Short-term investments	95.3	0.3
19 Cash and cash equivalents	1,319.2	1,423.8
	2,078.5	2,056.6
Total assets	5,033.3	4,850.7
Current liabilities		
20 Borrowings and overdrafts	(150.0)	(75.0)
21 Trade and other payables	(1,657.7)	(1,576.2)
22 Lease liabilities	(66.5)	(45.6)
23 Provisions	(107.4)	(179.4)
Derivative financial instruments	(8.4)	(20.9)
	(1,990.0)	(1,897.1)
Non-current liabilities		
20 Borrowings	(641.6)	(795.4)
21 Trade and other payables	(22.1)	(36.9)
22 Lease liabilities	(985.4)	(1,036.9)
23 Provisions	(157.8)	(159.3)
Derivative financial instruments	(0.8)	(2.7)
26 Retirement benefit obligations	(19.3)	(570.3)
24 Deferred tax liability	(51.8)	-
	(1,878.8)	(2,601.5)
Total liabilities	(3,868.8)	(4,498.6)
Net assets	1,164.5	352.1
Equity		
27 Share capital	6.7	6.7
Share premium	0.3	0.3
Other reserves	0.4	(13.6)
Retained earnings	1,157.1	358.7
Total equity	1,164.5	352.1

COMPANY BALANCE SHEET (CONTINUED)

The accompanying notes are an integral part of the financial statements.

The financial statements on pages 89 to 105 were approved by the Board of Directors on 27 April 2022 and signed on its behalf by Sharon White and Bérangère Michel, Directors, John Lewis PLC.



Sharon White and Bérangère Michel
Directors, John Lewis PLC
Registered number 00233462

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 29 January 2022

		Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained earnings	Total equity
Notes		£m	£m	£m	£m	£m	£m
	Balance at 25 January 2020	6.7	0.3	(14.6)	0.8	630.7	623.9
10	Loss for the year	-	-	-	-	(93.6)	(93.6)
	Remeasurement of defined benefit pension scheme	-	-	-	-	(230.8)	(230.8)
	Fair value loss on cash flow hedges	-	-	(5.6)	-	-	(5.6)
	Tax on above items recognised in equity	-	-	0.3	-	52.4	52.7
	Gain on foreign currency translations	-	-	-	0.1	-	0.1
	Total comprehensive (expense)/income for the year	-	-	(5.3)	0.1	(272.0)	(277.2)
	Hedging losses transferred to cost of inventory	-	-	5.4	-	-	5.4
	Balance at 30 January 2021	6.7	0.3	(14.5)	0.9	358.7	352.1
10	Loss for the year	-	-	-	-	(69.5)	(69.5)
	Remeasurement of defined benefit pension scheme	-	-	-	-	1,109.0	1,109.0
	Fair value loss on cash flow hedges	-	-	(2.1)	-	-	(2.1)
	Cash flow hedge gains reclassified and reported in the consolidated income statement	-	-	(1.0)	-	-	(1.0)
	Tax on above items recognised in equity	-	-	(3.5)	-	(241.1)	(244.6)
	Gain on foreign currency translations	-	-	-	-	-	-
	Total comprehensive (expense)/income for the year	-	-	(6.6)	-	798.4	791.8
	Hedging losses transferred to cost of inventory	-	-	20.6	-	-	20.6
	Balance at 29 January 2022	6.7	0.3	(0.5)	0.9	1,157.1	1,164.5

The accompanying notes are an integral part of the financial statements.

Notes to the company financial statements

9 ACCOUNTING POLICIES

9.1 BASIS OF PREPARATION

The separate financial statements of the Company are prepared in accordance with United Kingdom Accounting Standards, in particular Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 using the historical cost convention. FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard, which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of International Financial Reporting Standards (IFRS). The Company is a qualifying entity for the purposes of FRS 101.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of paragraph 33(c) of IFRS 5 'Non Current Assets Held For Sale and Discontinued Operations';
- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs for fair value measurement of assets and liabilities);
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers';
- The requirements of paragraph 52 of IFRS 16 'Lease';
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- The following paragraphs of IAS 1 'Presentation of financial statements':
 - 10(d) (statement of cash flows);
 - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 40A - 40D (requirements for a third statement of financial position)
 - 16 (statement of compliance with all IFRS)
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B - 38D (additional comparative information)
 - 111 (statement of cash flows information)
 - 134 - 136 (capital management disclosures);
- The requirements of IAS 7 'Statement of cash flow';
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and error' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Notes to the company financial statements (continued)

9 ACCOUNTING POLICIES (CONTINUED)

9.1 BASIS OF PREPARATION (CONTINUED)

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

First-time adoption of FRS 101

In the prior year the Company prepared its Company Accounts in accordance with IFRS and the UK Companies Act 2006. For the current year has prepared its company accounts in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the UK Companies Act 2006.

The Company has taken advantage of the exemption available in paragraph 30 of FRS 101 'Reduced Disclosure Framework' (disclosure exemptions from adopted IFRS for qualifying entities) in not presenting an opening statement of financial position on transition to FRS 101 as was previously required under FRS 101 in accordance with IFRS 1.

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 29 January 2022, the Directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements.

The Directors have concluded that it is appropriate to adopt the going concern basis, having undertaken a rigorous assessment of the financial forecasts with specific consideration to the Company in the context of the trading position of the Company, for the reasons set out in note 1.1.1. Consequently, the Directors have concluded that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

9.2 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

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

9.3 AMENDMENTS TO ACCOUNTING STANDARDS

The following standards, amendments and interpretations were applicable for the period beginning 31 January 2021, They were adopted by the Company for the year ended 29 January 2022 and have not had a significant impact on the Company's loss for the year, equity or disclosures:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to IFRS 3: Business Combinations;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform;
- Amendments to IFRS 16: COVID-19 Related Rent Concessions.

10 PROFIT AND LOSS OF THE COMPANY FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, John Lewis PLC has not presented its own income statement or statement of comprehensive income/(expense). The result dealt with in the accounts of the Company amounted to £69.5m loss (2021: £93.6m loss). There was £nil dividend income in the year (2021: £400m intra-group received from Waitrose Limited and £3.0m received from JLP Insurance Limited).

Details of auditor's remuneration are provided in note 2.6 to the consolidated financial statements of the Group.

Notes to the company financial statements (continued)

11 PARTNERS

11.1 PARTNER NUMBERS

The Partner numbers and benefits referred to below relate to Partners contracted by the Company in branches and central functions. Full employee numbers are provided in note 2.8.1 to the consolidated financial statements of the Group.

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

	2022	2021
John Lewis	21,200	23,900
Other	2,500	2,700
	23,700	26,600

11.2 PARTNER PAY AND BENEFITS

Employment and related costs were as follows:

	2022 £m	2021 £m
Staff costs:		
Wages and salaries	(626.7)	(667.9)
Social security costs	(49.8)	(54.9)
Partnership Bonus	(15.6)	-
Employers' National Insurance on Partnership Bonus	(1.9)	-
Other pension expenses	(57.0)	(45.0)
Long leave cost	(4.6)	(4.9)
Total before Partner discounts	(755.6)	(772.7)
Partner discounts (excluded from revenue)	(48.4)	(44.8)
	(804.0)	(817.5)

During the year, some John Lewis Partners worked in Waitrose branches which resulted in a recharge of £11.5m (2021: £nil) between the entities and is not reflected in the total £804.0m analysed in the table 11.2 above. The average number of Partners in table 11.1 has not been adjusted to reflect the seconded Partners.

Included above are the following amounts in respect of key management compensation:

	2022 £m	2021 £m
Salaries and short-term benefits	(6.0)	(5.5)
Post-employment benefits ¹	(0.5)	(0.7)
Termination benefits ²	-	(1.8)
	(6.5)	(8.0)

¹ Includes cash supplements in lieu of future pension accrual.

² Includes contractual payments and compensation for loss of office.

Key management includes the Directors of the Company, members of the Executive Team and other officers of the Group. Key management compensation includes salaries, Partnership Bonus, National Insurance costs, pension costs and the cost of other employment benefits, such as company cars, private medical insurance and termination payments where applicable. Costs of key management compensation are included within operating expenses and exceptional items as applicable.

Notes to the company financial statements (continued)

11 PARTNERS (CONTINUED)

11.2 PARTNER NUMBERS (CONTINUED)

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

11.3 DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed in note 2.8.4 to the consolidated financial statements.

12 INTANGIBLE ASSETS

Intangible assets	Computer software			Total
	Purchased	Internally developed	Work in progress	
	£m	£m	£m	£m
Cost				
At 30 January 2021	137.3	567.4	32.9	737.6
Additions ¹	-	-	73.9	73.9
Transfers	25.6	29.6	(55.2)	-
Disposals and write-offs	(9.3)	(41.2)	(1.7)	(52.2)
At 29 January 2022	153.6	555.8	49.9	759.3
Accumulated amortisation				
At 30 January 2021	(107.2)	(330.7)	-	(437.9)
Charge for the year	(17.2)	(66.1)	-	(83.3)
Disposals and write-offs	9.3	41.2	-	50.5
At 29 January 2022	(115.1)	(355.6)	-	(470.7)
Net book value at 30 January 2021	30.1	236.7	32.9	299.7
Net book value at 29 January 2022	38.5	200.2	49.9	288.6

¹ For the year ended 29 January 2022, additions for the year include the non-cash capital expenditure accrual on intangible assets of £1.7m (2021: £0.8m).

Intangible assets principally relate to customer and distribution projects with useful economic lives of up to ten years.

There are three individually significant assets within the total carrying amount of intangible assets as at 29 January 2022: two are customer projects (£72.8m, 2021: £141.3m) and one relates to a distribution project (£42.0m, 2021: £65.6m). These assets have useful economic lives ranging from seven to ten years.

During the year to 29 January 2022, computer systems valued at £55.2m (2021: £80.4m) were brought into use. This covered a range of selling, support, supply chain, administration and information technology infrastructure applications, with useful economic lives ranging from three to ten years.

Amortisation of intangible assets is charged within operating expenses.

Notes to the company financial statements (continued)
13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Fixtures, fittings and equipment	Assets in course of construction	Total
Property, plant and equipment	£m	£m	£m	£m
At 30 January 2021	999.9	991.3	37.5	2,028.7
Additions ¹	-	-	117.6	117.6
Transfers	11.4	51.1	(62.5)	(0.0)
Disposals and write-offs	(77.3)	(107.7)	(22.5)	(207.5)
At 29 January 2022	934.0	934.7	70.1	1,938.8
Accumulated depreciation				
At 30 January 2021	(647.1)	(813.2)	-	(1,460.3)
Charge for the year ²	(39.6)	(45.7)	-	(85.3)
Disposals and write-offs	54.1	106.7	-	160.8
At 29 January 2022	(632.6)	(752.2)	-	(1,384.8)
Net book value at 30 January 2021	352.8	178.1	37.5	568.4
Net book value at 29 January 2022	301.4	182.5	70.1	554.0

¹ For the year ended 29 January 2022, additions for the year include the non-cash capital expenditure accrual on property, plant and equipment of £18.4m (2021: £1.6m).

² For the year ended 29 January 2022, this includes an impairment charge of £10.2m to land and buildings (2021: £201.5m) and a credit of £4.1m to fixtures and fittings (2021: £40.2m charge).

In accordance with IAS 36, the Company reviews its property, plant and equipment for impairment at least annually or whenever events or circumstances indicate that the value on the balance sheet may not be recoverable.

The impairment review compares the recoverable amount for each CGU to the carrying value on the balance sheet and includes right-of-use assets. The key assumptions used in the calculations are the discount rate, long-term growth rate, allocation of online sales, expected sales performance and costs, and market valuations considered in fair value less costs of disposal calculations.

	Land and buildings	Fixtures, fittings and equipment	Total
Right-of-use assets	£m	£m	£m
Cost			
At 30 January 2021	971.6	43.5	1,015.1
Additions	77.3	6.4	83.7
Disposals and write-offs	(84.9)	-	(84.9)
At 29 January 2022	964.0	49.9	1,013.9
Accumulated depreciation			
At 30 January 2021	(257.9)	(2.2)	(260.1)
Charge for the year ¹	(50.7)	(7.3)	(58.0)
Disposals and write-offs	36.4	-	36.4
At 29 January 2022	(272.2)	(9.5)	(281.7)
Net book value at January 2021	713.7	41.3	755.0
Net book value at January 2022	691.8	40.4	732.2

¹ For the year ended 29 January 2022, this includes an impairment charge of £10.8m (2021: £169.3m).

Notes to the company financial statements (continued)

14 INVESTMENTS IN SUBSIDIARIES

The Company has the following investments at 29 January 2022.

	Shares in Group companies	Loan to Group companies	Total
	£m	£m	£m
At 30 January 2021	58.2	916.9	975.1
Movements	4.8	(170.7)	(165.9)
At 29 January 2022	63.0	746.2	809.2

The intercompany loan from John Lewis Partnership plc to the Company is non-interest bearing with no specific repayment terms.

A list of subsidiary undertakings is provided in note 29.

15 INVESTMENTS IN AND LOANS TO JOINT VENTURE

The Company applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures.

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the balance sheet.

The Company financial statements include the Company's share of the profit or loss and other comprehensive income of the equity accounted investees, from the date that joint control commences until the date that joint control ceases.

John Lewis PLC and Clipper Logistics PLC are both investors in Clicklink Logistics Limited. Each party owns 50.0% of the equity of Clicklink Logistics Limited and decisions regarding Clicklink Logistics Limited require the unanimous consent of both parties.

	Investment	Loan	Total
	£m	£m	£m
Joint venture			
Cost			
At 30 January 2021	2.1	2.0	4.1
Additions	-	-	-
At 29 January 2022	2.1	2.0	4.1
Share of profit/(loss)			
At 30 January 2021	(0.7)	-	(0.7)
Share of profit	1.0	-	1.0
At 29 January 2022	0.3	-	0.3
At 30 January 2021	1.4	2.0	3.4
At 29 January 2022	2.4	2.0	4.4

Notes to the company financial statements (continued)

16 INVENTORIES

	2022	2021
Inventory	£m	£m
Finished goods and goods for resale	411.0	407.7
	411.0	407.7

The cost of inventory recognised as an expense by the Company in the year was £2,449.6m (2021: £2,457.3m). Provisions against inventories of £24.5m were charged (2021: £31.6m) to cost of sales.

Finished goods and goods for resale include a 'right to return goods' asset of £12.5m (2021: £19.0m). This relates to the Group's expected returns inventory based on previous rates of return.

17 TRADE AND OTHER RECEIVABLES

	2022	2021
Trade and other receivables	£m	£m
Current:		
Trade receivables	51.2	31.8
Other receivables ¹	107.3	98.1
Prepayments	65.1	47.2
Accrued income	15.5	22.1
	239.1	199.2
Non-current:		
Other receivables	2.1	3.0
Prepayments	4.5	2.9
	6.6	5.9

¹ The Partnership operates the BonusSave scheme (the scheme), a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Group (see note 8.2.3). Included within other receivables is a balance of £80.8m (2021: £71.1m) due from John Lewis Partnership Trust Limited in relation to SIP shares in issue but not allocated to Partners.

Trade receivables are non-interest bearing and generally on credit terms of less than 90 days. Concentrations of credit risk are considered to be very limited. The carrying amount of trade and other receivables approximates to fair value and is denominated in Sterling. Within trade receivables is supplier income which has been invoiced where there is no legal right to offset. Included in trade payables are invoices for supplier income where there is a right to offset and the Company intends to offset against amounts owed to suppliers (see note 21).

Within accrued income, there is £8.6m (2021: £11.2m) in relation to supplier income which has not yet been invoiced.

The Company recognises loss allowances for expected credit losses within operating expenses in the income statement. As at 29 January 2022, trade and other receivables of £0.7m (2021: £1.3m) were partially or fully impaired. As at 29 January 2022, trade and other receivables of £23.6m (2021: £29.4m) were past due but not impaired. The ageing analysis of the past due amounts is as follows:

	2022	2021
	£m	£m
Up to 3 months past due	23.0	28.5
3 to 12 months past due	0.5	0.8
Over 12 months past due	0.1	0.1
	23.6	29.4

Notes to the company financial statements (continued)

18 SHORT-TERM INVESTMENTS

	2022 £m	2021 £m
Short-term investments	95.3	0.3

For the year ended 29 January 2022, the effective interest rate on short-term investments was 0.3% (2021: 0.7%) and these investments had an average maturity of 102 days (2021: 75 days).

19 CASH AND CASH EQUIVALENTS

	2022 £m	2021 £m
Cash and cash equivalents		
Cash at bank and in hand	96.1	95.2
Short-term deposits	1,223.1	1,328.6
	1,319.2	1,423.8

For the year ended 29 January 2022, the effective interest rate on short-term deposits was 0.0% (2021: 0.2%) and these deposits had an average maturity of two days (2021: two days).

20 BORROWINGS AND OVERDRAFTS

	2022 £m	2021 £m
Current:		
Bank loans ¹	(150.0)	(75.0)
	(150.0)	(75.0)
Non-current:		
Bank loans	(50.0)	(200.0)
61/8% bonds, 2025	(300.0)	(300.0)
41/4% bonds, 2034	(300.0)	(300.0)
Unamortised bond transaction costs	7.4	8.8
Fair value adjustment for hedged element on bonds	1.0	(4.2)
	(641.6)	(795.4)

¹ £75m of term loans were repaid during 2021/22.

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

Notes to the company financial statements (continued)

21 TRADE AND OTHER PAYABLES

	2022 £m	2021 £m
Current:		
Trade payables	(494.4)	(477.9)
Amounts owed to parent company ¹	(112.1)	(111.7)
Amounts owed to Group companies	(537.3)	(554.2)
Other payables	(141.3)	(128.5)
Other taxation and social security	(123.6)	(100.1)
Accruals	(120.0)	(106.9)
Deferred income	(82.6)	(96.9)
Partnership Bonus	(46.4)	-
	(1,657.7)	(1,576.2)
Non-current:		
Deferred income	(22.1)	(36.9)
	(22.1)	(36.9)

¹ The Company operates the BonusSave scheme (the scheme), a share incentive plan (SIP) which allows Partners to elect to invest part of their Partnership Bonus back into the Company (see note 8.2.3). Included within amounts owed to parent company is a balance of £104.2m in relation to the SIP shares in issue, of which £80.8m relates to SIP shares in issue but not allocated to Partners. There is an offsetting equivalent balance in relation to these shares included within other receivables. The remaining £23.4m relates to SIP shares held directly by Partners.

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

Included in deferred income are contract liabilities for free warranties of £27.6m (2021: £35.6m) and payments from customers for goods and services sold but not delivered of £67.5m (2021: £71.5m). During the year an amount of £12.4m (2021: £25.9m) was released to the income statement in relation to free warranties matching to the period over which the free warranties are utilised. The deferral for the year was £9.3m (2021: £19.0m). All of the contract liabilities for goods and services sold but not delivered at 29 January 2022 have been recognised as revenue in the year ended 29 January 2022.

22 LEASE LIABILITIES

The following amounts are included in the Company's financial statements in respect of its leases.

	2022 £m	2021 £m
Depreciation charge for right-of-use assets (excluding impairment) (see note 13)	(47.2)	(44.0)
Interest expense on lease liabilities	(32.3)	(59.0)
Expense relating to short-term leases	(1.7)	(0.8)
Expense relating to leases of low value assets that are not shown above as short-term leases	(1.2)	(1.2)
Expense relating to variable lease payments not included in lease liabilities	(0.6)	(0.7)
Total cash outflow for leases comprising interest and capital payments	(73.1)	(89.4)
Additions to right-of-use assets	83.7	61.1
Carrying amount of right-of-use assets	732.2	755.0
Income from sub-leasing right-of-use assets	-	0.3

Notes to the company financial statements (continued)

23 PROVISIONS

	Long leave £m	Customer refunds £m	Insurance claims £m	Reorganisation £m	Other £m	Total £m
At 30 January 2021	(150.7)	(37.2)	(17.8)	(86.0)	(47.0)	(338.7)
Charged to income statement	(12.6)	(52.4)	(7.0)	(84.3)	(39.5)	(195.8)
Released to income statement	12.3	-	-	35.3	22.9	70.5
Utilised	6.6	64.8	8.8	110.5	8.1	198.8
At 29 January 2022	(144.4)	(24.8)	(16.0)	(24.5)	(55.5)	(265.2)
Of which:						
Current	(33.6)	(24.8)	(5.9)	(24.5)	(18.6)	(107.4)
Non-current	(110.8)	-	(10.1)	-	(36.9)	(157.8)

The Company has a long leave scheme, open to all Partners, which provides up to six months' paid leave after 25 years' service. There is no proportional entitlement for shorter periods of service. The provision for the liabilities under the scheme is assessed on an actuarial basis, reflecting Partners' expected service profiles, salary growth, National Insurance and overtime earnings assumptions. The real discount rate applied differs from the real discount rate used for the Group's retirement benefits (note 6.1) as it reflects a rate appropriate to the shorter duration of the long leave liability so as to accrue the cost over Partners' service periods. Illustrated in note 4.4 is the sensitivity of the long leave provision to changes in key assumptions.

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

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

Provisions for reorganisation reflect restructuring and redundancy costs, principally in relation to head office reviews and shop closures.

Other provisions primarily include property related costs.

Notes to the company financial statements (continued)

24 DEFERRED TAX

24.1 DEFERRED TAX

Deferred tax is calculated on temporary differences using a rate of 25.0%. The movement on the deferred tax account is shown below:

	2022 £m	2021 £m
Opening asset	186.5	101.6
Credited to income statement	8.4	32.8
(Charged)/credited to other comprehensive income/(expense)	(246.7)	52.1
Closing (liability)/asset	(51.8)	186.5

The movements in deferred tax assets and liabilities during the year are shown below.

	Accelerated tax depreciation £m	Revaluation of land and buildings £m	Rollover gains £m	Other £m	Total £m
Deferred tax liabilities					
At 25 January 2020	(21.8)	(4.5)	(5.6)	(0.4)	(32.3)
Credited/(charged) to income statement	18.5	2.4	(0.6)	–	20.3
At 30 January 2021	(3.3)	(2.1)	(6.2)	(0.4)	(12.0)
Charged to income statement	(4.5)	(2.8)	(2.0)	–	(9.3)
Charged to other comprehensive income	–	–	–	(0.1)	(0.1)
At 29 January 2022	(7.8)	(4.9)	(8.2)	(0.5)	(21.4)

	Tax and capital losses £m	Capital gains tax on land and buildings £m	Pensions and provisions £m	Other £m	Total £m
Deferred tax assets/(liabilities)					
At 25 January 2020	–	8.9	118.7	6.3	133.9
Credited/(charged) to income statement	23.7	8.2	(19.2)	(0.2)	12.5
Credited to other comprehensive income/(expense)	–	–	51.8	0.3	52.1
At 30 January 2021	23.7	17.1	151.3	6.4	198.5
(Charged)/credited to income statement	(7.4)	12.2	10.1	2.8	17.7
Charged to other comprehensive income/(expense)	–	–	(243.1)	(3.5)	(246.6)
At 29 January 2022	16.3	29.3	(81.7)	5.7	(30.4)

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.

The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

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.

Notes to the company financial statements (continued)

24.1 DEFERRED TAX (CONTINUED)

The deferred tax balance associated with the pension surplus has been adjusted to reflect the current tax benefit obtained in the financial year ended 30 January 2010, following the contribution of the limited partnership interest in JLP Scottish Limited Partnership to the pension scheme (see note 6.1 to the consolidated financial statements).

The deferred tax assets and liabilities are recoverable after more than one year.

24.2 FACTORS AFFECTING TAX CHARGES IN CURRENT AND FUTURE YEARS

The Government announced in March 2021 that the rate of Corporation tax will increase from April 2023 to 25% for companies with profits over £250,000. This has increased the tax rate applied on deferred tax balances since last year and will increase the tax rate applied on taxable profits and losses from the 2023/24 financial year.

25 COMMITMENTS AND CONTINGENCIES

At 29 January 2022 contracts had been entered into for future capital expenditure of £12.7m (2021: £13.2m) of which £11.2m (2021: £12.1m) relates to property, plant and equipment and £1.5m (2021: £1.1m) relates to intangible assets.

26 RETIREMENT BENEFIT OBLIGATIONS

As disclosed in note 6.1 to the consolidated financial statements, the investment held by the pension scheme in JLP Scottish Partnership is £65.3m (2021: £76.6m). This represents a plan asset for the Company accounts which is added to the Group funded defined benefit surplus of £492.8m (2021: £646.9m). The retirement benefit surplus of the Company as at 29 January 2022 was £558.1m with an unfunded obligation of £19.3m (2021: £570.3m net obligation). Note 6.1 of the consolidated financial statements details the financial assumptions used.

27 SHARE CAPITAL

	2022		2021	
	Authorised	Issued and fully paid	Authorised	Issued and fully paid
	£m	£m	£m	£m
Share capital				
Equity				
Deferred ordinary shares				
6,750,000 of £1 each	6.7	6.7	6.7	6.7

28 RELATED PARTY TRANSACTIONS

During the year the Company provided administrative support services to charities related to the Company. The estimated value of these support services is £161,000 (2021: £86,000). The Company also made donations totalling £0.8m (2021: £0.4m) to the John Lewis & Partners Foundation.

29 SUBSIDIARIES AND RELATED UNDERTAKINGS

The Company has a number of subsidiaries and related undertakings which contribute to the overall profitability of the Group. In accordance with section 409 of the Companies Act 2006 and Schedule 4 of The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008, a full list of related undertakings, registered office addresses and the percentages of share class owned as at 29 January 2022 are disclosed below. Subsidiaries and related undertakings as at 29 January 2022 were as follows:

Notes to the company financial statements (continued)
29 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

Name	Principal activity	Country of incorporation	Class of share	Percentage shareholdings
Admiral Park Retail Management Limited	Property holding company	Guernsey ¹	Ordinary	54%
Buy.Com Limited	Dormant	England & Wales ²	Ordinary	100%
Carlisle Place Ventures Limited	Home services	England & Wales ²	Ordinary	100%
Clicklink Logistics Limited	Joint venture	England & Wales ³	Ordinary	50%
Herbert Parkinson Limited	Manufacturing and making up	England & Wales ²	Ordinary	100%
JLP Insurance Limited	Insurance	Guernsey ⁴	Ordinary	100%
JLP Scotland Limited	Non-trading	Scotland ⁵	Ordinary	100%
JLP Scottish Limited Partnership ⁽ⁱ⁾	Investment holding undertaking	Scotland ⁵	Partnership interest	100%
JLP Scottish Partnership ⁽ⁱⁱ⁾	Investment holding undertaking	Scotland ⁵	Partnership interest	100%
John Lewis Car Finance Limited	Car finance	England & Wales ²	Ordinary	100%
John Lewis Hong Kong Limited	Sourcing company	Hong Kong ⁶	Ordinary	100%
John Lewis India Private Limited	Sourcing company	India ⁷	Ordinary	100%
John Lewis International Limited	International retail	England & Wales ²	Ordinary	100%
John Lewis Partnership Pensions Trust	Non-trading	England & Wales ²	Ordinary	100%
John Lewis Properties plc	Property holding company	England & Wales ²	Ordinary	100%
John Lewis PT Holdings Limited	Holding company	England & Wales ²	Ordinary	100%
Jonelle Jewellery Limited	Dormant	England & Wales ²	Ordinary	100%
Jonelle Limited	Dormant	England & Wales ²	Ordinary ¹⁰	100%
Park One Management Limited	Provision of management services	England & Wales ⁸	Ordinary	37%
Peter Jones Limited	Dormant	England & Wales ²	Ordinary	100%
The Odney Estate Limited	Dormant	England & Wales ²	Ordinary	100%
Waitrose (Jersey) Limited	Food retailing	Jersey ⁹	Ordinary	100%
Waitrose (Guernsey) Limited	Food retailing	Guernsey ¹	Ordinary	100%
Waitrose Limited	Food retailing	England & Wales ²	Ordinary	100%

¹ The address of the registered office is PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey GY1 3HB.

² The address of the registered office is 171 Victoria Street, London SW1E 5NN.

³ The address of the registered office is Clipper Logistics Group, Gelderd Road, Leeds, West Yorkshire LS12 6LT.

⁴ The address of the registered office is PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 4ET.

⁵ The address of the registered office is John Lewis & Partners, 60 Leith Street, Edinburgh EH1 3SP.

⁶ The address of the registered office is Suite 3201, Jardine House, 1 Connaught Place, Central, Hong Kong.

⁷ The address of the registered office is 3rd Floor, Tower B, Signature Towers, South City, Sector - 30, Gurgaon, Haryana 122001, India.

⁸ The address of the registered office is Number 22 Mount Ephraim, Tunbridge Wells, Kent TN4 8AS.

⁹ The address of the registered office is 44 Esplanade, St Helier, Jersey JE4 9WG.

¹⁰ Jonelle Limited has three classes of shares, each with a nominal value of £1.

⁽ⁱ⁾ John Lewis Partnership Pensions Trust and JLP Scotland Limited are the Limited Partners. John Lewis plc is the General Partner.

⁽ⁱⁱ⁾ JLP Scottish Limited Partnership and John Lewis Properties plc are the General Partners.

Notes to the company financial statements (continued)
29 SUBSIDIARIES AND RELATED UNDERTAKINGS (CONTINUED)

The whole of the ordinary share capital of the subsidiary undertakings of John Lewis PLC is held within the Partnership. Except as noted above, all of these subsidiary undertakings operate wholly or mainly in the United Kingdom.

Ultimate control rests with John Lewis Partnership Trust Limited, which holds the deferred ordinary shares issued by John Lewis Partnership plc in Trust for the benefit of 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 plc, 171 Victoria Street, London, SW1E 5NN.

The Company is a General Partner of JLP Scottish Limited Partnership, a qualifying limited partnership registered at John Lewis & Partners, 60 Leith Street, Edinburgh, EH1 3SP. This is consolidated within John Lewis PLC.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

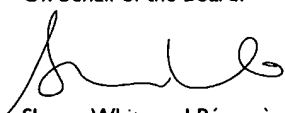
Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK-adopted international accounting standards (UK-adopted IFRS);
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

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

On behalf of the Board.



Sharon White and Béangère Michel
Directors, John Lewis PLC
27 April 2022



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC

1. Our opinion is unmodified

We have audited the financial statements of John Lewis PLC ("the Group") for the 52-week period ended 29 January 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 29 January 2022 and of the Group's loss for the 52-week period then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit and Risk Committee. We were first appointed as auditor by the shareholders on 8 June 2016. The period of total uninterrupted engagement is for the six financial years ended 29 January 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

	The risk	Our response
Impairment of property, plant and equipment and right-of-use assets Recoverable amount £864 million, out of the total PPE and ROUA of £4,400.7 million (2021: recoverable amount £719 million, out of the total PPE and ROUA of £4,523.7 million) <i>Pages 55 to 56 (accounting policy) and pages 56 to 59 (financial disclosures)</i>	Forecast-based assessment The Group has significant property, plant and equipment (PPE) and right-of-use assets (ROUAs) held on the consolidated balance sheet. In the period a net impairment charge of £35.6 million was recognised, predominantly in relation to John Lewis PPE and ROUAs. There is a risk that the carrying value of stores and related PPE and ROUAs may be higher than the recoverable amount. Where a review for impairment, or reversal of impairment, is conducted, the recoverable amount is determined based on the higher of 'value-in-use' (VIU) or 'fair value less costs of disposal'. The recoverable amount was assessed for £864 million of the total PPE and ROUA net book value (2021: £719 million) and identified as supported by VIU calculations. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and could be manipulated to yield a specific outcome. The key assumptions used in the value-in-use calculations for estimating the recoverable amount are expected sales and costs in the short-term cash-flow forecasts, the long-term growth rate, the discount rate and specifically for John Lewis, the online sales allocation. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the VIU had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 3.2) disclose the sensitivities estimated by the Group.	Our procedures included: We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. • Re-performance: We re-performed the calculations the Directors performed for determining the VIU of each cash generating unit and compared data used in the model against source information, where applicable. • Our sector experience: We evaluated assumptions used, in particular those relating to forecast revenue growth and profit margins for each Waitrose and John Lewis store. We also challenged the Directors as to the achievability of their forecasts and business plans, taking into account the historical accuracy of previous forecasts. • Benchmarking assumptions: We compared the Director's assumptions to externally derived data in relation to key inputs such as projected economic growth, cost inflation and discount rates. • Sensitivity analysis: We performed sensitivity analysis to stress-test the assumptions noted above. • Assessing disclosures: We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the carrying amount of PPE and ROUAs.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

	The risk	Our response
Impairment of property, plant and equipment and right-of-use assets (continued)		Our results We found the resulting estimate of recoverable amounts of PPE and ROUAs to be acceptable (2021: acceptable).
Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) net £473.5 million pension surplus (2021: £646.9 million pension deficit) <i>Refer to page 72 (accounting policy) and pages 73 to 81 (financial disclosures)</i>	Subjective valuation A significant level of estimation is required in order to determine the valuation of the gross liability. Small changes in the key assumptions (in particular, discount rates, inflation and mortality rates) can have a material impact on the gross liability. In addition, within the pension asset portfolio are a number of assets whose valuation require significant judgement as a result of quoted prices being unavailable (level 3 assets). These holdings together represented 31.3% (£2,258 million) of the total pension assets held. The asset classes where significant audit effort and judgement was focused were investment properties, special purpose investment vehicles and private equity investments.	Our procedures included: We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. • Benchmarking assumptions: We used our actuarial specialists to challenge the key assumptions (in particular, the discount rate and inflation and mortality rates). This involved comparing the assumption to available market data, our expectation and to other similar UK pension schemes' assumptions; • Assessing base data: We used our actuarial specialists to challenge the methodology used to roll-forward the results of the triennial valuation as at 31 March 2019;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

	The risk	Our response
Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) (continued)	The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the gross defined benefit obligation and level 3 pension assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 6.1.5) disclose the sensitivity estimated by the Group.	• Our valuation expertise: For hard-to-value plan assets, we used our own property valuation specialist to assess the key inputs and assumptions used by external valuers by reference to our own market and industry benchmarks. For private equity funds and special purpose vehicles, we obtained direct confirmations and assessed historical accuracy of valuations to help inform whether current valuations were appropriate; • Methodology choice: We have assessed the pricing model methodologies used with reference to the Royal Institute of Chartered Surveyors for property and the International Private Equity and Venture Capital Valuation guidance for private equity funds included in plan assets; • Assessing disclosures: We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the net deficit to these assumptions. Our results We found the valuation of the Defined benefit pension schemes (Gross liability estimation and valuation of level 3 assets) to be acceptable (2021: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

	The risk	Our response
Parent company financial statements – Valuation of investments <i>Refer to page 97 (financial disclosures)</i>	Low risk, high value The carrying amount of the Company's investment in subsidiaries are valued at cost, less allowances for impairment. We do not consider the valuation of these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effort on our overall parent company audit.	Our procedures included: We performed the tests below rather than seeking to rely on any of the company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. • Test of details: Comparing the investment carrying values to the net assets of the investments to identify whether the net asset values of the subsidiaries, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. • Assessing subsidiary audits: Assessing the work performed over the subsidiaries and considering the results of the work on those subsidiaries' profit and net assets. Our results We found assessment of the carrying value of investments to be acceptable (2021: acceptable).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £14 million, determined with reference to a benchmark of total revenue (as disclosed in note 2.2), of £10,837.5 million, of which it represents 0.13% (2021: 0.13%).

We consider total revenue to be the most appropriate benchmark considering the sector in which the entity operates, its ownership and financing structure, and the focus of users. Additionally, revenue provides a more stable measure year on year than profit before tax.

Materiality for the parent company financial statements as a whole was set at £12.3million (2021: £11.7 million), determined with reference to a benchmark of Company total assets of £5,033.3 million, of which it represents 0.2% (2021: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £10.5 million (2021: £10.3) for the group and £9.2 million (2021: £8.8) for the parent company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk. We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.725 million (2021: £0.685 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 17 (2021: 17) reporting components, we subjected 5 (2021: 5) to full scope audits for Group purposes. In addition, 1 component (2021: 1) was subjected to specified risk-focused audit procedures. The latter was not individually significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed over Claims paid and Outstanding loss reserve.

The components within scope of our work accounted for the following percentages; 99% of total revenue (2021: 98%), 87% of total assets (2021: 87%) and 84% of profit before tax (2021: 87%). The remaining 1% of total revenue (2021: 2%), 13% of total assets (2021: 13%) and 16% of profit before tax (2021: 13%) is represented by 11 reporting components, none of which individually represented more than 5% (2021: 1%) of any total revenue, total assets or profit before tax. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.7 million to £12.3 million, having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 6 components (2021: 1 of the 6 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic.

They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was lower than expected trading volumes.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 1.1.1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit and risk committee, internal audit, legal counsel and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit and Risk Committee and Remuneration Committee meeting minutes;
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we performed procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment, long leave provision assumptions and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure on management to achieve an expected revenue target and limited opportunity to commit fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

We also identified a fraud risk related to the calculation of impairment in response to increased forecast risk as a result of current economic pressures leading to opportunity to manipulate assumptions. Further detail in respect of this is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, manual journals posted irregularly by users and unusual opposing entries including cash or borrowings;
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through our discussion with the Directors, and other management (as required by auditing standards, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations).

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, General Data Protection Regulation (GDPR), fraud, bribery and corruption, environmental protection legislation, export control, Consumer Rights Act, Competition Law, Food Standards Act and employment law recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Risk Committee matters related to actual or suspected breaches of laws and regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

6. We have nothing to report on the other information in the Annual report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- We have not identified material misstatements in the Strategic report and the Directors' report;
- In our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- In our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOHN LEWIS PLC (CONTINUED)

8: Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 106, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

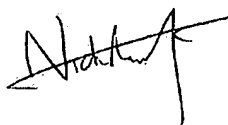
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Frost

(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

27 April 2022

JLP Scottish Limited Partnership
Financial Statements
29 January 2022

Registered number: SL007561

JLP Scottish Limited Partnership

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JLP Scottish Limited Partnership

Partnership information

General partner	John Lewis plc
Limited partners	JLP Scotland Limited John Lewis Partnership Pensions Trust
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL
Banker	The Royal Bank of Scotland plc
Registered office	John Lewis, 60 Leith Street, Edinburgh, EH1 3SP
Registered in Scotland No.	SL007561

JLP Scottish Limited Partnership

Strategic report for the year ended 29 January 2022

Review of performance

Key performance indicators:

	2022	2021
	£'000	£'000
Profit for the year	3,318.1	3,752.7
Investment in JLP Scottish Partnership	99,750.1	99,775.1
Net assets/partners' interests	99,750.0	99,775.0

The Income statement on page 8 shows a profit for the year ended 29 January 2022 of £3,318,100 (2021: £3,752,700) principally as a result of the distribution received from JLP Scottish Partnership.

The balance sheet on page 8 shows the JLP Scottish Limited Partnership's financial position at the year end. The partners' funds as at 29 January 2022 were £99,750,000 (2021: £99,775,000).

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

Principal risks and uncertainties

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

JLP Scottish Limited Partnership's principal risks and uncertainties are in line with those of the Partnership. However, the risk that is most relevant to the JLP Scottish Limited Partnership is external environment, which for the JLP Scottish Limited Partnership is the risk of a fall in freehold estate valuation across the range of Partnership properties.

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

For and on behalf of the general partner



Director
John Lewis plc
27 April 2022

JLP Scottish Limited Partnership

General partner's report for the year ended 29 January 2022

The general partner presents its report and the audited financial statements of JLP Scottish Limited Partnership for the year to 29 January 2022.

Principal activity

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

The JLP Scottish Limited Partnership was registered (number SL007561) in Scotland as a limited partnership by the Registrar of Companies in Scotland on 17 December 2009 and is a partnership between John Lewis plc, JLP Scotland Limited and John Lewis Partnership Pensions Trust as trustee of the John Lewis Partnership Trust for Pensions. The JLP Scottish Limited Partnership allocates and distributes income to its partners in accordance with an Amended and Restated Limited Partnership Agreement dated 26 January 2010, which has been further revised on 27 January 2012, following agreement of the partners.

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

General partner and manager

John Lewis plc
171 Victoria Street
London
SW1E 5NN

Political donations

JLP Scottish Limited Partnership made no political donations during the year (2021: £nil).

Directors' and Officers' liability insurance

The Directors' and key managers (Officers) of the general partner are beneficiaries of Directors' and Officers' liability insurance providing cover for claims made, subject to certain limitations and exclusions, which is purchased and maintained throughout the year by the John Lewis Partnership. The John Lewis Partnership also provides an indemnity for the benefit of each Trustee of the Partnership's Pension Fund, in respect of liabilities that may attach to them in their capacity as a Trustee.

Going concern

The JLP Scottish Limited Partnership is currently in a net assets position. The Directors of the general partner, having reviewed the Partnership's current performance and financing arrangements, consider, at the approval date of these accounts, that the Partnership has sufficient resources to continue in operation and meet its liabilities as they fall due. Accordingly, the Directors of the general partner are satisfied that it is appropriate to adopt the going concern basis in preparing the Partnership's financial statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

JLP Scottish Limited Partnership

General partner's report for the year ended 29 January 2022 (continued)

Disclosure of information to the independent auditor

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

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

For and on behalf of the general partner



Director
John Lewis plc
27 April 2022

JLP Scottish Limited Partnership

Statement of general partner's responsibilities in respect of the Strategic Report, the General Partner's Report and the financial statements

The general partner is responsible for preparing the Strategic Report, the General Partner's Report and the financial statements in accordance with applicable law and regulations.

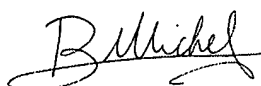
Company law requires the general partner to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the general partner must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the qualifying partnership and of the profit or loss of the qualifying partnership for that period. In preparing these financial statements, the general partner is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

The general partner is responsible for keeping adequate accounting records that are sufficient to show and explain the qualifying partnership's transactions and disclose with reasonable accuracy at any time the financial position of the qualifying partnership and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the partnership and to prevent and detect fraud and other irregularities.

For and on behalf of the general partner



Director

John Lewis plc

27 April 2022

JLP Scottish Limited Partnership

Income statement for the year ended 29 January 2022

		2022	2021 ¹
Note		£'000	£'000
	Distribution received	3,321.1	3,755.9
2	Administrative expenses	(3.0)	(3.2)
	Profit for the year	3,318.1	3,752.7

¹ 53-week year

Balance sheet as at 29 January 2022

		2022	2021
Notes		£'000	£'000
	Non current assets		
3	Investment in JLP Scottish Partnership	99,750.1	99,775.1
	Current assets		
	Cash and cash equivalents	37.5	34.5
		37.5	34.5
	Total assets	99,787.6	99,809.6
	Current liabilities		
	Amounts due to John Lewis plc	(34.6)	(31.4)
4	Other payables	(3.0)	(3.2)
	Net current liabilities	(0.1)	(0.1)
	Total liabilities	(37.6)	(34.6)
	Total assets less current liabilities	99,750.0	99,775.0
	Net assets attributable to partners	99,750.0	99,775.0
	Represented by:		
	Partners' interests		
5	Partners' capital and other interests	99,750.0	99,775.0

The accompanying notes on pages 9 to 11 form part of these financial statements.

These financial statements on pages 8 to 11 were approved by the general partner on 27 April 2022 and signed on its behalf by:



Director
John Lewis plc

Registered number: SL007561

JLP Scottish Limited Partnership

Notes to the financial statements

1 Accounting Policies

Basis of preparation

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements.

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

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

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

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

Going concern

In determining the appropriate basis of preparation of the financial statement for the year ended 29 January 2022 the Directors of the general partner are required to consider whether the partnership can continue in operational existence for at least 12 months from the date of approval of the financial statements. The partnership is part of a wider group ('the Group'), of which John Lewis plc is the parent company and the partnership's ability to operate as a going concern is directly linked to the Group's position.

The Board of John Lewis plc undertook an assessment of the ability of the Group to continue in operation and meet its liabilities as they fall due over a period not less than 12 months from the date of their assessment. This assessment considered a forecast for the 12 month period ending April 2023 which included a base forecast and a downside case which represents an increasingly severe but plausible scenario. The impact of the downside adjustments has been reviewed against the Group's projected cash position and financial covenants. Should these occur, mitigating actions would be required to ensure that the Group remains liquid and financially viable. The downside modelled has a significant adverse impact on sales, margin and cash flow. In response, the Directors have identified available mitigations in the going concern assessment period, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom. The majority of these mitigations would only be triggered in the event of the downside scenario materialising. This assessment was made available to the Directors of the general partner who have considered it in their assessment. The Directors of the general partner have also undertaken a rigorous assessment of the financial forecasts. JLP Scottish Partnership is the main investment held by the partnership. The Directors of the general partner have concluded that the partnership will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

JLP Scottish Limited Partnership

Notes to the financial statements (continued)

1. Accounting Policies (continued)

Administrative expenses

Administrative expenses are charged to the Income statement on an accrual basis.

Distributions

Distributions received from JLP Scottish Partnership are credited to the Income statement when received.

Investments

Investments are valued at cost, less allowances for impairment. Impairment reviews are performed annually. Investments consist of an interest in JLP Scottish Partnership.

Cash at bank and in hand

Cash at bank and in hand in the balance sheet comprises cash at bank.

Taxation

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

2. Administrative expenses

Administrative expenses comprise auditor remuneration of £3,000 (2021: £3,000).

The JLP Scottish Limited Partnership had no employees during the current year (2021: nil).

3. Investment in JLP Scottish Partnership

	£'000
Cost	
As at 25 January 2020	99,800.1
Decrease in investment	(25.0)
As at 30 January 2021	99,775.1
Decrease in investment	(25.0)
As at 29 January 2022	99,750.1

JLP Scottish Limited Partnership has a 58% (2021: 58%) investment in JLP Scottish Partnership, a property holding partnership, as set out in the General partner's report on page 5. JLP Scottish Limited Partnership jointly shares control over the operation and the management of JLP Scottish Partnership with John Lewis Properties plc. As such, JLP Scottish Limited Partnership does not have control to direct the relevant activities of JLP Scottish Partnership and therefore consolidated financial statements are not prepared.

JLP Scottish Limited Partnership's investment in JLP Scottish Partnership has a carrying value of £101,168,800 at 29 January 2022 (2021: £101,612,100) including capital (£99,750,100) and other interests (£1,418,700). The value of the investment in JLP Scottish Partnership decreased during the year following the return of capital from JLP Scottish Partnership and the share of profits and income distributions in accordance with the terms of the Amended and Restated Limited Partnership Agreement.

JLP Scottish Limited Partnership

Notes to the financial statements (continued)

4. Other payables

	2022	2021
	£'000	£'000
Accruals	(3.0)	(3.2)

5. Partners' interests

	Total interests at 30 January 2021 £'000	Share of income profit £'000	Distribution £'000	Return of capital £'000	Total interests at 29 January 2022 £'000
Limited partners:					
JLP Scotland Limited	0.1	-	-	-	0.1
John Lewis Partnership Pensions Trust	94,999.8	3,301.5	(3,301.5)	-	94,999.8
General partner:					
John Lewis plc	4,775.1	16.6	(16.6)	(25.0)	4,750.1
Total partners' interests	99,775.0	3,318.1	(3,318.1)	(25.0)	99,750.0

	Total interests at 25 January 2020 £'000	Share of income profit £'000	Distribution £'000	Return of capital £'000	Total interests at 30 January 2021 £'000
Limited partners:					
JLP Scotland Limited	0.1	-	-	-	0.1
John Lewis Partnership Pensions Trust	94,998.5	3,733.9	(3,732.6)	-	94,999.8
General partner:					
John Lewis plc	4,800.1	18.8	(18.8)	(25.0)	4,755.1
Total partners' interests	99,798.7	3,752.7	(3,751.4)	(25.0)	99,775.0

The partners' interests include the initial capital contribution plus share of income profit less distributions and return of capital since incorporation.

JLP Scottish Limited Partnership

Notes to the financial statements (continued)

6. Ultimate parent company and controlling entity

John Lewis plc¹ is the parent company of the smallest group to consolidate the financial statements of JLP Scottish Limited Partnership. John Lewis Partnership plc¹, JLP Scottish Limited Partnership's ultimate parent company, is the parent company of the largest group to consolidate these financial statements. Ultimate control rests with John Lewis Partnership Trust Limited¹, which holds the deferred ordinary shares issued by John Lewis Partnership plc in Trust for the benefit of employees. These companies are registered in England and Wales. JLP Scottish Limited Partnership is registered in Scotland.

The consolidated financial statements of these groups and of these financial statements are available to the public and may be obtained from the Company Secretary, John Lewis Partnership, 171 Victoria Street, London SW1E 5NN.

¹The address of the registered office is 171 Victoria Street, London SW1E 5NN.



Independent auditor's report to the members of JLP Scottish Limited Partnership

Opinion

We have audited the financial statements of JLP Scottish Limited Partnership ("the qualifying partnership") for the 52-week period ended 29 January 2022 which comprise the Income statement, Balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 29 January 2022 and of its profit for the 52-week period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to qualifying partnership.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the qualifying partnership in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The general partners have prepared the financial statements on the going concern basis as they do not intend to liquidate the qualifying partnership or to cease its operations, and as they have concluded that the qualifying partnership's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the general partners' conclusions, we considered the inherent risks to the qualifying partnership's business model and analysed how those risks might affect the qualifying partnership's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the general partners' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the general partners' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the qualifying partnership's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the qualifying partnership will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of general partners, the Audit and Risk Committee, internal audit, legal counsel and inspection of policy documentation as to the qualifying partnership's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the qualifying partnership's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.



- Reading Board, Audit and Risk Committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as impairment assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure on management to achieve an expected revenue target and limited opportunity to commit fraud.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, journals posted irregularly by users and unusual opposing entries.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the general partners and other management (as required by auditing standards), and discussed with the general partners and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the qualifying partnership is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Partnership is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, fraud bribery and corruption, and environmental protection legislation, recognising the nature of the qualifying partnership's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the general partners and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit and Risk Committee matters related to actual or suspected breaches of laws and regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of laws and regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and



performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflecting in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and general partner' report

The general partners are responsible for the strategic report and the general partners' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the strategic report and the general partners' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the general partner's report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to qualifying partnerships we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

General Partners' responsibilities

As explained more fully in their statement set out on pages 5 and 6, the general partners are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the qualifying partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the qualifying partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the qualifying partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the qualifying partnership and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Nicholas Frost', with a long horizontal stroke extending to the right.

Nicholas Frost
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
27 April 2022